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State of Minnesota  
HOUSE OF REPRESENTATIVES  
NINETIETH SESSION

H. F. No. 1315

02/16/2017 Authored by Runbeck, Vogel, Scott and Koznick  
The bill was read for the first time and referred to the Committee on Transportation and Regional Governance Policy

1.1 A bill for an act  
1.2 relating to transit; providing for the creation of special taxing districts to capture  
1.3 incremental property taxes to finance operating costs of light rail and bus rapid  
1.4 transit lines; proposing coding for new law in Minnesota Statutes, chapter 473.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. [473.452] SPECIAL TAXING DISTRICTS FOR FIXED GUIDEWAY  
1.7 LINE TRANSIT.

1.8 Subdivision 1. Creation. (a) As authorized by this section, the council shall establish a  
1.9 special taxing district to pay for the cost of operating and capital maintenance for each of  
1.10 its existing fixed guideway lines to the extent fare revenues are insufficient to cover those  
1.11 costs.

1.12 (b) In addition, the council shall establish a special taxing district for each new fixed  
1.13 guideway line that it intends to operate. At least one year before July 1 of the year preceding  
1.14 the first year a new fixed guideway line is expected to begin operating, the council shall  
1.15 request certification of a special taxing district under subdivision 4, paragraph (b), for that  
1.16 line.

1.17 Subd. 2. Definition. For purposes of this section, "fixed guideway line" means a transit  
1.18 line, operated by the council, that requires substantial investment in fixed infrastructure,  
1.19 such as acquisition and improvement of right-of-way, track, stations, and similar, and consists  
1.20 of either:

1.21 (1) light rail transit; or

2.1 (2) regular route bus service that operates primarily or substantially within separate  
2.2 rights-of-way dedicated for or primarily used by the service, which may include but is not  
2.3 limited to arterial or highway bus rapid transit, limited stop bus service, and express bus  
2.4 service.

2.5 Subd. 3. **Area of district.** (a) Each special taxing district must consist of the area  
2.6 comprised of any parcel of property located, in whole or part, within 1,000 feet of the  
2.7 right-of-way for the fixed guideway line and classified as class 3 property or class 4 property.

2.8 (b) The area of the district excludes any parcel located within a tax increment financing  
2.9 district that was certified before February 15, 2017, and remained in effect for the first taxes  
2.10 payable year to which the special taxing applies under this section. Upon decertification of  
2.11 any tax increment financing district that resulted in exclusion of a parcel from the special  
2.12 taxing district under this paragraph, the county auditor shall certify the parcel for inclusion  
2.13 in the special taxing district effective for the first taxes payable year for which the tax  
2.14 increment financing district was decertified. The auditor shall add the parcels to the special  
2.15 taxing district with an original tax capacity equal to each parcel's tax capacity for the taxes  
2.16 payable year in which the tax increment financing district was last in effect.

2.17 Subd. 4. **Revenues.** (a) The revenues of the district are the property tax increments  
2.18 attributable to the increase in the net tax capacity of the district that occurs after its  
2.19 certification. The tax increments must be computed in the manner provided in this  
2.20 subdivision.

2.21 (b) Upon the request of the council, the county auditor shall certify the net tax capacity  
2.22 of all taxable property within the area of the special taxing district. Certification of original  
2.23 net tax capacity, captured net tax capacity, and computation of tax increment must be done  
2.24 following the procedures and methods provided under section 469.177 with the following  
2.25 exceptions:

2.26 (1) the current tax rate must be used, rather than the original tax rate under section  
2.27 469.177, subdivision 1a;

2.28 (2) computations of increment must be made using the option under section 469.177,  
2.29 subdivision 3, paragraph (b);

2.30 (3) the county auditor shall annually adjust the original tax capacity of the district by  
2.31 the average percentage change in the tax capacity of class 3 property in the county over the  
2.32 previous assessment year. Increases attributable to new improvements that became taxable  
2.33 in that assessment year must be excluded in calculating the average.

3.1 (c) The county auditor shall pay the tax increment to the council. Revenues may only  
3.2 be used for the operating and capital costs of the fixed guideway line.

3.3 (d) The restrictions on or requirements for tax increment financing districts under sections  
3.4 469.174 to 469.178 do not apply to a special taxing district under this section, except as  
3.5 provided in paragraph (b) and as follows:

3.6 (1) the county may deduct its cost of administration as permitted under section 469.176,  
3.7 subdivision 4h, paragraph (a); and

3.8 (2) to the extent that revenues under this section exceed the projected cost of operations  
3.9 and capital maintenance for the fixed guideway line that exceed fare revenues, the excess  
3.10 must be distributed as provided under section 469.176, subdivision 2, paragraph (c), clause  
3.11 (4).

3.12 Subd. 5. **Relationship to TIF and abatement.** No tax increment financing district may  
3.13 be created under sections 469.174 to 469.178 within the area of the special taxing district  
3.14 as defined under subdivision 3 for fixed guideway lines that are in operation or for which  
3.15 a locally preferred alternative has been designated. No abatement of the incremental tax for  
3.16 the special taxing district under subdivision 4 may be made under sections 469.1812 to  
3.17 469.1815.

3.18 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable in  
3.19 2019. Subdivision 5 applies to requests for certification of tax increment financing districts  
3.20 made after the day following final enactment.

3.21 This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott,  
3.22 and Washington.