Recovering from Natural Disaster in Minnesota: Property Tax Relief and Tax Base Implications

NCSL Task Force on State and Local Taxation
November 23, 2019

Katherine Schill, Fiscal Analyst, Fiscal Analysis Department
For SALT @ 9:00 am Saturday morning...
Torrential rains cause major flooding in Minnesota

Sep 13, 2019

Interstate 90 near Austin, Minnesota. Twisted Truckers, Facebook
2018 Severe storms and flooding

DPS Blog,
Oct. 8, 2018

...the 28 Minnesota counties and three tribal nations experienced severe storms and flooding between June 15 and July 24. Officials at local, county, state and federal levels worked together, assessing damages, cleaning up, and applying for a Major Disaster Declaration.
Residents of Freeborn County suffered damage from a March 6 tornado, but the county was the first to receive State Disaster Assistance in 2017, which will help repair damages to public property and infrastructure.
Types of Disaster Declarations

Minnesota State and Federal Disaster Declarations

Total Number of State and Federal Disaster Declarations by County

Note: This map does not include tribal designations.

hsem.dps.mn.gov
2015 Avian Influenza

85 cases and 19 million birds lost in Iowa and Minnesota

Subject: 2015-MN-004: HPAI Monitoring Situation Report #42
Reporting Period: 06/09/2015 13:00 - 06/10/2015 12:59

Operations Section Chief

As of June 10th, a total of 39 counties have been impacted.

HSEM/SEOC Staff have been actively collaborating with partner agencies and management staff.

- The SEOC is at "Activation Level III - Partial Activation" in response.
- SEOC Staff monitored the daily MDA Briefing conference call.
- DisasterLAN continues to be updated frequently with the latest news for situational awareness.

<table>
<thead>
<tr>
<th>Business Category</th>
<th>4th Quarter 2014</th>
<th>March-June 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey Production</td>
<td>624</td>
<td>12</td>
</tr>
<tr>
<td>Poultry Hatchers</td>
<td>349</td>
<td>13</td>
</tr>
<tr>
<td>Poultry Processing</td>
<td>7323</td>
<td>1506</td>
</tr>
<tr>
<td>Poultry and Poultry Product Merchant Wholesalers</td>
<td>1034</td>
<td>60</td>
</tr>
<tr>
<td>Broilers and other Meat Type Chicken Production</td>
<td>269</td>
<td>7</td>
</tr>
<tr>
<td>Chicken Egg Production</td>
<td>470</td>
<td>42</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1640</strong></td>
<td></td>
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</tbody>
</table>
Disaster impacts on taxes

While place-based, disaster impacts all tax bases:
- Income
- Sales
- Property
Focus on Property Tax Relief and Recovery

How does Minnesota Provide Tax Relief and Disaster Recovery Assistance for damaged property?

- Property Value Reassessment and Assistance
- Disaster Contingency Account
EVALUATION REPORT

Helping Communities from Natural Disasters

March 2012
Minnesota’s State Disaster Assistance Process

1. County declares a local emergency.

2. County conducts an initial damage assessment to determine:
   • Approximate amount of damage to public facilities and its impact.
   • Approximate cost of debris removal.
   • Approximate cost of emergency protection.

3. County submits a request for HSEM to conduct a preliminary damage assessment. This determines if the costs are eligible under the state program.

4. If the eligible damages exceed the requirement, the county must submit a resolution requesting state assistance.

5. HSEM reviews the request and submits it to the governor.
Assessor Disaster Response Guide

Used for responses, reassessment and giving of disaster relief and providing event follow-up

The value loss associated with the damage can be several reasons.

- Executive Council, when approving an area as a disaster/emergency area, must have done so that:
  1. The average damage for the building that was damaged is at least $5,000; and
  2. At least 25 taxable buildings are damaged, and the total dollar amount to all taxable buildings is at least 20% of the total taxable market value.
Role of County Assessors: Reassessment

Assessors Provide Uniform Reassessment, which is key for:

1. The calculation of disaster credits and abatements will be based upon reassessment.

2. Reassessed values may be utilized to leverage federal, state, and other resources.
Minnesota’s Property Tax System

overseen by MN Department of Revenue

Administering and monitoring

- Administered by 87 counties
  - 3,300 individual taxing jurisdictions
  - 2.5 million property parcels
  - Total market value of taxable property is $580 billion
  - Over $8 billion in tax revenue

- Department of Revenue Oversight
  - Equalization of local assessments
  - Monitoring compliance
  - Licensing, education and training
  - Research
Tax Relief for Destroyed Property

Department of Revenue

Tax Relief for Destroyed Property

As provided for in Minnesota Statute 273.1231, the purpose of the Tax Relief for Destroyed Property Program is to provide a reduction in the property tax of homeowners whose homesteaded property have been damaged as the result of a disaster, by reimbursing the loss of local government property tax revenue. Property tax relief is accomplished by providing affected homeowners with a tax credit.
Local Government Eligibility Requirements

For local governments (cities and counties) to be eligible to apply for permission to grant the property owner the homestead tax credit, at least one of the following catastrophic events must have occurred:

- Presidential Declaration of a Major Disaster
- Secretary of Agriculture Disaster Declaration
- Small Business Administration disaster declaration
- City or county declaration of a state of emergency
Three forms of tax relief for damaged property in Minnesota:

Local Option Disaster Abatement
- for taxes payable on homestead and non-homestead property in the year of the disaster or destruction;

Homestead Disaster Credit
- for taxes payable on homestead property in the year following the disaster (relative to the assessment year in which the disaster occurred);

Local Option Disaster Credit
- for taxes payable on homestead property does not qualify for a homestead credit and on non-homestead property following the disaster or destruction (relative to the assessment year in which the disaster occurred).
Disaster Relief Flow Chart

Source: Minnesota Department of Revenue, revised 09/2013
Important note

Tax relief is not necessary for the year following the year of the disaster; the taxes payable in the second following year and any years thereafter, because the normal course of assessment taxation will reflect the value of the damaged or rebuilt property.
State Disaster Contingency Account (DCA)

- Provides assistance for community need after a disaster, even when damages do not qualify for federal funding.

- Established in 2014, the account reimburses local governments and agencies for their eligible costs resulting from responding to and recovering from disasters.
State Disaster Contingency Account (cont)

Once the Governor authorizes state assistance, communities are reimbursed 75 percent of their cleanup and repair expenses. The county itself is responsible for the other 25 percent of the costs.

In 2018, DCA assigned to communities affected by severe weather. Available speeds in the process for damage to property, infrastructure, roads, and public buildings.
State Disaster Contingency Account

- On April 1, 2019, Gov. Walz signed legislation providing $10 million to address un appropriated amounts in the account for FY 2019 and to allow for future costs associated with recent disasters.
- EOS “contingent appropriation” of $12 million, to provide additional resources and avoid the need for a future special session.
Disaster Contingency Account

5 Years of Funding = $39.7 million
Disaster recovery has become an ongoing challenge.

- But how long does it take to recover?
- What are the impacts of a prolonged recovery?
HELPING COMMUNITIES RECOVER FROM NATURAL DISASTERS

Table 3.2: Months to Reimburse Local Government for Recovery of Public Infrastructure Damage

<table>
<thead>
<tr>
<th>Disaster</th>
<th>Median Months to First Payment</th>
<th>Percentage of Cases At or Exceeding Six Months to First Payment</th>
<th>Median Months to Final Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spring 2009 Red River flood</td>
<td>1.58</td>
<td>2%</td>
<td>5.15</td>
</tr>
<tr>
<td>June 2008 southeast flood</td>
<td>0.92</td>
<td>0%</td>
<td>8.65</td>
</tr>
<tr>
<td>August 2007 Rushford, southeast flood</td>
<td>1.55</td>
<td>7%</td>
<td>9.15</td>
</tr>
<tr>
<td>Spring 2006 Red River flood</td>
<td>1.22</td>
<td>4%</td>
<td>10.15</td>
</tr>
<tr>
<td>November 2005 Red River Valley ice storm</td>
<td>0.95</td>
<td>0%</td>
<td>19.35</td>
</tr>
<tr>
<td>September 2004 southern flood</td>
<td>1.12</td>
<td>6%</td>
<td>4.35</td>
</tr>
<tr>
<td>June 2002 northwest flood, tornadoes</td>
<td>1.61</td>
<td>14%</td>
<td>5.35</td>
</tr>
<tr>
<td>Spring-summer 2001 statewide flood</td>
<td>1.84</td>
<td>13%</td>
<td>9.35</td>
</tr>
</tbody>
</table>

NOTE: Analysis includes only disasters from 2000 through 2009 with president for which Homeland Security and Emergency Management (HSEM) maintained reimbursements to local governments. Reimbursement time was the period from the time a community filed a request to its finance department to begin the reimbursement process to when the request was finally completed.

LONG TERM RECOVERY

Some individuals, families, businesses and communities that are especially hard hit by a disaster may require assistance to recover.

Communities

Although federal, state and other resources may be available it is the recovering communities themselves, groups, committees or taskforces that must lead and manage the effort to ensure that issues are agreed upon.

This presentation presents some of the key topics, ideas and steps small communities can take to...

Disaster Recovery for Small Communities - The Unmet Needs Committee

Minnesota Community Recovery Plan Guidebook

The purpose of this Guidebook is to provide step-by-step instruction to allow local emergency managers and locally-focused long-term disaster recovery plan.

A recovery plan should address the consequences of any emergency or disaster in which there is a need for long term recovery. This guide book is designed to walk you through, step by step, on creating the basic concepts prior to a disaster or the full plan following a disaster.

Minnesota Community Recovery Plan Guidebook 2016 (PDF)

Long-Term Recovery Committees - A Best Practice

On June 17, 2010 severe storms and tornadoes impacted much of Minnesota. Otter Tail and Wadena County. Read about their long-term recovery experiences and challenges.

Minnesota VOAD

Minnesota Voluntary Organizations Active in Disaster (MNVOAD) has worked with HSEM to create a guide for the development of Long-Term Recovery Committees. Creating this committee prior to a disaster has proven to be more effective than creating following the event if necessary as well. This document details the process of creating and managing a Long-Term Recovery Committee.
Katherine Schill

Fiscal Analyst, Fiscal Analysis Department
Minnesota House of Representatives
office: 651.296.5384
katherine.schill@house.mn