

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



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

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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 affected by severe storms and flooding between June 15 and June 20, 2018. Officials at local, county, state and federal levels are working on recovery work, assessing damages, cleaning up, and applying for a Major Disaster Declaration.



# 2017 Tornado damage

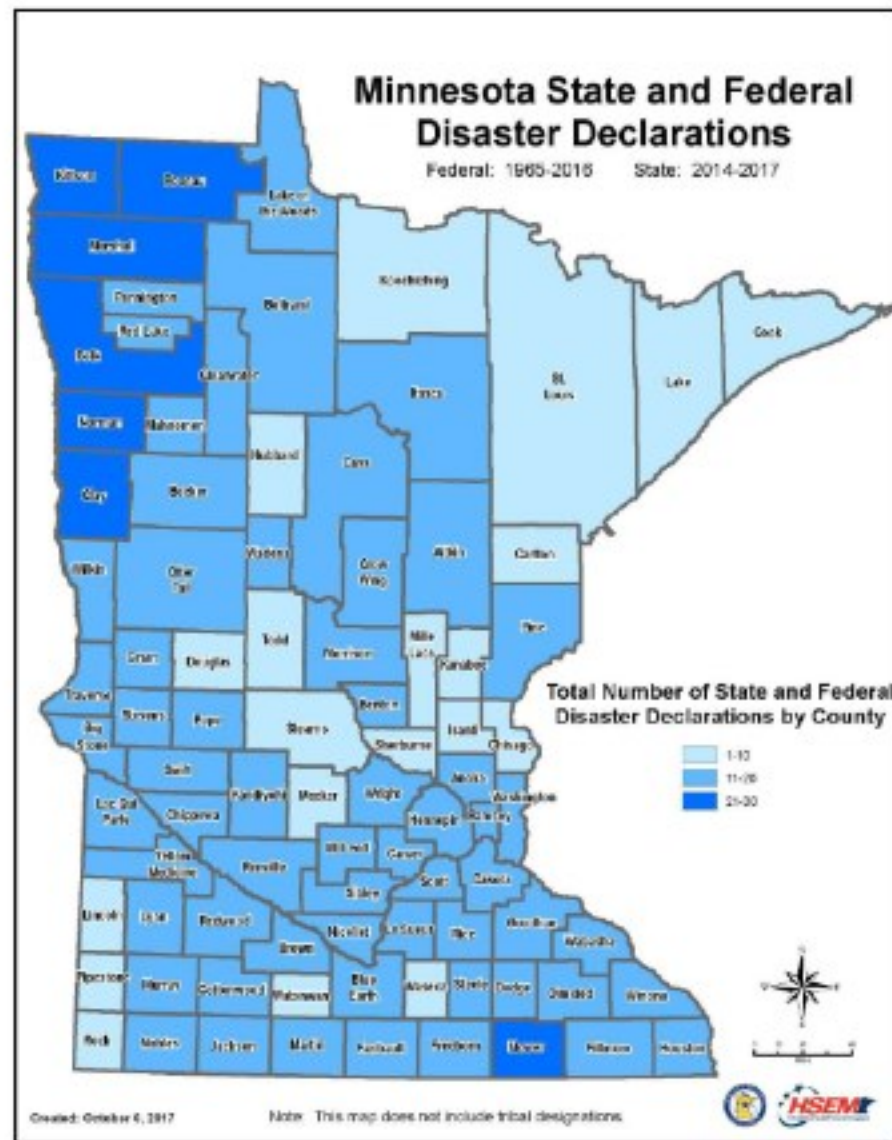
DPS blog, 2017  
<https://www.weather.gov>



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



# 2015 Avian Influenza

85 cases and  
19 million birds  
lost in Iowa and  
Minnesota



Minnesota Department of Public Safety  
Division of Homeland Security and  
Emergency Management

2015-MN-004: Highly Pathogenic Avian

## Situation Report

**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 agency 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.

### UNEMPLOYMENT CLAIMS

Business Category	4 <sup>th</sup> Quarter 2014	March-June 2015
Turkey Production	624	12
Poultry Hatchers	349	13
Poultry Processing	7323	1506
Poultry and Poultry Product Merchant Wholesalers	1034	60
Broilers and other Meat Type Chicken Production	269	7
Chicken Egg Production	470	42
<b>TOTAL</b>		1640

## Disaster impacts on taxes

While place-based, disaster impacts all tax bases

- Income
- Sales
- Property



*From  
Indianapolis Star*



©Gary Varvel.

**Focus on  
Property Tax  
Relief and  
Recovery**

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

- Property Value Reassessment and  
programs
- Disaster Contingency Account

# OLA Report

March 2012



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**OFFICE OF THE LEGISLATIVE AUDITOR**  
STATE OF MINNESOTA

EVALUATION REPORT

## **Helping Communities from Natural Disaster**

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## Minnesota's State Disaster Assistance Process

### Minnesota's State Disaster Assistance

1. County declares a local emergency.
2. County conducts an initial damage assessment to determine:
  - Approximate amount of damage to public infrastructure 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 required threshold, the county must submit a resolution requesting assistance.
5. HSEM reviews the request and submits it to the state.

## County Assessors coordinate with Disaster Response Team

### Assessor Disaster Response Guide

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

The value loss associated with the damage for several reasons.

□ Executive Council, when approving an emergency disaster/emergency area, must have determined that:

1. The average damage for the buildings damaged is at least \$5,000; and
2. At least 25 taxable buildings are damaged for a total dollar amount to all taxable buildings of at least 1 percent of the total taxable market value.



## Role of County Assessors: Reassessment

### Assessors Provide Uniform Reassessment which is key for

1. The calculation of disaster credit abatement 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, to provide reimbursement of local government property tax revenue. Property tax relief is accomplished by providing affected homeowners with a tax credit.

# **Tax Relief for Destroyed Property**

## ***Local Government Eligibility Requirements***

For local governments (cities and counties) to be eligible to apply for permission to grant a homestead tax disaster (homestead tax) credit, as a result of a disaster (tornado, storm, flood, explosion, fire, etc.), one of four emergency disaster designations 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

# Property Tax Relief for disaster assistance

MS §273.1233-5

## Three forms of tax relief for disaster property in Minnesota:

### Local Option Disaster Abatement

- for taxes payable on homestead and on non-homestead property in the year of destruction;

### Homestead Disaster Credit

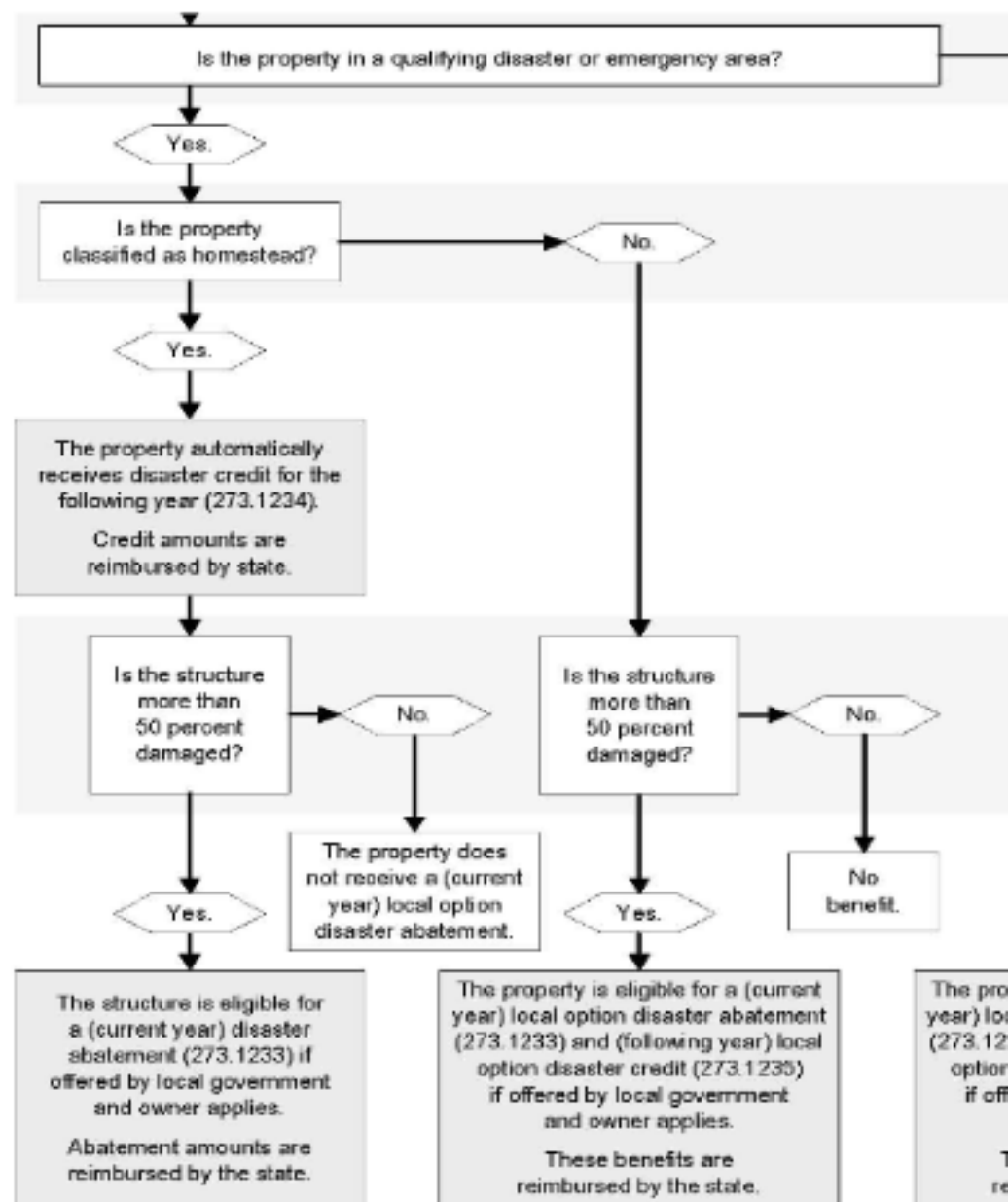
- for taxes payable on homestead property year following the disaster (relative to the assessment year in which the disaster occurred);

### Local Option Disaster Credit

- for taxes payable on homestead property that does not qualify for a homestead credit and on non-homestead property year following the disaster or destruction (relative to the assessment year in which the destruction occurred).



# Disaster Relief Flow Chart



Source: Minnesota Department of Revenue, revised 09/2013

## **Tax Relief for Destroyed Property**

### **Important note**

Tax relief is not necessary for the year following the year of the disaster because taxes payable in the second following year or any years thereafter, because

*the normal course of assessment and property taxation will reflect the value of the property damaged or rebuilt.*

## State Disaster Contingency Account (DCA)

## State Disaster Contingency Account (DCA)

- Provides assistance for community need after a disaster, even when damages do not qualify for federal assistance.
- Established in 2014, the account reimburses local governments and agencies for their eligible costs responding to and recovering from disasters.

## State Disaster Contingency Account (cont)

### State Disaster Contingency Account

- 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, the DCA assisted communities to complete cleanup of affected areas, including severe weather damage. Available funds speed the cleanup process, reducing damage to property and infrastructure, including roads, bridges, and public buildings.

## State Disaster Contingency Account – 2019 legislative session

### State Disaster Contingency Account

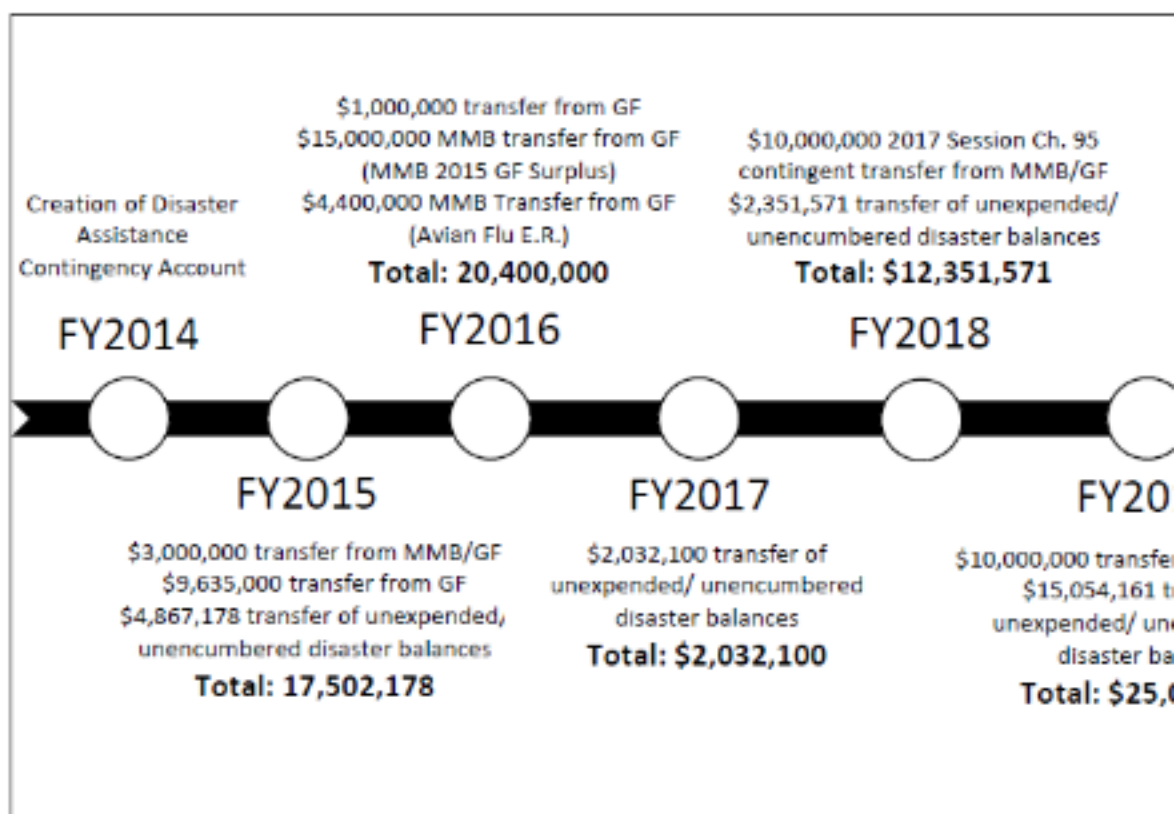
- On April 1, 2019, Gov. Walz signed legislation providing \$10 million to address emergency expenses in the account for FY 2019 and to provide for reimbursements to Minnesota counties for future costs associated with natural disasters.
- EOS “contingent appropriation” of \$10 million, to provide additional resources to avoid the need for a future special legislative session.



# Disaster Contingency Account

5 Years of  
Funding =  
\$39.7 million

## Disaster Assistance Contingency Account Funding History Timeline



Disaster  
recovery has  
become  
*ongoing*  
challenge

- But how long does it take to *recover*?
- What are the impacts of *prolonged recovery*?

# Local Government Recovery

## OLA Report

March 2012

**Table 3.2: Months to Reimburse Local Governments for Recovery of Public Infrastructure Damaged by Natural Disasters**

Disaster	Median Months to First Payment	Percentage of Cases At or Exceeding Six Months to First Payment	Median Months to First Payment
Spring 2009 Red River flood	1.58	2%	5.1
June 2008 southeast flood	0.92	0	8.1
August 2007 Rushford, southeast flood	1.55	7	9.1
Spring 2006 Red River flood	1.22	4	10.1
November 2005 Red River Valley ice storm	0.95	0	19.1
September 2004 southern flood	1.12	6	4.1
June 2002 northwest flood, tornadoes	1.61	14	5.1
Spring-summer 2001 statewide flood	1.84	13	9.1

NOTE: Analysis includes only disasters from 2000 through 2009 with preside for which Homeland Security and Emergency Management (HSEM) maintains reimbursements to local governments. Reimbursement time was the period from file to its finance department to begin the reimbursement process to when the reimbursements were made.

<sup>a</sup> HSEM recorded data on final payments for only 15 of 157 cases in this disaster.

SOURCE: Office of the Legislative Auditor, analysis of time-tracking data from the Department of Safety, Homeland Security and Emergency Management Division.

## DPS Long Term Recovery

Disaster Recovery - Long Term X

https://dps.mn.gov/divisions/hsem/disaster-recovery/Pages/long-term-recovery.aspx

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**HSEM** Homeland Security and Emergency Management  
A Division of the Minnesota Department of Public Safety

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**Disaster Recovery**

- Homeowners and Renters
- Businesses
- Local Governments and Communities
- Unemployed Workers
- Farmers
- **Long Term Recovery**
- Volunteers and Donations
- Minnesota Recovers Task Force
- Emergency Manager Resources

Expand All Collapse All

## LONG TERM RECOVERY

Some individuals, families, businesses and communities that are especially hard hit by a disaster may need 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 addressed and agreed upon.

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

[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 to develop a 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 plan 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.

[Long Term Recovery - A Best Practices: As told by the Wadena - Otter Tail Community](#)

### Minnesota VOAD

Minnesota Voluntary Organizations Active in Disaster (MNVOAD) has worked with HSEM to coordinate the development of Long-Term Recovery Committees. Creating this committee prior to a disaster has proven to be created following the event if necessary as well. This document details the process of creating and implementing a Committee.

[Minnesota VOAD Community Long-Term Recovery Guidebook](#)

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