

# MINNESOTA • REVENUE

## PROPERTY TAX

### Exempt Property Held for Economic Development

February 25, 2011

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 0138 (Ward) / S.F. 0244 (Gazelka) as introduced

#### Fund Impact

	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
	(000's)			
General Fund	\$0	(negligible)	(negligible)	(negligible)

Effective for assessment year 2011, taxes payable 2012 and thereafter.

#### EXPLANATION OF THE BILL

The bill increases the permitted holding period for property held by governmental units for economic development purposes to be exempt from property taxes. Under current law, the holding period is 8 years, except that properties located in a city under 5,000 population in a non-metro county may hold the property 15 years. The bill raises the population limit to 20,000, and allows metro cities to qualify for the longer period.

#### REVENUE ANALYSIS DETAIL

- It is assumed that a relatively small number of additional properties would be withheld from the taxable property rolls.
- Taxes would shift onto the remaining properties, including homesteads. Property tax refunds for homesteads would increase a minimal amount.

Number of Taxpayers: Owners of taxable property in qualifying jurisdictions.

Source: Minnesota Department of Revenue  
Property Tax Division - Research Unit  
[http://www.taxes.state.mn.us/legal\\_policy](http://www.taxes.state.mn.us/legal_policy)

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**PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)**

*Transparency, Understandability, Simplicity & Accountability*      Increase      Removes a restriction.

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<i>Efficiency &amp; Compliance</i>	Neutral
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral
<i>Stability &amp; Predictability</i>	Neutral
<i>Competitiveness for Businesses</i>	Neutral
<i>Responsiveness to Economic Conditions</i>	Increase      More permissive exemption in jurisdictions with slow markets.

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*The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.*