

MINNESOTA • REVENUE

Preliminary
March 10, 2011

PROPERTY TAX School District Referendum Market Value Tax Base Alteration

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 0156 (Ward) / S.F. 0200 (Bakk) as introduced

	Fund Impact			
	FY2012	FY2013	FY2014	FY2015
	(000's)			
Property Tax Refunds	\$0	\$525	\$525	\$525
School Referendum Aid	\$3,512	\$6,383	\$7,082	\$7,086
Total	\$3,512	\$6,908	\$7,607	\$7,611

Effective for taxes payable 2012 and thereafter.

EXPLANATION OF THE BILL

The bill makes non-commercial seasonal recreational residential 4c(1) and 4c(4) property subject to school referendum levies. The bill also removes seasonal residential property from the state general levy tax base. Obsolete apportionment provisions are repealed.

REVENUE ANALYSIS DETAIL

- The proposal was modeled on a taxes payable 2011 simulation.
- Net taxes for non-commercial seasonal recreational residential property (cabins) decrease by \$26.7 million.
- Adding cabin property to the referendum tax base lowers the referendum rate. Therefore net taxes for homestead property decrease. As a result, property tax refunds decrease by \$825,000.
- There would be no change in the total state general levy to be raised. However, removing cabin property from the state general levy raises the state general rate for commercial, industrial, public utility, railroad, and personal property. The state general levy increase on these properties would be \$40.2 million.
- There would be additional school referendum levy/aid equalization impacts. State aid would decrease by \$3.512 million in FY 2012, \$6.383 million in FY 2013, by \$7.082 million in FY 2014, and by \$7.086 million in FY 2015. Local school levies would increase, increasing property tax refunds on homesteads by about \$300,000 per year.

Number of Taxpayers: All property owners.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Increase	State levy formula simplified.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Decrease	Increased property taxes for all state businesses.
<i>Responsiveness to Economic Conditions</i>	Neutral	

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

Source: Minnesota Department of Revenue
Property Tax Division - Research Unit
http://www.taxes.state.mn.us/taxes/legal_policy

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