

MINNESOTA • REVENUE

March 10, 2011

PROPERTY TAX Class 4c Modification

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 1004 (Mullery) as introduced

Fund Impact

	FY2012	FY2013	FY2014	FY2015
	(000's)			
General Fund	\$0	(unknown)	(unknown)	(unknown)

Effective for taxes payable 2012 and thereafter.

EXPLANATION OF THE BILL

The bill allows nonprofit organizations to be classified at the 1.50% classification rate if it makes charitable contributions of at least 25% of its previous year's property taxes, and has a market value of less than \$1,000,000.

REVENUE ANALYSIS DETAIL

Under current law, there is \$72 million of market value in the 4c(3) non-profit classification.

It is assumed that the bill's provisions represent a considerable loosening of the qualification for the non-profit classification. An unknown number of properties meeting the qualifications would shift from commercial to non-profit 4c(3) classification. (The advantage for the change would be for the over \$150,000 of market value portion, and a lower rate on the state levy portion of the tax.)

Taxes will shift from preferred properties to other classes.

Property tax refund increases due to tax shifting onto class 1a or 2a homesteads is unknown.

Number of Taxpayers: Unknown.

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

hf1004_pt_2/lam

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

Transparency, Understandability, Simplicity & Accountability Decrease Second qualification for subcategory listed.

<i>Efficiency & Compliance</i>	Neutral
<i>Equity (Vertical & Horizontal)</i>	Neutral
<i>Stability & Predictability</i>	Neutral
<i>Competitiveness for Businesses</i>	Neutral
<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.