

**PROPERTY TAX  
Constitutional Amendment to Forbid  
State or Local Property Tax Levies  
Except for Debt Purposes**

April 11, 2001

	<b>Yes</b>	<b>No</b>
Separate Official Fiscal Note Requested		<b>X</b>
<b>Fiscal Impact</b>		
DOR Administrative Costs/Savings	<b>X</b>	

Department of Revenue  
Analysis of H.F. 2409 (Krinkie) / S.F. 2280 (Olson)

	<b>Revenue Gain or (Loss)</b>		
	<b><u>F.Y. 2002</u></b>	<b><u>F.Y. 2003</u></b>	<b><u>F.Y. 2004</u></b>
		(000's)	<b><u>FY2005</u></b>
General Fund		Unknown	Unknown

Effective for submission to the people at the 2002 general election.

**EXPLANATION OF THE BILL**

**Current Law:** Political subdivisions of the state, including counties, cities, townships, school districts, and special taxing districts are authorized to levy property tax on taxable property within their jurisdictions. The state is authorized to levy a property tax on all taxable property in the state. If a state property tax is levied, the state auditor notifies county auditors of the state tax rate by November 15. Article XI of the Minnesota Constitution authorizes the state if necessary to levy a property tax on taxable property for which the state has pledged its full faith, credit and taxing powers for debt obligations.

**Proposed Law:** An amendment would be submitted to the people at the 2002 general election posing the question whether the Minnesota Constitution should be amended to prohibit the state or a political subdivision of the state from imposing an ad valorem tax on real or personal property, except for a tax imposed to pay bonds or obligations issued before November 1, 2002. If approved, Article X of the Minnesota Constitution would be changed to prohibit ad valorem property tax levies on real or personal property by the state or its political subdivisions, except for existing debt obligations, and Article XI would be changed to prohibit a state property tax but allow a state sales and use tax to pay debt obligations for which the state pledged its full faith, credit and taxing power.

**REVENUE ANALYSIS DETAIL**

- A total of \$5,191,873,567 in certified local property tax levies were levied by local governments for taxes payable 2001. Local governments are forbidden in current law from levying sales or income taxes except by special law. The proposal makes no provision for replacing local government revenue if property taxes are prohibited.

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- If approved, the referendum would prohibit most property tax levies beginning with taxes payable 2003. Such a prohibition implies but does not specify changes to state educational aid programs and state-paid property tax refunds and aid programs.
- The effect of the proposal is unknown because assessing its impact would require speculation about whether the proposed referendum would achieve a majority vote of the people.

**Number of Taxpayers Affected:** If the referendum passed, all taxpayers in the state would be affected.

#### **ADMINISTRATIVE/OPERATIONAL IMPACT**

Any DOR administrative costs or savings will be contingent on the outcome of the election. There would be far-reaching effects of such a constitutional change.

Source: Minnesota Department of Revenue  
Tax Research Division  
<http://www.taxes.state.mn.us/polic.html#analyses>

hf2409(sf2280)-1 / JB