

PROPERTY TAX
Child Care Provider Facilities Classified
As Class 4c

February 21, 2002

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

Department of Revenue
 Analysis of H.F. 3552 (Sykora)

	Revenue Gain or (Loss)			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
		(000's)		
General Fund			(\$108)	(\$108)

Effective for taxes payable in 2003 and thereafter.

EXPLANATION OF THE BILL

Current Law: Commercial property classified as class 3a has a class rate of 1.5 percent of the first tier of market value to \$150,000 and 2.0 percent on the remaining market value.

Proposed Law: Property used exclusively as a licensed child care provider facility would be reclassified from class 3a to class 4c, reducing the class rate to 1.25 percent of market value. Only facilities licensed under Minnesota Rules, parts 9503.0005 to 9503.0170 (Rule 3) would be eligible. Drop-in child care facilities would be excluded.

REVENUE ANALYSIS DETAIL

- There are approximately 800 child care centers licensed under Rule 9503, subparts 0005 to 0170.
- According to a county assessor, the average market value of an eligible child care center is about \$829,000.
- The total market value of eligible child care centers is about \$662,800,000.
- The proposed reduction in class rates would shift property tax burden from the eligible child care centers to all other property, including homeowners.
- The proposed reduction will increase state-paid homeowner property tax refunds by about \$108,000 per year, beginning in F.Y. 2004.

Number of Taxpayers Affected: The owners of about 800 child care centers would be affected by the class rate reduction. All taxpayers in jurisdictions with eligible child care centers would be affected by the tax shift.

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ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

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

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