

MINNESOTA • REVENUE

PROPERTY TAX Payments in-Lieu-of Taxes

April 14, 2004

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

Department of Revenue

Analysis of H.F. 1740 (Anderson, I.) / S.F. 1667 (Saxhaug) **Analysis Revised to Reflect Correct Effective Date**

| | Revenue Gain or (Loss) | | | |
|--------------|-------------------------------|-------------------------|-------------------------|-------------------------|
| | <u>F.Y. 2004</u> | <u>F.Y. 2005</u> | <u>F.Y. 2006</u> | <u>F.Y. 2007</u> |
| | | (000's) | | |
| General Fund | \$0 | \$0 | (\$280) | (\$290) |

Effective August 1, 2004.

EXPLANATION OF THE BILL

The bill modifies a natural resources land payment program by creating a separate definition for “land utilization project land”. Previously defined as other natural resources land, land that is leased by the state from the federal government through the U.S. Department of Agriculture according to Title III of the Bankhead Jones Farm Tenant Act regarding submarginal land and administered by the Minnesota Department of Natural Resources is known as land utilization project land.

Under current law, an offset payment of 37.5¢ per acre is appropriated to counties and towns for expenses incurred in support of other natural resources land. Under the proposal, the offset payment appropriated to counties and towns for expenses incurred in support of land utilization project land would be the greater of: 1) \$3 per acre, or 2) one-half of the annual net proceeds received by the Department of Natural Resources from timber sales on land utilization project land. Counties would distribute to each township 30¢, as adjusted for inflation, per acre of land utilization project land.

The proposal also adds a reporting requirement for the Department of Natural Resources to certify the number of acres of land utilization project land and the net proceeds of timber sales on these lands to the Department of Revenue by March 1 of each payment year.

REVENUE ANALYSIS DETAIL

- The Minnesota Department of Natural Resources leases 81,700 acres of land from the federal government that would be categorized as land utilization project land. The number of acres is assumed to remain constant for the near term.

REVENUE ANALYSIS DETAIL (continued)

- Beginning in 2001, per acre payments for all types of land are increased annually based on the forecast of the implicit price deflator for state and local government consumption expenditures and gross investment.
- The per acre payment calculation was assumed to be greater than the timber revenue option.
- Other natural resources land administered by the Department of Natural Resources received 46.5¢ per acre as adjusted for inflation in FY 2004. Land categorized as utilization project land would have received a payment amount of \$3.719 per acre as adjusted for inflation. This difference would increase state payments to counties for expenses incurred in support of utilization project land.
- The first payment would be made in July 2005 and would affect FY 2006.

Number of Taxpayers: 87 counties receive payments in lieu of taxes.

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

hf1740(sf1667)-3/nrg