

MINNESOTA • REVENUE

PROPERTY TAX Dedicate Education Reserve Account And Change State General Levy

April 21, 2004

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

Department of Revenue

Analysis of S.F. 1816 (Stumpf), **As Amended and Revised for Pay 2005 Data**

	<u>Revenue Gain or (Loss)</u>			
	<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	\$16,000	\$48,100	\$80,100

Dedication effective for taxes payable in 2004 and thereafter.
State general levy change effective beginning in taxes payable 2005.

EXPLANATION OF THE BILL

Current Law: Proceeds from the state general levy on commercial, industrial, and seasonal residential recreational property are deposited in the general fund.

Proposed Law: The state levy tax rate would be frozen for commercial and industrial property at the 2004 tax rate. The proposal establishes an education reserve account in the general fund. The dedicated portion of the state general levy would be the annual growth in levy compared to the 2002 base amount. Dedicated funds would not lapse or cancel each year, but remain until appropriated. The dedication would decrease the general fund amount for other purposes.

REVENUE ANALYSIS DETAIL

- Assuming a commercial-industrial market value growth rate of 6% in payable 2005 and 7% in payable 2006, the state general levy would increase by \$34.8 million in payable 2005 and by \$63.8 million in payable 2006, compared to current law forecast. Fiscal year amounts would be \$16 million in FY 2005, \$48.1 million in FY 2006, and \$80.8 million in FY 2007.
- The amount of dedication in payable 2004 would be approximately \$23.2 million. An additional \$65 million would be added to the dedicated account in pay 2005, and \$109.7 million would be added in pay 2006. No change is shown above for shifting amounts within the general fund.

Number of Taxpayers: All owners of commercial and industrial property.

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