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PROPERTY TAX Local Option Property Tax Exemption for Nonprofit Child Care Facilities

April 28, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 4100 (Lanning) / S.F. 3784 (Skoe)

The bill would allow a city or town to grant a property tax exemption for property that is owned and operated by a nonprofit organization and used exclusively for child care purposes if all of the following conditions are met:

- (1) the fees and charges for at least 30% of the children are paid in whole or in part from government assistance programs;
- (2) the staff must include licensed teachers; and
- (3) no private shareholders shall benefit from any part of the organization's net earnings.

No portion of the property can be used for temporary or permanent residential purposes.

- According to the Department of Human Services, there are approximately 1,500 licensed child care facilities in Minnesota.
- The number of licensed child care facilities that are owned and operated by nonprofits and meeting the conditions to be eligible for a property tax exemption is not known.
- A property tax exemption would reduce the local tax base relative to the base under current law, and cause a property tax shift to all other property including homesteads.
- It appears that the increased property tax burden on homesteads caused by the exemption would increase state-paid homeowner property tax refunds by less than \$5,000.

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

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