

MINNESOTA • REVENUE

PROPERTY TAX Payment-in-Lieu-of Taxes

March 8, 2007

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1154 (Saxhaug) / H.F. 1356 (Anzelc)

	<u>Fund Impact</u>			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
		(000's)		
General Fund	(\$365)	(\$370)	(\$375)	(\$385)

Effective for payments in 2007 and thereafter.

EXPLANATION OF THE BILL

Current Law: The offset payment appropriated to counties and towns for expenses incurred in support of land utilization project land is 75¢ per acre.

Proposed Law: Under the proposal, the offset payment to counties and towns for expenses incurred in support of land utilization project land would be \$3 per acre, plus one-half of the annual net proceeds from timber sales on land utilization project land located in the county.

The proposal also changes the distribution of proceeds for townships and adds a reporting requirement for the Department of Natural Resources to certify 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.
- 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.
- Utilization project land administered by the Department of Natural Resources received \$1.08 per acre as adjusted for inflation in FY 2007. Land categorized as utilization project land would have received a payment amount of \$4.33 per acre as adjusted for inflation. This difference would increase state payments to counties for expenses incurred in support of utilization project land.

REVENUE ANALYSIS DETAIL (continued)

- The federal government lease states that revenue generated from the utilization project land must be used to improve the land. Under the proposal, counties would receive a payment equal to one-half of the annual net proceeds from timber sales on utilization project land. The state general fund would be responsible for making this payment, which is estimated to total \$86,000 in FY 2008. The payment is assumed to remain constant through FY 2011.
- The first payment would be made in July 2007 and would affect FY 2008.

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