

MINNESOTA • REVENUE

PROPERTY TAX

Freeze C-I State General Levy at \$717.1 million

January 18, 2011

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of S.F. 1 (Michel), sections 1 and 2 only, as introduced

	Fund Impact			
	FY2012	FY2013	FY2014	FY2015
	(000's)			
General Fund	(\$26,100)	(\$53,900)	(\$67,800)	(\$85,400)
Income Tax Interactions	\$0	\$1,400	\$1,800	\$2,200
Total	(\$26,100)	(\$52,500)	(\$66,000)	(\$83,200)

Effective for taxes levied in 2011, payable in 2012 and thereafter.

EXPLANATION OF THE BILL

The proposal freezes the state general levy for class 3 and 5 commercial, industrial, and utility property at \$717.1 million. The state general levy for seasonal recreational residential property would be frozen at the 2011 level of \$39.8 million. The 5% seasonal recreational residential / 95% commercial-industrial proportion is repealed.

REVENUE ANALYSIS DETAIL

Analysis is based on November, 2010 forecast data.

Property taxes for class 3 and 5 commercial-industrial property would decrease by \$47.5 million in payable 2012, \$59.1 million in payable 2013, \$74.9 million in payable 2014, and \$94 million in payable 2015.

The proposal freezes the commercial - industrial state general levy at \$717.1 million, a lower level than projected for current law. The cost to the state general fund on a fiscal year basis would be \$26.1 million in FY 2012, \$53.9 million in FY 2013, \$67.8 million in FY 2014, and \$85.4 million in FY 2015.

Since lower property taxes would reduce individual and corporate income tax deductions, and therefore increase income tax collections, there is a general fund savings of \$1.4 million in FY 2013, \$1.8 million in FY 2014, and \$2.2 million in FY 2015.

The seasonal recreational residential state general levy would remain at the 2011 level of \$39.8 million.

Number of Taxpayers: Owners of seasonal recreational residential and commercial, industrial, and utility property would be directly affected.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Increase	Fewer steps in computation.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Increase	Inflation factor variability eliminated.
<i>Competitiveness for Businesses</i>	Increase	Compared to other states.
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.

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

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