

# MINNESOTA • REVENUE

## PROPERTY TAX

### Township Market Value Homestead Credit Reimbursement Elimination

March 21, 2011

**Property Taxes and Local Aids Only --  
See Separate Analysis for State Taxes**

	Yes	No
DOR Administrative Cost/Savings		x

Department of Revenue  
Analysis of S.F. 0957 (Rest) as introduced (Section 1)

	<b>Fund Impact</b>			
	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
	(000's)			
Township Credit Reimbursement Reduction	\$10,150	\$10,290	\$10,420	\$10,750
PTR Interaction from Levy Changes	\$0	(\$430)	(\$220)	(\$220)
Income Tax Interaction from Levy Changes	\$0	(\$430)	(\$230)	(\$230)
<b>Total General Fund</b>	<b>\$10,150</b>	<b>\$9,430</b>	<b>\$9,970</b>	<b>\$10,300</b>

Effective August 1, 2011

### EXPLANATION OF THE BILL

Under current law, market value credit reimbursements to townships are reduced by the amount of their 2010 reduction.

The bill would eliminate the remaining market value credit reimbursement to townships.

### REVENUE ANALYSIS DETAIL

- The proposal would first impact township credit reimbursements payable in CY 2011.
- Current law permanent reimbursement reductions total approximately \$5 million annually. The proposal would eliminate the remaining reimbursements totaling about \$10 million annually.
- It is assumed that townships receiving a reimbursement reduction would increase property tax levies for a portion of the reduction. This would increase property taxes on all property including homesteads.
- The increased property tax burden would increased state-paid homeowner property tax refunds and income tax deductions beginning in FY 2013.

Source: Minnesota Department of Revenue  
Property Tax Division - Research Unit  
[http://www.taxes.state.mn.us/legal\\_policy](http://www.taxes.state.mn.us/legal_policy)

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

*Transparency, Understandability, Simplicity & Accountability*      Decrease      Additional reductions outside of current formula calculations.

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*Efficiency & Compliance*      Neutral

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*Equity (Vertical & Horizontal)*      Neutral

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*Stability & Predictability*      Neutral      Short term instability with mid-year reduction.

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*Competitiveness for Businesses*      Neutral

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*Responsiveness to Economic Conditions*      Neutral

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