MINNESOTA · REVENUE

January 31, 2012

PROPERTY TAX
Levy Limits Imposed

	Yes	No
DOR Administrative Cost/Savings		x

Department of Revenue
Analysis of H.F. 1911 (Davids) as introduced

	Fund Impact			
	FY2012	**FY2013**	**FY2014**	**FY2015**
	(000's)			
Property Tax Refund Interaction	$0	$0	$2,050	$5,000
Income Tax Interaction	$0	$0	$2,080	$5,050
General Fund Total	$0	$0	$4,130	$10,050

Effective for taxes payable in 2013 and thereafter.

EXPLANATION OF THE BILL

The bill would authorize permanent levy limits on all counties, cities and special taxing districts beginning for taxes levied in 2012 and payable in 2013. The limit for property taxes payable in 2013 would be an increase of 1.9% over the payable year 2011 or 2012 levy, whichever is greater. Adjustments to the levy limit would be allowed for voter approved levies and debt service payments for debt incurred prior to May 2012.

For property taxes payable in 2014 and thereafter, the limit would be equal to a 1.9% increase from the previous year's final levy limit plus any eligible adjustments.

The bill would require a voter referendum before incurring new debt if the payments would cause a levy increase of greater than 1.9% from the previous year and also limit the salary request for certain county positions.

REVENUE ANALYSIS DETAIL

- It is estimated that the property tax levy limits would reduce levies by $48 million in payable 2013 and $116 million in payable 2014. No voter approved levy increases are assumed during the first two years.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2014, resulting in a savings to the state general fund.

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

Transparency, Understandability, Simplicity & Accountability	Decrease	Accountability is reduced because local jurisdictions lose some authority to determine levy amount.
Efficiency & Compliance	Neutral	
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Increase	Levy changes would be limited more than under current law.
Competitiveness for Businesses	Increase	Business property taxes would likely be lower relative to current law.
Responsiveness to Economic Conditions	Decrease	Local jurisdictions would be limited in their ability to increase levies to cover changes in service demands, such as new development.

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/legal_policy

hf1911_pt_1/nrg