

MINNESOTA • REVENUE

January 31, 2012

PROPERTY TAX

State General Levy Reduction

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of S.F. 1624 (Pederson) as introduced

	Fund Impact			
	FY2012	FY2013	FY2014	FY2015
	(000's)			
State General Levy	\$0	(\$31,000)	(\$56,800)	(\$72,700)
Income Tax Interactions	\$0	\$0	\$1,690	\$1,720
General Fund Total	\$0	(\$31,000)	(\$55,110)	(\$70,980)

Various effective dates.

EXPLANATION OF THE BILL

The bill makes several changes to the state general levy. The levy total for seasonal recreational residential (cabin) property is set at \$40.6 million for taxes payable 2013. The levy total for commercial-industrial property is set at \$739 million for taxes payable 2013. For taxes payable in 2014, the levies are allowed to grow by the amount of the implicit price deflator for government consumption. For taxes payable 2015 and 2016, the commercial target levy is set at \$743 million and the cabin levy is set at \$40.5 million. Beginning taxes payable 2017, the state general levy amounts are reduced by 10% per year until the levies are zero for taxes payable 2026. The 95% apportionment percentage in current law is removed.

REVENUE ANALYSIS DETAIL

- The state general levy would decrease by \$31.0 million in FY 2013, \$56.8 million in FY 2014, and by \$72.7 million in FY 2015.
- Lower commercial taxes would reduce deductions on corporate and individual income tax returns, increasing state tax collections by \$1.69 million in FY 2014 and by \$1.72 million in FY 2015.

Number of Taxpayers: All commercial-industrial property owners, some residential taxpayers would be directly affected.

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

*Transparency, Understandability,
Simplicity & Accountability* Neutral

Efficiency & Compliance Neutral

Equity (Vertical & Horizontal) Neutral

Stability & Predictability Neutral

Competitiveness for Businesses Increase Net decrease in property taxes for business properties statewide.

*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.

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

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