

MINNESOTA • REVENUE

PROPERTY TAX

Bovine Tuberculosis Property Tax Credit Modifications

February 21, 2012

| | Yes | No |
|---------------------------------|-----|----|
| DOR Administrative Cost/Savings | | X |

Department of Revenue

Analysis of H.F. 1890 (Fabian) / S.F. 1555 (Stumpf) as introduced

| | Fund Impact | | | |
|--|--------------------|---------------|---------------|---------------|
| | FY2012 | FY2013 | FY2014 | FY2015 |
| | (000's) | | | |
| Bovine Tuberculosis Credit | \$0 | (\$70) | (\$70) | \$0 |
| Property Tax Refunds and Income Interactions | \$0 | \$0 | \$8 | \$8 |
| General Fund Total | \$0 | (\$70) | (\$62) | \$8 |

Effective for taxes payable in 2012 and thereafter.

EXPLANATION OF THE BILL

The proposal reinstates the property tax bovine market value credit. The amount of the credit to recipients is their 2011 payment. The 2012 reimbursement would be paid by the counties directly to recipients. The 2013 reimbursement would be a property tax credit. The reinstated credit would expire the year following the removal of all restrictions regarding the raising of animals in the tuberculosis management zone.

REVENUE ANALYSIS DETAIL

- The bovine tuberculosis credit expired after the state was certified tuberculosis-free by the state Board of Animal Health.
- The Board estimates that if no other cases of infection are found, testing requirements would cease by the end of June 2013.
- The reinstated credit would be the same as the amount paid in 2011 and assumes 100% application.
- It is estimated that fewer than two dozen taxpayers would qualify, and that the credit would be confined to the 12 townships in the smaller management zone.
- The credit cost would decrease the state general fund by \$70,000 in FY 2013 and FY 2014.
- Lower property taxes would reduce property tax refunds by \$6,000 in FY 2014 and FY 2015.
- Lower property taxes would reduce deductions on corporate and individual income tax returns, increasing state tax collections by \$2,000 in FY 2014 and FY 2015.

Number of Taxpayers: Fewer than two dozen taxpayers in the Bovine Tuberculosis management zone would be directly affected.

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

| | | |
|---|----------|---|
| <i>Transparency, Understandability, Simplicity & Accountability</i> | Decrease | Third revision of bovine TB credit |
| <i>Efficiency & Compliance</i> | Neutral | |
| <i>Equity (Vertical & Horizontal)</i> | Neutral | |
| <i>Stability & Predictability</i> | Decrease | Reinstatement of expired credit |
| <i>Competitiveness for Businesses</i> | Increase | Net decrease in property taxes for business properties statewide. |
| <i>Responsiveness to Economic Conditions</i> | Decrease | Property tax credit has small relationship to testing costs. |

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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