

MINNESOTA • REVENUE

PROPERTY TAX

State General Levy Reduced and Eliminated, PTR Modifications

February 21, 2012

	Yes	No
DOR Administrative Cost/Savings	X	

Department of Revenue

Analysis of H.F. 2337 (Davids) / S.F. 1972 (Ortman) as introduced

	Fund Impact			
	FY2012	FY2013	FY2014	FY2015
	(000's)			
State General Levy Base Amount Decrease	\$0	(\$40,000)	(\$115,800)	(\$201,000)
State Levy CI Refund	\$0	(\$40,000)	\$0	\$0
Targeting Refund	\$0	(\$1,760)	(\$1,100)	(\$1,430)
Income Tax Interaction	\$0	\$0	\$2,180	\$4,530
Total General Fund	\$0	(\$81,760)	(\$114,720)	(\$197,900)

Various effective dates.

EXPLANATION OF THE BILL

The proposal makes several changes to the state general levy. The proposal sets the state general levy at \$763.2 million in payable 2013, \$699.5 million in payable 2014, \$627 million in payable 2015, \$501.6 million in payable 2016, \$376.2 million in payable 2017, \$250.8 million in payable 2018, and \$125.4 million in payable 2019. The levy is repealed for taxes payable 2020.

In addition, a refund of 2.621 percent of the pay 2012 state general levy net tax capacity is to be paid by counties to qualifying class 3a commercial and industrial property. The refund is to be paid by August 31, 2012. The state would reimburse the counties by August 15, 2012.

Under current law, the special refund formula (targeting) amount is 60% of the property tax increase greater than 12%, subject to a maximum refund of \$1,000 and a minimum tax change over \$100. The bill changes the 60% factor to 75% for taxes payable 2012 and thereafter.

REVENUE ANALYSIS DETAIL

- Data is from the November, 2011 forecast.
- The CI state general levy refund for payable 2012 is \$40 million.
- The state general levy reduction due to the base amount changes would be \$40 million in FY 2013, \$115.8 million in FY 2014, and \$201 million in FY 2015.
- Lower property taxes would reduce deductions on corporate and individual income tax returns, increasing state tax collections by \$2.18 million in FY 2014 and by \$4.53 million in FY 2015.
- Additional targeting would reduce the state general fund by \$1.76 million in FY 2013, \$1.1 million in FY 2014, and \$1.43 million in FY 2015. Note: returns submitted in 2011 or taxes payable in 2012 would require an adjustment after the claim has been filed by the taxpayer to reflect the increased refund amount. This would result in increased administrative costs.

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

*Transparency, Understandability,
Simplicity & Accountability*

<i>Efficiency & Compliance</i>		
<i>Equity (Vertical & Horizontal)</i>		
<i>Stability & Predictability</i>	Decrease	Temporary features lower predictability.
<i>Competitiveness for Businesses</i>	Increase	All businesses would see lower property taxes.

*Responsiveness to Economic
Conditions*

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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