

# MINNESOTA • REVENUE

February 02, 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

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

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 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 and seasonal recreational property owners.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Increase	Net decrease in property taxes for business properties statewide.
<i>Responsiveness to Economic Conditions</i>	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](http://www.taxes.state.mn.us/legal_policy)

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