MINNESOTA · REVENUE

March 27, 2012

PROPERTY TAX
Real Property Definition Modified

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 2742 (Morrow) / S.F. 2489 (Rosen) as introduced

	Fund Impact			
	FY2012	**FY2013**	**FY2014**	**FY2015**
	(000's)			
Property Tax Refunds	$0	$0	($90)	($90)

Assumed effective for taxes payable 2013 and thereafter.

The bill removes fermentation tanks and beer wells that are part of a biofuels production process from the definition of real property, regardless of size, weight, attachment or installation.

- The bill, in effect, exempts the described equipment from property taxation.
- Based on a survey of assessors of ethanol plants, it is estimated that there is $78 million of market value of qualifying equipment in ethanol plants.
- Local and referendum levies would shift onto other property types.
- Homestead property taxes would increase, raising property tax refunds. Property tax refunds are estimated to increase by $90,000 in FY 2014 and FY 2015.
- $800,000 of state general levy on exempted equipment would shift onto other class 3a commercial property.

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

Transparency, Understandability, Simplicity & Accountability	Decrease	Creates new subcategory exempt property.
Efficiency & Compliance	Decrease	New category for assessors.
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Neutral	
Competitiveness for Businesses	Increase	Net decrease in Minnesota business taxes.
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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