PROPERTY TAX
Laws 2012, Chapter 294
Omnibus Tax Bill (Supplemental)

May 15, 2012

Property Taxes and Local Aids Only --
See Separate Analysis for State Taxes

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of Laws 2012, Chapter 294

	Fund Impact			
	F.Y. 2012	**F.Y. 2013**	**F.Y. 2014**	**F.Y. 2015**
Article 1: Property Taxes		(000's)		
Local Government Aid Increase	$0	$0	($1,069)	$0
Payment for City of Tamarack	$0	($12)	$0	$0
LGA Payments FY 2012	$0	$0	$0	$0
Targeting Refund	$0	($4,100)	$0	$0
Article 2: Economic Development Cleanup				
Technical and Obsolete Reference Cleanup	$0	$0	$0	$0
Article 3: Special Recovery Fund*				
Property Tax Interactions				
Property Tax Refund Interactions	$0	$0	$30	$0
Income Tax Interactions	$0	$0	$30	$0
General Fund Total*	**$0**	**($4,112)**	**($1,009)**	**$0**

*Under article 3, $4.112 million of the balance in the Revenue Department service and recovery special revenue fund would be transferred to the general fund in fiscal year 2012. The impact of this provision is not included in this analysis.

Various effective dates.

EXPLANATION OF THE BILL & REVENUE ANALYSIS DETAIL

Article 1: Property Taxes

Local Government Aid Increase (Sections 1-3, 5)
For aids payable in 2013, each city with a population of 5,000 or more would receive the same distribution amount as 2012. For cities under 5,000 population, the distribution would be equal to the greater of its 2012 distribution or its certified 2013 amount. The proposal would also provide a $12,000 increase to the city of Tamarack.

- Under current law, cities were certified to receive $425.2 million in 2012 and estimated to receive $426.4 million in 2013 and thereafter.
- Under the proposal, the net increase in aid would be $1.069 million in 2013. The appropriation would be unchanged for 2014 and thereafter.
- It is assumed that the net increase in aid to cities would reduce property tax levies by a portion of the increase. This would reduce property taxes on all property classes including homesteads.
- The decreased property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions in FY 2014, resulting in a savings to the state general fund.

LGA Penalties (Section 4)
The bill would provide payments to seventeen cities that had 2011 local government aid (LGA) payments withheld due to noncompliance with financial reporting requirements. The payment of withheld LGA to these cities would be made before June 30, 2012 provided that the financial reports are received by the State Auditor by May 31, 2012. Up to $794,597 of the existing FY 2012 appropriation is made available for these payments.

- The February 2012 forecast assumes the full LGA appropriation would be paid to cities.
- LGA payments withheld for the 17 cities total $794,579.
- The $794,579 that will be unpaid under current law will cancel at the end of the fiscal year.
- Under the bill, it is assumed that all 17 cities would provide the financial reports and the withheld amounts would be paid in FY 2012.

Targeting Refund (Section 6)
Under current law, the special refund formula 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 proposal changes the 60% factor to 90% for taxes payable 2012 only.

- The estimates are based on the February 2012 forecast.
- Due to the formula change, the targeting (special supplemental) refund would increase by $4.1 million for payable 2012.

Note: returns submitted for rent paid 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.

Article 2: Economic Development Cleanup

The bill would make technical changes and repeal obsolete provisions related to economic development, including clarifications to the enterprise zone law and repeal of the International Economic Development Zone program which was never designated.

- There would be no assumed impact to the state general fund.

Article 3: Special Recovery Fund

The bill would make a one-time transfer to the general fund of $4.112 from the Revenue Department service and recovery special revenue fund.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
http://www.revenue.state.mn.us/research_stats

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