MINNESOTA·REVENUE

PROPERTY TAX

February 12, 2013

Market Value Definition

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of S.F. 0312 (Rest) / H.F. 0406 (Davnie) as introduced

	Fund Impact			
	FY2014	**FY2015**	**FY2016**	**FY2017**
		(000's)		
Property Tax Refunds	$0	($200)	($200)	($200)
Income Tax Interactions	$0	($150)	($150)	($150)
General Fund Total	$0	($350)	($350)	($350)

Most sections effective day following final enactment. (Assessment year 2013, for taxes payable in 2014 and thereafter).

EXPLANATION OF THE BILL

The proposal changes numerous property tax statutes. Levy limits for special taxing districts are changed from a rate multiplied by taxable market value (TMV) to a rate multiplied by estimated market value (EMV). Special taxing districts affected include economic development, watershed, port authority, regional railroad, and park museum districts. Other definitions and qualifications are altered as well.

REVENUE ANALYSIS DETAIL

- The major state impact of the bill is expected to be an increase in levy authority over current law for those special taxing districts currently at their levy limits.
- Higher residential property taxes would increase property tax refunds by $200,000 in FY 2015, FY 2016, and FY 2017.
- Higher commercial and residential property tax deductions would decrease income taxes by $150,000 in FY 2015, FY 2016, and FY 2017.

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

Transparency, Understandability, Simplicity & Accountability	Neutral	
Efficiency & Compliance	Neutral	
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Increase	Market value used in various formulas will be more stable over time.
Competitiveness for Businesses	Neutral	
Responsiveness to Economic Conditions	Neutral	

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to <u>current law</u>.

Source: Minnesota Department of Revenue
Property Tax Division - Research Unit
www.revenue.state.mn.us/research_stats/pages/
revenue-analyses.aspx

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