February 25, 2013

PROPERTY TAX
State Levy and Referendum Market Value Modifications

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of S.F. 0386 (Saxhaug) / H.F. 0747 (Radinovich) as introduced.

	Fund Impact			
	FY2014	**FY2015**	**FY2016**	**FY2017**
	(000's)			
State General Levy	($23,400)	($43,100)	($44,000)	($44,900)
Property Tax Refunds	$0	$1,050	$1,050	$1,050
Total General Fund	($23,400)	($42,050)	($42,950)	($43,850)

Effective for taxes payable 2014 and thereafter.

EXPLANATION OF THE BILL

The bill makes non-commercial seasonal recreational residential property (cabins) subject to referendum levies. The bill also removes seasonal recreational residential property from the state general levy. The state general levy for class 3a commercial and industrial, public utility, and railroad property is set at $809,232,172 for taxes payable 2014. Obsolete state levy provisions are repealed.

REVENUE ANALYSIS DETAIL

- The proposal was modeled on a taxes payable 2013/November, 2012 Forecast simulation.
- The combined effect of the referendum and state levy changes on non-commercial seasonal recreational residential (SRR) net taxes is a decrease of $25.3 million.
- Adding cabin property to the referendum tax base lowers the referendum rate. Therefore net taxes for homestead properties decrease. As a result, the decrease in property tax refunds is estimated to be $1.05 million.
- The elimination of seasonal recreational residential state general levy would lower general fund revenues by $42.6 million in payable 2014. In fiscal year terms, the SRR state general levy would decrease by $23.4 million in FY 2104, $43.1 million in FT 2015, $44.0 million in FY 2016, and by $44.9 million in FY 2017.
- There is assumed to be no change to the class 3a commercial and industrial state general levy.
- There would be additional school referendum levy/equalization aid impacts.

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

Transparency, Understandability, Simplicity & Accountability	Increase	State general levy formula simplified.
Efficiency & Compliance	Neutral	
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Neutral	
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 current law.

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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