

MINNESOTA • REVENUE

PROPERTY TAX

Real Property Definition Modified

February 13, 2013

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of S.F. 0394 (Koenen) as introduced

Fund Impact

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
	(000's)			
General Fund	(\$35)	(\$35)	(\$35)	(\$35)

Effective for taxes payable 2013 and thereafter.

EXPLANATION OF THE BILL

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

REVENUE ANALYSIS DETAIL

- 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 \$28.4 million of market value of qualifying equipment in ethanol plants. An unknown amount of property in other types of facilities may also qualify.
- 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 \$35,000 each fiscal year.
- \$300,000 of state general levy on exempted equipment would shift onto other class 3a commercial property.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Creates new subcategory of exempt property.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Increase	Net decrease in Minnesota business taxes.
<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
www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx

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