

MINNESOTA • REVENUE

March 18, 2013

PROPERTY TAX Iron Range Fiscal Disparities Repealed

| | Yes | No |
|---------------------------------|-----|----|
| DOR Administrative Cost/Savings | | x |

Department of Revenue

Analysis of S.F. 1268 (Ruud) / H.F. 1525 (Radinovich) as introduced

Fund Impact

| | <u>FY2014</u> | <u>FY2015</u> | <u>FY2016</u> | <u>FY2017</u> |
|----------------------|---------------|---------------|---------------|---------------|
| | (000's) | | | |
| Property Tax Refunds | \$0 | (\$220) | (\$240) | (\$260) |

Effective for taxes payable 2014 and thereafter.

EXPLANATION OF THE BILL

The bill repeals the iron range fiscal disparities program (M.S. 276A) and eliminates related cross references.

REVENUE ANALYSIS DETAIL

- The proposal was modeled on a payable 2013 simulation.
- The proposal would increase taxes on homestead property by \$2.2 million.
- The iron range fiscal disparities distribution levy is assumed to grow 10% per year.
- As a result of higher homestead net taxes, property tax refunds (PTR) paid by the state would increase. The PTR impact is estimated to be \$220,000 in FY 2015, \$240,000 in FY 2016, and \$260,000 in FY 2017.

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

| | | |
|---|----------|--|
| <i>Transparency, Understandability, Simplicity & Accountability</i> | Increase | One less complex property tax program. |
| <i>Efficiency & Compliance</i> | Neutral | |
| <i>Equity (Vertical & Horizontal)</i> | Neutral | |
| <i>Stability & Predictability</i> | Neutral | |
| <i>Competitiveness for Businesses</i> | Increase | Overall business taxes decrease. |
| <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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