MINNESOTA · REVENUE

PROPERTY TAX

Sustainable Forest Incentive Payments and Mining Occupation Tax Modifications

April 02, 2013

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

	Yes	No
DOR Administrative Cost/Savings	X	

Department of Revenue
Analysis of H.F. 1493 (Lenczewski) as introduced, sections 24-28

	Fund Impact			
	FY2014	**FY2015**	**FY2016**	**FY2017**
	(000's)			
SFIA Payment Modifications	$0	$2,000	$2,100	$2,200
Mining Occupation Tax Rate Increase	$18,900	$19,800	$19,800	$20,800
General Fund Total	$18,900	$21,800	$21,900	$23,000

SFIA payment modifications are effective beginning for payments made in calendar year 2014. Mining occupation tax rate increase is effective for taxable years beginning after December 31, 2012.

EXPLANATION OF THE BILL

Sustainable Forest Incentive Act (SFIA)
Under current law, land enrolled in the sustainable forest resource management program is eligible for an annual per acre incentive payment. The current payment rate is $7.00 per acre, up to a maximum of $100,000 per land owner.

The proposal would limit the SFIA payment to the lesser of (1) $7.00 per acre or (2) 50 percent of the actual property tax per acre. The maximum of $100,000 per land owner would remain in effect. Each land owner enrolled in the program would be required to submit a copy of the property tax statements with their annual certification.

The proposal would also make ineligible for the SFIA program any land subject to a conservation easement or other permanent easement conveyed to a government or nonprofit entity.

Mining Occupation Tax Rate
The proposal would increase the mining occupation tax rate on taxable income attributable to the business of mining or producing ores from 2.45 percent to 4.9 percent.

REVENUE ANALYSIS DETAIL

Sustainable Forest Incentive Act (SFIA)

- Estimates are based on the February 2013 forecast.
- Approximately 769,000 acres were enrolled in the SFIA program in 2012.
- Of the current lands enrolled in SFIA, 25 percent are estimated to also be subject to an easement. Under the proposal these lands would no longer be eligible for the SFIA payment.
- Limiting the SFIA payment to the lesser of $7.00 per acre or 50 percent of the actual property tax per acre would reduce SFIA payments to lands with property taxes below $14.00 per acre. It is estimated that most lands enrolled in SFIA have property taxes of less than $14.00 per acre and would receive a payment of less than $7.00 per acre under the proposal.
- State general fund savings would be realized beginning in FY 2015.

Mining Occupation Tax Rate

- Based on the February 2013 forecast, current occupation tax revenues are projected to be $18.9 million in FY 2014, $19.8 million in FY 2015, $19.8 million in FY 2016 and $20.8 million in FY 2017.
- The proposal would increase occupation tax revenues to the state general fund beginning in FY 2014.
- Of the total increased occupation tax revenues credited to the general fund, 50 percent would be statutorily distributed to support elementary and secondary schools and the University of Minnesota.

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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