

MINNESOTA • REVENUE

April 05, 2013

PROPERTY TAX

Utility Property Tax Class Rate Increase

	Yes	No
DOR Administrative Cost/Savings		x

Department of Revenue

Analysis of H.F. 1628 (Anzelc) / S.F. 1495 (Saxhaug) as introduced

Fund Impact

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
			(000's)	
Property Tax Refunds	\$0	\$0	\$6,800	\$6,900

Property tax section effective for taxes payable 2014 and thereafter.

EXPLANATION OF THE BILL

The bill raises the classification rate on nine classes of public utility property from 1.5 percent on the first \$150,000 of a parcel's taxable market value and 2.0 percent over that amount to 2.4 percent and 3.4 percent respectively.

REVENUE ANALYSIS DETAIL

- The proposal was modeled on a payable 2013 simulation.
- An additional \$149 million of net tax capacity would be added statewide.
- The state general levy total would remain the same, but the distribution by use type would change, with public utilities paying a larger share of the commercial-industrial total.
- The proposal would increase taxes on public utility property by \$190 million, and lower property taxes on homesteads.
- As a result of lower homestead net taxes, property tax refunds (PTR) paid by the state would decrease. The PTR impact is estimated to be \$6.8 million in FY 2016, and \$6.9 million in FY 2017.
- There would be additional school equalized levy effects.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<i>Efficiency & Compliance</i>	Neutral
<i>Equity (Vertical & Horizontal)</i>	Neutral
<i>Stability & Predictability</i>	Neutral
<i>Competitiveness for Businesses</i>	Neutral
<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](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)

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