

MINNESOTA • REVENUE

Article 5, sections 1 and 2 only

March 18, 2014

PROPERTY TAX

Tax relief provided; misc. tax provisions changes made

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 3122 (Lenczewski) / S.F. 2693 (Skoe) as introduced.

Fund Impact

	FY2014	FY2015	FY2016	FY2017
	(000's)			
Production Property Transition Aid	\$0	\$0	\$0	(\$160)
Property Tax Refund Interaction	\$0	\$0	\$0	(\$30)
General Fund Total	\$0	\$0	\$0	(\$190)

Effective beginning with assessment year 2015, for taxes payable in 2016.

EXPLANATION OF THE BILL

The bill exempts structures and exterior shells primarily used in the production of biofuels, wine, beer, distilled beverages, and dairy products.

In addition, a production property transition aid is created for cities or townships whose net tax capacity is reduced by more than five percent of its 2015 net tax capacity due to the exemption. The aid equals the difference in net tax capacity multiplied by that year's tax rate. The aid is phased out, so that 100% of the transition aid is paid in taxes payable 2016, 80% in pay 2017, 60% in pay 2018, 40% in pay 2019, 20% in pay 2020, and zero in following years. The commissioner of revenue is to certify the aid to local units of government by August 1 of each year.

REVENUE ANALYSIS DETAIL

- The transition aid is estimated to be \$160,000 for 3 jurisdictions beginning in FY 2017.
- Increasing the amount of exempt value would shift property tax burdens for other property types. Increased homeowner taxes would change property tax refunds. Property tax refunds would increase by \$30,000 in FY 2017 and following years.

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

Transparency, Understandability, Simplicity & Accountability	Neutral
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](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)

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