

MINNESOTA • REVENUE

Revised

May 12, 2016

PROPERTY TAX

Costs of property tax judgments against state-assessed property required to be paid by the state

	Yes	No
DOR Administrative Cost/Savings	X	

Department of Revenue

Analysis of H.F. 3403 (Lueck) as introduced

	Fund Impact			
	FY2016	FY2017	FY2018	FY2019
	(000's)			
General Fund	\$0	(\$5,520)	(\$5,520)	(\$5,520)

Effective for judgments entered after May 31, 2016.

EXPLANATION OF THE BILL

Under current law, when the state has provided a city or county with valuations of utility or railroad property, the utility or railroad company may appeal the valuation by filing a petition with the Tax Court in Ramsey County. If the court determines that the state-assessed valuation was too high, the petitioner may receive a refund for any overpayment of local property taxes from the county.

Under the proposal, judgments that reduce local property taxes (when based on values determined by the state) would be refunded by the state, and not by the county.

REVENUE ANALYSIS DETAIL

- There are currently several pending cases challenging utility values.
- It is assumed that Tax Court decisions will result, on average, in a ten percent reduction in the assessed value of any petitioning utility or railroad company.
- Under this assumption, it is estimated that refunding overpayments of local property taxes would cost the state general fund approximately \$5.5 million per year in FY2017, FY2018, and FY2019.

Number of Taxpayers: There are approximately 120 companies that have state-assessed property.

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)

hf3403_pt_2/JTB

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	Increases stability for local government budgets, reduces stability for the state general fund.
<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.