

MINNESOTA • REVENUE

Revised

May 12, 2016

PROPERTY TAX

State-assessed property tax overpayment refund modification

	Yes	No
DOR Administrative Cost/Savings	X	

Department of Revenue

Analysis of S.F. 3517 (Koenen) as introduced

	Fund Impact			
	FY2016	FY2017	FY2018	FY2019
	(000's)			
Refunds to Companies	\$0	(\$5,520)	(\$5,520)	(\$5,520)
Reimbursements from Local Governments	\$0	\$0	\$550	\$1,100
General Fund Total	\$0	(\$5,520)	(\$4,970)	(\$4,420)

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. Before June 30 of each year, the state would report to each local taxing jurisdiction the amount of judgments paid by the state in the previous 12-month period. Each jurisdiction would then reimburse the state in equal annual installments over ten years, beginning the first calendar year following notification from the state. Payment installments must be made by July 1 of each calendar year.

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 state-paid refunds to companies for overpayment of local property taxes would equal approximately \$5.5 million per year in FY2017, FY2018, and FY2019.
- Local taxing jurisdictions would reimburse the state an estimated \$550,000 in FY2018 and \$1.1 million in 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)

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	
<i>Efficiency & Compliance</i>	Decrease	Additional administrative steps required in order to process refunds.
<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>	Increase	Counties would have more time to absorb cost of property tax refunds.

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.