

MINNESOTA • REVENUE

Property Tax Principles Ratings Summary for Revenue Analyses

Beginning with the 2011 legislative session, the Department of Revenue is required by [Minnesota Statutes 270C.991, subdivision 6](#) to include a tax principles ratings summary with any formal revenue analysis prepared for introduced property tax-related bills receiving a legislative committee hearing. The tax principles ratings summary will analyze the property tax provisions only and how the bill proposal impacts and changes the current law property tax system.

Omnibus bills and other comprehensive proposals will not include a separate property tax principles rating summary, as most individual provisions of these bills will have already received a ratings summary.

The six property tax principles categories are:

Transparency, Understandability, Simplicity & Accountability

Taxpayers should understand how their tax is determined, which governmental unit is responsible for the tax and what services are funded by the tax.

- Is the system clearer for taxpayers?
- For public officials?
- For administrators?
- Are decision makers identified?

Efficiency & Compliance

The tax should maximize voluntary compliance, minimize administrative and compliance costs, and minimize economic distortions caused by tax-motivated behavior. Economic distortions will only be highlighted if they are not the goal of the proposal, but an unintended consequence.

- Are state and/or local administrative costs changed?
- Is there a change in taxpayer compliance costs?
- Simple for administrators to make determinations?

Equity

The tax should minimize regressivity (vertical equity). The system should treat similar properties similarly (horizontal equity). Horizontal equity concerns will only be highlighted if they are a byproduct of the proposal rather than the direct goal.

- Is the system made less regressive?

Stability and Predictability

The tax should provide stable revenues over the economic cycle. Significant unexpected changes in tax laws, tax bills to taxpayers and revenues to governments should be minimized.

- Is the system more stable/ predictable for taxpayers?
- For public officials?
- For administrators?

Competitiveness for Businesses

The tax should improve the competitiveness of the state relative to other states and nations.

- Will Minnesota businesses be more competitive?

Responsiveness to Economic Conditions

Tax should change with changes in value. Lags in the system between a market change and a corresponding tax change should be minimized.

- Will proposal address a problem in a timely way?
- Does tax change with value in a timely way?

A three level scoring system will be used to rate a proposal's impact in regards to each of the property tax principle categories: **increases**, **decreases**, or **neutral**. The neutral rating includes proposals where the impact is minimal or indeterminate.

The tax principle ratings summary will attempt to address the proposed principle changes from the perspective of all parties impacted by the bill (i.e. taxpayers, state and local governments, etc.). The summary will not attempt to quantify the magnitude of impact for each perspective (e.g. moderately increases versus significantly increases).

The rating summary will reflect the long term impacts of a proposal on the property tax system, with short term considerations noted in the comments section.