

**PROPERTY TAX**

**State required to pay costs of property tax judgement against state-assessed property**

February 08, 2019

	Yes	No
DOR Administrative Cost/Savings	X	

Department of Revenue  
 Analysis of H.F. 0424 (Sundin) as introduced

	<b>Fund Impact</b>			
	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
	(000's)			
General Fund	(\$7,680)	(\$7,680)	(\$7,680)	(\$7,680)

Effective for judgments entered after May 31, 2019.

**EXPLANATION OF THE BILL**

Under current law, when the state has provided a city or county with valuations of utility, pipeline, or railroad property, the owner 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 from the county for any overpayment of local property taxes.

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**

- Several cases challenging state-assessed values are currently pending or under appeal.
- Based on court filings for assessment year 2018, it is estimated that over the forecast period:
  - At least 10 companies per year will file a petition with the Tax Court.
  - For all companies combined, the total market value subject to revaluation by the court for each assessment year will be approximately \$5 billion.
- It is unknown when the court will issue decisions for each company and assessment year.
- For the purposes of this estimate, refunds of overpayments are distributed equally over the four years of the forecast period.
- It is also unknown whether the court will increase the assessed value, decrease the assessed value, or dismiss the case.
- For the purposes of this estimate, it is assumed that decisions of the Tax Court or Minnesota Supreme Court will result, on average, in a five percent reduction in the assessed value of a petitioning utility, pipeline, or railroad company.
- Under this assumption, it is estimated that refunding overpayments of local property taxes would cost the state general fund approximately \$7.7 million per year in FY2020-FY2023.

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

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; 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.*

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)

hf0424\_pt\_1/jtb