

February 27, 2019

PROPERTY TAX
State general tax levy modified

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
 Analysis of H.F. 1410 (Gomez) as introduced

	Fund Impact			
	FY2020	FY2021	FY2022	FY2023
	(000's)			
State General Levy	\$13,390	\$42,140	\$72,890	\$102,900
Income Tax Interaction	\$0	(\$730)	(\$1,700)	(\$2,580)
General Fund Total	\$13,390	\$41,410	\$71,190	\$100,320

Effective beginning with taxes payable in 2020.

EXPLANATION OF THE BILL

Under current law, the state general levy for commercial-industrial property is \$784,590,000 and the state general levy for seasonal-recreational property is \$44,190,000. These levy amounts remain the same each year. The tax rates for the state general levies are calculated each year by dividing the levy amount by the state general tax base for each levy.

The proposal would freeze the tax rate for the commercial-industrial state general levy at the taxes payable 2019 rate of 42.416 percent. The levy each year would be determined by multiplying the tax rate by the commercial-industrial state general tax base. The state general levy for seasonal-recreational property would not change.

REVENUE ANALYSIS DETAIL

- Estimates are based on the November 2018 forecast.
- By freezing the tax rate for the commercial-industrial levy, the proposal would increase the state general levy by \$24.34 million for taxes payable in 2020, \$56.70 million for taxes payable in 2021, \$86.14 million for taxes payable in 2022, and \$116.62 million for taxes payable in 2023. These numbers have been converted to fiscal years for the purpose of this estimate.
- Higher commercial taxes would increase deductions on corporate and individual income tax returns, decreasing state tax collections beginning in FY 2021.

Number of Taxpayers: All qualifying class 3 commercial, industrial, railroad, mineral, and public utility property owners would be directly affected.

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
<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)

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