

February 27, 2019

PROPERTY TAX
State general tax levy modified

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
 Analysis of H.F. 1435 (Lislegard) as proposed to be amended by H1435A1

	Fund Impact			
	FY2020	FY2021	FY2022	FY2023
	(000's)			
State General Levy	(\$12,670)	(\$23,040)	(\$23,040)	(\$23,040)
Income Tax Interaction	\$0	\$690	\$690	\$690
General Fund Total	(\$12,670)	(\$22,350)	(\$22,350)	(\$22,350)

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 is paid for by specified commercial-industrial property, except the first \$100,000 of market value.

The proposal would change the tax base for the state general levy for commercial-industrial property to exclude the first \$150,000 of market value, instead of the first \$100,000 under current law. The levy amount would be reduced to \$761,550,000.

REVENUE ANALYSIS DETAIL

- Because the exemption of the first \$150,000 of commercial-industrial property is combined with a decrease in the state general levy amount, taxes would not increase on the tax base that remains in the state general levy.
- The state general levy would decrease by \$23.04 million per year beginning in taxes payable 2020. These numbers have been converted to fiscal years for the purposes of this estimate.
- Lower property taxes would reduce deductions on corporate and individual income tax returns, increasing state tax collections beginning in FY 2021.

Number of Taxpayers: All qualifying class 3 commercial, industrial, railroad, and public utility property owners that currently pay state general taxes 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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