

February 04, 2019

PROPERTY TAX
Expanding exemption for certain property owned by an Indian tribe

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of S.F. 0383 (Chamberlain) as proposed to be amended by SCS0383A-1

Fund Impact

FY2020	FY2021	FY2022	FY2023
(000's)			

Property Tax Refund Interactions	\$0 (negligible) (negligible) (negligible)
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Effective beginning with taxes payable in 2020.

EXPLANATION OF THE BILL

The bill would exempt property that is located in a first class city with a population of more than 380,000, owned by a federally recognized Indian tribe, and used exclusively as a pharmacy. Property qualifying for the exemption would be limited to parcels and structures that do not exceed a total of 4,000 square feet. The exemption would expire with taxes payable in 2029.

REVENUE ANALYSIS DETAIL

- The Fond Du Lac Band's Mashkiki Waakaaigan Pharmacy in Minneapolis would be eligible for the property tax exemption.
- For taxes payable in 2020 and thereafter, a property tax exemption would reduce the amount of taxable market value, shifting property taxes away from the exempted pharmacy and onto all other property, including homesteads.
- The additional property tax burden on homesteads caused by the exemption would increase state-paid homeowner refunds by less than \$5,000 beginning in fiscal year 2021.
- The exemption from the state property tax levy would have no impact on state revenues in payable year 2020 and thereafter because the tax rates would be adjusted to yield the amount of revenue required by statute. The tax reduction for the pharmacy would be shifted onto the other commercial and industrial properties subject to the state levy.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Additional type of exemption.
<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

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