

PROPERTY TAX
Reimbursement aid to taxing
jurisdictions in Mille Lacs County

March 12, 2019

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of S.F. 0254 (Mathews) as proposed to be amended by SCS0254A-1

	Fund Impact			
	FY2020	FY2021	FY2022	FY2023
	(000's)			
Reimbursement Aid	(\$114)	(\$114)	(\$114)	(\$114)
Property Tax Refund Interactions	\$0	negligible	negligible	negligible
Income Tax Interactions	\$0	negligible	negligible	negligible
General Fund	(\$114)	(\$114)	(\$114)	(\$114)

Effective following final enactment.

EXPLANATION OF THE BILL

The bill would reimburse taxing jurisdictions in Mille Lacs County for lost property tax revenue due to land placed into trust by the U.S. Department of the Interior Bureau of Indian Affairs. Properties eligible for reimbursement would be either (1) properties that went into trust between January 1, 2009 and December 31, 2018, or (2) properties that applied for trust between January 1, 2009 and June 30, 2019 and were placed into trust in subsequent years.

For the first five years, the reimbursement would be the full amount of property tax revenue lost by each taxing jurisdiction. This amount would equal the tax paid by the specified exempt properties in their final taxable year. Beginning in the sixth year, the reimbursement would be annually reduced by 20 percent of the amount certified in the first year until the payment amount reaches zero, at which point the reimbursement provision would expire.

REVENUE ANALYSIS DETAIL

- Based on data provided by the assessor's office in Mille Lacs County, there were 52 parcels that went into trust between 2009 and 2018. The total tax amount for these properties at the time they went into trust was \$76,130.
- There are two parcels with applications pending that have a total tax of \$38,051. It is assumed these parcels with pending applications will be approved and placed into trust.
- Under the proposal, the reimbursement aid would increase costs to the state general fund beginning in FY 2020. The total cost would be approximately \$800,000 over a 9 year period.
- It is assumed that this aid would result in taxing jurisdictions lowering their levies by a portion of the aid. Lower levies would reduce property taxes on all property.
 - Lower levies would result in lower homeowner property tax refunds, reducing costs to the state general fund by less than \$5,000 beginning in FY 2021.

- Lower levies would result in lower income tax deductions, increasing revenues to the state general fund by less than \$5,000 beginning in FY 2021.

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	Short term stability of tax revenues for local jurisdictions in Mille Lacs County.
<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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