

March 11, 2019

**PROPERTY TAX  
Child care facilities property tax  
exemption provided**

	<b>Yes</b>	<b>No</b>
DOR Administrative Cost/Savings		X

Department of Revenue  
Analysis of S.F. 0702 (Newman) as proposed to be amended by SCS0702A-1

**Fund Impact**

	<u><b>FY2020</b></u>	<u><b>FY2021</b></u>	<u><b>FY2022</b></u>	<u><b>FY2023</b></u>
	(000's)			

Property Tax Refund Interaction    \$0 (negligible) (negligible) (negligible)

Effective beginning with assessment year 2019, for taxes payable in 2020.

**EXPLANATION OF THE BILL**

Under the proposal, property used as a licensed child care facility would be exempt from property taxes if the facility:

- is operated by a 501(c)(3) nonprofit charitable organization;
- accepts families participating in the child care assistance program under chapter 119B;
- is licensed under Minnesota Rules, chapter 9503, or is used to provide licensed family day care or group family day care as defined under Minnesota Rules, chapter 9502.

For assessment year 2019 only, an exemption application would be due by July 1, 2019.

**REVENUE ANALYSIS DETAIL**

- According to the Department of Human Services, there are more than 1,000 licensed child care centers that are registered to accept families participating in the child care assistance program (CCAP).
  - o It is unknown how many of these facilities are operated by a 501(c)(3) nonprofit charitable organization.
  - o It is also unknown how many of these CCAP-registered facilities are currently providing care to children that receive assistance through the program.
- It is assumed that approximately 10 facilities would qualify and apply for the exemption.
  - o For taxes payable in 2020 and thereafter, a property tax exemption would reduce the amount of taxable market value, shifting property taxes away from exempted child care facilities and onto all other property, including homesteads.
  - o The additional property tax burden on homesteads caused by the exemption would increase state-paid property tax refunds by less than \$5,000 beginning in fiscal year 2021.
  - o The exemption from the state property tax levy would have no impact on state revenues in payable year 2020 and thereafter because the tax rate would be adjusted to yield the amount of revenue required by statute. The tax reduction for a child care facility 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 &amp; Accountability</i>	Decrease	Additional type of exemption.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; 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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