

March 25, 2019

PROPERTY TAX
Charitable farmland property tax exemption established

| | | |
|--|------------|-----------|
| | Yes | No |
| DOR Administrative Cost/Savings | | X |

Department of Revenue

Analysis of H.F. 2620 (Draskowski) / S.F. 2647 (Goggin) as introduced

Fund Impact

| | FY2020 | FY2021 | FY2022 | FY2023 |
|--|---------------|---------------|---------------|---------------|
| | (000's) | | | |

| | | | | |
|--------------|-----|--------------|--------------|--------------|
| General Fund | \$0 | (negligible) | (negligible) | (negligible) |
|--------------|-----|--------------|--------------|--------------|

Effective beginning with property taxes payable in 2020.

EXPLANATION OF THE BILL

The proposal would exempt from property taxes any property that is owned by a public hospital, church, or private cemetery and used in the production of agricultural products as defined in section 273.13, subdivision 23, provided that any proceeds from the sale of the agricultural products are used to support the mission of a public hospital, church, or private cemetery.

REVENUE ANALYSIS DETAIL

- It is assumed that approximately 10 parcels would receive the exemption.
- For taxes payable in 2020 and thereafter, the exemption would reduce the amount of taxable market value on these parcels, shifting property taxes away from the exempted property 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 FY 2021.
- Tax year impact is allocated to the following fiscal year.

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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