DEPARTMENT OF REVENUE

PROPERTY TAX
Payment in Lieu of Taxes (PILT) reappraisal of land value

March 20, 2019

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of S.F. 1106 (Eichorn) as proposed to be amended by SCS1106A-1

	Fund Impact			
	FY2020	**FY2021**	**FY2022**	**FY2023**
	(000's)			
PILT Payment Increase	$0	($1,290)	($1,290)	($1,290)
Property Tax Refund Interactions	$0	$30	$30	$30
Income Tax Interactions	$0	$20	$20	$20
General Fund	$0	($1,240)	($1,240)	($1,240)

Effective for aids payable in 2020 and reappraisals beginning in 2022.

EXPLANATION OF THE BILL

Section 1: Under current law, there are two formula options for determining the Payment in Lieu of Taxes (PILT) for acquired natural resource lands. One formula is based on a payment rate per acre and the other is based on a percentage of the current appraised market value of lands receiving PILT. The proposal would change the appraised value formula to be based on either the current appraised value of land or the 2010 appraised value of land, whichever is greater. As proposed to be amended, the proposal makes an exception to the appraised value formula for Pike Island parcel in Ramsey County, which would be allowed to use the current appraised value due to an assessment issue with its 2010 valuation.

Section 2: Under current law, land eligible to receive PILT is appraised every six years. The proposal would change the reappraisal period for PILT lands to every four years.

REVENUE ANALYSIS DETAIL

Section 1:
- The proposed change to the PILT formula would result in 31 counties receiving an increase in PILT totaling $1.29 million beginning in FY 2021.
- It is assumed that the increase in PILT would reduce property tax levies by a portion of the increase. 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.
  - Lower levies would result in lower income tax deductions, increasing revenues to the state general fund.

Section 2:

- Shortening the reappraisal time period would result in PILT payment amounts to local governments changing more frequently. The first year of impact would be outside the current forecast period.

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

Transparency, Understandability, Simplicity & Accountability	Decrease	Creates an additional calculation in the PILT formula.
Efficiency & Compliance	Decrease	Under current law, all exempt and PILT property are on the same reappraisal schedule every six years. Changing the PILT reappraisal period to every four years may increase local assessor duties.
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Neutral	
Competitiveness for Businesses	Neutral	
Responsiveness to Economic Conditions	Increase	Shortening the reappraisal time period would result in PILT payments being based on more recent land valuations.

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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