

PROPERTY TAX

Property tax penalties, interest and costs distribution modification

March 04, 2019

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of S.F. 1501 (Chamberlain) as proposed to be amended by SCS1501A-1

Effective for penalties, interest, and costs collected on taxes payable in 2020 and thereafter.

EXPLANATION OF THE BILL

Effective for penalties, interest, and costs collected on taxes payable in 2020 and thereafter.

Under current law, all penalties, interest, and costs collected on overdue wind or solar production taxes are distributed according to the table below (this distribution is also used for real and personal property taxes):

Type of Collection	Distribution		
	School Districts	City/Town	County
Penalties	50%	-	50%
Interest - delinquent 1 year or less	50%	-	50%
Interest - delinquent more than 1 year	50%	50% * ratio1	remainder
Costs	-	-	100%

- ratio1 = city-town-tax-rate / (city-town-tax-rate + county-tax-rate)

Under the proposal, all penalties, interest, and costs collected on overdue wind or solar production taxes would be distributed according to the table below:

Type of Collection	Distribution		
	School Districts	City/Town	County
Penalties	-	20%	80%
Interest - delinquent 1 year or less	-	20%	80%
Interest - delinquent more than 1 year	-	20%	80%
Costs	-	20%	80%

REVENUE ANALYSIS DETAIL

The proposal may reduce the amount of penalty and interest collections that are distributed to some school districts, and may increase the distribution of penalty and interest collections to some cities, towns, and counties.

- o This would not impact local government aids administered by the Department of Revenue.
- o However, it may increase Department of Education payments to schools by an unknown amount.

Number of Taxpayers: There are approximately 250 entities subject to either the wind or solar production tax.

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
<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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