

PROPERTY TAX
Native prairie aid established, and
money appropriated

March 16, 2020

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

Department of Revenue
 Analysis of H.F. 4330 (Fabian) / S.F. 4394 (Johnson) as introduced

| | Fund Impact | | | |
|----------------------------------|--------------------|---------------|---------------|---------------|
| | FY2020 | FY2021 | FY2022 | FY2023 |
| | (000's) | | | |
| Native Prairie Aid | \$0 | \$0 | (\$140) | (\$140) |
| Property Tax Refund Interactions | \$0 | \$0 | negligible | negligible |
| Income Tax Interactions | \$0 | \$0 | negligible | negligible |

Effective beginning with aids payable 2021.

EXPLANATION OF THE BILL

The proposal would create a new Native Prairie Aid program. Local taxing jurisdictions with land receiving the native prairie tax exemption would qualify to receive state aid payments.

Payment amounts would be equal to the greater of three formula options:

- Option 1: The amount of property tax the native prairie land would have paid in the previous year had it been classified as 2b rural vacant land,
- Option 2: \$5.133 multiplied by the number of native prairie acres, or
- Option 3: 0.75% multiplied by the estimated market value (EMV) of native prairie land.

REVENUE ANALYSIS DETAIL

- There are currently 44 counties with land receiving the native prairie tax exemption for approximately 13,000 acres.
- Under the proposal, it is estimated that local taxing jurisdictions would receive approximately \$140,000 in state aid for native prairie land beginning in FY2022.
- It is assumed that local taxing jurisdictions would lower their levies by a portion of the aid 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 by less than \$5,000.
 - Lower levies would result in lower income tax deductions, increasing revenues to the state general fund by less than \$5,000.

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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