

PROPERTY TAX
House Property Tax Division Report
Articles 1-2, 4-6

March 31, 2021

**Property Taxes and Local Aids Only --
 See Separate Analysis for State Taxes**

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
 Analysis of H.F. 1735 (Youakim), 1st division engrossment

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
	(000's)			
<u>Article 1: Property Taxes</u>				
Tribal Land Exemption				
Refund of State General Tax	(\$20)	\$0	\$0	\$0
Property Tax Refund Interaction	\$0	(\$10)	(\$10)	(\$10)
Qualifying Relatives for Ag Homestead				
Property Tax Refund Interaction	\$0	(unknown)	(unknown)	(unknown)
Ag Homestead Market Value Credit	\$0	(unknown)	(unknown)	(unknown)
Estate Tax	\$0	(unknown)	(unknown)	(unknown)
Manufactured Home Parks				
Class Rate Modified	\$0	\$0	(\$250)	(\$250)
Homestead Deadlines Modified				
Property Tax Refund Interactions				
Homestead Application by Dec. 31	\$0	(\$70)	(negligible)	(negligible)
Veteran with a Disability Exclusion	\$0	\$30	negligible	negligible
Temporary Freeze of Class 4d Tier Limit	\$0	\$0	(\$40)	(\$50)
Citizens' Advisory Committee & Property Taxpayer's Day Established	\$0	\$0	\$0	\$0
Fire Special Taxing Districts Authorized	\$0	\$0	\$0	\$0
Special Assessments Allowed for Energy Improvement	\$0	\$0	\$0	\$0
<u>Article 2: Aids and Credits</u>				
City of Floodwood LGA Adjustment	\$0	(\$250)	(\$250)	(\$250)
City of Staples LGA Adjustment	\$0	(\$320)	(\$320)	(\$320)

City of Warren LGA Adjustment	\$0	(\$320)	(\$320)	(\$320)
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Article 4: Tax Increment Financing

TIF Temporary Use of Increment Allowed	\$0	\$0	\$0	\$0
TIF Pooling Rules Expanded	\$0	\$0	\$0	\$0
TIF Five-Year Rule Extended	\$0	\$0	\$0	\$0
TIF – Bloomington	\$0	\$0	\$0	\$0
TIF – Burnsville	\$0	\$0	\$0	\$0
TIF – Fridley	\$0	\$0	\$0	\$0
TIF – Minnetonka	\$0	\$0	\$0	\$0
TIF – Mountain Lake	\$0	\$0	\$0	\$0
TIF – Richfield	\$0	\$0	\$0	\$0
TIF – St. Louis Park	\$0	\$0	\$0	\$0
TIF – Wayzata	\$0	\$0	\$0	\$0
TIF – Windom	\$0	\$0	\$0	\$0

Article 5: Public Finance

Miscellaneous Public Finance Changes	\$0	\$0	\$0	\$0
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Article 6: Miscellaneous Tax Provisions

Property Tax Refund Maximum Increased for Homeowners	\$0	(\$13,900)	(\$15,800)	(\$17,500)
Property Tax Refund Copays Reduced for Renters	\$0	(\$15,700)	(\$16,000)	(\$16,200)
Tourism Improvement Districts Established	\$0	\$0	\$0	\$0
4d Affordable Housing Report	\$0	\$0	\$0	\$0
General Fund Total	(\$20)	(\$30,540)	(\$32,990)	(\$34,900)

Various Effective Dates

REVENUE ANALYSIS DETAIL

Article 1: Property Taxes

Property Tax Exemption for Tribal Land (Section 1)

The effective date for assessments is beginning with assessment year 2021.

The effective date for refunds of state general tax is the day following final enactment.

The proposal would exempt property in Cass County that: i) is owned by a federally recognized Indian tribe; ii) was on January 2, 2018, erroneously treated as exempt under subdivision 7 (the exemption for institutions of public charity); and iii) is used for the same purpose as it was used on January 2, 2018. For assessment year 2021 an exemption application must be filed by August 1, 2021. The owner of property exempted by the proposal is also eligible for a refund of any state general tax paid for property taxes payable in 2020 and 2021.

- According to information provided by Cass County, approximately 36 parcels would qualify for the exemption.
- State general tax paid on these parcels in 2020 and 2021 would be refunded by the state. This would reduce state general tax collections in fiscal year 2022 by approximately \$20,000.
- There would be no impact on state general tax collections in payable year 2022 and thereafter because the tax rate would be adjusted to yield the amount of revenue required by statute. The tax reduction for parcels receiving the exemption would be shifted onto the other properties subject to the state levy.
- Beginning with taxes payable in 2022, the proposal would shift approximately \$170,000 in local property taxes onto other property types, including homesteads, resulting in an increase in state-paid homeowner refunds.
- Tax year impact is allocated to the following fiscal year.

Agricultural Homestead Qualifying Relatives Modified (Section 2)

The effective date is beginning with taxes payable 2022.

Under current law, agricultural relative homestead may be granted if a grandchild, child, sibling, or parent of the owner was occupying or farming the property.

The proposal expands qualifying relatives for agricultural relative homestead to include grandparents, stepparents, stepchildren, uncles, aunts, nephews, and nieces.

- By expanding the list of qualifying relatives, it is assumed that the number of properties qualifying as agricultural relative homestead would increase statewide. The classification rate for all properties changing from agricultural non-homestead land to agricultural relative homestead land would change from 1.00% to 0.50% for the first \$1.89 million of value and 1.00% for the remaining value.
- The proposal would cause a shift in property taxes away from properties newly qualifying for agricultural relative homestead and onto all other properties, including other homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by an unknown amount beginning in fiscal year 2023.

- The proposal would also increase the market value eligible for the agricultural homestead market value credit, increasing the credit by an unknown amount beginning in taxes payable 2022.
- Adequate data is not available to estimate the impact of the proposal on estate taxes. Since the additional property that would be available for the farm subtraction is assumed to be a small share of the total currently available, the impact on estate tax revenue would be small. However, it is likely that the impact could be significant for a small number of taxpayers.

Manufactured Home Parks Classification Modified (Sections 3, 6, 16)

The effective date is beginning with taxes payable 2023.

Under current law, there are three classifications for manufactured home parks:

- Class 4c(5)(i) manufactured home parks have a class rate of 1.25%,
- Class 4c(5)(ii) manufactured home park cooperatives have a class rate of 0.75% if the park is more than 50% owner-occupied and 1.00% if the park is 50% or less owner-occupied, and
- Class 4c(5)(iii) class I manufactured home parks have a class rate of 1.00%.

Under the proposal, all manufactured home parks would be consolidated into a single classification: class 4c(5). The proposed classification would have a classification rate of 0.75%.

- In assessment year 2020, there were:
 - 1,159 parcels statewide containing class 4c(5)(i) manufactured home parks with a total market value of \$452.0 million,
 - 11 parcels statewide containing class 4c(5)(ii) manufactured home park cooperatives with a total market value of \$7.4 million, and
 - 309 parcels statewide containing class 4c(5)(iii) class I manufactured home parks with a total market value of \$329.4 million.
- Under the proposal, class 4c(5)(i) manufactured home parks, class 4c(5)(ii) manufactured home park cooperatives 50% or less owner-occupied, and class 4c(5)(iii) class I manufactured home parks would receive a reduced classification rate. The classification rate for class 4c(5)(ii) manufactured home park cooperatives more than 50% owner-occupied would not change.
- The proposal would shift property taxes away from class 4c(5) manufactured home parks with a reduced classification rate under the proposal and onto all other properties, including homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by \$250,000 beginning in fiscal year 2024.

Homestead Application Deadlines Modified (Sections 4-5, 7)

The effective date is beginning with assessments in 2021.

Homestead Established - Application Due by December 31:

Under current law, any property used as a homestead by December 1 will receive homestead classification for the current assessment year if an application is submitted by December 15 of the same year.

Under the proposal, any property used as a homestead by December 31 will receive homestead classification for the current assessment year if an application is submitted by December 31 of the same year.

Homestead Exclusion for Veterans with a Disability - Application Due by December 31:

Under current law, the homestead of a veteran with a disability becomes eligible for a valuation exclusion in the current assessment year if the application is received by December 15. For applications received after December 15, the exclusion becomes effective for the following assessment year.

Under the proposal, the due date for applications would be changed to December 31, and all approved applications filed by December 31 would receive the exclusion for the current assessment year.

- Due to property tax refund interactions, the proposal would shift general fund amounts from one fiscal year into the previous fiscal year.
- Allowing homesteads to be established by December 31 would shift state costs.
- The later deadline for the veterans' homestead exclusion would shift state savings.
- The main impact occurs in the initial fiscal year. A portion of the state-paid property tax refund that under current law is saved or spent in one fiscal year would now be shifted into the previous fiscal year.
- The impact of shifts in subsequent years is the difference between forecasted refund savings or costs under current law and the effect of shifting those amounts into the previous fiscal year.
- The first year the state general fund would be impacted under the proposal would be for applications filed in 2021 for taxes payable in 2022 (property tax refunds in FY 2023).

Homestead Established - Application Due by December 31:

- For homestead property that is sold between December 2 and December 31, the proposal would have no impact on the local tax base or on state-paid property tax refunds.
- However, if a homestead is established on previously non-homestead property after December 1, the proposal would reduce taxable market value within local taxing jurisdictions and may increase state-paid property tax refunds.
- It is estimated that approximately 330 homesteads would be established on previously non-homestead property between December 2, 2021 and December 31, 2021.
- The reduced tax on the newly homesteaded property would shift property taxes (payable in 2022) onto all other property types, including other homesteads. This would increase state-paid homeowner refunds. This cost is included in the overall cost to the state.
- Some homesteads established after December 1 would be eligible for a property tax refund.
- It is assumed that approximately 120 homesteads established between December 2, 2021 and December 31, 2021 would apply for a refund.
- Under the proposal, an estimated \$70,000 of homeowner refunds currently projected to be paid by the state in FY 2024 would shift into FY 2023.
- For subsequent years (beginning in FY 2024) the net cost to the state general fund is estimated to be less than \$5,000.

Homestead Exclusion for Veterans with a Disability - Application Due by December 31:

- The proposal would allow veterans who move after December 15 to reapply for the exclusion in the same assessment year as the move occurred.
- In addition, the later application date would allow newly eligible veterans to apply after December 15 of the current year and receive the exclusion for the current assessment year, rather than the following assessment year (as under current law).
- It is assumed that approximately 50 applications will be received in calendar year 2021 between December 16 and December 31.
- The proposal would shift an estimated \$100,000 in property tax (payable in 2022) onto all other property types, including other homesteads. This would increase homeowner property tax refunds. The overall savings to the state is net of these costs.
- The later application deadline would result in a net savings to the state due to a reduction in property tax refunds paid to veteran homesteads.
- Under the proposal, an estimated \$30,000 of refund savings currently projected for FY 2024 would shift into FY 2023.
- For subsequent years (beginning in FY 2024) the net savings to the state general fund is estimated to be less than \$5,000.

Temporary Freeze of First Tier Valuation Limit for Class 4d Property (Section 6)

The effective date is beginning with assessment year 2022.

Under current law, the first tier valuation limit for each unit of class 4d low income rental housing property is adjusted annually by the average statewide change in estimated market value of property classified as class 4a apartments and 4d low income rental housing, excluding valuation change due to new construction. The first tier has a classification rate of 0.75% and the second tier has a classification rate of 0.25%. The first tier valuation limit for assessment year 2021 is \$174,000.

The proposal would freeze the first tier valuation limit for each unit of class 4d property at \$174,000 for assessment years 2022 and 2023. For assessment year 2024 and after, the tier limit would be adjusted annually in the same manner as under current law.

- According to data from Minnesota Housing Finance Agency, there were about 76,000 units of class 4d low income rental housing property statewide in 2019.
- In assessment year 2020, there were approximately 3,200 parcels statewide that contained class 4d low income rental housing property. About 200 of those parcels had property value above the assessment year 2020 tier limit of \$162,000. The total market value for class 4d property in the same year was \$7.1 billion statewide.
- By freezing the first tier valuation limit for class 4d property, the classification rate for a portion of the value currently below the tier limit would change from the first tier rate of 0.75% to the second tier rate of 0.25%.
- It is estimated that approximately 1% of class 4d value currently in the first tier would qualify for the second tier under the proposal in assessment year 2022. That share would increase slightly in assessment year 2023.
- The proposal would shift property taxes away from class 4d properties newly qualifying for the second tier classification rate and onto all other properties, including homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by \$40,000 in fiscal year 2024 and \$50,000 in fiscal year 2025.

Citizens' Advisory Committee and Property Taxpayer's Day Established (Sections 8-11)

Various effective dates.

The bill will make the following changes to the truth-in-taxation process:

- Require a supplemental information statement be provided and delivered with the proposed property tax notices to taxpayers. The statement will include budgeting information for counties, cities/townships, and school districts used to determine property tax levies.
- Create a "Minnesota Property Taxpayer's Day" on the first Wednesday after the first Monday in December. On this day counties, cities with a population of 500 or more, and school districts will hold meetings where the public could give input on budgeting and levying.
- The changes to the truth-in-taxation process would have no impact on the state general fund.

Fire Special Taxing Districts Authorized (Sections 9, 12-13)

The effective date is the day following final enactment.

Under current law, legislative approval is required to create special fire protection and emergency medical service districts.

The bill will allow for the creation of special taxing districts to provide fire protection and/or emergency medical services without legislative approval. Districts will have the authority to levy and/or incur debt.

- The bill is assumed to not impact the state general fund. If this bill led to the creation of additional special taxing districts to provide fire protection and/or emergency medical services, it is assumed the property tax levies used to fund these districts would be shifted from the current general levies of the local jurisdictions.
- It is possible the change in levy authority would lead to lower or higher levies for taxpayers.

Special Assessments for Energy Improvement Allowed (Sections 14-15)

The effective date is beginning with special assessments payable in 2022.

Under current law, special assessments cannot be used for energy improvements. The bill will allow special assessments for energy improvements.

- Allowing special assessments on energy improvements will have no assumed impact to the state general fund.

Article 2: Aids and Credits

City of Floodwood LGA Adjustment (Sections 1-2)

The effective date is aids payable in calendar year 2022 and thereafter.

The bill will temporarily increase state aid to the city of Floodwood by \$250,000 for aids payable 2022 through 2026. The annual appropriation for LGA would also be temporarily increased by \$250,000.

- The temporary aid increase will increase state general fund costs by \$250,000 in FY2023 through FY2027.

City of Staples LGA Adjustment (Section 1-2)

The effective date is aids payable in calendar year 2022 and thereafter.

The bill will temporarily increase state aid to the city of Staples by \$320,000 for aids payable 2022 through 2026. The annual appropriation for LGA would also be temporarily increased by \$320,000.

- The temporary aid increase will increase state general fund costs by \$320,000 in FY2023 through FY2027.

City of Warren LGA Adjustment (Sections 1-2)

The effective date is aids payable in calendar year 2022 and thereafter.

The bill will temporarily increase state aid to the city of Warren by \$320,000 for aids payable 2022 through 2026. The annual appropriation for LGA would also be temporarily increased by \$320,000.

- The temporary aid increase will increase state general fund costs by \$320,000 in FY2023 through FY2027.

Article 4: Tax Increment Financing

Temporary Use of Increment Allowed (Section 1)

The effective date is the day following final enactment.

Under current law, there are a number of restrictions on how tax increment financing (TIF) authorities can spend any tax increment generated by a TIF district.

The proposal allows unobligated increment to be transferred from the authority to the municipality's general fund. The municipality would be able to use transferred increments for any purpose the municipality's general fund permits. The maximum transfer amount would be the excess increment remaining after the required payments of obligations that would come due in the six months following the transfer. This section would be effective the day following enactment and applies to unobligated increments from any district, regardless of when the request for certification was made. The authority to transfer increments would expire on December 31, 2022.

- The proposed changes to the general TIF provisions may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Pooling Rules Expanded (Section 2)

The effective date is the day following final enactment.

Under current law, pooling rules require that a certain percentage of tax increments must be spent on activities within each tax increment financing (TIF) district. TIF districts may increase, by up to ten percent, the permitted amount of expenditures for activities outside the district if the increase is used for specific purposes, such as low-income housing projects.

The proposal would allow the transfer of increments to an affordable housing trust fund to be considered activity within a housing district and owner-occupied housing to be considered expense outside a district. The proposal would also increase the allowance for increased expenditures outside a district from ten percent to 25 percent.

- The proposed changes to the general TIF provisions may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Extension of Five-Year Rule for Certain TIF Districts (Sections 3-4)

The effective date is the day following final enactment.

The five-year rule essentially requires development activity for a TIF district to be finished within a five-year period that begins with certification of the district's original tax capacity. After this five-year period has expired, increments may only be spent to pay off obligations that were incurred to fund work done during the five-year period or to the extent permitted under the pooling rules. When these obligations are paid or enough money has been collected to pay them, the district must be decertified.

The proposal would extend the five-year rule to ten years for redevelopment districts located outside the defined metropolitan area that are certified after December 31, 2019 and before January 1, 2022.

- The proposed changes to the general TIF provisions may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Tax Increment Financing – Bloomington (Sections 5-6)

The effective date is following local approval.

The proposal authorizes the city of Bloomington or its housing and redevelopment authority to establish two tax increment financing (TIF) districts: American Boulevard and 98th & Aldrich. Each district is limited to the parcels and rights-of-way specified in the proposal.

The proposal includes special rules for both districts:

- Under current law, there are requirements that must be met in order to qualify as a redevelopment district. Under the proposal, the districts are deemed to meet all such requirements.
- Under current law, at least 90% of revenues must be used to finance the costs of correcting conditions that allowed a district to be designated a redevelopment or renewal and

renovation district. Under the proposal, expenditures in the districts would be deemed to meet this requirement.

Another special rule would apply only to the American Boulevard district. Under current law, pooling rules require that a certain percentage of tax increments be spent on activities within each TIF district. The proposal would allow the district to consider increments spent on undergrounding or overhead power lines, transformers, and related infrastructure within the project area as activities within the district.

- The proposed changes to these special TIF provisions may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Tax Increment Financing – Burnsville (Section 7)

The effective date is following local approval.

The proposal would authorize the creation of one or more redevelopment tax increment financing (TIF) districts within the Burnsville Center mall area. The proposal makes some exceptions for any districts established under its authority. These include removing limitations on property eligible to be in a redevelopment district, removing limitations on the permitted use of increment from the district, and allowing increment to be used for the construction and acquisition of property for a bridge, tunnel, or other connector from the mall across certain roads and right-of-ways.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Tax Increment Financing – Fridley (Section 8)

The effective date is following local approval.

Under current law, pooling rules require that a certain percentage of tax increments must be spent on activities within each tax increment financing (TIF) district.

The proposal would allow the city of Fridley or its development authority to spend tax increments from TIF District No. 20 on housing programs outside the district.

Under current law, the five-year rule essentially requires development activity for a TIF district to be finished within a five-year period that begins with certification of the district's original tax capacity. After this five-year period has expired, increments may only be spent to pay off obligations that were incurred to fund work done during the five-year period or to the extent permitted under the pooling rules. When these obligations are paid or enough money has been collected to pay them, the district must be decertified.

The proposal would exempt TIF District No. 20 from five-year rule restrictions. All authority provided under the proposal would expire on December 31, 2023.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Tax Increment Financing – Minnetonka (Section 9)

The effective date is following local approval.

Under current law, pooling rules require that 75 percent tax increments must be spent on activities within each redevelopment tax increment financing (TIF) district. Redevelopment districts may spend up to 25 percent of increments on permitted activities outside the district but within a defined project area.

The proposal would allow the city of Minnetonka or its economic development authority to transfer up to 15 percent of tax increment from districts within the city to the city's affordable housing trust fund. Transfers of increment under this authority would not be subject to annual reporting requirements.

- The proposed exceptions to special TIF provisions would have no impact the local tax base or tax rates.
- The proposal would have no impact on the state general fund.

Tax Increment Financing – Mountain Lake (Section 10)

The effective date is following local approval.

The five-year rule essentially requires development activity for a tax increment financing (TIF) district to be finished within a five-year period that begins with certification of the district's original tax capacity. After this five-year period has expired, increments may only be spent to pay off obligations that were incurred to fund work done during the five-year period or to the extent permitted under the pooling rules. When these obligations are paid or enough money has been collected to pay them, the district must be decertified.

The proposal extends the deadline of the five-year rule from five years to ten years for TIF District No. 1-8 in Mountain Lake.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Tax Increment Financing – Richfield (Section 11)

The effective date is following local approval.

Under current law, pooling rules require that 75 percent tax increments must be spent on activities within each redevelopment tax increment financing (TIF) district. Redevelopment districts may spend up to 25 percent of increments on permitted activities outside the district but within a defined project area.

The proposal would allow the city of Richfield or its housing and redevelopment authority to transfer up to 15 percent of tax increment, including amounts previously accumulated, from

redevelopment districts within the city to the city's affordable housing trust fund. Transfers of increment under this authority would not be subject to annual reporting requirements. The authority to transfer tax increments under this proposal would expire on December 31, 2030.

- The proposed exceptions to special TIF provisions would have no impact the local tax base or tax rates.
- The proposal would have no impact on the state general fund.

Tax Increment Financing – St. Louis Park (Section 12)

The effective date is following local approval.

Under current law, pooling rules require that a certain percentage of tax increments must be spent on activities within each tax increment financing (TIF) district. TIF districts may increase, by up to ten percent, the permitted amount of expenditures for activities outside the district if the increase is used for specific purposes, such as low-income housing projects.

The proposal would require that increment from any district for which the economic development authority of St. Louis Park has elected to increase permitted expenditures be used to assist housing development. Increment would be transferred from the tax increment accounts to the St. Louis Park Affordable Housing Trust Fund and would not be subject to annual reporting requirements.

- The proposed exceptions to special TIF provisions would have no impact the local tax base or tax rates.
- The proposal would have no impact on the state general fund.

Tax Increment Financing – Wayzata (Section 13)

The effective date is following local approval.

Under current law, pooling rules require that a certain percentage of tax increments must be spent on activities within each tax increment financing (TIF) district.

The proposal would allow the city of Wayzata to use increments generated from TIF District No. 6 for the design and construction of the lakefront pedestrian walkway and community transient lake public access infrastructure related to the Panoway on Wayzata Bay project. All of these expenditures would be considered activities within the district.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Tax Increment Financing – Windom (Sections 14-15)

The effective date is following local approval.

The five-year rule essentially requires development activity for a tax increment financing (TIF) district to be finished within a five-year period that begins with certification of the district's original tax capacity. After this five-year period has expired, increments may only be spent to pay off obligations that were incurred to fund work done during the five-year period or to the extent

permitted under the pooling rules. When these obligations are paid or enough money has been collected to pay them, the district must be decertified.

The proposal extends the deadline of the five-year rule from five years to ten years for TIF District No. 1-22 in Windom. In addition, the city of Windom or its economic development authority may extend duration of the TIF district by five years.

- The proposed changes to this special TIF provision may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.

Article 5: Public Finance

Miscellaneous Public Finance Changes (Sections 1-9)

The effective date is July 1, 2021.

The proposal makes a number of technical and clarifying changes regarding local government debt financing and sales taxes.

- There is no assumed impact to the state general fund.

Article 6: Miscellaneous Tax Provisions

Property Tax Refund Maximum Increased for Homeowners (Section 1)

Effective beginning for refunds based on property taxes payable in 2022.

Under current law maximum refund amounts vary by income level and are adjusted annually for inflation. The proposal would increase homeowner maximum refund amounts between \$50 and \$250.

- By increasing the maximum refunds for homeowners, state-paid property tax refunds to homeowners would increase by \$13.9 million beginning in FY 2023.
- Under the proposal, approximately 14% of homeowner PTR claimants would receive an increased refund, with the average refund increase being approximately \$184.
- 75,000 homeowners claiming PTR would receive an increased refund.

Property Tax Refund Copays Reduced for Renters (Section 2)

Effective beginning for refunds based on rent paid in 2021.

Under current law the copay percentages for renters claiming a property tax refund range from 5% to 50% depending on household income. The proposal would lower the renter copay percentages for income ranges above \$5,530 where the current copay percentage is above 5%. The copay percentages would be reduced between 5 and 15 percentage points.

- By lowering the copay percentages for renters, state-paid property tax refunds to renters would increase by \$15.7 million beginning in FY 2023.
- Under the proposal, approximately 86% of renter PTR claimants would receive an increased refund, with the average refund increase being approximately \$57.
- 275,000 renters claiming PTR would receive an increased refund.

Tourism Improvement Districts Established (Sections 3-12)

The effective date is the day following final enactment.

The bill will allow municipalities to create tourism improvement districts. A district can only be created upon request by a majority impacted business owners.

Municipalities will be allowed to collect service charges from businesses within the tourism improvement districts. Funds would be used to promote or improve businesses within the districts.

- The service charges are assumed to have no impact on the state general fund. Tourism improvement districts will not have property tax levy authority.

4d Affordable Housing Report (Section 13)

The effective date is the day following final enactment.

The bill would require the commissioner of revenue, in consultation with the Minnesota Housing Finance Agency, to produce a report on class 4d low income housing property and local 4d affordable housing programs.

The report must include information on the number 4d units for each property, property taxes paid, property tax reductions due to 4d classification, potential tax base changes from lowering the 4d classification rate, and the total number 4d units in the last ten years. The report must also include a profile of income limits and area median incomes that determine eligibility for assisted housing programs. The report must be completed by January 15, 2022.

- There would be no impact to the state general fund.

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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