

PROPERTY TAX

State general tax market value exclusion modified

March 17, 2021

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 2120 (Lislegard) as introduced

	Fund Impact			
	FY2022	FY2023	FY2024	FY2025
	(000's)			
State General Levy	(\$10,650)	(\$20,100)	(\$20,100)	(\$20,100)
Income Tax Interaction	\$0	\$600	\$600	\$600
General Fund Total	(\$10,650)	(\$19,500)	(\$19,500)	(\$19,500)

Effective beginning with taxes payable in 2022.

EXPLANATION OF THE BILL

Under current law, the state general levy for commercial-industrial property is \$737,090,000 and is paid for by specified commercial-industrial property, except the first \$100,000 of market value.

The proposal would change the tax base for the state general levy for commercial-industrial property to exclude the first \$150,000 of market value, instead of the first \$100,000 under current law. The levy amount would be reduced to \$716,990,000.

REVENUE ANALYSIS DETAIL

- Because the exemption of the first \$150,000 of commercial-industrial property is combined with a decrease in the state general levy amount, taxes would not increase on the tax base that remains in the state general levy.
- The state general levy would decrease by \$20.1 million per year beginning in taxes payable 2022. These numbers have been converted to fiscal years for the purpose of this estimate.
- Lower property taxes would reduce deductions on corporate and individual income tax returns, increasing state tax collections beginning in FY 2023.

Number of Taxpayers: All qualifying class 3 commercial, industrial, railroad, and public utility property owners that currently pay state general taxes would be directly affected.

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>	Increase Taxes on businesses would decrease.
<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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