

*PROPERTY TAX INTERACTIONS ONLY*

April 08, 2021

**EDUCATION**

**Omnibus Education Finance bill**

	Yes	No
DOR Administrative Cost/Savings		x

Department of Revenue

Analysis of H.F. 1065 (Davnice) as passed by House Education Finance committee

	<b>Fund Impact</b>			
	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>
	(000's)			
Property Tax Refund Interaction	\$0	\$80	\$70	\$70
Income Tax Interaction	\$0	(\$10)	(\$10)	(\$10)
General Fund Total	\$0	\$70	\$60	\$60

Various effective dates.

**EXPLANATION OF THE BILL**

The proposal makes a number of changes related to K12 education finance.

**REVENUE ANALYSIS DETAIL**

- The proposal would increase net tax capacity based levies related to restoring Voluntary Prekindergarten Program seats set to expire, expanding Career and Technical Education programs, and adding additional levy authority to help support cooperative special education program facilities.
- The proposal would decrease referendum market value based local optional levies by adjusting the second tier equalizing factor.
- The net levy change would be negligible.
- Some property types, such as agricultural land and seasonal residential recreational property, are exempt from referendum market value based levies. All property types are subject to net tax capacity based levies.
- By decreasing referendum market value based levies and increasing net tax capacity based levies, property taxes are shifted away from homesteads and onto other property types. The lower property tax burden would reduce state-paid homeowner property tax refunds beginning in fiscal year 2023, resulting in a savings to the state general fund.
- The higher property tax burden on non-homestead properties would increase income tax deductions beginning in fiscal year 2023, resulting in a cost to the state general fund.

Source: Minnesota Department of Revenue  
 Property Tax Division - Research Unit  
<https://www.revenue.state.mn.us/revenue-analyses>

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