

PROPERTY TAX

Establishing a property tax credit for licensed in-home child care providers

April 06, 2021

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of S.F. 2334 (Weber) as introduced

	Fund Impact			
	FY2022	FY2023	FY2024	FY2025
	(000's)			
In-Home Child Care Provider Credit	\$0	(\$10,300)	(\$10,900)	(\$11,500)
Property Tax Refund Interaction	\$0	\$2,800	\$2,880	\$2,970
Income Tax Interaction	\$0	\$80	\$90	\$90
General Fund Total	\$0	(\$7,420)	(\$7,930)	(\$8,440)

Effective beginning with taxes payable in 2022.

EXPLANATION OF THE BILL

The proposal would create a property tax credit for property classified as 1a residential homestead and 2a agricultural homestead (house, garage, and surrounding one acre of property only) used to operate a licensed family day care or group family day care program. The credit would be equal to 50 percent of the net tax owed on the property after subtracting all other applicable credits.

REVENUE ANALYSIS DETAIL

- The estimate is based on the February 2021 forecast.
- Based on data from the Department of Human Services, it is estimated that there are approximately 6,800 licensed family day care or group family day care programs in the state where the license holder lives onsite.
- It is assumed that all 6,800 child-care programs would be located on qualifying homestead property.
- The credit is estimated to be \$10.3 million in taxes payable 2022. The credit amount is estimated to grow annually based on forecasted homestead net tax growth.
- Lower property taxes for homesteads receiving the credit would reduce property tax refunds paid by the state by \$2.80 million in fiscal year 2023, \$2.88 million in fiscal year 2024, and \$2.97 million in fiscal year 2025.
- Lower property taxes for property owners receiving the credit would reduce deductions on income tax returns, increasing state tax collections by \$80,000 in fiscal year 2023, \$90,000 in fiscal year 2024, and \$90,000 in fiscal year 2025.

Number of Taxpayers: Approximately 6,800 properties would qualify for the credit.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Creates a new property tax credit.
<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

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