

**PROPERTY TAX  
Airport property tax  
exemption modified**

March 22, 2022

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>		<b>X</b>

Department of Revenue  
Analysis of S.F. 3451 (Bakk) as proposed to be amended by SCS3451A-1

**Fund Impact**

	<b>F.Y. 2022</b>	<b>F.Y. 2023</b>	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>
	(000's)			
General Fund	\$0	\$0	(\$10)	(\$10)

Effective beginning with property taxes payable in 2023.

**EXPLANATION OF THE BILL**

Under the proposal, an airport hangar owned by a unit of local government and leased to or used by a person or entity would be exempt from property taxes if the hangar is:

- 1) used for the manufacture of aircraft, and
- 2) not owned or operated by the Metropolitan Airports Commission or by a city of over 50,000 population.

However, if a hangar being used for the manufacture of aircraft is owned or operated by a city over 50,000 but under 150,000 in population, then the net tax capacity of the hangar would be reduced by 50% for taxes payable in 2023 through 2034.

In addition, the proposal would reduce by fifty percent the net tax capacity of airport property constituting or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area in connection with a public airport if not owned or operated by the Metropolitan Airports Commission or cities of over 50,000 in population.

However, if the airport property is owned or operated by a city over 50,000 but under 150,000 in population, the proposal would reduce the net tax capacity of the property by 50% for taxes payable in 2023 through 2034.

**REVENUE ANALYSIS DETAIL**

- The proposal would reduce the net tax capacity of the Cirrus manufacturing hangar located at the Duluth International Airport as well as airport property at the Duluth Sky Harbor Airport & Seaplane Base.
- Based on testimony from the City of Duluth, approximately \$200,000 in property taxes would be shifted onto other properties for taxes payable in 2023, including homesteads, increasing state-paid homeowner property tax refunds by \$10,000 in FY 2024.

- Over the twelve-year period from taxes payable in 2023 through 2034, the total reduction in property taxes on the eligible properties is estimated to be approximately \$2.9 million.
- Three percent annual growth is assumed.
- Tax year impact is allocated to the following fiscal year.
- The estimate is based on the 2022 February Forecast.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	Adds greater complexity to property tax exemptions.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; 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  
<https://www.revenue.state.mn.us/revenue-analyses>

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