

**PROPERTY TAX
Airport property tax
exemption modified**

Revised

March 24, 2022

	Yes	No
DOR Administrative Costs/Savings		X

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

Fund Impact

	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
General Fund	\$0	\$0	(\$20)	(\$20)

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 other airport property in the cities of Duluth, Rochester, and St. Cloud.
- For taxes payable in 2023, an estimated \$460,000 in property taxes would be shifted onto other properties, including homesteads, increasing state-paid homeowner property tax refunds by \$20,000 in FY 2024.
- Based on information provided by St. Louis County, property leased to Cirrus would account for approximately half of the total tax shift.

- 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 \$6.5 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 & Accountability</i>	Decrease	Adds greater complexity to property tax exemptions.
<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
<https://www.revenue.state.mn.us/revenue-analyses>

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