

**PROPERTY TAX  
Levy limits for certain cities**

March 29, 2022

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

Department of Revenue  
Analysis of S.F. 3882 (Weber) / H.F. 4646 (Schomacker) as introduced

	<b>Fund Impact</b>			
	<b>F.Y. 2022</b>	<b>F.Y. 2023</b>	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>
	(000's)			
Property Tax Interactions	\$0	\$0	unknown	unknown
Income Tax Interactions	\$0	\$0	unknown	unknown
General Fund Total	\$0	\$0	unknown	unknown

Effective beginning with taxes levied in 2022.

**EXPLANATION OF THE BILL**

The bill would authorize levy limits on cities that have adopted rent limitations on residential property. Beginning with taxes payable 2023, cities with rent control would be limited to increasing their operating levies by the same percentage as rental properties could increase their rents. Special levies would not be limited.

**REVENUE ANALYSIS DETAIL**

- Two cities in Minnesota (Minneapolis and St. Paul) have voted to allow rent control.
- St. Paul’s rent control limits rent increases to 3% annually beginning in 2022.
- It is unknown whether Minneapolis will institute rent control and, if it does, what the allowed rent percent increase would be.
- Levy limits may reduce Minneapolis and St. Paul’s levies beginning in taxes payable 2023, which may result in:
  - Lower homeowner property tax refunds, reducing costs to the state general fund starting in FY2024.
  - Lower income tax deductions, increasing revenues to the state general fund starting in FY2024.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	Accountability is reduced because cities lose some authority to determine levy amount.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Increase	Levy changes would be limited more than under current law.
<i>Competitiveness for Businesses</i>	Increase	Business property taxes would likely be lower relative to current law.
<i>Responsiveness to Economic Conditions</i>	Decrease	Cities may not be able to respond to economic conditions if their levies are limited.

*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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