

**PROPERTY TAX
State general tax repeal**

April 6, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3694 (Nelson) as introduced

Fund Impact

	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
State General Levy	\$0	(\$396,620)	(\$748,460)	(\$748,640)
Income Tax Interaction	\$0	\$0	\$22,450	\$22,460
General Fund Total	\$0	(\$396,620)	(\$726,010)	(\$726,180)

Effective beginning with taxes payable in 2023.

EXPLANATION OF THE BILL

Under current law, the state general levy for commercial-industrial property is \$716.99 million for taxes payable in 2023 and after. The state general tax for seasonal residential recreational property is \$41.69 million for taxes payable 2020 and after.

The proposal would eliminate both state general levies beginning with taxes payable in 2023.

REVENUE ANALYSIS DETAIL

- Eliminating the state general levy would decrease state general tax collections to the general fund by \$748.33 million in taxes payable 2023, \$748.56 million in taxes payable 2024, and \$748.70 million in taxes payable 2025. These numbers have been converted to fiscal years for the purpose of this estimate.
- Lower property taxes would reduce deductions on corporate and individual income tax returns, increasing state tax collections beginning in fiscal year 2024.

Number of Taxpayers: All seasonal residential recreational and class 3 commercial, industrial, railroad, and public utility property owners that currently pay state general taxes would be directly affected.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Increase	Eliminating a levy and tax base would increase simplicity.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Increase	Taxes on businesses would decrease.
<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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