

**PROPERTY TAX
Commercial and industrial
property eliminated from
state general tax levy**

April 6, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 4077 (Jasinski) / H.F. 4733 (Davids) as introduced

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
State General Levy	\$0	(\$374,820)	(\$707,330)	(\$707,500)
Income Tax Interaction	\$0	\$0	\$21,220	\$21,220
General Fund Total	\$0	(\$374,820)	(\$686,110)	(\$686,280)

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. It is paid for by specified commercial-industrial property, except the first \$150,000 of market value.

The proposal would eliminate the state general levy for all commercial-industrial property beginning with taxes payable in 2023.

REVENUE ANALYSIS DETAIL

- Eliminating the commercial-industrial state general levy would decrease state general tax collections to the general fund by \$707.21 million in taxes payable 2023, \$707.43 million in taxes payable 2024, and \$707.56 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 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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