

**PROPERTY TAX  
Iron Range Fiscal Disparities  
Contribution Tax Refunds**

April 6, 2023

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 2336 (Hauschild) / H.F. 2702 (Skraba) as introduced

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
IRFD Refund	(\$240)	\$0	\$0	\$0
Income Tax Interaction	\$10	\$0	\$0	\$0
General Fund Total	(\$230)	\$0	\$0	\$0

Effective beginning July 1, 2023, for refunds of taxes payable in 2022.

**EXPLANATION OF THE BILL**

The proposal would provide a refund to eligible properties subject to the fiscal disparities contribution tax in 2022 and located in either Cook County or Lake County. The refund amount for each property would be based on the following calculation:

- (1) the total property tax payable for the property in calendar year 2022; minus
- (2) the total property tax payable for the property in calendar year 2022 computed as if the fiscal disparities contribution percentage applicable to the property for taxes payable in 2022 were equal to the contribution percentage applicable to commercial-industrial property in that municipality for taxes payable in 2020.

For each eligible property, if the difference described above is larger than ten percent of the total property tax payable in calendar year 2022, then the property would be eligible for a refund. The refund amount would equal the difference described above minus ten percent of the total property tax payable in calendar year 2022.

The county auditors must calculate the refund amount for each eligible property and certify the total refund amount for each taxpayer to the Department of Revenue by September 1, 2023. The Department of Revenue must pay the certified amounts to each county by October 1, 2023, and refunds must be issued by November 1, 2023.

An amount sufficient to make the refund payments would be appropriated from the general fund in fiscal year 2024, but this amount must not exceed \$2 million. If the total amount to be refunded exceeds \$2 million, then prorated refund amounts would be calculated by the Department of Revenue.

## REVENUE ANALYSIS DETAIL

- There were 980 parcels in Cook and Lake counties that were subject to the fiscal disparities tax for taxes payable in 2022.
- It is estimated that 240 parcels would be eligible for a refund.
  - 20 parcels would receive a refund of less than \$10.
  - 45 parcels would receive a refund greater than \$1,000.
- The total state-paid refund would equal approximately \$240,000 in fiscal year 2024.
  - \$90,000 would be paid to Cook County for refunds on 130 parcels, and
  - \$150,000 would be paid to Lake County for refunds on 110 parcels.
- The refund would decrease the property tax burden for eligible properties. This would decrease income tax deductions for fiscal year 2024, resulting in a savings of \$10,000 to the state general fund.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral
<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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