

**PROPERTY TAX REFUND
Property Tax Refund for Child
Care Providers**

April 8, 2024

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of H.F. 3605 (Youakim) as proposed to be amended by H3605DE1

Fund Impact

	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
General Fund	\$0	(\$250)	(\$280)	(\$320)

Effective for refunds based on rent paid in 2023 and thereafter.

EXPLANATION OF THE BILL

The proposal would create a refund program for licensed child care facilities that:

- 1) accept families participating in the child care assistance program (CCAP) under chapter 119B; and
- 2) are operated by a 501(c)(3) nonprofit charitable organization; and
- 3) pay rent for the property being used as a child care facility.

Under the proposal:

- An eligible child care facility would be allowed a refund equal to ten percent of gross rent paid in any calendar year.
- The owner of the property being rented would be required to furnish a certificate of rent paid to the eligible child care facility.
- An eligible child care facility must apply to the Department of Revenue in the calendar year following the year in which the rent was paid.

The proposal would also require the Department of Revenue to submit a report to legislative tax committees and divisions by March 1, 2025 that estimates the share of rent constituting property taxes for eligible child care facilities.

REVENUE ANALYSIS DETAIL

- Based on a comparison of CCAP child care provider data from the Department of Human Services and the “exempt organizations business master file” available on the IRS website, it is estimated that between 50 and 100 facilities would be eligible for a refund.
- It is assumed that 50 child care facilities would apply for a refund based on rent paid in 2023, increasing by 5 facilities annually during the forecast period.
- The amount of rent paid by facilities that would be eligible for a refund is unknown.
- The average annual rent paid by eligible facilities is estimated to be \$50,000, yielding an average refund payment of \$5,000.
- The average refund payment is assumed to grow by 3% annually.

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

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

hf3605(sf4430) PTR for Child Care Providers_pt_2/jtb