

April 8, 2024

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

Department of Revenue  
Analysis of H.F. 5075 (Lee, F.) / S.F. 5191 (Dibble)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2024</u></b>	<b><u>F.Y. 2025</u></b>	<b><u>F.Y. 2026</u></b>	<b><u>F.Y. 2027</u></b>
			(000's)	
General Fund	\$0	(\$26,700)	(\$26,700)	(\$26,700)

Effective beginning tax year 2024.

**EXPLANATION OF THE BILL**

The bill creates a nonrefundable income tax credit for the cost of removing a tree that has been found to be infested by the emerald ash borer (EAB) and is required by state law or municipal ordinance to be removed. The credit equals 50% of the cost of removing each tree. The maximum credit is \$1,000. For nonresidents or part-year residents, the credit must be allocated using the percentage of their income that is sourced to Minnesota.

**REVENUE ANALYSIS DETAIL**

- The number of eligible tree removals in Minnesota is unknown. The estimate is based on a combination of U.S. Department of Agriculture (USDA), U.S. Census Bureau, and Minnesota Department of Natural Resources (DNR) data.
- Fifty counties have confirmed EAB infestations, based on 2024 USDA data. The number of urban ash trees in affected counties was estimated using county-level data from the DNR.
- About 54% of ash tree removals are assumed to be on private residential property, based on a November 2023 report titled “Tree Trimming Services in the U.S.” by IBISWorld.
- The estimate was further reduced by the percentage of housing units that are detached single-family housing units which are assumed to be most likely to qualify for the credit.
- The number of ash trees removed each year is based on extrapolated data from Minneapolis and St. Paul tree removal data. Affected counties are assumed to remove 5% of ash trees in urban areas per year.
- Most taxpayers are expected to qualify for the maximum credit. Because the credit is nonrefundable, the average reduction in tax will be about \$710.
- The number of credits was increased by 5% to include part-year and nonresidents that may claim a partial credit. They are assumed to get a 50% credit on average.
- Tax year impacts are allocated to the following fiscal year.
- No growth is assumed since the number of tree removals in future years is unknown.

**Number of Taxpayers:** About 38,600 taxpayers are expected to claim the credit.

Minnesota Department of Revenue  
Tax Research Division  
<https://www.revenue.state.mn.us/revenue-analyses>