DEPARTMENT OF REVENUE

PROPERTY TAX
Airport Property Tax
Exemption Modified

April 2, 2024

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1289 (Hauschild) as proposed to be amended by SCS1289A-1

	Fund Impact			
	F.Y. 2024	**F.Y. 2025**	**F.Y. 2026**	**F.Y. 2027**
	(000's)			
General Fund	$0	$0	($30)	($30)

Effective beginning with property taxes payable in 2025.

EXPLANATION OF THE BILL

Under current law, if airport property owned by a unit of local government is leased to or used by any person or entity in connection with a business conducted for profit, then the property is taxed as if the lessee or user was the owner of the property. However, the property is exempt from property taxes if:

1) it is <u>not</u> owned or operated by the Metropolitan Airports Commission, <u>nor</u> by a city of over 50,000 in population or such a city's airport authority; and
2) it is used as a hangar for the storage or repair of aircraft; or used to provide aviation goods, services, or facilities to the airport or general public; or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area.

Under the proposal, the same conditions for exemption would also apply to an airport hangar used for the manufacture of aircraft.

In addition, the proposal would reduce by 50% the net tax capacity of airport property leased to or used by any person or entity if the property is:

1) owned or operated by a city over 50,000 but under 150,000 in population or such a city's airport authority; and
2) used as a hangar for the storage, repair, <u>or manufacture</u> of aircraft; or used to provide aviation goods, services, or facilities to the airport or general public; or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area.

The 50% reduction in net tax capacity would be applied to taxes payable in 2025 through 2036.

REVENUE ANALYSIS DETAIL

- The proposal would reduce the net tax capacity of the Cirrus manufacturing hangar located at the Duluth International Airport as well as other airport property in the cities of Duluth, Rochester, and St. Cloud.
- This would reduce the commercial-industrial state general tax on eligible properties. However, the reduction in state general tax would have no impact on state revenues in payable years 2025 through 2036, because the tax rate would be adjusted to yield the amount of revenue required by statute.

- Beginning with taxes payable in 2025, an estimated $450,000 in local property taxes would be shifted onto other properties, including homesteads, increasing state-paid homeowner property tax refunds by $30,000 in fiscal year 2026.
- Over the twelve-year period from taxes payable in 2025 through 2036, the total reduction in local property taxes on the eligible properties is estimated to be approximately $6.4 million.
- Three percent annual growth is assumed.
- Tax year impact is allocated to the following fiscal year.

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

Transparency, Understandability, Simplicity & Accountability	Decrease	Adds greater complexity to property tax exemptions.
Efficiency & Compliance	Neutral	
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Neutral	
Competitiveness for Businesses	Neutral	
Responsiveness to Economic Conditions	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

sf1289(hf1471) Airport Property Exemption_pt_2/jtb