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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 2114

03/06/2017 Authored by Whelan and Drazkowski The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; property; establishing the Legislative Property Tax Reform
1.3 Task Force; requiring a report.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. LEGISLATIVE PROPERTY TAX REFORM TASK FORCE.

1.6 Subdivision 1. Membership. (a) The Legislative Property Tax Reform Task Force is
1.7 created and consists of the following members:

1.8 (1) two representatives appointed by the chair of the tax committee of the house of
1.9 representatives;

1.10 (2) two representatives appointed by the minority lead of the tax committee of the house
1.11 of representatives;

1.12 (3) two senators appointed by the chair of the senate tax committee; and

1.13 (4) two senators appointed by the minority lead of the senate tax committee.

1.14 (b) Any vacancy shall be filled by appointment of the appointing authority for the vacating
1.15 member.

1.16 (c) Members shall be appointed by July 1, 2017.

1.17 Subd. 2. Duties. The task force must perform the duties described in section 2.

1.18 Subd. 3. First meeting; chair. The first appointee of the chair of the house tax committee
1.19 must convene the initial meeting of the task force by July 21, 2017. The members of the
1.20 task force must elect a chair and vice-chair from the members of the task force at the first
1.21 meeting.

2.1 Subd. 4. **Staff.** Legislative staff of the house of representatives and senate shall provide
 2.2 staff support, with the assistance of staff from the Departments of Revenue and Education,
 2.3 to facilitate the task force's work.

2.4 Subd. 5. **Report.** The task force must submit a report by February 15, 2018, to the chairs
 2.5 and ranking minority members of the committees in the senate and house of representatives
 2.6 with primary jurisdiction over taxes, presenting two or more alternatives for reform of
 2.7 Minnesota's property tax system.

2.8 Subd. 6. **Sunset.** The task force shall sunset the day following the submission of the
 2.9 report under subdivision 5.

2.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.11 Sec. 2. **PROPOSALS FOR REFORM OF MINNESOTA'S PROPERTY TAX**
 2.12 **SYSTEM.**

2.13 (a) The Legislative Property Tax Reform Task Force must develop proposals to
 2.14 restructure Minnesota's property tax system for legislative consideration. The proposals
 2.15 shall provide for a system that is easier and less costly to administer and more transparent
 2.16 and easier for taxpayers to understand, while minimizing the number of properties that
 2.17 experience severe tax changes. The proposals may include a transition period of up to five
 2.18 years before the final system elements are fully operational. At least one proposal must be
 2.19 developed where the highest estimated net state cost does not exceed \$250,000,000 in the
 2.20 first year that the proposal is fully phased in. At least one proposal must be developed where
 2.21 the highest estimated net state cost does not exceed \$500,000,000 in the first year that the
 2.22 proposal is fully phased in. Each proposal should estimate the administrative cost savings
 2.23 to county governments and to the state government.

2.24 (b) The proposals must include the following elements:

2.25 (1) reduce the number of classifications to four or fewer, with a uniform assessment
 2.26 ratio for each classification;

2.27 (2) eliminate any distinction between homestead and nonhomestead agricultural land;
 2.28 and

2.29 (3) use terminology of assessed value and mill rates.

2.30 (c) The proposals must incorporate as many of the following elements as possible:

2.31 (1) preserve preferential treatment for homestead property by means other than the
 2.32 homestead market value exclusion;

3.1 (2) preserve preferential treatment for disabled veterans' homestead property by means
3.2 other than the disabled veterans market value exclusion without shifting the tax burden to
3.3 other local taxpayers;

3.4 (3) eliminate disparity reduction aid;

3.5 (4) combine the net tax capacity levy and the referendum market value levy to a single
3.6 levy on assessed value; and

3.7 (5) reduce or eliminate the state general levy.

3.8 (d) The proposals may modify or eliminate the following system elements:

3.9 (1) homestead credit state refund;

3.10 (2) renters property tax refund;

3.11 (3) targeting refund;

3.12 (4) local government aid;

3.13 (5) county program aid;

3.14 (6) disparity reduction credit;

3.15 (7) any elements of the E-12 financing system; and

3.16 (8) any other elements of the system.

3.17 (e) The proposals may add the following elements to the system, or any other elements
3.18 the task force deems necessary:

3.19 (1) permanent state-paid credits based on a property's classification, market value, gross
3.20 tax, or a portion of the tax;

3.21 (2) permanent state-paid refunds based on income and gross tax;

3.22 (3) temporary state-paid credits or refunds based on a property's classification, market
3.23 value, gross tax, or change in tax burden under the new system;

3.24 (4) a credit for agricultural properties based on market value, gross tax, or a specific
3.25 category of tax such as school debt levies; and

3.26 (5) a valuation system for agricultural properties based on production value rather than
3.27 market value.

3.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.