

270C.991 PROPERTY TAX SYSTEM BENCHMARKS AND CRITICAL INDICATORS.

Subdivision 1. **Purpose.** State policy makers should be provided with the tools to create a more accountable and efficient property tax system. This section provides the principles and available tools necessary to work toward achieving that goal.

Subd. 2. **Property tax principles.** To better evaluate the various property tax proposals that come before the legislature, the following basic property tax principles should be taken into consideration. The property taxes proposed should be:

- (1) transparent and understandable;
- (2) simple and efficient;
- (3) equitable;
- (4) stable and predictable;
- (5) compliance and accountability;
- (6) competitive, both nationally and globally; and
- (7) responsive to economic conditions.

Subd. 3. **Major indicators.** There are many different types of indicators available to legislators to evaluate tax legislation. Indicators are useful to have available as benchmarks when legislators are contemplating changes. Each tool has its own limitation, and no one tool is perfect or should be used independently. Some of the tools measure the global characteristics of the entire tax system, while others are only a measure of the property tax impacts and its administration. The following is a list of the available major indicators:

- (1) property tax principles scale, the components of which are listed in subdivision 2, as they relate to the various features of the property tax system;
- (2) price of government report, as required under section 16A.102;
- (3) tax incidence report, as required under section 270C.13;
- (4) tax expenditure budget and report, as required under section 270C.11;
- (5) state tax rankings;
- (6) property tax levy plus aid data, and market value and net tax capacity data, by taxing district for current and past years;
- (7) effective tax rate (tax as a percent of market value) and the equalized effective tax rate (effective tax rate adjusted for assessment differences);
- (8) assessment sales ratio study, as required under section 273.1325;
- (9) "Voss" database, which matches homeowner property taxes and household income;
- (10) revenue estimates under section 270C.11, subdivision 5, and state fiscal notes under section 477A.03, subdivision 2b; and
- (11) local impact notes under section 3.987.

Subd. 4. **Property tax working group.** (a) A property tax working group is established as provided in this subdivision. The goals of the working group are:

(1) to investigate ways to simplify the property tax system and make advisory recommendations on ways to make the system more understandable;

(2) to reexamine the property tax calendar to determine what changes could be made to shorten the two-year cycle from assessment through property tax collection; and

(3) to determine the cost versus the benefits of the various property tax components, including property classifications, credits, aids, exclusions, exemptions, and abatements, and to suggest ways to achieve some of the goals in simpler and more cost-efficient ways.

(b) The 12-member working group shall consist of the following members:

(1) two state representatives, both appointed by the chair of the house of representatives Taxes Committee, one from the majority party and one from the largest minority party;

(2) two senators appointed by the Subcommittee on Committees of the Senate Rules and Administration Committee, one from the majority party and one from the largest minority party;

(3) one person appointed by the Association of Minnesota Counties;

(4) one person appointed by the League of Minnesota Cities;

(5) one person appointed by the Minnesota Association of Townships;

(6) one person appointed by the Minnesota Chamber of Commerce;

(7) one person appointed by the Minnesota Association of Assessing Officers;

(8) two homeowners, one who is under 65 years of age, and one who is 65 years of age or older, both appointed by the commissioner of revenue; and

(9) one person jointly appointed by the Minnesota Farm Bureau and the Minnesota Farmers Union.

The commissioner of revenue shall chair the initial meeting, and the working group shall elect a chair at that initial meeting. The working group will meet at the call of the chair. Members of the working group shall serve without compensation. The commissioner of revenue must provide administrative support to the working group. Chapter 13D does not apply to meetings of the working group. Meetings of the working group must be open to the public and the working group must provide notice of a meeting to potentially interested persons at least seven days before the meeting. A meeting of the working group occurs when a quorum is present.

(c) The working group shall make its advisory recommendations to the chairs of the house of representatives and senate Taxes Committees on or before February 1, 2013, at which time the working group shall be finished and this subdivision expires. The advisory recommendations should be reviewed by the Taxes Committees under subdivision 5.

Subd. 5. Taxes Committee review and resolution. On or before March 1, 2012, and every two years thereafter, the house of representatives and senate Taxes Committees must review the major indicators as contained in subdivision 3, and ascertain the accountability and efficiency of the property tax system. The house of representatives and senate Taxes Committees shall prepare a resolution on targets and benchmarks for use during the current biennium.

Subd. 6. Department of Revenue; revenue estimates. As provided under section 270C.11, subdivision 5, the Department of Revenue is required to prepare an estimate of the effect on the state's tax revenues which result from the passage of a legislative bill establishing, extending,

or restricting a tax expenditure. Beginning with the 2011 legislative session, those revenue estimates must also identify how the property tax principles contained in subdivision 2 apply to the proposed tax changes. The commissioner of revenue shall develop a scale for measuring the appropriate principles for each proposed change. The department shall quantify the effects, if possible, or at a minimum, shall identify the relevant factors so that legislators are aware of possible outcomes, including administrative difficulties and cost. The interaction of property tax shifting should be identified and quantified to the degree possible.

Subd. 7. **Appropriation.** The sum of \$30,000 in fiscal year 2011 and \$25,000 in each fiscal year thereafter is appropriated from the general fund to the commissioner of revenue to carry out the commissioner's added responsibilities under subdivision 6.

History: 2010 c 389 art 2 s 3; 1Sp2011 c 7 art 5 s 2; 2012 c 187 art 1 s 45; 2013 c 143 art 14 s 110