

**PROPERTY TAX  
Mille Lacs County taxing  
jurisdictions reimbursement  
for lost revenue authorization**

March 8, 2022

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

Department of Revenue  
Analysis of S.F. 3069 (Mathews) as proposed to be amended by SCS3069A-1

**Fund Impact**

	<u><b>F.Y. 2022</b></u>	<u><b>F.Y. 2023</b></u>	<u><b>F.Y. 2024</b></u>	<u><b>F.Y. 2025</b></u>
	(000's)			
Reimbursement Aid	\$0	(\$114)	(\$114)	(\$114)
PTR Interactions	\$0	\$0	negligible	negligible
Income Tax Interactions	\$0	\$0	negligible	negligible

Effective beginning the day following final enactment.

**EXPLANATION OF THE BILL**

The bill would reimburse taxing jurisdictions in Mille Lacs County for lost property tax revenue due to land being placed into trust by the U.S. Department of the Interior Bureau of Indian Affairs. The reimbursement amount would be based on properties that either (1) went into trust between January 1, 2009 and December 31, 2020, or (2) applied for trust between January 1, 2009 and June 30, 2021 and were placed into trust in subsequent years.

For the first five years, the reimbursement would equal the full amount of property tax revenue lost by each taxing jurisdiction, calculated as the sum of the taxes paid by the specified exempt properties in their final taxable year. Beginning in the sixth year, the reimbursement would be reduced each year by 20 percent of the amount certified in the first year until the payment amount reaches zero, at which point the reimbursement provision would expire.

**REVENUE ANALYSIS DETAIL**

- Based on data provided by the assessor's office in Mille Lacs County, there were 55 parcels that went into trust between January 1, 2009 and December 31, 2020. The total tax amount for these properties at the time they went into trust was approximately \$114,000.
- Under the proposal, the reimbursement aid would increase costs to the state general fund beginning in FY 2023. The total cost would be approximately \$800,000 over a 9-year period.
- It is assumed that this aid would result in taxing jurisdictions lowering their levies by a portion of the aid. Lower levies would reduce property taxes on all property, including homesteads.
- Lower homestead property taxes would result in lower state-paid homeowner refunds, resulting in a savings to the state general fund of less than \$5,000 beginning in FY 2024.
- Lower property taxes would result in lower income tax deductions, increasing revenues to the state general fund by less than \$5,000 beginning in FY 2024.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Neutral	Short term stability of tax revenues for local jurisdictions in Mille Lacs County.
<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>

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