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May 2, 2022

Senator Bill Weber, Chair
Senate Taxes – Property Tax Subcommittee
Room 2109, Minnesota Senate Building
95 University Avenue West
Saint Paul, MN 55155

Dear Chair Weber:

Thank you, Chair Weber, for engaging with and considering input from local governments during development of omnibus property tax provisions, and for the opportunity to comment on selected provisions of [SF3706 A1 Amendment](#).

The Minnesota Inter-County Association (MICA) represents fifteen of Minnesota's larger and faster growing counties, including four suburban and eleven Greater Minnesota counties.

Property tax is the primary own-source revenue tool available to counties to fund the implementation of state-determined programs and local priorities. Rapidly rising property valuations driven primarily by a shortage of housing supply relative to housing demand, and exacerbated during the COVID pandemic, has increased focus on property tax levels statewide. While property valuation increases do not necessarily result in property tax increases, we support a range of strategies aimed at moderating property tax levels, including provisions contained in SF3706 A1.

In particular, we appreciate and support the following property tax relief provisions:

- **Expansion of the Homestead Market Value Exclusion** from 40% of the first \$76,000 of value, to 40% of the first \$95,000 of residential homestead value, and phasing out until there is no exclusion for homes valued at more than \$517,200 (Article 1, section 12).
- **Senior Citizen Property Tax Deferral** expansion by increasing the maximum household income threshold from \$60,000 to \$75,000, and reducing from 15 years to 5 years the length of time the owner needs to have lived in the home (Article 1, sections 20 – 23).

- **Expanded Targeted Property Tax Refund** by lowering, from 12% to 10%, the year-to-year property tax increase that qualifies for the refund and increasing the maximum refund from \$1000 to \$2000 (Article 1, section 19).
- **Interest Rate Relief – Delinquent Taxes** by eliminating a statutorily set floor of 10% on the interest rate charged on delinquent property taxes and repurchase contracts. That 10% floor is well above where interest rates have been for many years, and its elimination is overdue and aligns with the goal of promoting homeownership and retaining affordable housing. (Article 1, sections 17-18).

We also support increased investment in affordable and workforce housing. SF3706 A1 includes two specific proposals to support affordable housing: reducing the 4d low-income apartment class rate to 0.25% for all class 4d qualifying units; and creating a new Affordable Housing Market Value Exclusion whereby eligible properties receive a 50% market value exclusion. For both programs, the incentive for developers to invest in affordable housing results from lowering property tax on affected properties in a way that shifts tax on to other classes of property, such as homeowners and small businesses. We support the goals of these two proposals but prefer and encourage more direct financing of developer incentives.

Finally, in addition to the property tax classification system, exclusions and credits, and refund programs, Minnesota's county program aid has also been a critical tool to offset the costs of state mandates and help moderate tax levels for all property owners. While CPA is not regularly adjusted for inflation, we support consideration of periodic increases if budget resources allow.

Again, thank you Chair Weber for the opportunity to submit written testimony on SF3706 A1, and for your leadership on issues of such importance to the work of county governments.

Sincerely,



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