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May 9, 2022

Senator Carla Nelson, Chair
Senate Committee on Taxes
Room 3235, Minnesota Senate Building
95 University Avenue West
Saint Paul, MN 55155

Dear Chair Nelson and Senate Tax Committee Members:

On behalf of the Minnesota Inter-County Association (MICA) and Association of Minnesota Counties (AMC), we write regarding the proposed SCH3669A-1 Amendment (Senate omnibus tax provisions).

Property tax is the primary own-source revenue available to counties to fund state mandates and local priorities. Rising property valuations due largely to housing supply shortages, and acerbated during the COVID pandemic, have increased focus on property tax levels statewide. Although those valuation increases do not automatically result in tax increases for property owners, we support and respectively encourage a combination of strategies to moderate property tax levels.

We are thankful to Chair Nelson and Chair Weber for including several property tax relief mechanisms—most notably the expansions of the senior property tax deferral program, homestead market value exclusion, and targeted property tax refund program in the Senate's omnibus tax package.

We likewise support and appreciate elimination of the 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. Its elimination is overdue and aligns with the goal of promoting homeownership and retaining affordable housing.

SCH3669A-1 includes several property tax relief proposals that would serve to provide property tax relief by reducing, shifting, or eliminating property taxes for a particular property tax class or interest. Counties express caution for such proposals as the affordable housing market value exclusion, energy storage system exemption, the reduced class rate for 4d low-income housing, and tier changes for agriculture and class 1c (resorts) that all represent shifts of tax burdens to other classes. While some of these proposals are small, it should be noted that cumulatively, they still have the effect of eroding tax bases and potentially increasing tax burdens on other property owners. Our associations suggest that the Legislature consider other methods, such as state-funded property or income tax credits, to provide similar relief.

Counties are disappointed to see no refund of state sales tax paid on the purchase of construction materials for local public infrastructure or any form of local government aid/county program aid (CPA) or payment-in-lieu-of-tax payment reform. County Program Aid provides relief to every single Minnesota property taxpayer. After 20 years, CPA is still not equal to the original appropriation and is over $100 million behind original funding levels. Declining CPA has resulted in counties having to rely even more on local property taxpayers to pay for mandated services.

Finally, one such state mandate is holding counties solely accountable for local solid waste reduction and recycling efforts. Despite this, less than 20% of solid waste management tax revenues go to helping counties with that work, while 30% of revenues are deposited into the state General Fund. We encourage that all or a portion of those revenues be redirected to increased SCORE grants consistent with the original purposes of solid waste taxes.

We are hopeful that these needs will be addressed during future negotiations and the conference committee process and that local governments are provided with equal investments.

Thank you, Chair Nelson for the opportunity to submit written testimony on HF3669. And thank you Chair Nelson, Chair Weber, and committee members for your engagement and leadership on issues of such importance to the work of county governments.

Sincerely,

Matt Massman, *Executive Director*
Minnesota Inter-County Association

Matt Hilgart, *Government Relations Manager*
Association of Minnesota Counties