

**PROPERTY TAX
Indian tribe property tax
exemption extended**

February 1, 2023

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 875 (Becker-Finn) / S.F. 764 (Hauschild) as introduced

Fund Impact

	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
State General Tax	(\$10)	\$0	\$0	\$0
Property Tax Refund Interaction	\$0	(negligible)	(negligible)	(negligible)

Effective beginning with property taxes payable in 2023.

EXPLANATION OF THE BILL

Under current law, an exemption from property taxes is granted to property that:

- 1) was classified as 3a for taxes payable in 2013;
- 2) is located in Minneapolis;
- 3) was on January 2, 2012, and is for the current assessment owned by a federally recognized Indian tribe; and
- 4) is used exclusively for tribal purposes or institutions of purely public charity.

Qualifying property is limited to no more than two contiguous parcels and structures that do not exceed in the aggregate 20,000 square feet.

Under current law, this exemption expires with taxes payable in 2024.

Under the proposal, the exemption would expire with taxes payable in 2034. In addition, eligible property would not be required to file a statement of exemption with the assessor.

REVENUE ANALYSIS DETAIL

- Property in Minneapolis owned by the Chippewa Tribe would be eligible for the exemption.
- This property last received the exemption (under current law) for taxes payable in 2020.
- It is assumed that the exemption was removed beginning with taxes payable in 2021 due to failure to meet the statement of exemption filing requirement.
- The proposal would reinstate the exemption beginning with taxes payable in 2023.
- The estimated tax due on this property in 2023 includes approximately \$10,000 of state general tax which would not be paid under the proposal.
- For taxes payable in 2024 and thereafter, the exemption from the commercial-industrial state general tax would have no impact on state revenues, because the tax rate would be adjusted to yield the amount of revenue required by statute.
- For taxes payable in 2023, there would be no shifting of property taxes because taxes have already been determined.

- For taxes payable in 2024, the proposal would shift approximately \$20,000 in local property taxes onto other properties, including homesteads, increasing state-paid homeowner refunds by less than \$5,000 in fiscal year 2025.
- Tax year impact is allocated to the following fiscal year.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<i>Efficiency & Compliance</i>	Neutral
<i>Equity (Vertical & Horizontal)</i>	Neutral
<i>Stability & Predictability</i>	Neutral
<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>

hf0875(sf0764) Indian Tribe Property Tax Exemption Extended/jtb