

**PROPERTY TAX  
Payment In Lieu of Taxes (PILT)  
Modifications and Report**

January 31, 2023

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

Department of Revenue  
Analysis of S.F. 0697 (Hauschild) / H.F. 0825 (Lislegard) as introduced

	<b>Fund Impact</b>			
	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>
	(000's)			
PILT Payment Increases	\$0	(\$9,300)	(\$10,200)	(\$11,000)
Property Tax Refund Interactions	\$0	\$250	\$280	\$300
Income Tax Interactions	\$0	\$90	\$100	\$110
<b>General Fund Total</b>	<b>\$0</b>	<b>(\$8,960)</b>	<b>(\$9,820)</b>	<b>(\$10,590)</b>

Effective beginning with aids payable in 2024.

**EXPLANATION OF THE BILL**

Under current law, the payments in lieu of taxes (PILT) program provides local governments with state aid based on the amount and type of state-owned natural resources land located in the county.

The proposal would make the following changes to the PILT program:

- Increases the payment per acre from \$2 to \$3 for commissioner and county administered PILT lands
- Creates a new payment based on the total amount of PILT land in the county. Counties where PILT land is 25% or more of the total land in the county would receive an additional 18 cents per acre for all PILT land in the county. Counties where PILT land is more than 10% but less than 25% of the total land in the county would receive an additional 8 cents per acre for all PILT land in the county
- Changes the appraised value formula to be based on either the current assessed value of the land or the most recent appraised value of land, whichever is greater
- Adds an annual inflation adjustment to the per acre PILT payment rates

The proposal would also require the Department of Revenue to produce a report on the valuation methods used to value state-owned lakeshore property.

**REVENUE ANALYSIS DETAIL**

- Increasing the per acre payment rates from \$2 to \$3 for commissioner and county administered PILT lands and creating new payments to counties with over 10% PILT land would increase costs to the state general fund beginning in FY 2025.
- Adjusting the per acre PILT payment rates for annual inflation would increase costs to the state general fund beginning in FY 2026.

- It is assumed that the increase in PILT would reduce property tax levies by a portion of the aid increase. Lower levies would reduce property taxes on all property.
  - Lower property taxes would result in lower homeowner property tax refunds, reducing costs to the state general fund beginning in FY 2025.
  - Lower property taxes would result in lower income tax deductions, increasing revenues to the state general fund beginning in FY 2025.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	Additional complexity in the property appraisal process and PILT payments calculation.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; 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>

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