

SF4007 - 0 - Property Tax Refund Reforms Study

Chief Author: **Grant Hauschild**
 Committee: **Taxes**
 Date Completed: **2/28/2024 3:34:22 PM**
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
General Fund	-	-	54	-	-
Total	-	-	54	-	-
Biennial Total			54		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	.08	-	-
Total	-	-	.08	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 2/28/2024 3:34:22 PM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	54	-	-	-
Total	-	-	54	-	-	-
Biennial Total			54			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	54	-	-	-
Total	-	-	54	-	-	-
Biennial Total			54			-
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

The bill mandates the commissioner of Revenue to submit a report related to homeowners' property tax refunds to the legislative committees with jurisdiction over taxes and property taxes no later than January 15, 2025. The report must include recommendations to simplify the process for claiming property tax refunds and improving participation. The report must also evaluate the following changes to the programs:

- Converting the programs to a refundable income tax credit
- Automatically applying the refunds to a taxpayer's property tax liability
- Modifying the measure of income used to calculate refunds

The report must comply with requirements in Minnesota Statutes, sections 3.195 and 3.197. The effective date is the day following final enactment.

Assumptions

The Department of Revenue (Revenue) assumes it will contract with a third party to produce the required report. Revenue assumes a cost of \$40,000 to contract with an outside consultant to write the report. This estimate is based on recent consultant costs for report writing and would allow the consultant time to conduct research, review relevant data and information provided by Revenue, attend meetings and have discussions with Revenue staff, as well as prepare a report with the information.

Based on work on similar projects, the Income Tax and Withholding (ITW) Division assumes .06 FTE of staff time in FY25 to assist in facilitating conversations and to answer questions for the contracted report writer. ITW assumes the Property Tax Division and the Tax Operations Division will also be included in conversations, answering questions, and assisting the report writer.

The Property Tax Division assumes it will pull and compile relevant data regarding property taxes and household income for analysis and use in the report. The division will provide information related to the property tax calendar and will review ideas and assess feasibility as it relates to property taxes and the property tax calendar. The division will also provide

feedback on portions of the report that relate to the property tax division and areas of expertise. Property Tax assumes .02 FTE in FY25 will be needed for this work.

The Tax Operations Division assumes that any collaboration or assistance provided with this report will be absorbed into our regular workflow. While there is a small impact, no costs are being reported.

FTE Impact

FTEs	FY 2024	FY 2025	FY 2026	FY 2027
Income Tax and Withholding staff (MAPE)		.06		
Property Tax staff		.02		
MAPE		.01		
MMA		.01		
Total FTE Impact		.08		

Note: Totals may vary slightly due to rounding.

Expenditure and/or Revenue Formula

Administrative Impact

Administrative Costs (Savings)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Employee Compensation			14,379		
Report			40,000		
Total Administrative Costs (Savings)			54,379		

Note: This table uses whole numbers. Totals may vary slightly due to rounding.

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency staff provided information for this fiscal note.

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

Agency Contact:

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