Chair Rest, Lead Weber, and members of the Senate Tax Committee

Thank you for the opportunity to provide written feedback on SF2915 (Rest) on behalf of the Minnesota Inter-County Association (MICA) and the Association of Minnesota Counties. We support SF2915 which would clarify state law and policy regarding the taxation of residential properties owned and leased by institutions following the Alliance Housing v. Hennepin County decision last year from the state Supreme Court.

The Department of Revenue issued guidance to county assessors last summer which made it clear that as a result of this decision beginning with assessment year 2025 certain low income housing tenants would have to pay property taxes for the first time. That memo specifically said that "assessors will need to review leases in otherwise exempt low income housing properties to determine if the lease or rental agreements would require a personal property tax account to be created."

The memo also referenced potential changes to the renters credit, which we've since confirmed that tenants could end up paying personal property taxes or lose eligibility for the renters credit. This bill would not only prevent those two issues occurring, it would also prevent the property tax shift onto homeowners that would otherwise occur as well. That property tax shift hasn't been quantified but would be significant in numerous counties.

The state-determined property tax classification system has long been intentional in addressing preferential taxation for low-income rental housing through the class 4d program, which has the low 0.25% classification rate beginning with taxes payable in 2025. Adopting the language in SF2915 is needed this session to best support property tax administration and tax base stability going forward.

Sincerely,

Nathan Jesson

Nathan Jesson, Minnesota Inter-County Association

Matt Hilgart

Matt Hilgart, Association of Minnesota Counties