

February 27, 2023

Chair Gomez and Members of the House Taxes Committee:

Thank you for the opportunity to submit written testimony on HF 1938, the Governor's Tax Bill.

Minnesota Realtors® (MNR) was founded in 1919 and is a statewide business trade association with a membership of over 22,000 real estate professionals working with buyers and sellers of all types of property every day.

Capital Gain and Dividend Tax (Article 1, Sec. 3, 4, 7, and 18)

MNR opposes increasing taxes on long term capital gains and dividend income, which could significantly and adversely affect the commercial real estate market in Minnesota.

Investors in commercial real estate assess risk and evaluate return when considering projects and properties. MNR is concerned that the proposal to increase capital gains taxes would put Minnesota's commercial real estate market at a competitive disadvantage by discouraging private investment. Instead, it is important to encourage continued investment in Minnesota that will bring innovative, market-driven approaches to growing our economy.

Reinstate Historic Rehabilitation Tax Credit (Article 1, Sec. 15, 16, 20, and 21)

MNR supports reinstating the Historic Rehabilitation Tax Credit.

MNR supports policies that recognize the importance of both market-rate housing and housing affordability, and the historic structure rehabilitation tax credit has supported and encouraged private investment in housing over the past decade.

The University of Minnesota Extension's January 2023 report, "Economic Impact of Projects Leveraged by the Minnesota Historic Rehabilitation Tax Credit: Fiscal Year 2022," cited several benefits of historic structure rehabilitation projects including, *"...providing a sense of place, strengthening communities and continuity, efficiently using resources, preserving craftsmanship, improving aging neighborhoods and assets, diversifying housing options, and encouraging creative new uses of existing spaces."*

The report also highlighted how projects completed since FY 2011, *"...generated \$5.9 billion in economic activity...and supported 29,570 jobs."*

Senior Citizens' Property Tax Deferral (Article 4, Sec. 10-13)

MNR supports increasing the household income limit and reducing the number of years a homeowner must own and occupy the property, to qualify for the senior citizens' property tax deferral program.

Modifying the eligibility criteria for this program is reasonable and would provide some seniors struggling to pay their property taxes an option that will allow them to remain in their home.

In addition, MNR supports improving, enhancing, and updating other existing homeowner property tax relief programs, including:

- Homestead Credit State Refund, also known as the "circuit breaker," which provides direct relief to homeowners whose property taxes are high relative to their income
- "Targeting" Property Tax Refund, which provides direct property tax relief to homeowners who have large property tax increases from one year to the next
- Homestead Market Value Exclusion, which provides for a portion of market value for one's home to be excluded from its value for property tax calculations

MNR is disappointed the Governor's bill does not increase direct property tax relief for homeowners. However, we hope the final omnibus tax bill prioritizes improving, enhancing, and updating existing homeowner property tax relief programs which help make homeownership more sustainable and affordable.

Finally, MNR supports the proposal in the bill to allow property owners with a valid ITIN issued by the Internal Revenue Service to qualify for homestead status and the homestead property tax refund.

Sincerely,



Paul Eger
Senior Vice President, Governmental Affairs
Minnesota Realtors®