

**PROPERTY TAX
Indian Tribe Property Exemption
(Class 3a)**

March 25, 2024

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 5041 (Mohamed) / H.F. 5062 (Sencer-Mura) as introduced

Fund Impact

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

Effective beginning with assessment year 2025.

EXPLANATION OF THE BILL

The proposal would create a property tax exemption for property that:

- (1) was classified as class 3a for taxes payable in 2024;
- (2) is located in a city of the first class with a population greater than 400,000 (as of the 2020 federal census); and
- (3) was on January 1, 2023, and is for the current assessment, owned by a federally recognized Indian Tribe that is located within the state of Minnesota.

Eligible property would be limited to no more than two contiguous parcels and structures that do not exceed, in the aggregate, 40,000 square feet. Property used for single-family housing, market-rate apartments, agriculture, or forestry would not qualify for the exemption.

REVENUE ANALYSIS DETAIL

- Property in Minneapolis owned by the Leech Lake Band of Ojibwe would be eligible for the proposed exemption.
- For taxes payable in 2026 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.
- Beginning with taxes payable in 2026, the exemption would shift property taxes away from the eligible parcel and onto all other properties, including homesteads, increasing homeowner property tax refunds by \$10,000 in FY 2027.
- 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>

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