

May 7, 2025

Chair Torkelson, Chair Stephenson, and Members of the House Ways and Means Committee:

Thank you for the opportunity to submit written testimony on HF 2437, the omnibus tax bill.

Minnesota Realtors® (MNR) was founded in 1919 and is a business trade association with a membership of over 21,000 real estate professionals statewide.

Modifying the Senior Citizens' Property Tax Deferral Program (Article 3, Sections 11-14)

Article 3, Sections 11-14 modifies the senior citizens' property tax deferral program qualifications by increasing the household income limit from \$96,000 to \$110,000.

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.

Report on Strategies to Reduce Property Taxes (Article 3, Section 21)

MNR supports efforts to improve, enhance, and update Minnesota's homeowner property tax relief programs.

Minnesota's homestead credit refund program, the targeting property tax refund, and the homestead market value exclusion are important property tax relief programs for homeowners.

Rising property taxes are contributing to the growing financial pressure on homeownership. Earlier this year, MNR's research director put together data that showed the extent to which homeowner budgets are being stretched: In 2024, the monthly PITI (Principal-Interest-Taxes-Insurance) payment on a median priced home in Minnesota was \$2,551. In 2021, it was \$1,622. That is an approximately 57% increase in just three years.

At a time when the cost of housing is rising and putting homeownership out of reach for some, MNR appreciates that the omnibus tax bill includes this provision and we hope providing direct property tax relief to homeowners will be considered when the bill reaches conference committee.

Land-Value Taxation Districts (Article 7, Sections 19-23)

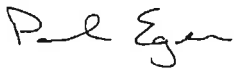
The land-value taxation district provisions in Article 7, Sections 19-23 create a pilot program limited to the cities of Minneapolis and St. Paul.

Allowing the creation of land-value taxation districts, even as part of a pilot program, will impact specific property owners and there should be more analysis and discussion of the scope and impact of this policy, particularly how property tax burden would be shifted from some classes of property onto others.

A Federal Reserve Bank of Chicago article from November 2023 titled, *Land Value Taxes-What They Are and Where They Come From*, concluded, “Economists have long suggested that land value taxation is more efficient and potentially better able to encourage economic development. However, examples of U.S. communities adopting land value taxation have been relatively scarce. In part, this may reflect the difficulty of identifying the magnitude of the impact of such a tax policy change.”

Again, thank you for the opportunity to submit written testimony on HF 2437, the omnibus tax bill.

Sincerely,

A handwritten signature in cursive script that reads "Paul Eger".

Paul Eger
Senior Vice President, Governmental Affairs
Minnesota Realtors®



May 8, 2025

Re: HF 2437 DE – House Omnibus Tax Bill

Chair Torkelson, Chair Stephenson, Members of the House Ways and Means Committee:

The League of Minnesota Cities appreciates the opportunity to comment on HF 2437-1E on behalf of our 842 member cities.

Local Sales Taxes

The League supports streamlining the local sales tax process and providing general authority for cities to bring proposals to the voters without requiring the passage of a special law. The League participated in the 2023 Local Taxes Advisory Task Force and supported the recommendations of that task force.

We would ask the committee to not extend the moratorium on local sales taxes and allow cities to bring proposals to the legislature for consideration during the 2026 session. There are many cities that have been waiting for more than two years to bring a proposal to the legislature. The extension in article 2, section 7 of this bill is likely to result in a growing backlog of requests in 2027 and only adds to the instability of the current process. At a time when cities are facing ever increasing costs, losing federal funding for critical infrastructure, stagnating local government aid, and shrinking state bonding bills, cities are trying to find alternative ways to fund their needs and keep property taxes down.

Institutions of Public Charity

The League supports the language in article 3, sections 2 and 7 that limits the property tax exemption under institutions of public charity for rental housing. We appreciate the efforts to minimize property tax shifts in local communities in this provision and throughout the bill.

Property Tax Reduction Strategies Report

Services provided by Minnesota cities have been largely funded through a combination of property taxes, state aids, and state property tax relief. The state and local fiscal partnership has relied on this combination to ensure that municipal services can be funded without excessive local tax burdens. We hope that the report in article 3, section 21 will also discuss market valuation trends for all types of property.

Local Government Aid (LGA)

The League appreciates the approach taken in the bill to keep LGA whole and the inclusion of article 4 in this tax bill. We work with cities and the Office of the State Auditor to bring cities into

compliance with financial reporting requirements, so they are able to receive their aid. Across Minnesota, LGA is critical to ensuring that cities are able to provide a basic level of services and infrastructure without over-reliance on the property tax, to fulfill state mandates, and to continue to be effective contributors to the state's well-being and prosperity.

Tax Increment Financing (TIF)

The League supports the general changes to TIF in article 5, including the one-year extension of the use of unobligated funds, the increase of increment that can be used by non-housing districts for housing, allowing certain transfers to local housing trust funds and the ability to use income-averaging for some housing districts to qualify for funding

We are also very grateful for the inclusion of the 18 special city-specific provisions for 14 communities across the state.

We appreciate the inclusion of an extension of the five-year rule to 10 years, the extension of the six-year rule to 11 years, and the new limits on income limitations in housing districts for communities outside the metropolitan area. While the League strongly supports these changes, we would value some consideration of making these adjustments applicable to all cities statewide would do much to reduce the need for city-specific TIF legislation in the future.

Local Cannabis Aid

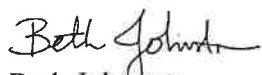
The League does not support eliminating Local Government Cannabis Aid in article 7, section 16. This aid was created in recognition of the regulatory work cities with cannabis retailers will be doing. This aid will provide cities with retailers a resource for age verification requirements, local registration, and other important compliance work.

State Housing Tax Credit

The League appreciates the inclusion in article 1, section 15, which would allow a housing project in Greater Minnesota that is eligible for workforce housing development grant funding to also benefit from resources provided by the State Housing Tax Credit. This change will better align the state housing tax credit with existing Minnesota Housing programs for workforce housing development.

In general, the League of Minnesota Cities is grateful for the work of the committee and its members to help cities both specifically and in general on tax issues and the openness of the Chair Davids and Gomes to our consultation and advocacy. We look forward to working with you as this bill progresses.

Sincerely,



Beth Johnston
Intergovernmental Relations Representative



Pierre Willette
Senior Intergovernmental Relations
Representative



Industrial Bakery Equipment

May 8, 2025

Subject HF2437

Property Tax Exemption for Airport Manufacturing

Section Description – Article 3: Property Taxes

- 1 Exempt property used by private entity for profit.**
Extends the property tax exemption for hangars at airports owned by local units of government to those used for the manufacture of aircraft, provided that the airport is not owned by the Metropolitan Airports Commission or by a city with a population over 50,000. This section also provides for 12 years, a 50 percent reduction in net tax capacity for hangars (including those used for the manufacture of aircraft) and the check-in area of an airport, provided that the property is not owned by the Metropolitan Airports Commission and is located at an airport owned by a city with a population greater than 50,000 but less than 150,000.

Effective beginning with property taxes payable in 2026.

Our business requests that this amendment be rejected as it unfairly shifts the property tax burden in our community onto residents and other private employers not subsidized by TIF and other incentives.

China owned Cirrus Aircraft in Duluth is the major beneficiary of this legislation and has received generous tax breaks from the City, County and State while established MN employers like Moline Machinery have seen our factory property taxes increase nearly 100% since 2022. This property tax exemption of 50% to airport lease holders is not necessary nor fair.

Leased property is always valued less than privately owned land resulting in a baked in tax discount. Lease or fee payments required by these businesses to airports should not be considered double taxation as beneficiaries argue. Property taxes cover basic city services while the lease payments support the special infrastructure these businesses require and enjoy—runways, air traffic control and enhanced security.

Communities faced with increased costs and potential reductions in LGA cannot afford this carve out. If passed, others will simply pay more and potentially look elsewhere.

Thank you for your consideration.

Sincerely,
Moline Machinery LLC

Gary Moline
Executive Chairman



May 7, 2025

Chair Stephenson, Chair Torkelson, and Members of the Ways & Means Committee,

On behalf of the Minnesota Inter-County Association (MICA) thank you for the opportunity to provide written comments on the delete everything amendment to HF2437, the omnibus tax bill. At a high level we appreciate that the authors took a more surgical approach in meeting their target rather than blanket across the board reductions in specific county aids. This ensures that one specific part of the state doesn't end up seeing significant aid reductions across multiple programs.

Preventing Property Tax Shifts

We're grateful to the co-authors for their work not only in protecting existing aid programs like County Program Aid, Payment in Lieu of Taxes, and Aquatic Invasive Species Aid, but also managing any proposed property tax shifts onto homeowners. Any time there's a deficit there's more pressure to consider tax benefits for certain groups that would shift property taxes to the rest of the jurisdiction. During an especially sensitive moment for property taxes this bill walks that line well and we appreciate the consideration of the issue.

Repeal of Local Government Cannabis Aid

There are a couple issues with the repeal of the local government cannabis aid that we would ask the committee to consider. Minnesota law allows local governments to limit permits to retail operators to no fewer than one registration for every 12,500 residents. Having the cannabis aid in place paired with this limited authority provides a financial incentive to local governments to allow more than the minimum number of retailers if they so choose. By permanently removing this aid, that financial incentive that gives local governments "skin in the game" is gone. This bill removes a potential win-win for the industry and local governments by decoupling the two.

Low income housing tenants personal property tax issue

We support Article 3 Section 2 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 because of this decision beginning with assessment year 2025 certain low income housing tenants would have to pay property taxes for the first time. The memo also referenced potential changes to the renters credit, which we've since confirmed tenants could end up losing eligibility for the that benefit. The language in this bill would not only prevent those two issues from 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 in and outside the metro.



Solid Waste Management Tax Dedication

MICA strongly supports the allocation of additional solid waste management tax revenue to the environmental fund for county SCORE grants in FY2026 and FY2028 (Article 7, Sec. 18). We appreciate the committee's dedication to funding SCORE in the face of a difficult budget situation. SCORE funding is the primary source of state support to fund recycling activities, and these one-time investments will help keep more waste out of landfills and allow counties to make investments in the infrastructure and programs needed to manage Minnesota's increasing solid waste challenges.

Studies on local sales tax and property taxes

While there are concerns about an extension of the local sales tax moratorium included in Article 2, Section 7, the bill also creates a task that would have legislators from both bodies issue a report that would examine the historical use of local sales taxes in Minnesota, compare local sales taxes to other local revenue sources, and make recommendations. Similarly, Article 3, Section 17 requires the Commissioner of Revenue to issue a report on the advantages and disadvantages of reducing property taxes through various mechanisms. MICA is generally supportive of some type of general authority for local sales taxes and the state providing assistance to address property taxes at the local level. We would be happy to play a supporting role in these studies and offer expertise as they do their work.

Debt obligation definition

MICA supports the language in Article 6 Section 2 which expands the definition of "debt obligations" to include county debts for the construction of certain public safety projects that are connected with projects that are already included. This is a small but important change that will make certain infrastructure projects more affordable to build without a cost to the taxpayer.

We appreciate the committee's consideration of these issues and stand ready to work with the authors as the bill moves to the floor and conference committee.

Sincerely,

A handwritten signature in dark ink, appearing to read "Nathan Jesson", is written over a light blue horizontal line.

Nathan Jesson, Minnesota Inter-County Association

VOYAGEUR COUNTRY ATV

May 7, 2025

Ways and Means Committee

Dear Committee Members

I am writing to you on behalf of Voyageur Country ATV and its 750 members to express strong opposition to the proposed reductions in Sustainable Forest Incentive Act (SFIA) payments included in both the House and Senate Tax Bills. SFIA has been crucial in promoting long-term sustainable forest management on private lands across Minnesota. Landowners who enroll commit to decades of conservation by following approved forest management plans, restricting development, and often providing public access to their land for trails, ATVs, snowmobiles, hiking, biking, and skiing.

In Koochiching and St. Louis Counties, there are over 500 leases used by families statewide for recreational purposes. Leaseholders need access through lands enrolled in SFIA. The proposed tax bills aim to cut SFIA payments in 2026 and 2027, which would effectively halt trail development in Northern Minnesota and potentially limit public access to existing trails. This would impact ATV, snowmobile, hiking, horseback riding, biking, and ski trails. More importantly, the loss of economic benefits from these trail systems would be devastating to local economies. A recent study found that ATV use in Northern Minnesota generates an economic impact of \$31 million annually, including an estimated \$2 million in tax revenue for the state of Minnesota.

Northern Minnesota offers various recreational opportunities that attract people to our communities to work, live, attend our schools, and contribute to our tax base. The loss of access would have significant economic and tax implications, but more importantly, it would severely impact the cultural heritage of many Minnesotans that live in your districts.

We respectfully urge you to remove the SFIA payment cuts from the tax bills.

Sincerely,

Tom Dougherty
Board Member
Voyageur Country ATV



