

Property Tax Division Items in 2023 Tax Bill

PRESENTATION BY HOUSE RESEARCH

Presentation to Property Tax Division

February 14, 2024

2023 Tax Policy and Finance Bill

- Chapter 64 (H.F. 1938)
- Articles related to Property Tax Division
 - Article 3: Property Tax
 - Article 4: Property Tax Aids
 - Article 6: Minerals Taxes
 - Article 7: Renter's Credit
 - Article 8: Tax Increment Financing (TIF)
 - Article 9: Office of the State Auditor: TIF General Law Changes
 - Article 10: Local Sales and Use Taxes
 - Article 11: Local Special Taxes

Article 3: Property Tax

- Watershed district levy authority increased
- Land under solar energy generating systems required to be classified as 3a (commercial) if a parcel contains multiple systems that cannot be combined for the purposes of the solar energy production tax
- Community land trusts owned and used as homestead qualify for the 4d(2) classification (reduced rate 0.75%)
- First tier value limit agricultural homestead property increased to \$3,500,000
- Homeowners able qualify for homestead (and property tax refunds) by providing an Individual Taxpayer Identification Number (ITIN)

Article 3: Property Tax

- 4d rental property changes:
 - Reduced class rate for all 4d(1) rental property (0.25%)
 - Municipal approval required if 4d(1) property exceeds 2% of tax base
 - Tax savings must be spent on security, improvements, rent stabilization, or increases to property's replacement reserve account
- Homestead market value exclusion thresholds and maximum increased
- Senior citizen property tax deferral program expanded
 - Income limit increased
 - Minimum number of years of occupancy reduced

Article 4: Property Tax Aids

- Local government aid (LGA) and County program aid (CPA) changes
- Public safety aid
- Homestead credit refund (PTR) co-pay percentages reduced
- Payment in lieu of taxes (PILT)
 - Payments for other natural resources land increased
 - Two additional payments established for counties with high proportions of PILT acreage
 - Prevention of valuation reductions for certain PILT lands
 - Certain PILT payments adjusted to inflation

Article 4: Property Tax Aids

- Soil and water conservation district aid established
 - \$15,000,000 in 2023 and 2024
 - \$12,000,000 annually beginning in 2025
- Electric generation transition aid established
 - Counties, cities, townships, and school districts
 - Provides aid when tax base is lost due to closure of an electric generation plant, aid phased out over 20 years
- Adds Tribal governments to the distribution of local homeless prevention aid

Article 4: Property Tax Aids

- Statewide local housing aid established
 - Local governments and Tribal Nations to develop affordable housing
 - \$19,500,000 distributed in 2024 and 2025
 - \$10,000,000 annually beginning in 2026
- Tribal Nation aid established
 - \$35,000,000 annually beginning in 2024
- Onetime increase of homestead credit refund, renter's credit, and targeting property tax refunds; based on taxes paid in 2023
- 4d transition aid
 - Provides aid in 2025 and 2026 in cities where 4d(1) property exceeds 2% of the tax base

Article 6: Minerals Taxes

- Net proceeds tax converted to gross proceeds tax
 - Taconite assistance area expanded to include additional areas where nonferrous materials are mined
 - Rate is reduced from 2% to 0.4%
 - \$2,000,000 minimum payment established
 - Distribution of gross proceeds tax changed
- Onetime transfer of \$6,000,000 from property tax relief account, distributed for a variety of grants/distributions
- Other various transfers between production tax distribution accounts

Article 7: Renter's Credit

- Renter's credit converted from a standalone refund program to a refundable income tax credit
- Income measure changed to adjusted gross income from broader "household income," which included most nontaxable income
- Change in administration effective for tax year 2024:
 - August 2024: renter's credits distributed in accordance with old law
 - Spring 2025: renter's credits filed and claimed as part of the income tax during tax filing season in January-April
 - August 2025: no credits paid (except for late income tax returns)
- Legislature appropriated funds for "tax credit outreach," which could be used in part to promote the availability of the new credit

Articles 8 and 9: Tax Increment Financing (TIF)

- Established special legislation for 12 cities
- Modified the definition of "small cities" to include cities within 5 miles from a city over 10,000
- Included technical and clarifying changes provided by the Office of the State Auditor

Article 10: Local Sales and Use Taxes

- Extended or modified authorizations for 9 cities
- Authorized new taxes for 28 local governments
- Established a Local Tax Advisory Task Force (report submitted early February)
- Established a moratorium on new authorizations or modifications to existing authorizations until June 1, 2025

Article 11: Local Special Taxes

- Extended the tourism tax (food and beverage, lodging) in the city of Duluth
- Extended the sunset of the lodging tax in Cook County from 15 years to 30 years

Questions?



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