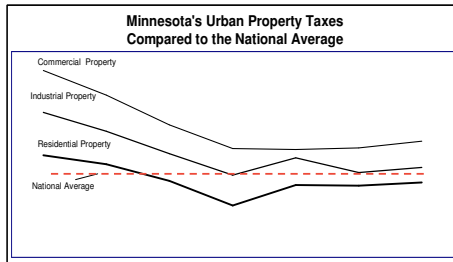


Why Not Raise Minnesota's Statewide Property Tax?

Bipartisan Property Tax Reform: Between 1997 and 2001, the Minnesota Legislature, with broad bipartisan support, passed a series of property tax reforms with three goals in mind:



- Reduce Minnesota's highest-in-the-nation business property taxes;
- Provide substantial property tax relief for residential and business property; and
- Make local officials more accountable to local property tax payers for local spending decisions.

As the chart above shows, Minnesota's property tax burden for both homes and businesses fell in relation to other states.^{MTA} **But the trend for Minnesota business property is reversing.** And a 2007 proposal to increase the statewide tax on business property* by 16 percent, or more than \$100 million a year, likely would have put Minnesota back among the top 10.

Homeowners aren't alone when it comes to struggling with property taxes

11th highest: Rank of property tax on a \$1 million **business** property in urban Minnesota - 41% above the national average.^{MTA}

9th highest: Rank of property tax on a \$1 million **business** property in rural Minnesota - 39% above the national average.^{MTA}

28th highest: Rank of Minnesota's **residential** property tax burden in 2004. Down from 15th highest in 2002 - 11% below the national average.^{MTA}

2nd highest: Minnesota's overall tax burden on employers in 13 comparable states.^{NAIOP}

62 percent: Property taxes' share of a Minnesota employer's tax burden.^{NAIOP}

11.6 & 29.9: Business property accounts for 11.6% of the market value of all property in Minnesota, but pays 29.9% of the property taxes.^{MN House}

3 to 1: Business owners pay \$3 in property taxes for every \$100 of market value, while homeowners pay \$1 per every \$100 of market value.^{MN House}

* The 2001 property tax reform law included a new statewide property tax levied almost exclusively on business property. That tax increases annually with the rate of inflation, reaching \$660 million in 2007. That is in addition to more than \$1.5 billion paid in local property taxes.

39%

Minnesota's general fund revenues increased from nearly \$26 billion in the 2001-02 biennium to nearly \$36 billion in the current 2008-09 biennium – a 39% increase – without raising general fund taxes. ^{CFS} That ought to be enough.

State aid isn't property tax relief

7: State aid to local governments increased in 36 of 39 years between 1964 and 2003. Local property taxes declined just seven times. ^{MTA}

13% = 3%: In 2003 the Legislature increased state aid sent to local governments by \$330 million (13 percent). But local property taxes fell by just \$103 million (3%). ^{POG}

8% = 32%: In 2004, a state budget deficit forced lawmakers to roll back state aid to local governments. As a result, state aid paid to local governments in 2007 was \$242 million (8%) less than in 2003. But local property taxes are \$962 million (32%) higher than in 2003. ^{POG}

The only way to control local property taxes is to control local spending. The only way to deliver "property tax relief" is with a state check sent directly to taxpayers.

Boom, bubble, bust & boomers

Property values – not just yours but the value of other properties – impact your property taxes.

Boom: In the 1990s, rapidly rising business property values provided more money, while easing pressure on residential property taxes.

Bubble: That trend began to reverse with the 2001 recession. Business property values flattened, while the housing market bubbled. By 2004, residential property values in Minnesota were increasing five times faster than business property. ^{MN House}

Bust: Today, business property values are rebounding (11% increase in 2007), while home values are flattening or even falling. Consequently, a greater portion of the property tax burden is shifting onto employers.

Boomers: By 2020, we'll have more retirees than kids in school, which could depress home values as baby boomers sell their family homes to a smaller baby bust generation.

We need to spend smart, not just spend more

Long-term pressures posed by an aging population, a shrinking workforce and an increasingly competitive global economy are leading us into an era that will be defined by increasing demands for public services and a decreasing ability for state and local governments to raise taxes. Minnesota can meet these challenges and maintain our high quality of life if we . . .

- | | |
|---|--|
| 1) Set priorities and fund first things first. | 4) Get a better deal for our tax dollars. |
| 2) Spend what we have, not what we want. | 5) Grow jobs. |
| 3) Pay for what works, not for what doesn't. | |

Sources:

^{MTA} *Minnesota Taxpayers Association "50 State Property Tax Comparison," 2006 & 2007*

^{NAIOP} *Minnesota Chapter of the National Association of Industrial & Office Properties, "2007 Comparative Tax Study"*

^{MN House} *MN House of Representatives Research Department*

^{POG} *Minnesota Department of Finance, End of 2006 Session Price of Government Statement*