



April 5, 2022

Re: County Feedback on Omnibus Tax Bill (HF3669)

Dear Chair Marquart, Chair Youakim, and Members of the House Tax Committee:

On behalf of the Association of Minnesota Counties (AMC), an organization representing all of Minnesota's 87 counties, I write to submit feedback on the recently released House omnibus tax bill (HF 3669). Please find a condensed list of provisions counties support or have concerns with below. AMC appreciates the time that we have been provided this session to advocate for important county priorities surrounding County Program Aid, Payment-in-Lieu of Taxes, and property tax principles that support minimizing tax classification changes (exemptions, reductions, exclusions) that provide a new benefit to an interest group by shifting tax burdens to others. As AMC has testified on previous occasions, counties are increasingly concerned about the effects of double-digit residential market value increases and the correlating effects on homeowners/property taxpayers. There are several property tax relief-related mechanisms included in this bill and counties stand ready to work with members to look for ways to enhance these efforts to offset market trends and alleviate future burdens to homeowners.

AMC supports and is grateful for the inclusion of the following provisions:

- **County Program Aid (CPA) Investments** (Article 5, Sec. 10): AMC appreciates the House's investment in CPA, counties most important general aid program that provides relief to *all* Minnesota property taxpayers. It should be noted that accounting for inflation, this program is still over \$100m less than its original 2002 appropriation. CPA is not only important for property tax relief but also assists counties in implementing a wide array of underfunded or unfunded state mandates. AMC asks for increased investment in this program and parity with city investments.
- **PILT Rate Modifications** (Article 5, Sec. 11): PILT is a critical resource for counties with large amounts of state-owned land. We appreciate the House's attention to addressing regional inadequacies and support the PILT language in HF 3669.
- **Construction Materials Sales Tax Exemption** (Article 3, Sec. 11): Counties join a coalition of local governments, nonprofits, labor groups, and contractors/business entities in supporting the expansion of the local government construction materials sales tax exemption. We are thankful for bipartisan support for proposals to simplify this tax exemption and are hoping to work to find a way to make this benefit more permanent under the current House proposal.
- **SCORE/SWMT Tax Dedication** (Article 10, Sec. 12): Counties appreciate the Chair's recognition that Solid Waste Management Tax proceeds should be redirected towards recycling and solid waste management activities. While this proposal does not shift the entire 30% general fund allocation to SCORE-related activities, the 3% inclusion is an important step.
- **SWCD Funding** (Article 5, Sec. 14): Counties support HF 3669's efforts to find a dedicated revenue source to support the good work of local Soil and Water Conservation Districts (SWCDs).

- **Child Protection Cost Study** (Article 4, Sec. 33)
- **Senior Property Tax Deferral Program Expansion** (Article 4, Sec. 29)
- **Allowance for counties to set their own interest rates for delinquent taxes that are less than the state’s rate** (Article 4, Secs. 26-27)
- **Local Affordable Housing Aid Program** (Article 5, Sec. 16)
- **Solar Assessment Changes** (Article 4, Sec. 5) AMC appreciates Reps. Anderson and Hertaus’ work related to clarifying the property tax classification for properties with more than one solar energy system that produces more than 1 MW.
- **Winona and Rice Counties LOST provisions** (Article 7, Secs. 21 & 23)

AMC has concerns about the following provisions:

- **New tax shifts/exclusions:** As mentioned in the introductory paragraph, counties underscore the importance of preserving, not limiting, future tax base. Minnesota’s property tax code is notoriously complex and further erosion of tax base will only compound its complexity as well as the financial impact to those who remain paying disproportionate shares of the property tax “pie.” This bill has several proposals that would change, alter, or eliminate property taxes for certain groups and counties respectfully ask that legislators consider providing these benefits via other mechanisms (tax credits or direct state aid).

In addition, counties are interested in working with members to further refine HF 3669’s proposed **county-run business relief and rental assistance programs (Article 10, Sec. 31)**. Counties are grateful for the Legislature’s vote of confidence in being able to provide this extremely critical assistance to both businesses and renters, but want to make sure the programs are administrable, do not stress local budgets, and provide the desired benefit/outcomes.

In summary, we thank members for their attention to these issues and look forward to further collaboration in the weeks ahead.

Sincerely,



Matt Hilgart
Government Relations Manager
Association of Minnesota Counties