



May 16, 2002

Dear Chair Marquart, Chair Nelson, and Members of the Tax Conference Committee,

On behalf of the Association of Minnesota Counties, an organization representing all of Minnesota's 87 counties, I write to thank members for their hard work as well as to provide input for consideration as you put forth an omnibus tax package. Counties would ask that any tax package prioritizes *comprehensive* property tax relief, minimizes any further tax base erosion, and includes sound property tax policies that provide assessment accuracy and fairness for taxpayers. For your reference, I have included specifics on these priorities below:

Combatting market value increases by investing in comprehensive property tax relief

As members are aware, recent statewide valuation increases—driven by a historic sales market—have caused significant concern across the state. While it is critical to note that valuation increases *do not* automatically equate to property tax increases, it is nonetheless imperative that the Legislature act to provide residents relief. To this extent, we are thankful for both the House and Senate on your focus on various property tax relief mechanisms—most notably the expansions of the senior property tax deferral program, property tax refund, homestead market value exclusion, and targeted property tax refund program. These pieces of legislation have bipartisan support and will provide direct relief for homesteaded property taxpayers. As conversations continue, AMC urges members to continue to look to these already established mechanisms—particularly the targeted property tax refund program—to provide immediate, enhanced, and targeted relief.

In addition, **it is critical to note that property tax relief is incomplete without addressing one of the largest underlying driving costs to existing property tax burdens, the costs of county operations as a result of state-mandated services.** County Program Aid and Local Government Aid are vital property tax and mandate relief programs and should be equally funded. In addition, AMC strongly supports the House provision to address PILT (Payment in Lieu of Taxes) disparities that have put a disproportionate tax burden on counties with the most limited tax base.

Preserving tax base and preventing tax shifts

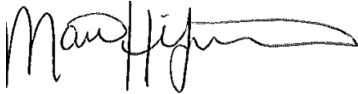
Counties respectfully urge caution at proposals that would serve to reduce, shift, or eliminate property taxes for a particular property tax class or interest. Proposals such as the affordable housing market value exclusion, energy storage system exemption, and tier changes for agriculture, class 4d, and class 1c (resorts) all represent shifts of tax burdens to other classes. While some of these proposals are small, it should be noted that cumulatively, they still have the effect of eroding tax bases and potentially increasing tax burdens on certain property owners—this at a time where valuation changes are already causing negative outcomes for residential homeowners. AMC suggests that the Legislature look to other methods, such as property tax or income credits, to provide similar relief.

Addressing policy items:

AMC supports House language modifying solar tax classification surrounding <1MW facilities and thanks solar industry representatives—particularly MNSEIA—for their collaboration and support this session and urge adoption of these noncontroversial items. AMC also supports the House’s proposal to study the cost of child protection duties on county levies and taxpayers. Should the Committee decide to continue conversations surrounding expanding tax benefits to 4d property developers, AMC would join the Minnesota Association of Assessing Officers in asking members to make logistical changes that would ease the administration of these benefits as well as tie enhanced tax benefits to rental relief, property/unit enhancement, and/or 4d expansion. Lastly, AMC asks for continued conversations around any form of additional, county-run business relief programs to ensure that the desired outcomes are achieved.

In closing, AMC thanks committee members for their diligent work this session and for your willingness to hear and incorporate county suggestions. For your convenience, I have also included a separate page summarizing county supported provisions and outlined provisions we have concerns with. We stand ready to be of assistance to members in the coming weeks.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Hilgart", with a long horizontal flourish extending to the right.

Matt Hilgart, Government Relations Manager
Association of Minnesota Counties

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

- **County Program Aid (CPA) Investments** (House 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.
- **A comprehensive approach to property tax relief:** AMC supports proposals by both the Senate and House to address historic, market-driven valuation increases which include enhancements to the homestead property tax refund program, senior property tax deferral program, homestead exclusion, targeted property tax refund program, as well as investments in general purpose aid categories (CPA) that offset the rising costs of state mandates.
- **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** (House 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** (House Article 10, Sec. 12): Counties appreciate 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** (House 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** (House Article 4, Sec. 33)
- **Senior Property Tax Deferral Program Expansion** (Senate Article 4, Sec. 21; House Article 4, Sec. 30)
- **Allowance for counties to set their own interest rates for delinquent taxes that are less than the state's rate** (Senate Article 4, Secs. 18 & 19; House Article 4, Secs. 26 & 27)
- **Local Affordable Housing Aid Program** (House Article 5, Sec. 16)
- **Solar Assessment Changes** (House 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** (Senate Article 7, Secs. 24 & 26; House 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).