

**PROPERTY TAX  
Land-Value Taxation Districts**

February 12, 2025

Department of Revenue  
Analysis of H.F. 161 (Elkins) as introduced

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>	<b>X</b>	

**Fund Impact**

	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
General Fund	\$0	Unknown	Unknown	Unknown

Effective beginning with taxes payable in 2026.

**EXPLANATION OF THE BILL**

Under current law property taxes are allocated based on the value of land and improvements of a parcel. Improvements may include things like structures and buildings. The proposal would allow cities to create land-value taxation districts in which property taxes would be reallocated using one or more of four methods, including two based solely on land values that would exclude improvements to the parcel.

**REVENUE ANALYSIS DETAIL**

- Under the proposal it is unknown how many land-value taxations districts would be created.
- The creation of land-value taxation districts may shift taxes away from some parcels and onto others within a district. Depending on the shifting, it is possible the property tax changes may increase or decrease state general fund costs for property tax refunds beginning in FY2027.

**PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)**

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	Adds new complexity for the allocation of property taxes which may be confusing for property taxpayers.
<i>Efficiency &amp; Compliance</i>	Decrease	Reporting of the initial allocation and reallocation of property taxes is more complex.
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	Businesses in districts may have lower property taxes after reallocation.
<i>Responsiveness to Economic Conditions</i>	Neutral	

*The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.*

Source: Minnesota Department of Revenue  
Property Tax Division – Research Unit  
<https://www.revenue.state.mn.us/revenue-analyses>