



2018 Issue Brief:

Eliminate the Statewide Business Property Tax

POSITION: The Minnesota Restaurant Association supports legislation to phase out the current statewide levy on business property.

BACKGROUND: The statewide general property tax on business and seasonal residential recreational property was enacted as part of the 2001 property tax reform. The amount of the initial statewide general levy was \$592 million, beginning with taxes payable in calendar year 2002. Each subsequent year, the amount of the levy is increased by the rate of increase in the price index for state and local government expenditures and is expected to be \$820 million for 2017.

SUPPORTING STATEMENTS:

- Businesses pay local property taxes levied by their county, city, schools and special taxing districts as well as the statewide levy. Minnesota is the only state in our region with a statewide levy.
- The total property tax burden on business in Minnesota is among the highest in the nation and is significantly higher than the tax paid by competitors in surrounding states.
- Restaurants that rent their facilities also pay the statewide levy, either as part of their rent, or separately under various net lease provisions. Tenants also pay the property taxes on the shared space or common areas of shopping centers and other commercial buildings.
- Restaurants include the cost of taxes in their menu prices. According to a Minnesota Department of Revenue Tax Incidence Study, the business taxes that are passed through to consumers are regressive; that is, they fall more heavily as a portion of income on low-income taxpayers.
- There are a number of precedents for making changes in Minnesota tax policy over a period of time by phasing out provisions in several steps. The move to a single allocation for corporate income taxes based on sales in Minnesota was phased in over a number of years.
- Minnesota is likely to have a general fund surplus for the next fiscal biennium. Phasing out the uncompetitive and regressive statewide levy should be a high priority for the Governor and the Legislature.