



Tax Expenditure Review Commission (TERC)

TAX EXPENDITURES FOR EVALUATION CONSIDERATION

LBO TERC TEAM

SEPTEMBER 18, 2024

Tax Expenditures Covered Today

Presentation and discussion of selected tax expenditures

- Power Line Credit Tax Expenditure (Property Tax) – Minn. Stat. § 273.42 and 273.425 (TEB 13.10)
- Agricultural Loan Exemption (Mortgage Registry Tax) – Minn. Stat. § 287.04(9) (TEB 9.01)
- Government Housing Programs Exemption (Mortgage Registry Tax) – Minn. Stat. § 287.04(6) (TEB 9.02)
- Bookmobiles Exemption (Motor Vehicle Sales Tax) – Minn. Stat. § 297B.03(8) (TEB 5.10)
- Ready-Mixed Concrete Trucks Exemption (Motor Vehicle Sales Tax) – Minn. Stat. § 297B.03(9) (TEB 5.12)

Power Line Credit (TEB 13.10)

Minn. Stat. § 273.42 and 273.425

Proposed Tax Expenditure Objective Statement:

The objective of the power line credit is to compensate affected landowners for the negative impacts of having qualifying high-voltage transmission lines on their property.

Sources:

Recorded legislative history does not directly identify a public policy objective for the power line credit. The objectives identified in this report were inferred from legislator interviews conducted as part of the Minnesota Powerline Oral History Project (referred to here as Powerline Project) and contemporary legislative publications. Powerline Project interviews were conducted before the credit was enacted in 1979, but after annual payments from utilities to affected landowners were established in 1977. It is assumed the intent of annual payment mandate was similar to the property tax credit that succeeded it. Interviewees discussed the development of the power line siting controversy from 1970 to 1977 and the legislative response including the introduction of annual payments that “hopefully will make living with the line a little easier.”

Power Line Credit (TEB 13.10)

Approach to Tax Expenditure Evaluation

Descriptive Statistics

- The change in credit value over time measured on a statewide per-mile average, sample parcel, or jurisdiction basis, and the relationship between credit value, parcel market value, and total property tax liability

Performance Analysis

- The complexity and cost of administration compared to credit amounts received and alternative incentive methods
- The value of the credit compared to the reduced income generating potential of affected properties, adjusted for land use
- Recent right-of-way acquisitions and the degree to which the power line credit helped facilitate agreement between the utility and the landowner

Agricultural Loan Exemption (TEB 9.01)

Minn. Stat. § 287.04(9)

Proposed Tax Expenditure Objective Statement:

The objective of the mortgage registry tax agricultural loan exemption is to increase the competitiveness of Minnesota banks offering agricultural loans with federal lenders whose loans are not subject to the state mortgage registry tax.

Sources:

The proposed objective is based on committee hearings for H. F. 52 and companion bill S. F. 290, introduced during the 2001 regular legislative session. Both bills were heard in committee but not included in the regular session tax omnibus bill, H. F. 2498. However, similar exemption language was included in tax omnibus bill H. F. 1, passed during the 2001 1st Special Session. Bill authors emphasized the need to “level the playing field” between local lenders and the Farm Service Agency (FSA), noting that Minnesota bank loans were subject to the mortgage registry tax, while FSA loans were not.

Agricultural Loan Exemption (TEB 9.01)

Approach to Tax Expenditure Evaluation

Descriptive Statistics

- Compare the number and value of qualifying agricultural loans issued by Minnesota banks versus federal lenders since the exemption was enacted
- Cost to administer the exemptions

Government Housing Programs (TEB 9.02)

Minn. Stat. § 287.04(6)

Proposed Tax Expenditure Objective Statement:

The objective of the government housing programs mortgage registry tax exemption is to incentivize and promote affordable housing in the State of Minnesota.

Sources:

An explicit tax expenditure objective was not identified in the legislative record. The language surrounding the goals of the exemption was discussed in a presentation from the Mayors' Regional Housing Taskforce to the Senate Jobs, Housing, and Community Development Committee on January 12, 2001. In the presentation discussion, the task force encourages cities to “waive fees for affordable housing developments whenever possible” and discusses the need to shift away from federal reliance on affordable housing.

Government Housing Programs (TEB 9.02)

Approach to Tax Expenditure Evaluation

Descriptive Statistics

- A review of the state's government agency funded affordable housing programs may identify trends in low- or moderate-income housing programs that qualify for this exemption across the state
- An analysis of the program's participation by submission of exemption certificates may identify trends in uptake of the tax incentive
- Cost to administer the exemption

Bookmobiles Exemption (TEB 5.10)

Minn. Stat. § 297B.03(8)

Proposed Tax Expenditure Objective Statement:

The objective to exempt bookmobiles from the motor vehicle sales tax is to reduce costs paid by local government entities for providing access to library services to individuals who have limited accessibility to a library building.

Sources:

An explicit tax expenditure objective was identified in the legislative record. During the 1994 legislative session S.F. 2176 was introduced, the bill exempted bookmobiles from the motor vehicle excise tax. The bill was heard in the Senate Taxes and Tax Laws Subcommittee on Income and Sales Tax on March 22, 1994. The testimony mentioned there were 22 bookmobiles in Minnesota operated by large cities, counties, or regional public libraries. In rural communities, bookmobiles are used to bring library services to people who do not live near a library building. In urban communities, bookmobiles primarily serve people who lack mobility to get to a library building such as retirement homes and day care centers.

Bookmobiles Exemption (TEB 5.10)

Approach to Tax Expenditure Evaluation

Descriptive Statistics

- An analysis of the program's participation by submission of exemption certificates may identify historical trends in the use of the tax incentive
- Cost to administer the exemption

Ready-Mixed Concrete Trucks Exemption (TEB 5.12)

Minn. Stat. § 297B.03(9)

Proposed Tax Expenditure Objective Statement:

The objective of the ready-mixed concrete truck exemption is to treat ready-mixed concrete trucks as capital equipment exempt from the motor vehicle sales tax due to their integral part of the manufacturing process.

Sources:

The proposed tax expenditure objective was derived from member discussion in committee, after hearing public testimony on the bill from industry representatives. Public testimony also mentioned other states, including Iowa and Wisconsin who passed legislation around the same time as Minnesota, are classifying ready-mixed concrete trucks to be part of the manufacturing process.

A standalone senate companion bill, S.F. 3208, was identified; however, no hearings were held during the 1998 session.

Ready-Mixed Concrete Trucks Exemption (TEB 5.12)

Approach to Tax Expenditure Evaluation

Descriptive Statistics

- An analysis of exemption certificates submitted for the purchase of ready-mixed concrete trucks may identify trends in uptake of the tax incentive
- Cost to administer the exemption

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5. Ready-Mixed Concrete Trucks Exemption (Motor Vehicle Sales Tax) – Minn. Stat. § 297B.03(9) (TEB 5.12)

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