

Commercial Real Estate Property Taxes: the big tax that hurts small business.

Who pays property taxes levied on commercial property?

When businesses lease space in commercial buildings, they pay the property taxes, not the property owner. This means that any increases and decreases in property taxes are paid directly by tenants. Since 88% of the businesses in Minnesota have fewer than 25 employees, commercial real estate taxes are basically a tax on small business.

But state property taxes still support schools and police, right?

Local property taxes stay in your community and are used for city and county services and public schools. The tax revenue from the state property tax goes into the state general fund and it is not earmarked for any local services.

Do all owners of properties in Minnesota owe property taxes?

Most do. But Minnesota businesses pay a higher rate per \$100,000 of value than other property owners, after the first \$100,000. In addition, businesses pay a state property tax that increases their annual bill by an average of 30%.

You may think a big building means big business. **FALSE.**

ASSUMPTION



Large companies reside in big buildings and pay big property tax bills.

Small businesses reside only in small buildings and pay small property tax bills.

VS.

REALITY



Big property tax assessed on a large company in a big building.

Many small companies lease space in a large building and pay a big property tax bill.

Why does the state business property tax go up every year?

Since the statewide general property tax was established in 2001, it has been automatically adjusted for inflation each year. In 2017, the Legislature finally stopped this automatic inflator and the tax will remain at the 2018 level.

Why should I care about the automatic inflator if it was stopped last year?

State budgets go through good and bad times. An inflator is an easy way for the state to put the budget on autopilot. Reauthorizing the inflator is likely to be debated again in 2018 and in future years.

What can I do?

Contact your legislators regarding the impacts that high property taxes have on your business and tell them to keep the inflator off the statewide business property tax.

