PROPERTY TAX
Study Metropolitan Fiscal Disparities

April 10, 2001

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 1178 (Lenczewski)/S.F. 1839(Scheid)

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**F.Y. 2005**
		(000's)		
General Fund	*	$0	$0	$0

*The bill contains an unspecified direct appropriation.

Effective July 1, 2001.

EXPLANATION OF THE BILL

Current Law: Fiscal disparities distribution levies are disbursed on a formula primarily based on real property market value and population. The contribution to the "pool" is 40% of the growth since 1971 in commercial and industrial tax capacity. There is no current study provision.

Proposed Law: The bill requires the Commissioner of Revenue to conduct a study of the fiscal disparities program. Topics to be included are how the program has affected tax disparities, the reasonableness of the contribution formula, the reasonableness of the distribution formula, growth and land use, competition for commercial-industrial tax base, sufficiency of local government revenues to cover service to commercial-industrial property, and administrative improvements. A report to the legislature of the findings and recommendations of the study is due by February 1, 2002.

REVENUE ANALYSIS DETAIL

- The bill provides a direct appropriation for fiscal year 2002 to the Commissioner of Revenue to conduct the study, but the amount of the appropriation is left blank.

Number of Taxpayers Affected: None.

ADMINISTRATIVE/OPERATIONAL IMPACT

DOR will need to conduct an extensive study of the historical and current impact of the fiscal disparity program. The defined scope of the study requires significant expert knowledge in other areas besides taxes, such as development and environmental areas. As most of the information required to be used in the study is located outside of DOR, other agencies such as the Metropolitan Council and the Anoka County Auditor's office, administrator of the program, will need to be involved in the study.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/polic.html#analyses

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