

PROPERTY TAX
Tax-Forfeited Lands in Ramsey County

April 9, 2001

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

Department of Revenue
H.F. 1666 (Dawkins) / S.F. 1810 (Pappas)

Revenue Gain or (Loss)			
<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
	(000's)		
General Fund	(Unknown)	(Unknown)	(Unknown)

Section 1 is effective upon local approval and compliance with M.S. 645.021, Subd. 3.
Section 2 is effective August 1, 2001.

EXPLANATION OF THE BILL

Current Law: Tax-forfeited lands held by a county which are classified as nonconservation lands must be appraised by the county board at market value and the proposed public use approved by the commissioner of revenue and the county board before they are sold to a governmental subdivision. Tax-forfeited land purchased by a governmental subdivision must be used for a public purpose. If a governmental subdivision determines after the sale that another public use for the land is appropriate, the new use may be certified after approval by the county board and the commissioner of revenue without the need to reconvey the land back to the state.

An area within a city may be designated a targeted neighborhood for purposes of state financial assistance to revitalize the neighborhood. One of the criteria for designating such a neighborhood requires that the median household income in the area be no more than half the median household income for the Minneapolis-St. Paul standard metropolitan statistical area as determined by the 1980 federal census.

Proposed Law: For Ramsey County only, the proposal permits the sale of tax-forfeited land to a governmental subdivision at a value less than the appraised value. Such factors as the projected public gap financing and subsidy for a redevelopment project, expected increase in property taxes, the potential use for affordable housing, and environmental contamination may be considered in setting the lower value. The commissioner of revenue will convey the deed at the lower value after the county board has submitted an application stating the facts and the recommendation of the board. The commissioner's approval of the application is eliminated. In cases where the governmental subdivision determines a new public use for tax-forfeited land that it has purchased, the public use may be changed by certifying with the county recorder, without the need to reconvey the land to the state and seeking state and county approval for the change in public use. A municipality may convey tax-forfeited lands that it has purchased directly to an authority for use as a commercial or housing redevelopment project.

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The requirement that the median household income of a targeted neighborhood must be no more than one-half the median of the Twin Cities metropolitan area in the 1980 census is changed from the 1980 to the most recent federal decennial census.

REVENUE ANALYSIS DETAIL

- According to a Ramsey County spokesperson, the county distributed a total of \$1.3 million in revenue last year from the sale of tax-forfeited land.
- The proposal allows the Ramsey County board discretion to reduce the market value of tax-forfeited parcels sold to a municipality under certain circumstances. The market value of parcels subject to reduction, and the proposed amount of reduction, is discretionary and the amount of reduction is unknown. The removal of the need for approval by the county board or the commissioner of revenue for changes in public use, or for conveyance by of tax-forfeited land from the municipality to another authority for use as a commercial or housing redevelopment project, is unlikely to change local revenues.
- Although the proposal may reduce revenue distributions to local governments in Ramsey County, and may affect the tax burden for taxpayers, the effect is unknown.
- Information is not available on the potential impact of changing the requirement for median household income from the 1980 census to the 2000 census. Assuming that median household income of low-income neighborhoods has increased since 1980, the proposed change may allow more neighborhoods to qualify for state aid.

Number of Taxpayers Affected: All taxpayers in Ramsey County may be affected.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

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

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