

**PROPERTY TAX
Truth-in-Taxation Procedures
And Reverse Referendum**

March 29, 2001

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

Department of Revenue
Analysis of H.F. 2160 (Milbert)

	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

*The potential reduction in property tax levies as a result of the proposed reverse referendum is unknown.

Effective for notices and hearings in 2001 for taxes payable in 2002 and thereafter. Referendum provisions effective for referenda held in January 2002 for taxes payable in 2002 and thereafter.

EXPLANATION OF THE BILL

Current law: Current law provides procedures and time deadlines for notifying taxpayers of hearings on proposed property tax levies, advertising public hearings, and setting dates for conducting public hearings. The requirements generally apply to counties, cities, school districts, metropolitan special taxing districts, and regional library taxing districts.

Proposed law: The proposal moves up delivery of notices to taxpayers of proposed levy changes and the setting of public hearing dates and excludes cities with population of 500 or less from holding hearings. It also excludes cities of more than 500 population and counties from the requirement to hold public hearings if the proposed property tax levy has not increased over the previous year's levy.

The proposal establishes a reverse referendum procedure for cities of more than 2,500 population and counties that have adopted a property tax increase from the previous year. Within 21 days of adoption of a certified levy increase, a petition signed by at least five percent of voters voting in the last general election will require a referendum on the levy increase. The special election will be held on the fourth Tuesday in January. If a majority of voters cast votes in the negative, the previous year's levy is certified for the current year.

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REVENUE ANALYSIS DETAIL

- Information is not available on the potential reduction in property tax levies based on the reverse referendum provision.

Number of Taxpayers Affected: All taxpayers are potentially affected by the change in requirements for holding hearings without a proposed tax increase, and the opportunity to have a reverse referendum in the case of a proposed tax increase.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill. However, there may be significant costs to local governments affected by the reverse referendum and by tighter TNT mail dates. There may also be some savings for those local governments who no longer have to hold TNT hearings.

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