PROPERTY TAX
Public Finance Definitions and Authorizations

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

March 1, 2002

Department of Revenue
Analysis of H.F. 2879 (Abrams) /S.F. 3343 (Rest) **revised**

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

Effective the day following final enactment.

EXPLANATION OF THE BILL

The proposal changes local finance authority by:

- Expanding the definition of "capital equipment" for county capital notes to include computer hardware and software
- Expanding the definition of "capital equipment" for home rule charter cities to include computer software and equipment
- Expanding the definition of "capital equipment" for statutory municipalities to include computer software and equipment
- Expanding the authority of municipalities to build, improve or obtain public works systems to include gas and electric systems, including facilities for the generation, transmission, and distribution of gas and electric energy
- Allowing municipalities to construct or obtain city halls as well as town or fire halls, and to construct or obtain libraries or child care facilities if authorized by law. A municipality may borrow up to $450,000 from certain federal agencies to purchase the facilities, and may pledge its full faith and credit to secure the loan. The loans are not to be included in calculation of the net debt of the municipality, and approval by voters is not required.
- Limiting the general obligation revenue bonds issued by governmental units for county or city housing and redevelopment authorities to maturities that do not extend more than 40 years.
- Extending the maturity of a general obligation bond issued by a city economic development authority from 20 to 30 years
- Defining the meaning of "related public improvements" for the revenue producing projects of municipalities or redevelopment agencies

- Expanding authority of municipalities to issue revenue bonds to pay debt of a contracting party that is a nonprofit entity, from health care related facilities to any nonprofit entity
- Limiting the working capital of an economic development or redevelopment project to 5 percent of bond proceeds for the project
- Expanding the exclusion of property tax abatement authority bonds from submission to voters to include bonds issued to construct buildings for government use, and to pay for reconstruction of streets if special assessments were levied to pay all or a portion of the initial cost of such streets
- Excluding from submission to voters a county issuance of bonds to erect a county jail, sheriff's residence or both.

REVENUE ANALYSIS DETAIL

- The provisions of the proposal expand local authority to issue debt obligations in some cases, and exclude certain debt obligations from submission to voters**. Estimating the possible increase in overall debt levies would require speculative assumptions about the behavior of political subdivisions given the new authority.**
- **The possible increase in property tax levies from this proposal is unknown, and the possible effect on homeowner property tax refunds is unknown.**

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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