

MINNESOTA · REVENUE

PROPERTY TAX Moorhead TIF Levy

March 27, 2002

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

Department of Revenue

Analysis of H.F. 3639 (Goodno) / S.F. 3416 (Langseth) **revised to include disparity reduction credit**

	Revenue Gain or (Loss)			
<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	
	(000's)			

General Fund

Disparity reduction credit increase		\$(560)	\$(923)
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Effective upon local approval for taxes payable 2003 and thereafter.

EXPLANATION OF THE BILL

Current Law: Disparity reduction credit is paid by the state to certain border cities including Moorhead to reimburse the cities for the cost of the credit applied to apartment, commercial, industrial and public utility property if tax burden on the property exceeds 2.3 percent of market value.

Proposed Law: The proposal allows the City of Moorhead to levy a special levy for taxes payable in 2003 and thereafter upon class 3a and 3b commercial, industrial and public utility property to pay preexisting tax increment financing (TIF) debt obligations under section 469.1763, subdivision 6, and for obligations issued in 2002 or later in accord with an agreement to pay costs of remediating or removing hazardous substances in a hazardous substance district. For taxes payable 2003, the special levy will not be subject to the general levy limit.

REVENUE ANALYSIS DETAIL

- According to finance officials from the City of Moorhead, the total proposed special levy is estimated to be \$560,104 for taxes payable 2003, and \$922,866 for taxes payable in 2004.
- Based on a Department of Revenue simulation, disparity reduction credit for class 3a and 3b property in Moorhead will be about \$1.7 million for taxes payable in 2002.
- The proposed levy on business property in Moorhead will result in an increased state payment of disparity reduction credit. The credit will increase by \$560,000 for taxes payable 2003 and \$923,000 for taxes payable in 2004. In effect, the state payment will "hold harmless" business property tax owners for the proposed increased tax.

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Number of taxpayers affected: The state payment of increased disparity reduction credit will prevent a tax increase for business property tax owners in Moorhead.

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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