

MINNESOTA · REVENUE

PROPERTY TAX Restricts Local Bonds for Projects Outside of Corporate Boundaries

March 15, 2002

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

Department of Revenue
Analysis of H.F. 3664 (Abrams)

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			\$Unknown	\$Unknown

Effective for obligations issued or sold after June 30, 2002.

EXPLANATION OF THE BILL

Forbids a municipality or other local subdivision with authority to issue obligations to finance the acquisition or improvement of real property from issuing such obligations for property outside of its corporate boundaries unless:

- The local entity is the owner of the property and the property will be used for its governmental operations, or
- The governing body of the city where the property is located gives its consent to the issuance of the obligations.

The issuing authority includes a housing and redevelopment authority, a port authority, a rural development financing authority, or similar local entities.

REVENUE ANALYSIS DETAIL

- No information is available on the extent to which local bonding authorities may be planning bond issues for acquisition or improvement of real property located outside of their boundaries for purposes other than use for their governmental operations.
- Potentially, the proposed restriction on issuing debt obligations could reduce local property tax levies for debt service, and thus reduce state payment of homeowner property tax refunds, but the extent of this effect is unknown.

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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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