

**PROPERTY TAX
Modify Metropolitan Fiscal Disparities**

April 17, 2001

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

Department of Revenue
Analysis of S.F. 785 (Orfield)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective for taxes payable in 2002 and thereafter.

EXPLANATION OF THE BILL

Current Law: Fiscal disparities distribution levies are disbursed on a formula primarily based on real property market value and population. The contribution to the “pool” is 40% of the growth since 1971 in commercial and industrial tax capacity. The current metropolitan area counties are Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Proposed Law: The bill adds the counties of Chisago, Isanti, Sherburne, and Wright to the existing seven county metropolitan fiscal disparities area. Contributions to the pool from the added counties would be 40% of the growth since assessment year 2000 in commercial and industrial tax capacity. Tax increment financing districts created before July 1, 2001, would be exempt in the added counties.

REVENUE ANALYSIS DETAIL

- The major state paid property tax aids such as local government aid (LGA) and homestead and agricultural aid (HACA) are independent of fiscal disparities distribution levies.
- Local levies would vary within the eleven-county metropolitan area. Cities whose net distribution is greater than their contribution under the program would see increases in local property taxes. Conversely, cities which contribute more than they receive will experience a decline in net property taxes.
- Although the contribution from the added counties is specified, no adjustment to the distribution formula is indicated. Therefore there would be a shift of distribution value from the current seven counties to the four new counties.

Number of Taxpayers Affected: Primarily metropolitan home and business property owners.

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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