

**Property Tax
Sales and Use Tax
Scott County HRA/EDA Powers**

April 5, 2001

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

Department of Revenue

Analysis of S.F. 889 (Robling) / H.F. 1012 (Buesgens) **1st Engrossment of House Bill**

	<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)			
Homeowner Property Tax Refunds		(Negligible)	(Negligible)	(Negligible)
Sales and Use Tax Exemption	(\$85)	(\$85)	(\$85)	(\$85)
General Fund Total	(\$85)	(\$85)	(\$85)	(\$85)

Effective the day after local compliance with M.S. 645.021, subd's 2 and 3.

EXPLANATION OF THE BILL

Current Law: : Laws 1974, chapter 473, enabled Scott County to establish a housing and redevelopment authority (HRA). The statutory references in the law are now obsolete. The law prohibited the county HRA from exercising jurisdiction in any municipality that had established a municipal HRA. There were no provisions in the law to provide economic development authority (EDA) powers, grant sales tax exemptions, or allow special offers of tax-forfeited lands.

Proposed Law: The proposal updates the statutory references to HRA powers and allows the county to extend the powers of an EDA to the HRA, except for the authority to levy a tax not to exceed 0.01813 percent of taxable market value as provided in M.S. 469.107. Instead, the county may allow the HRA to increase its levy authorized in M.S. 469.033 from a maximum of 0.0144 percent of taxable market value to an amount not exceeding 0.01813 percent of taxable market value. **Note:** It is assumed that the reference to "net tax capacity" is a drafting error and that the intended term is "taxable market value." Using net tax capacity would decrease the allowable levy, rather than increase the allowable levy to the limit for an EDA.

The proposal also provides an exemption for the HRA from the payment of sales tax on construction materials and equipment that are intended for low-income housing.

REVENUE ANALYSIS DETAIL

Property Tax Provisions

- It is assumed that the reference to net tax capacity was a drafting error (see note above).
- By increasing the HRA's allowable levy, the proposal may increase tax burdens in the county. This in turn, may increase the amount of property tax refunds claimed by taxpayers of Scott County, and represent a cost to the general fund. The extent to which the County would extend the powers authorized and raise the HRA's levy is not known, but the impact on the general fund is likely to be small.
- Based on the taxable market value for Scott County for taxes payable in 2001, the increased maximum levy would yield approximately \$197,000 more than the current maximum. This magnitude of tax increase might produce additional property tax refunds of \$10,000.

Sales Tax Exemption

- Information from the Executive Director of the Scott County HRA indicates that during the last three and a half year period approximately \$9.5 million has been spent on housing development projects that would now qualify for the proposed sales tax exemption.
- The Executive Director expects that average annual program spending (\$2.7 million per year) will remain at a similar level for the next four year period.
- \$1.3 million is forecast to be the annual amount of purchases of materials and equipment subject to sales tax that would be exempted by this bill.
- Discussions indicate that the amount spent per year will remain relatively constant for the next four year period.

Number of Taxpayers Affected: All taxpayers in Scott County would be affected by the proposal. It is estimated that there will be an average of 25 housing units built per year in Scott County.

ADMINISTRATIVE/OPERATIONAL IMPACT

See fiscal note.

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

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