

# MINNESOTA • REVENUE

## PROPERTY TAX

### Repeal Metropolitan Fiscal Disparities

March 21, 2003

|   | Yes | No |
|---|-----|----|
| Separate Official Fiscal Note Requested |     | X  |
| <b>Fiscal Impact</b>                    |     |    |
| DOR Administrative Costs/Savings        |     | X  |

Department of Revenue

Analysis of H.F. 495 (J. Johnson) / S.D. 635 (Belanger)

|              | <u>Revenue Gain or (Loss)</u> |                  |                  |                  |
|--------------|-------------------------------|------------------|------------------|------------------|
|              | <u>F.Y. 2004</u>              | <u>F.Y. 2005</u> | <u>F.Y. 2006</u> | <u>F.Y. 2007</u> |
|              |                               | (000's)          |                  |                  |
| General Fund | \$0                           | (\$2,300)        | (\$2,300)        | (\$2,300)        |

Effective for taxes payable in 2004 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.

**Proposed Law:** The bill repeals the metropolitan fiscal disparities law (Chapter 473F) and instructs the Revisor of Statutes to remove all references to it.

### REVENUE ANALYSIS DETAIL

- The proposal was analyzed on the taxes payable 2003 property tax simulation model.
- 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.
- The net result of eliminating the metropolitan fiscal disparities provision is a decrease in total property taxes for commercial and industrial property and an increase in residential net taxes. Because total homestead net taxes increase, property tax refunds would increase by \$2.3 million each year.
- Local levies would vary within the metropolitan area. Cities whose net distribution is greater than their contribution under the program, such as St. Paul, would see increases in local property taxes. Conversely, cities which contribute more than they receive will experience a decline in net property taxes.

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

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

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