

MINNESOTA • REVENUE

PROPERTY TAX Voter Approved Adjustment in Referendum Revenue

April 11, 2003

Department of Revenue
Analysis of H.F. 721 (Sykora) / S.F. 1223 (Gaither)

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

	<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)		
Education Aid Increase	(\$11)	(\$814)	(\$1,543)	(\$2,225)
Property Tax Refund Increase	<u>\$0</u>	<u>(\$174)</u>	<u>(\$422)</u>	<u>(\$857)</u>
General Fund Total	(\$11)	(\$988)	(\$1,965)	(\$3,082)

Effective for revenue for fiscal year 2004, property taxes payable 2004, and thereafter.

EXPLANATION OF THE BILL

Current Law: A school district's referendum allowance must not exceed the greater of the district's allowance for fiscal year 1994 times 1.162 plus its referendum conversion allowance, minus \$415, or 18.2% of the formula allowance.

Proposed Law: An inflation factor is added to the referendum allowance calculation based on the Consumer Price Index for All Urban Consumers. Districts also are allowed to state on the referendum ballot that the revenue per pupil would increase each year by this inflation factor. A district with referendum revenue authority already at the cap may pass a new referendum for the inflationary increase.

REVENUE ANALYSIS DETAIL

- Based on a fiscal note prepared by the Department of Children, Families and Learning (CFL), the increase in referendum equalization aid from the proposal is projected to be \$11,000 in F.Y. 2004, \$814,000 in F.Y. 2005, \$1,543,000 in F.Y. 2006, and \$2,225,000 in F.Y. 2007.
- Based on CFL estimates, the increase in referendum levy will be \$6,685,600 in F.Y. 2005, \$16,246,400 in F.Y. 2006, and \$32,975,500 in F.Y. 2007. The resulting increase in homeowner property tax refunds will be \$174,000 in F.Y. 2005, \$422,000 in F.Y. 2006, and \$857,000 in F.Y. 2007.

Number of Taxpayers Affected: Taxpayers paying for school district operating referendum levies would be affected by the additional inflationary increase.

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