

MINNESOTA • REVENUE

PROPERTY TAX Tax Abatement Duration Limit Increase

March 23, 2004

Department of Revenue
Analysis of H.F. 3092 (Abrams)

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

	Revenue Gain or (Loss)			
	<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	\$0	\$0	\$0

Effective for abatement resolutions approved after the day following final enactment.

EXPLANATION OF THE BILL

Current Law: A political subdivision may abate all or a portion of its property tax on one or more parcels of real property for economic development purposes, subject to a duration limit and a limit on the amount of abatements. The duration limit for tax abatement is a period no longer than 10 years. The duration limit may be extended when a request for abatement by one political subdivision to another is denied, in which the duration limit for tax abatement by the requesting subdivision is increased to 15 years. If the political subdivision which declined to grant abatement later grants abatement for the parcel, the 15-year duration limit is reduced by one year for each year that the abatement was granted by the requesting political subdivision.

Proposed Law: Under the proposal, the duration limits for tax abatement would be increased. The normal duration limit would be increased from 10 to 15 years, and the extended limits would be increased from 15 to 20 years.

REVENUE ANALYSIS DETAIL

- The proposal may extend the duration of a number of abatements, but the extent to which this would occur is unknown. A parcel receiving tax abatement would reduce the local tax base relative to current law, and cause a property tax shift to all other property including homeowners. The increased burden on homeowners due to the abatement would cause a small increase in state-paid homeowner refunds in the future.

Number of Taxpayers: Unknown.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy