

MINNESOTA • REVENUE

PROPERTY TAX Economic Development for Public Purpose

March 31, 2004

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

Department of Revenue
Analysis of S.F. 2970 (Larson) / H.F. 3116 (Nornes)

	<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	\$0	(Unknown)	(Unknown)

Effective August 1, 2004.

EXPLANATION OF THE BILL

Current Law: Current law provides that the holding of property by a political subdivision for later resale for economic development purposes is considered a public purpose and exempt from property taxes for no longer than 8 years. The exemption period is extended to 15 years for property located in a city with a population of 5,000 or under that is located outside the seven-county metropolitan area.

Proposed Law: The proposal would increase the maximum city population limit from 5,000 to 15,000 for property eligible for the 15-year exemption period.

REVENUE ANALYSIS DETAIL

- There are 42 cities outside the metropolitan area with 2002 population between 5,000 and 15,000. It is not known how many properties in the eligible cities would be held for more than 8 years for economic development purposes.
- The property tax exemption for eligible property would be extended up to 7 years. This exemption would cause a tax shift to all other taxpayers including homeowners and increase homeowner property tax refunds, but the amount of the increase is unknown.

Number of Taxpayers: Unknown

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