

MINNESOTA • REVENUE

PROPERTY TAX Housing Opportunity Area Tax Abatement Program

April 25, 2005

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

Department of Revenue
Analysis of H.F. 1902 (Lesch) / S.F. 1982 (Anderson)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective for taxes payable in 2007 and thereafter.

EXPLANATION OF THE BILL

The bill creates a housing opportunity area tax abatement program. Housing opportunity area means a census tract where less than 10% of the residents live below the poverty level that is located within a qualified city or town. A qualified city or town must be located within a county with a population of at least 200,000 and its net tax capacity per capita exceeds the average of all cities or towns in the county.

The owner of property located within a housing opportunity area who has a housing choice voucher contract with a housing authority may annually apply for tax abatement with the housing authority. The county shall abate the tax attributable to the portion of the property determined to be eligible for housing opportunity area tax abatement. The abatement shall equal 20% of the adjusted net tax capacity of the property multiplied by a fraction equal to (1) the number of qualified units, divided by (2) the total number of dwelling units within the property. The amount of the abatement shall be shown as a credit on the property tax statement.

Any city or town may annually petition to be excluded from a housing opportunity area if more than 2% of the total residential units located within that municipality are occupied by tenants under the housing choice voucher program. Properties located within an excluded city or town are not eligible for tax abatement under the program.

REVENUE ANALYSIS DETAIL

- The counties of Anoka, Dakota, Hennepin, Ramsey and Washington have populations greater than 200,000 and would be eligible for housing opportunity areas.
- It is unknown how many property owners located within a housing opportunity area and having a housing choice voucher contract would annually apply for tax abatement with the housing authority.
- Cities, towns, and school districts could levy back the abatements, which would cause an increased property tax burden on all other property including homesteads. There is a possibility of some increase in state-paid homeowner property tax refunds beginning in FY 2009.
- Counties are not authorized to levy back tax abatements under this proposal.

Number of Taxpayers: Property taxpayers in qualified cities and towns located in counties with population greater than 200,000, which include Anoka, Dakota, Hennepin, Ramsey, and Washington.

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