

MINNESOTA • REVENUE

PROPERTY TAX School Debt Service Modifications

April 6, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2662 (Lanning) / S.F. 2670 (Skoe)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
			(000's)	
Equalization Aid	\$0	\$0	(\$6,000)	(\$6,000)
Property Tax Refunds	<u>\$0</u>	<u>\$0</u>	<u>\$190</u>	<u>\$190</u>
General Fund	\$0	\$0	(\$5,810)	(\$5,810)

Effective for revenue for fiscal year 2008.

EXPLANATION OF THE BILL

The bill increases the first tier debt service equalizing factor from \$3,200 to \$5,000 times a new indexing factor adjustment. The bill also makes the second tier debt service equalizing factor subject to the new adjustment. The new tax capacity adjustment factor is defined as the greater of one or the ratio of the statewide net tax capacity for the most recent assessment year divided by the statewide adjusted marginal cost pupil units for the third subsequent year to the statewide net tax capacity for assessment year 2004 divided by the statewide adjusted marginal cost pupil units for fiscal year 2007.

REVENUE ANALYSIS DETAIL

- School debt service equalization aid is expected to increase \$6 million per year.
- Net property taxes statewide will decrease by a similar amount.
- Property tax refunds would reflect a similar decrease by \$190,000 in fiscal years 2008 and 2009 due to net tax shifts from homesteads.

Number of Taxpayers Affected: Unknown.

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