

MINNESOTA • REVENUE

PROPERTY TAX Border City Enterprise Zones

March 15, 2005

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

Department of Revenue
Analysis of S.F. 955 (Langseth) / H.F. 1041 (Lanning)

	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	(\$1,500)	\$0	\$0	\$0

Allocations effective the day following final enactment.
Property tax exemption provisions effective for development agreements approved after the day following final enactment, and beginning for property taxes payable in 2006.

EXPLANATION OF THE BILL

The bill authorizes border cities with enterprise zones to limit the property tax exemption to a shorter period than the duration of the zone or to a percentage of the property taxes payable or both. The bill also provides for additional border city enterprise and development zone allocations by the Commissioner of Employment and Economic Development to western border cities on a per capita basis, to be used for certain tax reductions. The additional allocations may be used for the existing enterprise zone tax reductions or for other offsets of taxes imposed on or remitted by businesses in the enterprise zone.

REVENUE ANALYSIS DETAIL

- It is assumed that all of the \$1.5 million in additional border city allocations will be used.
- It is not known how many border cities would limit the property tax exemption to a shorter period than the duration of the zone or to a percentage of property taxes payable. Limiting the property tax exemption would increase the tax base of the city compared to current law, decreasing the homestead tax burden, and thus decreasing state-paid homeowner property tax refunds.

Number of Taxpayers: Five border city enterprise zones.

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