MINNESOTA · REVENUE

PROPERTY TAX
Public Finance

April 3, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3633 (Pogemiller)

	Fund Impact			
	F.Y. 2006	**F.Y. 2007**	**F.Y. 2008**	**F.Y. 2009**
	(000's)			
General Fund	$0	$0	(Negligible)	(Negligible)

EXPLANATION OF THE BILL

The bill makes a number of changes to laws relating to state and local public finance.

- For definitive drainage bonds, the phrase "par value" is replaced by the interest rate definitions in MS 475.56.
- Cities having a population of 5,000 or more may issue obligations not exceeding 90%, instead of 50%, of the last annual allotment received by the municipality from the construction account in the municipal state aid street fund. A date of issue exception is repealed.
- Counties may issue obligations not exceeding 90%, instead of 50%, of the last annual allotment received by the county from the construction account in the county state aid highway fund.
- Debt limits are to be calculated on the final equalized market values, rather than the previous assessment year's market values.
- Following the creation of a subordinate service district, a township may issue general obligation bonds for street reconstruction. These obligations are subject to the township's debt limit.
- While obligations are outstanding, subordinate service districts are not subject to removal petitions.
- County general obligation definition expanded to include bonds for qualified housing development projects.
- Bond issuance definition altered to remove "par" and allow the issuing authority to determine the price and manner of bond sale.
- Economic development authority revenue bonds are to mature within 30 years of issuance, rather than 20 years.
- Tax increment financing (TIF) interfund loans are to be authorized by either the municipality or TIF district, whichever authority has jurisdiction.
- New municipal bonds for capital improvements for the purpose of a city hall, public safety facility, or public works facility may not be issued if the debt service in any year for all outstanding bonds for those purposes exceeds the greater of 0.16% of taxable market value, or $100,000.

REVENUE ANALYSIS DETAIL

- No information is available on possible additional certificates of indebtedness due to the provisions of this bill, but the amount is assumed to be relatively small.
- Additional debt obligations will require additional service of interest and principal. Where property tax levies are used to service new debt, taxes on homesteads will rise. Therefore there would be a negligible increase in property tax refunds for homeowners.

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Number of Taxpayers Affected: All taxpayers in jurisdictions issuing new debt.

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

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