

MINNESOTA • REVENUE

PROPERTY TAX Subordinate Service Districts – Surplus Revenue Refund

March 11, 2008

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2988 (Brod) / S.F. 3533 (Dahle)

	Fund Impact			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
			(000's)	
General Fund	\$0	\$0	Negligible	Negligible

Effective the day following final enactment.

EXPLANATION OF THE BILL

Current Law: The property owners in the territory of a subordinate service district may request the removal of the district by petition of at least 75% of the property owners. The town board must hold a public hearing on the petitioned matter, and decide whether to discontinue the subordinate service district within 30 days after the hearing.

Proposed Law: The bill would allow the town board of a removed subordinate service district to refund any surplus tax revenue or service charges collected from the district. The refund must be distributed equally to the owners of any property within the discontinued district that were charged the extra tax or service fee in the previous tax year. Any surplus not refunded must be transferred to the town's general fund.

REVENUE ANALYSIS DETAIL

- A town board choosing to refund some portion of property tax revenue would reduce the tax burden on all property owners including homesteads. This property tax reduction on homesteads would reduce property tax refunds, resulting in a savings to the state general fund.
- The general fund savings is assumed to be less than \$5,000 beginning in FY 2010.

Number of Taxpayers: Unknown.

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

hf2988(sf3533)_pt_1/nrg