

MINNESOTA • REVENUE

PROPERTY TAX

Study Metropolitan Fiscal Disparities

April 6, 2010

Department of Revenue

Analysis of S.F. 3053 (Rest) / H.F. 3638 (Loon)

| | Yes | No |
|----------------------------------|-----|----|
| DOR Administrative Costs/Savings | X | |

| | Fund Impact | | | |
|--------------|------------------|------------------|------------------|------------------|
| | <u>F.Y. 2010</u> | <u>F.Y. 2011</u> | <u>F.Y. 2012</u> | <u>F.Y. 2013</u> |
| | | (000's) | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |

Effective January 1, 2011.

EXPLANATION OF THE BILL

Current Law: Fiscal disparities distribution levies are disbursed on a formula primarily based on real property market value and population. The contribution to the “pool” is 40% of the growth since 1971 in commercial and industrial tax capacity. There is no current study provision.

Proposed Law: The bill requires the Department of Revenue to conduct a study of the metropolitan fiscal disparities program. Topics to be included are how the program has affected development patterns, economic growth, service delivery and tax effort, distribution of regional benefits and costs, distribution of tax burdens among jurisdictions, and competition for commercial-industrial tax base. A report to the legislature of the findings and any recommendations of the study is due by February 1, 2012.

The bill authorizes an increase in the fiscal disparities distribution levy of \$100,000 in fiscal year 2011 for the Metropolitan Council, to be paid to the Commissioner of Revenue for conducting the study.

REVENUE ANALYSIS DETAIL

- The \$100,000 cost of the study would be spread on metropolitan commercial, industrial, utility, and railroad property.
- The ratio of fiscal disparities levy to local levy increases slightly, but there is no significant general fund impact.

Source: Minnesota Department of Revenue
Tax Research Division

http://www.taxes.state.mn.us/taxes/legal_policy

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