

MINNESOTA • REVENUE

PROPERTY TAX

Iron Range Fiscal Disparities Program Area Expansion

March 27, 2012

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

Department of Revenue

Analysis of H.F. 2815 (Davids) as introduced

| | Fund Impact | | | |
|----------------------|---------------|---------------|---------------|---------------|
| | <u>FY2012</u> | <u>FY2013</u> | <u>FY2014</u> | <u>FY2015</u> |
| | | (000's) | | |
| Property Tax Refunds | \$0 | \$0 | \$23 | \$23 |

Effective for taxes payable in 2013 and thereafter.

EXPLANATION OF THE BILL

The proposal adds the remaining portions of counties in the iron range fiscal disparities program if at least 35% of the county's net tax capacity is in the program area. The administrative auditor must determine the percentage prior to May 1 of each year.

REVENUE ANALYSIS DETAIL

- Under the assessment 2011 net tax capacity, an additional 44% of Aitkin County, 13% of Itasca County, and 57% of St. Louis County, including Duluth, would be added to the Iron Range fiscal disparities program area.
- Additional new construction qualifying for contribution net tax capacity is estimated to be \$6.4 million, approximately doubling the size of the program.
- Qualifying class 3a net taxes would increase about \$1.1 million.
- Property taxes would shift from homesteads to class 3a commercial, industrial, public utility, and railroad property. Residential homestead net taxes would decrease in the seven county area by \$250,000.
- Lower homestead property taxes would reduce property tax refunds by \$23,000 in FY 2014 and FY 2015.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

Transparency, Understandability, Simplicity & Accountability Decrease Expansion of complex FD program

| | |
|--|---------|
| <i>Efficiency & Compliance</i> | Neutral |
| <i>Equity (Vertical & Horizontal)</i> | Neutral |
| <i>Stability & Predictability</i> | Neutral |
| <i>Competitiveness for Businesses</i> | Neutral |
| <i>Responsiveness to Economic Conditions</i> | Neutral |

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.

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

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