

MINNESOTA • REVENUE

PROPERTY TAX

Fergus Falls Border City Development Zone

March 05, 2013

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 0326 (Nornes) / S.F. 0417 (Ingebrigtsen) as introduced

Fund Impact

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
	(000's)			
General Fund	\$0	(unknown)	(unknown)	(unknown)

Effective upon local approval.

EXPLANATION OF THE BILL

The bill allows the City of Fergus Falls to designate all or any part of the city as a border city development zone. The bill authorizes the city to exempt business property from business taxes, and allows the city to offset state taxes paid by business property. The cumulative total amount of state tax reductions for all years for the city of Fergus Falls is limited to a blank dollar amount. The allocation may be used to offset taxes imposed on or remitted by businesses in the development zone only if the city determines that the tax reduction is necessary to enable a business to expand within the city or to attract a business to the city. The commissioner may waive the limit under the same rules and standards used for other border city development zones.

REVENUE ANALYSIS DETAIL

The proposed exemption to property taxes may have an impact on the local tax base and tax rate in the future, and may result in a small increase in property tax refunds paid by the state.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Creates new subcategory of border city development zones.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Increase	Net decrease in Minnesota business taxes.
<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
www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx

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