

MINNESOTA • REVENUE

PROPERTY TAX

Fiscal Disparities Contribution Limits

Revised

April 04, 2013

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 1601 (Peppin) / S.F. 1486 (Limmer) as introduced

	Fund Impact			
	FY2014	FY2015	FY2016	FY2017
	(000's)			
Property Tax Refunds	\$0	(\$110)	(\$110)	(\$110)

Effective for taxes payable 2014 and thereafter.

EXPLANATION OF THE BILL

The bill modifies the metropolitan fiscal disparities contribution net tax capacity calculation for municipalities that are not served by regional wastewater services under M.S. 473. The calculation becomes the lesser of 40 percent of the growth in commercial-industrial property, or 10 percent of the total net tax capacity of the municipality.

REVENUE ANALYSIS DETAIL

- Under current law, the contribution net tax capacity calculation is 40 percent of the growth in commercial-industrial property.
- According to the Metropolitan Council, for the first year of implementation, the municipalities of Coates, Rockford, Rogers, Bethel, Loretto, Norwood Young America, Jordan, and Jackson Township and Louisville Townships would benefit under this provision.
- The proposal was modeled using pay 2013 data.
- It is assumed that total property taxes would remain the same under the proposal, with a smaller fiscal disparities levy share being replaced by local levy.
- With lower fiscal disparities distribution levies, taxes would shift from commercial-industrial property classes to homesteads. The homestead shift is estimated to be \$1.2 million beginning in pay 2014.
- Higher homestead taxes would result in higher property tax refunds. The increase in property tax refunds is estimated to be \$110,000 beginning in FY 2015.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Additional step in calculation of distribution levies.
<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
[www.revenue.state.mn.us/research_stats/
pages/revenue-analyses.aspx](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)

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