

MINNESOTA • REVENUE

PROPERTY TAX

Border city enterprise and dev. Zone available incentives

March 17, 2014

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 2975 (Lien) / S.F. 2600 (Eken) as introduced.

Fund Impact

	FY2014	FY2015	FY2016	FY2017
	(000's)			
Border City Zones	\$0	(\$2,500)	(\$5,000)	(\$5,000)
Tax Interactions	\$0	\$0	negligible	negligible
General Fund Total	\$0	(\$2,500)	(\$5,000)	(\$5,000)

Various effective dates.

EXPLANATION OF THE BILL

The proposal permanently allocates \$5 million per calendar year for tax reductions in border city enterprise zones and border city development zones. The allocation is to be apportioned between the cities on a per capita basis. The amount available for calendar 2014 is \$2.5 million. In addition, a credit against income tax for workers employed in the zone maximum is increased from \$1,500 to \$3,000 per employee per year.

REVENUE ANALYSIS DETAIL

- For payable 2013, the amount of property tax credit under this provision was \$23,000. It is assumed that most of the tax credits would continue to be other tax types.
- Lower property taxes on apartments and commercial property would decrease income and corporate franchise tax deductions. Collections on those taxes would therefore increase by negligible amounts in beginning in FY 2016.

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

Transparency, Understandability, Simplicity & Accountability	Neutral
Efficiency & Compliance	Neutral
Equity (Vertical & Horizontal)	Neutral
Stability & Predictability	Neutral
Competitiveness for Businesses	Neutral
Responsiveness to Economic Conditions	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/

