

PROPERTY TAX

Cloquet area fire and ambulance taxing district modifications

March 12, 2019

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 0206 (Sundin) / S.F. 1812 (Rarick) as introduced

	Fund Impact			
	FY2020	FY2021	FY2022	FY2023
	(000's)			
Property Tax Interactions	\$0	(\$30)	(\$30)	(\$30)
Income Tax Interactions	\$0	(\$30)	(\$30)	(\$30)
General Fund	\$0	(\$60)	(\$60)	(\$60)

Effective upon local compliance.

EXPLANATION OF THE BILL

Current statute is unclear if the Cloquet Area Fire and Ambulance Taxing District has authority to incur debt. The proposal would allow the Cloquet Area Fire and Ambulance Special Taxing District to issue certificates of indebtedness or capital notes. The district would be allowed to levy above the maximum percentage provided in statute in order to make debt service payments.

Under current statute, the Cloquet Area Fire and Ambulance Taxing District may set a tax rate of up to 0.019% of market value for municipalities just receiving ambulance services and a tax rate of 0.2835% for municipalities receiving both ambulance and fire services. The proposal would increase the maximum tax rate for municipalities just receiving ambulance services from 0.019% to 0.048%.

REVENUE ANALYSIS DETAIL

- According to a local official with the taxing district, if the proposal passed, bonds would be issued for the construction of a new fire station in 2020. The bonds would be for \$10,000,000 over 30 years.
- It is assumed that the new bonds would increase the property tax levy for taxpayers by an estimated \$675,000 starting in payable year 2020 and continuing for the next 30 years.
- The proposed additional levy authority would be used to pay for the bonds.
- Higher levies would result in higher homeowner property tax refunds, increasing costs to the state general fund beginning FY 2021.
- Higher levies would result in higher income tax deductions, decreasing revenues to the state general fund beginning in FY 2021.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<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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