DEPARTMENT OF REVENUE

PROPERTY TAX
Cities Removed from Metropolitan Fiscal Disparities Program

March 21, 2023

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1056 (Dibble) / H.F. 1331 (Ekins) as introduced

	Fund Impact			
	F.Y. 2024	**F.Y. 2025**	**F.Y. 2026**	**F.Y. 2027**
	(000's)			
General Fund	$0	negligible	negligible	negligible

Effective beginning with taxes payable in 2024.

EXPLANATION OF THE BILL
Under current law, the metropolitan area fiscal disparities program partially shares commercial-industrial property tax base among all jurisdictions within a defined geographic area.

The proposal would remove the portions of the cities of Cannon Falls, Hanover, and Rockford from the metropolitan fiscal disparities geographic area.

REVENUE ANALYSIS DETAIL
- For taxes payable 2023, the portion of Cannon Falls that falls within the metropolitan fiscal disparities geographic area had no commercial-industrial property, so the proposal would have no effect on the city's property taxes.
- For taxes payable 2023, both Hanover and Rockford are net recipients in the metropolitan fiscal disparities program, meaning the tax base they are distributed from the program is more than the tax base they contribute to the program. The net tax capacity gained from the program is a small share of each city's total taxable net tax capacity: 2.0% in Hanover and 0.1% in Rockford.
- By removing Hanover and Rockford from the fiscal disparities program, the tax base in both cities would decrease, which would increase tax rates for all properties in both cities. An increase in tax rates would increase local taxes on all properties, including homesteads, which would increase property tax refunds paid by the state in these two cities by less than $5,000.
- The tax base for other taxing jurisdictions in the metropolitan fiscal disparities program would increase due to removing two net beneficiary cities, which would decrease tax rates. A decrease in tax rates would decrease taxes on properties, including homesteads, which would decrease property tax refunds paid by the state by less than $5,000.
- The overall property tax refund interaction is net of these changes.

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	Taxes on businesses would change throughout the metro area, with some increases and some decreases.
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
https://www.revenue.state.mn.us/revenue-analyses

sf1056(hf1331) Metro FD Area_pt_1/wms, nrg