

HOUSE RESEARCH

Bill Summary

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Subject: Fiscal disparities program; requiring a study

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Section

- 1** **Study required.** Requires the commissioner of revenue to conduct a study of the metropolitan fiscal disparities program and make a report to the house and senate tax committees by February 1, 2006. The primary topic of study is whether the program is achieving the purposes for which it is created. Other topics to be addressed are:
- How the program affected property tax disparities across the area?
 - Is the contribution formula reasonable? (E.g., should the same exemptions continue, should contribution amounts be adjusted for differences in sales ratios?)
 - Is the distribution formula reasonable? (E.g., should need be a measure, should the distribution formula use tax capacity rather than market value?)
 - Does the program help promote orderly growth and environmentally sound land use?
 - What is the effect of the program on competition for commercial-industrial development between communities? Is reduced competition for C/I desirable?
 - Do contributions to the pool prevent local governments from generating sufficient revenues from commercial-industrial development to cover the costs of providing services?

Section

- Could improvements be made in program administration?

Effective July 1, 2005.