

HOUSE RESEARCH

Bill Summary

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Authors: Brod and Demmer

Subject: Granting School Boards Authority to Determine the Tax Base Used to Spread Debt Service Levies

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Overview

Under current law a school district's debt levy (the amount needed to repay school building bonds) is calculated on adjusted net tax capacity and spread on the following year's net tax capacity. Net tax capacity is the primary tax base for most local levies. Net tax capacity assigns class rates to the various property types (homes have a class rate of 1%, businesses have class rates of 1.5% and 2% and ag lands have a class rate of .55% on the first \$600,000 of value and 1% on the value above \$600,000).

A school district's operating referendum is spread on a different tax base. It is spread on referendum market value. Referendum market value excludes agricultural lands and seasonal recreational property entirely and does not use class rates, so that most of the remaining property types pay the same rate on their value.

This bill authorizes a school board to determine whether new debt service levies will be spread against net tax capacity or referendum market value. The bill does not alter the debt service equalization aid amount, but rather, grants a school board authority to modify the tax base the levy is spread against.

Section

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- 1** **Debt service levies; choice of tax base.** Grants a local school board authority to determine whether the levy needed to repay school bonds issued after July 1, 2006 should be spread against net tax capacity or referendum market value. Requires the board to make the decision prior to the bond election.
- 2** **Debt service equalization revenue.** Provides that a district's debt service equalization aid and levy will not change regardless of whether the school board decides to spread the levy on net tax capacity or referendum market value. Effective July 1, 2006.
- 3** **Debt service levy.** Allocates a school district's total debt service equalization aid and debt levy proportionately against the debt service revenue of each bond project so that referendum market value levies and net tax capacity levies are lowered by their share of the equalization aid. Effective beginning with taxes payable in 2007.
- 4** **Information required.** Requires school boards to include in the information submitted to the commissioner of education as a part of the review and comment process a statement as to whether the new facility's debt service levy will be spread against net tax capacity or referendum market value. Effective July 1, 2006.