

FILE NUMBER:	H.F. 1414	DATE:	April 5, 2006
Version:	Delete everything amendment H1414DE1-1		
Authors:	Brod and Demmer		
Subject:	Authorizing use of an alternative tax base for school debt levies		
Analyst:	Steve Hinze, 651-296-8956 Tim Strom, 651-296-1886		

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

Under current law a school district's debt levy is spread on net tax capacity, which is the tax base used for most local levies. Net tax capacity class rates vary from 0.55% for the first \$600,000 of market value of an agricultural homestead to 2.0% for commercial/industrial value over \$150,000, with the largest class (residential homestead valued below \$500,000) having a class rate of 1.0%.

A school district's operating referendum is spread on a tax base called referendum market value. Referendum market value excludes agricultural land and seasonal recreational property, with all other properties at the same rate.

This bill creates a new tax base that is something of a hybrid between net tax capacity and referendum market value. The bill then authorizes a school board to determine whether each new debt service levy is to be spread against net tax capacity or the new hybrid tax base. Under the bill, the board's choice of tax base for a new debt levy will not affect the amount of equalization aid it receives (if any); the aid formula will essentially treat the district as if the levy was to be spread on net tax capacity.

Section

1 **Debt service levies; choice of tax base.** Grants a local school board authority to determine whether the debt service levy to finance a school bond issue should be spread against net tax

<u>Section</u>

- capacity or the alternative net tax capacity specified in section 0prior to the bond election.
 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 the alternative tax base specified in section 0.
- **3 Debt service levy.** Allocates a school district's total debt service equalization aid and debt service levy proportionately between "regular" net tax capacity and the alternative tax base specified in section Obased on the amount of revenues derived from bonds levied against the two respective tax bases.
- **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 the alternative tax base specified in section 0.
- 5 Alternative net tax capacity. Creates a new hybrid tax base called alternative net tax capacity that is the same as "regular" net tax capacity with the following exceptions:
 - agricultural land tax capacity is 25 percent of "regular" tax capacity,
 - noncommercial seasonal recreational property has a tax capacity that is 75 percent of its regular tax capacity,
 - apartments and residential nonhomestead property has a tax capacity this is 80 percent of its regular tax capacity, and
 - commercial/industrial property has a class rate of 1.25 percent on the value up to \$150,000 and 1.5 percent on the value over \$150,000, compared to rates of 1.5% and 2% (respectively) under "regular" tax capacity.

(relative to a first tier residential homesteau rate of 1.0)				
	Referendum Market Value	Net Tax Capacity	H.F. 1414 Alternative Net Tax Capacity	
Residential homestead (including Ag HGA)	1.0	1.0/1.25	1.0/1.25	
Agricultural homestead land	0	0.55 / 1.0	0.14 / 0.25	
Agricultural nonhomestead	0	1.0	0.25	
Residential nonhomestead	1.0	1.0/1.25	1.0/1.25	
Apartments	1.0	1.25	1.0	
Seasonal recreational (cabins)	0	1.0/1.25	0.75	
Commercial/Industrial	1.0	1.5 / 2.0	1.25 / 1.5	

Contribution of major property classes to various tax bases (relative to a first tier residential homestead rate of 1.0)