

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1577

**DATE:** March 15, 2005

**Version:** As Introduced

**Authors:** Erickson

**Subject:** Modifying the Sales Ratio used to Compute School District Debt Service Levies

**Analyst:** 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](http://www.house.mn/hrd).

---

### Overview

The sales ratio is a statistical measure prepared by the Department of Revenue that measures the difference between actual sales prices of property and the assessor's taxable market value on those properties. The purpose of the sales ratio is to neutralize the effect of different assessment practices among the state's taxing jurisdictions.

Adjusted net tax capacity (ANTC) is derived by dividing the net tax capacity (NTC) of the school district by the sales ratio. The further the assessor's taxable market value is from the actual sales price, the lower the sales ratio and the higher the ANTC.

Two state programs, limited market value and Green Acres, lower the taxable market value of certain types of property. This has the effect of lowering the district's sales ratio, thereby increasing the district's ANTC. The result on equalization aid formulas, such as the debt service equalization aid program, is that a district with a large amount of limited market value or Green Acres property will have a larger ANTC, and therefore receive less equalization aid than the district would otherwise receive.

This bill removes the effects of limited market value and Green Acres from the sales ratio calculation for school district debt service equalization aid calculations. The net effect of this change is to lower the tax bases used to calculate debt

**Section**

service levies, and increase debt service equalization aid for those school districts with large amounts of property subject to limited market value or Green Acres.

**Section**

- 1**      **Equalized debt service levy.** Changes the tax base that is used to compute debt service equalization aid from adjusted net tax capacity (ANTC) to a new tax base called "debt service net tax capacity" effective for taxes payable in 2006.
- 2**      **Debt service net tax capacity.** Defines a school district's debt service net tax capacity as the district's net tax capacity adjusted by an alternative sales ratio that removes the effects of limited market value and Green Acres.
- 3**      **Debt service net tax capacity.** Requires the commissioner of revenue to calculate the alternative sales ratio for each district by comparing the sales price to the estimated market value of the property.
- 4**      **Limited market value.** Provides that a district's ANTC will be computed differently for debt service levies than it is for other aids and levies. Debt service NTC will be computed using a sales ratio that takes into account state-mandated reductions in a district's tax base due to limited market value and Green Acres.