

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 2427
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Subject: Reduced fiscal disparities contributions for small cities

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Overview

H.F. 2427 reduces the fiscal disparities contribution percentage from 40 percent to 30 percent for cities under 15,000 population in the metropolitan area, and provides for a state payment to the fiscal disparities program to compensate for the reduced contributions from small cities.

Section

- 1 Contribution net tax capacity.** Provides that the fiscal disparities contribution for cities under 15,000 population will be based on 30 percent of the growth in commercial-industrial net tax capacity since 1971, rather than 40 percent. Provides for a state contribution net tax capacity equal to the difference between the “regular” 40 percent contribution percentage and the reduced 30 percent contribution percentage of cities under 15,000 population.
- 2 Computation of net tax capacity.** Technical section necessary to accommodate the change in contribution net tax capacity percentage for cities under 15,000 population in section 1.
- 3 State of Minnesota payment.** Requires the administrative auditor to determine the state’s payment equal to the state contribution net tax capacity determined under section 1 by the areawide tax rate. Provides that the commissioner of revenue must send the state’s payment to the administrative auditor of the fiscal disparities program each year. Provides an open and standing appropriation from the general fund to the commissioner of revenue to make the payment required under this section.

