Overview

This bill expands the authority to make economic development type property tax abatements under the law enacted in 1997. The changes make the amounts and uses for abatements more comparable to tax increment financing. The bill eliminates the following restrictions:

- The requirement that school districts annually re-approve abatements.
- The prohibition on abating one-half of the general education tax
- The prohibition on abating fiscal disparities tax (For abatements of the fiscal disparities tax, the local government unit that authorizes the abatement would fund the abatement out its own resources, not the fiscal disparities pool. This is analogous to tax increment financing, where either the TIF district or city taxpayers must pay for the fiscal disparities contribution of the TIF district.)

The abatement law is similar in purpose to tax increment financing with three important differences. First, each unit of local government (city/town, school, and county) must approve and pay for its share of the abatement. Second, the state does not contribute through the school finance formulas. Third, the mechanism may be used for more purposes and is, generally, similar and more flexible (in that sense) than tax increment financing.

Section

1 **Abatements for infrastructure.** Clarifies that property tax abatements may be used to pay for public infrastructure.

2 **Abating fiscal disparities tax.** Authorizes political subdivisions to abate fiscal disparities tax. Each of the three units (city/town, school district, and county) would be permitted to abate an amount of the total taxes equal to its tax rate multiplied by the tax capacity of the parcel. Thus, the total amount of the abatement would effectively include tax equal to the fiscal disparity tax on a commercial or industrial parcel. The abatement would be fully funded by the approving
local unit of government. It would not reduce the contributions to the fiscal disparities pool or increase distributions from the pool. This section also clarifies that use of an abatement for public infrastructure is not limited to improvements located on the parcel whose taxes are abated.

3 **Amount of school district abatements.** Allows school districts to abate the full amount of their tax. Under present law, school districts may not abate one-half of the tax attributable to the general education tax rate.

4 **Annual approval of school taxes.** Eliminates the requirement that schools annually re-approve abatements. This requirement prevents issuing bonds financed with the amount of the school tax abatements.

5 **Consent of property owner.** Clarifies that a property owner need not consent to an abatement.

6 **Public infrastructure.** Clarifies that abatements may be retained to reimburse the political subdivision for infrastructure costs for which bonds were not issued.

7 **Effective date.** Provides changes are effective the day following final enactment.