Fiscal Disparities Program

Tax-Base Sharing in the Metropolitan Area

August 7, 2019

Committee of the Whole

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What is the fiscal disparities program?

- Shares part of growth in commercial-industrial tax base in seven-county metro area

History

- Metropolitan Council created in 1967
- Tax-base sharing program authorized in 1971 (Minn. Stat. 473F)
- Tax-base sharing began in 1975

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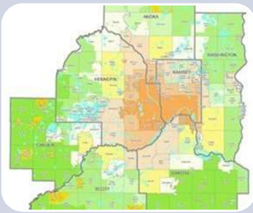
Relevance to Council

Region known for unique program	• National and international interest
Connection to Council goals	• Orderly and efficient development • Equity
Statutory role for Council	• Eligibility of communities to participate
Livable Communities Act (LCA) funding	• $5 million each year from tax-base sharing

Statutory goals of tax-base sharing



Make orderly develop- ment more likely

Share resources from growth

Work for growth of whole metro area

Encourage environ- mental protection

Help communities in different stages of growth

Work within existing system

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How tax-base sharing contributes to goals

- Spreads benefits of commercial-industrial development
- Reduces differences in property tax wealth
- Reduces competition for tax base
- Encourages regional perspective
- Encourages land uses that protect the environment

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Property tax terms

Local taxing jurisdictions	• Cities, townships, counties, school districts and special taxing districts, such as the Council
Net tax capacity or tax base	• Market value of property subject to taxes = taxable market value x class rate for type of property
Commercial-industrial tax base	• Tax base for commercial, industrial, public utility, railroad, taxable personal property and a few other types of property
Levy	• Amount of revenue to raise from local property taxes
Tax rate	• Levy / tax base

How tax-base sharing works

Contribution

Equals 40% of growth in commercial, industrial and public utility property tax base since 1971

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Shared pool of tax base for metro area

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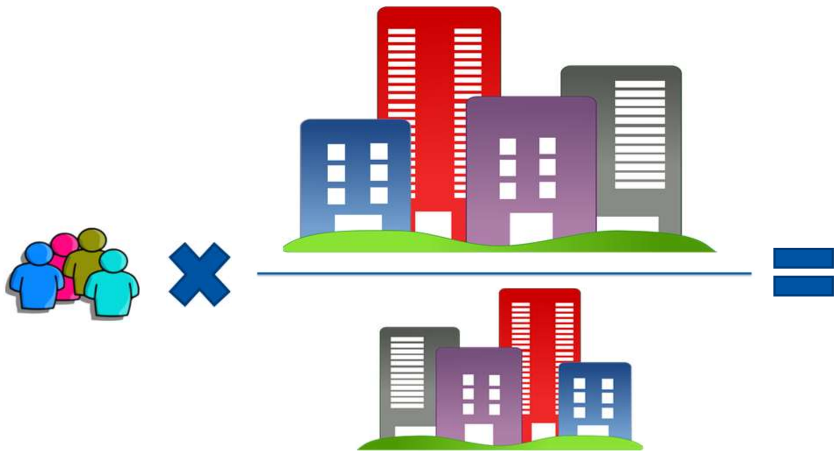
Distribution

Based on population and relative property tax wealth

Redistribution of shared pool of tax base

- Distribution formula determines percentage of shared pool of tax base received by a community



✓ Community with relatively low property tax wealth receives larger share

✓ Community with relatively high property tax wealth receives smaller share

Revenue shared through areawide pool

- Local taxing jurisdictions share tax revenue (distribution levy) from areawide tax base
  - For a community: distribution levy = community's share of areawide tax base x community's tax rate

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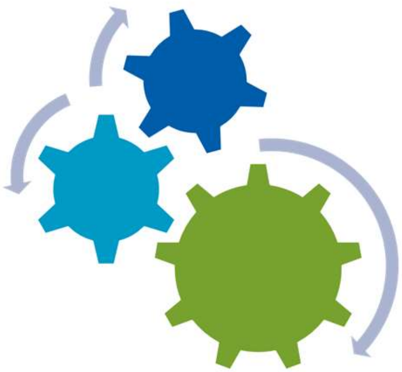
Tax revenue

- Local taxing jurisdictions levy against a modified tax base for commercial-industrial property
- Local taxing jurisdiction's levy comes from local levy and part of areawide levy
  - Areawide tax rate based on areawide levy and areawide tax base



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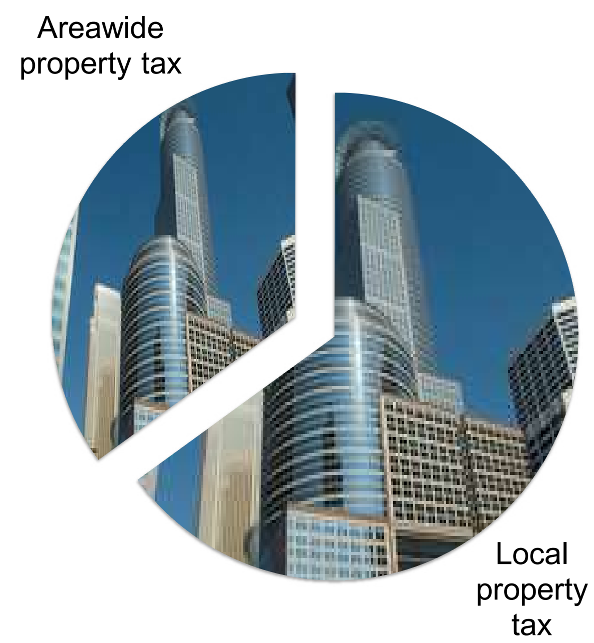
Impact on individual parcels

- Up to 40% of commercial-industrial tax base taxed at areawide rate
  - Areawide tax rate reduces differences in tax rates across jurisdictions
- Rest of property taxed at local rate



Results for taxes payable in 2019

Tax base	Tax revenue
•Shared $477 million in tax base for taxes payable in 2019	•Shared over $643 million (distribution levy) for taxes payable in 2019

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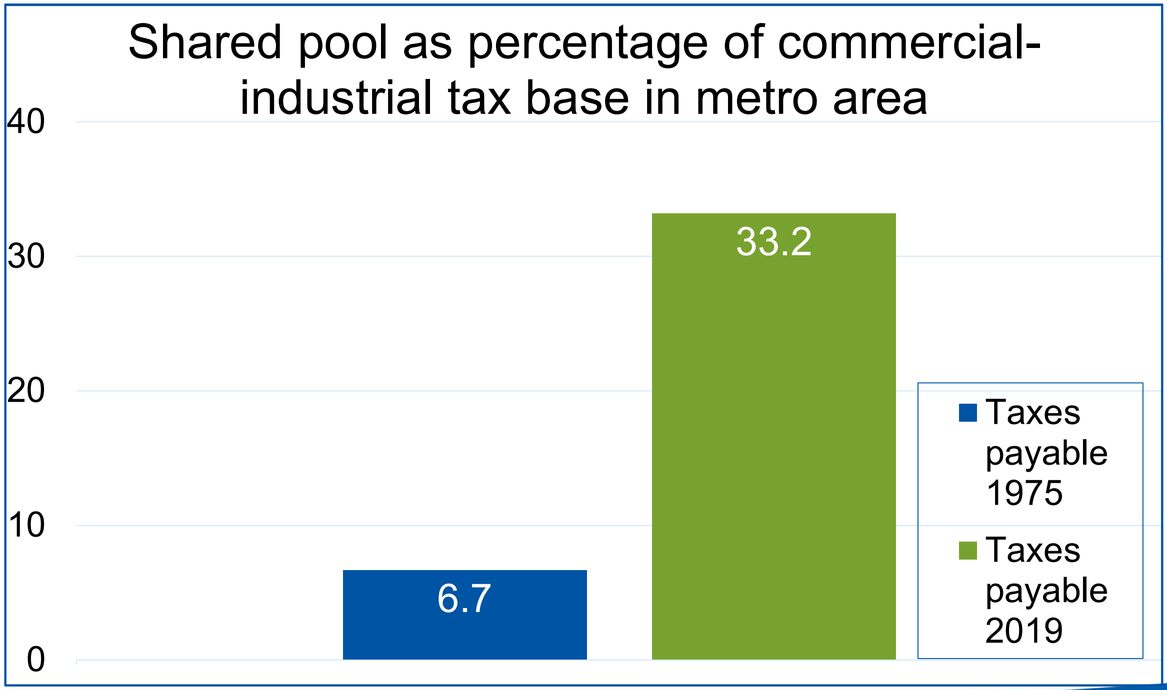
Shared pool of tax base



Net recipients and net contributors

Net recipients of tax base	•105 net recipients for taxes payable in 2019
Net contributors of tax base	•74 net contributors for taxes payable in 2019

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Fiscal Disparities Program in the Twin Cities Metro Area
Top 20 Net Recipients and
Top 20 Net Contributors
Taxes Payable 2019

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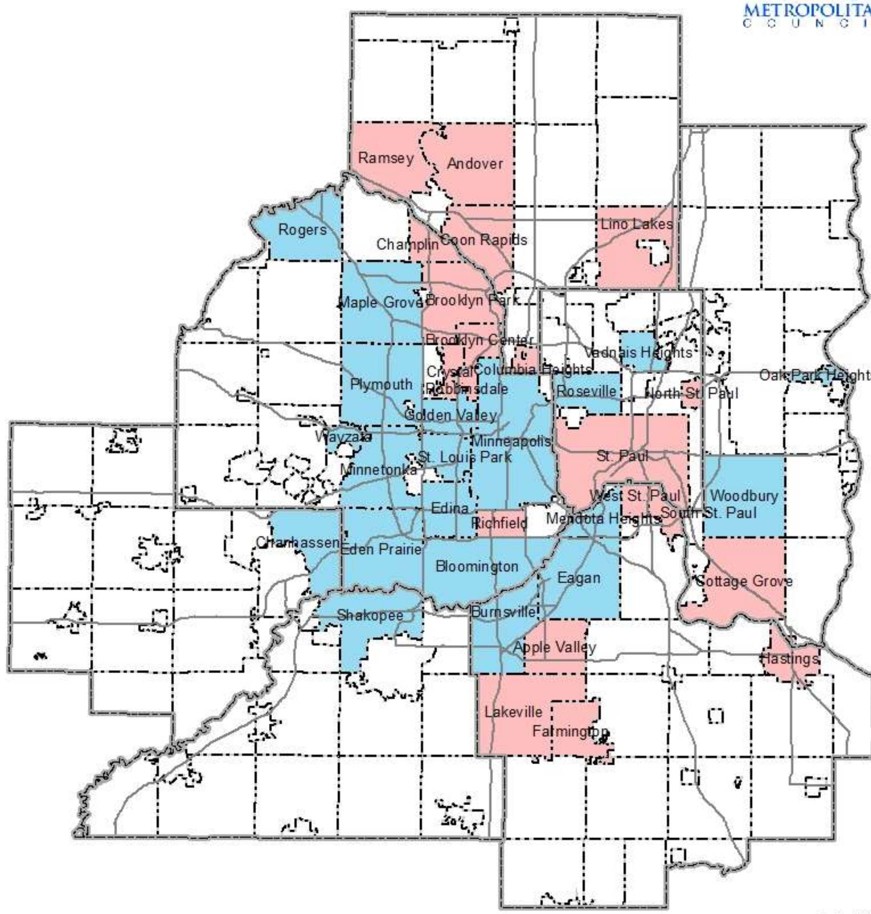
Net Recipients

Andover
Apple Valley
Brooklyn Center
Brooklyn Park
Champlin
Columbia Heights
Coon Rapids
Cottage Grove
Crystal
Farmington
Hastings
Lakeville
Lino Lakes
North St. Paul
Ramsey
Richfield
Robbinsdale
South St. Paul
St. Paul
West St. Paul

Net Contributors

Bloomington
Burnsville
Chanhassen
Eagan
Eden Prairie
Edina
Golden Valley
Maple Grove
Mendota Heights
Minneapolis
Minnetonka
Oak Park Heights
Plymouth
Rogers
Roseville
Shakopee
St. Louis Park
Vadnais Heights
Wayzata
Woodbury



Major Highways
Net Contributor
Net Recipient

July 2019

Program reduces disparities

- Measure by ratio of highest to lowest commercial-industrial tax base per person for communities with population over 10,000

11 to 1
without tax-base
sharing

4 to 1
with tax-base
sharing

Participation

Several communities excluded or ineligible:

- Excluded by statute
  - New Prague, Northfield, MSP airport and St. Paul airport
- Ineligible to participate as determined each year by the Council and the Minnesota Department of Revenue
  - Exclude community if its "zoning and planning policies conscientiously exclude most commercial-industrial development, for reasons other than preserving an agriculture use."
  - Sunfish Lake, Birchwood, St. Mary's Point and Woodland excluded

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Changes to tax-base sharing

- Many legislative proposals
- Few changes to metro area program
  - Eligibility determination
  - Livable Communities Act (LCA) funding
  - Extra distribution to Bloomington for 10 years
  - Exclusion of Mall of America Tax Increment Financing (TIF) districts

More information

Fiscal Disparities: Tax-Base Sharing in the Metro Area

FISCAL DISPARITIES

Tax-Base Sharing in the Metro Area

The Twin Cities attracts national and international interest because of an innovative tax-base sharing program, known as the Fiscal Disparities Program. The size of the seven-county area it covers and the amount of commercial-industrial tax base shared make the program unique.

With the support of the Metropolitan Council, the Minnesota Legislature created the metro area program in 1971. Tax-base sharing supports the Council's goals of:

- Promoting orderly and efficient growth.

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Discussion

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