

Fiscal Disparities Program

# Tax-Base Sharing in the Metropolitan Area for Taxes Payable in 2021

April 5, 2021

Community Development Committee





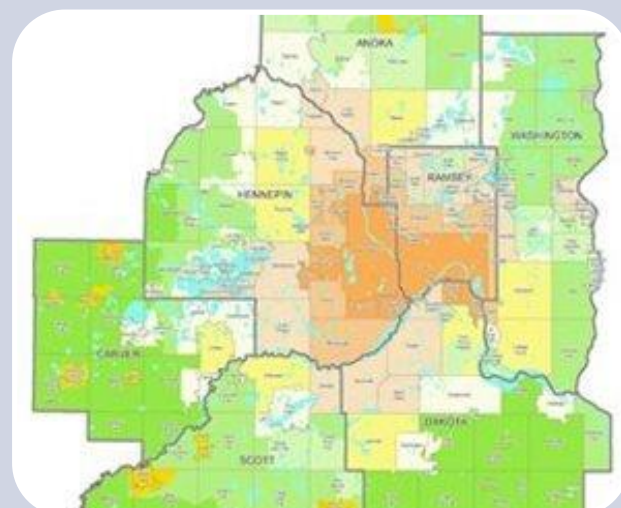
# Fiscal disparities in metro area

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





# Statutory goals of tax-base sharing



Make orderly development more likely

Share resources from growth

Work for growth of whole metro area

Encourage environmental protection

Help communities in different stages of growth

Work within existing system



# How tax-base sharing works

## Contribution

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



Shared pool of tax base for metro area



## Distribution

Based on population and relative property tax wealth

# Participation in program

- 179 communities participate
- New Prague, Northfield, MSP airport and St. Paul airport excluded by statute
- Council's statutory role in determining eligibility since 1991
  - 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 Village, St. Mary's Point and Woodland ineligible

# Metro area's results for taxes payable in 2021

## Tax base

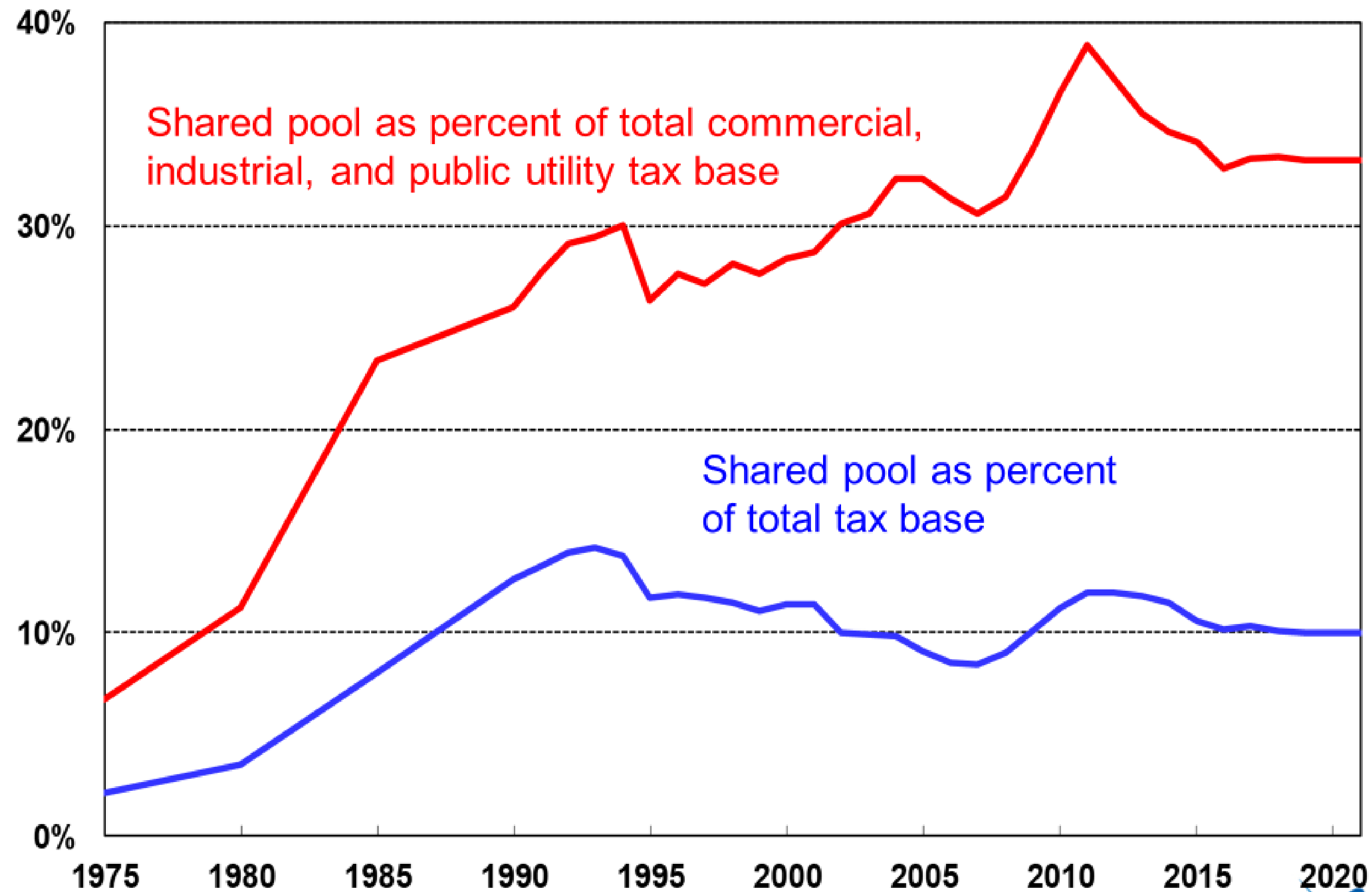
- \$500 million in tax base shared for taxes payable in 2021

## Tax revenue

- Over \$697 million (distribution levy) shared for taxes payable in 2021



## Tax-base Sharing in Twin Cities Metro Area Shared Tax Base for Taxes Payable 1975-2021



Sources: House Research and MN Dept. of Revenue.

Lines show shared pool as percentage shares of commercial, industrial, and public utility tax base and total tax base in the metro area every five years from 1975 to 1990 and each year after 1990.

# Net recipients and net contributors

Net recipients of tax base

- 110 net recipients for taxes payable in 2021

Net contributors of tax base

- 69 net contributors for taxes payable in 2021



# Fiscal Disparities Program in the Twin Cities Metro Area

## Top 20 Net Recipients and Top 20 Net Contributors Taxes Payable 2021



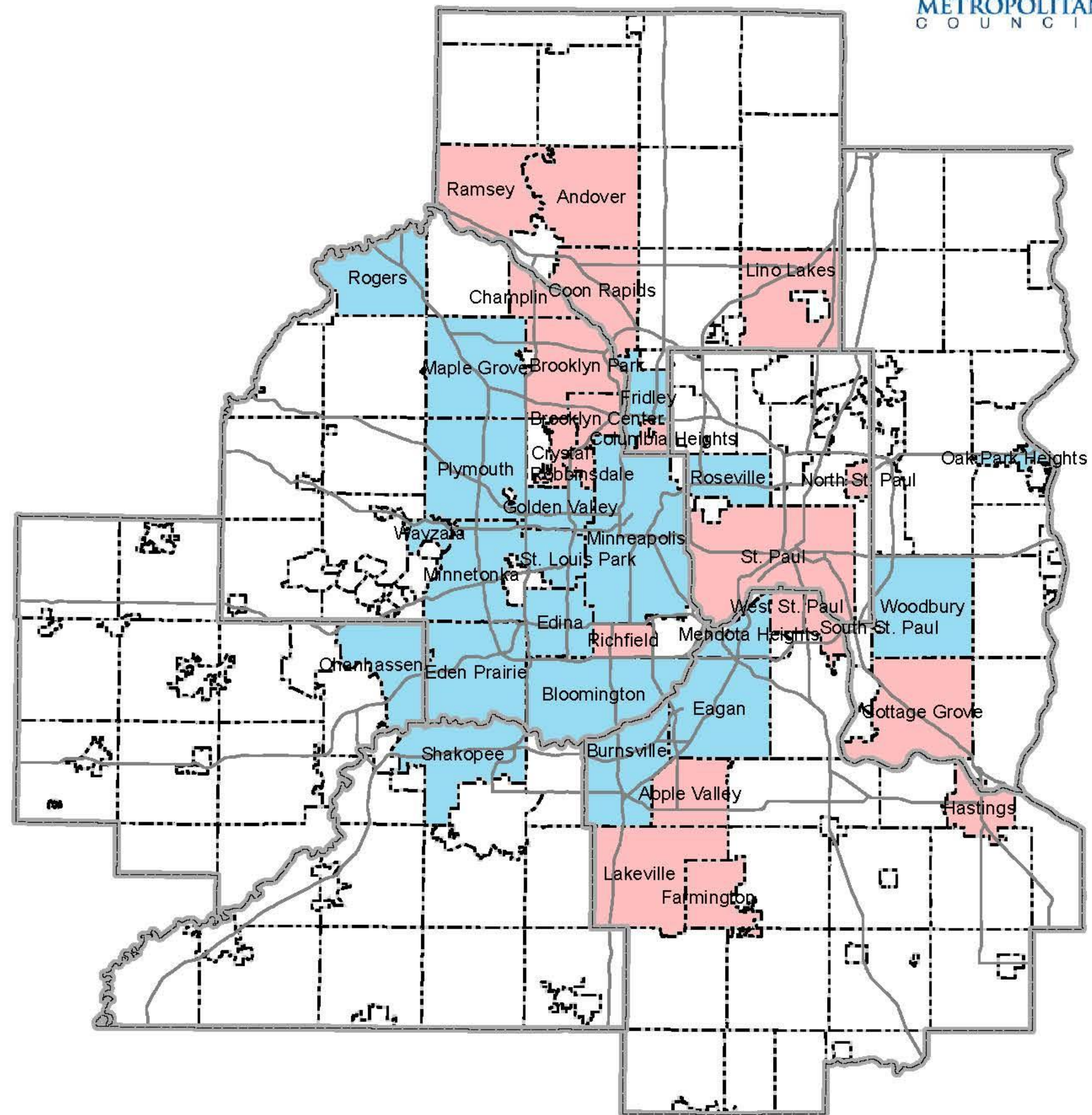
### Net Recipients

- 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
- Fridley
- Golden Valley
- Maple Grove
- Mendota Heights
- Minneapolis
- Minnetonka
- Oak Park Heights
- Plymouth
- Rogers
- Roseville
- Shakopee
- St. Louis Park
- Wayzata
- Woodbury

- Major Highways
- Net Contributor
- Net Recipient





# Program reduces disparities in property tax wealth

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

14 to 1  
without tax-base  
sharing

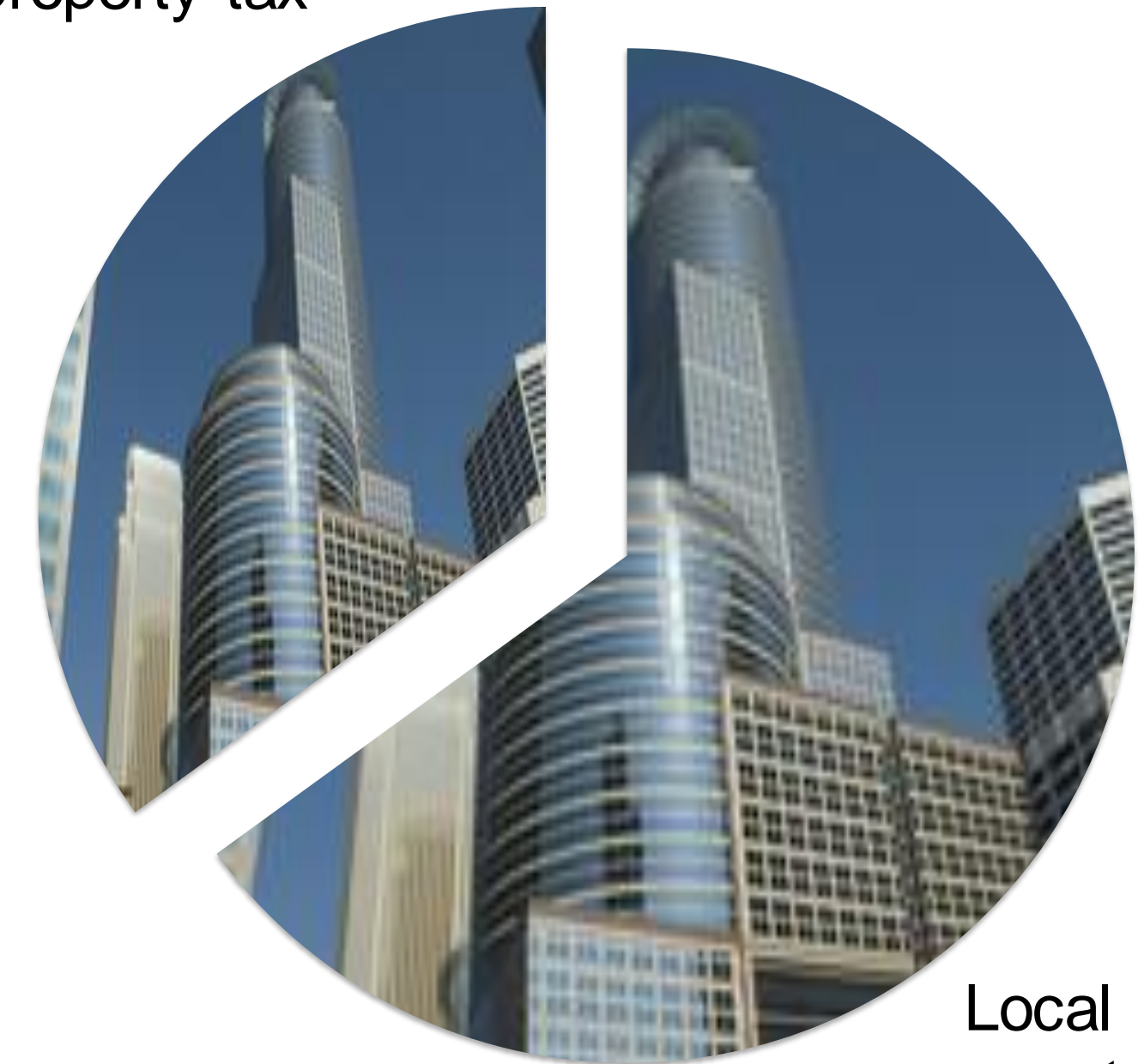
6 to 1  
with tax-base  
sharing



# 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

Areawide  
property tax



Local  
property  
tax

# Property tax impact without fiscal disparities

For six net recipients with biggest tax rate impact (pop. over 10,000)

## Residential Homestead

- Tax rate increases 11 to 22%

## Commercial-industrial

- Tax rate increases 0.3 to 15.3%

For six net contributors with biggest tax rate impact (pop. over 10,000)

## Residential Homestead

- Tax rate decreases 2.3 to 4.4%

## Commercial-Industrial

- Tax rate decreases 5.6 to 11.0%

Source: *Minnesota's Fiscal Disparities Programs*, House Research, February 2020, for taxes payable in 2018



# More information

## Fiscal Disparities: Tax-Base Sharing in the Metro Area

### FISCAL DISPARITIES

#### Tax-base sharing in the metro area

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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 metro 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:

- Improving equity
- Supporting cost-effective regional wastewater treatment and transportation services



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