

Fiscal Disparities

Fiscal Disparities in the **Twin Cities**



About the Twin Cities

- 2.8 million population
- 2 central cities
- 7 counties, 143 cities, 43 townships & 48 school districts
- Nearly 3,000 square miles



What is Fiscal Disparities?

- Taxing jurisdictions in seven-county metro area share part of growth in commercial-industrial (CI) tax base
- Geographic scope & amount of tax-base sharing unique
- Little changed since inception



History

- Proposed in 1969
- Authorized in 1971
- Implemented in 1975
(delayed by legal challenges)



Context

- **Metro Council established in 1967:**
Tax-base sharing complements metro governance
- **Minnesota Miracle in 1971:**
Major restructuring of state fiscal policy



Objective:

Redistribute fiscal resources

- Provide way for communities to share in region's growth
- Reduce competition for tax base
- Work within existing system of local governments & local decision making



Objective:

Promote better planning

- Encourage regional cooperation
- Make resources available for early development & redevelopment
- Encourage environmental protection



How fiscal disparities works: Contribution

- 40% of CI growth since 1971 goes into area-wide pool (area-wide tax base)
 - Growth in taxable value of commercial-industrial, public utility & other property
 - Tax base for most CI property = 2% of market value



How fiscal disparities works: Distribution

- Redistribute area-wide tax base based on population & market value of all property in community compared to metro average
 - Community with relatively low market value per capita (fiscal capacity) receives larger share of area-wide tax base

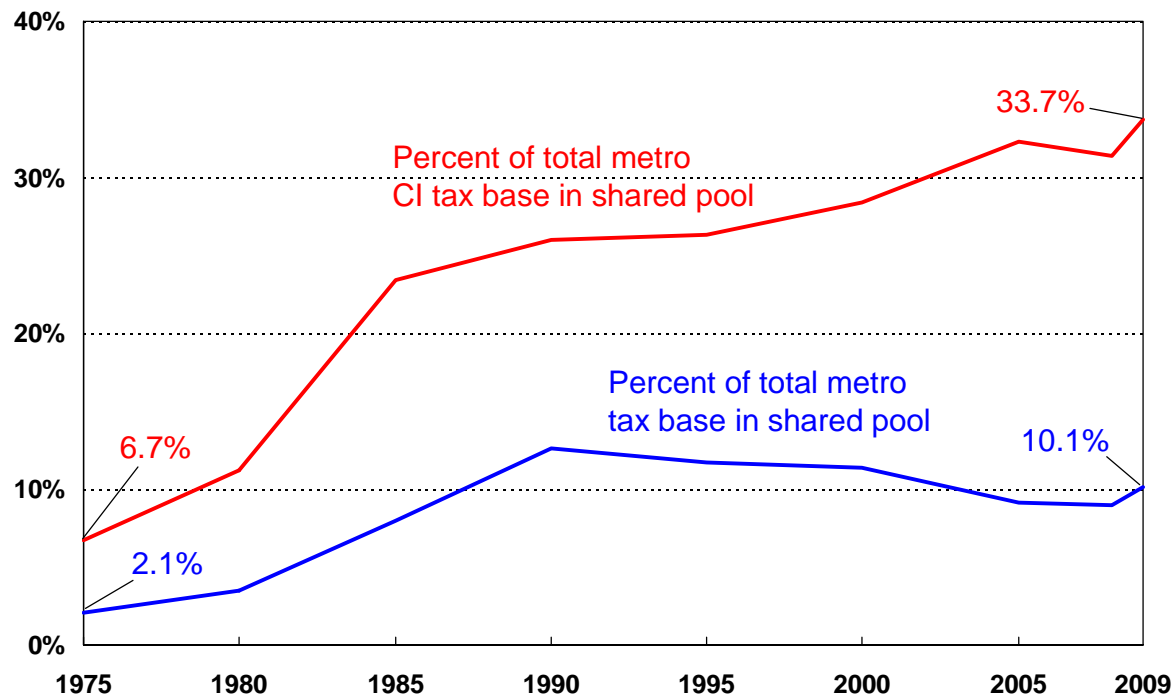


Results

- More net gainers (126) than losers (54)
- Shared 34% of CI tax base, up from 7% in 1975; shared 10% of total tax base, up from 2% in 1975
- Total shared tax base of \$396 million; \$459 million in tax revenue

Shared tax base

Fiscal Disparities Shared Tax Base
Taxes Payable 1975-2009



Source: House Research and MN Dept. of Revenue.

The chart shows changes in shared tax base. Lines represent percentage shares of metro area CI tax base and total tax base from 1975 to 2009.



Reduces disparities

For cities with population above 10,000:
Ratio of highest to lowest CI tax base
with & without fiscal disparities

• Per capita without sharing	10 to 1
• Per capita with sharing	4 to 1



Impact on individual parcels

- Commercial-industrial property taxed at two rates: local & area-wide
- Area-wide tax rate reduces differences across jurisdictions
- Separate state property tax enacted in 2001



More information

- Met Council

<http://www.metrocouncil.org/metroarea/FiscalDisparities/index.htm>

- House Research

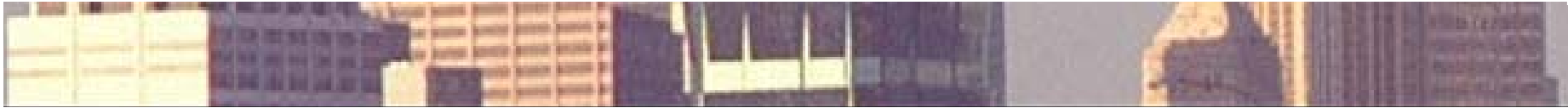
January 2005 report

<http://www.house.leg.state.mn.us/hrd/pubs/fiscaldis.pdf>



More information

- Citizens League
Minnesota Journal, June 2008 article & tables
<http://www.citizensleague.org/what/projects/tax/fd/2008/>
- Minnesota Statutes 473F
<http://www.revisor.leg.state.mn.us/statutes/?id=473F>



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