

**PROPERTY TAX  
Exempting the city of Virginia  
from the net debt limit**

February 1, 2023

Department of Revenue  
Analysis of H.F. 514 (Lislegard) / S.F. 801 (Hauschild) as introduced

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>		<b>X</b>

**Fund Impact**

	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>
	<i>(000's)</i>			
General Fund	\$0	\$0	\$0	\$0

Effective beginning the day following final enactment.

**EXPLANATION OF THE BILL**

Under current law, municipalities, with some exceptions, are limited to a net debt of three percent of the estimated market value of taxable property in the municipality.

The proposal would allow the city of Virginia to finance the construction of a public safety building by obtaining a loan from the United States Department of Agriculture secured by its general obligation pledge. Any bonds related to this construction project or repayment of the loan would not be included in the computation of the city's limit on net debt.

**REVENUE ANALYSIS DETAIL**

- The expanded bonding authority for the city of Virginia is assumed to have no state cost impact. The city has the option to levy for the cost of the project in the overall city levy under current law.

**PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)**

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral
<i>Efficiency &amp; Compliance</i>	Neutral
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral
<i>Stability &amp; Predictability</i>	Neutral
<i>Competitiveness for Businesses</i>	Neutral
<i>Responsiveness to Economic Conditions</i>	Neutral

*The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.*

Source: Minnesota Department of Revenue  
Property Tax Division – Research Unit  
<https://www.revenue.state.mn.us/revenue-analyses>