SCHOOL BONDS

AG2SCHOOL TAX EQUITY FOR SCHOOL BONDS

(HF 2122/SF 1995 Kiel/Dahle)

HOW IT WORKS

School debt service tax rates are set by the voters of individual school districts when voters approve school building bonds and the degree to which Minnesota equalizes tax payer effort for those bonds through debt service equalization. Ag2School calls for the state to smooth out and reduce the impacts of school debt service taxes for school building bonds on agricultural production land in a manner similar to an insurance pool for crop insurance.

Agricultural production land would be assessed a state tax rate to produce a pool of revenue (about $5 million each year). That would be coupled with $30 million each year from the state's general fund to produce a 40 percent credit beginning in 2017 back to farmland that is taxed by local school districts for facility bond. To maintain program integrity over time MREA suggests making an 85% state and 15%Ag Tax split a permanent feature of the bond credit program payments.

WHY AG2SCHOOL VS. A DIRECT STATE CREDIT?

"During 2015 legislative discussions on school bond credits for farmers, metro area legislators questioned the need for a permanent credit or a credit that is financed entirely by the state general fund. Some prefer a 'wait and see' approach, hoping commodity prices will rise enough so a credit program isn't needed in the future. To secure broader political support for a permanent credit program, it is encouraged that the farm community also puts some 'skin in the game' and helps with the cost of a new school bond credit program."

Sam Walseth
Director of Legislative Action
MREA

WHAT'S THE IMPACT

The tax impact on an acre valued at $10,000 is 2.3 cents. An acre valued at $5,000 would be 1.2 cents. This delivers major reductions in taxes for the farmers with school building debt taxes beginning in 2017. From the schools' perspective, this proposal doesn't ask homeowners and business to pay more in the future than what current law would otherwise require.

Currently, 282 school districts have building debt. The net impact of a 40 percent credit and the statewide ag land tax would reduce the school debt service property taxes paid by agricultural land in 278 school districts and 53 would see an increase. The median net impact is a decrease of $180 per $1 million of ag value.

KEY CONSIDERATIONS

- How does Minnesota provide equitable student access to facilities and technology across all of Minnesota while balancing local control, tax effort, and cost effectiveness?
- How does Minnesota rebalance the responsibility for school facilities and technology in education given the dramatic increases in agriculture land value and strong seasonal rec values?

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