

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/07/2021**

Bill/Resolution No.: SB 2139

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>						
<b>Appropriations</b>						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2139 expands the renaissance zone tax incentive program to allow the creation of neighborhood zones.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

SB 2139 expands the renaissance zone tax incentive program to authorize a city to create a neighborhood zone, in which single-family home projects qualify for the income and property tax incentives currently allowed for renaissance zone projects. The bill sets out certain criteria that is unique to a neighborhood zone, but generally includes many of the same provisions that apply to renaissance zones.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Since its creation in 1999, there has been significant investment activity under the renaissance zone program, for which property owners and businesses have received state income tax deductions and credits and local property tax exemptions. This bill will make the same income and property tax incentives available to qualifying zone projects within neighborhood zones established by cities. The bill allows a city to have both a renaissance zone and a neighborhood zone.

The property tax exemptions available under the program, approved by local governing bodies, result in a shifting of property tax burdens to other property owners. Cities' ability to create neighborhood zones in addition to renaissance zones allows for additional properties to be exempted from property tax and an increase in the shifting of property tax burdens. The amount of that shift is unknown and is dependent upon the activity under the program.

Given the success of renaissance zones to date, there is a reasonable expectation of continued investment in renaissance zones. This bill expands the opportunity for additional investment through cities' establishment of neighbor zones in addition to existing renaissance zones, making the state income tax benefits available to more taxpayers with eligible properties in the neighborhood zones.

If enacted SB 2139 is expected to reduce state general fund revenues in the 2021-23 biennium. The amount of that reduction is uncertain because it is dependent on the cities' actions to establish neighborhood zones and the level and type of new investment activity within those zones, all of which are unknown.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701-328-3402

**Date Prepared:** 02/03/2021