

Tax Abatement Summary

What is an economic tax abatement?

Minnesota law allows a taxing authority (cities, counties, school districts, and towns) to abate property taxes to promote local economic growth. See MN Statute [499.1812](#) and [469.1815](#)

An economic development abatement allows a taxing authority to expend money to benefit a property in one of several ways, including by reducing property taxes. A political subdivision will often grant an abatement pursuant to an abatement agreement with the landowner; in exchange for the abatement, the landowner agrees to develop the land to promote local economic development and provide a future taxable property valuation.

What is the purpose of economic tax abatement?

The purpose of the Austin Public Schools Tax Abatement for new construction of single and multi-family homes is to provide incentives to encourage the construction of new owner-occupied and rental residential housing units and to encourage the replacement of dilapidated housing structures within Mower County. See Policy [724](#).

Does the District get less tax money when an abatement is approved?

No. The District receives the same tax revenue regardless of whether the abatement is approved or denied.

How does the Austin Public School tax abatement program impact other property owners?

The abatement amount is levied on other property taxpayers so that the school district does not have a change in revenue. During the abatement period, the tax burden on the other property owners is the same as a scenario where no new valuation or improvement was made to the parcels qualifying for the abatement. Once the abatement expires, homeowners and businesses benefit through reductions in future property taxes due to an increased tax base from the improvements incentivized through the abatement.

How is an abatement implemented?

An abatement may take several forms:

1. The political subdivision may pay the parcel owner the amount of the abatement;
2. the political subdivision may defer payment of property taxes on the parcel and forgive interest and penalties for late payment;
3. or the political subdivision may use the money directly to improve public infrastructure.

No matter how the political subdivision implements the abatement, the abatement amount is added to the subdivision's property tax levy, which is collected through taxation on all properties in the subdivision, including the parcel receiving the abatement.

What are the limits on an abatement?

Usually, an abatement can last no more than 15 years. Austin Public Schools follows School Board [Policy 724](#) Tax Abatement, which warrants a 5-year term consistent with County and City policies.

The annual value of all economic development abatements granted by a political subdivision may not exceed the GREATER of (1) \$200,000 or (2) 10 percent of the net tax capacity of the political subdivision.

How widely has abatement been used?

The following amounts of abatement levies were reported for property taxes payable in 2022, as reported to the Departments of Revenue (cities and counties) and Education (schools).

Political Subdivision	Number	Amount
Cities	70	\$13,052,859
Counties	40	\$2,517,907
School districts	11	\$347,000
Total	121	\$15,917,766

Source: <https://www.house.mn.gov/hrd/pubs/ss/ssptabt.pdf>