MINNESOTA · REVENUE

March 10, 2011

PROPERTY TAX
Reductions to PERA Aid and PILT

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 1007 (Runbeck) as introduced

	Fund Impact			
	FY2012	**FY2013**	**FY2014**	**FY2015**
	(000's)			
PILT 15% Reduction	$3,800	$4,100	$4,400	$4,700
PERA Aid 50% Reduction	$7,200	$7,200	$7,200	$7,200
PTR Interactions from Levy Changes	$0	($470)	($240)	($250)
Income Tax Interactions from Levy Changes	$0	($470)	($250)	($260)
General Fund Total	$11,000	$10,360	$11,110	$11,390

Effective for aids payable in fiscal year 2012 and thereafter.

EXPLANATION OF THE BILL

The bill would reduce payments in lieu of taxes (PILT) by 15% and public employee retirement association (PERA) aid by 50%. The bill would also eliminate the inflation adjustment for PILT payment rates.

REVENUE ANALYSIS DETAIL

- The reductions would be effective beginning for payments made in FY 2012.
- It is assumed that jurisdictions receiving a reduction in PILT or PERA aid would increase property tax levies for a portion of the reduction. This would increase property taxes on all property classes including homesteads.
- The increased property tax burden would increased state-paid homeowner property tax refunds and income tax deductions beginning in FY 2013.

Source: Minnesota Department of Revenue
Property Tax Division - Research Unit
http://www.taxes.state.mn.us/legal_policy

hf1007_pt_1/nrg

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

Transparency, Understandability, Simplicity & Accountability	Decrease	Additional reductions outside of current formula calculations.
Efficiency & Compliance	Neutral	
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Neutral	Short term instability with mid-year reduction.
Competitiveness for Businesses	Neutral	
Responsiveness to Economic Conditions	Neutral	

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