MINNESOTA · REVENUE

PROPERTY TAX
Disparity Reduction Aid Payments Reduced

March 10, 2011

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 1045 (Runbeck) as introduced

	Fund Impact			
	FY2012	**FY2013**	**FY2014**	**FY2015**
	(000's)			
Disparity Reduction Aid	$0	$8,605	$9,004	$9,004
Property Tax Refunds and Income Interactions	$0	($760)	($760)	($760)
General Fund Total	$0	$7,845	$8,244	$8,244

Effective for taxes payable in 2012 and thereafter.

EXPLANATION OF THE BILL

The bill fixes the total for Disparity Reduction Aid (DRA) to 50% of the certified taxes payable 2011 amount. Calculation and adjustment language is stricken.

REVENUE ANALYSIS DETAIL

The cut to DRA would be a savings to the state general fund of $8.605 million in FY 2013, and $ 9.004 million each fiscal year thereafter.

Property taxes paid by homesteads would increase with less aid. Property tax refunds and income tax interactions would increase general fund payments by $760,000 in each fiscal year.

There may be additional school equalized levy impacts.

Number of Taxpayers: Property owners in jurisdictions receiving DRA would be directly affected.

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

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

Transparency, Understandability, Simplicity & Accountability	Increase	Simpler computation of DRA
Efficiency & Compliance	Neutral	
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Neutral	
Competitiveness for Businesses	Decrease	Raises business property taxes in jurisdictions with DRA.
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.