

**PROPERTY TAX
Adjustment to Local Government Aid**

February 21, 2001

Department of Revenue
Analysis of H.F. 363 (McGuire)

As proposed to be amended (A01-0096)

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

	Revenue Gain or (Loss)			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective for aids payable in 2002 and thereafter.

EXPLANATION OF THE BILL

Current Law: There is no corresponding provision under current law.

Proposed Law: The proposal would increase local government aid (LGA) to a qualifying city. To qualify, a city must be in the seven-county metropolitan area, have a population of at least 5,000, a taxable market value to exempt market value ratio over 0.7, and a per capita exempt market value exceeding \$50,000. The amount of increase is equal to the amount of the previous year's net tax capacity of newly exempt property, multiplied by the city's tax rate in the same year.

REVENUE ANALYSIS DETAIL

- At present, only Falcon Heights qualifies.
- This proposal does not specifically increase the appropriation. Therefore, the LGA increase specified will come at the expense of the LGA distributions to other non-qualifying cities. However, since under current law the LGA appropriation increases at least 2.5% each year, the impact on the remaining non-qualifying cities would be a slight decrease in the inflationary increase in their LGA for 2002 and subsequent years.

Number of Taxpayers Affected: all property taxpayers in cities receiving LGA.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>