Property Tax
Increased City Aid Base

February 21, 2001

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

Department of Revenue
Analysis of H.F. 616 (Marko)/ S.F. 576 (Price)

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
		(000's)		
General Fund		$0	$0	$0

Effective beginning with aids payable in 2002.

EXPLANATION OF THE BILL

Current Law: M.S. 477A.011, subdivision 36, defines "city aid base" for purposes of computing local government aid. Under M.S. 477A.013, subdivision 8, a city formula aid is established, and under subdivision 9, the amount of local government aid distributed to cities is determined to be the sum of the city aid base and the city formula aid, subject to certain maximums. M.S. 477A.03 sets the appropriation for local government aid.

Proposed Law: The proposal increases the city aid base for a city by $225,000 in calendar years 2002 to 2011, and specifies that the maximum amount of total aid that such a city may receive under 477A.013, subdivision 9, shall be increased by $225,000 in calendar year 2002 only, provided that certain criteria are met. To receive this increase in aid, a city must: 1) have a 1999 population of at least 3,000 but no more than 4,000; 2) be located within the seven-county metropolitan area; 3) have a pre-1940 housing percentage of less than 15 percent; and 4) have a city net tax capacity for taxes payable in 2000 of less than $900 per capita.

REVENUE ANALYSIS DETAIL

- Newport appears to be the only qualifying city for the increased city aid base.
- Because the total amount of city formula aid is adjusted to equal the difference between the appropriation amount and the city aid base, the increase in the aid base for this city yields an equivalent decrease in total formula aid, and has no impact on the general fund.

REVENUE ANALYSIS DETAIL (Continued)

Number of Taxpayers Affected: Newport taxpayers would benefit from additional LGA, while all taxpayers in other cities receiving LGA would be affected by slight offsets to their aid.

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

hf0616(sf0576)-1 / JN