

MINNESOTA • REVENUE

Property Tax Increased City Aid Base

February 11, 2002

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

Department of Revenue
Analysis of H.F. 2720 (Dempsey)/S.F.2701(Murphy)

	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 beginning with aids payable in 2003.

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 \$523,000 in calendar year 2003 and thereafter, and also increases the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), by \$523,000 in calendar year 2003 only, provided that certain criteria are met. To receive this increase in aid, a city must:

1. have a 2000 census population greater than 10,000;
2. have a city revenue need for aids payable in 2002 more than \$350 per capita;
3. have at least 24 percent of its taxable market value for taxes payable in 2002 consist of electric generation machinery.

REVENUE ANALYSIS DETAIL

- Red Wing appears to be the only qualifying city for the increased city aids 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.

Number of Taxpayers Affected: Redwing 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>