

MINNESOTA • REVENUE

Property Tax Increased City Aid Base

February 25, 2002

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

Department of Revenue

Analysis of H.F. 3426(Nornes)/S.F.3237(Larson) As proposed to be amended

	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 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 the same amount. The amount of the increase is \$90,000 provided that the city meets the following criteria:

1. its 2000 population is between 100 and 1,000;
2. its city aid base used in calculating aid payable in 2002 was less than \$110 per capita;
3. its commercial industrial percentage in 2001 was less than ten percent;
4. its city revenue in 2001 was more than \$350 per capita.

REVENUE ANALYSIS DETAIL

- Revenue analysis is based on the assumption that the following provision will be added to the bill: the city must not be located in a county within the seven county metropolitan area or in a county which is contiguous with the seven county metropolitan area.

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- The only city that appears to qualify for the base aid increase is Parkers Prairie.
- 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: All taxpayers in Parkers Prairie would benefit from the 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>