

MINNESOTA • REVENUE

Property Tax Increase in City Aid Base

February 26, 2002

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

Department of Revenue
Analysis of S.F. 2885 (Fowler)

	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	(\$13,000)	(\$13,000)

*Total cost could be higher. See Revenue Analysis Detail.

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 (r) 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 equal to the difference between the sum of the HACA and LGA aids received in calendar year 2001 and the LGA aid the city received in calendar year 2002. The city must be located outside the metropolitan area as defined in section 473.121, subdivision 2.

The proposal (s) 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 increase in aid is equal to \$15 multiplied by the population of the city. To receive this aid increase a city must meet the following criteria:

1. be located outside of the metropolitan area as defined by section 473.121, subdivision 2;
2. be a county seat;
3. have a population less than 10,000.

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The proposal also increases the aid payments to cities by \$13,000,000 effective calendar year 2003, and thereafter.

REVENUE ANALYSIS DETAIL

- Proposal (r) increases the amount to all non-metro cities by the sum of \$23,582,511.
- Proposal (s) increases the amount of city aid to 67 cities by the sum of \$3,048,885.
- Proposal (s) and (r) combined, increase the amount of city aid by \$26,631,396. If the intent is to add the appropriation of \$13 million to the total cost of the adjustments in paragraphs (r) and (s), the total cost would be \$39,631,396.

Number of Taxpayers Affected: All non-metro taxpayers would benefit from the additional LGA under proposal (r). Taxpayers located in a county where there is a county seat would benefit from the additional LGA under proposal (s).

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>