PROPERTY TAX
Dedicate Forecast Surpluses

March 9, 2004

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

Department of Revenue
Analysis of H.F. 1970 (Knoblach) 1st Engrossment

	Revenue Gain or (Loss)			
	F.Y. 2004	F.Y. 2005	F.Y. 2006	F.Y. 2007
		(000's)		
General Fund	$0	$0	$0	$0

Effective the day following enactment.

EXPLANATION OF THE BILL

Current Law: Forecasts of positive unrestricted budgetary general fund balances are allocated first to the cash flow account to a total of $350 million and secondly to the budget reserve account until the total reaches $653 million.

Proposed Law: The proposal establishes two more priorities to follow the first two allocations. Any additional positive unrestricted budgetary general fund balances expected in the forecast period beyond the current priorities are to be allocated first to eliminate the property tax revenue recognition shift and secondly to increase the school district aid recognition shift payment from 80% to 90%. These priorities take precedence over any automatic rebates in M.S. 16A.1522. The Commissioner of Finance would certify the amounts to the Commissioner of Education, who would increase the aid payments appropriately.

REVENUE ANALYSIS DETAIL

- No change is shown above in the general fund, since a budget surplus is not currently forecast.
- The fiscal year 2004 savings from the property tax recognition shift was $230 million.
- The estimated one-time cost of eliminating the school aid recognition shift from 80% to 90% is $620 million.

Number of Taxpayers: none.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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