

MINNESOTA • REVENUE

Property Tax Local Government Aid City Net Tax Capacity Modified

February 26, 2003

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

Department of Revenue
Analysis of H.F. 593 (Lenczewski)

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

Effective beginning with aids payable in 2004.

EXPLANATION OF THE BILL

Current Law: M.S. 477A.011 subdivision 20, defines “city net tax capacity” for purposes of computing local government aid. The captured value of tax increment financing districts is subtracted when computing the net tax capacity for a city. 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 modifies the formula for “city net tax capacity” by eliminating the deduction for the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2.

REVENUE ANALYSIS DETAIL

- Because the total local government aid consists of two parts: the city aid base and the city formula aid, the change in the city net tax capacity would result in a redistribution of aid among cities. However, the total aid would be limited by the appropriation and the proposal therefore has no impact on the general fund.

Number of Taxpayers Affected: Taxpayers in all cities could be impacted by this bill. The LGA will be decreased in cities that have tax increment financing districts.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>

HF593(SFxxx)-1.doc/JO