

**PROPERTY TAX  
LGA City Aid Distribution**

April 14, 2003

Department of Revenue  
Analysis of S.F. 659 (Dibble)

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

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

Effective for aids payable in 2004 and thereafter.

**EXPLANATION OF THE BILL**

**Current Law:** The local government aid distribution for each city is equal to the sum of 1) the city formula aid, and 2) its city aid base.

For a first class city, the percentage increases in city aid for all years except 2002 shall not exceed the percentage increase in total aid to all cities from the previous year. For 2002, the amount of aid paid to a first class city shall not exceed the sum of its aid amount for calendar year 2001 and its 2001 homestead and agricultural credit aid payment by more than 2.5%.

For any other city, increases in all years except 2002 shall not exceed the sum of 1) 10% of the city's net levy for the previous year, plus 2) its total aid in the previous year. For 2002, the total aid for any city other than a first class city shall not exceed the sum of 1) 40% of the city's net levy for taxes payable in the previous year, plus 2) 40% of its total homestead and agricultural credit aid payment for the previous year, plus 3) its total city aid in the previous year.

**Proposed Law:** The proposal eliminates all limits on the increases in city aid for first class cities and all other cities.

**REVENUE ANALYSIS DETAIL**

- There is no state cost related to the elimination of increase limits on city aid distribution. The proposed elimination would benefit those cities with aid increases restricted by current law.

**Number of Taxpayers Affected:** 853 cities eligible to receive local government aid.

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