

**PROPERTY TAX
Credit and Aid changes**

April 15, 2003

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

Department of Revenue
Analysis of S.F. 1421 (Langseth)

PRELIMINARY ANALYSIS

	Revenue Gain or (Loss)			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
	(000's)			
Market Value Homestead Credit	\$77,300	\$85,800	\$84,000	\$83,000
Local Govt. Aid	\$20,200	\$10,500	\$0	\$0
Transit Aid	\$0	\$107,000	\$107,000	\$107,000
Property Tax Refund	<u>\$0</u>	<u>(\$9,400)</u>	<u>(\$9,400)</u>	<u>(\$9,400)</u>
General Fund Total	\$97,500	\$193,900	\$181,600	\$180,600

Effective dates vary from day following enactment to taxes payable in 2004 and thereafter.

EXPLANATION OF THE BILL

Section 1 provides money from the metropolitan area transit account is appropriated annually to the Metropolitan Council, rather than subject to legislative appropriation.

Section 2 repeals the portion of homestead market value credit that is apportioned to cities.

Section 3 authorizes the payment of available transit funds from the Metropolitan Council to local governments.

Section 4 authorizes municipalities to levy for transit expenditures.

Section 5 authorizes the Metropolitan Council to levy for operating transit and paratransit services.

Section 6 authorizes the Metropolitan Council to levy for paratransit and ride sharing programs outside the regular transit area.

Section 7 establishes levy limits for Metropolitan Council levies.

Section 8 eliminates obsolete language.

Section 9 defines city aid reduction from local government aid, existing low-income housing aid, new construction low-income housing aid, and taconite aid. The payable 2003 aid cut is 5.6% of the levy plus aid base, which is defined in this section.

Section 10 defines the state aid cuts to cities for payable 2004. The aid cut is \$10.5 million.

Section 11 allows municipalities and the Metropolitan Council to borrow money for transit purposes to replace funds altered and repealed for calendar years 2002 and 2003.

EXPLANATION OF THE BILL, continued:

Section 12 repeals M.S. 174.242 (property tax transit replacement aid) and M.S. 477A.03 (extra \$450,000 per year for Coon Rapids).

REVENUE ANALYSIS DETAIL

- Market value credit for homesteads would decrease by \$77.3 million in pay 2003, \$85.8 million in pay 2004, approximately \$84 million in pay 2005, and \$83 million in pay 2006.
- Local Government aid for cities would decrease by \$20.2 million in pay 2003 and \$10.5 million in pay 2004.
- Transit aid, first paid in pay 2002 as a result of the 2001 property tax reform, would be eliminated. The aid is \$107 million in each of the payable years 2003-2006.
- Homestead net taxes will increase due to the aid cuts. While LGA and transit aid cuts will be shared by all property types, market value credit cuts will be borne by homesteads only. Homestead net taxes will increase an additional 6.6% in payable 2004 beyond current law increases.
- Property tax refunds will increase due to the increase in net taxes that homesteads will pay. The increase in property tax refunds will be \$9.4 million in payable years 2004-6.

Number of Taxpayers Affected: All property owners.

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