

MINNESOTA • REVENUE

PROPERTY TAX City Aid Base Increase

April 1, 2005

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

Department of Revenue
Analysis of H.F. 1827 (Mullery) / S.F. 1972 (Skoglund)

Fund Impact

	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	(\$12,000)	(\$12,000)	(\$12,000)

Effective beginning with aids payable in 2006.

EXPLANATION OF THE BILL

For the purpose of calculating local government aid, the bill would increase the aid base for a city by \$12 million in CY 2006 and thereafter, provided that the city's 2003 population was 100,000 or more and the city net tax capacity tax rate for taxes payable in 2004 was at least 50%.

The maximum aid the city may receive is also increased by \$12 million in CY 2006 only. The city must use this additional aid to increase spending on police services and prosecutors in the city attorney's office above the level funded by the city in CY 2005.

The bill also increases the appropriation limit for city local government aid by \$12 million for aids paid in CY 2006 and thereafter.

REVENUE ANALYSIS DETAIL

- The first year of state costs due to appropriation increases for local government aid would be FY 2007. The general fund impact would be \$12 million per year.
- The only city eligible for the aid base increase is the city of Minneapolis.
- The increase in aid base would shift aid to the city of Minneapolis and away from other cities receiving local government aid. Increasing the city aid appropriation limit would offset the shift in aid away from other cities receiving local government aid.

Number of Taxpayers: The city of Minneapolis.

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