

MINNESOTA • REVENUE

PROPERTY TAX City Aid Base Increase

March 8, 2005

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

Department of Revenue
Analysis of S.F. 936 (Dille) / H.F. 1101 (Newman)

	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	\$0	\$0	\$0

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 \$500,000 in CY 2006 and thereafter, provided that:

- the city is located outside of the seven-county metropolitan area;
- the city's 2000 population is between 10,000 and 20,000;
- the 2004 city net levy used in calculating 2005 aid is greater than \$350 per capita; and
- the city's commercial industrial percentage for aids payable in 2005 was at least 20%.

The maximum aid the city may receive is also increased by \$500,000 in CY 2006 only.

REVENUE ANALYSIS DETAIL

- There is no state cost associated with this change in the aid base because total aid is set to a fixed appropriation level.
- The only city eligible for this aid base increase is the city of Hutchinson.
- The increase in aid base would shift aid to the city of Hutchinson and away from other cities receiving local government aid.

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

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