

MINNESOTA • REVENUE

PROPERTY TAX Payments to Local Governments in Mahnomen County

February 12, 2007

Department of Revenue
Analysis of H.F. 242 (Eken) / S.F. 269 (Skoe)

	Yes	No
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
		(000's)		
General Fund	(\$600)	(\$600)	(\$600)	(\$600)

Property tax reimbursement payments effective beginning July 20, 2007, and thereafter.
Aid base increase effective beginning with aids payable in 2008 and thereafter.

EXPLANATION OF THE BILL

Current Law: Current law appropriates \$600,000 from the general fund to provide a one-time payment for the loss of property tax revenue due to the placement of land located in the city of Mahnomen in trust status during CY 2006. The payments amounts were \$450,000 to Mahnomen County, \$80,000 to the city of Mahnomen, and \$70,000 to Independent School District No. 432, Mahnomen. The payments were made on July 20, 2006.

For the purpose of calculating local government aid, the city aid base for a city is increased by \$80,000 in calendar year 2007, provided that:

- as of May 1, 2006, at least 25% of the tax capacity of the city is proposed to be placed in trust status as tax-exempt Indian land;
- the placement of land is being challenged administratively or in court; and
- due to the challenge, the land proposed to be placed in trust is still on the tax rolls as of May 1, 2006.

The maximum aid the city may receive is also increased by \$80,000 in CY 2007 only.

The tax base certified for assessment year 2005 used to calculate Mahnomen school district school levies for taxes payable in 2007 must be reduced by the amounts of any values attributable to property that is no longer subject to property taxation because the land has been placed in trust in CY 2006.

Proposed Law: The bill makes permanent the payments to local governments in Mahnomen County by appropriating \$600,000 annually. The bill also makes permanent the city aid base increase for local government aid and the reduction in Mahnomen school district tax base.

REVENUE ANALYSIS DETAIL

- The annual appropriation would increase costs to the state general fund by \$600,000 beginning in FY 2008 and thereafter.
- The only city eligible for the local government aid base increase is the city of Mahnomen. The increase in aid base would shift aid to the city of Mahnomen and away from other cities receiving local government aid. The aid base increase does not change total local government aid.

Number of Taxpayers: Three local governments in Mahnomen County.

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