

MINNESOTA • REVENUE

PROPERTY TAX City Aid Base Increase

March 17, 2008

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3744 (Olson, G.)

	<u>Fund Impact</u>			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
General Fund	\$0	\$0	\$0	\$0

(000's)

Effective for aids payable in 2009 and thereafter.

EXPLANATION OF THE BILL

For the purpose of calculating local government aid, the bill would increase the city aid base by \$250,000 in CY 2009 and thereafter for a city, provided that:

- the city is located in the seven-county metropolitan area;
- its population in 2006 is less than 2,500;
- the percentage of its housing stock built before 1940, according to the 2000 United States Census, is greater than 25 percent;
- at least 50% of its housing is rental housing;
- the median household income in the city is 80% or less than the median household income in the seven-county metropolitan area and 50% or less than the median household income for all cities contiguous to that city; and
- at least 60% of the land and water acres in the city are classified as tax-exempt property.

The maximum aid the city may receive is also increased by \$250,000 in CY 2009 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 Excelsior in Hennepin County.
- The increase in aid base would shift aid to the city of Excelsior and away from other cities receiving local government aid.

Number of Taxpayers: 854 cities eligible to receive local government aid.

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