

MINNESOTA • REVENUE

March 26, 2012

PROPERTY TAX City Aid Base Increase

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 2735 (Franson) / S.F. 2368 (Ingebrigtsen) as introduced

Fund Impact

	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective for aids payable in 2013 and thereafter.

EXPLANATION OF THE BILL

For the purpose of calculating local government aid, the bill would increase the city aid base in CY 2013 and thereafter for a city, provided that:

- the city is located outside the seven-county metropolitan area;
- its population was less than 10,000 in 2000;
- its population was greater than 11,000 in 2010; and
- its jobs per capita is greater than 1.2.

The payment would be equal to the lesser of 1) the city's 2000 census population minus 5000, multiplied by 60, or 2) \$2.5 million.

REVENUE ANALYSIS DETAIL

- The only city eligible for this aid base increase would be the city of Alexandria in Douglas County. The annual aid base increase would equal \$229,200.
- There would be no state cost associated with this change in the aid base because total aid is set to a fixed appropriation level. The increase in aid base would shift aid to the city of Alexandria and away from other cities receiving local government aid.

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

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

Transparency, Understandability, Simplicity & Accountability Neutral Adds an additional adjustment to the city aid formula.

Efficiency & Compliance Neutral

Equity (Vertical & Horizontal) Neutral

Stability & Predictability Neutral

Competitiveness for Businesses Neutral

Responsiveness to Economic Conditions Neutral

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.

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

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