

# MINNESOTA • REVENUE

March 14, 2012

## PROPERTY TAX 2013 LGA at 2012 Levels

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue  
Analysis of S.F. 2448 (Ortman) as introduced

	Fund Impact			
	FY2012	FY2013	FY2014	FY2015
			(000's)	
Reduce Local Government Aid	\$0	\$0	\$1,200	\$0
Property Tax Refund Interactions	\$0	\$0	(\$30)	\$0
Income Tax Interactions	\$0	\$0	(\$30)	\$0
General Fund Total	\$0	\$0	\$1,140	\$0

Effective beginning for aids payable in calendar year 2013.

### EXPLANATION OF THE BILL

For aids payable in 2013, the proposal would set LGA payments at the 2012 distribution amounts. Aid distribution calculations would return to the formula for aids payable in 2014 and thereafter.

### REVENUE ANALYSIS DETAIL

- Under current law, cities were certified to receive \$425.2 million in 2012 and estimated to receive \$426.4 million in 2013 and thereafter.
- Under the proposal, the net reduction in aid would be \$1.2 million in 2013. The appropriation would be unchanged for 2014 and thereafter.
- It is assumed that the net reduction in aid to cities would increase property tax levies by a portion of the reduction. This would increase property taxes on all property classes including homesteads.
- The increased property tax burden would increase state-paid homeowner property tax refunds and income tax deductions in FY 2014, resulting in a cost to the state general fund.

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

*Transparency, Understandability, Simplicity & Accountability*      Neutral      In the short term taxpayers and local officials would know their city aid is the same as what they received last year.

---

*Efficiency & Compliance*      Neutral

---

*Equity (Vertical & Horizontal)*      Neutral

---

*Stability & Predictability*      Neutral      In the short term aid to cities remains the same as the previous year.

---

*Competitiveness for Businesses*      Neutral

---

*Responsiveness to Economic Conditions*      Neutral      Changes in city population, tax base and other factors would not be reflected through formula aid for an additional year.

*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](http://www.taxes.state.mn.us/legal_policy)

sf2448\_pt\_1/nrg