

MINNESOTA • REVENUE

April 02, 2013

PROPERTY TAX Mahnomen LGA Payments

	Yes	No
DOR Administrative Cost/Savings		x

Department of Revenue

Analysis of S.F. 0528 (Skoe) as proposed to be amended (SCS0528A-1)

	Fund Impact			
	FY2014	FY2015	FY2016	FY2017
	(000's)			
Mahnomen Property Tax Reimbursement	(\$600)	(\$600)	(\$600)	(\$600)
LGA Aid Base / Appropriation Increase	(\$68)	(\$80)	(\$80)	(\$80)
Property Tax Refund Interactions	\$0	\$10	\$10	\$10
Income Tax Interactions	\$0	\$10	\$10	\$10
General Fund Total	(\$668)	(\$660)	(\$660)	(\$660)

Effective for aids payable in calendar year 2013 and thereafter.

EXPLANATION OF THE BILL

Under current law, \$600,000 is paid annually from the state general fund as a property tax reimbursement to the city of Mahnomen (\$80,000), Mahnomen County (\$450,000), and the Mahnomen school district (\$70,000). The city of Mahnomen also receives an additional \$80,000 as a permanent aid base increase through the local government aid (LGA) formula.

The bill would double the current law amounts by increasing the total property tax reimbursement paid to local taxing districts in Mahnomen County to \$1,200,000. The bill would also increase both the LGA appropriation and the city of Mahnomen LGA aid base by \$80,000.

REVENUE ANALYSIS DETAIL

- The property tax reimbursement payment increase to local governments in Mahnomen County would increase state costs by \$600,000 beginning in CY 2013.
- The city of Mahnomen would be the only city eligible for the city aid base increase. Its annual aid base would increase from \$80,000 to \$160,000 beginning in CY 2013.
- The LGA appropriation increase would increase state general fund costs beginning in FY 2014. Due to the pay 2013 city aid freeze provisions, the increase in aid to Mahnomen would be approximately \$68,000 in the first year. All other cities receiving local government aid would see no change in their certified aid amount. For FY 2015 and thereafter the increased LGA appropriation would increase state general fund costs by \$80,000 annually.
- It is assumed that the increase in payments to the city of Mahnomen and Mahnomen County would reduce property tax levies by a portion of the increase. This would reduce property taxes on all property classes including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2015, resulting in a savings to the state general fund.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	Currently existing payments and city aid formula adjustments are increased.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	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
[www.revenue.state.mn.us/research_stats/
pages/revenue-analyses.aspx](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)

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