

Annexations Affecting LGA: Using Form AIR and how the Commissioner of Revenue makes adjustments

Cities should complete an Annexation Information Report (Form AIR)¹ to make sure annexations or changes in boundaries or forms of government are reflected in future Local Government Aid (LGA) payments.

You must send Form AIR to the Department of Revenue by **July 15** of the aid calculation year² for it to be used in your aid computations.

Is my city eligible to use this form?

You may only use Form AIR for annexations if:

net tax capacity of the annexed area > 5% of city's net tax capacity in the year before the annexation is effective

Smaller annexations will only be recognized as they are reflected in the data that is normally certified to the commissioner.

How does the Department of Revenue recognize annexations and other changes in boundaries or form of government?

If you do not complete a Form AIR, annexations or other changes in boundaries or forms of government will only be recognized to the extent that they are reported or certified to us. This includes:

- assessor reported changes in market values and net tax capacities
- certifications for changes in population, household size, and the road accidents factor.

We will not take any extra actions to ensure that the data we have received correctly recognizes your annexation or other changes.

Therefore, annexations occurring after counties supply data to the commissioner, after population estimates are made, or after road accident counts have been established may not recognize the full impact of the annexation.

Complete vs. Partial Annexations

Form AIR has two sections—one for partial annexations and one for complete annexations. You must provide reliable information on the form for each of the relevant factors for the Commissioner of Revenue to make adjustments.

For partial annexations, the commissioner may only adjust (as applicable):

- changes in net tax capacity
- population
- population decline
- the commercial industrial percentage and
- the transformed population

For complete annexations, the commissioner may adjust the factors listed above (as applicable) and:

- the pre-1940 housing percentage
- the road accidents factor, and
- household size

¹Form AIR is available at www.revenue.state.mn.us.

²Aid calculation year = the year certifications are made for aids payable the following year