

March 07, 2019

**PROPERTY TAX
LGA increase for Floodwood**

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 1599 (Sandstede) / S.F. 1765 (Tomassoni) as introduced

	Fund Impact			
	FY2020	FY2021	FY2022	FY2023
	(000's)			
LGA appropriation increase	\$0	(\$35)	(\$35)	(\$35)
Property Tax Refund Interaction	\$0	negligible	negligible	negligible
Income Tax Interaction	\$0	negligible	negligible	negligible
General Fund Total	\$0	(\$35)	(\$35)	(\$35)

Effective beginning for aids payable beginning in calendar year 2020.

EXPLANATION OF THE BILL

The bill would increase local government aid (LGA) to the city of Floodwood by \$35,000 beginning for aids payable year 2020. The annual appropriation for LGA would also be increased by \$35,000.

REVENUE ANALYSIS DETAIL

- Increasing the appropriation for LGA would increase costs to the state general fund by \$35,000 in CY 2020 and thereafter.
- The city of Floodwood would receive an annual increase in LGA equal to \$35,000. There would be no change in the distribution of LGA to all other cities.
 - It is assumed that the increase in LGA 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 by less than \$5,000 beginning in FY 2021, resulting in a savings to the state general fund.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	Adds an additional adjustment to the city aid formula.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	Business property taxes would generally decrease with an increase in local government aid.
<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

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