

March 08, 2019

**PROPERTY TAX
LGA appropriation increase**

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 1434 (Vang) as proposed to be amended by H1434A1

	Fund Impact			
	FY2020	FY2021	FY2022	FY2023
	(000's)			
LGA Appropriation Increase	\$0	(\$30,593)	(\$30,593)	(\$30,593)
Property Tax Refund Interactions	\$0	\$740	\$740	\$740
Income Tax Interactions	\$0	\$580	\$580	\$580
General Fund Total	\$0	(\$29,273)	(\$29,273)	(\$29,273)

Effective beginning for aids payable year 2020.

EXPLANATION OF THE BILL

Under current law, the LGA appropriation is \$534,398,012 for aids payable in 2019 and thereafter.

The bill would increase the LGA appropriation to \$564,990,952 for aids payable in 2020 and thereafter.

REVENUE ANALYSIS DETAIL

- Increasing the appropriation for LGA to cities would increase costs to the state general fund by \$30.6 million in CY 2020 and thereafter.
 - It is assumed that the increase in aid to cities 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 2021, resulting in a savings to the state general fund.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Increase	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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