

March 08, 2019

**PROPERTY TAX
CPA and LGA appropriation increases**

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 1163 (Marquart) as proposed to be amended by H1163A1

	Fund Impact			
	FY2020	FY2021	FY2022	FY2023
	(000's)			
CPA Appropriation Increase	\$0	(\$30,593)	(\$30,593)	(\$30,593)
Property Tax Refund Interactions	\$0	\$740	\$740	\$740
Income Tax Interactions	\$0	\$580	\$580	\$580
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	\$0	(\$58,546)	(\$58,546)	(\$58,546)

Effective beginning with aids payable 2020.

EXPLANATION OF THE BILL

The proposal would increase the appropriations for County Program Aid (CPA) and Local Government Aid (LGA). The new appropriations would be similar to the 2002 amounts.

The CPA appropriation would increase from \$234,668,444 to \$265,261,384 starting in FY2021 thru FY2025. For FY2026 and thereafter the appropriation would be \$262,261,384. The appropriation increase is split evenly between need aid and tax base equalization aid.

The LGA appropriation would increase from \$534,398,012 to \$564,990,952 starting in FY2021 and thereafter.

REVENUE ANALYSIS DETAIL

- Increasing the appropriations for CPA and LGA would increase costs to the state general fund by a combined \$61.2 million beginning in FY2021.
- It is assumed that the increased CPA and LGA would reduce property tax levies by a portion of the increase. Lower levies will reduce property taxes on all property.
 - Lower levies will result in lower homeowner property tax refunds, reducing costs to the state general fund.

- Lower levies will result in lower income tax deductions, increasing revenues 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 aid to cities and counties.
<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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