

**PROPERTY TAX**  
**Out-of-home placements additional county and tribe reimbursements establishment and appropriation**

March 20, 2019

	<b>Yes</b>	<b>No</b>
DOR Administrative Cost/Savings		X

Department of Revenue  
 Analysis of S.F. 1105 (Eichorn) as proposed to be amended by SCS1105A-1

	<b>Fund Impact</b>			
	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
	(000's)			
Additional Out-of-Home Placement Aid	\$0	(\$15,140)	(\$15,590)	(\$16,060)
Property Tax Refund Interaction	\$0	\$370	\$380	\$390
Income Tax Interactions	\$0	\$290	\$300	\$300
<b>General Fund Total</b>	<b>\$0</b>	<b>(\$14,480)</b>	<b>(\$14,910)</b>	<b>(\$15,370)</b>

Effective beginning with aids payable in 2020.

**EXPLANATION OF THE BILL**

The proposal does not change the appropriation or formula for calculating existing out-of-home placement aid (section 477A.0126).

The proposal would establish an additional aid amount for counties and tribes that have out-of-home placement expenditures under the Indian Child Welfare Act (ICWA).

Counties

Additional aid amounts for each county would equal:

- Each county's average nonfederal share of ICWA out-of-home placement costs, based on the three most recent calendar years for which data is available.
- The additional aid payment would be reduced by the amount of aid calculated under section 477A.0126.

Tribes

Additional aid amounts for each tribe would equal the larger of:

- \$200,000; or
- 5% of the average federal reimbursement amount for ICWA out-of-home placement costs, based on the three most recent calendar years.
- The additional aid payment would be reduced by the amount of aid calculated under section 477A.0126.

An amount sufficient to pay additional out-of-home placement aid would be annually appropriated from the general fund.

## REVENUE ANALYSIS DETAIL

Estimates are based on the February 2019 forecast.

### Additional Aid for Counties:

- Based on certified payment data for calendar years 2016 and 2017, and preliminary data for 2018, the proposal would:
  - provide additional aid to 70 counties; and
  - increase the total amount of out-of-home placement aid payable in 2020 by approximately \$15 million.
- Additional aid amounts are not capped and are assumed to grow by 3% annually.
- It is assumed that counties would reduce their levies by a portion of the additional aid payment. Under this assumption:
  - Property taxes would be reduced in counties receiving the additional aid.
  - Lower property taxes paid by homesteads would decrease state-paid property tax refunds.
  - Lower property taxes would also reduce deductions on corporate and individual income tax returns, increasing state income tax collections beginning in FY 2021.
- Tax year impacts are allocated to the following fiscal year.
- The net cost to the state general fund would be an estimated \$14.5 million in FY 2021.

### Additional Aid for Tribes:

- Currently, only two tribes receive aid. Based on reimbursement data for calendar years 2016 and 2017, it is estimated that tribes would not receive any additional aid under the proposal in FY 2021-2023.
- Note: Under the proposal, tribes would receive an additional aid payment only if both of the following are true:
  - the three-year average federal reimbursement amount is greater than \$4 million; and
  - the three-year average federal reimbursement amount is greater than the reimbursement amount for the most recent year.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Neutral	Increases stability for county budgets, reduces stability for the state general fund.
<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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