

**PROPERTY TAX  
LGA appropriation increase and  
formula modifications**

March 20, 2019

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue  
Analysis of S.F. 1939 (Chamberlain) as introduced

	<b>Fund Impact</b>			
	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
	(000's)			
LGA Appropriation Increase	\$0	(\$15,000)	(\$15,000)	(\$15,000)
Property Tax Refund Interactions	\$0	\$360	\$360	\$360
Income Tax Interactions	\$0	\$290	\$290	\$290
<b>General Fund Total</b>	<b>\$0</b>	<b>(\$14,350)</b>	<b>(\$14,350)</b>	<b>(\$14,350)</b>

Effective beginning for aids payable in 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 \$549,398,012 for aids payable in 2020 and thereafter. The bill would also modify the city formula aid for aids payable in 2020 only.

**REVENUE ANALYSIS DETAIL**

- Increasing the appropriation for LGA to cities would increase costs to the state general fund by \$15 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.
- Because total aid is set to a fixed appropriation level, there would be no state cost associated with the changes in the city aid formula. However, the city aid formula changes would distribute the full \$15 million appropriation increase to cities with a population under 5,000.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	A one-time formula modification adds complexity to the LGA distribution.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; 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](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)

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