DEPARTMENT OF REVENUE

Revised

August 14, 2019

PROPERTY TAX

Stronger Community Aid program created, truth in taxation process dates amended

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 1780 (Marquart) as introduced

	Fund Impact			
	FY2020	FY2021	FY2022	FY2023
	(000's)			
Repeal Local Performance Measurement and Improvement Program	$428	$430	$432	$435
Stronger Community Aid	$0	($4,410)	($4,425)	($4,440)
Property Tax Refund Interactions	$0	$50	$50	$50
Income Tax Interactions	$0	$20	$20	$20
General Fund	$428	($3,910)	($3,923)	($3,935)

Various effective dates.

EXPLANATION OF THE BILL

Under current law, the Local Performance Measurement and Improvement program provides aid to counties and cites that elect to meet criteria determined by the Council of Local Results and Innovation. The aid is equal to 14 cents per capita up to a maximum of $25,000.

The bill would repeal the Local Performance Measurement and Improvement aid program and replace it with the Stronger Community Aid program. Counties and cites that choose to patriciate in the program must implement a set of performance measures prescribed by the State Auditor. The aid amount provided to participating counties and cities would vary based on population:

Counties

Population	Per Capita Aid	Maximum Aid
1-10,000	$4	$20,000
10,001-30,000	$2	$30,000
30,001 or more	$1	$150,000

Cities

Population	Per Capita Aid	Maximum Aid
1-500	$8	$2,000
501-2500	$5	$5,000
2,500 or more	$2	$50,000

The proposal would also change several dates related to local jurisdiction levy reporting and the truth in taxation process.

REVENUE ANALYSIS DETAIL

- Under current law, 24 counties and 26 cities participated in the Local Performance Measurement and Improvement aid program in 2018. The 50 participating jurisdictions received approximately $423,000 in aid. **As revised**, repealing the Local Performance Measurement and Improvement aid program would result in a savings to the state general fund beginning in FY2020.
- Under the proposal, if these same 50 jurisdictions participated in the new Stronger Community Aid program, the per capita aid would total approximately $2.9 million. If every county and city participated, the per capita aid would total approximately $10.8 million.
- It is assumed that the proposed higher per capita aid incentives would increase local jurisdiction participation by 50% above current program levels.
- It is estimated that the Stronger Community Aid program would increase costs to the state general fund by $4.41 million beginning in FY2021. In subsequent years, it is assumed that per capita aid payments would increase due to county and city population growth.
- It is assumed that the increased aid would reduce property tax levies by a portion of the increase. Lower levies would 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)**

Transparency, Understandability, Simplicity & Accountability	Increase	More counties and cities participating in the program increases transparency for taxpayers.
Efficiency & Compliance	Neutral	
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Neutral	
Competitiveness for Businesses	Increase	Business property taxes would generally decrease with an increase in aid to counties and cities.
Responsiveness to Economic Conditions	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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