

**PROPERTY TAX**  
**Public Employee Retirement Association increased employer contribution funding provided through extending aid to local governments**

March 04, 2020

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue  
 Analysis of H.F. 4018 (Carlson, A) as introduced

	<b>Fund Impact</b>			
	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
	(000's)			
PERA Aid	\$0	(\$13,850)	(\$13,800)	(\$13,760)
Property Tax Refund Interaction	\$0	\$0	\$340	\$340
Income Tax Interactions	\$0	\$0	\$150	\$150
<b>General Fund Total</b>	<b>\$0</b>	<b>(\$13,850)</b>	<b>(\$13,310)</b>	<b>(\$13,270)</b>

Effective the day following final enactment.

**EXPLANATION OF THE BILL**

Under current law, state aid to local governments to help pay for employer contributions to the Public Employees Retirement Association (PERA) terminates on June 30, 2020.

Under the proposal, PERA Aid would continue until the earlier of:

1. the last day of the fiscal year immediately following the fiscal year in which the actuarial value of assets of the PERA general employees retirement plan first equals or exceeds the actuarial accrued liabilities of the plan; or
2. June 30, 2048.

**REVENUE ANALYSIS DETAIL**

- Estimates are based on the February 2020 forecast.
- Aid amounts paid to jurisdictions cannot increase. However, if a PERA unit privatizes or disbands, aid payments cease.
- Based on aid payments in previous years, a slight annual decrease in total aid is assumed.
- It is further assumed that beginning in taxes payable 2021 local governments would reduce their levies by a portion of the PERA Aid payments.
  - Lower levies would reduce property taxes on all property types, including homesteads.
  - Reduced property taxes would reduce state-paid homeowner property tax refunds and reduce income tax deductions, resulting in a savings to the state general fund.
- Tax year impacts are allocated to the following fiscal year.

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

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<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
<i>Competitiveness for Businesses</i>	Neutral
<i>Responsiveness to Economic Conditions</i>	Neutral

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*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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