

April 05, 2021

**PROPERTY TAX  
LGA Minimum Aid and  
Appropriation Increase**

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 0597 (Freiberg) / S.F. 0888 (Nelson) as introduced

	<b>Fund Impact</b>			
	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>
	(000's)			
LGA Appropriation Increase	\$0	(\$5,473)	(\$5,473)	(\$5,473)
Property Tax Refund Interactions	\$0	\$140	\$140	\$140
Income Tax Interactions	\$0	\$60	\$60	\$60
General Fund Total	\$0	(\$5,273)	(\$5,273)	(\$5,273)

Effective beginning for aids payable in 2022.

**EXPLANATION OF THE BILL**

Under current law, the appropriation for local government aid (LGA) is \$564,398,012 for aids payable in 2021 and thereafter.

The proposal would increase the LGA appropriation to \$569,870,718 for aids payable in 2022 and thereafter. The proposal would also modify the minimum aid formula to provide that no city receive less aid in 2022 than it was certified to receive in 2021.

**REVENUE ANALYSIS DETAIL**

- Increasing the appropriation for LGA to cities would increase state general fund costs by \$5.473 million in calendar year 2022 and thereafter.
  - It is assumed that the permanent increase in aid to cities would reduce property tax levies by a portion of the increase. This would reduce property taxes on all property including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in fiscal year 2023, resulting in a savings to the state general fund.
- For aid payable year 2022, there are 96 cities estimated to receive lower aid than the previous year. Under the proposal, the minimum aid adjustment would increase LGA to these 96 cities by the amount of the appropriation increase.

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

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<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	Creates an additional calculation in the LGA formula.
<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 aid to cities.
<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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