

**PROPERTY TAX  
Stronger Community Aid  
program established**

February 22, 2022

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

Department of Revenue  
Analysis of H.F. 2928 (Marquart) as introduced

	<b>Fund Impact</b>			
	<b>F.Y. 2022</b>	<b>F.Y. 2023</b>	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>
	(000's)			
Repeal Local Performance Measurement and Improvement Program	\$0	\$0	\$497	\$497
Stronger Community Aid	\$0	\$0	(\$13,260)	(\$26,520)
Property Tax Refund Interactions	\$0	\$0	\$340	\$680
Income Tax Interactions	\$0	\$0	\$130	\$270
<b>General Fund Total</b>	<b>\$</b>	<b>\$</b>	<b>(\$12,293)</b>	<b>(\$25,073)</b>

Effective beginning with aids payable 2023.

**EXPLANATION OF THE BILL**

Under current law, the Local Performance Measurement and Improvement program provides aid to counties and cities 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 cities that choose to participate 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 with populations at or under 10,000 would receive \$10 per capita with a minimum aid of \$50,000
- ❖ Counties with populations over 10,000 would receive \$100,000 plus \$2 per capita for every person over 10,000 with a maximum of \$250,000
- ❖ Cities with populations at or under 2,000 would receive \$20 per capita
- ❖ Cities with populations over 2,000 would receive \$40,000 plus \$2 per capita for every person over 2,000 with a maximum of \$250,000

**REVENUE ANALYSIS DETAIL**

- Under current law, 28 counties and 37 cities participated in the Local Performance Measurement and Improvement aid program in 2021. The 65 participating jurisdictions received approximately \$497,000 in aid. Repealing the Local Performance Measurement and Improvement aid program would result in a savings to the state general fund beginning in FY2024 and thereafter.

- Under the proposal, if these same 65 jurisdictions participated in the new Stronger Community Aid program, the per capita aid would total approximately \$8.8 million. If every county and city participated, the per capita aid would total approximately \$35.4 million.
- It is assumed that the proposed higher per capita aid incentives would increase local jurisdiction participation by 50% above current program levels in the first year. In the second year, as jurisdictions have more time to implement the program requirements, it is assumed participation would double.
- It is estimated that the Stronger Community Aid program would increase costs to the state general fund by \$13.26 million in FY2024 and \$26.52 million in FY2025.
- 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.

Number of Taxpayers:

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Increase	More counties and cities participating in the program increases transparency for taxpayers.
<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	

*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  
<https://www.revenue.state.mn.us/revenue-analyses>

hf2928\_pt\_1/css