

**PROPERTY TAX
Local affordable housing aid
program established, and
money appropriated**

March 14, 2022

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 3982 (Howard) / S.F. 3779 (Dziedzic) as introduced

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
Affordable Housing Aid Appropriation	\$0	\$0	(\$100,000)	(\$100,000)
Property Tax Refund Interaction	\$0	\$0	\$2,630	\$2,630
Income Tax Interaction	\$0	\$0	\$1,020	\$1,020
General Fund Total	\$0	\$0	(\$96,350)	(\$96,350)

Effective beginning with aids payable in calendar year 2023.

EXPLANATION OF THE BILL

The bill creates a new state aid program targeted at developing and preserving affordable housing. The \$100 million annual appropriation would provide counties with \$80 million and cities (with populations of at least 10,000) \$20 million. Counties would receive a minimum \$15,000 plus their statewide share of cost burdened households. Cities would receive funding based on their statewide share of cost burdened households. Funding would need to be spent on qualifying projects.

REVENUE ANALYSIS DETAIL

- The state aid payments to local governments would first be made in calendar year 2023, increasing state general fund costs beginning in FY2024.
- Based on the most recent data on cost burdened households, county aid amounts would range from \$55,606 to \$20,854,824 with all 87 counties receiving aid.
- Based on the most recent data on cost burdened households, city aid amounts would range from \$19,730 to \$3,139,506 with 100 cities receiving aid.
- It is assumed that local governments receiving an increase in aid would reduce property tax levies by a portion of the increase. Lower levies would reduce property taxes on all property.
 - Lower property taxes would result in lower homeowner property tax refunds, reducing costs to the state general fund.
 - Lower property taxes would result in lower income tax deductions, increasing revenues to the state general fund.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<i>Efficiency & Compliance</i>	Neutral
<i>Equity (Vertical & Horizontal)</i>	Neutral
<i>Stability & 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>

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