

**PROPERTY TAX
LGA Formula Modified**

March 8, 2023

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 306 (Farnsworth) as proposed to be amended by SCS0306A-1

Fund Impact

	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
LGA Appropriation Increase	\$0	(\$1,606)	(\$1,606)	(\$1,606)
Property Tax Refund Interaction	\$0	\$40	\$40	\$40
Income Tax Interaction	<u>\$0</u>	<u>\$20</u>	<u>\$20</u>	<u>\$20</u>
General Fund Total	\$0	(\$1,546)	(\$1,546)	(\$1,546)

Effective beginning for aids payable in calendar year 2024.

EXPLANATION OF THE BILL

The bill would increase local government aid (LGA) formula aid to the city of Hibbing by \$1,606,400 for aids payable in 2024. The annual appropriation for LGA would also be increased by \$1,606,400.

REVENUE ANALYSIS DETAIL

- Increasing the appropriation for LGA would increase costs to the state general fund by \$1,606,400 in CY 2024 and thereafter.
- The city of Hibbing would receive an increase in LGA equal to \$1,606,400. There would be no change in the distribution of LGA to all other cities in CY 2024.
 - It is assumed that the increase in LGA would reduce property tax levies by a portion of the increase. This would reduce property taxes on all property classes including homesteads.
- The reduced property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in FY 2025, resulting in a savings to the state general fund.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	Adds an additional adjustment to the city aid formula.
<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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