

**PROPERTY TAX**  
**Fire Protection and Emergency**  
**Medical Services Special Taxing**  
**District Aid Created**

March 4, 2025

Department of Revenue

Analysis of S.F. 1028 (Rarick) as proposed to be amended by SC1028A-2

	Yes	No
DOR Administrative Costs/Savings	X	

**Fund Impact**

	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
Fire Protection and EMS Aid	\$0	(\$3,110)	(\$3,110)	(\$3,110)
Property Tax Refund Interaction	\$0	\$50	\$50	\$50
Income Tax Interaction	\$0	\$20	\$20	\$20
General Fund Total	\$0	(\$3,040)	(\$3,040)	(\$3,040)

Effective beginning with aids payable in 2026.

**EXPLANATION OF THE BILL**

The proposal would create an aid program for fire protection and emergency medical services special taxing districts. The \$3.11 million appropriation would be distributed based on a district's levy amount, with calculated aid equal to 50% of a district's most recent five-year average levy. If the total calculated aid for all districts exceeded the total appropriation, aid amounts would be reduced proportionately. Districts established less than six years ago would use the average of all prior year levy amounts. Annual aid distributions would be certified by August 1st and paid in the following year on July 20th.

**REVENUE ANALYSIS DETAIL**

- The new aid program would increase state general fund costs by \$3.11 million beginning in fiscal year 2027 and thereafter.
- It is assumed that the new aid would reduce property tax levies by a portion of the increase. Lower levies would decrease property taxes on all property.
  - Lower levies would result in lower homeowner property tax refunds, reducing costs to the state general fund beginning in FY 2027.
  - Lower levies would result in lower income tax deductions, increasing revenues to the state general fund beginning in FY 2027.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	
<i>Efficiency &amp; Compliance</i>	Decrease	Basing the aid formula on levy amounts creates a potential incentive to increase levies to receive more aid.
<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>

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