

PROPERTY TAX
Township Aid Increased and
Formula Modified

April 2, 2025

Department of Revenue

Analysis of S.F. 2116 (Hauschild) / H.F. 1996 (Warwas) as introduced

	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)			
Township Aid Distribution	\$0	(\$1,500)	(\$1,500)	(\$1,500)
Property Tax Refund Interaction	\$0	\$40	\$40	\$40
Income Tax Interaction	\$0	\$20	\$20	\$20
General Fund Total	\$0	(\$1,440)	(\$1,440)	(\$1,440)

Effective beginning with aids payable in 2026.

EXPLANATION OF THE BILL

Under current law, \$10 million is appropriated annually from the general fund to be distributed to townships according to the product of: (1) each township's agricultural property factor, (2) its town area factor, (3) its population factor, and (4) a fixed constant of 0.0045.

Under the proposal, the Township Aid appropriation would be increased to \$11.5 million, and the formula would be modified by replacing the fixed constant of 0.0045 as follows:

- 1) The "town aid factor" is defined as the product of: (1) each township's agricultural property factor, (2) its town area factor, and (3) its population factor.
- 2) The aid amount for each township is equal to its share of the statewide sum of all "town aid factors" multiplied by \$11.5 million.

REVENUE ANALYSIS DETAIL

- Under current law, there is no requirement that the entire \$10 million Township Aid appropriation be distributed if the formula yields a total of less than \$10 million.
- \$9.35 million of Township Aid will be distributed in 2025, and \$10 million is estimated to be distributed in 2026 (according to the 2025 February Forecast).
- Under the proposal, the entire \$11.5 million appropriation would be distributed in 2026, increasing total aid by \$1.5 million.
- It is assumed that the increase in Township 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 by an estimated \$40,000 in FY 2027.
 - Lower levies would result in lower income tax deductions, increasing revenues to the state general fund by an estimated \$20,000 in FY 2027.
- Tax year impact is allocated to the following fiscal year.

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>	Increase	The total Township Aid distribution would not change from year to year.
<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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