Senators Kiscaden and Senjem introduced–

S.F. No. 3646: Referred to the Committee on Taxes.

A bill for an act

relating to education; extending the date by which Independent School District No. 535, Rochester, must certify proposed property tax levy to the county auditor.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **PROPERTY TAX CERTIFICATION; ROCHESTER SCHOOL DISTRICT.**

Notwithstanding Minnesota Statutes, sections 126C.48 and 275.065, with the agreement of the school district's home county, Independent School District No. 535, Rochester, on or before October ~~31,~~ 8 shall certify to the county auditor the district's proposed property tax levy for taxes payable in the following year.

EFFECTIVE DATE. This section is effective for taxes payable in 2007 only ~~and later.~~

Senate Counsel, Research, and Fiscal Analysis

G-17 STATE CAPITOL
75 REV. DR. MARTIN LUTHER KING, JR. BLVD.
ST. PAUL, MN 55155-1606
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JO ANNE ZOFF SELLNER
DIRECTOR

Senate

State of Minnesota

S.F. No. 3646 - Rochester School District Property Tax Certification Date

Author: Senator Sheila Kiscaden

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) 834

Date: April 5, 2006

This bill extends the date required for certification of proposed property tax levies for Independent School District No. 535 in Rochester. Under current law, the deadline is September 30th. This bill would extend that deadline to October 31st beginning in 2007.

JZS:dv

MINNESOTA · REVENUE

PROPERTY TAX
Rochester School District
Proposed Levy Certification Date

April 3, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 4001 (Demmer) / S.F. 3646 (Kiscaden)

The bill would extend the certification date of proposed property tax levies for Independent School District No. 535, Rochester. The current deadline to submit proposed school levies to the county auditor is September 30th. The bill would extend the deadline to October 31st, effective for taxes payable in 2007 and after.

The bill would have no impact on any state funds.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf4001(sf3646)_1/nrg

Senator .... moves to amend S.F. No. XXXX as follows:

Page ..., after line ..., insert:

"Sec. .... **MAHNOMEN COUNTY; TEMPORARY COUNTY AND CITY AIDS.**

$....... is appropriated from the tax relief account to the commissioner of revenue to be used to make payments to Mahnomen County and the city of Mahnomen to compensate them for the loss of property tax revenue due to the placement of land located in the city of Mahnomen in trust status during calendar year 2006. The payment shall be made on July 20, 2006."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

#1

Payable 2006 Summary

City of Mahnomen	150,375.98	16.1306%
Pembina Township	2.58	0.0003%
School Dist #432	85,504.29	9.1719%
Wild Rice Watershed	30,366.96	3.2574%
State General Taxes	208,238.22	22.3374%
Headwaters RDC	1,614.23	0.1732%
County of Mahnomen	456,139.74	48.9293%
Total 2006 Casino Taxes	932,242.00	100.0000%

Handout #1

#2

Handout #2

SUMMARY COMPARISON OF STATEWIDE AVERAGE NET TAX CAPACITY RATES

TAXES PAYABLE	2003	2004	2005	2006	2006 If Casino were tax exempt
AITKIN	109.051	102.606	n/a yet	n/a yet	
ANOKA	109.630	102.054			
BECKER	122.355	111.023			
BELTRAMI	149.255	139.128			
BENTON	144.074	138.406			
BIG STONE	136.947	131.167			
BLUE EARTH	99.090	97.253			
BROWN	109.696	106.145			
CARLTON	154.648	146.085			
CARVER	126.085	116.653			
CASS	87.857	76.377			
CHIPPEWA	122.838	122.723			
CHISAGO	136.715	129.061			
CLAY	151.396	145.883			
CLEARWATER	156.763	144.987			
COOK	75.988	70.848			
COTTONWOOD	107.223	111.484			
CROW WING	90.441	84.187			
DAKOTA	103.039	97.305			
DODGE	118.312	119.189			
DOUGLAS	94.628	91.517			
FARIBAULT	104.035	93.641			
FILLMORE	114.209	109.310			
FREEBORN	110.886	113.691			
GOODHUE	141.015	131.385			
GRANT	124.226	115.740			
HENNEPIN	127.795	122.788			
HOUSTON	129.018	121.912			
HUBBARD	97.329	86.806			
ISANTI	140.640	123.128			
ITASCA	131.017	123.079			
JACKSON	121.169	122.590			
KANABEC	137.185	123.753			
KANDYOHI	132.299	129.584			
KITTSON	97.132	84.155			
KOOCHICHING	91.054	96.345			
LAC QUI PARLE	105.135	105.876			
LAKE	128.605	118.994			
LAKE OF THE WOODS	140.817	148.350			
LE SUEUR	103.105	95.756			
LINCOLN	119.627	117.609			
LYON	109.136	118.139			
MCLEOD	126.734	127.561		*Estimated*	
MAHNOMEN	***177.313***	***179.300***	***178.469***	***175.976***	***196.874***
MARSHALL	105.082	101.621			
MARTIN	91.368	83.660			
MEEKER	116.474	114.891			
MILLE LACS	146.015	138.041			

MORRISON	128.469	118.726
MOWER	92.227	96.847
MURRAY	90.992	92.318
NICOLLET	96.576	94.354
NOBLES	119.764	118.402
NORMAN	137.418	134.380
OLMSTED	122.133	119.358
OTTER TAIL	89.403	87.809
PENNINGTON	175.108	167.092
PINE	116.079	105.314
PIPESTONE	125.279	133.552
POLK	154.661	154.566
POPE	119.302	112.826
RAMSEY	119.818	116.025
RED LAKE	144.486	145.242
REDWOOD	118.209	117.516
RENVILLE	106.966	105.118
RICE	97.091	90.964
ROCK	96.391	95.589
ROSEAU	140.147	114.435
ST. LOUIS	140.533	128.717
SCOTT	108.761	104.729
SHERBURNE	112.676	104.601
SIBLEY	114.740	115.847
STEARNS	123.152	114.726
STEELE	108.873	109.874
STEVENS	110.604	109.484
SWIFT	111.822	109.891
TODD	150.670	138.871
TRAVERSE	103.228	91.866
WABASHA	111.591	106.275
WADENA	155.392	148.753
WASECA	115.776	108.015
WASHINGTON	106.461	96.404
WATONWAN	124.382	122.389
WILKIN	84.550	91.536
WINONA	100.477	95.412
WRIGHT	107.234	103.726
YELLOW MEDICINE	141.030	134.033
STATEWIDE	118.681	112.981

*Information provided by the Minnesota Department of Revenue

2670

A bill for an act

relating to education finance; regulating a district's debt service net tax capacity; indexing the equalizing factor; amending Minnesota Statutes 2004, sections 126C.01, by adding a subdivision; 127A.48, by adding a subdivision; Minnesota Statutes 2005 Supplement, section 273.11, subdivision 1a.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 126C.01, is amended by adding a subdivision to read:

Subd. 2a. **Debt service net tax capacity.** A school district's debt service net tax capacity means the net tax capacity of the taxable property of the district as adjusted by the commissioner of revenue under section 127A.48, subdivision 17. The debt service net tax capacity for any given calendar year must be used to compute the debt service levy limitations for levies certified in the succeeding calendar year and aid for the school year beginning in the second succeeding calendar year.

EFFECTIVE DATE. This section is effective the day following final enactment for computing taxes payable in 2007.

Sec. 2. Minnesota Statutes 2004, section 127A.48, is amended by adding a subdivision to read:

Subd. 17. **Debt service net tax capacity.** To calculate each district's debt service net tax capacity, the commissioner of revenue must recompute the amounts in this section using an alternative sales ratio comparing the sales price to the estimated market value of the property.

EFFECTIVE DATE. This section is effective the day following final enactment for computing taxes payable in 2007.

Sec. 3. Minnesota Statutes 2005 Supplement, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. **Limited market value.** In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber, or noncommercial seasonal residential recreational, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment.

For assessment years 2004, 2005, and 2006, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 25 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2007, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2008, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 50 percent of the difference between the current assessment and the preceding assessment.

This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" means the value prior to any exclusion under subdivision 16.

The provisions of this subdivision shall be in effect through assessment year 2008 as provided in this subdivision.

For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B~~,~~ excluding section 123B.53, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used.

EFFECTIVE DATE. This section is effective the day following final enactment for computing taxes payable in 2007.

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Senate
State of Minnesota

S.F. No. 2670 - Equalized Debt Service Levies

Author: Senator Rod Skoe

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) 32

Date: April 6, 2006

This bill increases the equalizing factor for the Debt Service Equalization Aid Program from $3,200 to $5,000 times the equalizing factor adjustment. That adjustment is the greater of one or the ratio of the statewide net tax capacity for the most recent assessment year, divided by the statewide adjusted marginal cost pupil units for the third subsequent year to the statewide net tax capacity for assessment year 2004, divided by the statewide adjusted marginal cost pupil units for fiscal year 2007.

JZS:dv

MINNESOTA · REVENUE

PROPERTY TAX
School Debt Service Modifications

April 6, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2662 (Lanning) / S.F. 2670 (Skoe)

	Fund Impact			
	F.Y. 2006	**F.Y. 2007**	**F.Y. 2008**	**F.Y. 2009**
		(000's)		
Equalization Aid	$0	$0	($6,000)	($6,000)
Property Tax Refunds	$0	$0	$190	$190
General Fund	$0	$0	($5,810)	($5,810)

Effective for revenue for fiscal year 2008.

EXPLANATION OF THE BILL

The bill increases the first tier debt service equalizing factor from $3,200 to $5,000 times a new indexing factor adjustment. The bill also makes the second tier debt service equalizing factor subject to the new adjustment. The new tax capacity adjustment factor is defined as the greater of one or the ratio of the statewide net tax capacity for the most recent assessment year divided by the statewide adjusted marginal cost pupil units for the third subsequent year to the statewide net tax capacity for assessment year 2004 divided by the statewide adjusted marginal cost pupil units for fiscal year 2007.

REVENUE ANALYSIS DETAIL

- School debt service equalization aid is expected to increase $6 million per year.
- Net property taxes statewide will decrease by a similar amount.
- Property tax refunds would reflect a similar decrease by $190,000 in fiscal years 2008 and 2009 due to net tax shifts from homesteads.

Number of Taxpayers Affected: Unknown.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf2662(sf2670)_1/lm

Senators Wiger, Tomassoni, Niénow and Vickerman introduced–

S.F. No. 3698: Referred to the Committee on Taxes.

A bill for an act

relating to property taxation; restoring 2006 market value credit reimbursement cuts; repealing Laws 2005, First Special Session chapter 3, article 2, section 5.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **REPEALER.**

Laws 2005, First Special Session chapter 3, article 2, section 5, is repealed.

EFFECTIVE DATE. This section is effective for reimbursements payable in 2006.

Laws 2005, First Special Session chapter 3, article 2, section 5

Sec. 5. [2005 AND 2006 CITY AID PAYMENTS.]

In 2005 and 2006, market value credit reimbursements for each city payable under Minnesota Statutes, section 273.1384, are reduced by the dollar amount of the 2003 reduction in market value credit reimbursements for that city due to Laws 2003, First Special Session chapter 21, article 5, section 12. No city's 2005 or 2006 market value credit reimbursements are reduced to less than zero under this section. To the extent sufficient information is available on each payment date, the commissioner shall pay the annual 2005 and 2006 market value credit reimbursement amounts, after reduction under this section, to cities in equal installments on the dates specified in Minnesota Statutes, section 273.1384.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

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Jo Anne Zoff Sellner
Director

Senate
State of Minnesota

S.F. No. 3698 - Market Value Credit Reimbursements

Author: Senator Charles Wiger

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) JZS

Date: April 6, 2006

This bill repeals the law that was enacted in 2005 that reduced market value credit reimbursements for cities. This reduction was in effect for 2005 and 2006 payment to cities, and this bill would eliminate that cut for 2006 payments.

JZS:dv

MINNESOTA · REVENUE

PROPERTY TAX
Repeal Market Value Credit Cuts

March 9, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2875 (Scalze) / S.F. 3698 (Wiger)

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
		(000's)		
General Fund	$0	($16,645)	$0	$0

Effective for reimbursements payable in 2006.

EXPLANATION OF THE BILL

This bill would restore the full reimbursement to cities for agricultural and homestead market value credit for 2006. The reduction in the reimbursement enacted in 2005 would be repealed.

REVENUE ANALYSIS DETAIL

- The credit reimbursement cuts are estimated to be $16,570,000 for homestead market value credit in 2006 and $75,000 for agricultural homestead credit. Cuts were to city reimbursements only.

Number of Taxpayers: The reimbursement cuts affected about 100 cities.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf2875_1/lm

#3

MUNICIPAL LEGISLATIVE COMMISSION

Handout #3

145 University Avenue West, Suite 450
St. Paul, Minnesota 55103

Telephone: (651) 228-9757
Facsimile: (651) 228-9787

April 5, 2006

Senate Tax Committee
Capitol
75 Rev. Dr. Martin Luther King Jr. Boulevard
St. Paul, Minnesota 55155

RE: Market Value Homestead Credit (MVHC) Restoration

Dear Senate Tax Committee Members:

As discussions progress this session regarding possible tax policy changes, the Municipal Legislative Commission (MLC) wants to ensure that you are aware of our continued concern regarding the cuts our cities have endured over the past several years through the MVHC reductions (see attached spreadsheet).

We understand the huge revenue shortfall the State faced in FY 2004-05 and the need for all units of government to share in the solution. However, with the rebounding economy, school districts will now be totally reimbursed for their $794 million interest free loan and the 2005 Legislature has already restored 32% of the Local Government Aid (LGA) reductions. It is now only cities impacted by the MVHC reductions who are not being recognized for their contribution to balancing the State's budget.

Our preference is to have the 2006 MVHC Fall payment fully restored; but at a bare minimum, a partial restoration is necessary to maintain equity among Minnesota cities. We should not be singled out to bear a greater burden than other units of government.

We appreciate the time and attention you have given to our communities and remain committed to working with you on the MVHC and other important issues this session and beyond.

Sincerely,

Mayor Mary Hamann-Roland
City of Apple Valley

Mayor Gene Winstead
City of Bloomington

Mayor Elizabeth Kautz
City of Burnsville

Mayor Pat Geagan
City of Eagan

Mayor Nancy Tyra-Lukens
City of Eden Prairie

Mayor Jim Hovland
City of Edina

Mayor Robert Johnson
City of Lakeville

Mayor Mark Steffenson
City of Maple Grove

Mayor Diana Longrie
City of Maplewood

Mayor Jan Callison
City of Minnetonka

Mayor Judy Johnson
City of Plymouth

Mayor Sandy Martin
City of Shoreview

Mayor Bill Hargis
City of Woodbury

Market Value Homestead Credit Reductions for MLC Cities

City	Pay 2003	Pay 2004	Pay 2005	Est. 2006	Totals
Apple Valley	1,112,293	1,112,293	995,786	927,277	***4,147,649***
Bloomington	1,696,959	1,630,492	1,488,406	1,457,082	***6,272,939***
Burnsville	1,305,009	1,231,999	1,149,237	1,117,746	***4,803,991***
Eagan	1,223,402	1,153,562	1,036,072	950,135	***4,363,171***
Eden Prairie	843,982	763,466	629,029	544,939	***2,781,416***
Edina	528,756	452,522	372,664	366,784	***1,720,726***
Lakeville	656,230	656,230	656,230	620,167	***2,588,857***
Maple Grove	988,270	979,793	854,734	782,234	***3,605,031***
Maplewood	268,296	268,296	268,296	268,296	***1,073,184***
Minnetonka	787,036	706,708	621,952	574,855	***2,690,551***
Plymouth	737,392	689,350	634,691	569,134	***2,630,567***
Shoreview	480,123	428,437	372,956	352,546	***1,634,062***
Woodbury	902,448	857,007	793,349	720,423	***3,273,227***
MLC Cities Total:	***11,530,196***	***10,930,155***	***9,873,402***	***9,251,618***	***41,585,371***
State-wide totals:	***20,032,915***	***19,011,465***	***17,549,411***	***16,645,066***	***73,238,857***
MLC Cities % of State-wide Totals:	***57.6%***	***57.5%***	***56.3%***	***55.6%***	***56.8%***

#4 April 6, 2006

Handout #4

To: Members of the Senate Tax Committee
RE: SF 3698 (Wiger) Restoring cuts to Market Value Homestead Credit

Dear Tax Committee Members:

Of the 853 cities in Minnesota, 103 are affected by Market Value Homestead Credit cuts, but even within these cities, the impact is very uneven. For 2003-2005, 60% of money for this cut came from just 11 cities: Apple Valley, Bloomington, Burnsville, Eagan, Eden Prairie, Lakeville, Maple Grove, Minnetonka, Plymouth, Shakopee, and Woodbury.

In 2003, these cuts occurred because the state was in a budget crisis – and we all needed to chip in to help solve the problem. Now, the crisis has passed, the education funding shift has been restored, some LGA cuts have been restored, but the MVHC cuts were extended for two years.

This cut actually hit hardest on the communities that have added much of the region's affordable housing in the past decade. The cut is structured as thus:

1. If a city continues to get LGA, they receive 100% of their MVHC
2. If a city has no LGA, very little affordable housing – there is very little to cut.
3. For cities that have been eliminated from the LGA program, but have a significant percentage of affordable housing, there is a very significant MVHC cut.

In 2001, Lakeville received $2.3 million in state aid, an amount equal to 50% of its tax levy. By 2003, Lakeville's aid was permanently eliminated, and for the years 2003-2005, the state has withheld $656,000 of our certified tax levy to balance the state budget. In the past, the state was a partner in government with our community. Now, we are in a very difficult position with regards to providing basic local services.

Some have suggested that MVHC should only be restored to the extent that LGA is restored. Lakeville also lost LGA, but because we are zeroed out in the formula, we will not get any share of the LGA restoration. Plus, all of the LGA cities get 100% of their MVHC reimbursement. When LGA is fully restored, Lakeville will still have a permanent, $2.3 million cut from what our city received in 2001. Lakeville has been on the short end of the stick in every state aid and property tax change since 2001 - we have not shared in any aid restoration, but always seem to be included in the cuts.

MVHC is not a city aid program – it is a state property tax credit. Lakeville has to certify a levy 5% higher than it actually receives, in order to pay for this state tax credit. In effect, all of our city taxpayers are being charged a 5% state surcharge on their property taxes because the state chose to punish them for living in a growth suburb that played by the rules with regards to affordable housing.

The budget crisis has passed, and it is time to restore fairness and equity to our state, and restore the truth to truth in taxation. On behalf of the residents of Lakeville, I respectfully request that you support the full restoration of the Market Value Homestead Credit.

Sincerely,
Wendy Wulff
Lakeville City Council.

A bill for an act
relating to taxation; modifying the personal property exemption for certain electric utility generation facilities; amending Minnesota Statutes 2004, section 272.02, subdivision 55.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 272.02, subdivision 55, is amended to read:

Subd. 55. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electric generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must ~~be sited on an energy park that~~ (i) ~~is located on an active mining site, or on a former mining or industrial site where mining or industrial operations have terminated~~ be designated as an innovative energy project as defined in section 216B.1694, (ii) ~~is~~ be within a tax relief area as defined in section 273.134, (iii) ~~has on-site~~ have access to existing railroad infrastructure within less than three miles, (iv) ~~has direct rail access to a Great Lakes port, (v) has sufficient private water resources on site, and (vi) is~~ have received by resolution approval from the governing body of the county and township or city in which the proposed facility is to be located for the exemption of personal property under this subdivision, and (v) be designed to host at least 500 megawatts of electrical generation.

Construction of the first ~~250~~ 500 megawatts of the facility must be commenced after January 1, ~~2002~~ 2006, and before January 1, ~~2005~~ 2010. Construction of up to an additional 750 megawatts of generation must be commenced before January 1, ~~2010~~ 2015. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility. To qualify for an exemption under this subdivision, the owner of the electric generation facility must have an agreement with the host county, township or city, and school district, for payment in lieu of personal property taxes to the host county, township or city, and school district.

EFFECTIVE DATE. This section is effective the day following final enactment.

K

Senator .... moves to amend S.F. No. 2570 as follows:

Page 1, after line 5, insert:

"Section 1. Minnesota Statutes 2004, section 216B.2424, subdivision 5, is amended to read:

Subd. 5. **Mandate.** (a) A public utility, as defined in section 216B.02, subdivision 4, that operates a nuclear-powered electric generating plant within this state must construct and operate, purchase, or contract to construct and operate (1) by December 31, 1998, 50 megawatts of electric energy installed capacity generated by farm-grown closed-loop biomass scheduled to be operational by December 31, 2001; and (2) by December 31, 1998, an additional 75 megawatts of installed capacity so generated scheduled to be operational by December 31, 2002.

(b) Of the 125 megawatts of biomass electricity installed capacity required under this subdivision, no more than 55 megawatts of this capacity may be provided by a facility that uses poultry litter as its primary fuel source and any such facility:

(1) need not use biomass that complies with the definition in subdivision 1;

(2) must enter into a contract with the public utility for such capacity, that has an average purchase price per megawatt hour over the life of the contract that is equal to or less than the average purchase price per megawatt hour over the life of the contract in contracts approved by the Public Utilities Commission before April 1, 2000, to satisfy the mandate of this section, and file that contract with the Public Utilities Commission prior to September 1, 2000; and

(3) must schedule such capacity to be operational by December 31, 2002.

(c) Of the total 125 megawatts of biomass electric energy installed capacity required under this section, no more than 75 megawatts may be provided by a single project.

(d) Of the 75 megawatts of biomass electric energy installed capacity required under paragraph (a), clause (2), no more than 33 megawatts of this capacity may be provided by a St. Paul district heating and cooling system cogeneration facility utilizing waste wood as a primary fuel source. The St. Paul district heating and cooling system cogeneration facility need not use biomass that complies with the definition in subdivision 1.

(e) The public utility must accept and consider on an equal basis with other biomass proposals:

(1) a proposal to satisfy the requirements of this section that includes a project that exceeds the megawatt capacity requirements of either paragraph (a), clause (1) or (2), and that proposes to sell the excess capacity to the public utility or to other purchasers; and

(2) a proposal for a new facility to satisfy more than ten but not more than 20 megawatts of the electrical generation requirements by a small business-sponsored

independent power producer facility to be located within the northern quarter of the state, which means the area located north of Constitutional Route No. 8 as described in section 161.114, subdivision 2, and that utilizes biomass residue wood, sawdust, bark, chipped wood, or brush to generate electricity. A facility described in this clause is not required to utilize biomass complying with the definition in subdivision 1, but must be under construction by December 31, 2005.

(f) If a public utility files a contract with the commission for electric energy installed capacity that uses poultry litter as its primary fuel source, the commission must do a preliminary review of the contract to determine if it meets the purchase price criteria provided in paragraph (b), clause (2), of this subdivision. The commission shall perform its review and advise the parties of its determination within 30 days of filing of such a contract by a public utility. A public utility may submit by September 1, 2000, a revised contract to address the commission's preliminary determination.

(g) The commission shall finally approve, modify, or disapprove no later than July 1, 2001, all contracts submitted by a public utility as of September 1, 2000, to meet the mandate set forth in this subdivision.

(h) If a public utility subject to this section exercises an option to increase the generating capacity of a project in a contract approved by the commission prior to April 25, 2000, to satisfy the mandate in this subdivision, the public utility must notify the commission by September 1, 2000, that it has exercised the option and include in the notice the amount of additional megawatts to be generated under the option exercised. Any review by the commission of the project after exercise of such an option shall be based on the same criteria used to review the existing contract.

(i) A facility specified in this subdivision qualifies for exemption from property taxation under section 272.02, subdivision ~~43~~ 45.

Sec. 2. Minnesota Statutes 2004, section 272.02, subdivision 45, is amended to read:

Subd. 45. **Biomass electrical generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize biomass as established in section 216B.2424 as a primary fuel source; and

(2) be constructed for the purpose of generating power at the facility that will be sold pursuant to a contract approved by the Public Utilities Commission in accordance with the biomass mandate imposed under section 216B.2424.

Construction of the facility must be commenced after January 1, 2000, and before December 31, ~~2002~~ 2005. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

Sec. 3. Minnesota Statutes 2004, section 272.02, subdivision 54, is amended to read:

Subd. 54. **Small biomass electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction the facility must:

(1) have a generation capacity of less than 25 megawatts;

(2) provide process heating needs in addition to electrical generation; and

(3) utilize agricultural by-products from the malting process and other biomass fuels as its primary fuel source.

Construction of the facility must be commenced after January 1, 2002, and before ~~January 1, 2006~~ June 30, 2007. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

EFFECTIVE DATE. This section is effective for taxes levied in 2008, payable in 2009, and thereafter."

Page 2, after line 5, insert:

"Sec. 5. **EFFECTIVE DATE.**

Sections 1 and 2 are effective for taxes levied in 2006, payable in 2007, and thereafter."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator .... moves to amend the SCS2570A-2 amendment to S.F. No. 2570 as follows:

Page 3, line 7, before "Notwithstanding" insert "<u>(a) Subject to paragraph (b),</u>"

Page 3, after line 17, insert:"

<u>(b) The exemption under this subdivision is contingent on approval by the governing bodies of the municipality and county in which the electric generation facility is located.</u>"

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Senate
State of Minnesota

S.F. No. 2570 - Electric Generating Facility Personal Property Exemption

Author: Senator Tom Saxhaug

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) JZS

Date: April 6, 2006

This bill modifies the requirements for a property tax exemption that was granted to an electric generating facility. Under the current law, the facility was required to be sited on an energy park that was located on an active mining site, on a former mining or industrial site, or mining or industrial where operations have terminated. This criteria is replaced with a requirement that the facility must be designated as an innovative energy project. The requirement that the facility have on-site access to existing railroad infrastructure is modified so that it must have access to existing railroad infrastructure within three miles. The requirements that the facility must have direct rail access to a Great Lakes port and have sufficient private water resources on site, are stricken and replaced by the requirement that this facility would have received approval from the governing body of the county, township, or city where it is located for the exemption of the personal property. Current law requires the construction of the first 250 megawatts of the facility must be commenced between January 1, 2002, and January 1, 2005. This provision would require construction of the first 500 megawatts between January 1, 2006, and January 1, 2010. Construction of an additional 750 megawatts of generation is required under current law to be commenced before January 1, 2010. This bill extends that period for five year. It also provides that in order to obtain this exemption, the owner of the electric generating facility must have an agreement with the host county, township, or city and school district for payment in lieu of personal property taxes to those taxing jurisdictions.

JZS:dv

MINNESOTA · REVENUE

PROPERTY TAX
Modify an Exemption for an Electric Generating Facility

April 5, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 3020 (Solberg) / S.F. 2570 (Saxhaug)

	Fund Impact			
	F.Y. 2006	**F.Y. 2007**	**F.Y. 2008**	**F.Y. 2009**
		(000's)		
General Fund	$0	$0	$0	$0

Effective the day following final enactment.

EXPLANATION OF THE BILL

Current Law: Attached machinery and other personal property which are part of an electric generating facility that meet the following requirements are exempt from the property tax. At the time of construction, the facility must be sited on an energy park that:

(i) is located on an active or former mining site;
(ii) is within a tax relief area;
(iii) has on-site access to existing railroad infrastructure;
(iv) has direct access to a Great Lakes port;
(v) has sufficient private resources on site; and
(vi) is designed to host at least 500 megawatts of electrical generation.

Construction of the first 250 megawatts of the facility must begin after January 1, 2002, and before January 1, 2005. Construction of up to an additional 750 megawatts must begin before January 1, 2010. Property eligible for the exemption does not include electric transmission lines or gas pipelines.

Proposed Law: The proposal modifies specific requirements and construction deadlines of the property tax exemption for an electric generating facility. Requirements (i), (iv) and (v) are eliminated, and item (iii) is adjusted to require access to existing railroad infrastructure within less than three miles rather than on-site. A new requirement is added that the facility must be designated as an innovative energy project, as defined.

The construction deadlines are changed as follows: construction of the first 500 megawatts must begin after January 1, 2006, and before January 1, 2010. Construction of an additional 750 megawatts must begin before January 1, 2015.

SF XXXX - S ASHTAUG

A bill for an act

relating to taxation; exempting public safety radio communication products and services from sales tax; amending Minnesota Statutes 2005 Supplement, section 297A.70, subdivision 8.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2005 Supplement, section 297A.70, subdivision 8, is amended to read:

Subd. 8. **Regionwide public safety radio communication system; products and services.** Products and services including, but not limited to, end user equipment used for construction, ownership, operation, maintenance, and enhancement of the backbone system of the regionwide public safety radio communication system established under sections 403.21 to ~~403.34~~ 403.40, are exempt. For purposes of this subdivision, backbone system is defined in section 403.21, subdivision 9. This subdivision is effective for purchases, sales, storage, use, or consumption for use in the first and second phases of the system, as defined in section 403.21, subdivisions 3, 10, and 11, ~~and~~ that portion of the third phase of the system that is located in the southeast district of the State Patrol and the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system that is located in Itasca County.

**Senate Counsel, Research,
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Senate

State of Minnesota

S.F. No. XXXX - Sales Tax Exemption for Public Safety Radio Equipment

Author: Senator Tom Saxhaug

Prepared by: Michelle Allen, Senate Counsel (651/296-0558)

Date: April 6, 2006

This bill exempts from sales tax the products and services purchased by Itasca County for the purpose of constructing its portion of the statewide public safety radio communication system.

JZS:dv

Senators Bakk, Vickerman, Jungbauer and Saxhaug introduced–

S.F. No. 3455: Referred to the Committee on Transportation.

A bill for an act

relating to taxation; modifying the amount of gasoline fuel tax attributable to the use of all-terrain vehicles; amending Minnesota Statutes 2004, section 296A.18, subdivision 4.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 296A.18, subdivision 4, is amended to read:

Subd. 4. **All-terrain vehicle.** Approximately ~~0.15~~ <u>0.27</u> of one percent of all gasoline received in or produced or brought into this state, except gasoline used for aviation purposes, is being used for the operation of all-terrain vehicles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax, ~~0.15~~ <u>0.27</u> of one percent is the amount of tax on fuel used in all-terrain vehicles operated in this state.

Senator Rest introduced–

S.F. No. 3332: Referred to the Committee on Jobs, Energy & Community Development.

A bill for an act

relating to taxation; delaying the final designation of the international economic development zone and the beginning of zone duration; changing corresponding dates relating to tax incentives; authorizing political subdivisions to apply for foreign trade zone powers; extending the period that appropriation for funding certain grants to qualifying business is available; amending Minnesota Statutes 2005 Supplement, sections 272.02, subdivision 83; 290.0922, subdivisions 2, 3; 297A.68, subdivision 41; 469.322; 469.323, subdivision 2; 469.327; Laws 2005, First Special Session chapter 3, article 10, section 23; proposing coding for new law in Minnesota Statutes, chapter 469.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2005 Supplement, section 272.02, subdivision 83, is amended to read:

Subd. 83. **International economic development zone property.** (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within the international economic development zone designated under section 469.322, are exempt from ad valorem taxes levied under chapter 275, if the improvements are:

(1) part of a regional distribution center as defined in section 469.321; or

(2) occupied by a qualified business as defined in section 469.321, that uses the improvements primarily in freight forwarding operations.

(b) ~~The exemption applies beginning for the first assessment year after designation of the international economic development zone.~~ The exemption applies to each assessment year that begins during the duration of the international economic development zone. To be exempt under paragraph (a), clause (2), the property must be occupied by July 1 of the assessment year by a qualified business that has signed the business subsidy agreement by July 1 of the assessment year.

EFFECTIVE DATE. <u>This section is effective the day following final enactment.</u>

Sec. 2. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this section:

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

(3) regulated investment companies or a fund thereof; and

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) town and farmers' mutual insurance companies;

(6) cooperatives organized under chapter 308A or 308B that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3;

(7) an entity, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310; and

(8) an entity, if for the taxable year all of its property is located in an international economic development zone designated under section 469.322, and all of its payroll is international economic development zone payroll under section 469.321. <u>The exemption under this clause applies to taxable years beginning during the duration of the international economic development zone.</u>

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

EFFECTIVE DATE. <u>This section is effective the day following final enactment.</u>

Sec. 3. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 3, is amended to read:

Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the total sales or receipts apportioned or attributed to Minnesota pursuant to any other apportionment formula applicable to the taxpayer.

(b) "Minnesota property" means total Minnesota tangible property as provided in section 290.191, subdivisions 9 to 11, any other tangible property located in Minnesota, but does not include: (1) property located in a job opportunity building zone designated under section 469.314, ~~or~~ (2) property of a qualified business located in a biotechnology and health sciences industry zone designated under section 469.334, or (3) for taxable years beginning during the duration of the zone, property of a qualified business located in the international economic development zone designated under section 469.322. Intangible property shall not be included in Minnesota property for purposes of this section. Taxpayers who do not utilize tangible property to apportion income shall nevertheless include Minnesota property for purposes of this section. On a return for a short taxable year, the amount of Minnesota property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365.

(c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191, subdivision 12, but does not include: (1) job opportunity building zone payrolls under section 469.310, subdivision 8, ~~or~~ (2) biotechnology and health sciences industry zone payrolls under section 469.330, subdivision 8, or (3) for taxable years beginning during the duration of the zone, international economic development zone payrolls under section 469.321, subdivision 9. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include Minnesota payrolls for purposes of this section.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 41, is amended to read:

Subd. 41. **International economic development zones.** (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.321, are exempt if the property or services are primarily used or consumed in the international economic development zone designated under section 469.322.

(b) Purchase and use of construction materials, supplies, and equipment incorporated into the construction of improvements to real property in the international economic development zone are exempt if the improvements after completion of construction are to be used as a regional distribution center as defined in section 469.321 or otherwise used in the conduct of freight forwarding activities of a qualified business as defined in section 469.321. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax, regardless of whether the local tax is imposed on sales taxable under this chapter or in another law, ordinance, or charter provision.

(d) The ~~exemption in paragraph (a) applies~~ exemptions in this section apply to sales ~~during the duration of the zone and after June 30, 2007, if the purchase was made and delivery received after the business signs the business subsidy agreement required under chapter 469~~ and purchases made after the date of final zone designation under section 469.322, paragraph (c), and before the expiration of the zone under section 469.322, paragraph (d).

(e) For purchases made for improvements to real property to be occupied by a business that has not signed a business subsidy agreement at the time of the purchase, the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75 ~~beginning in fiscal year 2008~~. The taxpayer must attach to the claim for refund information sufficient for the commissioner to be able to determine that the improvements are being occupied by a business that has signed a business subsidy agreement.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. **[469.193] FOREIGN TRADE ZONES.**

A city, county, town, or other political subdivision may apply to the board defined in United States Code, title 19, section 81a, for the right to use the powers provided in United States Code, title 19, sections 81a to 81u. If the right is granted, the city, county, town, or other political subdivision may use the powers within or outside of a port district. Any city, county, town, or other political subdivision may apply jointly with any other city, county, town, or other political subdivision.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2005 Supplement, section 469.322, is amended to read:

469.322 DESIGNATION OF INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.

(a) An area designated as a foreign trade zone may be designated by the foreign trade zone authority as an international economic development zone if within the zone a regional distribution center is being developed pursuant to section 469.323. The zone must consist of contiguous area of not less than 500 acres and not more than 1,000 acres. The designation authority under this section is limited to one zone.

(b) In making the designation, the foreign trade zone authority, in consultation with the Minnesota Department of Transportation and the Metropolitan Council, shall consider access to major transportation routes, consistency with current state transportation and air cargo planning, adequacy of the size of the site, access to airport facilities, present and future capacity at the designated airport, the capability to meet integrated present and future air cargo, security, and inspection services, and access to other infrastructure and financial incentives. The border of the international economic development zone must be no more than 60 miles distant or 90 minutes drive time from the border of the Minneapolis-St. Paul International Airport.

(c) Final zone designation must be made by June 30, ~~2006~~ 2008.

(d) Duration of the zone is a 12-year period beginning on January 1, ~~2007~~ 2010.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2005 Supplement, section 469.323, subdivision 2, is amended to read:

Subd. 2. **Business plan.** Before designation of an international economic development zone under section 469.322, the governing body of the foreign trade zone authority shall prepare a business plan. The findings of the business plan shall be presented to the legislature pursuant to section 3.195. Copies of the business plan shall be provided to the chairs of committees with jurisdiction over transportation and economic development. The plan must include an analysis of the economic feasibility of the regional distribution center once it becomes operational and of the operations of freight forwarders and other businesses that choose to locate within the boundaries of the zone. The analysis must provide profitability models that:

(1) include the benefits of the incentives;

(2) estimate the amount of time needed to achieve profitability; and

(3) analyze the length of time incentives will be necessary to the economic viability of the regional distribution center.

If the governing body of the foreign trade authority determines that the models do not establish the economic feasibility of the project, the regional distribution center does not meet the development requirements of this section and section 469.322.

Sec. 8. Minnesota Statutes 2005 Supplement, section 469.327, is amended to read:

469.327 JOBS CREDIT.

Subdivision 1. **Credit allowed.** (a) A qualified business is allowed a credit against the taxes imposed under chapter 290. The credit equals seven percent of the:

(1) lesser of:

(i) zone payroll for the taxable year, less the zone payroll for the base year; or

(ii) total Minnesota payroll for the taxable year, less total Minnesota payroll for the base year; minus

(2) $30,000 multiplied by the number of full-time equivalent employees that the qualified business employs in the international economic development zone for the taxable year, minus the number of full-time equivalent employees the business employed in the zone in the base year, but not less than zero.

<u>(b) This section applies only to tax years beginning during the duration of the international economic development zone.</u>

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Base year" means the taxable year beginning during <u>the calendar year immediately preceding</u> the calendar year in which ~~the zone designation was made~~ <u>duration of the zone begins</u> under section 469.322, paragraph (d).

(c) "Full-time equivalent employees" means the equivalent of annualized expected hours of work equal to 2,080 hours.

(d) "Minnesota payroll" means the wages or salaries attributed to Minnesota under section 290.191, subdivision 12, for the qualified business or the unitary business of which the qualified business is a part, whichever is greater.

(e) "Zone payroll" means wages or salaries used to determine the zone payroll factor for the qualified business, less the amount of compensation attributable to any employee that exceeds $70,000.

Subd. 3. **Inflation adjustment.** For taxable years beginning after December 31, ~~2006~~ <u>2010</u>, the dollar amounts in subdivisions 1, clause (2); and 2, paragraph (e), are annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 4. **Refundable.** If the amount of the credit exceeds the liability for tax under chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

Subd. 5. **Appropriation.** An amount sufficient to pay the refunds authorized by this section is appropriated to the commissioner of revenue from the general fund.

<u>**EFFECTIVE DATE.** This section is effective the day following final enactment.</u>

Sec. 9. Laws 2005, First Special Session chapter 3, article 10, section 23, is amended to read:

Sec. 23. **GRANTS TO QUALIFYING BUSINESSES.**

$750,000 is appropriated in fiscal year 2006 from the general fund to the commissioner of employment and economic development to be distributed to the foreign trade zone authority to provide grants to qualified businesses as determined by the authority, subject to Minnesota Statutes, sections 116J.993 to 116J.995, to provide incentives for the businesses to locate their operations in an international economic development zone. If the money is not distributed during fiscal year 2006, it remains available for distribution under this section ~~during fiscal year 2007~~ until December 31, 2010.

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S.F. No. 3332 - International Economic Development Zone Timing

Author: Senator Ann Rest

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) 838

Date: April 6, 2006

This bill delays the timing of implementation of the International Economic Development Zone provisions adopted in 2005.

Section 1 eliminates the provision that applies the property tax exemption for international economic development zone properties beginning with the first assessment year after designation of the zone.

Section 2 provides that the exemption from the minimum fee on business entities within a zone applies to taxable years beginning during the duration of the zone.

Section 3 provides that the definition of Minnesota property for purposes of the minimum fee excludes property of a qualified business in an international economic development zone for the years beginning during the duration of the zone. A similar provision is made with respect to the definition of Minnesota payrolls.

Section 4 provides that the sales tax exemption for purchases by qualified businesses for use in an economic development zone will apply after final designation of the zone and before its expiration. Current law had provided some specific dates for which early purchases would qualify for this exemption, but they have been made unnecessary because of the delay in the implementation of this program.

Section 5 provides that the a city, town, county, or other political subdivision may apply for the right to use foreign trade zone powers provided under federal law. Joint applications may be made by two or more of these political subdivisions.

Section 6 delays from June 30, 2006, to June 30, 2008, the day by which final international economic development zone designations must be made. The beginning of the zone duration is delayed from January 1, 2007, to January 1, 2010.

Section 7 requires that the findings of the business plan that is required before designation of a zone, must be provided to the legislature, and to the chairs of the legislative committees with jurisdiction over transportation and economic development.

Section 8 provides that the jobs credit is available only during tax years beginning during the duration of the international economic development zone, and modifies the base year to mean the taxable year beginning during the calendar year immediately preceding the calendar year in which the zone begins. The period for the inflation adjustment of the credit is advanced by four years.

Section 9 provides that the $750,000 appropriation for grants to qualifying businesses will remain available for distribution until 2010. Under current law, the money was to remain available through fiscal year 2007.

JZS:dv

MINNESOTA · REVENUE

VARIOUS TAXES
International Economic Development Zone

April 5, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3332 (Rest) / H.F. 3696 (Abrams)

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
		(000's)		
General Sales & Use Tax Exemption	$0	$0	$1,800	$300
Corporate Franchise Tax Exemption	0	0	100	100
Jobs Tax Credit	0	0	0	200
General Fund Total	$0	$0	$1,900	$600

Effective the day following final enactment.

EXPLANATION OF THE BILL

Current Law: A law enacted in 2005 authorized the creation of an international economic development zone. Zone designation is to be made by June 30, 2006, and it goes into effect on January 1, 2007. The duration of the zone is twelve years. Certain tax benefits are allowed to businesses in the zone.

Proposed Law: The bill delays the designation of the zone to June 30, 2008, and the designation would be effective January 1, 2010. Therefore, the start of the twelve-year duration of the zone would be delayed three years. The bill also makes other modifications to provisions related to the zone.

REVENUE ANALYSIS DETAIL

- Because the bill delays the effective date of the international economic development zone, revenue losses projected for fiscal years 2008 and 2009 cannot occur until fiscal year 2010 and after.
- Revenue loss estimates under current law are those published in the 2006 Tax Expenditure Budget.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

sf3332(hf3696)_1 /dkd

Senators Kubly, Dille, Frederickson and Sams introduced–

S.F. No. 2804: Referred to the Committee on Taxes.

A bill for an act

relating to property taxation; providing that the tier structure in the classification of agricultural homestead property is based on acreage rather than market value; amending Minnesota Statutes 2004, sections 273.13, subdivision 23; 273.1384, subdivision 2.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the first 640 acres of remaining land including improvements ~~up to and including $600,000 market value~~ thereon has a net class rate of 0.55 percent of market value. The remaining property ~~over $600,000 market value~~ has a class rate of one percent of market value.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or public access area of a privately owned public use airport. Class 2b property has a net class rate of one percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate, excluding the house, garage, and immediately surrounding one acre of land, of less than ten acres which is exclusively and intensively used for raising or cultivating agricultural products, shall be considered as agricultural land.

Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(e) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) fish bred for sale and consumption if the fish breeding occurs on land zoned for agricultural use;

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing;

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115;

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

(f) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

(g) To qualify for classification under paragraph (b), clause (4), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause (4), "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under paragraph (b), clause (4), must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

EFFECTIVE DATE. This section is effective for taxes payable in 2007 and thereafter.

Sec. 2. Minnesota Statutes 2004, section 273.1384, subdivision 2, is amended to read:

Subd. 2. **Agricultural homestead market value credit.** Property classified as class 2a agricultural homestead is eligible for an agricultural credit. The credit is equal to ~~0.3 percent of~~ $3.00 per acre on the first ~~$115,000~~ 115 acres of the ~~property's market value~~ property. The credit under this subdivision is limited to $345 for each homestead. The credit is reduced by ~~.05 percent~~ $0.50 per acre of the ~~market value~~ acreage in excess of ~~$115,000~~ 115 acres, subject to a maximum reduction of $115.

EFFECTIVE DATE. This section is effective for taxes payable in 2007 and thereafter.

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Senate
State of Minnesota

S.F. No. 2804 - Agricultural Homestead Tiers and Market Value Credit

Author: Senator Gary Kubly

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) JZS

Date: April 5, 2006

Section 1 changes the breakpoint for the tiers of class 2a property from the first $600,000 of market value to the first 640 acres of land. Property in the first tier has a class rate of 0.55 percent. Property in the second tier has a class rate of one percent.

Section 2 changes the computation of the agricultural homestead market value credit. Under current law, the credit is equal to 0.3 percent of the first $115,000 of the property's market value with the credit reduced by .05 percent of the market value in excess of $115,000. Under this proposal, the credit would be equal to $3.00 per acre on the first 115 acres of the property, reduced by $0.50 per acre of the acreage in excess of 115 acres.

JZS:dv

MINNESOTA · REVENUE

PROPERTY TAX
Ag. Homestead Land Bracket at 640 Acres

March 31, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2903 (Seifert) / S.F. 2804 (Kubly)

	Fund Impact			
	F.Y. 2006	**F.Y. 2007**	**F.Y. 2008**	**F.Y. 2009**
		(000's)		
General Fund	$0	$0	($380)	($380)

Effective for taxes payable in 2007 and thereafter.

EXPLANATION OF THE BILL

Current Law: Class 2a agricultural homestead land up to $600,000 in market value has a class rate of 0.55%. Agricultural homestead land over $600,000 in market value has a class rate of 1.0%. The agricultural market value homestead credit is equal to 0.3% of the first $115,000 market value, with a maximum of $345. The credit is reduced by 0.05% of market value in excess of $115,000, subject to a maximum reduction of $115.

Proposed Law: The bill would change the class 2a farmland tier break from $600,000 to 640 acres. The terms of the agricultural homestead market value credit are also changed to $3 per acre on the first 115 acres, with a reduction of $0.50 per acre in excess of 115 acres. The maximum credit remains $345 and the maximum reduction remains $115.

REVENUE ANALYSIS DETAIL

- The proposal was analyzed on a taxes payable 2006 property tax simulation model.
- On a value basis, the tier break varies from farm to farm. Farms with a high market value per acre will benefit from this bill.
- The agricultural market value credit changes are assumed to be revenue neutral.
- Net taxes will decrease by $10.8 million on homestead farmland and increase by $5.8 million on farm homesteads (house, garage, and one acre) and residential homesteads in the first year.
- Net taxes will shift from class 2a farmland property to other property types, including homesteads. Property tax refunds will increase $380,000 in pay 2007 and pay 2008 due to net tax shifts onto homestead property.

Number of Taxpayers Affected: Primarily owners of large farms.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf2903(sf2804)_1/lm

Senator Vickerman introduced–

S.F. No. 2592: Referred to the Committee on Taxes.

A bill for an act

relating to taxation; increasing the value of agricultural homestead land that is subject to a reduced class rate; amending Minnesota Statutes 2004, section 273.13, subdivision 23.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to and including ~~$600,000~~ $2,000,000 market value has a net class rate of 0.55 percent of market value. The remaining property over ~~$600,000~~ $2,000,000 market value has a class rate of one percent of market value.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or public access area of a privately owned public use airport. Class 2b property has a net class rate of one percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate, excluding the house, garage, and immediately surrounding one acre of land, of less than ten acres which is exclusively and intensively used for raising or cultivating agricultural products, shall be considered as agricultural land.

Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(e) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) fish bred for sale and consumption if the fish breeding occurs on land zoned for agricultural use;

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing;

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115;

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

(f) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

(g) To qualify for classification under paragraph (b), clause (4), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause (4), "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under paragraph (b), clause (4), must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

EFFECTIVE DATE. This section is effective for taxes levied in 2006, payable in 2007, and thereafter.

Senator .... moves to amend S.F. No. 2592 as follows:

Page 1, after line 5, insert:

"Section 1. Minnesota Statutes 2004, section 273.11, is amended by adding a subdivision to read:

Subd. 23. **First tier valuation limit; agricultural homestead property.** (a) Beginning with assessment year 2006, the commissioner of revenue shall annually certify the first tier limit for agricultural homestead property as the product of (i) $600,000, and (ii) the ratio of the statewide average taxable market value of agricultural property per acre of deeded farm land in the preceding assessment year to the statewide average taxable market value of agricultural property per acre of deeded farm land for assessment year 1999. The limit shall be rounded to the nearest $10,000.

(b) For the purposes of this subdivision, "agricultural property" means all class 2 property under section 273.13, subdivision 23, except for (1) timberland, (2) a landing area or public access area of a privately owned public use airport, and (3) property consisting of the house, garage and immediately surrounding one acre of land of an agricultural homestead.

(c) The commissioner shall certify the limit by January 2 of each assessment year, except that for assessment year 2006 the commissioner shall certify the limit by June 1, 2006.

EFFECTIVE DATE. This section is effective for assessment year 2006 and thereafter."

Page 1, line 10, strike "and"

Page 1, line 11, strike "including" and delete the new language and strike "market value" and insert "the first tier valuation limit of agricultural homestead property"

Page 1, line 12, strike "property over" and delete the new language and strike " market value" and insert "value over the first tier valuation limit of agricultural homestead property"

Page 1, line 13, after the period, insert "For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" means the limit certified under section 273.11, subdivision 23."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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Director

Senate

State of Minnesota

S.F. No. 2592 - Agricultural Homestead Tier Breakpoint

Author: Senator Jim Vickerman

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) JZS

Date: April 5, 2006

As proposed to be amended by the author, this bill provides that the $600,000 limit of the first tier for reduced class rate that applies to agricultural homestead property will be increased annually. Under current law, the first tier class rate of 0.55 percent applies to the first $600,000 in market value, and the value of the property that exceeds $600,000 has a class rate of one percent. This bill would annually adjust the $600,000 amount by the percentage change in a statewide average taxable market value of agricultural property per acre of deeded farmland in the preceding assessment year over the year preceding that.

JZS:dv

MINNESOTA · REVENUE

PROPERTY TAX
Ag. Homestead Land Bracket at $2 million

March 31, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 2592 (Vickerman) / H.F. 3520 (Magnus)

	Fund Impact			
	F.Y. 2006	**F.Y. 2007**	**F.Y. 2008**	**F.Y. 2009**
	(000's)			
General Fund	$0	$0	($470)	($470)

Effective for taxes levied in 2006, payable in 2007, and thereafter.

EXPLANATION OF THE BILL

Current Law: Class 2a agricultural homestead land up to $600,000 in market value has a class rate of 0.55%. Agricultural homestead land over $600,000 in market value has a class rate of 1.0%.

Proposed Law: The bill would change the class 2a farmland tier break from $600,000 to $2 million.

REVENUE ANALYSIS DETAIL

- The proposal was analyzed on a taxes payable 2006 property tax simulation model.
- Net taxes will decrease by $14.7 million on homestead farmland and increase by $7.3 million on farm homesteads (house, garage, and one acre) and residential homesteads in the first year.
- Net taxes will shift from class 2a farmland property to other property types, including homesteads. Property tax refunds will increase $470,000 in pay 2007 and pay 2008 due to net tax shifts onto homestead property.

Number of Taxpayers Affected: Primarily owners of large farms.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

sf2592(hf3520)_1/lm

#5

Handout #5

MINNESOTA · REVENUE

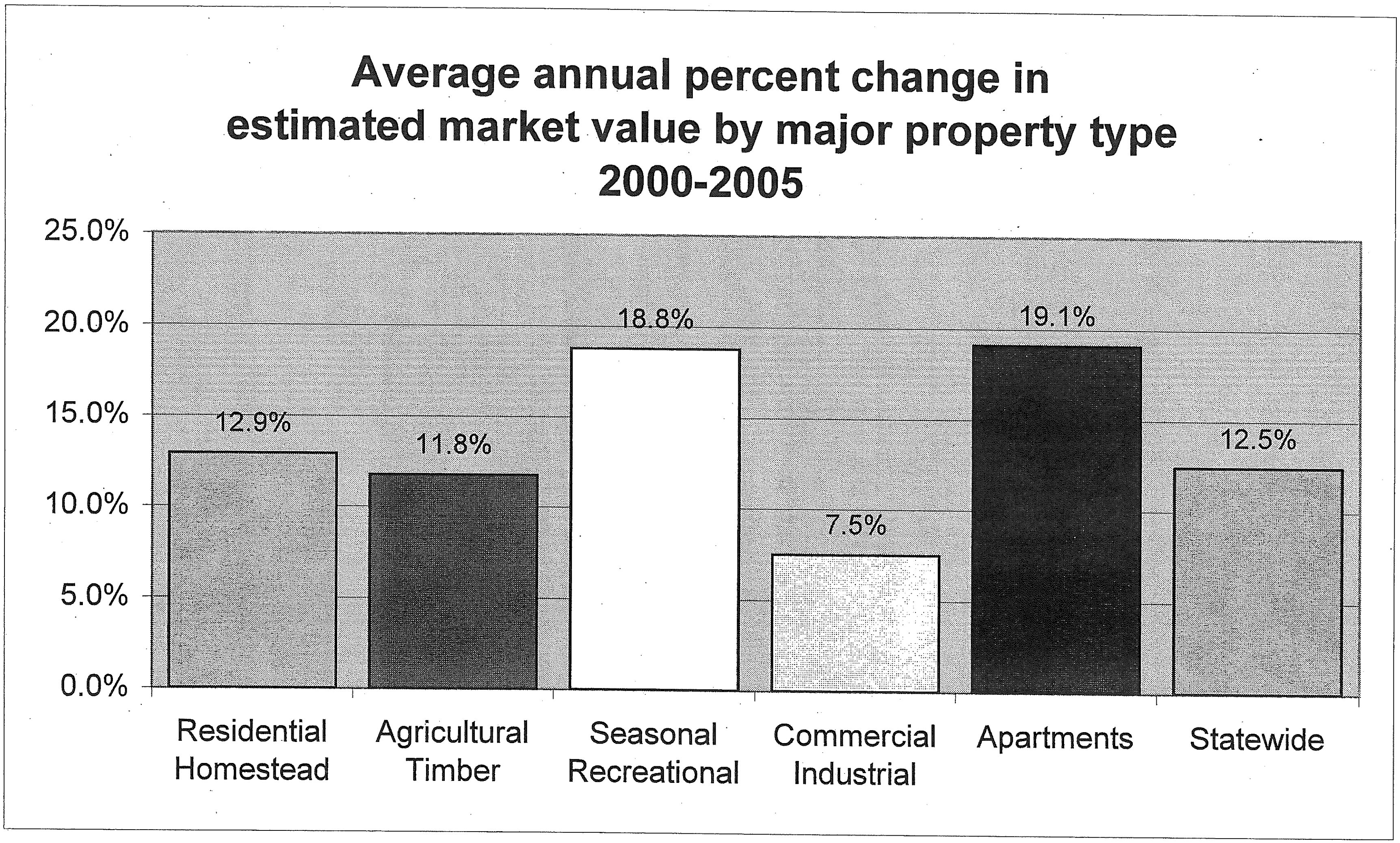
2006 Property Values and Assessment Practices Report

(Assessment Year 2005)

A report submitted to the Minnesota State Legislature
pursuant to
Laws 2001, First Special Session, Chapter 5, Article 3, Section 92

Property Tax Division
Minnesota Department of Revenue
March 1, 2006

Chart 2


Average annual percent change in
estimated market value by major property type
2000-2005
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
12.9%
11.8%
18.8%
7.5%
19.1%
12.5%
Residential Homestead
Agricultural Timber
Seasonal Recreational
Commercial Industrial
Apartments
Statewide

Assessment Year 2000 – 2005	Agricultural Homestead Value	Average Annual Percent Change in Market Value
1999	$600,000	
2000	$670,800	11.8 % = $70,800
2001	$749,954	11.8 % = $79,154
2002	$838,448	11.8 % = $88,494
2003	$937,384	11.8% = $98,936
2004	$1,106,111	11.8% = $130,521
2005	$1,236,632	11.8% = $145,922
2006	$1,382,554	

Senator Pogemiller introduced–

S.F. No. 3716: Referred to the Committee on Taxes.

A bill for an act

relating to taxation; modifying the treatment of certain income from foreign operations; amending Minnesota Statutes 2004, section 290.34, subdivision 1; Minnesota Statutes 2005 Supplement, section 290.01, subdivisions 6b, 19c, 19d.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 6b, is amended to read:

Subd. 6b. **Foreign operating corporation.** The term "foreign operating corporation," when applied to a corporation, means a domestic corporation with the following characteristics:

(1) it is part of a unitary business at least one member of which is taxable in this state;

(2) it is not a foreign sales corporation under section 922 of the Internal Revenue Code, as amended through December 31, 1999, for the taxable year;

(3) either (i) ~~the average of the percentages of its property and payrolls, including the pro rata share of its unitary partnerships' property and payrolls, assigned to locations outside the United States, where the United States includes the District of Columbia and excludes the commonwealth of Puerto Rico and possessions of the United States, as determined under section 290.191 or 290.20, is 80 percent or more; or (ii)~~ it has in effect a valid election under section 936 of the Internal Revenue Code; or (ii) at least 80 percent of the gross income from all sources of the corporation in the tax year is active foreign business income; and

(4) ~~it has \$1,000,000 of payroll and \$2,000,000 of property, as determined under section 290.191 or 290.20, that are located outside the United States. If the domestic corporation does not have payroll as determined under section 290.191 or 290.20, but it~~

~~or its partnerships have paid $1,000,000 for work, performed directly for the domestic corporation or the partnerships, outside the United States, then paragraph (3)(i) shall not require payrolls to be included in the average calculation~~ for purposes of this subdivision, active foreign business income means gross income that is (i) derived from sources without the United States, as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code; and (ii) attributable to the active conduct of a trade or business in a foreign country.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2005.

Sec. 2. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian tribal governments;

(3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

(4) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 of the Internal Revenue Code;

(6) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;

(8) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(10) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (19), (20), (21), and (22);

(12) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

(13) the amount of net income excluded under section 114 of the Internal Revenue Code;

(14) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147;

(15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

(16) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(17) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code; ~~and~~

(18) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans~~.~~

(19) an amount equal to the interest and intangible expenses, losses, and costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit of a corporation that is a member of the taxpayer's unitary business group that qualifies as a foreign operating corporation. For purposes of this clause, intangible expenses and costs include:

(i) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) losses incurred, directly or indirectly, from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar expenses and costs..

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible expenses or costs paid, accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect to such item of income to the extent that the income to the foreign operating corporation is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(20) except as already included in the taxpayer's taxable income pursuant to clause (19), any interest income and income generated from intangible property received or accrued by a foreign operating corporation that is a member of the taxpayer's unitary group. For purposes of this clause, income generated from intangible property includes:

(i) income related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) income from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar income.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible income received or accrued by a foreign operating corporation with respect to such item of income to the extent that the income is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(21) the dividends attributable to the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to the dividends paid deduction of a real estate investment trust under section 561(a) of the Internal Revenue Code for amounts paid or accrued by the real estate investment trust to the foreign operating corporation; and

(22) the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or personal property located in the United States.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2005.

Sec. 3. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December

31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(11) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

(12) the amount of handicap access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

(13) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

(15) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;

(16) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(17) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

(18) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147;

(19) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The resulting delayed depreciation cannot be less than zero; and

(20) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the amount of the addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2005.

Sec. 4. Minnesota Statutes 2004, section 290.34, subdivision 1, is amended to read:

Subdivision 1. **Business conducted in such a way as to create losses or improper taxable net income.** (a) When any corporation liable to taxation under this chapter conducts its business in such a manner as, directly or indirectly, to benefit its members or stockholders or any person or corporation interested in such business or to reduce the income attributable to this state by selling the commodities or services in which it deals at less than the fair price which might be obtained therefor, or buying such commodities or services at more than the fair price for which they might have been obtained, or when any corporation, a substantial portion of whose shares is owned directly or indirectly by another corporation, deals in the commodities or services of the latter corporation in such a manner as to create a loss or improper net income or to reduce the taxable net income attributable to this state, the commissioner of revenue may determine the amount of its income so as to reflect what would have been its reasonable taxable net income but for the arrangements causing the understatement of its taxable net income or the overstatement of its losses, having regard to the fair profits which, but for any agreement, arrangement, or understanding, might have been or could have been obtained from such business.

(b) When any corporation engages in a transaction or series of transactions whose primary business purpose is the avoidance of tax, or engages in a transaction or series of transactions without economic substance, that transaction or series of transactions shall be disregarded and the commissioner shall determine taxable net income without regard for any such transaction or series of transactions.

Sec. 5. **INTENT OF LEGISLATURE.**

Section 4 does not change Minnesota law, but merely clarifies the legislature's intention with respect to transactions without economic substance or business purpose.

#6

Minnesota Income Tax on Foreign Source Income

Policy Discussion Document

2005

Handout #6

Minnesota Income Tax on Foreign Source Income

HISTORY

- Unitary Taxation
  - Adopted by many states to avoid the manipulation of income between related entities to avoid state taxes
  - All income of related companies included in the tax base
  - Total income assigned to the state based on the group's payroll, property and sales within the state

Minnesota Income Tax on Foreign Source Income

- Formula

$$\frac{\text{MN Payroll}}{\text{Total Payroll}} + \frac{\text{MN Property}}{\text{Total Property}} + \frac{\text{MN Sales}}{\text{Total Sales}}$$

X

Total Income of Unitary Group

Minnesota Income Tax on Foreign Source Income

- Worldwide Unitary Taxation
  - Unitary taxation theory originally included all companies both domestic and foreign
  - International and Federal political pressure resulted in "waters-edge" application

Minnesota Income Tax on Foreign Source Income

- Impact of Water's Edge Unitary Taxation
  - Entities organized in foreign country excluded from tax base
  - Companies organized in United States with significant foreign operations included in tax base
  - Different tax treatment while operations looked very similar

Minnesota Income Tax on Foreign Source Income

- Minnesota's response to the issue raised by water's edge taxation
  - Foreign operating corporations
  - Foreign royalty subtraction

Minnesota Income Tax on Foreign Source Income

- Foreign Operating Corporations
  - Domestic corporation that is part of a unitary group
  - 80% of property and payroll in foreign jurisdiction
  - Income is deemed to be a dividend to the unitary group
  - Dividend is subject to 80% deduction – 20% of income is taxed

Minnesota Income Tax on Foreign Source Income

- Foreign Royalty Subtraction

  - 80% subtraction for "royalties, fees, or other like income" received from related foreign corporation or FOC

  - Goal was to include in income only an amount that was earned as a result of domestic activities
    - For example, royalties are earned as a result of domestic research and development expenditures

  - Separate goal to avoid disincentive for bringing money back to Minnesota

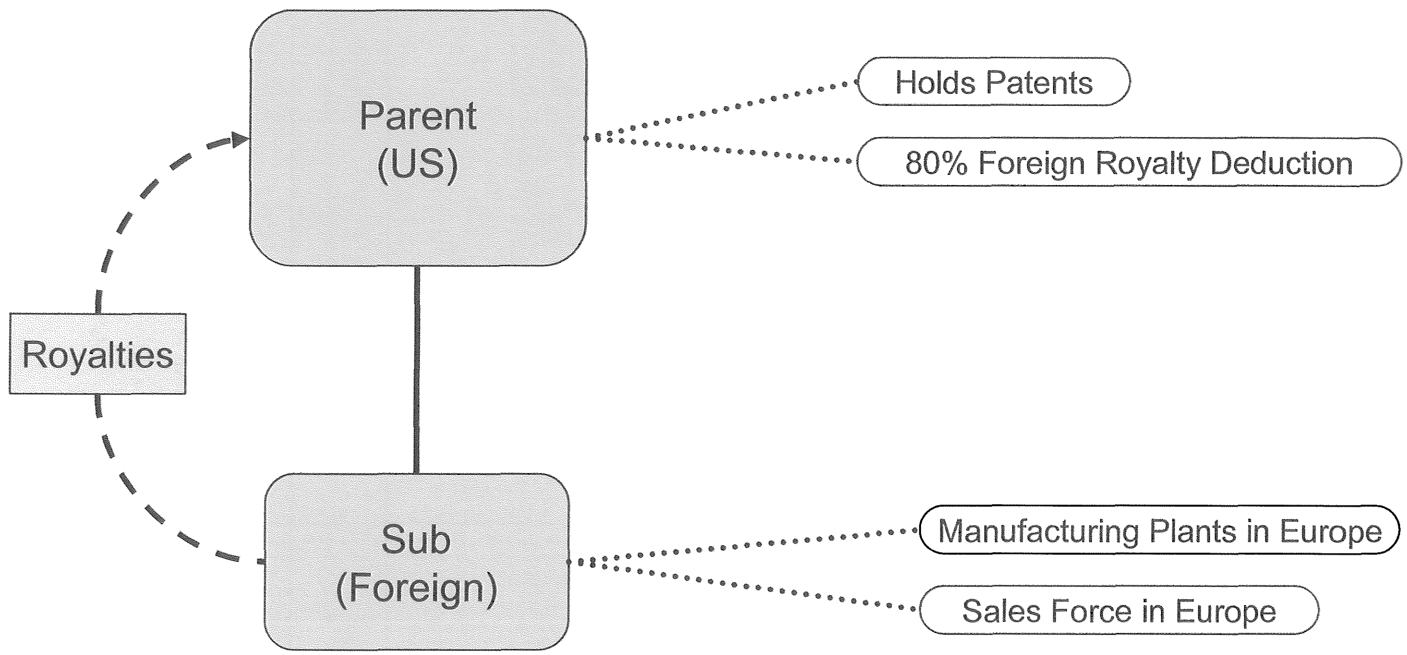
Minnesota Income Tax on Foreign Source Income

- Range of Uses of this Tax Structure
  - Full operations
    - May have foreign manufacturing operations, sales force
  - Contract manufacturing
    - Hire unrelated foreign entity to manufacture product that domestic company sells in international or domestic marketplace

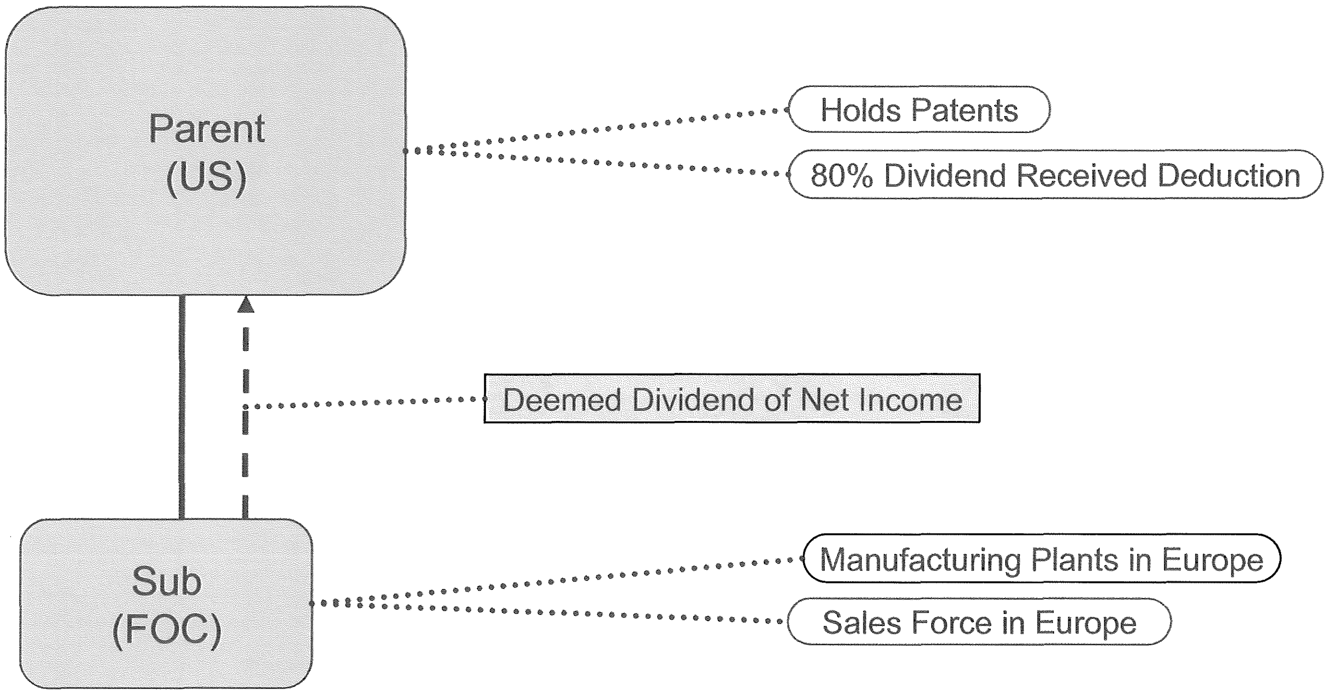
Minnesota Income Tax on Foreign Source Income

- Range of Uses of this Tax Structure (cont'd)
  - Sales/distribution
    - Retail companies have international distribution facilities and sales force
  - Maintenance of intangibles such as debt, intellectual property
    - All of above companies may have some of this
    - FOC may be formed to hold these intangibles – related income is subject to 80% exclusion whether income is generated from domestic or international sources

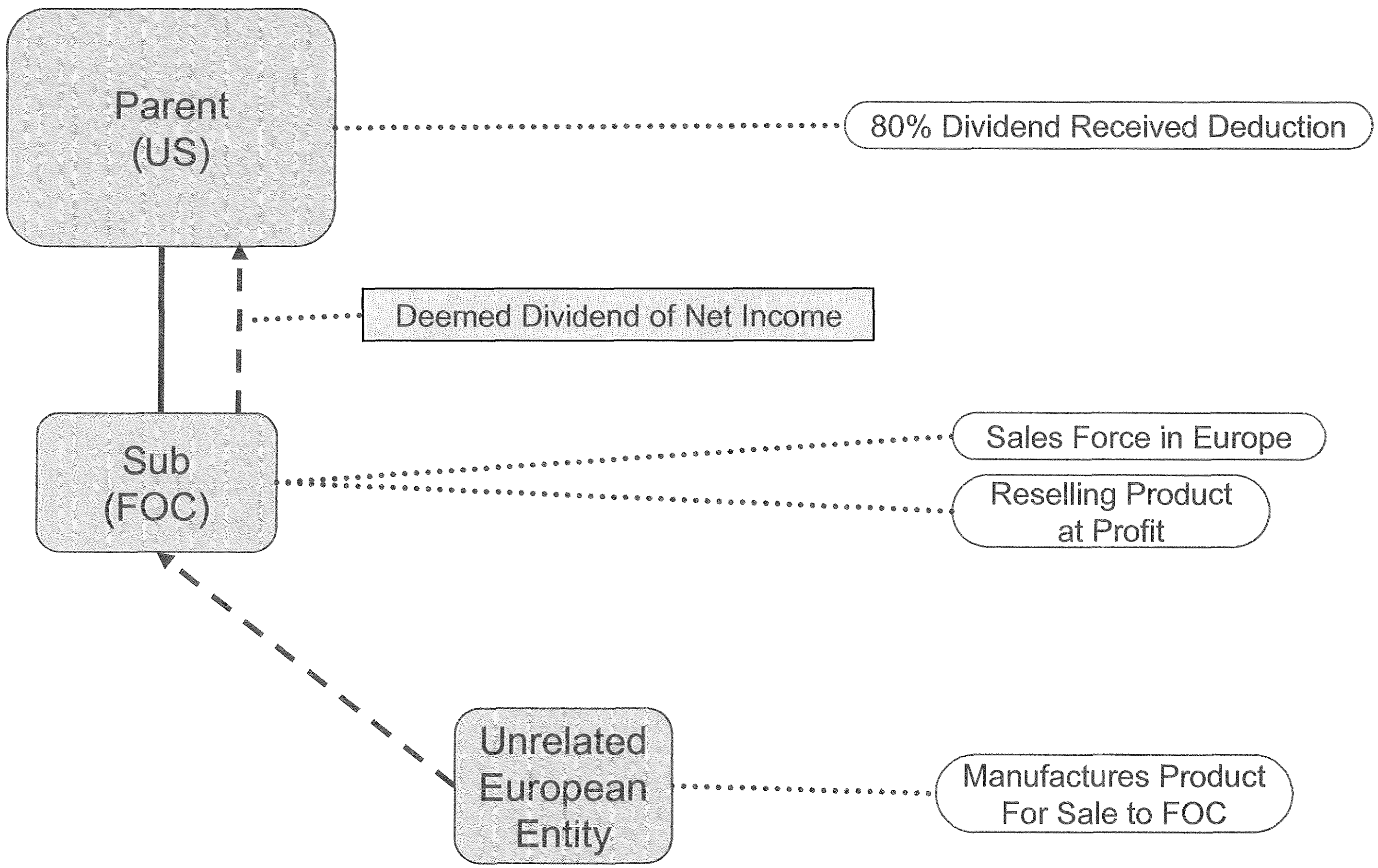
Minnesota Income Tax on Foreign Source Income



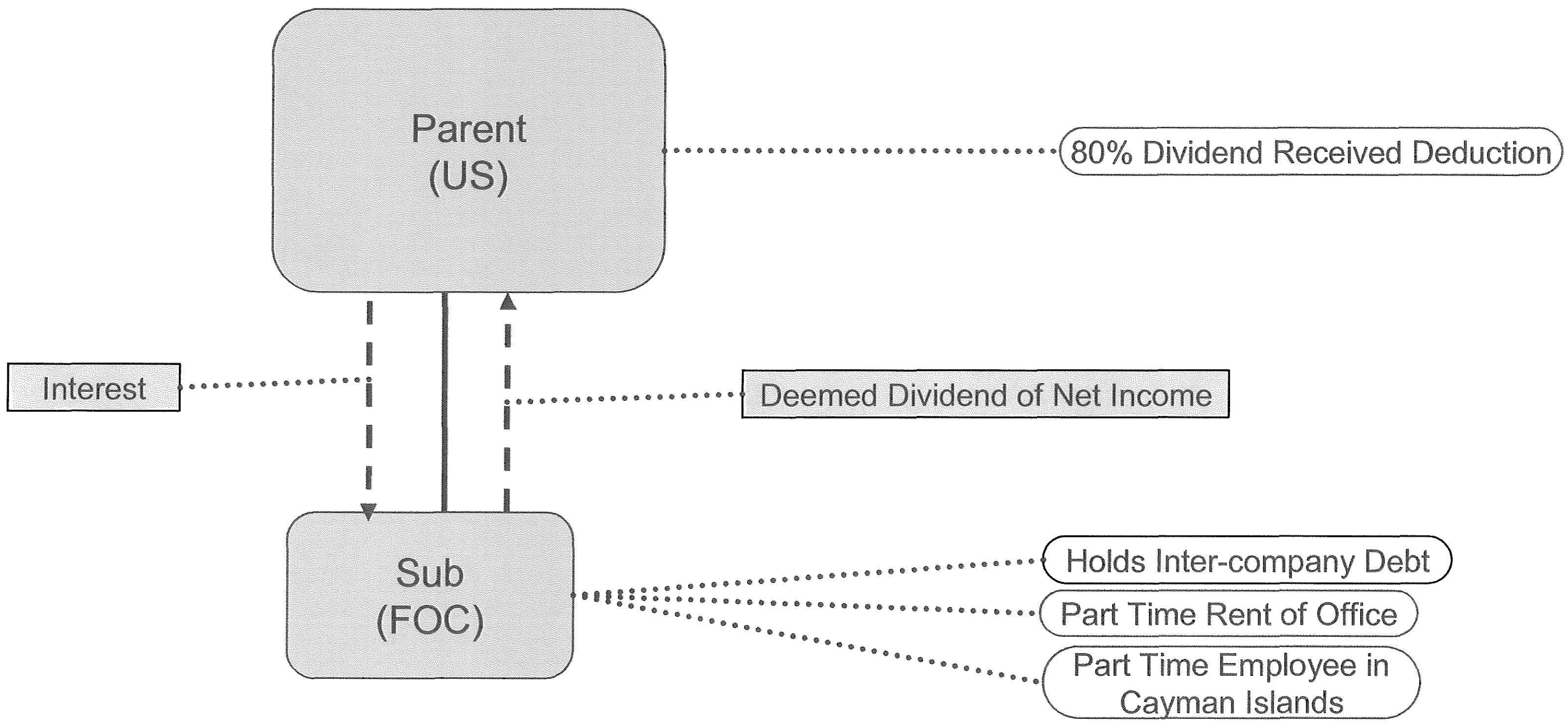
Minnesota Income Tax on Foreign Source Income



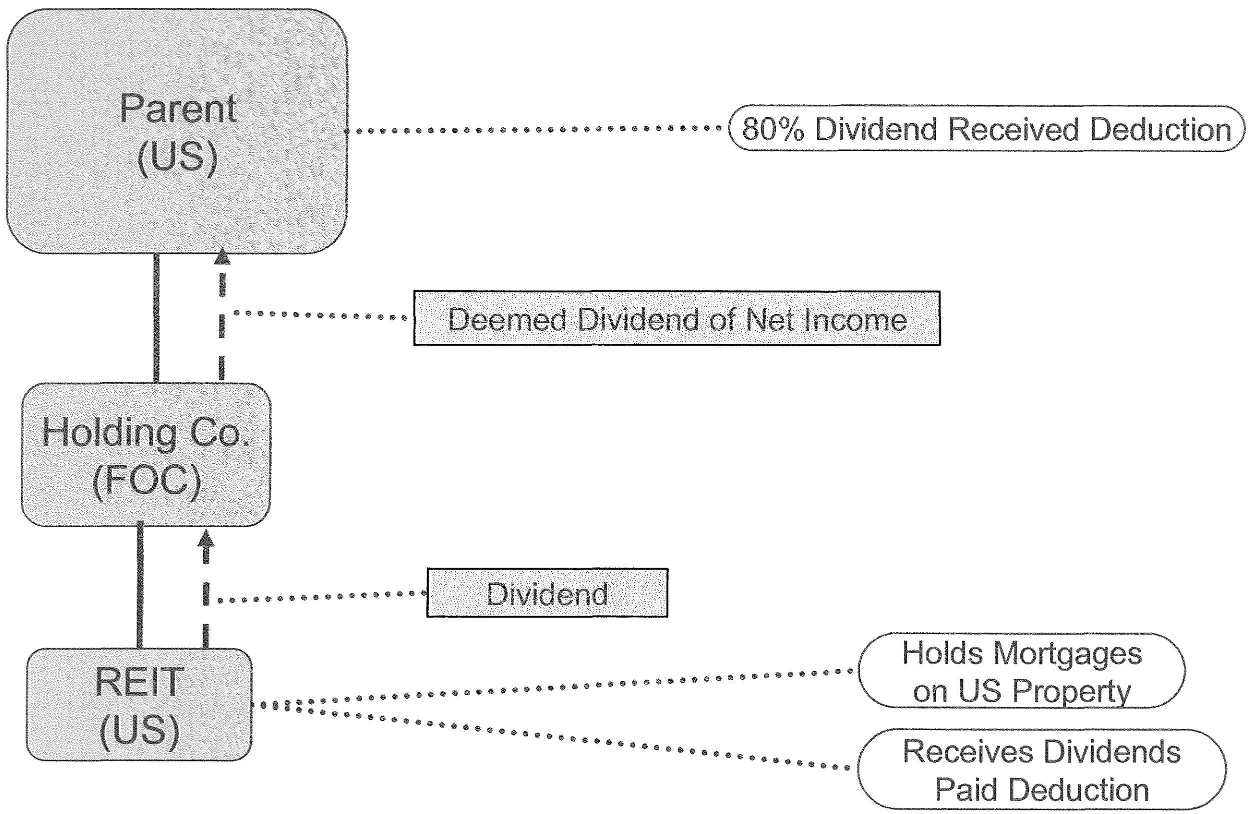
Minnesota Income Tax on Foreign Source Income



Minnesota Income Tax on Foreign Source Income



Minnesota Income Tax on Foreign Source Income



Minnesota Income Tax on Foreign Source Income

- Policy Issues for Discussion
  - Interest, royalties and other payments generated domestically by intangibles - should this income be excluded?
  - Maintenance of benefits with respect to true foreign source income

Minnesota Income Tax on Foreign Source Income

- Policy Issues for Discussion (cont'd)
  - Viability of unitary taxation
  - Clarity of law
  - Predictability of state revenues
  - Consistency of taxation between similarly situated taxpayers

Minnesota Income Tax on Foreign Source Income

- Possible Legislative Actions
  - Worldwide unitary reporting
  - Increase DOR's enforcement authority
    - Explicit language requiring economic substance/business purpose
    - Auditor training
  - Minimum requirement of foreign property and payroll – different levels have been recommended
  - Disallowance of deductions for payments of domestic company to FOC related to intangible assets
  - Disallowance of royalty subtraction and FOC benefits when income is generated domestically

#7

Foreign Operating Corporations

Presented at April 21, hearing of Senate Tax Committee

Handout #7

What is an FOC

- A U.S. company with foreign operations is excluded from the MN unitary group
- 20% of its income is effectively taxed by Minnesota
- The entity must have less than 20% of its average property and payroll in the U.S.

Review of 1988 law

- Why the 1988 law?

  - the idea was to level the playing field between Minnesota companies and foreign competitors

  - the law was created to encourage homegrown companies to enter the increasingly global market place

How MN law differs from federal

- Controlled foreign corporation (CFC)
  - Dividend income included in federal return
  - Federal foreign tax credit
  - MN allows a deduction for 80% of a dividend from CFCs

How MN law differs from federal

- Foreign Branch
- Federal domestic return includes income of a foreign branch
- MN taxes earnings of foreign branch
- An FOC is effectively subject to tax on 20% of its net income

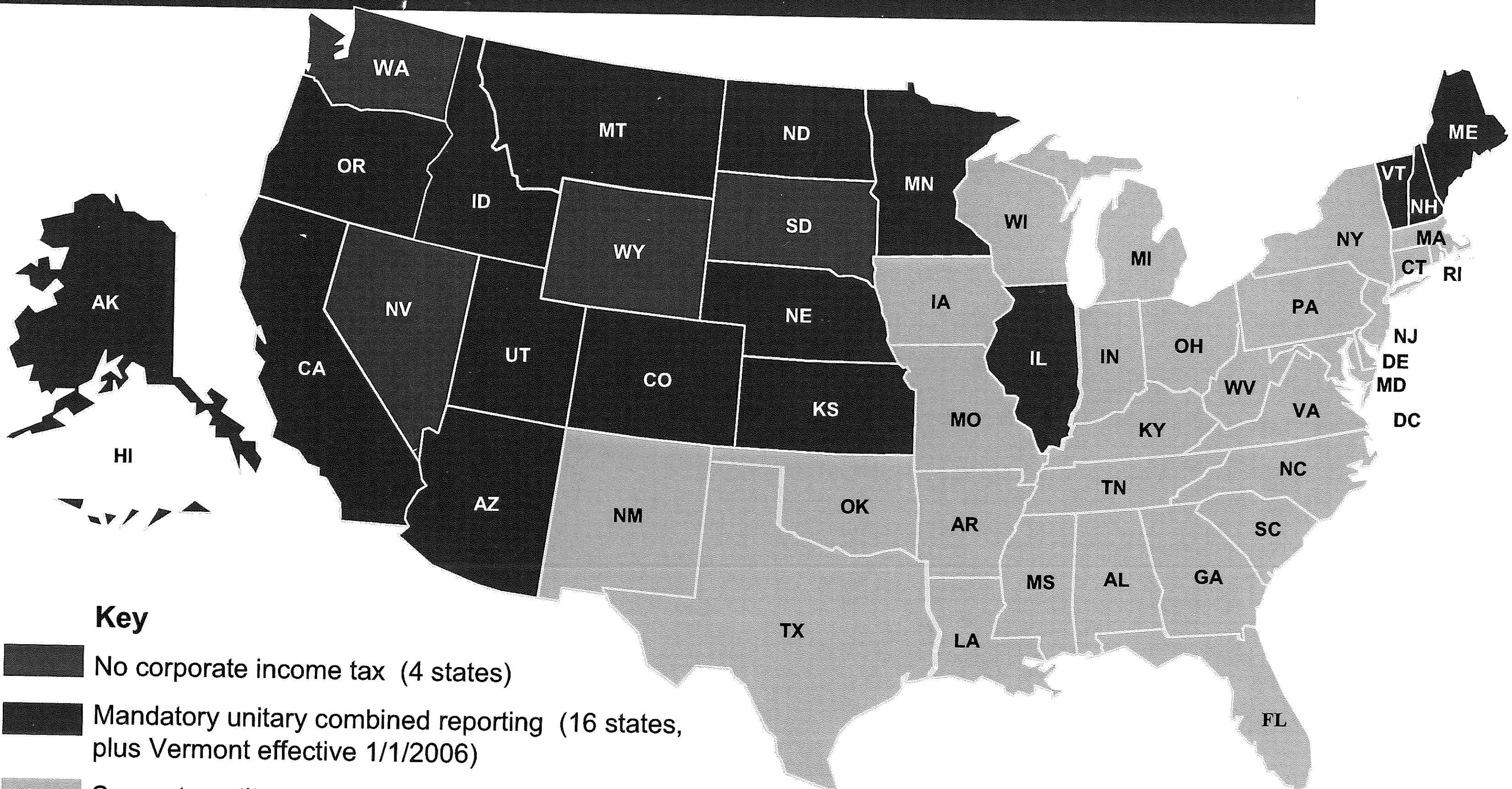
DOR defines the problem

- There are concerns that current law, as written, allows FOC status for companies that are neither "foreign nor operating"
- The DOR has suggested that organizations are using FOCs for tax planning
- The department has suggested that some corporations have taken traditional U.S. income and moved it into an FOC

DOR defines the problem cont.

- Corporate profits are up
- There has not been a drop in corporate tax collections, just a drop in collections relative to the forecast. These payments have been below projected levels
- Payments have been below projected levels in 2003 and the first 2 quarters of 2004
- DOR wants to clarify language; but believes there are legitimate uses of the FOC structure

State income tax – unitary vs separate company



Key

No corporate income tax (4 states)

Mandatory unitary combined reporting (16 states, plus Vermont effective 1/1/2006)

Separate entity or elective consolidated reporting (30 states total, plus D.C.)

Mandatory unitary states: worldwide vs. water's-edge

State [1]	Mandatory Worldwide Filing	Mandatory Water's-Edge Filing	Can the Group Elect to file Water's-Edge or Worldwide	80/20 - FOCs are Excluded from the Unitary Group
ALASKA	NO	YES	NO	YES
ARIZONA	NO	YES	NO	YES
CALIFORNIA	YES	NO	YES	YES
COLORADO	YES	NO	NO	YES
HAWAII	NO	YES	NO	NO
IDAHO	YES	NO	YES	NO
ILLINOIS	YES	NO	NO	YES
KANSAS	NO	YES	NO	NO
MAINE	NO	YES	NO	NO
MINNESOTA	NO	YES	NO	YES
MONTANA	YES	NO	YES	YES
NEBRASKA	NO	YES	NO	NO

[1] Note that the above information is based in part on information from tax services such as CCH and/or BNA. For additional detail regarding each state's specific rules please see the state's statutes, regulations and/or case law.

Mandatory unitary states: worldwide vs. water's-edge (cont)

State [1]	Mandatory Worldwide Filing	Mandatory Water's-Edge Filing	Can the Group Elect to file Water's-Edge or Worldwide	80/20 - FOCs are Excluded from the Unitary Group
NEW HAMPSHIRE	NO	YES	NO	YES
NORTH DAKOTA	YES	NO	YES	YES
OREGON	NO	YES	NO	NO
UTAH	NO	YES	YES	YES
VERMONT (effective 1/1/06)	YES	NO	NO	YES

[1] Note that the above information is based in part on information from tax services such as CCH and/or BNA. For additional detail regarding each state's specific rules please see the state's statutes, regulations and/or case law.

Other states with similar FOC provisions to Minnesota

- Alaska
- Arizona
- Colorado
- Illinois
- Montana
- New Hampshire
- North Dakota
- Utah
- Vermont

How the FOC laws of other states differs from Minnesota

- Activity test is based on 80% or more outside the U.S. vs 20% or less within the U.S.
- Activity test includes property, payroll and sales
- Activity test is based on more than one tax year
- FOC must have 20% or less of its income from U.S. sources as determined under IRC § 861(c)
- Operations in U.S. territories (e.g. U.S. Virgin Islands) are not considered outside the U.S.
- The operations of a foreign entity which is disregarded for federal purposes is treated as if it were a division of an FOC, if that FOC is the sole member of the foreign entity

How the FOC laws of other states differs from Minnesota (cont)

- FOC can be taxed as a separate entity
- Dividends are taxable when received vs. a deemed dividend
- The income included from an FOC is based on net book income for financial statement purposes
- Percentage of dividend income from an FOC subject to tax
- Calculation of the amount of dividend income from an FOC that is taxable is based on the unitary group's apportionment factors, plus the FOC's apportionment factors
- In MN, FOC income is based on net book income (GAP ACCTG) as reported in financial statements

depreciation is a factor as it is accelerated under "net book".

Downside to taxpayers of MN's FOC law

- Current year losses from an FOC cannot be carried forward to offset its future income
- Current year losses from an FOC cannot reduce the unitary group's income
- The unitary group's apportionment factors do not include the apportionment factors of an FOC

- 20% of FOC's income subject to tax no factor representation

- Whereas a foreign corporation's income is taxable only when it pays a dividend, an FOC's income is taxable when earned

Recent legislative activity – IL add back legislation

- Illinois enacted legislation requiring add back for related party transactions with 80/20 companies.
  - Effective for taxable years ending on or after December 31, 2004, individuals, corporations, trusts and partnerships must add back to federal taxable income any interest and intangible expenses paid to an "80/20" entity to the extent safe harbors do not apply.
  - Intangible expense includes:
    - expenses, losses and costs for or related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange or any other disposition of intangible property;
    - losses incurred, directly or indirectly, from factoring transactions or discounting transactions;
    - royalty, patent, technical or copyright fees;
    - licensing fees; and
    - other similar costs.

Recent legislative activity – IL safe harbor provisions

- The interest add back may not be required if:
  - The corresponding interest income is subject to tax in a foreign country or state: or
  - It can be established that
    - The 80/20, during the same taxable year, paid, accrued, or incurred the interest to a person that is not a related member; and
    - The transaction giving rise to the interest expense did not have as its principal purpose the avoidance of Illinois income tax and is paid pursuant to a contract that reflects arm's-length rates and terms:
  - It can be established that the interest paid, accrued, or incurred is at arm's-length and the principal purpose is not federal or Illinois income tax avoidance; or
  - The taxpayer can establish by clear and convincing evidence that the add back adjustments are unreasonable; or
  - The taxpayer and Director agree in writing to the application or use of an alternative apportionment method.

Recent legislative activity – IL safe harbor provisions (Cont)

- The intangible expense add back may not be required if:
  - The corresponding income from intangibles is subject to tax in a foreign country or state; or
  - It can be established with a preponderance of the evidence that:
    - The 80/20, during the same taxable year, paid, accrued, or incurred the interest to a person that is not a related member; and
    - The transaction giving rise to the interest expense did not have as its principal purpose the avoidance of Illinois income tax and is paid pursuant to a contract that reflects arm's-length rates and terms; or
  - The taxpayer can establish by clear and convincing evidence that the add back adjustments are unreasonable; or
  - The taxpayer and Director agree in writing to the application or use of an alternative apportionment method.

Recent legislative activity – VT unitary legislation adopted

- HB 784 was signed by Governor James Douglas on June 7, 2004. – Provisions effective tax years beginning on or after January 1, 2006.
  - Repeals current corporate income tax provisions that impose only the minimum tax on intangible holding companies
  - Adopts a unitary combined reporting for affiliated entities
- The legislation defines "affiliated group" as two or more corporations of which more than 50 percent of the voting stock of each member is directly or indirectly owned by a common owner or owners or by one or more of the member corporations, <u>excluding overseas business organizations (*i.e.*, 80/20 corporations)</u> and captive insurance companies.
- The legislation also:
  - double weights the sales factor, for taxable years beginning on or after January 1, 2006; and
  - reduces the maximum corporate income tax to 8.9 percent from 9.75 percent, for taxable years beginning on or after January 1, 2006, and to 8.5 percent, for tax years beginning on or after January 1, 2007

What has changed since 1988?

- How companies earn profits (manufacturing, technology, services, etc.)
- Where companies area doing business – there is a global presence for most organizations
- Single Member Limited Liability Companies (SMLLCs)
- Some companies have aggressively planned for state taxes
- Business is highly competitive

Examples

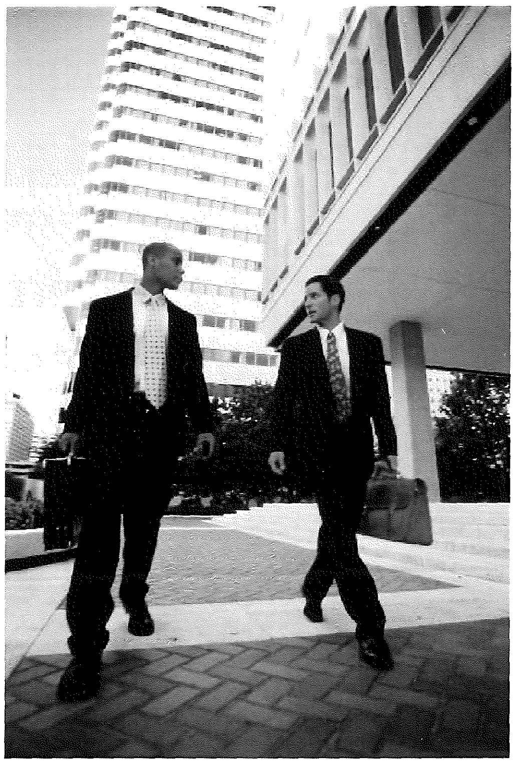
Contract manufacturing

- Widget Co. has two plants in the U.S.
- Widget Co. has five large customers in Europe
- In order to increase sales in Europe and decrease transportation cost of product to Europe, Widget Co. has increased its sales force in Europe as well as built a plant in the UK
- Widget Co. set up a U.S. Company – Widget UK to own the plant

Widget co. (cont)

- Widget UK contracts out all labor in the UK to a third party
- Widget UK meets the definition of an FOC with all property and payroll in the UK
- Minnesota taxes 20% of Widget UK's net income

Companies with Intangible Assets

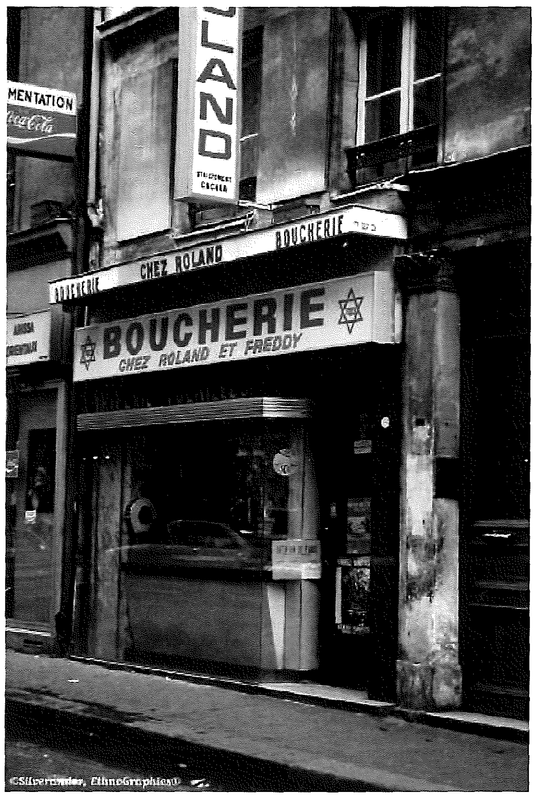


- Cash management co.
- Cash Co. is part of a unitary business with 10 other members
- Cash Co. is a U.S. company
- Cash Co. operates as the bank for the unitary group. It makes daily cash sweeps from all bank accounts and provides all members with cash needs and invests all excess cash
- Cash Co. earns investment income from short-term and long-term investment of the consolidated group, including third-party investments and intercompany borrowing

Cash Co. (cont)

- Cash Co. has treasury people in MN and 20 sales people overseas
- The balance sheet of Cash Co. consists of investments, computers, and office fixtures and furniture of the two treasury people in MN and 20 sales people overseas
- Cash Co. has less than 20% of its property and payroll in the U.S, and therefore meets the definition of an FOC
- Minnesota taxes 20% of the income of Cash Co.

Companies with Intangible Assets Intellectual Properties company



- IP Co. is part of unitary business with Store Co.
- IP Co. is a U.S. company
- IP Co. was incorporated in 1985 to hold franchise rights of Store Co. – company owned locations and third-party franchises in both the U.S. and abroad
- Prior to 1998, IP Co. had not property or payroll
- In an effort to increase locations overseas, IP Co. hired 8 marketing representatives in Germany in 1998 to expand the business

IP Co. (cont)

- IP Co. pays Store Co. for services of the marketing representatives employed by Store Co. who are responsible for increasing franchise locations in the U.S.
- IP Co. has all of its property and payroll outside the U.S. and therefore, meets the definition of an FOC
- Minnesota taxes 20% of IP Co.

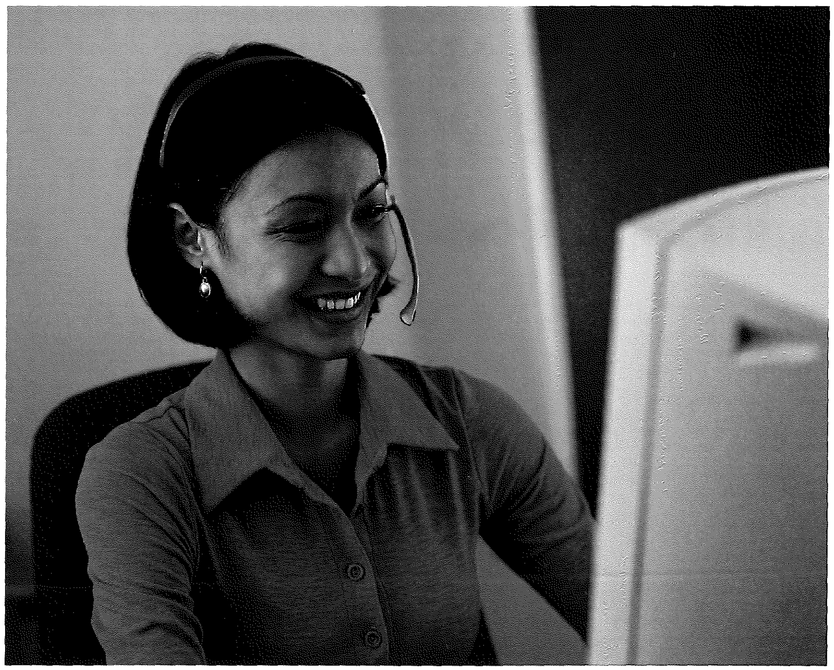
Zebra Technologies Corp.

- Zebra is a manufacturer
- Two subsidiaries were created to own, protect, and license trademarks, patents, and other intellectual property
- Subsidiaries had rented office space and a computer in Bermuda and one employee who was paid $600 per month by each company for services rendered in Bermuda
- Zebra had employees in the U.S. whose responsibility was to perform quality control of the intellectual property

Zebra Tech Corp (cont)

- The subsidiaries meet the definition of an FOC in Minnesota
- Therefore, 20% of the income is effectively taxes in Minnesota

Services Company



- IT company is a software developer
- IT company has a division that custom develops its software to meet its customers' needs
- Services-Asia is a 100%-owned subsidiary of IT company
- Services-Asia is a U.S. entity
- Services-Asia employs 5 U.S. employees that custom develop IT Company's software in Asia. 100% of their services are conducted in Asia

Services Co. (cont)

- The employees work from client location and have computers
- Services-Asia has all it property and payroll overseas and therefore qualifies as an FOC
- Minnesota taxes 20% of the net income of Services-Asia

Things that need to be considered when drafting legislation

- That the law can stand up against court battles
- Promote economic activity/growth in Minnesota
- Be clear and concise
- Make sure businesses know the playing field

Questions??

MNCPA FOC Task Force Members

Don Brown, Cargill

Bob Buetow, LarsonAllen

Greg Haage, McGladrey Pullen

Dave Hoffman, Cargill

Sharon Jensen, Robert Half Finance

Karen Martodam, 3M

Robert Ozmun, PricewaterhouseCoopers

Barb Renner, Deloitte & Touche

#8

Corporate Franchise Tax

Phase-in 100% sales apportionment over eight years: Multi-state corporations pay tax based on the portion of their total income that is apportioned to Minnesota. Under prior law, Minnesota's share of a corporation's income was calculated as a weighted average of the share of that corporation's total sales that are located in Minnesota (75 percent), the share of its total property that is located in Minnesota (12.5 percent), and the share of its total payroll that is paid in Minnesota (12.5 percent). The new law will increase the sales factor from 75 percent to 100 percent, over eight years, as shown in Table 2.[13]

Table 2. Phase-in of 100 Percent Sales Apportionment

Tax year	Apportionment Factors (percent)		
	Sales	Property	Payroll
2007	78%	11.0%	11.0%
2008	81%	9.5%	9.5%
2009	84%	8.0%	8.0%
2010	87%	6.5%	6.5%
2011	90%	5.0%	5.0%
2012	93%	3.5%	3.5%
2013	96%	2.0%	2.0%
2014	100%	--	--

The change will reduce a corporation's tax liability if the Minnesota share of its production (property and payroll) exceeds the Minnesota share of its sales. Conversely, the change will increase a corporation's tax liability if the Minnesota share of its sales exceeds the Minnesota share of its production. Corporations with all their sales, property, and payroll in Minnesota will see no change in their tax liability.

The change is intended to increase Minnesota's competitiveness by reducing tax burdens on companies that sell in national and international markets, such as manufacturing. With 100 percent sales apportionment, a corporation that increases (or decreases) production in Minnesota will see no change in its tax burden unless it simultaneously increases its sales in Minnesota. In moving to single sales apportionment, Minnesota is following a national trend. Seven states (including Iowa, Illinois, Missouri, and Nebraska) now use single sales apportionment, and both Wisconsin and Oregon will use join the list in 2008. Michigan weights sales at 90 percent.

When fully phased in, this law change will reduce corporate tax revenues by about $50 million per year.

Winners and Losers from 100 percent Sales Apportionment: A detailed analysis in 2004 provided information about who wins and who loses under 100 percent sales apportionment. At that time, it was estimated to reduce taxes for 4500 corporations while increasing taxes for 6,500 corporations. Had 100% sales apportionment been in effect in 2004, the 4,500 gainers would have paid $85 million less tax. The 5,500 losers would have paid $42 million more. Some of the individual tax changes would have been large: 130 corporations would have seen tax cuts exceeding $100,000 (an average of $500,000 each), while 80 corporations would have seen tax increases exceeding $100,000 (an average of $200,000 each.)

Those with large tax cuts will include manufacturing firms whose production facilities are concentrated in Minnesota but who sell in national markets. Those with large tax increases will include manufacturing firms with significant sales in Minnesota but negligible production facilities here. Single sales apportionment increases the incentive to locate production facilities in Minnesota (if the corporations already have nexus in the state).

Every year about 50,000 corporations file tax returns. The 2004 analysis showed 39,000 of them would be unaffected by the move to single sales apportionment. These include many who have all their payroll, property and sales in Minnesota, plus some others with zero taxable income.

Limit applicability of Foreign Operating Corporation rules: Minnesota law defines a category of corporations – foreign operating corporations (FOCs) – that qualify for special tax treatment. Generally, these corporations are domestic (US) companies with less than 20 percent of their property and payroll in the US. The special tax treatment (a foreign royalties subtraction and a dividends received deduction) can exempt 80 percent of their income from Minnesota tax. These tax rules were enacted in the late 1980s, when Minnesota first required related corporations to file a combined tax return as a "unitary business." It was argued that the FOC provisions were needed to offset the resulting heavy taxation of income from foreign operations.

The law change aims to ensure that an FOC's foreign operations have economic substance and are not just a guise that shifts domestic profits into a nontaxable shell or form. The law change requires an FOC to have at least $2 million in foreign property *and* $1 million in foreign payroll.[14]

This *de minimus* threshold, effective for the 2005 tax year, will raise an estimated $3.1 million in the 2006-07 biennium. The estimated gain declines in future years, though, falling to $1.4 million in the 2008-09 biennium.[15]

[14] The enacted language does not allow contract employment to count toward the *de minimus* for foreign payroll. However, a corporation with more than $1 million in foreign contract employment (and no payroll) is exempt from a second requirement that the average of the foreign shares of payroll and property exceed 80 percent. (Instead, only the foreign property share would be required to exceed 80 percent.)

[15] The decline in estimated revenue in later years reflects the Revenue Department's belief that corporations will be successful in adapting their corporate structures over time to satisfy the new rules.

Hutchinson Technology vs. Commissioner of Revenue (2005): This Supreme Court ruling in June 2005 (shortly before the end of the 2005 legislative session) greatly expanded the number of corporations that qualify as FOCs. At that time, the court decision was estimated to reduce Minnesota revenues by $250-$300 million in FY 2006-07 and by $150-$200 million in FY 2008-09. Two-thirds of this estimated loss is retroactive, in the form of tax refunds paid on amended returns for past tax years. About one-third is prospective, in the form of lower tax liability in future years.

Table 1 understates the true revenue impact the FOC provision enacted in 2005, because that revenue estimate was based on the law prior to the *Hutchinson* decision. Following standard practice, the revenue estimate uses the February 2005 forecast as the baseline. That forecast predated the *Hutchinson* decision, and no official adjustment was made to the forecast following the court decision. Nevertheless, the enacted law change will significantly reduce the estimated *prospective* cost of the *Hutchinson* decision. Much of that cost came from extending FOC benefits to "passive investment companies" (PICs). These companies, incorporated in Delaware and Nevada, generally have zero property and zero payroll. Although the *Hutchinson* decision would allow these companies to qualify as FOCs, few if any would be able to satisfy the *de minimus* property and payroll requirements of the new law. As a result, the new law will reduce the estimated prospective revenue loss by roughly $75 million in each biennium.

This $75 million per biennium revenue increase, not shown on Table 1, increases the importance of the enacted provision far beyond the small revenue gain shown on that table ($3.1 million in FY 2006-07 and $1.7 million in FY 2008-09).

Federal Conformity (individual income tax and corporate franchise tax)

The omnibus tax act conforms Minnesota law to most of the federal tax law changes enacted since the end of the 2003 legislative session. Minnesota tax calculations (for both individual and corporate tax) start with federal taxable income (FTI). As a result, any federal law that changes the definition of FTI requires that Minnesota either conform to the federal change or add a line on the Minnesota return to add back (or subtract) the difference. Federal conformity is not automatic; failure to do anything (as in the 2004 legislative session) means Minnesota has not conformed. Legislative inaction in 2004 complicated tax filing for about 75,000 Minnesota taxpayers. When they filed their 2004 tax return, they had to complete a special new tax form (Form M1NC), adding back income deducted federally as a result of federal tax law changes enacted in 2003 and 2004. The affected taxpayers included 25,000 with Health Savings Accounts, 50,000 with a teacher expense deduction, and 1,500 military personnel.

Table 3 shows the major federal law changes to which Minnesota conformed (or, in one case, partially conformed). Further comments on some of the law changes:

Military Family Relief Act of 2003: Most of the fiscal impact is from allowing members of the National Guard and reserves a deduction for unreimbursed travel expenses when travel exceeded 100 miles and required an overnight stay (effective retroactive to tax year 2003).

Health Savings Accounts: The federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 allows a subtraction for contributions to these tax-preferred

S.F. 3716 (Pogemiller)

Corporate Tax Proposal
Preliminary Estimates

The table below presents estimates on a corporate franchise tax proposal drafted as BL1119 (5/19/05 JZS).

- Sections 2 through 4 reduce the usage of the foreign operating corporation (FOC) tax regime and the foreign royalty subtraction.
- The estimates of current law against which the proposal is measured reflect the February 2006 forecast and include the estimated impact of the June 2005 decision by the Minnesota Supreme Court in *Hutchinson Technology, Inc., vs. Commissioner of Revenue.*
- The effective date is tax year 2006.
- Due to the tax year 2006 effective date, the tax year 2006 impact that would normally occur in fiscal year 2006 is shifted to fiscal year 2007. Generally, tax year impact is allocated 30%/ 70% to fiscal years.

Summary of Senate Proposal

The proposal changes the test to determine whether a corporation qualifies for FOC status. Under current law, in order to qualify for FOC status a corporation must have 80% or more of the average of its property and payroll factors located outside the United States. Also, a corporation must have $1 million of payroll and $2 million of property located outside the U.S. Under the proposal, a corporation qualifies as an FOC based on the percentage of its income from foreign sources. The proposal relies on definitions in the Internal Revenue Code to determine whether income is from foreign sources.

The proposal reduces the income of a foreign operating corporation if its intangible income is classified as from domestic sources according to the Internal Revenue Code. Also, the foreign royalty subtraction is reduced if the royalty is classified as from domestic sources according to the Internal Revenue Code.

Table 1. Senate Proposal BL 1119

	FY 2006	FY 2007	FY 2008	FY 2009
Foreign Operating Corporations	$0	$121,500	$94,100	$94,100
Royalty Subtraction	$0	$38,000	$28,300	$27,800
Interaction	$0	$1,100	$800	$700
Total	$0	$160,600	$123,200	$122,600

Minnesota Department of Revenue
Tax Research Division
March 14, 2006

Corporate Tax_Jan30_Request / dkd

A bill for an act

relating to housing; adjusting deed tax percentage; providing rental housing assistance; establishing a housing account for leverage opportunity; appropriating money; amending Minnesota Statutes 2004, sections 462A.201, by adding a subdivision; 462A.33, by adding a subdivision; Minnesota Statutes 2005 Supplement, section 287.21, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 462A.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. <u>**HOUSING SOLUTIONS ACT.**</u>

<u>Sections 2 to 6 shall be known as the Housing Solutions Act.</u>

Sec. 2. Minnesota Statutes 2005 Supplement, section 287.21, subdivision 1, is amended to read:

Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument by which any real property in this state is granted, assigned, transferred, or otherwise conveyed. The tax applies against the net consideration. For purposes of the tax, the conversion of a corporation to a limited liability company, a limited liability company to a corporation, a partnership to a limited partnership, a limited partnership to another limited partnership or other entity, or a similar conversion of one entity to another does not grant, assign, transfer, or convey real property.

(b) The tax is determined in the following manner: (1) when transfers are made by instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is $1.65; (2) when there is no consideration or when the consideration, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, is $500 or less, the tax is

$1.65; or (3) when the consideration, exclusive of the value of any lien or encumbrance remaining at the time of sale, exceeds $500, the tax is ~~.0033~~ .005 of the net consideration.

(c) If, within six months from the date of a designated transfer, an ownership interest in the grantee entity is transferred by an initial owner to any person or entity with the result that the designated transfer would not have been a designated transfer if made to the grantee entity with its subsequent ownership, then a tax is imposed at ~~.0033~~ .005 of the net consideration for the designated transfer. If the subsequent transfer of ownership interests was reasonably expected at the time of the designated transfer, the applicable penalty under section 287.31, subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30 days of the subsequent transfer that caused the tax to be imposed under this paragraph. Involuntary transfers of ownership shall not be considered transfers of ownership under this paragraph. The commissioner may adopt rules defining the types of transfers to be considered involuntary.

(d) The tax is due at the time a taxable deed or instrument is presented for recording, except as provided in paragraph (c). The commissioner may require the tax to be documented in a manner prescribed by the commissioner, and may require that the documentation be attached to and recorded as part of the deed or instrument. The county recorder or registrar of titles shall accept the attachment for recording as part of the deed or instrument and may not require, as a condition of recording a deed or instrument, evidence that a transfer is a designated transfer in addition to that required by the commissioner. Such an attachment shall not, however, provide actual or constructive notice of the information contained therein for purposes of determining any interest in the real property. The commissioner shall prescribe the manner in which the tax due under paragraph (c) is to be paid and may require grantees of designated transfers to file with the commissioner subsequent statements verifying that the tax provided under paragraph (c) does not apply.

Sec. 3. Minnesota Statutes 2004, section 462A.201, is amended by adding a subdivision to read:

Subd. 8. **Appropriation.** An amount equal to the proceeds of the deed tax under section 287.21, subdivision 1, paragraph (b), clause (3), on .000709 of the net consideration is appropriated from the general fund to the commissioner of finance for transfer to the housing development fund and credit to the housing trust fund account to be used for rental assistance. No more than ten percent of these funds may be used for operations of rental housing under section 462A.201. This appropriation to the housing trust fund account shall not supplant current funding levels for housing.

Sec. 4. Minnesota Statutes 2004, section 462A.33, is amended by adding a subdivision to read:

Subd. 9. **Appropriation.** An amount equal to the proceeds of the deed tax under section 287.21, subdivision 1, paragraph (b), clause (3), on .000566 of the net consideration is appropriated from the general fund to the commissioner of finance for transfer to the housing development fund to be used for the economic development and housing challenge program. This appropriation to the housing development fund shall not supplant current funding levels for housing.

Sec. 5. **[462A.35] HOUSING ACCOUNT FOR LEVERAGE OPPORTUNITY.**

Subdivision 1. **Created.** The housing account for leverage opportunity is an account created to be administered by the agency.

(a) The fund shall provide matching grants to eligible recipients for preservation, renovation, or development of affordable home ownership or rental housing.

(b) Not less than 40 percent of the funds in the account are to be available for project applications submitted by eligible recipients outside of the seven-county metropolitan area as defined in section 473.121, subdivision 2, and outside of community development entitlement areas as defined by the United States Department of Housing and Urban Development.

(c) In any biennial funding cycle, funds not committed to eligible recipients for affordable housing projects by March 1 of any odd-numbered year shall be available to provide matching funds for projects of eligible recipients without regard to the limitation established in paragraph (b).

(d) Only one matching grant may be awarded within the jurisdictional boundaries of any eligible recipient in any year.

Subd. 2. **Eligible recipients.** Matching grants may be made to a county; a city, as defined in section 462A.03, subdivision 21; a housing and redevelopment authority or public housing agency, established pursuant to sections 469.001 to 469.047; an economic development authority, established pursuant to sections 469.090 to 469.1082; a community development agency, established pursuant to section 383D.41; or a federally recognized American Indian tribe located in Minnesota.

Subd. 3. **Matching requirements.** (a) Grants from the incentive fund must be matched on a dollar-for-dollar basis by funds, donations, including donations of building materials, the value of any fee reduction granted by an eligible recipient for a housing project, or the value of the land provided by eligible recipients.

(b) The minimum incentive fund grant award is $50,000. The maximum incentive fund grant award to any eligible recipient in any year is $1,000,000.

(c) Local matching funds may not include funds secured from any other state or federal program for the project for which eligible recipients submitted application to the incentive fund.

Subd. 4. **Income limits.** Households served through the incentive fund matching grant must not have incomes at the time of initial occupancy that exceed, for homeownership projects, 115 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development, and for rental housing projects, 60 percent of the greater of state or area median income as determined by the Department of Housing and Urban Development.

Subd. 5. **Application process.** Eligible recipients must submit applications by April 15 of each year and funds will be allocated from available state funds on a pro rata basis to eligible recipients whose applications satisfy matching requirements and income limits provided in this section.

Sec. 6. **APPROPRIATION.**

An amount equal to the proceeds of the deed tax under section 287.21, subdivision 1, paragraph (b), clause (3), on .000425 of ~~or~~ the net consideration is appropriated from the general fund to the commissioner of finance for transfer to the account established by section 462A.35.

This appropriation to the housing account for leverage opportunity shall not supplant current funding levels for housing.

Senate Counsel, Research, and Fiscal Analysis
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75 REV. DR. MARTIN LUTHER KING, JR. BLVD.
ST. PAUL, MN 55155-1606
(651) 296-4791
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JO ANNE ZOFF SELLNER
DIRECTOR

Senate
State of Minnesota

S.F. No. 3516 - Deed Tax Increase to Provide Housing Assistance

Author: Senator Richard Cohen

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) & 3A

Date: April 6, 2006

Section 1 provides a citation of this bill as the Housing Solutions Act.

Section 2 increase the rate of the deed tax from .0033 of the net consideration for the property transferred to .005.

Section 3 provides that an amount equal to the proceeds of the deed tax at a rate of .000709 of the net consideration is transferred to the housing development fund and credited to the housing trust fund account to be used for rental assistance. This appropriation must not supplant current funding levels for housing.

Section 4 provides that an amount equal to the proceeds of the deed tax at a rate of .000566 of the net consideration is transferred to the housing development fund to be used for the economic development and housing challenge program. This appropriation also is prohibited from supplanting current funding levels for housing.

Section 5 creates a housing account for leverage opportunity. The funds must provide matching grants to eligible recipients for preservation, renovation, or development of affordable home ownership or rental housing. Not less than 40 percent of the funds in the account must be available for applicants outside of the seven-county metropolitan area, and outside of community development entitlement areas. Matching grants may be made to counties, cities, housing and redevelopment authorities, public housing agencies, economic development authorities, community development agencies, or federally recognized American Indian tribes. Grants from the fund are required to be matched on a dollar-for-dollar basis by funds, donations, and the value of fee reductions granted by an eligible recipient for a housing project for the value of land provided by eligible recipients.

Grants may be in amounts between $50,000 and $1,000,000. The households that are served through the grants must not have incomes at the time of the initial occupancy of the units that exceed 115 percent of the greater of the state or area median income, and for rental housing projects, 60 percent of the greater of the state or area median income.

Section 6 appropriates an amount equal to the proceeds of the deed tax on .000425 of the net consideration to the housing account for leverage opportunities.

JZS:dv

MINNESOTA· REVENUE

DEED TAX
Rate Increase

March 30, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3516 (Cohen) / H.F. 3912 (Lanning)

	Fund Impact			
	F.Y. 2006	**F.Y. 2007**	**F.Y. 2008**	**F.Y. 2009**
		(000's)		
Increase in Deed Tax Rate	$0	$60,800	$59,400	$59,500
Appropriations to Housing Development Fund	$0	($62,700)	($61,200)	($61,300)
General Fund Net Impact	$0	($1,900)	($1,800)	($1,800)
Housing Development Fund	$0	$62,700	$61,200	$61,300

Effective July 1, 2006

EXPLANATION OF THE BILL

Current Law: When real property is transferred pursuant to a consolidation, or merger, or designated transfer, the transfer is subject to the minimum deed tax of $1.65. In addition, the deed tax is $1.65 when there is no consideration for the transfer, or the net consideration is $500 or less. When the net consideration exceeds $500 and the property is not transferred pursuant to a consolidation, or merger, or designated transfer, the deed tax is .0033 of the net consideration. The deed tax collected by each county, and 97% is apportioned to the state general fund and 3% to the county revenue fund.

Proposed Law: If the net consideration exceeds $500, and if the property is not transferred pursuant to a consolidation, or merger, or designated transfer, the deed tax is increased to .005 of the net consideration. In addition, for those same deed tax proceeds where the minimum tax does not apply, the proposal appropriates .0017 of the net consideration from the general fund to the housing development fund. The housing trust fund account receives .000709 of the net consideration, the economic development and housing challenge program receives .000566 of the net consideration, and a new account created by the proposal, the housing account for leverage opportunity, receives .000425 of the net consideration.

REVENUE ANALYSIS DETAIL

- The February 2006 forecast of the deed tax was used as a starting point for this analysis.
- From the amount of the deed tax, the total net considerations for the transfers were estimated.
- A source in the Special Taxes Division of the Department of Revenue estimated that, for fiscal year 2006, about 5,000 transfers per month statewide will be subject the minimum deed tax of $1.65. That is equivalent to about $100,000 per year.
- The total net considerations not subject to the minimum tax were estimated.
- The new tax rate of .005 was applied to the total net considerations not subject to the minimum tax.
- Ninety-seven percent of the total net considerations under the proposal were apportioned to the state general fund. Three percent of the total net considerations were apportioned to county revenue funds.
- Appropriations from the general fund to the housing development fund were .0017 of the net considerations.
- Under the proposal as written, the amount of revenue lost by the state general fund is equal to the amount of revenue gained by the county revenue funds. The reason for this is that, while the amount appropriated from the general fund to the housing development fund is equal to all of the additional revenue raised by the proposal (both state and county), the state only receives 97% of the additional revenue. The counties receive the remaining 3% of the additional revenue.

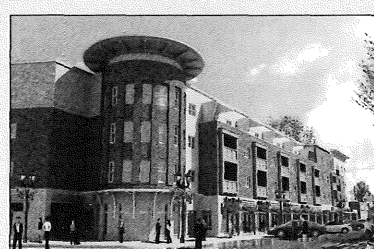
Number of Taxpayers: About 70,000 transfers would be affected by the proposal.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

sf3516(hf3912)_1/cej

#9

Affordable Housing in Minnesota

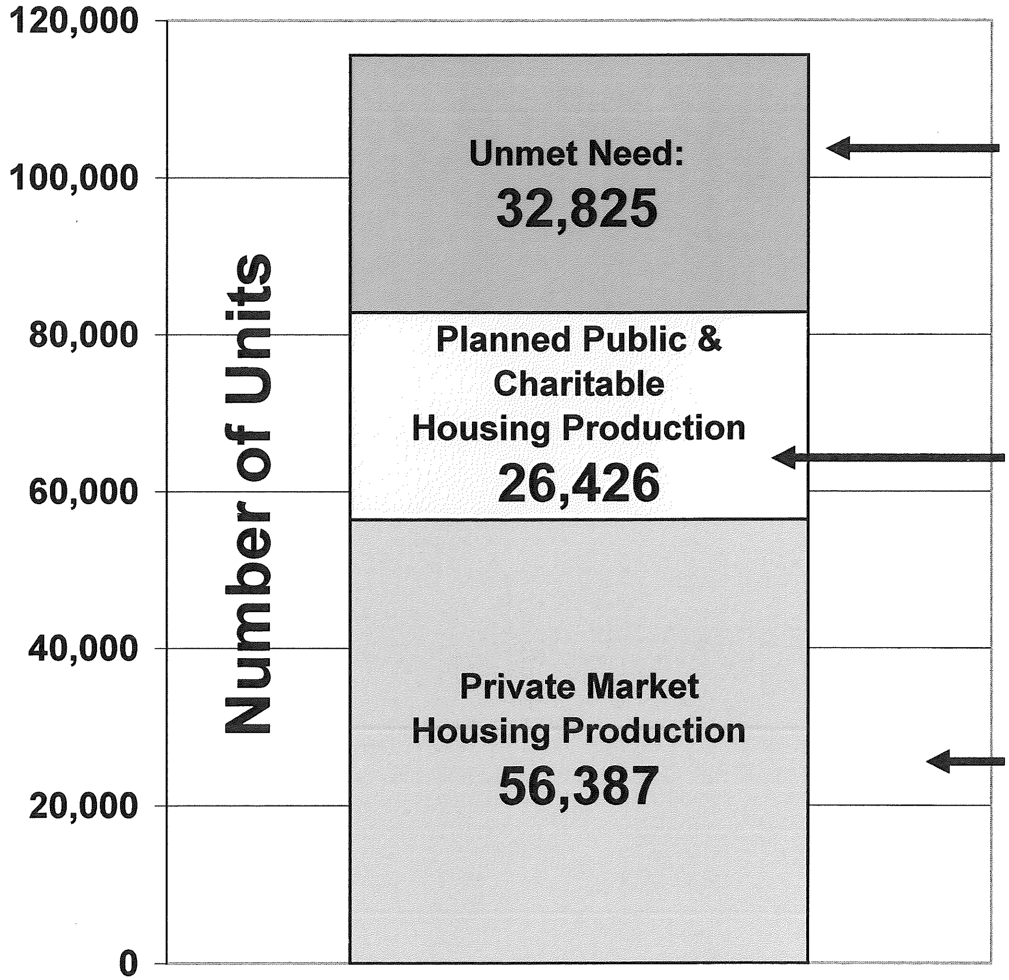


Handout #9

Unmet Affordable Housing Needs Rise by 2010

BBC
RESEARCH & CONSULTING

2000-2010
Next Decade of Housing Study



<u>BBC's conservative estimate of Need does not include:</u>

- Homeless of 8,900
- Ongoing loss of housing stock
- Overcrowding
- Rehab Needs / Unsafe housing conditions

- Charitable dollars increasingly limited
- Private market will not fill void
= *<u>INCREASED "UNMET NEED"</u>*

<u>Adverse Market Trends Limit Affordability:</u>

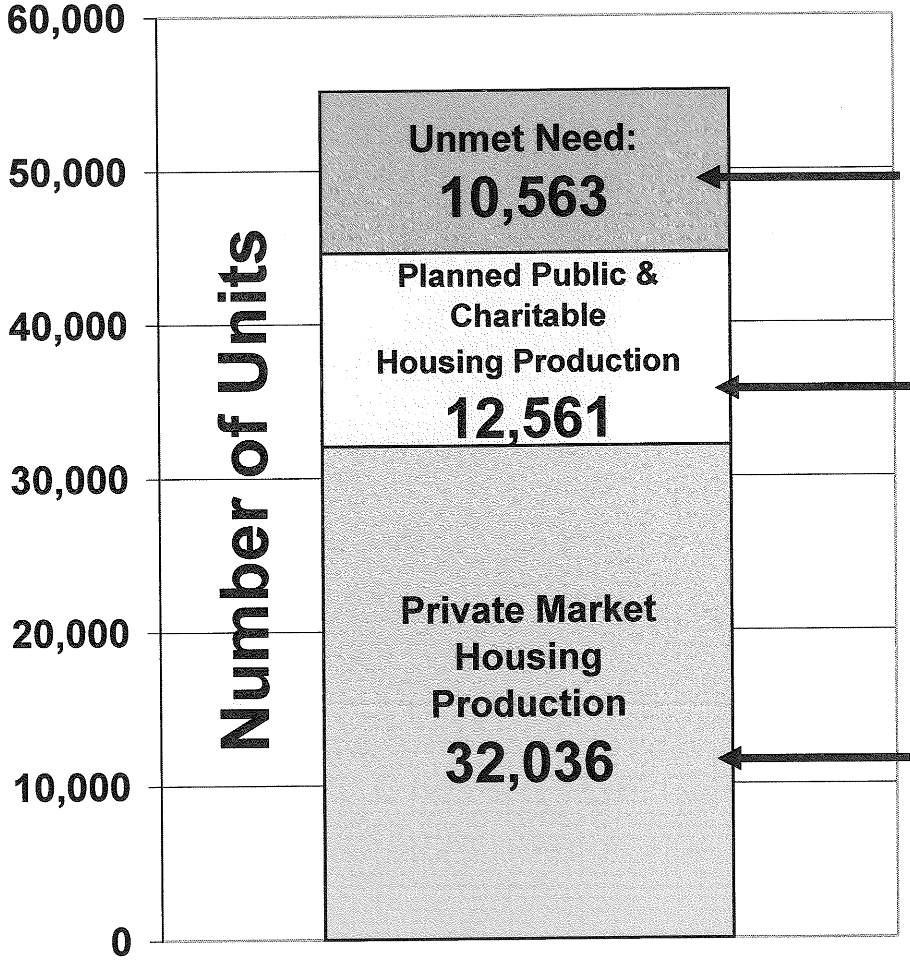
- Increasing Land Costs
- Increasing Material Costs
- Increasing Appreciation
- <u>Stagnant Wages</u>

= Less "affordable" Units

Unmet Affordable Housing Need In Greater Minnesota by 2010

BBC RESEARCH & CONSULTING

2000-2010
Next Decade of
Housing Study



BBC's conservative estimate of Need does not include:

- Homeless
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= *INCREASED "UNMET NEED"*

Adverse Market Trends Limit Affordability:

- Increasing Land Costs
- Increasing Material Costs
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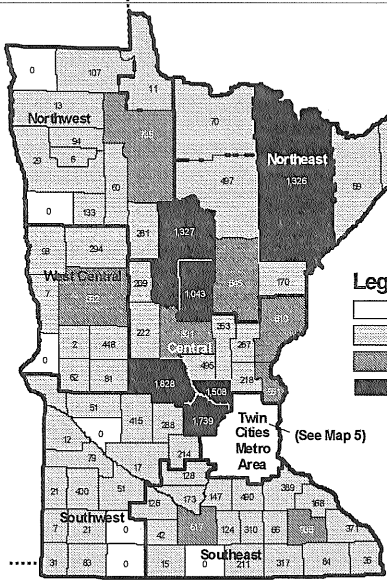
- Stagnant Wages

= Less "affordable" Units

Greater Minnesota
Remaining Unmet Housing Need
by 2010



Greater MN Need

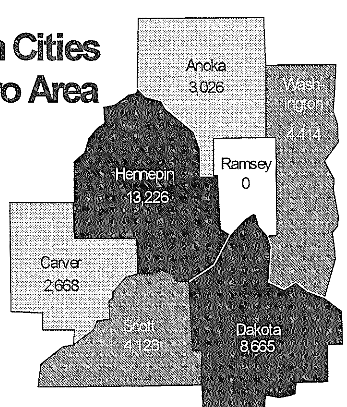
10,600

Legend
- Zero
- 1 - 499
- 500 - 999
- 1,000 +

BBC RESEARCH &

Twin Cities Metro
Remaining Unmet Housing Need by 2010

Twin Cities Metro Area



Metro Need

22,300

Legend
- Zero
- 1-3,999
- 4,000-7,999
- 8,000 +

BBC RESEARCH & CONSULTING

16

Return on State of Minnesota Investment in Affordable Workforce Housing

State Gap Loan Per Affordable Housing Unit	Original Gap Loan Amount	**10,000**
Total Cost of Affordable Starter Home Home	$	165,000

Return to State on Investment

Sales Tax on Materials (6.5% on 40% of Home Cost)	$	4,290
State Income Tax Paid by Construction & Professional Labor at 60% of Home Cost	$	6,980
Mortgage Registery Tax (Paid when home is financed .0023 debt)	$	380
Deed Tax (paid when deed is recorded .0033 value)	$	495

Year One Immediate Return to State on Gap Loan	Immediate Return to State	**12,144**

Plus:

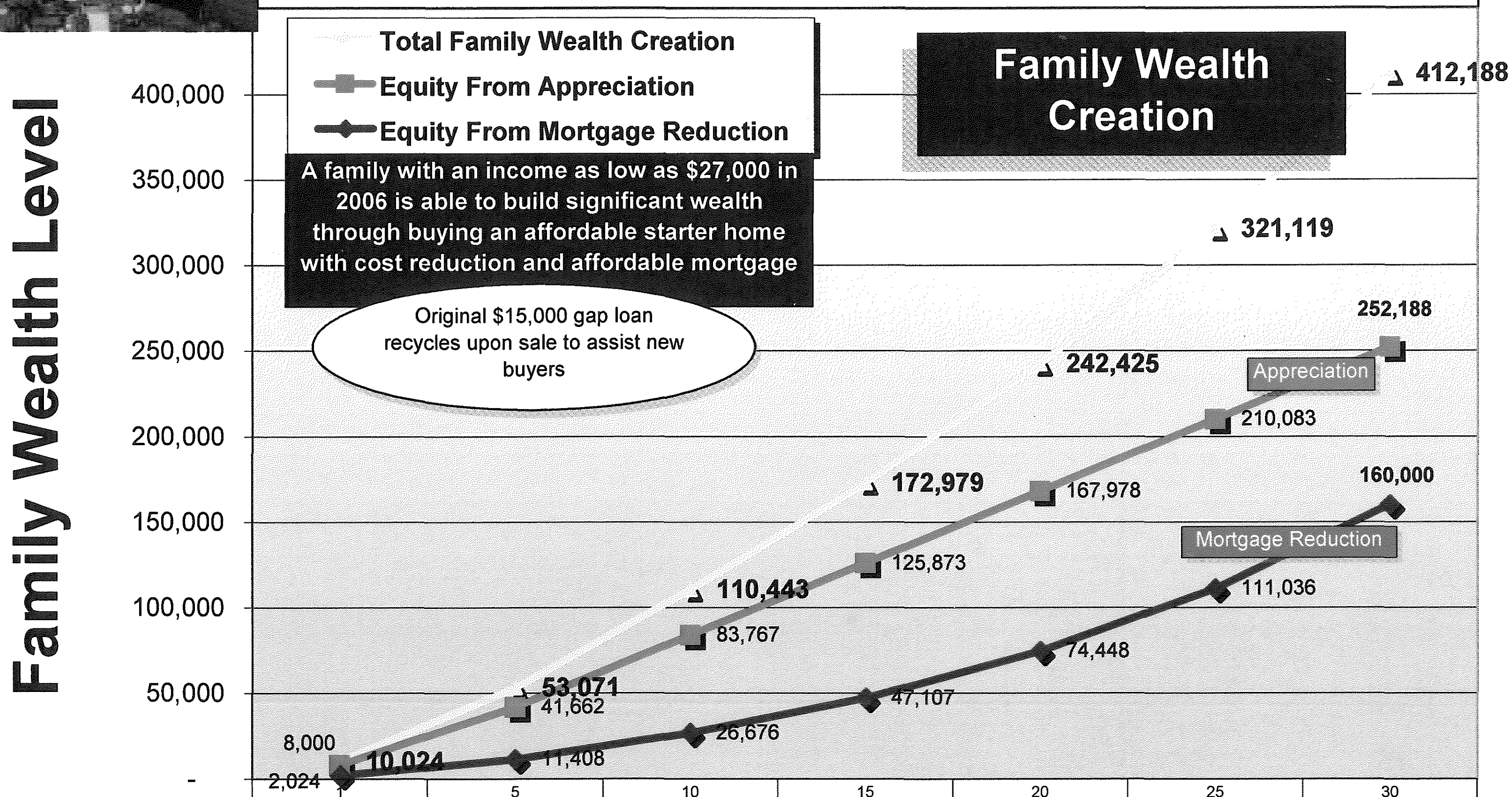
*Gap Loan **Returned** at Year 30 (or before)*	Double Return: Loan Repaid	$ 10,000

State Income Tax Rate Average 7.05%
Mortgage Registration Tax Rate -- paid when home is financed 0.23%
Deed Transfer Tax Rate -- paid when deed is recorded and based on home value 0.33%

Prepared by Greater Minnesota Housing Fund
Http://www.gmhf.com

Workforce Home Ownership

Strenghten Communities & Stabilize Families



	1	5	10	15	20	25	30
Total Family Wealth Creation	10,024	53,071	110,443	172,979	242,425	321,119	412,188
Equity From Appreciation	8,000	41,662	83,767	125,873	167,978	210,083	252,188
Equity From Mortgage Reduction	2,024	11,408	26,676	47,107	74,448	111,036	160,000

Years

Consumer Federation of America • The Council of Insurance Agents & Brokers • The Enterprise Foundation • Fannie Mae • Freddie Mac • Habitat for Humanity International • Independent Community Bankers of America • Independent Insurance Agents & Brokers of America • Local Initiatives Support Corporation • National Association of Hispanic Real Estate Professionals • National Association of Home Builders • National Association of Mortgage Brokers • National Association of Real Estate Brokers • National Association of Realtors® • National Bankers Association • National Council of La Raza • National Urban League • World Floor Covering Association

Every 1,000 single-family homes built in this country generates nearly 2,500 jobs, $75 million in wages and more than $37 million in tax revenues. Every new home buyer spends an average of $6,500 on furnishings and decorations. And the good news is, a record 1.6 million new homes will be built this year. Clearly, housing is the lifeblood of the economy. And the lifeblood of housing is the American housing finance system. For a new report on how the nation's housing finance system fuels the economy and homeownership, visit HomeownershipAlliance.com.

Homeownership Alliance

Greater Minnesota Housing Fund

Funds Raised From Employers in Greater Minnesota

1996 - 2005

Employer	City	TOTAL Employer Contribution	Project Name	Number of Units	GMHF Award	GMHF Funding	Date Approved	TDC
Chokio-Alberta School District	Alberta	$59,982	Alberta Teacherage	3	$45,000	grant	08/25/99	$116,672
Bell Farms	Le Roy	$2,000	Bell Farms Downpayment Assistance Program	1	$12,000	grant	08/06/98	$75,000
Anderson Fabrics	Blackduck	$88,000	Bi-CAP Downpayment Assistance	22	$80,000	gap loan	04/13/00	$2,544,655
20 local New Richland Employers	New Richland	$70,000	Cedar Pointe Town Homes	8	$160,000	gap loan	04/23/03	$833,660
Cross Consulting; Northwest Financial	Sebeka	$100,000	Centennial Apartments	15	$140,000	gap loan	03/24/99	$730,625
Multiple Courtland Employers	Courtland	$50,000	City of Courtland, infrastructure loan	9	$90,000	infrastructure loan	04/19/01	$1,082,563
Seven downtown Duluth employers	Duluth	$171,800	Duluth (LISC) Hillside Homeownership Incentive Program	75	$150,000	grant	10/19/00	$5,587,500
Fey Industries	Edgerton	$5,000	Fey Industries Downpayment Assistance	1	$22,000	grant	02/12/98	$86,500
Mayo Clinic Rochester & Other Employers *	Rochester area	$11,000,000	First Homes, MF	195	$2,194,650	gap loan	various	$20,941,590
Mayo Clinic Rochester & Other Employers *	Rochester area	incl.	First Homes, SF	334	$3,306,000	gap loan	various	$37,594,747
Nine local employers and the Lions Club	Grygla	$27,050	Grygla Family Housing	4	$60,000	gap loan	10/21/98	$393,470
Hayfield Window & Door; Citizens State Bank	Hayfield	$24,000	Hayfield Downpayment Assistance	12	$24,000	grant	04/13/00	$1,168,000
Hendricks Hospital	Hendricks	$6,000	Hendricks Hospital Downpayment Assistance	3	$6,000	grant	09/12/01	$165,000
Multiple Hoffman Employers	Hoffman	$32,000	Hoffman School	3	$30,000	gap loan	03/21/97	$364,000
Multiple Northfield Employers	Northfield	$540,000	Maple Hills Addition	14	$210,000	gap loan	04/25/02	$1,820,518
Davisco Foods	Nicollet	$475,000	Mara Tonka Townhomes	6	$120,000	gap loan	04/19/01	$619,230
Hormel Food Company	Austin	$2,230,000	Murphy's Creek Townhomes	50	$1,000,000	gap loan	10/19/00	$9,074,086
Schwan's Food Company	Marshall	$1,797,368	Parkway II	190	$1,103,000	gap loan	02/10/05	$23,982,180
Hormel Food Company	Pelican Rapids	$93,000	Pelican Rapids Townhomes	40	$270,000	gap loan	10/17/96	$2,630,220
Peoples Bank	Plainview	$3,000	Peoples First Home Fund	6	$3,000	grant	08/10/00	$480,000
Peoples Bank	Elgin	$2,000	Peoples First Home Fund	4	$2,000	grant	08/09/01	$340,000
Peoples Bank	Plainview	$5,000	Peoples First Home Fund II	10	$5,000	grant	09/25/02	$950,000
Multiple Perham Employers	Perham	$40,000	Perham	8	$96,000	gap loan	04/27/00	$881,200
Grand Portage Casino	Grand Portage	$450,000	Picnic Bay Estates	13	$300,000	construction loan	05/27/98	$1,369,346
Grand Portage Lodge and Casino	Grand Portage	$250,762	Picnic Bay Estates Staff Housing	16	$250,000	gap loan	04/25/02	$1,003,051
Kenneth Keller Foundation	Aitkin	$285,000	Riverplace Townhomes	18	$270,000	gap loan	06/15/98	$1,309,579
Multiple Employers in the Southwest Region	Southwest Region	$78,000	Grant	78	$78,000	grant	06/08/00	$5,772,000
Blue Fin Bay Resorts	Tofte	$175,000	Tofte Homestead	5	$75,000	gap loan	10/19/00	$623,550
Multiple Ulen & Hitterdal Employers	Ulen and Hitterdal	$16,000	Ulen & Hitterdal Community Housing Downpayment Assistance	2	$8,000	grant	12/01/99	$206,000
Jennie-O Foods	Willmar	$225,000	Valleyside Townhomes	48	$372,500	gap loan	04/18/97	$3,165,290
Weerts Companies	Winnebago	incl.	Winnebago Cottages	incl.	$386,127	construction loan	02/12/98	incl.
Weerts Companies	Winnebago	$120,000	Winnebago Cottages	8	$120,000	gap loan	02/12/98	$635,775
Xcel Energy & Goodhue County Family Services Cooperative. Re	Red Wing	$50,000	Eagle Ridge Apartments	48	$665,000	gap loan	6/10/2004	$4,233,125
Crystal Cabinetry	Zimmerman	$3,500	Meadow View Townhomes	19	$150,000	gap loan	4/23/2003	$3,236,158
Keupers Const., Bremer Foundation	Baxter	$4,500	Grand Oaks Townhomes	24	$360,000	gap loan	10/22/2003	$3,463,591
Multiple Fergus Falls Employers	Fergus Falls	$30,000	Kaddatz Artist Lofts	8	$224,000	gap loan	9/11/2003	$1,980,976
MN Power, Lake Superior College	Duluth	$98,000	At Home Duluth Phase VII	15	$225,000	gap loan	10/22/2003	$2,913,320
Stearns County Electric	St. Cloud	$109,224	Westwood Village Townhomes II	36	$1,000,000	gap loan, infra. loan	4/23/2003	$8,962,776
Stearns County Electric	St. Cloud	$5,891	Westwood Village Apartments II	31	$380,000	gap loan	4/21/2004	$3,252,718
Multiple Elk River Employers	Elk River	$1,000	Jackson Place Apartments	32	$200,000	gap loan	4/21/2004	$5,420,599
Multiple Park Rapids Employers	Park Rapids	$30,000	Pleasantview	12	$30,000	grant	6/10/2004	$1,642,056
Multiple Mankato Employers	Mankato	$34,000	City Wide Affordable Housing Initiative	8	$101,950	gap loan	4/21/2004	$2,161,200
St. Mary's Hospital	Duluth	$10,000	Homeland Program V	15	$187,500	gap loan	4/21/2004	$1,896,255
Women's Transitional Housing Coalition	Duluth	$3,000	Women in Construction Company	3	$48,000	gap loan	9/18/2004	$532,641
Minnesota Power	Duluth	$60,000	Village Place	46	$450,000	grant	4/23/2003	$6,863,062
Foldcraft	Kenyon	$10,000	Kenyon Downpayment Assistance Program	4	$10,000	grant	2/10/2005	$580,000
TEAM Industries	Detroit Lakes, Park R	$12,500	Team Industries Employee Downpayment Assistance Program	5	$12,500	grant	2/10/2005	$740,000
Peoples Bank	Plainview	$3,000	Peoples First Home Fund III	6	$3,000	grant	6/9/2005	$780,000
Grand Total		**$18,885,577**		**1513**	**$15,085,059**			**$175,204,484**
* Over 100 area employers have contributed to the First Homes Employer Assisted Housing Initiative.						EAH Leverage	11	:1

First Homes
Rochester Area Foundation
GMHF
GREATER MINNESOTA HOUSING FUND

MHFA Challenge Grant Program
Usage in Rochester Area's First Homes Program

Original *Challenge Grant* Amount	**$3,000,000**
Local Funds Leveraged (Employer Funds)	**$11,200,000**
Local Funds Leveraged (City Participation)	**$3,548,700**
Total Leveraged Funds to date	**≈$57,769,000**
Challenge Funds / Total Leverage	**$1 to $19**
Total First Homes Gap Loan Units	**327**
Community Land Trust Land Purchase	**123**
Families Impacted to date	**455**

Challenge Fund Impacts in Rochester Area

The First Homes Program, an initiative of the Rochester Area Foundation, Greater Minnesota Housing Fund, and Mayo Clinic is the recipient of one of the largest allocations of Challenge Grant funds to date.

First Homes is a true employer assisted housing program that has been recognized nationally for the innovative methods used to provide starter homes for working families in the Rochester area.

Employees of ALL employers, not just those that have contributed to the program can participate in the program. First Homes recognizes that housing is one of the major factors which effects economic development.

Homes created through the First Homes program are in mixed income subdivisions in 12 communities of 7 counties in Southeast Minnesota within a 30 mile radius of Rochester. Programs utilizing the Challenge Grant funds include the First Homes Gap Program and the First Homes Community Land Trust.

Challenge funds granted to First Homes have leveraged more than $11,200,000 of local employer funds, and a total of $57,769,000 to date. Total Anticipated Leverage will be more than $78,000,000 including low-interest mortgage funding, local government contributions, etc.

2006

Senator .... moves to amend S.F. No. XXXX as follows:

Page ..., after line ..., insert:

"Sec. .... Minnesota Statutes 2004, section 473F.08, is amended by adding a subdivision to read:

Subd. 3c. **Uncompensated care reimbursement.** (a) As used in this subdivision, the following terms have the meanings given in this paragraph.

(1) "Uncompensated care" means the sum of (i) the amount that would have been charged by a facility for rendering free or discounted care to persons who cannot afford to pay and for which the facility did not expect payment and (ii) the amount that had been charged by a facility for rendering care to persons and billed to that person or a third-party payer for which the facility expected but did not receive payment. Uncompensated care does not include contractual write-offs.

(2) A "qualifying hospital" means a hospital in the area that is:

(i) owned or operated by a local unit of government, or formerly owned by a university or is a private nonprofit hospital that leases its building from the county in which it is located; and

(ii) has a licensed bed capacity greater than 400.

(b) A county that contains a qualifying hospital is eligible for reimbursement of that portion of gross charges for uncompensated care determined by multiplying the hospital's gross charges during the base year by the percentage of uncompensated care provided by the hospital during the base year minus one-half of one percent of those gross charges, dividing the result by two, and adjusting the cost by multiplying that result by the hospital's cost-to-charge ratio during the base year. By July 15, 2007, and each subsequent year, the county shall notify its county auditor, as well as the administrative auditor, of the amount of qualifying uncompensated care provided, adjusted to cost using the hospital's cost-to-charge ratio, during the 12-month period ending on June 30 of the current year.

(c) The amount certified under paragraph (b) shall be certified annually by the county auditor to the administrative auditor as an addition to the county's areawide levy under subdivision 5.

(d) The administrative auditor shall pay one-half of the reimbursement to the county auditor of the county that contains the qualifying hospital on or before June 15 and the remaining one-half of the reimbursement on or before November 15. The county auditor receiving the payment shall disburse the reimbursement to the qualifying hospital within 15 days of receipt of the reimbursement.

(e) Prior to the reporting specified in paragraph (b) above, all qualifying hospitals that participate in this program shall agree upon and implement a common standard for reporting uncompensated care, and a common standard for determining eligibility for uncompensated care for all participating hospitals.

EFFECTIVE DATE. This section is effective for fiscal disparities contribution and distribution tax capacities for taxes payable in 2008 and 2009 only."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senators Skoe, Kubly, Sams, Vickerman and Senjem introduced–

S.F. No. 2475: Referred to the Committee on Taxes.

A bill for an act

relating to taxes; modifying the local government aid formula for cities; amending Minnesota Statutes 2004, section 477A.013, subdivision 9; Minnesota Statutes 2005 Supplement, sections 477A.011, subdivisions 34, 36; 477A.013, subdivision 8; 477A.03, subdivision 2a.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2005 Supplement, section 477A.011, subdivision 34, is amended to read:

Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater than 2,500, "city revenue need" is the sum of (1) 5.0734098 times the pre-1940 housing percentage; plus (2) 19.141678 times the population decline percentage; plus (3) 2504.06334 times the road accidents factor; plus (4) 355.0547; minus (5) the metropolitan area factor; minus (6) 49.10638 times the household size.

(b) For a city with a population less than 2,500, "city revenue need" is the sum of (1) 2.387 times the pre-1940 housing percentage; plus (2) 2.67591 times the commercial industrial percentage; plus (3) 3.16042 times the population decline percentage; plus (4) 1.206 times the transformed population; minus (5) 62.772.

(c) For a city with a population of 2,500 or more and a population in one of the most recently available five years that was less than 2,500, "city revenue need" is the sum of (1) its city revenue need calculated under paragraph (a) multiplied by its transition factor; plus (2) its city revenue need calculated under the formula in paragraph (b) multiplied by the difference between one and its transition factor. For purposes of this paragraph, a city's "transition factor" is equal to 0.2 multiplied by the number of years that the city's population estimate has been 2,500 or more. This provision only applies for aids payable in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500. It applies to any city for aids payable in 2009 and thereafter.

(d) The city revenue need cannot be less than zero.

(e) For calendar year ~~2005~~ 2007 and subsequent years, the city revenue need for a city, as determined in paragraphs (a) to (d), is multiplied by the ratio of the annual implicit price deflator for government consumption expenditures and gross investment for state and local governments as prepared by the United States Department of Commerce, for the most recently available year to:

(i) the ~~2003~~ 2002 implicit price deflator for state and local government purchases for aids payable in 2007;

(ii) the 2000 implicit price deflator for state and local government purchases for aids payable in 2008 and thereafter.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2007.

Sec. 2. Minnesota Statutes 2005 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) The city aid base for any city with a population less than 500 is increased by $40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $40,000 for aids payable in calendar year 1995 only, provided that:

(i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

(ii) the city portion of the tax capacity rate exceeds 100 percent; and

(iii) its city aid base is less than $60 per capita.

(c) The city aid base for a city is increased by $20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $20,000 in calendar year 1998 only, provided that:

(i) the city has a population in 1994 of 2,500 or more;

(ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;

(iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than $400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(d) The city aid base for a city is increased by $200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $200,000 in calendar year 1999 only, provided that:

(i) the city was incorporated as a statutory city after December 1, 1993;

(ii) its city aid base does not exceed $5,600; and

(iii) the city had a population in 1996 of 5,000 or more.

(e) The city aid base for a city is increased by $450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $450,000 in calendar year 1999 only, provided that:

(i) the city had a population in 1996 of at least 50,000;

(ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and

(iii) its city's net tax capacity for aids payable in 1998 is less than $700 per capita.

(f) The city aid base for a city is increased by $150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $150,000 in calendar year 2000 only, provided that:

(1) the city has a population that is greater than 1,000 and less than 2,500;

(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(g) The city aid base for a city is increased by $200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $200,000 in calendar year 2000 only, provided that:

(1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than $650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than $7 per capita.

(h) The city aid base for a city is increased by $102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than $455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than $195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(i) The city aid base for a city is increased by $32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than $200 per capita;

(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than $200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than $65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(j) The city aid base for a city is increased by $7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

(2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;

(3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than $15 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(k) The city aid base for a city is increased by $45,000 in 2001 and thereafter and by an additional $50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $45,000 in calendar year 2001 only, and by $50,000 in calendar year 2002 only, provided that:

(1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than $810 per capita;

(2) the population of the city declined more than two percent between 1988 and 1998;

(3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than $240 per capita; and

(4) the city received less than $36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

(l) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in the calendar year ~~2002~~ in which a city first receives funds under this paragraph only, by an amount equal to the lesser of:

(1)(i) the total population of the city, ~~as determined by the United States Bureau of the Census, in the 2000 census,~~ (ii) minus 5,000, (iii) times 60; or

(2) $2,500,000.

(m) The city aid base is increased by $50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $50,000 in calendar year 2002 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2000 is between 10,000 and 20,000; and

(3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(n) The city aid base for a city is increased by $150,000 in calendar years 2002 to 2011 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $150,000 in calendar year 2002 only, provided that:

(1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

(2) its home county is located within the seven-county metropolitan area;

(3) its pre-1940 housing percentage is less than 15 percent; and

(4) its city net tax capacity per capita for taxes payable in 2000 is less than $900 per capita.

(o) The city aid base for a city is increased by $200,000 beginning in calendar year 2003 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $200,000 in calendar year 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

(p) The city aid base for a city is increased by $200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by $200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

(q) The city aid base for a city is increased by $10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by $10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

(r) The city aid base for a city is increased by $25,000 in 2006 only and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by $25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.

(s) The city aid base for a city with a population less than 5,000 is increased in 2006 and thereafter and the minimum and maximum amount of total aid it may receive under this section is also increased in calendar year 2006 only by an amount equal to $6 multiplied by its population.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2007.

Sec. 3. Minnesota Statutes 2005 Supplement, section 477A.013, subdivision 8, is amended to read:

Subd. 8. **City formula aid.** In calendar year 2004 and subsequent years, the formula aid for a city is equal to the need increase percentage multiplied by the difference between (1) the city's revenue need multiplied by its population, and (2) ~~the sum of~~ the city's net tax capacity multiplied by the tax effort rate~~; the taconite aids under sections 298.28 and 298.282 to any city except a city directly impacted by a taconite mine or plant, multiplied by the following percentages:~~.

~~(i) zero percent for aids payable in 2004;~~

~~(ii) 25 percent for aids payable in 2005;~~

~~(iii) 50 percent for aids payable in 2006;~~

~~(iv) 75 percent for aids payable in 2007; and~~

~~(v) 100 percent for aids payable in 2008 and thereafter.~~

~~For purposes of this subdivision, "a city directly impacted by a taconite mine or plant" means: (1) Babbit, (2) Eveleth, (3) Hibbing, (4) Keewatin, (5) Mountain Iron, (6) Silver Bay, or (7) Virginia.~~

~~No city may have a formula aid amount less than zero. The need increase percentage must be the same for all cities.~~

For aids payable in 2007, the applicable need increase percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions 4 and 5. For aids payable in 2008, the applicable need increase percentage is 90 percent. For aids payable in 2009 and thereafter, the applicable need increase percentage is 100 percent.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2007.

Sec. 4. Minnesota Statutes 2004, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year 2002 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base.

(b) ~~The aid for a city in calendar year 2004 shall not exceed the amount of its aid in calendar year 2003 after the reductions under Laws 2003, First Special Session chapter 21, article 5.~~ For aids payable in 2007, the total aid for any city shall not exceed the sum of (1) 30 percent of the city's net levy in the previous year plus (2) its total aid in the previous year. For aids payable in 2008 and 2009, the total aid for any city shall not exceed the sum of (1) 50 percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year.

(c) For aids payable in ~~2005~~ 2010 and thereafter, the total aid for any city shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year. ~~For aids payable in 2005 and thereafter, the total aid for any city with a population of 2,500 or more may not decrease from its total aid under this section in the previous year by an amount greater than ten percent of its net levy in the year prior to the aid distribution.~~

(d) ~~For aids payable in 2004 only, the total aid for a city with a population less than 2,500 may not be less than the amount it was certified to receive in 2003 minus the greater of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session chapter 21, article 5, or (2) five percent of its 2003 aid amount.~~ For aids payable in ~~2005~~ 2007 and thereafter, the total aid for a city ~~with a population less than 2,500~~ must not be less than the amount it was certified to receive in the previous year minus five percent of its 2003 certified aid amount.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2007.

Sec. 5. Minnesota Statutes 2005 Supplement, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** For aids payable in 2004, the total aids paid under section 477A.013, subdivision 9, are limited to $429,000,000. For aids payable in 2005, the total aids paid under section 477A.013, subdivision 9, are limited to $437,052,000. For aids payable in 2006 ~~and thereafter~~, the total aids paid under section 477A.013, subdivision 9, is limited to $485,052,000. For aids payable in 2007, the total aids paid under section 477A.013, subdivision 9, are limited to $525,052,000.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2007.

A

Senator .... moves to amend S.F. No. 2475 as follows:

Page 7, lines 4 and 5, reinstate the stricken language

Page 7, line 10, delete "and thereafter"

Page 7, line 11, delete "100" and insert "95" and after the period, insert "For aids payable in 2010 and thereafter, the applicable need increase percentage is 100 percent."

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Senate
State of Minnesota

S.F. No. 2475 - Local Government Aid Formula for Cities

Author: Senator Rod Skoe

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) 83A

Date: April 6, 2006

Section 1 changes the inflation adjustment that applies to the city revenue need, which is currently based on the 2003 implicit price deflator. Under this proposal, the 2002 implicit price deflator would be used for aids payable in 2007, and the 2000 implicit price deflator would be used for aids payable in 2008 and subsequent years.

Section 2 modifies the city aid base for cities with a population of 10,000 or more that are located outside of the seven-county metropolitan area by changing the population figure for the city from that determined under the 2000 federal census to that determined under the most recent census conducted either by the federal government or the Metropolitan Council or the state demographer.

Section 3 modifies the determination of city formula aid by removing the taconite offset. As amended by the author, this provision also provides that for aids payable in 2008, the applicable need increase percentage is 90 percent, for aids payable in 2009, the increase is 95 percent, and for aids payable in subsequent years, it is 100 percent.

Section 4 modifies the city aid distribution. It provides that for aids payable in 2007, the total aid for any city may not exceed the sum of 30 percent of the city's net levy in the previous year, plus its total aid in the previous year. For aids payable in 2008 and 2009, the total aid for a city shall not exceed the sum of 50 percent of the city's net levy for the year prior to the aid distribution, plus its total aid in the previous year. The provision that prevented decreases in aid greater than ten percent of the previous year's net levy for cities with populations of 2,500 or more is stricken. Instead, for all cities, regardless of population, the total aid must not be less than the amount it was certified to receive in the previous year, minus five percent of its 2003 certified aid amount.

Section 5 increases the total amount of aid that may be payable to cities in 2007 to $525,052,000. There would be no statutory limitation on the amount of aids payable in 2008 and subsequent years.

JZS:dv

New

MINNESOTA · REVENUE

PROPERTY TAX
Local Government Aid –
Formula Modification

April 6, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Preliminary Analysis

Department of Revenue
Analysis of S.F. 2475 (Skoe) **As Proposed to Be Amended (SCS2475A-2)**

	Fund Impact			
	F.Y. 2006	**F.Y. 2007**	**F.Y. 2008**	**F.Y. 2009**
		(000's)		
General Fund	$0	$0	($40,000)	($160,000)

Effective beginning with aids payable in 2007.

EXPLANATION OF THE BILL

Current Law: For determining the amount of local government aid, the city formula aid is equal to the need increase percentage multiplied by the difference between 1) the city's revenue need multiplied by its population, and 2) the sum of the city's net tax capacity multiplied by the tax effort rate, and taconite aids to any city except a city directly impacted by a taconite mine or plant, multiplied by the following percentages:

- 50% for aids payable in 2006;
- 75% for aids payable in 2007; and
- 100% for aids payable in 2008 and thereafter.

The need increase percentage must be the same for all cities, and no city may have a formula aid amount less than zero. The city revenue need is multiplied by the ratio of (i) the annual implicit price deflator for state and local governments for the most recently available year to (ii) the 2003 implicit price deflator.

A city with a population of 10,000 or more in 2000 and located outside the seven-county metropolitan area receives a city aid base determined by its 2000 U.S. Census population, up to a maximum of $2.5 million.

The maximum aid for any city shall not exceed the sum of (i) 10% of the city's net levy for the year prior to aid distribution plus (ii) the total aid in the previous year. The total aid for a city with a population of 2,500 or more may not decrease from its total aid in the previous year by an amount greater than 10% of its net levy in the prior year. The total aid for a city with a population under 2,500 must not be less than its previous year total aid minus 5% of its 2003 certified aid amount.

The total appropriation for local government aid to cities is limited to $485,052,000 for aids payable in 2006 and thereafter.

Proposed Law: The bill makes a number of changes to the local government aid formula. The base year of the implicit price deflator ratio used to adjust revenue need for inflation would be changed from 2003 to 2002 for aids payable in 2007, and to year 2000 for aids payable in 2008. **As amended,** the bill would set the need increase percentage at 90% for aids payable in 2008, **95% for aids payable in 2009, and 100% for aids payable in 2010 and thereafter.** The bill would also eliminate taconite aids from the city formula aid calculation and use current population rather than 2000 Census population to calculate regional center aid base.

As proposed to be amended, the bill would follow current law in that no city may have a formula aid less than zero and the need increase percentage must be the same for all cities.

The bill changes the maximum aid for cities by adjusting the percentage of net levy increase. The total aid for a city shall not exceed the sum of its total aid in the previous year, plus the following percentage of the city's net levy in the previous year:

Aids Payable	% of Levy
2007	30%
2008	50%
2009	50%
2010	10%

The minimum aid for all cities becomes the same. For aids payable year 2007 and thereafter, a city must not receive less than its total aid in the previous year minus 5% of its 2003 certified aid.

The appropriation for local government aid is increased to $525,052,000 for aids payable in 2007. For aids payable in 2008 and thereafter, there is no set appropriation limit, rather the total aid amount would be determined by the fixed need increase percentage.

REVENUE ANALYSIS DETAIL

- The proposal was analyzed using the baseline 2007 Local Government Aid model.
- The appropriation limit for aids payable in 2007 is increased to $525,052,000. For aids payable in 2008 and thereafter, there is no set appropriation limit, rather the aid distribution amount would be determined by the fixed need increase percentage. The following table is the estimated cost increase to the state general fund from increasing local government aid:

Aids Payable	Fiscal Year	Estimated Cost Increase to State General Fund
2007	2008	$ 40 million
2008	2009	$160 million
2009	2010	$230 million
2010	2011	$290 million

REVENUE ANALYSIS DETAIL (continued)

- Eliminating the taconite aid offset from the formula would increase aid to 20 cities receiving taconite aid.
- Using current population to calculate regional center aid base instead of 2000 Census population would make 7 additional cities eligible for the aid base and increase aid to cities with population growth since 2000. Cities with population decline since 2000 would receive a reduced regional center aid base.

Number of Taxpayers: 853 cities eligible to receive local government aid.

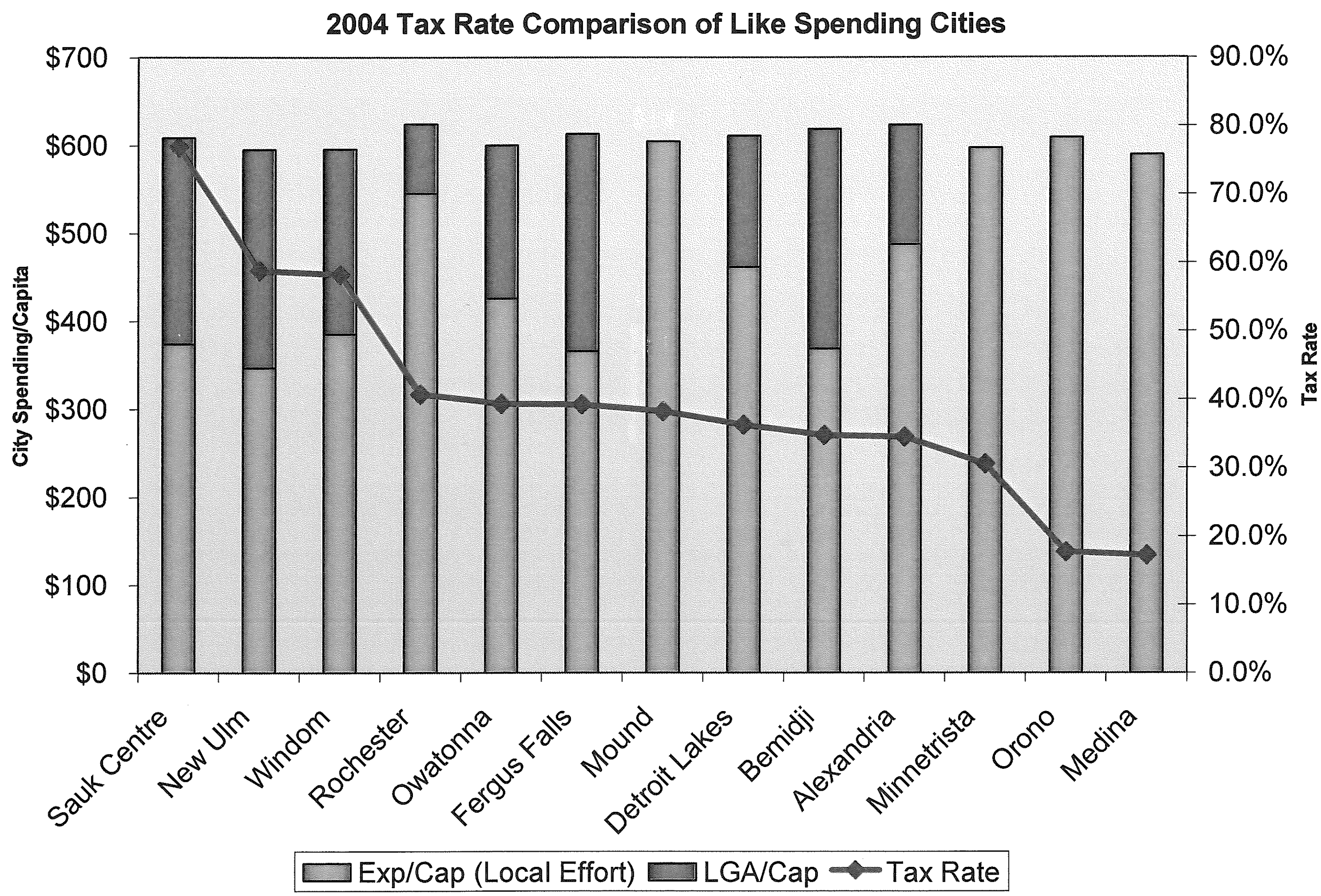
Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf2914(sf2475)_2/nrg

#10

Local Government Aid
Reduces Tax Rate Disparities among Minnesota Cities with Similar Services

The cities on the chart below all spend a similar amount on services, between $589 and $634 per person. (Shown by the bars) The average Minnesota city spends $619 per person. Despite offering similar level of services, tax rates (the blue line) among these cities vary from 17 percent to 77 percent. The disparity exists because of unequal property wealth among cities. Without LGA (the red portion of the bars) the disparity among cities would be even greater.



Increasing LGA reduces tax rate disparities among Minnesota taxpayers!

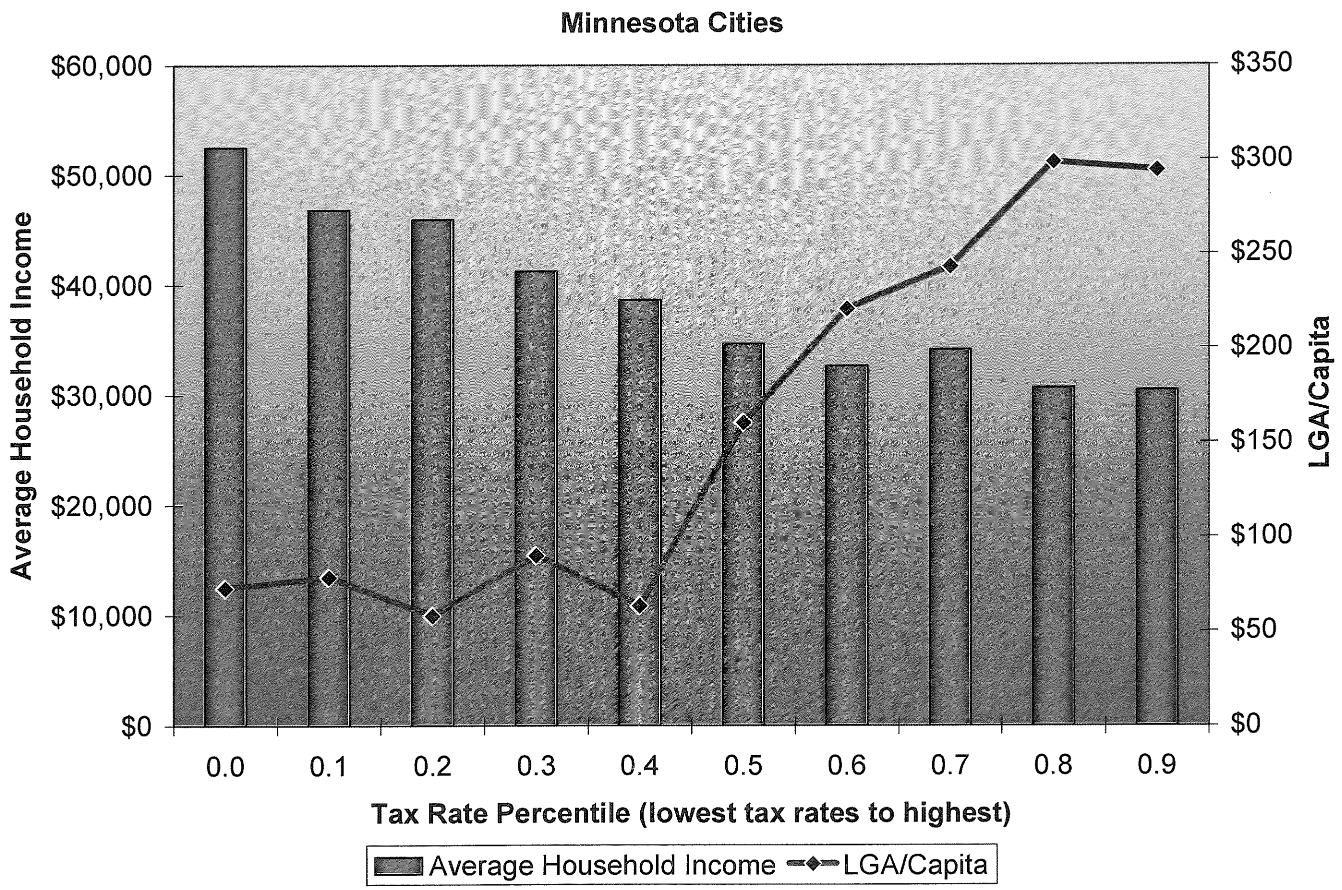
Source: City expenditures MN State Auditor data, 2004 city online database. Tax rate and LGA, MN Dept. of Revenue, prepared by Flaherty & Hood, P.A. for the Coalition of Greater MN Cities, 1/18/06.

Handout #10

#11

Local Government Aid
Helps Low Income Minnesotans by Lowering their Higher Property Tax Rates

Residents of cities with higher tax rates have lower household incomes. Cities with higher tax rates and lower household incomes receive a greater amount of LGA per capita. Without LGA these lower income residents would be paying even higher property tax rates than they do today. Increasing LGA will target property tax relief to Minnesota residents least able to pay.



Cities with the lowest tax rates are in 0.0 percentile, 0.9 percentile has the highest. The red bars represent the average household income for each percentile. The line is LGA per capita.

Increasing LGA Helps Lower Income Taxpayers!

Source: Tax rate and LGA, MN Dept. of Revenue. Household income 2000 U.S. Census. Prepared by Flaherty & Hood, P.A. for the Coalition of Greater MN Cities, 2/14/06.

Handout #11

#12

House Research Department
04/06/06
Run: hf2914lga073a

Handout #12

Projected 2007 LGA under current law vs 2007-2009 LGA under changes in HF2914/SF2475

The attached run shows certified 2005 and 2006 LGA and projected 2007 LGA under current law and then compares tho[illegible] with projected 2007 under an alternative proposal along with very preliminary estimates for 2008 and 2009 under the [illegible]ternative.

Assumptions used 2007 LGA projections under current law:

- Projected 2005 population based on median growth rate in each city from the previous three years.
- Population decline based on change between 1995 and projected 2005 population
- Updated estimates of percent of market value classified as commercial or industrial
- Total need inflated for one more year of growth in the IPD for state and local government purchases.
- Updated certified Pay 2006 levies and estimated adjusted net tax capacity's used in calculating "ability to raise revenue locally".
- Caps on the minimum and maximum LGA increase in each city is based on 2006 LGA and levies.
- **Factors not updated from 2006 include:**
  - percent of housing built before 1940;
  - accident rate; and
  - household size.

Changes under HF2914/SF2475 proposal:

- the need measure is adjusted for inflation from the CY 2002 through CY 2005 for Pay 2007 and from CY 2000 through CY 2005 for Pay 2008 and 2009
- the "regional center aid" in the city aid base is determined by the most recent city population estimate
- the taconite aid offset is eliminated
- the maximum aid increase in any year is increased from 10% of previous levy to 30% of previous levy for Pay 2007 and 50 % of previous year's levy for Pay 2008 and Pay 2009
- For Pay 2007 the appropriation is increased by $40 million and in 2008 and 2009 the appropriation is allowed to float to pay 90% of "unmet need" in Pay 2008 and 95% of "unmet need" in Pay 2009

Note on 2008 and 2009 estimates: No attempt is made to estimate growth in any individual factor used in calculating the "need" and "ability to raise revenue" portions of the formula. Only the minimum and maximum caps, the IPD used in calculating need and the percent of "unmet need" paid in each year is allowed to change. These numbers should be used with caution.

The columns contain the following information:

- **Column 1:** Certified Pay 2005 LGA
- **Column 2:** Certified Pay 2006 LGA
- **Column 3:** Projected Pay 2007 LGA
- **Column 4:** Projected Pay 2007 LGA under HF2914/SF2475 proposal
- **Column 5:** Difference in Pay 2007 LGa under HF2914/SF2475proposal compared to current law
- **Column 6:** Preliminary projected Pay 2008 LGA under HF2914/SF2475 proposal
- **Column 7:** Preliminary projected Pay 2009 LGA under HF2914/SF2475 proposal

For further information contact: Pat Dalton 651-296-7434

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Metro							
Central Cities							
Minneapolis	80,338,989	93,948,100	83,780,911	88,803,973	5,023,062	111,799,348	125,041,821
St. Paul	53,151,835	59,544,621	61,433,154	64,707,421	3,274,267	80,374,428	89,617,866
Group Total	133,490,824	153,492,721	145,214,065	153,511,394	8,297,329	192,173,776	214,659,687
Large Cities							
Apple Valley	0	0	0	0	0	0	0
Blaine	0	0	0	0	0	0	0
Bloomington	0	0	0	0	0	0	0
Brooklyn Park	0	0	0	0	0	0	0
Burnsville	0	0	0	0	0	0	0
Coon Rapids	450,000	450,000	450,000	450,000	0	450,000	450,000
Eagan	0	0	0	0	0	0	0
Eden Prairie	0	0	0	0	0	0	0
Edina	0	0	0	0	0	0	0
Maple Grove	0	0	0	0	0	0	0
Minnetonka	0	0	0	0	0	0	0
Plymouth	0	0	0	0	0	0	0
Group Total	450,000	450,000	450,000	450,000	0	450,000	450,000
Older Cities							
Anoka	1,318,898	1,417,436	1,337,135	1,511,646	174,511	2,156,683	2,476,530
Brooklyn Center	543,183	667,665	908,743	1,174,060	265,317	2,044,445	2,430,542
Columbia Heights	1,058,473	1,028,487	691,032	895,887	204,855	1,490,465	1,765,342
Crystal	932,018	871,749	780,925	1,016,106	235,181	1,785,024	2,124,826
Hastings	195,530	210,932	197,097	425,060	227,963	1,115,666	1,395,196
Hopkins	50,000	50,000	50,000	50,000	0	80,636	262,531
New Brighton	0	0	0	0	0	314,868	531,771
New Hope	423,067	582,879	135,719	514,865	379,146	1,058,410	1,335,406
Richfield	1,593,091	813,633	1,193,095	1,580,314	387,219	2,837,859	3,389,428
Shoreview	0	0	0	0	0	0	0
South St. Paul	1,718,103	2,199,803	1,779,659	2,028,556	248,897	2,785,171	3,185,939
West St. Paul	271,258	201,544	349,347	563,672	214,325	1,228,471	1,505,717
White Bear Lake	0	483,479	781,120	1,093,287	312,167	2,089,371	2,517,896
Group Total	8,103,621	8,527,607	8,203,872	10,853,453	2,649,581	18,987,069	22,921,124
Diversified Cities							
Arden Hills	0	0	0	0	0	0	0
Coates	0	1,014	1,014	1,014	0	1,014	1,014
Forest Lake	0	0	0	0	0	0	0
Fridley	293,654	0	0	189,508	189,508	1,112,249	1,465,860
Gem Lake	0	2,652	2,682	2,682	0	2,682	2,682

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Golden Valley	0	0	0	0	0	0	0
Lilydale	0	4,740	5,166	5,166	0	5,166	5,166
Long Lake	152,945	156,193	148,617	148,617	0	183,096	221,939
Maple Plain	238,373	323,989	400,733	426,525	25,792	538,786	602,423
Maplewood	0	0	0	0	0	0	0
Oak Park Heights	0	27,798	29,412	29,412	0	29,412	29,412
Osseo	426,648	521,172	520,270	551,018	30,748	681,773	753,694
Roseville	0	0	0	0	0	0	0
St. Louis Park	0	0	0	0	0	0	0
Wayzata	0	24,420	24,438	24,438	0	24,438	24,438
Group Total	1,111,620	1,061,978	1,132,332	1,378,380	246,048	2,578,616	3,106,628
High Growth Cities							
Andover	0	0	0	0	0	0	0
Carver	82,643	187,739	259,590	292,351	32,761	412,868	472,417
Centerville	0	21,864	22,512	22,512	0	22,512	22,512
Champlin	0	0	0	0	0	0	0
Chanhassen	0	0	0	0	0	0	0
Chaska	292,556	50,000	50,000	50,000	0	249,626	454,310
Cologne	87,308	136,980	132,069	132,069	0	178,189	204,000
Cottage Grove	0	0	0	0	0	0	0
East Bethel	0	0	0	0	0	0	0
Elko	0	5,820	6,984	6,984	0	22,257	36,298
Farmington	0	0	0	0	0	0	0
Greenfield	0	16,920	17,298	17,298	0	17,298	17,298
Ham Lake	0	0	0	0	0	0	0
Hugo	0	0	0	0	0	0	0
Inver Grove Heights	0	0	0	0	0	0	0
Lakeville	0	0	0	0	0	0	0
Lino Lakes	0	0	0	0	0	0	0
Mahtomedi	0	0	0	0	0	0	0
Medina	0	27,900	29,046	29,046	0	29,046	29,046
Mendota Heights	0	0	0	0	0	0	0
New Market	3,416	55,040	116,571	145,728	29,157	216,643	250,214
Oak Grove	200,000	200,000	200,000	200,000	0	200,000	200,000
Oakdale	0	0	0	0	0	0	0
Prior Lake	0	0	0	0	0	0	0
Ramsey	0	0	0	0	0	0	0
Rogers	0	0	0	0	0	0	0
Rosemount	0	0	0	0	0	0	0
Savage	0	0	0	0	0	0	0
Shakopee	0	0	0	0	0	0	0
St. Bonifacius	150,238	242,469	322,661	442,720	120,059	569,624	639,460

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
St. Francis	200,000	200,000	200,000	200,000	0	205,640	260,770
Vadnais Heights	0	0	0	0	0	0	0
Victoria	0	0	0	0	0	0	0
Waconia	0	0	0	0	0	0	0
Woodbury	0	0	0	0	0	0	0
Group Total	1,016,161	1,144,732	1,356,731	1,538,708	181,977	2,123,703	2,586,325
High Income Cities							
Afton	0	17,670	17,820	17,820	0	17,820	17,820
Birchwood Village	0	5,826	5,826	5,826	0	5,826	5,826
Corcoran	0	0	0	0	0	0	0
Deephaven	0	23,400	23,490	23,490	0	23,490	23,490
Dellwood	0	6,480	6,534	6,534	0	6,534	6,534
Grant	0	25,080	25,344	25,344	0	25,344	25,344
Greenwood	0	4,800	4,860	4,860	0	4,860	4,860
Independence	0	21,630	22,098	22,098	0	22,098	22,098
Lake Elmo	0	0	0	0	0	0	0
Lakeland	83,957	91,328	134,736	161,258	26,522	251,382	292,840
Lakeland Shores	0	2,130	2,130	2,130	0	2,130	2,130
Minnetonka Beach	0	3,708	3,708	3,708	0	3,708	3,708
Minnetrista	0	0	0	0	0	0	0
North Oaks	0	25,200	25,578	25,578	0	25,578	25,578
Orono	0	0	0	0	0	0	0
Pine Springs	0	2,526	2,526	2,526	0	2,526	2,526
Shorewood	0	0	0	0	0	0	0
Sunfish Lake	0	3,180	3,180	3,180	0	3,180	3,180
Tonka Bay	0	9,600	9,690	9,690	0	9,690	9,690
Woodland	0	2,928	2,946	2,946	0	2,946	2,946
Group Total	83,957	245,486	290,466	316,988	26,522	407,112	448,570
Small Cities							
Bayport	226,519	348,687	439,726	576,461	136,735	728,140	813,994
Belle Plaine	352,128	319,378	360,059	419,723	59,664	630,575	731,260
Bethel	23,917	33,801	32,935	32,935	0	50,256	58,470
Circle Pines	0	29,700	0	17,065	17,065	4,430	0
Dayton	0	29,784	0	28,448	28,448	27,112	25,776
Excelsior	129,285	131,545	119,405	119,405	0	250,540	305,964
Falcon Heights	162,057	198,527	196,169	253,156	56,987	440,169	523,094
Hamburg	42,205	54,056	55,783	61,008	5,225	81,538	92,218
Hampton	25,960	40,410	51,745	59,540	7,795	85,110	97,560
Hilltop	104,039	145,222	140,606	141,998	1,392	173,785	192,865
Jordan	268,622	284,499	219,272	267,589	48,317	428,576	501,129
Lake St. Croix Beach	32,102	37,439	39,076	53,079	14,003	97,425	116,367

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Landfall	65,519	99,916	136,739	173,512	36,773	214,051	238,049
Lauderdale	296,712	359,418	408,144	505,596	97,452	749,226	840,593
Lexington	353,057	439,938	460,977	482,686	21,709	590,503	655,400
Little Canada	0	0	0	0	0	329,391	457,281
Loretto	8,005	10,836	9,935	9,935	0	9,034	8,133
Marine on St. Croix	0	3,954	4,044	4,044	0	4,044	4,044
Mayer	25,576	28,802	26,988	26,988	0	25,174	24,993
Medicine Lake	0	2,220	2,220	2,220	0	2,220	2,220
Mendota	1,136	2,018	1,712	1,712	0	1,406	1,188
Miesville	0	822	822	822	0	822	822
Mound	0	0	0	0	0	0	0
Mounds View	122,217	0	0	0	0	314,959	432,819
New Germany	9,653	15,547	14,596	16,668	2,072	27,984	32,963
New Prague	601,746	837,579	808,709	870,254	61,545	1,130,564	1,273,376
New Trier	503	1,115	1,031	1,031	0	947	863
Newport	406,367	577,647	591,677	634,293	42,616	800,860	887,221
North St. Paul	1,028,564	1,269,019	1,332,413	1,463,186	130,773	1,978,486	2,247,564
Norwood Young Am	169,228	212,573	196,291	231,888	35,597	353,895	410,440
Randolph	5,189	8,554	11,889	17,305	5,416	29,655	35,047
Robbinsdale	1,427,653	1,159,138	983,829	1,140,268	156,439	1,697,238	1,964,740
Spring Lake Park	0	0	0	0	0	0	0
Spring Park	82,774	88,756	84,784	84,784	0	80,812	89,052
St. Anthony Village	0	0	117,166	216,472	99,306	520,346	644,846
St. Marys Point	0	2,064	2,064	2,064	0	2,064	2,064
St. Paul Park	276,183	215,323	230,931	275,526	44,595	429,399	501,248
Stillwater	955,355	911,838	974,552	1,198,722	224,170	1,954,395	2,298,890
Vermillion	4,488	6,861	6,558	6,558	0	9,000	13,628
Watertown	130,019	170,097	170,120	207,261	37,141	331,027	386,742
Willernie	32,258	52,222	55,182	61,311	6,129	84,410	96,053
Group Total	7,369,036	8,129,305	8,288,149	9,665,513	1,377,364	14,669,568	17,008,976
Region total	151,625,219	173,051,829	164,935,615	177,714,436	12,778,821	231,389,844	261,181,310

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Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Non-metro							
Major Cities							
Duluth	25,653,880	26,728,606	27,838,816	29,879,575	2,040,759	34,741,288	37,994,454
Rochester	6,329,526	5,719,725	6,254,448	7,319,250	1,064,802	10,818,704	12,376,373
St. Cloud	10,402,747	11,876,857	11,814,245	12,370,175	555,930	14,919,356	16,388,970
Group Total	42,386,153	44,325,188	45,907,509	49,569,000	3,661,491	60,479,348	66,759,797
Regional Centers							
Albert Lea	5,343,836	5,625,749	5,696,419	5,820,153	123,734	6,701,519	7,294,930
Austin	6,725,283	7,003,279	7,303,279	7,903,279	600,000	9,160,959	9,942,681
Bemidji	3,301,787	3,507,656	3,480,791	3,671,262	190,471	4,284,020	4,679,437
Brainerd	3,739,034	4,019,438	4,105,299	4,268,893	163,594	4,971,530	5,429,863
Cloquet	2,491,350	2,406,450	2,235,512	2,366,504	130,992	2,864,771	3,154,192
Fairmont	3,417,145	3,594,062	3,786,712	4,172,012	385,300	4,862,656	5,302,627
Faribault	5,745,241	6,054,954	6,404,920	6,703,311	298,391	7,773,164	8,469,481
Fergus Falls	3,677,628	3,963,133	4,171,732	4,304,148	132,416	4,988,063	5,441,729
Hibbing	6,689,124	7,115,165	7,553,987	8,431,631	877,644	9,648,776	10,476,143
Hutchinson	1,980,268	2,432,577	2,388,149	2,548,576	160,427	3,087,172	3,394,320
Little Falls	1,989,706	2,214,751	2,303,867	2,366,652	62,785	2,777,316	3,055,023
Mankato	7,444,154	7,978,622	7,847,348	8,377,298	529,950	10,037,501	11,001,524
Marshall	2,295,529	2,610,090	2,554,106	2,662,961	108,855	3,161,797	3,462,946
Moorhead	7,585,565	8,059,765	7,695,253	8,000,418	305,165	9,225,999	10,013,210
New Ulm	3,683,598	4,102,448	4,294,768	4,429,713	134,945	5,112,411	5,571,433
Northfield	2,881,921	3,311,200	2,841,412	3,146,637	305,225	3,710,824	4,090,225
Owatonna	4,428,487	5,027,679	4,337,644	4,768,786	431,142	5,322,920	5,862,777
Red Wing	1,261,378	1,692,922	1,243,707	1,656,058	412,351	2,289,259	2,625,052
Virginia	3,404,879	3,656,842	3,917,207	4,113,274	196,067	4,696,785	5,130,886
Willmar	4,158,237	4,383,821	4,617,388	4,833,854	216,466	5,632,602	6,141,358
Winona	9,064,527	9,530,901	10,056,083	10,501,553	445,470	12,096,172	13,172,888
Worthington	2,635,882	2,854,767	2,998,965	3,069,143	70,178	3,526,886	3,839,248
Group Total	93,944,559	101,146,271	101,834,548	108,116,116	6,281,568	125,933,102	137,551,973
Sub-regional Cent							
Aitkin	459,644	535,704	600,129	728,979	128,850	997,773	1,092,159
Alexandria	1,484,263	1,791,525	1,685,796	2,149,696	463,900	2,664,928	2,951,993
Appleton	783,408	866,237	931,918	1,063,281	131,363	1,353,433	1,472,901
Baudette	291,808	311,164	327,242	338,460	11,218	397,525	437,011
Baxter	0	0	0	0	0	0	0
Cambridge	519,566	534,186	536,995	614,564	77,569	895,592	1,032,612
Deerwood	45,103	45,008	41,397	41,397	0	40,639	49,398
Detroit Lakes	1,006,736	1,189,099	1,193,236	1,271,837	78,601	1,620,190	1,816,917
Grand Marais	219,186	213,163	198,686	198,686	0	197,117	228,804
Grand Rapids	1,202,352	1,404,632	1,495,077	1,575,881	80,804	1,960,279	2,186,453

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Hinckley	228,832	269,319	257,419	257,419	0	292,550	332,188
International Falls	2,804,816	2,990,709	3,185,894	3,576,265	390,371	4,252,659	4,648,527
Long Prairie	659,845	725,356	775,156	858,536	83,380	995,850	1,091,296
Mahnomen	290,591	327,459	342,688	355,622	12,934	426,590	471,386
Mora	568,167	629,866	676,918	767,543	90,625	919,634	1,015,594
Motley	98,318	121,920	142,610	160,367	17,757	191,381	211,153
Park Rapids	563,630	654,415	509,368	617,746	108,378	620,205	700,736
Pequot Lakes	96,145	101,083	94,561	94,561	0	107,415	142,517
Perham	403,107	509,088	585,623	606,736	21,113	724,663	799,673
Pine City	516,237	580,209	505,840	550,022	44,182	652,890	731,919
Pine River	219,315	255,142	263,113	269,685	6,572	314,230	344,733
Princeton	587,965	767,812	818,339	857,961	39,622	1,052,165	1,168,279
Roseau	474,030	583,623	671,457	690,130	18,673	809,170	889,004
Spicer	124,270	132,092	126,967	139,801	12,834	189,336	214,781
Waite Park	269,561	158,543	0	128,185	128,185	323,338	424,167
Walker	123,945	139,413	145,780	159,358	13,578	212,971	240,965
Warroad	430,311	499,026	560,226	682,626	122,400	933,157	1,005,857
Group Total	14,471,151	16,335,793	16,672,435	18,755,344	2,082,909	23,145,680	25,701,023
Urban Fringe							
Albertville	0	0	0	0	0	0	0
Becker	0	22,494	24,840	24,840	0	24,840	24,840
Big Lake	499,628	579,880	469,119	547,545	78,426	805,616	932,031
Breezy Point	0	8,238	8,922	8,922	0	8,922	8,922
Isanti	434,633	546,860	571,836	607,094	35,258	764,030	852,932
North Branch	258,558	361,572	487,772	910,948	423,176	1,242,088	1,396,159
Rockville	78,842	85,632	29,257	78,090	48,833	141,609	175,142
Sartell	126,909	139,988	104,701	721,637	616,936	1,065,888	1,205,526
St. Michael	0	0	0	570,000	570,000	570,000	570,000
Zimmerman	206,610	340,585	341,836	376,991	35,155	511,367	579,842
Group Total	1,605,180	2,085,249	2,038,283	3,846,067	1,807,784	5,134,360	5,745,394
High Income Cities							
Avon	176,586	244,326	270,528	281,593	11,065	339,894	376,040
Buffalo	1,246,419	1,415,301	1,121,103	1,451,423	330,320	1,918,046	2,141,576
Byron	226,933	280,063	237,594	274,941	37,347	405,263	466,727
Cannon Falls	552,413	718,971	677,297	717,181	39,884	898,687	1,002,824
Clearwater	94,285	117,785	114,232	114,232	0	123,089	145,467
Courtland	44,323	57,789	67,841	74,435	6,594	94,017	105,048
Crosslake	0	12,210	12,378	12,378	0	12,378	12,378
Delano	170,688	233,311	170,157	220,331	50,174	382,161	452,660
Dundas	75,865	91,943	102,352	111,477	9,125	147,887	167,075
East Gull Lake	0	6,030	6,066	6,066	0	6,066	6,066

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Elk River	686,820	686,820	686,820	963,480	276,660	1,144,484	1,360,192
Hanover	89,692	200,375	258,386	292,343	33,957	416,141	476,844
Hermantown	510,102	411,541	410,744	507,478	96,734	812,911	942,802
La Prairie	55,181	74,951	75,768	81,105	5,337	103,874	116,429
Mantorville	201,846	243,008	233,001	242,795	9,794	293,734	325,129
Medford	144,011	187,796	180,473	180,473	0	227,991	256,393
Monticello	0	0	0	344,880	344,880	344,880	344,880
Nisswa	0	12,240	12,348	12,348	0	12,348	12,348
North Mankato	1,434,157	1,826,588	1,658,823	1,828,886	170,063	2,301,969	2,550,360
Oronoco	70,381	71,671	67,363	76,628	9,265	112,653	129,803
Otsego	123,264	0	0	376,440	376,440	376,440	376,440
Rice	52,170	88,853	120,858	146,173	25,315	190,928	214,963
Sauk Rapids	1,824,714	2,060,941	2,232,097	2,472,362	240,265	2,916,911	3,188,178
St. Augusta	180,109	229,936	276,736	370,336	93,600	503,333	569,470
St. Stephen	82,641	106,839	110,780	117,324	6,544	146,965	163,913
Wyoming	0	22,512	23,406	23,406	0	23,767	59,216
Group Total	8,042,600	9,401,800	9,127,151	11,300,514	2,173,363	14,256,817	15,963,221
Moderate Growth							
Annandale	330,623	368,960	327,639	349,078	21,439	442,705	495,070
Brownsville	57,575	69,986	67,030	67,030	0	76,926	86,016
Buffalo Lake	191,792	236,739	227,531	227,531	0	261,700	286,386
Center City	52,157	52,680	49,453	49,453	0	46,226	49,612
Chatfield	586,105	681,383	767,590	818,827	51,237	960,800	1,056,052
Chisago City	246,130	318,469	195,427	300,831	105,404	283,193	265,555
Cohasset	0	15,336	15,540	15,540	0	15,540	15,540
Cokato	481,294	552,119	497,093	525,206	28,113	632,135	700,625
Cold Spring	457,981	569,876	635,546	665,239	29,693	812,689	901,436
Cottonwood	248,874	288,349	306,446	314,645	8,199	368,138	404,283
Dassel	283,542	336,905	347,183	358,037	10,854	423,258	466,006
Dodge Center	644,143	742,120	830,166	886,669	56,503	1,032,226	1,132,368
Emily	0	5,364	5,436	5,436	0	5,436	5,436
Eyota	270,276	324,596	370,533	462,408	91,875	574,615	631,880
Foley	551,954	618,974	675,926	789,829	113,903	1,037,477	1,135,910
Gaylord	631,241	696,636	752,495	864,213	111,718	993,431	1,086,113
Glencoe	1,028,007	1,179,808	1,229,001	1,270,878	41,877	1,514,655	1,672,377
Glyndon	193,510	226,007	256,332	316,982	60,650	377,309	412,926
Goodhue	143,549	172,195	197,795	224,532	26,737	264,890	291,465
Goodview	111,132	107,897	94,448	124,868	30,420	221,798	263,407
Harris	98,870	131,322	157,061	172,196	15,135	231,434	262,165
Henderson	225,330	272,638	260,746	267,384	6,638	311,923	342,304
Holdingford	126,216	155,738	153,968	158,347	4,379	185,870	204,235
Howard Lake	356,669	429,415	486,327	540,213	53,886	641,808	707,512

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Isle	50,012	79,378	75,489	75,489	0	86,786	100,990
Kasson	694,861	820,851	964,046	1,004,303	40,257	1,208,987	1,338,145
Kenyon	388,930	459,220	518,707	541,962	23,255	635,775	698,740
La Crescent	425,249	580,287	563,074	603,623	40,549	778,165	874,983
Lake City	892,332	997,909	837,831	942,563	104,732	1,145,033	1,285,329
Lake Shore	0	6,144	6,210	6,210	0	6,210	6,210
Le Center	495,671	544,579	580,678	652,876	72,198	833,371	1,013,866
Le Sueur	852,886	1,003,159	981,400	1,015,241	33,841	1,208,395	1,332,477
Lester Prairie	280,368	334,356	384,456	398,655	14,199	472,687	520,791
Lewiston	274,160	326,810	375,108	449,293	74,185	526,012	577,783
Lindstrom	131,854	194,229	172,602	217,865	45,263	365,648	430,921
Lonsdale	205,374	302,979	382,136	410,380	28,244	529,630	594,936
Madison Lake	124,234	128,204	129,962	137,459	7,497	171,758	191,491
Maple Lake	289,618	339,787	382,586	415,063	32,477	506,096	561,324
Nicollet	153,875	174,288	189,599	215,972	26,373	257,090	283,467
Pine Island	505,045	588,631	670,587	741,740	71,153	878,562	962,153
Plainview	530,556	634,454	614,518	639,447	24,929	771,132	852,831
Redwood Falls	992,048	1,159,223	1,254,319	1,287,876	33,557	1,509,445	1,659,808
Richmond	211,148	254,284	299,509	312,831	13,322	374,300	413,249
Rockford	320,653	348,366	272,108	326,390	54,282	420,189	478,414
Rush City	400,840	451,686	484,496	550,116	65,620	714,166	878,216
Rushford	399,279	463,227	518,227	628,227	110,000	746,031	816,772
Sandstone	575,258	638,990	689,053	789,179	100,126	1,039,494	1,289,809
Sauk Centre	979,135	1,141,821	1,197,483	1,226,122	28,639	1,425,419	1,562,964
St. Charles	551,502	625,089	682,938	798,637	115,699	1,009,870	1,112,048
St. Clair	133,017	155,808	174,258	184,877	10,619	214,798	235,425
St. Joseph	674,450	773,509	825,565	860,506	34,941	1,044,208	1,158,018
Stacy	140,245	163,580	191,399	247,036	55,637	342,258	378,728
Stewartville	617,964	736,708	739,928	778,894	38,966	966,088	1,076,843
Stockton	65,023	80,710	91,770	113,890	22,120	167,851	184,923
Taylors Falls	121,286	209,924	202,947	209,061	6,114	255,113	281,620
Wanamingo	191,430	225,506	238,984	247,350	8,366	294,778	325,138
Waverly	72,496	72,332	67,290	67,290	0	62,248	57,206
Winsted	545,222	649,702	680,750	701,629	20,879	828,485	911,930
Zumbrota	475,276	543,043	552,438	580,496	28,058	715,468	795,378
Group Total	21,078,267	24,762,285	25,899,163	28,153,920	2,254,757	34,227,728	38,117,605
Established Cities							
Ada	544,155	588,408	624,384	655,298	30,914	743,804	810,782
Adams	167,665	189,419	207,074	218,207	11,133	250,767	274,146
Adrian	355,116	389,164	417,759	428,533	10,774	488,995	533,695
Albany	416,015	473,958	522,516	619,631	97,115	786,795	863,790
Alden	135,856	159,478	153,274	156,943	3,669	182,381	199,915

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Amboy	111,986	125,825	120,302	124,058	3,756	146,583	161,331
Argyle	166,049	179,319	188,593	204,161	15,568	233,216	254,587
Arlington	549,663	620,542	682,138	720,720	38,582	833,436	912,742
Atwater	251,428	283,829	288,595	295,379	6,784	342,994	375,959
Aurora	638,263	628,801	591,645	730,075	138,430	828,646	903,277
Babbitt	198,293	248,073	293,073	383,073	90,000	474,156	521,123
Bagley	396,372	441,136	447,344	456,953	9,609	528,348	578,612
Balaton	170,893	186,715	199,215	217,706	18,491	246,582	268,616
Barnesville	397,531	439,818	471,774	535,687	63,913	695,469	855,251
Barnum	102,497	116,437	127,753	144,527	16,774	168,340	184,635
Battle Lake	103,075	102,380	95,790	95,790	0	124,249	140,927
Belgrade	141,933	167,803	177,817	182,335	4,518	212,634	233,304
Benson	888,094	966,566	1,019,328	1,037,145	17,817	1,187,430	1,297,020
Bird Island	355,021	392,838	423,640	433,197	9,557	494,128	539,281
Biwabik	382,998	365,593	342,764	342,764	0	339,466	372,143
Blackduck	163,142	181,199	196,445	205,509	9,064	238,637	261,571
Blooming Prairie	555,723	624,697	684,841	722,085	37,244	834,164	913,346
Blue Earth	1,082,763	1,203,446	1,306,051	1,511,262	205,211	1,854,181	2,023,364
Bovey	314,823	301,074	283,143	283,143	0	265,212	261,891
Braham	319,646	361,889	400,577	451,201	50,624	526,927	578,421
Breckenridge	1,103,739	1,182,049	1,239,444	1,354,233	114,789	1,571,304	1,714,345
Brewster	89,308	103,768	115,306	138,381	23,075	196,070	253,733
Brooten	153,790	169,850	160,727	160,727	0	178,640	196,681
Browerville	157,735	176,743	192,072	219,387	27,315	252,403	276,030
Browns Valley	306,617	293,070	275,593	275,593	0	307,130	333,769
Brownsdale	125,031	138,480	149,274	164,374	15,100	191,600	210,174
Brownton	183,734	214,449	222,081	226,790	4,709	261,929	286,717
Buhl	417,674	397,797	371,968	371,968	0	389,764	424,714
Butterfield	134,294	147,622	156,159	158,646	2,487	180,945	197,442
Caledonia	693,221	747,863	787,371	866,386	79,015	1,044,455	1,145,456
Canby	646,409	697,115	737,537	762,884	25,347	864,337	941,752
Carlton	201,429	224,276	236,304	242,146	5,842	281,991	309,336
Cass Lake	359,133	343,536	322,983	322,983	0	361,533	393,749
Chisholm	2,265,172	2,435,001	2,394,175	2,818,805	424,630	3,183,425	3,466,295
Clara City	356,958	409,575	415,550	424,131	8,581	489,342	535,569
Claremont	151,240	174,823	167,042	167,042	0	176,953	194,409
Clarissa	196,239	188,941	177,881	177,881	0	183,320	200,693
Clarkfield	333,160	363,182	344,569	348,850	4,281	394,686	429,854
Clarks Grove	111,034	121,294	127,794	140,794	13,000	173,294	205,794
Clearbrook	127,750	146,900	149,551	152,141	2,590	174,101	190,126
Cleveland	95,263	119,852	126,211	131,242	5,031	157,984	174,634
Coleraine	401,854	384,859	361,108	362,417	1,309	418,738	458,451
Cook	119,099	143,460	156,308	160,710	4,402	188,648	207,336

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Cosmos	133,068	149,563	143,239	146,265	3,026	168,874	184,814
Crookston	2,668,625	2,835,565	2,997,342	3,164,593	167,251	3,598,340	3,926,598
Crosby	700,927	823,972	786,862	887,905	101,043	1,024,629	1,121,637
Danube	121,195	137,559	135,059	137,587	2,528	157,961	172,640
Dawson	521,095	585,919	603,304	612,686	9,382	698,520	762,312
Deer River	237,824	273,497	301,803	306,968	5,165	351,195	383,556
Dilworth	491,183	582,128	571,960	593,392	21,432	710,560	784,442
Eagle Bend	172,840	167,329	157,520	158,520	1,000	183,224	200,583
Eagle Lake	277,879	322,297	355,606	422,223	66,617	588,767	690,776
East Grand Forks	2,224,117	2,456,818	2,701,018	3,188,296	487,278	3,672,775	4,021,257
Eden Valley	198,471	226,487	219,911	226,308	6,397	266,161	292,647
Edgerton	254,926	285,255	308,141	314,663	6,522	363,456	397,892
Elbow Lake	352,142	418,545	430,316	437,475	7,159	499,955	545,880
Elgin	150,329	184,722	214,569	274,263	59,694	322,667	353,375
Ellendale	97,793	118,887	116,750	120,820	4,070	143,882	158,646
Ellsworth	136,937	155,029	163,478	165,682	2,204	187,868	204,698
Elmore	203,107	222,060	231,460	234,532	3,072	265,847	289,655
Ely	1,453,678	1,584,143	1,640,694	1,866,770	226,076	2,143,032	2,343,152
Evansville	107,254	126,806	128,398	131,526	3,128	152,998	167,748
Eveleth	1,730,128	1,838,603	1,937,729	2,135,981	198,252	2,577,583	2,805,859
Fairfax	381,464	423,172	458,172	466,801	8,629	531,253	579,463
Fertile	208,644	227,506	241,154	268,449	27,295	308,180	336,197
Floodwood	154,327	148,090	138,607	138,607	0	155,425	169,893
Fosston	443,710	481,053	509,197	565,484	56,287	706,202	771,429
Frazee	285,481	317,328	342,378	392,478	50,100	517,728	619,700
Fulda	377,204	408,726	433,836	471,110	37,274	535,760	584,257
Gibbon	189,917	221,163	227,199	231,423	4,224	265,665	290,365
Gilbert	738,413	703,942	658,725	788,586	129,861	896,610	977,846
Glenville	131,514	146,266	156,866	178,066	21,200	211,933	232,115
Glenwood	691,836	787,853	788,053	808,732	20,679	945,266	1,037,903
Good Thunder	124,460	146,997	141,092	144,768	3,676	169,084	185,586
Graceville	196,528	206,536	195,451	195,451	0	219,418	239,288
Grand Meadow	207,593	239,621	259,529	266,060	6,531	310,178	340,330
Granite Falls	611,901	718,778	754,187	773,490	19,303	902,407	990,194
Greenbush	185,336	204,912	210,322	214,178	3,856	245,698	268,489
Grove City	153,720	168,470	166,776	169,946	3,170	195,252	213,437
Hallock	374,076	403,584	429,239	451,811	22,572	511,167	556,726
Halstad	147,403	168,009	165,885	168,575	2,690	192,390	209,952
Hancock	171,229	192,353	210,405	231,364	20,959	262,291	285,776
Harmony	326,267	374,998	376,009	383,736	7,727	442,632	484,428
Hawley	332,119	374,499	407,039	472,119	65,080	634,819	797,519
Hayfield	320,783	370,750	407,216	416,785	9,569	484,048	530,631
Hector	293,904	353,449	358,720	366,243	7,523	422,833	462,839

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Hendricks	175,842	203,254	212,495	215,757	3,262	245,765	268,094
Henning	191,443	211,333	226,293	256,212	29,919	322,339	352,170
Heron Lake	225,485	251,014	257,895	261,797	3,902	298,103	325,172
Hills	117,740	126,663	132,838	145,188	12,350	169,705	185,754
Hoffman	134,740	145,713	153,416	161,158	7,742	186,963	204,856
Hokah	184,520	177,544	175,558	179,122	3,564	206,465	225,902
Houston	284,205	325,689	334,060	340,031	5,971	389,725	425,835
Hoyt Lakes	340,941	328,819	304,931	520,301	215,370	620,313	684,357
Ivanhoe	193,843	207,148	197,338	200,278	2,940	227,891	248,523
Jackson	972,127	1,077,132	1,165,303	1,186,785	21,482	1,362,158	1,488,938
Janesville	501,129	567,611	617,329	716,766	99,437	924,335	1,010,490
Jasper	156,303	169,072	178,788	188,871	10,083	215,396	235,044
Kandiyohi	77,933	89,147	97,497	104,037	6,540	122,026	134,034
Karlstad	202,127	222,251	237,851	243,398	5,547	276,927	302,010
Kasota	95,372	104,109	108,904	118,495	9,591	142,472	166,449
Keewatin	443,537	445,537	419,141	419,210	69	475,115	517,673
Kerkhoven	156,277	175,448	185,119	189,155	4,036	218,740	239,491
Kiester	162,967	165,176	156,122	156,122	0	177,617	193,838
Kimball	104,506	128,453	124,404	129,861	5,457	157,745	174,765
ayette	114,640	126,207	134,412	141,362	6,950	163,321	178,777
Lake Benton	224,393	215,918	203,321	203,321	0	223,349	244,012
Lake Crystal	616,099	706,951	784,131	843,843	59,712	977,641	1,071,120
Lake Park	163,295	176,498	185,145	202,438	17,293	245,672	288,906
Lakefield	628,141	665,448	667,975	678,556	10,581	774,168	844,987
Lamberton	257,341	287,585	290,759	295,525	4,766	337,578	368,559
Lanesboro	219,160	210,634	210,512	217,831	7,319	259,538	286,308
Le Roy	209,687	242,540	262,952	269,371	6,419	313,501	343,850
Litchfield	1,459,956	1,613,189	1,784,719	1,836,790	52,071	2,161,584	2,379,295
Littlefork	170,085	183,899	193,899	213,899	20,000	253,828	276,434
Luverne	1,170,064	1,272,067	1,350,975	1,438,095	87,120	1,658,907	1,815,485
Lyle	136,574	146,064	153,364	157,524	4,160	180,127	196,671
Mabel	209,963	240,376	228,054	231,838	3,784	265,603	290,157
Madelia	606,980	661,673	702,982	785,601	82,619	992,148	1,198,695
Madison	689,895	736,691	779,191	828,873	49,682	934,527	1,017,026
Mapleton	380,540	426,021	462,625	535,833	73,208	655,020	717,335
Marble	278,426	266,908	251,196	251,196	0	235,484	254,453
Mazeppa	139,726	167,083	162,066	167,461	5,395	198,745	218,969
McIntosh	167,029	178,555	186,698	202,983	16,285	233,227	254,155
Melrose	631,484	725,849	781,441	804,601	23,160	947,389	1,041,939
Menahga	278,469	313,869	320,903	329,206	8,303	384,380	421,883
laca	547,985	615,575	674,655	716,029	41,374	843,987	928,543
Minneota	383,011	424,336	459,981	485,422	25,441	555,321	606,481
Minnesota Lake	161,963	156,510	147,061	147,061	0	169,576	186,450

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

ityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Montevideo	1,527,776	1,672,885	1,807,524	1,840,575	33,051	2,114,952	2,314,142
Montgomery	629,405	738,742	755,094	781,457	26,363	931,192	1,027,166
Montrose	190,555	248,608	312,108	439,108	127,000	612,267	678,647
Moose Lake	359,857	401,768	431,768	491,768	60,000	641,768	791,768
Morgan	291,627	320,767	303,610	308,030	4,420	350,267	381,960
Morris	1,643,200	1,738,172	1,843,369	2,053,762	210,393	2,579,745	2,857,487
Morristown	168,708	192,636	211,296	248,616	37,320	320,956	352,139
Mountain Iron	526,247	623,882	726,819	932,692	205,873	1,447,376	1,686,236
Mountain Lake	697,515	756,086	803,065	897,022	93,957	1,052,352	1,146,148
Nashwauk	503,507	480,252	451,291	451,291	0	422,330	396,558
New London	217,960	246,645	270,259	317,488	47,229	371,776	408,209
New Richland	274,411	305,021	330,963	376,093	45,130	431,476	471,552
New York Mills	324,676	359,780	389,380	405,441	16,061	465,255	508,532
Olivia	760,657	840,321	825,184	841,030	15,846	967,067	1,057,514
Onamia	162,380	181,145	194,804	222,121	27,317	262,328	287,451
Ortonville	769,408	828,556	830,573	843,480	12,907	961,688	1,049,536
Osakis	416,297	456,498	483,712	496,336	12,624	579,955	636,753
Parkers Prairie	217,395	252,581	285,204	294,269	9,065	341,691	374,531
Paynesville	518,892	579,129	627,539	724,359	96,820	962,730	1,055,604
Pelican Rapids	532,711	605,310	665,511	785,913	120,402	1,086,918	1,387,923
Pennock	83,925	96,184	105,684	115,053	9,369	132,951	145,524
Pierz	201,755	233,611	259,585	311,532	51,947	439,629	482,406
Pipestone	1,338,078	1,456,449	1,550,861	1,739,684	188,823	2,011,116	2,192,031
Preston	445,824	501,102	545,010	555,487	10,477	638,903	698,810
Proctor	736,380	821,473	889,658	1,026,027	136,369	1,304,265	1,428,617
Randall	82,067	93,825	102,435	119,655	17,220	147,901	162,635
Raymond	174,194	191,994	205,660	210,494	4,834	242,695	265,529
Red Lake Falls	523,797	567,938	604,685	620,189	15,504	702,742	765,672
Renville	409,506	483,031	460,683	466,143	5,460	534,954	584,745
Rock Creek	93,615	118,505	138,505	178,505	40,000	266,937	301,690
Rollingstone	88,614	106,287	120,082	132,047	11,965	158,294	174,823
Royalton	106,248	127,424	145,257	180,924	35,667	229,103	254,025
Rushford Village	63,335	75,239	74,029	82,029	8,000	112,376	127,761
Sacred Heart	192,677	205,008	195,223	197,614	2,391	223,476	243,358
Scanlon	225,101	217,521	204,877	204,877	0	192,233	179,589
Sebeka	195,414	190,856	179,092	179,159	67	207,217	226,892
Sherburn	298,035	335,505	337,136	342,524	5,388	390,823	426,527
Silver Bay	421,578	483,219	538,667	564,077	25,410	658,987	723,411
Silver Lake	147,316	186,791	177,392	177,392	0	209,862	231,337
Slayton	702,026	758,111	804,071	872,561	68,490	991,006	1,080,461
Sleepy Eye	1,157,619	1,246,304	1,319,828	1,400,953	81,125	1,600,440	1,747,444
Spring Grove	360,086	393,044	418,687	447,748	29,061	513,942	561,779
Spring Valley	723,552	819,027	883,387	901,453	18,066	1,039,702	1,137,875

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Springfield	719,586	794,502	859,959	990,337	130,378	1,120,547	1,220,535
St. James	1,183,744	1,272,451	1,333,378	1,455,233	121,855	1,709,413	1,867,803
St. Peter	1,912,613	2,047,099	2,223,172	2,575,318	352,146	3,455,683	3,910,793
Staples	886,269	957,755	1,010,903	1,094,096	83,193	1,250,103	1,364,872
Starbuck	323,239	370,214	374,917	384,366	9,449	448,148	491,743
Stephen	138,040	153,774	165,954	177,287	11,333	202,985	221,681
Stewart	166,445	160,090	150,459	150,459	0	159,949	175,433
Thief River Falls	1,994,298	2,168,818	2,339,780	2,634,555	294,775	3,026,879	3,311,796
Tracy	829,779	916,830	958,007	970,100	12,093	1,098,283	1,196,473
Trimont	203,687	224,366	217,080	220,741	3,661	252,384	275,579
Truman	353,389	380,577	400,577	426,790	26,213	488,077	533,014
Twin Valley	242,341	260,441	274,070	284,346	10,276	321,433	349,966
Two Harbors	1,095,684	1,238,451	1,195,819	1,229,109	33,290	1,442,169	1,585,161
Tyler	314,080	338,014	356,520	393,533	37,013	478,209	521,807
Ulen	126,984	135,167	140,552	151,321	10,769	178,244	201,353
Verndale	115,862	132,075	133,217	136,073	2,856	157,199	172,061
Wabasha	624,120	721,085	642,080	687,467	45,387	809,442	896,159
Wabasso	150,168	179,288	181,766	185,450	3,684	213,711	233,804
Wadena	995,210	1,087,711	1,155,018	1,289,631	134,613	1,626,164	1,796,528
Walnut Grove	188,691	211,005	230,615	242,311	11,696	274,642	299,221
Warren	408,816	443,959	469,959	521,959	52,000	651,959	781,959
Waseca	2,091,431	2,318,869	2,568,971	2,645,730	76,759	3,087,610	3,391,614
Waterville	482,895	565,573	538,667	555,068	16,401	657,655	724,512
Watkins	153,187	179,871	203,063	241,447	38,384	281,902	309,410
Welcome	190,236	217,675	224,618	228,690	4,072	262,297	286,652
Wells	767,645	834,602	885,917	988,546	102,629	1,199,072	1,307,260
West Concord	204,784	249,581	250,291	255,455	5,164	294,689	322,494
Westbrook	252,975	268,009	253,277	253,277	0	283,106	308,769
Wheaton	522,900	580,299	629,717	638,799	9,082	726,350	792,150
Windom	1,016,514	1,144,310	1,259,314	1,385,310	125,996	1,594,136	1,743,529
Winnebago	506,581	545,558	577,433	602,849	25,416	686,785	749,361
Winthrop	396,131	444,262	451,885	461,208	9,323	532,135	582,435
Group Total	90,548,423	99,307,223	103,964,880	112,345,652	8,380,772	132,324,089	145,791,927
Small Rural Cities							
Akeley	65,648	64,205	60,374	60,374	0	57,644	64,442
Alberta	19,071	25,124	28,838	29,546	708	34,374	37,688
Aldrich	3,247	3,835	4,335	5,335	1,000	7,835	9,408
Alpha	30,739	34,393	36,347	36,821	474	41,701	45,420
Altura	41,183	41,209	38,691	38,691	0	52,129	59,090
Alvarado	30,229	34,749	37,449	42,849	5,400	56,349	69,849
Arco	22,274	24,444	25,304	25,622	318	28,981	31,552
Ashby	95,407	105,665	111,968	114,538	2,570	132,791	145,479

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

:ityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Askov	55,136	65,761	62,865	63,427	562	76,903	85,143
Audubon	60,606	77,289	91,505	118,886	27,381	138,086	151,345
Avoca	26,404	29,182	30,748	31,307	559	35,885	39,197
Backus	27,091	30,625	30,661	32,780	2,119	41,832	46,830
Badger	90,181	98,994	98,013	100,093	2,080	115,537	126,419
Barrett	58,083	68,364	66,232	68,490	2,258	81,429	89,751
Barry	2,507	3,045	2,920	2,995	75	3,726	4,149
Beardsley	67,818	72,933	73,503	74,511	1,008	84,537	92,122
Beaver Bay	28,807	28,085	26,259	26,259	0	24,433	22,607
Beaver Creek	50,236	48,755	45,792	45,792	0	53,335	58,659
Bejou	18,423	19,218	19,526	20,143	617	21,685	23,227
Bellechester	15,645	18,611	19,497	20,549	1,052	25,451	28,306
Bellingham	68,640	71,457	68,887	69,844	957	78,298	86,432
Beltrami	22,522	25,110	26,680	27,079	399	30,815	33,604
Belview	101,069	108,061	103,351	104,676	1,325	118,472	129,008
Bena	21,932	23,358	24,137	25,696	1,559	29,593	33,388
Bertha	140,975	141,220	133,132	134,788	1,656	154,311	168,538
Big Falls	66,726	70,195	69,021	69,943	922	79,267	86,342
Bigelow	37,907	43,525	48,025	52,908	4,883	60,461	65,992
Bigfork	95,625	92,860	87,393	89,915	2,522	105,621	116,061
Bingham Lake	27,919	31,759	30,335	30,335	0	35,631	39,423
Biscay	5,788	7,894	9,329	12,198	2,869	15,909	17,642
Blomkest	18,852	21,437	20,211	20,415	204	25,108	27,874
Bluffton	14,499	18,837	22,115	28,672	6,557	42,057	46,321
Bock	8,316	10,049	11,841	15,424	3,583	20,778	22,934
Borup	12,209	13,325	13,925	15,125	1,200	18,125	21,125
Bowlus	26,491	30,741	33,461	36,763	3,302	45,120	50,090
Boy River	2,058	2,598	2,898	3,498	600	4,998	6,498
Boyd	82,230	78,646	73,946	73,946	0	74,005	80,488
Brandon	85,534	97,101	98,420	101,206	2,786	118,806	130,562
Bricelyn	107,489	120,843	132,061	133,953	1,892	152,216	165,965
Brook Park	21,969	22,820	23,133	24,091	958	29,084	32,163
Brooks	16,961	19,662	21,505	25,191	3,686	33,598	36,840
Brookston	7,955	8,517	8,054	8,054	0	9,436	10,623
Bruno	22,049	21,421	20,163	20,163	0	21,193	23,347
Buckman	11,876	15,539	16,607	18,304	1,697	24,796	28,107
Burtrum	20,722	22,286	23,207	25,050	1,843	29,656	34,262
Callaway	34,251	38,241	38,700	39,653	953	46,123	50,553
Calumet	149,713	143,329	134,695	134,695	0	126,061	117,427
Campbell	47,610	51,718	54,518	56,865	2,347	64,698	70,543
Canton	85,392	91,246	86,456	86,456	0	97,179	106,331
Carlos	43,113	44,988	42,579	42,579	0	55,389	62,316
Cedar Mills	2,856	4,368	5,868	6,563	695	8,362	9,361

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Ceylon	129,700	143,187	135,851	135,851	0	151,398	164,648
Chandler	53,978	65,311	68,067	69,769	1,702	81,297	89,187
Chickamaw Beach	0	864	864	864	0	864	864
Chokio	128,737	124,077	122,969	124,667	1,698	141,469	154,163
Clear Lake	43,475	42,919	40,149	40,149	0	41,716	48,415
Clements	32,220	37,127	37,368	38,090	722	43,774	47,845
Climax	48,915	51,061	48,240	48,980	740	56,324	61,565
Clinton	172,415	165,376	155,763	155,763	0	161,390	175,609
Clitherall	12,908	13,880	14,120	14,600	480	15,800	17,000
Clontarf	11,188	13,792	16,792	22,792	6,000	32,247	35,441
Cobden	2,255	2,692	2,817	3,067	250	3,692	4,317
Comfrey	118,794	113,180	105,376	105,376	0	117,986	128,211
Comstock	13,262	14,688	15,488	17,088	1,600	21,088	25,088
Conger	26,709	25,991	24,391	24,391	0	22,791	23,864
Correll	8,862	9,803	10,103	10,277	174	11,755	12,834
Cromwell	19,947	28,286	27,224	27,224	0	33,293	37,232
Currie	61,612	69,827	69,273	70,228	955	79,704	86,870
Cuyuna	14,064	14,649	13,656	13,656	0	12,663	11,670
Cyrus	64,683	69,627	73,035	79,078	6,043	90,322	98,588
kota	19,081	30,472	36,019	38,400	2,381	48,736	54,502
Dalton	41,302	46,996	45,174	46,426	1,252	54,387	59,718
Danvers	7,988	8,542	11,107	12,375	1,268	15,376	17,115
Darfur	21,691	24,965	27,465	32,465	5,000	44,965	50,675
Darwin	13,292	17,568	20,068	25,068	5,000	37,568	50,068
De Graff	13,548	15,737	17,092	19,801	2,709	26,575	33,349
Deer Creek	48,129	54,651	59,601	64,086	4,485	74,999	82,335
Delavan	52,017	58,751	55,546	55,546	0	61,640	67,512
Delhi	14,406	16,112	17,362	19,862	2,500	23,197	25,351
Denham	0	222	222	222	0	222	222
Dennison	17,829	18,798	17,681	17,681	0	22,850	26,181
Dent	21,695	25,853	30,353	39,118	8,765	45,874	50,389
Dexter	67,607	78,436	76,073	78,176	2,103	91,621	100,641
Donaldson	3,876	5,374	5,180	5,327	147	6,503	7,212
Donnelly	37,553	42,102	45,515	52,340	6,825	61,873	67,796
Doran	10,456	11,712	12,712	13,550	838	15,358	16,730
Dover	73,100	87,964	99,934	123,874	23,940	149,692	165,025
Dovray	10,098	11,476	12,576	13,520	944	15,764	17,292
Dumont	23,581	22,889	21,531	21,531	0	23,867	26,182
Dundee	16,366	18,433	19,906	21,215	1,309	24,000	26,124
Dunnell	52,812	59,283	61,556	62,402	846	70,810	77,172
ston	40,948	39,706	37,228	37,228	0	42,205	46,515
Echo	88,490	84,907	79,764	79,764	0	88,136	96,181
Effie	2,253	4,257	5,757	8,757	3,000	15,014	16,660

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	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Eitzen	26,820	35,604	34,353	34,353	0	37,218	41,490
Elba	10,023	13,092	14,961	18,698	3,737	28,041	37,384
Elizabeth	26,227	29,117	27,636	27,636	0	32,133	35,276
Elkton	14,658	14,710	13,856	13,904	48	17,334	19,297
Elmdale	6,038	6,429	6,142	6,142	0	7,560	8,916
Elrosa	15,501	19,207	21,953	25,611	3,658	31,622	35,160
Elysian	69,131	67,260	62,113	62,113	0	56,966	51,819
Emmons	80,104	86,349	81,661	81,661	0	92,338	101,391
Erhard	18,567	20,389	21,439	23,539	2,100	28,789	34,039
Erskine	88,546	106,515	102,805	104,754	1,949	120,310	131,490
Evan	8,419	9,912	10,978	13,109	2,131	18,328	20,116
Farwell	17,797	17,094	16,103	16,103	0	18,002	19,646
Federal Dam	1,847	2,286	2,149	2,149	0	2,012	1,875
Felton	33,854	33,223	31,332	31,332	0	29,441	29,965
Fifty Lakes	0	2,424	2,442	2,442	0	2,442	2,442
Finlayson	28,066	39,179	37,661	37,661	0	44,289	50,203
Fisher	51,595	61,642	69,530	80,561	11,031	92,927	101,654
Flensburg	22,068	24,027	22,760	23,860	1,100	31,008	34,852
Florence	11,183	10,842	10,553	10,688	135	12,094	13,167
Forada	0	1,152	1,152	1,152	0	1,152	1,152
Foreston	48,313	57,636	64,121	77,091	12,970	106,635	118,159
Fort Ripley	0	408	408	408	0	408	408
Fountain	40,796	55,445	57,310	60,349	3,039	74,695	83,097
Foxhome	21,628	23,906	25,485	27,753	2,268	31,805	34,736
Franklin	146,916	141,318	132,780	132,780	0	150,969	164,672
Freeborn	47,325	56,546	56,929	58,316	1,387	67,802	74,317
Freeport	82,308	84,221	79,438	79,438	0	98,979	110,461
Frost	52,440	58,606	56,902	57,754	852	65,697	71,623
Funkley	43	149	147	147	0	145	143
Garfield	21,127	27,944	32,985	35,246	2,261	44,965	50,348
Garrison	0	1,380	1,398	1,398	0	1,398	1,398
Garvin	45,589	43,839	41,207	41,207	0	40,904	44,526
Gary	62,643	60,313	56,765	56,765	0	58,244	63,601
Geneva	59,028	69,130	69,915	73,088	3,173	89,014	98,644
Genola	1,002	1,694	1,683	1,683	0	2,743	3,706
Georgetown	9,055	11,669	11,705	12,229	524	14,849	16,432
Ghent	53,177	60,664	64,317	65,783	1,466	76,215	83,466
Gilman	1,042	3,330	4,315	6,286	1,971	11,213	16,140
Gonvick	70,057	67,643	63,519	63,519	0	70,775	77,504
Goodridge	24,672	23,835	22,422	22,422	0	23,535	25,594
Granada	75,285	80,241	83,580	90,257	6,677	106,951	119,269
Grasston	19,378	18,860	17,742	17,742	0	16,624	15,506
Green Isle	41,018	40,760	38,108	38,108	0	51,481	58,759

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	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Greenwald	12,476	16,122	18,722	23,922	5,200	35,139	39,031
Grey Eagle	77,505	74,974	70,409	70,409	0	68,007	75,173
Grygla	39,639	39,888	37,356	38,316	960	45,217	49,729
Gully	10,983	12,206	12,872	14,203	1,331	17,532	20,861
Hackensack	7,147	8,314	7,621	7,621	0	6,928	6,235
Hadley	9,388	12,172	14,672	16,031	1,359	18,551	20,314
Halma	8,538	9,506	9,975	10,914	939	12,601	13,720
Hammond	23,108	26,872	29,352	34,312	4,960	46,712	59,112
Hanley Falls	68,860	79,760	76,214	77,152	938	87,202	94,917
Hanska	98,672	110,240	110,937	113,254	2,317	130,696	143,023
Harding	689	1,313	1,280	1,280	0	3,402	4,271
Hardwick	41,243	44,686	46,984	47,856	872	54,771	59,803
Hartland	48,140	58,963	56,333	57,921	1,588	67,951	74,652
Hatfield	2,898	3,862	4,447	4,819	372	6,321	7,121
Hayward	30,609	35,700	34,575	36,096	1,521	43,818	48,521
Hazel Run	12,862	13,728	14,228	15,228	1,000	17,728	19,630
Heidelberg	92	618	594	594	0	594	594
Hendrum	56,975	66,877	64,499	65,815	1,316	75,816	82,910
Henriette	5,262	6,626	7,626	8,947	1,321	10,995	12,200
Herman	137,824	132,361	124,324	124,324	0	131,712	144,156
Hewitt	50,529	56,073	60,323	62,985	2,662	72,531	79,318
Hill City	55,450	57,996	54,506	54,506	0	68,560	77,004
Hillman	2,842	3,334	3,318	3,522	204	4,434	4,953
Hitterdal	46,819	47,853	45,024	45,024	0	51,006	55,707
Holland	42,337	46,226	48,885	49,827	942	56,824	61,991
Hollandale	36,818	46,057	43,840	45,464	1,624	54,405	60,038
Holloway	18,281	17,851	16,773	16,773	0	15,695	14,617
Holt	11,321	12,379	12,879	13,879	1,000	16,379	18,879
Humboldt	10,051	10,690	10,956	11,487	531	12,815	14,143
Ihlen	17,130	18,747	18,031	18,320	289	20,881	22,770
Iona	38,514	38,699	38,095	38,685	590	44,058	48,048
Iron Junction	7,614	8,665	9,200	10,270	1,070	12,945	15,620
Ironton	130,712	126,208	118,440	125,953	7,513	148,487	163,344
Jeffers	105,194	112,962	118,862	125,525	6,663	142,225	154,938
Jenkins	4,756	6,126	5,624	5,624	0	8,552	12,215
Johnson	4,990	5,876	6,576	7,706	1,130	8,832	9,648
Kelliher	78,645	83,941	87,389	94,284	6,895	111,522	128,760
Kellogg	65,842	80,048	77,064	80,187	3,123	96,674	106,899
Kennedy	58,998	67,475	68,542	69,396	854	78,503	85,481
Kenneth	13,257	12,844	12,107	12,107	0	11,370	11,765
Kensington	48,154	53,466	56,461	58,010	1,549	67,944	74,620
Kent	19,555	21,157	21,748	22,103	355	25,207	27,490
Kerrick	4,497	4,617	4,335	4,335	0	4,053	3,771

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Kettle River	29,133	28,261	26,315	26,315	0	24,429	27,335
Kilkenny	34,452	35,951	37,340	38,199	859	44,294	48,528
Kinbrae	607	677	633	633	0	589	545
Kingston	9,123	9,470	9,079	9,079	0	8,688	9,992
Kinney	76,224	72,613	67,964	67,964	0	63,315	58,666
La Salle	13,668	15,778	17,190	17,651	461	20,643	22,660
Lake Bronson	59,888	64,766	68,616	69,876	1,260	78,683	85,573
Lake Henry	4,810	6,938	6,675	6,675	0	7,471	8,424
Lake Lillian	44,500	43,215	40,490	40,490	0	38,377	42,534
Lake Wilson	62,026	67,122	71,117	79,107	7,990	91,747	100,055
Lancaster	72,755	79,895	84,226	85,339	1,113	96,663	105,273
Laporte	9,387	11,135	10,658	11,696	1,038	15,749	17,830
Lastrup	2,761	3,112	2,905	2,905	0	4,482	5,490
Lengby	26,498	26,322	24,844	25,129	285	28,379	30,948
Leonard	2,511	2,918	3,193	3,743	550	5,118	6,070
Leonidas	42,724	40,630	38,200	38,200	0	35,770	33,340
Lewisville	50,937	56,937	61,437	65,692	4,255	75,494	82,526
Lismore	65,846	71,387	68,040	68,973	933	78,265	85,293
Long Beach	0	1,734	1,764	1,764	0	1,764	1,764
Longville	0	1,062	1,062	1,062	0	1,062	1,062
Louisburg	5,816	6,914	7,851	8,681	830	10,012	10,952
Lowry	52,981	51,441	48,227	48,227	0	55,045	60,867
Lucan	55,505	53,621	50,471	50,471	0	56,572	61,745
Lynd	59,559	68,021	64,844	64,844	0	64,126	70,773
Magnolia	24,792	28,415	30,676	35,199	4,523	46,505	57,811
Manchester	8,544	9,514	10,004	10,984	980	13,434	15,884
Manhattan Beach	0	342	354	354	0	354	354
Mapleview	63,245	60,705	57,121	57,121	0	53,537	53,680
Marietta	63,748	61,115	57,456	57,456	0	57,862	62,933
Maynard	131,892	134,380	126,859	126,859	0	142,501	155,586
McGrath	2,496	3,498	4,218	5,658	1,440	7,141	7,889
McGregor	85,622	101,064	96,379	96,379	0	107,450	118,519
McKinley	63,789	60,468	56,655	56,655	0	52,842	49,029
Meadowlands	11,647	15,959	19,567	20,094	527	23,486	25,769
Meire Grove	11,090	13,464	12,926	12,926	0	15,976	17,830
Mentor	16,599	20,200	23,123	28,968	5,845	38,200	41,729
Middle River	51,298	58,603	64,201	75,396	11,195	93,616	102,285
Milan	100,136	98,123	93,651	95,074	1,423	108,258	118,083
Millerville	1,127	1,891	2,391	3,391	1,000	5,891	8,391
Millville	17,364	20,738	21,739	22,907	1,168	28,372	31,556
Milroy	48,204	60,879	58,076	58,076	0	66,526	72,801
Miltona	19,887	30,792	31,753	33,849	2,096	42,956	48,033
Minneiska	7,554	7,737	7,248	7,248	0	8,890	10,379

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Minnesota City	25,955	30,305	32,805	37,805	5,000	49,484	54,565
Mizpah	3,971	4,621	4,871	5,371	500	6,621	7,871
Morton	116,815	132,339	134,619	136,762	2,143	156,001	170,240
Murdock	60,676	68,458	72,706	74,323	1,617	86,027	94,211
Myrtle	8,837	10,016	10,866	12,319	1,453	14,466	15,897
Nashua	63	397	377	377	0	665	1,163
Nassau	11,207	12,935	14,239	16,848	2,609	21,730	23,745
Nelson	16,836	21,084	24,684	27,008	2,324	32,696	36,189
Nerstrand	20,170	20,323	19,066	19,066	0	22,159	26,066
Nevis	57,431	55,959	52,375	52,375	0	55,950	62,770
New Auburn	75,895	89,639	100,194	102,733	2,539	119,737	131,323
New Munich	49,853	55,941	61,241	65,469	4,228	78,069	86,099
Newfolden	70,703	77,369	79,258	80,732	1,474	92,625	101,193
Nielsville	18,724	21,211	22,472	22,680	208	25,447	27,645
Nimrod	2,151	2,882	2,797	2,797	0	3,930	4,555
Norcross	20,938	20,071	18,844	18,844	0	17,617	16,390
Northome	59,298	64,390	66,500	67,450	950	76,621	83,516
Northrop	35,206	41,658	44,682	45,746	1,064	53,116	58,195
Odessa	47,220	45,197	42,550	42,550	0	40,947	44,610
in	18,929	20,754	21,783	23,840	2,057	28,984	33,714
Ogema	31,275	32,290	31,394	32,022	628	36,870	40,320
Ogilvie	109,036	116,943	121,970	131,341	9,371	151,818	166,212
Okabena	44,966	51,607	49,000	49,000	0	55,274	60,414
Oklee	112,542	114,917	108,505	109,028	523	124,507	135,889
Ormsby	20,906	24,285	25,016	25,741	725	30,234	33,218
Orr	49,708	47,886	44,618	44,618	0	52,358	57,718
Oslo	83,095	79,936	74,785	74,785	0	81,591	89,626
Ostrander	33,353	42,245	43,237	44,553	1,316	52,542	57,800
Ottertail	0	2,892	2,916	2,916	0	2,916	2,916
Palisade	13,506	17,231	16,497	16,497	0	15,763	15,029
Pease	12,436	16,924	16,423	16,423	0	17,688	20,145
Pemberton	18,861	27,927	27,019	27,638	619	34,613	38,590
Perley	18,044	20,878	22,618	23,119	501	26,741	29,273
Peterson	34,809	41,159	45,177	46,749	1,572	55,656	61,358
Pillager	90,158	106,081	121,445	136,235	14,790	154,764	166,583
Plato	28,816	28,598	26,895	29,791	2,896	40,754	46,303
Plummer	47,941	46,517	45,681	47,028	1,347	55,313	60,795
Porter	44,972	43,403	40,844	40,844	0	46,624	51,111
Prinsburg	89,163	86,516	81,163	81,163	0	97,284	107,543
Quamba	7,256	9,692	11,498	15,111	3,613	20,006	22,093
cine	38,814	51,203	60,158	62,929	2,771	76,731	85,060
Ranier	20,600	24,601	24,543	25,682	1,139	31,337	34,740
Regal	510	1,270	1,523	1,783	260	2,679	3,095

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Remer	50,003	50,851	49,027	51,739	2,712	64,309	71,603
Revere	23,991	25,301	23,931	23,931	0	26,978	29,420
Richville	7,280	9,797	11,600	15,153	3,553	18,024	19,854
Riverton	7,406	7,570	7,068	7,068	0	6,566	6,064
Ronneby	2,461	3,205	3,865	4,390	525	5,723	6,442
Roosevelt	8,147	10,047	11,147	13,347	2,200	18,847	24,347
Roscoe	16,021	18,281	19,881	23,081	3,200	30,033	32,948
Rose Creek	66,528	72,307	72,440	74,358	1,918	86,884	95,347
Rothsay	97,264	107,901	115,570	127,991	12,421	147,669	161,579
Round Lake	71,779	81,092	88,373	102,934	14,561	139,338	158,810
Rushmore	80,258	91,587	100,711	102,644	1,933	116,640	127,151
Russell	92,192	88,605	85,679	87,405	1,726	100,670	110,109
Ruthton	68,435	76,932	82,159	83,419	1,260	95,027	103,664
Rutledge	2,307	3,385	3,353	3,353	0	3,321	3,289
Sabin	61,082	68,818	74,718	82,025	7,307	96,761	106,445
Sanborn	111,655	122,107	130,090	133,787	3,697	152,764	166,757
Sargeant	6,284	8,246	9,746	12,746	3,000	15,949	17,607
Seaforth	16,378	17,488	18,104	18,401	297	21,007	22,926
Sedan	4,617	5,953	6,600	6,869	269	8,273	9,140
Shafer	55,712	85,023	94,074	100,410	6,336	127,855	143,138
Shelly	60,351	63,977	66,067	70,247	4,180	80,697	89,308
Shevlin	14,259	16,631	18,291	21,611	3,320	29,911	34,925
Skyline	3,411	5,100	4,911	4,911	0	7,389	9,928
Sobieski	3,704	7,172	10,364	12,509	2,145	17,683	20,213
Solway	6,392	6,459	6,088	6,088	0	5,717	5,754
South Haven	24,184	32,565	30,847	30,847	0	34,839	38,926
Spring Hill	2,967	3,096	2,847	2,847	0	3,409	4,074
Squaw Lake	8,693	10,101	10,576	11,525	949	13,898	16,271
St. Anthony	4,888	5,697	5,927	6,388	461	7,540	8,692
St. Hilaire	40,893	45,823	49,103	55,664	6,561	72,066	88,468
St. Leo	12,511	13,911	14,911	16,911	2,000	21,047	22,957
St. Martin	17,287	24,551	26,942	29,237	2,295	38,465	43,349
St. Rosa	1,341	1,408	1,259	1,259	0	1,110	961
St. Vincent	13,402	14,556	15,400	17,089	1,689	21,311	25,533
Steen	17,925	20,725	22,525	26,125	3,600	35,125	44,125
Storden	74,121	80,040	75,510	76,185	675	86,340	94,057
Strandquist	13,893	14,929	15,479	16,579	1,100	19,329	22,079
Strathcona	3,288	3,271	3,243	3,352	109	3,971	4,368
Sturgeon Lake	16,651	27,013	26,355	26,355	0	37,208	42,579
Sunburg	20,765	24,879	26,402	26,929	527	31,006	33,912
Swanville	70,217	78,356	77,620	80,022	2,402	94,495	103,992
Taconite	118,255	113,270	106,347	106,347	0	99,424	94,466
Tamarack	3,415	3,533	3,285	3,595	310	5,070	5,790

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Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

LMC City Cluster Listing

Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Taopi	4,650	5,622	6,072	6,972	900	9,222	11,472
Taunton	20,077	23,959	26,689	32,149	5,460	45,799	58,522
Tenney	1,352	1,302	1,216	1,216	0	1,130	1,044
Tenstrike	2,137	3,228	3,161	3,161	0	3,094	3,027
Thomson	12,152	12,294	11,476	11,476	0	10,658	9,840
Tintah	9,557	11,346	12,308	12,544	236	14,403	15,734
Tower	109,452	105,026	97,576	97,576	0	104,839	116,422
Trail	2,883	3,074	2,893	2,893	0	2,712	2,531
Trommald	8,969	9,140	8,597	8,597	0	8,054	7,511
Trosky	8,015	9,863	11,163	13,763	2,600	20,263	26,665
Turtle River	0	444	444	444	0	444	444
Twin Lakes	34,067	33,071	31,121	31,121	0	29,171	27,221
Underwood	71,656	79,197	75,119	76,303	1,184	89,365	98,146
Upsala	59,988	68,099	64,464	64,464	0	76,376	85,226
Urbank	4,349	4,982	5,249	5,783	534	7,119	8,455
Utica	24,821	27,857	26,644	26,644	0	33,774	37,911
Vergas	23,535	35,086	35,011	37,578	2,567	48,367	54,260
Vernon Center	56,411	70,271	67,602	67,602	0	76,917	85,169
Vesta	75,381	87,339	86,308	87,587	1,279	99,626	108,622
ing	23,672	22,834	21,498	21,498	0	20,162	20,622
illard	36,993	41,083	38,901	39,905	1,004	48,003	53,047
Vining	10,442	11,382	10,782	10,782	0	12,310	13,719
Wahkon	12,383	13,542	12,697	12,697	0	11,852	11,007
Waldorf	54,346	52,519	49,300	49,300	0	46,081	48,096
Walters	24,130	23,275	21,934	21,934	0	20,593	22,004
Waltham	33,790	37,035	39,391	40,168	777	46,195	50,495
Wanda	16,018	19,509	22,218	22,555	337	25,671	27,993
Warba	12,115	14,619	14,065	14,526	461	18,777	21,067
Watson	49,801	56,301	56,343	57,108	765	64,766	70,565
Waubun	63,052	72,416	79,416	89,780	10,364	103,424	113,110
Wendell	43,165	42,578	40,045	40,045	0	45,886	50,304
West Union	2,962	3,974	4,524	5,624	1,100	7,921	8,886
Westport	1,955	2,825	3,298	4,243	945	6,606	8,969
Whalan	10,734	10,417	9,764	9,764	0	9,111	9,316
Wilder	13,095	15,322	15,944	16,313	369	18,922	20,729
Williams	33,636	38,756	38,860	39,793	933	46,223	50,649
Willow River	36,469	36,728	34,881	34,881	0	45,737	52,064
Wilmont	70,417	79,360	84,944	86,467	1,523	99,089	108,246
Wilton	525	2,377	3,095	4,531	1,436	8,121	11,711
Winger	40,447	39,968	39,566	40,239	673	45,984	50,183
nton	31,547	30,805	29,001	29,001	0	33,359	36,741
Wolf Lake	743	1,501	2,251	3,751	1,500	7,501	9,744
Wolverton	22,722	26,359	25,639	26,270	631	30,554	33,488

Projected 2007 LGA (current law) vs HF 2914/SF 2475 for 2007-2009

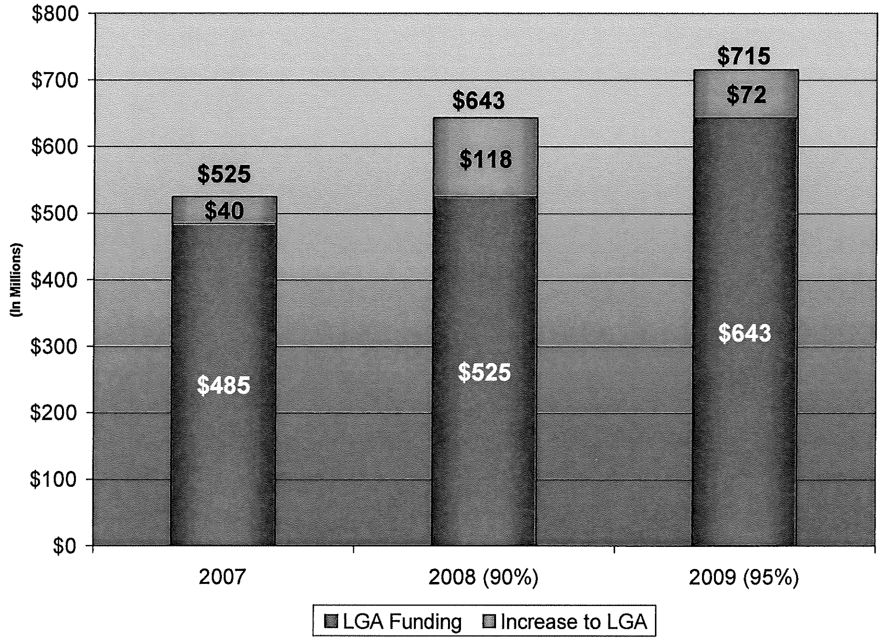
Cityname:	Certified 2005 LGA	Certified 2006 LGA	Projected 2007 LGA	Proj. HF2914 2007 LGA	change in '07 LGA (HF2914 - Current)	Prelim. 2008 HF2914 LGA	Prelim. 2009 HF2914 LGA
	(1)	(2)	(3)	(4)	(5=4-3)	(6)	(7)
Wood Lake	110,313	121,081	118,047	119,906	1,859	136,700	149,138
Woodstock	32,497	35,046	34,473	34,923	450	39,565	43,101
Wrenshall	56,414	55,195	51,996	51,996	0	48,797	45,598
Wright	8,966	9,098	8,654	9,132	478	12,184	13,771
Wykoff	118,939	128,269	121,389	121,389	0	139,696	153,268
Zemple	592	982	922	922	0	862	802
Zumbro Falls	28,873	33,042	36,632	38,839	2,207	46,295	51,064
Group Total	13,016,535	14,142,562	14,178,616	14,757,151	578,535	17,021,718	18,708,696
Region total	285,092,868	311,506,371	319,622,585	346,843,764	27,221,179	412,522,842	454,339,636
State Total	436,718,087	484,558,200	484,558,200	524,558,200	40,000,000	643,912,686	715,520,946

2008 and 2009 numbers are very preliminary and only indicate overall projected growth in the program.

Equity in Property Tax Act

Sen. Skoe (SF 2475) Rep. Dorman (HF 2914)

Meet 100% of the unmet need in the Local Government Aid (LGA) program by 2010

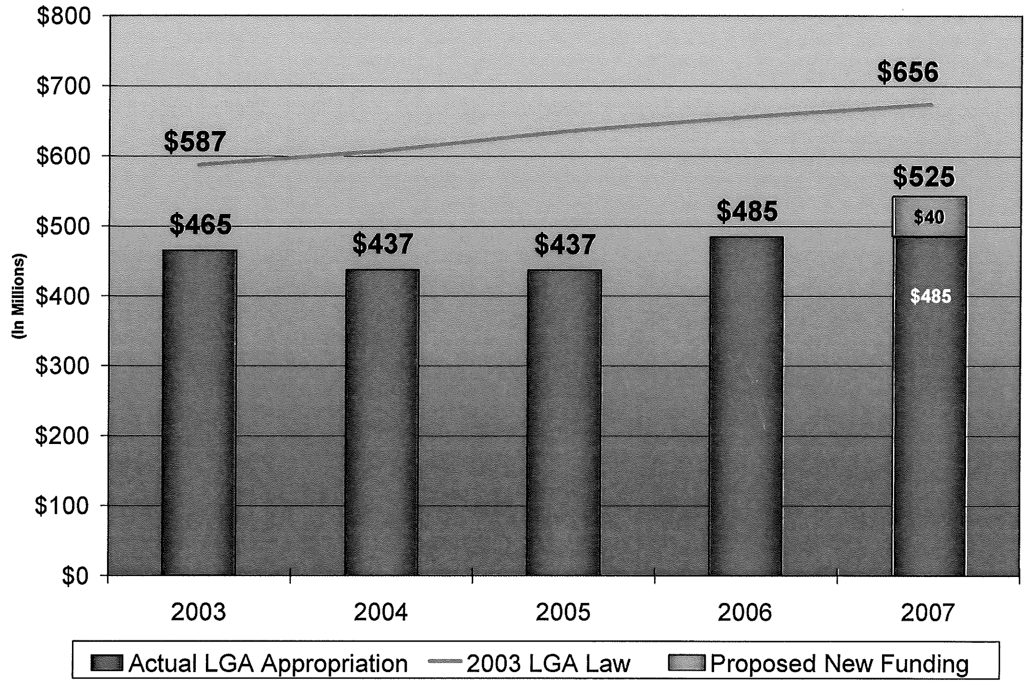


The LGA Formula should be changed to:

- Remove the taconite offset for all cities
- Use current population for regional center aid
- Update need factor by inflation since 2000, not 2003
- Increase the maximum aid caps

- In the 2006 legislative session, the CGMC supports restoring LGA by at least $40 million

- An additional $40 million of LGA is still $131 million less than what the program would have received if the 2003 law had remained in place



Funding of 2008 and 2009 LGA are preliminary best estimates from House Research run cgmclga072b, 4/05/2006. Actual funding for LGA in 2008 and 2009 may change due to the nature of the LGA formula.
Prepared for by Flaherty & Hood, P.A. for the Coalition of Greater MN Cities 4/05/2006

Senator .... moves to amend S.F. No. XXXX as follows:

Page ..., after line ..., insert:

"Sec. .... Minnesota Statutes 2005 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) The city aid base for any city with a population less than 500 is increased by $40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $40,000 for aids payable in calendar year 1995 only, provided that:

(i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

(ii) the city portion of the tax capacity rate exceeds 100 percent; and

(iii) its city aid base is less than $60 per capita.

(c) The city aid base for a city is increased by $20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $20,000 in calendar year 1998 only, provided that:

(i) the city has a population in 1994 of 2,500 or more;

(ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;

(iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than $400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(d) The city aid base for a city is increased by $200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $200,000 in calendar year 1999 only, provided that:

(i) the city was incorporated as a statutory city after December 1, 1993;

(ii) its city aid base does not exceed $5,600; and

(iii) the city had a population in 1996 of 5,000 or more.

(e) The city aid base for a city is increased by $450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $450,000 in calendar year 1999 only, provided that:

(i) the city had a population in 1996 of at least 50,000;

(ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and

(iii) its city's net tax capacity for aids payable in 1998 is less than $700 per capita.

(f) The city aid base for a city is increased by $150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $150,000 in calendar year 2000 only, provided that:

(1) the city has a population that is greater than 1,000 and less than 2,500;

(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(g) The city aid base for a city is increased by $200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $200,000 in calendar year 2000 only, provided that:

(1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than $650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than $7 per capita.

(h) The city aid base for a city is increased by $102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than $455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than $195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(i) The city aid base for a city is increased by $32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than $200 per capita;

(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than $200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than $65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(j) The city aid base for a city is increased by $7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

(2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;

(3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than $15 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(k) The city aid base for a city is increased by $45,000 in 2001 and thereafter and by an additional $50,000 in calendar years 2002 to 2011, <u>and by an additional $89,000 in calendar years 2007 to 2011,</u> and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $45,000 in calendar year 2001 only, and by $50,000 in calendar year 2002 only, <u>and by an additional $89,000 in calendar year 2007 only,</u> provided that:

(1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than $810 per capita;

(2) the population of the city declined more than two percent between 1988 and 1998;

(3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than $240 per capita; and

(4) the city received less than $36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

(l) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:

(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

(2) $2,500,000.

(m) The city aid base is increased by $50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $50,000 in calendar year 2002 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2000 is between 10,000 and 20,000; and

(3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(n) The city aid base for a city is increased by $150,000 in calendar years 2002 to 2011 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $150,000 in calendar year 2002 only, provided that:

(1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

(2) its home county is located within the seven-county metropolitan area;

(3) its pre-1940 housing percentage is less than 15 percent; and

(4) its city net tax capacity per capita for taxes payable in 2000 is less than $900 per capita.

(o) The city aid base for a city is increased by $200,000 beginning in calendar year 2003 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $200,000 in calendar year 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

(p) The city aid base for a city is increased by $200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by $200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

(q) The city aid base for a city is increased by $10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by $10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

(r) The city aid base for a city is increased by $25,000 in 2006 only and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by $25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.

(s) The city aid base for a city with a population less than 5,000 is increased in 2006 and thereafter and the minimum and maximum amount of total aid it may receive under this section is also increased in calendar year 2006 only by an amount equal to $6 multiplied by its population."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Belanger introduced–

S.F. No. 3632: Referred to the Committee on Taxes.

A bill for an act

relating to property taxation; eliminating the growth factor in the state general levy; amending Minnesota Statutes 2005 Supplement, section 275.025, subdivision 1.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2005 Supplement, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy base amount is ~~$592,000,000~~ <u>$654,935,000</u> for taxes payable in ~~2002. For taxes payable in~~ <u>2006 and</u> subsequent years~~, the levy base amount is increased each year by multiplying the levy base amount for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable~~. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

(1) an erroneous report of taxable value by a local official;

(2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than $100,000.

EFFECTIVE DATE. This section is effective for taxes payable in 2007 and subsequent years.

Senate Counsel, Research, and Fiscal Analysis
G-17 State Capitol
75 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, MN 55155-1606
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Director

Senate
State of Minnesota

S.F. No. 3632 - State General Levy

Author: Senator William Belanger, Jr.

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) JZS

Date: April 5, 2006

This bill removes the growth factor in the state general levy that is imposed on commercial industrial and seasonal residential recreational property. It would freeze the total amount of the tax for taxes payable in 2007 and subsequent years at $654,935,000, which is the amount raised by the tax in 2006.

JZS:dv

MINNESOTA · REVENUE

PROPERTY TAX
No State General Levy Growth

March 9, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2900 (Krinkie) SF 3432 BELANGER

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
		(000's)		
General Fund	$0	($21,700)	($50,500)	($70,200)

Effective for taxes payable in 2007 and thereafter.

EXPLANATION OF THE BILL

Current Law: Commercial, industrial, railroad, and most public utility and personal property is subject to the state general levy. The levy is the state rate multiplied by the property's net tax capacity. Non-commercial seasonal recreational and commercial seasonal recreational property is also subject to the state general levy but has a separate rate that generates 5% of the total levy. The levy is the state rate multiplied by the seasonal recreational property's net tax capacity, except that the first $76,000 of market value has a class rate modified by a multiplier of 40%, so that 60% of the first $76,000 of value is exempt. The total amount of the state general levy increases by an inflation factor from year to year.

Proposed Law: The proposal deletes the annual inflation increase. The state general levy is fixed at the payable 2006 level of $654,935,000.

REVENUE ANALYSIS DETAIL

- The estimates are based on the February 2006 forecast of the state levy.
- The decrease in state general levy is estimated to be $39.4 million for taxes payable in 2007, $59.5 million for 2008, and $78.9 million for 2009.
- The estimates by payable years were allocated to fiscal years.

Number of Taxpayers: All commercial, industrial, and seasonal property owners.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf2900_1/lm

Senator .... moves to amend S.F. No. XXXX as follows:

Page ..., after line ..., insert:

"Sec. .... Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

Subd. 33. **Bovine testing credit.** (a) A taxpayer may take a credit against the tax due under this chapter for an amount equal to one-half the expenses incurred during the taxable year to conduct bovine tuberculosis testing.

(b) If the amount of credit which the taxpayer is eligible to receive under this subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the excess to the taxpayer.

(c) The amount necessary to pay claims for the refund provided in this subdivision is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2005."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Tomassoni

A bill for an act

relating to taxation; modifying the distribution of production tax revenues; amending Minnesota Statutes 2004, sections 298.28, by adding a subdivision; 298.2961, by adding a subdivision; Minnesota Statutes 2005 Supplement, sections 298.223, subdivision 1; 298.2961, subdivision 4.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2005 Supplement, section 298.223, subdivision 1, is amended to read:

Subdivision 1. **Creation; purposes.** A fund called the taconite environmental protection fund is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota located within the taconite assistance area defined in section 273.1341, that are adversely affected by the environmentally damaging operations involved in mining taconite and iron ore and producing iron ore concentrate and for the purpose of promoting the economic development of northeast Minnesota. The taconite environmental protection fund shall be used for the following purposes:

(a) to initiate investigations into matters the Iron Range Resources and Rehabilitation Board determines are in need of study and which will determine the environmental problems requiring remedial action;

(b) reclamation, restoration, or reforestation of minelands not otherwise provided for by state law;

(c) local economic development projects but only if those projects are approved by the board, and public works, including construction of sewer and water systems located within the taconite assistance area defined in section 273.1341;

(d) monitoring of mineral industry related health problems among mining employees~~.~~; and

(e) local renewable energy investments undertaken in cooperation with local units of government and mineland areas reforestation, reclamation, or development projects. The projects must be approved by the Iron Range Resources and Rehabilitation Board and located within the taconite assistance area as defined in section 273.1341. The board may enter into joint ventures with private or public entities to advance these projects.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2004, section 298.28, is amended by adding a subdivision to read:

Subd. 10a. **Post-2005 increases.** (a) This subdivision applies to determine distribution of the proceeds of the tax that are attributable to increasing the rate of tax by the percentage increase in the implicit price deflator under section 298.24, subdivision 1, paragraph (b). It applies only to increases applicable for production year 2006 and later. Its provisions supercede the provisions of subdivision 10 for those increases.

(b)The proceeds are allocated as follows:

(1) an amount equal to two cents per taxable ton is allocated to the city or town in the county in which the land from which the taconite was mined or quarried or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among the subdivisions by attributing 50 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each taxing district. The commissioner's apportionment order is subject to review by the Tax Court upon petition by any of the interested taxing districts, in the same manner as other orders of the commissioner; and

(2) the remainder of the revenue is allocated to the taconite environmental protection fund for projects under section 298.223, subdivision 1, clause (e).

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2005 Supplement, section 298.2961, subdivision 4, is amended to read:

Subd. 4. **Grant and loan fund.** (a) A fund is established to receive distributions under section 298.28, subdivision 9b, and to make grants or loans as provided in this subdivision. Any grant or loan made under this subdivision must be approved by a majority of the members of the Iron Range Resources and Rehabilitation Board, established under section 298.22.

(b) Distributions received in calendar year 2005 are allocated to the city of Virginia for improvements and repairs to the city's steam heating system.

(c) Distributions received in calendar year 2006 are allocated to a project of the public utilities commissions of the cities of Hibbing and Virginia to convert their electrical generating plants to the use of biomass products, such as wood.

(d) Distributions received in calendar year 2007 must be paid to the city of Tower to be used for the East Two Rivers project in or near the city of Tower.

(e) For distributions received in 2008 and later, ~~amounts may be allocated to joint ventures with mining companies for reclamation of lands containing abandoned or worked out mines to convert these lands to marketable properties for residential, recreational, commercial, or other valuable uses~~ the first $2,000,000 must be paid to St. Louis County for deposit in its county road and bridge fund to be used for relocation of St. Louis County Road 715, commonly referred to as Pike River Road, and the remainder is allocated for projects under section 298.223, subdivision 1, clause (e).

Sec. 4. Minnesota Statutes 2004, section 298.2961, is amended by adding a subdivision to read:

Subd. 5. **Public works and local economic development fund.** For distributions in 2007 only a special fund is established to receive 38.4 cents per ton ~~of the estimated 38.4~~ cents per ton that otherwise would be allocated under section 298.28, subdivision 6. The following amounts are allocated for the specified purposes:

13.4 (1) 14 cents per ton for the Central Iron Range Sanitary Sewer District for construction of a combined wastewater facility;

(2) six cents per ton to the city of Eveleth to redesign and design and construct improvements to renovate its water treatment facility; Not meeting Fed. stds.

(3) one cent per ton for the East Range Joint Powers Board to acquire land for and to design a central wastewater collection and treatment system; Need

Can't change mine. Don't pay local taxes!

(4) 0.5 cents per ton to the city of Hoyt Lakes to repair Leeds Road;

(5) 0.7 cents per ton to the city of Virginia to extend Eighth Street South;

(6) 0.7 cents per ton to the city of Mountain Iron to repair Hoover Road;

(7) 0.9 cents per ton to the city of Gilbert for alley repairs between Michigan and Indiana avenues and for repayment of the Delta Dental loan to the Minnesota Department of Employment and Economic Development;

(8) 0.4 cents per ton to the city of Keewaten for a new city well;

(9) 0.3 cents per ton to the city of Grand Rapids for planning for a fire and hazardous materials center;

(10) 0.9 cents per ton to Aitkin County Growth for an economic development project for peat harvesting;

(11) 0.4 cents per ton to the city of Nashwauk to develop a comprehensive city plan;

(12) 0.4 cents per ton to the city of Taconite for development of a city comprehensive plan;

(13) 0.3 cents per ton to the city of Marble for water and sewer infrastructure;

(14) 0.8 cents per ton to Aitkin county for improvements to the Long Lake Environmental Learning Center;

(15) 0.3 cents per ton to the city of Coleraine for the Coleraine Technology Center;

(16) 0.5 cents per ton to the economic development authority of the city of Grand Rapids for planning for the north central research and technology laboratory;

(17) 0.6 cents per ton to the city of Bovey for sewer and water extension;

(18) 0.3 cents per ton to the city of Calumet for infrastructure improvements; and

10 (19) ~~nine~~ cents per ton ~~to~~ an economic development authority ~~of the city of XXX for economic development projects.~~ ~~North of State Hwy 1 or a city that the highway runs thru or a city in School Dist 2142 that has an active mine.~~

EFFECTIVE DATE. This section is effective the day following final enactment.

in a city that State Highway 1 ~~run~~ passes thru or a city in school Dist 2142 that has an active mine for an economic development project approved by the Iron Range ~~Rehab~~ Res & Rehab Board.

Senator .... moves to amend S.F. No. XXXX as follows:

Page ..., after line ..., insert:

"Sec. .... Minnesota Statutes 2004, section 297A.68, is amended by adding a subdivision to read:

Subd. 37. **Commuter rail materials, supplies, and equipment.** Materials, supplies, and equipment used or consumed in the construction, equipment, or improvement of a commuter rail transportation system operated under sections 174.80 to 174.90 are exempt. This exemption includes railroad cars, engines, and related equipment.

EFFECTIVE DATE. This section is effective for purchases made after June 30, 2006."

Betzold

Senator .... moves to amend S.F. No. XXXX as follows:

Page ..., after line ..., insert:

"Sec. .... Minnesota Statutes 2004, section 297A.68, subdivision 19, is amended to read:

Subd. 19. **Petroleum products.** The following petroleum products are exempt:

(1) products upon which a tax has been imposed and paid under chapter 296A, and for which no refund has been or will be allowed because the buyer used the fuel for nonhighway use;

(2) products that are used in the improvement of agricultural land by constructing, maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water impoundment, and other erosion control structures;

(3) products purchased by a transit system receiving financial assistance under section 174.24, 256B.0625, subdivision 17, or 473.384;

(4) products purchased by an ambulance service licensed under chapter 144E;

(5) products used in a passenger snowmobile, as defined in section 296A.01, subdivision 39, for off-highway business use as part of the operations of a resort as provided under section 296A.16, subdivision 2, clause (2); ~~or~~

(6) products purchased by a state or a political subdivision of a state for use in motor vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b); or

(7) products purchased for use as fuel for a commuter rail system operating under sections 174.80 to 174.90. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective for purchases made after June 30, 2006."