



Dear Chair Nelson and Members, Senate Taxes Committee:

Metro Cities appreciates the opportunity to comment on the DE amendment to HF 3669, the omnibus tax bill. Specifically:

Metro Cities supports the repeal of the sunset for the historic tax credit. Metro Cities also supports funding for the angel investment credit in the bill as well as the new markets tax credit program that are mirrored on the federal program.

Metro Cities supports state property tax relief programs and supports the modifications to the targeted property tax refund program and threshold changes to the tax deferral program.

Metro Cities supports the inclusion of the technical and clarifying changes to tax increment financing statutes.

Metro Cities does not take positions on specific local option sales tax bills but supports allowing revenue diversification for cities.

Metro Cities appreciates additional tools aimed at advancing housing production, however, we are concerned that the market value exclusion language in the bill puts the responsibility on property taxpayers to provide supports that are traditionally a state function and responsibility. Metro Cities' policies generally oppose shifting responsibility for state objectives onto local property taxpayers.

Metro Cities is concerned about the effects of the proposed 4d Class Rate reduction in the bill, which would represent the lowest class rate in the state and includes no guarantee of public benefit. Cities with higher levels of existing affordable housing could see the shift fall on low-income populations. While the transition aid is appreciated and recognizes the effects of the 4d provision on local property taxes, it is a temporary aid. Once the aid sunsets, the underlying shift remains. The provision also does not recognize the policy change enacted in the 2021 tax law which removed the annual inflator and reset the first tier to its 2014 level of \$100,000, a significant change. The provision also does not include any guarantee as to how the tax savings will serve renters.

As the tax bill advances and as bills are reconciled, Metro Cities would ask members to consider support for an increase in local government aid (LGA) as well as updates to the formula that have been proposed by city associations. We would also ask you to consider support for addressing the process for local governments on the construction sales tax exemption. These are priority issues for Metro Cities and serve as important elements of a strong and functional state and local fiscal partnership.

Thank you for the opportunity to comment on the DE amendment to HF 3669.
Sincerely,

A handwritten signature in blue ink, appearing to read "Patricia Nauman".

Patricia Nauman
Executive Director