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Tax Aids, Credits and Refunds (REVISED)

Tax Aids, Credits and Refunds — Agency Profile

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AT A GLANCE

In 2017 the Department of Revenue paid:

- $927 million in aids to local governments
- $651 million in property tax refunds to about 860,000 individuals
- $74 million in credits to reduce individuals' and businesses' property taxes
- $24 million in other programs

PURPOSE

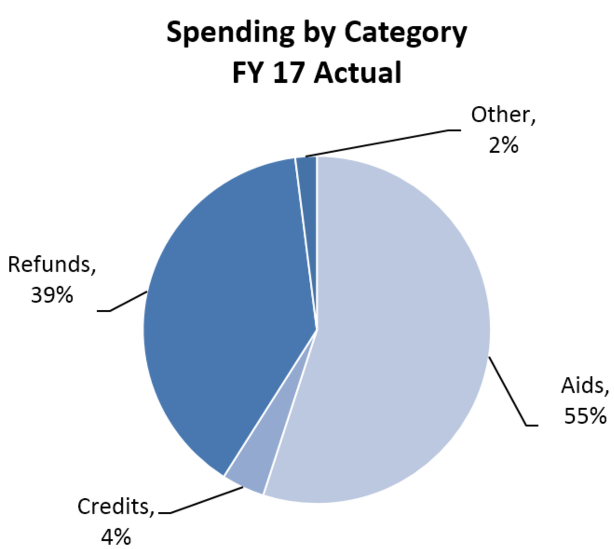
The Minnesota Department of Revenue's mission is "working together to fund Minnesota's future." Our vision is that everyone reports, pays and receives the right amount: no more, no less.

Property taxes are a primary source of funding for local governments. Property Tax Aid, Credit and Refund programs administered by the Department of Revenue provide direct property tax relief to individual taxpayers and funding to local governments, including cities and counties.

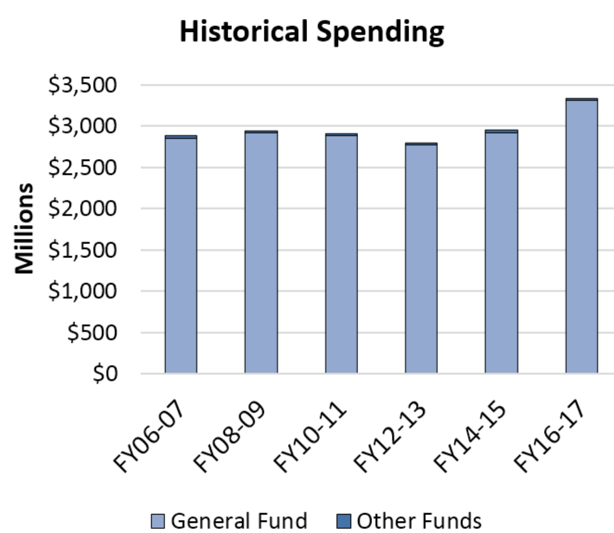
In addition to administering Tax Aids, Credits and Refunds, the Department of Revenue administers 31 types of state and local taxes and collects debt owed to state agencies and local government. We collect over $23 billion in state taxes annually to fund state and local programs.

Tax and debt collection revenue collected by the Department of Revenue is accounted for in the Tax Aids, Credits and Refunds budget book. More information about the Department of Revenue's tax administration and debt collection activities can be found in the Minnesota Department of Revenue budget book, which also details the operating expenditures of the department.

BUDGET



Source: Budget Planning & Analysis System (BPAS)



Source: Consolidated Fund Statement

The Department of Revenue administers three dozen Property Tax Aid, Credit and Refund programs that make payments to individual taxpayers and local governments. In 2017, we disbursed nearly $1.7 billion in general fund dollars through four types of programs:

- Aids paid to local government to help them fund local services
- Credits that reduce the amount of property taxes individuals pay
- Refunds that provide individuals direct relief for taxes already paid
- Other programs such as the senior citizen property tax deferral program and tax refund interest payments.

STRATEGIES

Property Tax Aid, Credit and Refund programs:

- Target property tax relief based on income and ability to pay
- Provide aid to local governments and property tax relief to individuals to help make the services provided by local governments more affordable
- Address sudden increases in property taxes
- Encourage behavior which the state deems beneficial to achieving statewide outcomes.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	1,641,056	1,670,321	1,718,604	1,928,778	1,810,074	1,915,253	1,810,114	1,992,522
2000 - Restrict Misc Special Revenue	612	182	50	190	200	200	200	200
2001 - Other Misc Special Revenue	12,823	325	8,197	8,238	210	210	210	210
2360 - Health Care Access	432	576	165	214	343		183	19
2710 - Highway Users Tax Distribution	28	16	20	20	20	20	20	20
2720 - State Airports				1	1	1	1	1
2800 - Environmental	0	0		1	1	1	1	1
2801 - Remediation	0	0						
Total	**1,654,952**	**1,671,420**	**1,727,036**	**1,937,442**	**1,810,849**	**1,915,685**	**1,810,729**	**1,992,973**
Biennial Change				338,106		62,056		139,224
Biennial % Change				10		2		4
Governor's Change from Base								77,168
Governor's % Change from Base								2

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Program								
Refunds	632,858	651,292	684,771	732,112	760,740	792,890	760,740	793,280
Local Aids	815,854	804,072	819,038	948,318	784,356	862,638	784,396	923,717
Credits	54,889	56,621	55,709	88,113	97,198	99,184	97,198	114,984
Pension-Related Aids	132,410	136,151	139,266	143,932	148,279	139,019	148,279	139,019
Other Local Govt Payments	7,018	10,516	12,177	11,731	6,511	6,632	6,511	6,632
Other Taxes and Refunds	11,923	12,769	16,076	13,236	13,765	15,322	13,605	15,341
Total	**1,654,952**	**1,671,420**	**1,727,036**	**1,937,442**	**1,810,849**	**1,915,685**	**1,810,729**	**1,992,973**

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Category								
Operating Expenses	4,932	4,641	4,377	4,274	4,409	4,465	4,409	4,465
Grants, Aids and Subsidies	1,640,559	1,655,261	1,711,521	1,922,593	1,795,329	1,900,050	1,795,369	1,977,319
Other Financial Transaction	9,461	11,518	11,137	10,575	11,111	11,170	10,951	11,189
Total	**1,654,952**	**1,671,420**	**1,727,036**	**1,937,442**	**1,810,849**	**1,915,685**	**1,810,729**	**1,992,973**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	764,279	765,375	774,008	899,716	742,748	820,770	742,748	881,719
Open Appropriation	854,074	886,318	927,076	1,008,826	1,047,757	1,075,444	1,047,797	1,091,934
Transfers In	35,771	31,838	32,130	35,764	35,989	36,214	35,989	36,214
Transfers Out	11,864	11,747	13,283	14,221	15,132	15,887	15,132	15,887
Net Loan Activity	(1,191)	(1,429)	(1,257)	(1,307)	(1,288)	(1,288)	(1,288)	(1,458)
Cancellations	12	34	71					
Expenditures	**1,641,056**	**1,670,321**	**1,718,604**	**1,928,778**	**1,810,074**	**1,915,253**	**1,810,114**	**1,992,522**
Biennial Change in Expenditures				336,005		77,945		155,254
Biennial % Change in Expenditures				10		2		4
Governor's Change from Base								77,309
Governor's % Change from Base								2
2000 - Restrict Misc Special Revenue								
Balance Forward In	1,038	403	210	380	407	416	407	416
Receipts	6,058	6,471	6,844	6,236	6,243	6,243	6,243	6,243
Transfers Out	6,080	6,482	6,623	6,019	6,034	6,035	6,034	6,035
Balance Forward Out	404	210	380	407	416	424	416	424
Expenditures	**612**	**182**	**50**	**190**	**200**	**200**	**200**	**200**
Biennial Change in Expenditures				(554)		160		160
Biennial % Change in Expenditures				(70)		67		67
Governor's Change from Base								0
Governor's % Change from Base								0
2001 - Other Misc Special Revenue								
Balance Forward In	26	30	30	75	50	50	50	50
Transfers In	12,826	325	8,242	8,213	210	210	210	210
Balance Forward Out	30	30	75	50	50	50	50	50
Expenditures	**12,823**	**325**	**8,197**	**8,238**	**210**	**210**	**210**	**210**
Biennial Change in Expenditures				3,287		(16,015)		(16,015)
Biennial % Change in Expenditures				25		(97)		(97)
Governor's Change from Base								0
Governor's % Change from Base								0

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
2360 - Health Care Access								
Open Appropriation	432	576	165	214	343	0	183	19
Expenditures	**432**	**576**	**165**	**214**	**343**		**183**	**19**
Biennial Change in Expenditures				(629)		(36)		(177)
Biennial % Change in Expenditures				(62)		(10)		(47)
Governor's Change from Base								(141)
Governor's % Change from Base								
2710 - Highway Users Tax Distribution								
Open Appropriation	22,542	22,817	23,047	23,550	23,660	23,770	27,653	35,642
Transfers Out	22,514	22,800	23,028	23,530	23,640	23,750	27,633	35,622
Expenditures	**28**	**16**	**20**	**20**	**20**	**20**	**20**	**20**
Biennial Change in Expenditures				(5)		0		0
Biennial % Change in Expenditures				(11)		1		1
Governor's Change from Base								0
Governor's % Change from Base								0
2720 - State Airports								
Open Appropriation				1	1	1	1	1
Expenditures				**1**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0
2800 - Environmental								
Open Appropriation	0	0		1	1	1	1	1
Receipts	109	15	15	15	15	15	15	15
Cancellations	109	15	15	15	15	15	15	15
Expenditures	**0**	**0**		**1**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures				16,187				

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Governor's Change from Base								0
Governor's % Change from Base								0

2801 - Remediation

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Open Appropriation	0	0						
Expenditures	**0**	**0**						
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								

6002 - Taxes Clearing Agency

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Balance Forward In	20		0					
Receipts	(20)	0	0	0	0	0	0	0
Balance Forward Out		0	0					

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Direct				
Fund: 1000 - General				
FY2019 Appropriations	**899,525**	**899,525**	**899,525**	**1,799,050**
Base Adjustments				
Forecast Open Appropriation Adjustment		(156,777)	(78,759)	(235,536)
November Forecast Adjustment			4	4
February Forecast Adjustment	191			
Forecast Base	**899,716**	**742,748**	**820,770**	**1,563,518**
Change Items				
Increase Local Government Aid and County Program Aid			60,949	60,949
Total Governor's Recommendations	**899,716**	**742,748**	**881,719**	**1,624,467**
Open				
Fund: 1000 - General				
FY2019 Appropriations	**996,478**	**996,478**	**996,478**	**1,992,956**
Base Adjustments				
Forecast Open Appropriation Adjustment	(2,819)	17,532	15,482	33,014
November Forecast Adjustment	21,555	26,410	41,612	68,022
February Forecast Adjustment	(6,388)	7,337	21,872	29,209
Forecast Base	**1,008,826**	**1,047,757**	**1,075,444**	**2,123,201**
Change Items				
Modifications of Sales Tax Exemptions and Updates for Wayfair			(490)	(490)
Buffer Credit for Agricultural Land			15,800	15,800
Increase Local Government Aid and County Program Aid			(1,470)	(1,470)
Property Tax Updates For Homeowners			1,270	1,270
Transportation Funding Package		40	130	170
Regional Transit Bonding Authority			50	50
School Safety Revenue			260	260
Soil and Water Conservation District Levy Authority			940	940
Total Governor's Recommendations	**1,008,826**	**1,047,797**	**1,091,934**	**2,139,731**
Fund: 2360 - Health Care Access				
FY2019 Appropriations	**600**	**600**	**600**	**1,200**
Base Adjustments				
Forecast Open Appropriation Adjustment	(252)	(234)	(600)	(834)
November Forecast Adjustment	(114)	24		24
February Forecast Adjustment	(20)	(47)		(47)
Forecast Base	**214**	**343**	**0**	**343**
Change Items				
Repeal Sunset of the Provider Tax		(160)	19	(141)

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Total Governor's Recommendations	**214**	**183**	**19**	**202**
Fund: 2710 - Highway Users Tax Distribution				
FY2019 Appropriations	**23,349**	**23,412**	**23,298**	**46,710**
Base Adjustments				
February Forecast Adjustment	201	248	472	720
Forecast Base	**23,550**	**23,660**	**23,770**	**47,430**
Change Items				
Transportation Funding Package		3,993	11,872	15,865
Total Governor's Recommendations	**23,550**	**27,653**	**35,642**	**63,295**
Fund: 2720 - State Airports				
FY2019 Appropriations	**1**	**1**	**1**	**2**
Forecast Base	**1**	**1**	**1**	**2**
Total Governor's Recommendations	**1**	**1**	**1**	**2**
Fund: 2800 - Environmental				
FY2019 Appropriations	**1**	**1**	**1**	**2**
Forecast Base	**1**	**1**	**1**	**2**
Total Governor's Recommendations	**1**	**1**	**1**	**2**
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	**190**	**200**	**200**	**400**
Forecast Base	**190**	**200**	**200**	**400**
Total Governor's Recommendations	**190**	**200**	**200**	**400**
Fund: 2001 - Other Misc Special Revenue				
Planned Spending	**8,238**	**210**	**210**	**420**
Forecast Base	**8,238**	**210**	**210**	**420**
Total Governor's Recommendations	**8,238**	**210**	**210**	**420**
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	**6,236**	**6,243**	**6,243**	**12,486**
Total Governor's Recommendations	**6,236**	**6,243**	**6,243**	**12,486**
Fund: 2800 - Environmental				

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Forecast Revenues	**15**	**15**	**15**	**30**
Total Governor's Recommendations	**15**	**15**	**15**	**30**
Fund: 6002 - Taxes Clearing Agency				
Forecast Revenues	**0**	**0**	**0**	**0**
Total Governor's Recommendations	**0**	**0**	**0**	**0**
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	**21,605,196**	**22,288,358**	**23,177,942**	**45,466,300**
Change Items				
Minnesota's Response to the 2017 Federal Tax Changes	30,430	539,015	352,195	891,210
Increase the Working Family Credit to Offset Transportation Costs		(40,800)	(41,000)	(81,800)
Reduce Taxes on Social Security Income		(11,000)	(11,900)	(22,900)
Angel Tax Credit		(10,000)	(10,000)	(20,000)
Modifications of Sales Tax Exemptions and Updates for Wayfair		(22,830)	(13,440)	(36,270)
Buffer Credit for Agricultural Land			550	550
Increase Local Government Aid and County Program Aid			1,150	1,150
Property Tax Updates For Homeowners			(5)	(5)
Revenue Stability		16,360	58,320	74,680
Corporate Tax Changes		6,430	9,400	15,830
Transportation Funding Package		227,654	223,614	451,268
Regional Transit Bonding Authority			(40)	(40)
School Safety Revenue			(200)	(200)
Soil and Water Conservation District Levy Authority			(740)	(740)
Total Governor's Recommendations	**21,635,626**	**22,993,187**	**23,745,846**	**46,739,033**
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	**22,258**	**22,258**	**22,258**	**44,516**
Total Governor's Recommendations	**22,258**	**22,258**	**22,258**	**44,516**
Fund: 2107 - State Pks & Trls Lott In Lieu				
Forecast Revenues	**6,642**	**6,391**	**6,462**	**12,853**
Total Governor's Recommendations	**6,642**	**6,391**	**6,462**	**12,853**
Fund: 2109 - Local Trls Grants Lott In Lieu				
Forecast Revenues	**886**	**852**	**862**	**1,714**
Total Governor's Recommendations	**886**	**852**	**862**	**1,714**
Fund: 2110 - Zoos Lottery In Lieu				

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Forecast Revenues	**590**	**568**	**574**	**1,142**
Total Governor's Recommendations	**590**	**568**	**574**	**1,142**
Fund: 2209 - Heritage Enhancement				
Forecast Revenues	**14,759**	**14,203**	**14,359**	**28,562**
Total Governor's Recommendations	**14,759**	**14,203**	**14,359**	**28,562**
Fund: 2300 - Outdoor Heritage				
Forecast Revenues	**108,518**	**113,324**	**117,648**	**230,972**
Change Items				
Modifications of Sales Tax Exemptions and Updates for Wayfair		(422)	(254)	(676)
Revenue Stability		(7)	(7)	(14)
Total Governor's Recommendations	**108,518**	**112,895**	**117,387**	**230,282**
Fund: 2301 - Arts & Cultural Heritage				
Forecast Revenues	**64,946**	**67,823**	**70,410**	**138,233**
Change Items				
Modifications of Sales Tax Exemptions and Updates for Wayfair		(253)	(152)	(405)
Revenue Stability		(4)	(4)	(8)
Total Governor's Recommendations	**64,946**	**67,566**	**70,254**	**137,820**
Fund: 2302 - Clean Water				
Forecast Revenues	**108,518**	**113,324**	**117,648**	**230,972**
Change Items				
Modifications of Sales Tax Exemptions and Updates for Wayfair		(422)	(254)	(676)
Revenue Stability		(7)	(7)	(14)
Total Governor's Recommendations	**108,518**	**112,895**	**117,387**	**230,282**
Fund: 2303 - Parks and Trails				
Forecast Revenues	**46,860**	**48,936**	**50,803**	**99,739**
Change Items				
Modifications of Sales Tax Exemptions and Updates for Wayfair		(182)	(110)	(292)
Revenue Stability		(3)	(3)	(6)
Total Governor's Recommendations	**46,860**	**48,751**	**50,690**	**99,441**
Fund: 2350 - Petroleum Tank Release Cleanup				
Forecast Revenues	**25,000**	**25,000**	**25,000**	**50,000**
Total Governor's Recommendations	**25,000**	**25,000**	**25,000**	**50,000**
Fund: 2360 - Health Care Access				

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Forecast Revenues	**775,924**	**570,947**	**113,065**	**684,012**
Change Items				
Repeal Sunset of the Provider Tax		236,617	733,448	970,065
Total Governor's Recommendations	**775,924**	**807,564**	**846,513**	**1,654,077**
Fund: 2710 - Highway Users Tax Distribution				
Forecast Revenues	**1,020,393**	**1,143,511**	**1,150,483**	**2,293,994**
Change Items				
Transportation Funding Package		(47,898)	264,581	216,683
Total Governor's Recommendations	**1,020,393**	**1,095,613**	**1,415,064**	**2,510,677**
Fund: 2720 - State Airports				
Forecast Revenues	**15,300**	**15,426**	**15,554**	**30,980**
Total Governor's Recommendations	**15,300**	**15,426**	**15,554**	**30,980**
Fund: 2800 - Environmental				
Forecast Revenues	**60,865**	**62,537**	**64,495**	**127,032**
Total Governor's Recommendations	**60,865**	**62,537**	**64,495**	**127,032**
Fund: 6000 - Miscellaneous Agency				
Forecast Revenues	**50,075**	**50,075**	**50,075**	**100,150**
Total Governor's Recommendations	**50,075**	**50,075**	**50,075**	**100,150**

Tax Aids, Credits and Refunds

FY 2020-21 Biennial Budget Change Item

Change Item Title: Minnesota's Response to the 2017 Federal Tax Changes

Fiscal Impact ($000s)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Fund					
Expenditures	0	4,217	1,853	1,450	1,450
Revenues	30,430	539,015	352,195	401,120	432,225
Other Funds					
Expenditures		0	0	0	0
Revenues		0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(30,430)	(534,798)	(350,342)	(399,670)	(430,775)
FTEs		**46.90**	**20.60**	**16.10**	**16.10**

Recommendation:

The Governor recommends Minnesota respond to the 2017 federal tax bill and other federal tax changes by partially separating our state individual income tax system from the federal government's, giving Minnesota more control over the fairness of our taxes and the stability of our revenue. Adopting the federal changes for business income provides simplicity for tax filing in Minnesota and ease of tax administration. The proposal provides tax relief for low- and middle-income Minnesotans with an increased Working Family Credit for larger families.

Rationale/Background:

Minnesota's income tax currently uses federal taxable income (FTI), as defined in the Internal Revenue Code (IRC), as its starting point. Our state income tax calculation relies on many federal calculations and definitions. Since we last updated our tax statutes to conform to the IRC, several federal tax bills have been enacted, including the 2017 act known as the Tax Cuts and Jobs Act (TCJA).

TCJA made sweeping changes to the federal tax system, including changing individual income tax by suspending personal and dependent exemptions, increasing the standard deduction amount, and suspending or modifying itemized deductions. Provisions were enacted to broaden the tax base for businesses by adding new foreign income provisions, repealing or limiting the use of business deductions, and closing special loopholes in the tax code. The tax broadening provisions were offset by a reduction in corporate tax rates and a new deduction for business income of pass through businesses.

This proposal generally conforms to the federal tax changes for business income and decouples in significant ways from federal individual income tax policy.

Proposal:

1. *Individual provisions*
    a. *Keep Minnesota's Standard Deduction, Itemized Deductions, and Personal and Dependent Exemptions by conforming to Federal Adjusted Gross Income; Administrative Ease for Taxpayers.*

This proposal changes the starting point of Minnesota taxable income for individuals to federal adjusted gross income (FAGI), instead of FTI, beginning with tax year 2019.

This new starting point gives Minnesota the ability to determine how itemized and standard deductions and exemptions meet Minnesota's needs, rather than mechanically following changes in federal law. The proposal creates Minnesota standard deductions and Minnesota personal and dependent exemptions at the current levels. The proposal maintains tax benefits for Minnesota that are available under current Minnesota law, including charitable contribution deductions, unreimbursed employee expense deductions, current treatment of 529 Plan withdrawals, and casualty losses, among others.

The proposal conforms to select federal changes to individual income tax such as the changes to the mortgage interest deduction limit.

Individual income tax filing season is underway and Minnesotans are already receiving their refunds for tax year 2018. However, changes made to federal taxes by TCJA, like adjusted gross income, asset depreciation and calculation of basis, have an impact to state tax items for future years. If these items are left as is, taxpayers' future year state returns will be affected. Under this proposal, Minnesotans will be able to rely on their tax year 2018 filing using current 2018 forms and instructions and be able to maintain consistent tracking for state and federal tax items in future years. A subset of taxpayer returns with asset depreciation will experience a change to their 2018 returns. Taxpayers affected by these asset depreciation provisions will not need to refile their taxes; the department will make adjustments and communicate with taxpayers. This approach balances the fact that the tax year 2018 filing season for individuals is already underway with the need to align tax items that affect future year returns.

b. Working Family Credit Expansion

Many low- and middle-income families haven't seen their wages rise while their cost of living has increased. This credit, which also exists at the federal level, helps working families deal with the many financial constraints they face. The program is an important source of financial stability for low- and moderate-income working families with children. A growing body of research shows that the credit benefits families at virtually every stage of life. For example, it:

- Improves infant and maternal health,
- Reduces poverty,
- Improves academic performance and employment outcomes – children in families receiving the federal credit do better in school, are more likely to attend college, and earn more as adults,
- Boosts employment, which reduces the number of households receiving other forms of assistance, and
- Helps businesses – working families are likely to put these funds back into the Minnesota economy.

This proposal changes the Working Family Credit calculation to allow an increased credit for families with three or more children. This is an expansion of the existing state credit, which is modeled on the federal Earned Income Tax Credit.

Under this proposal, about 44,300 tax returns would be affected for tax year 2019 and 2,400 new households would be eligible for the Working Family Credit. Those helped by this proposal would see an average tax reduction of $227.

2. Business Income Provisions

a. Business Activity

The Governor recommends conforming to most of the changes for business taxes from the 2017 federal tax bill, beginning with tax year 2018. The proposal does not allow the federal 20% deduction for qualified business income of pass-through entities.

b. Section 179 Expensing

The proposal conforms to the federal expansion of allowances for section 179 expensing starting with taxable year 2018. The deduction allows businesses to expense up to $1 million of qualifying equipment purchases in the first year placed in service. For property placed in service in 2018, the proposal retains the Minnesota 80% addback. The proposal completely conforms to federal section 179 expensing by removing the Minnesota 80% addback modification for property placed in service starting in tax year 2019.

c. Bonus Depreciation

The proposal also conforms to the federal 100% bonus depreciation while retaining the Minnesota 80% addback modification. The changes include an increased percentage amount and expansion of the types of property that qualify for the deduction, including both new and used property.

d. Other Income

The proposal conforms to federal treatment of certain foreign earnings and profits. Deferred foreign earnings that are deemed to be includible federally and subject to the one-time transition tax are included in the Minnesota tax base. The proposal also conforms to federal current year inclusion of global intangible low-taxed income (GILTI) which addresses profit shifting concerns in the new territorial tax system and changes made to subpart F income (current year inclusion of certain types of passive foreign earnings). The proposal does allow the federal deduction for foreign-derived intangible income (FDII) that is derived from a domestic corporation.

This proposal conforms to federal changes to calculation of unrelated business income for tax exempt entities.

e. Loss Limitations

The proposal conforms to federal limits on current year use of business losses and generally allows taxpayers to continue the carry forward of any disallowed losses for up to 15 years under Minnesota's net operating loss (NOL) deduction. For most businesses with gross revenues in excess of $25 million, the interest deduction is newly limited to 30% of adjusted earnings. Taxpayers are also subject to a $500,000 limitation on excess business losses. This limits the amount of nonbusiness income that can be offset in the current year. Any excess disallowed loss can by carried forward as part of NOL.

Beginning in tax year 2018, the amount of NOL deduction that corporations can use to offset business income in any taxable year is 80%. Any NOL carryforward in excess of 80% of taxable income can be carried forward to be used in a future year.

f. Repeal of Corporate AMT

The proposal repeals Minnesota's corporate alternative minimum tax (AMT) to mirror the federal repeal of AMT under TCJA, beginning in tax year 2018. The proposal modifies the existing carryover credit that allows corporations that pay AMT in one year to use that tax as a credit against regular tax in a later tax year. Carryover credits generated in years prior to repeal could continue to be used in 2018 and for up to three tax years.

3. Tax Year 2017 Extenders

The Governor recommends updating Minnesota's tax code with provisions extended under the Disaster Tax Relief and Airport and Airway Extension Act of 2017 and the Bipartisan Budget Act of 2018 (BBA) to provide relief to thousands of Minnesota families who take deductions for tuition, mortgage insurance premiums, and mortgage debt forgiveness. Certain provisions in the IRC are set to expire each year and are extended annually at the end of the taxable year to which they apply. The BBA extended a number of provisions for one year through tax year 2017, including various depreciation rules. The acts allow increased limits for charitable contributions and special rules for early distributions related to recent hurricane and wildfire federally-declared disasters in 2017 and 2018.

For C corporations, the Department of Revenue will work with taxpayers to ensure that any adjustment to filed returns is done efficiently and with minimal administrative complications. For individuals, the Department of Revenue will adjust most returns and issue refunds.

4. Administrative Costs

The proposal includes the costs for the Department of Revenue to administer the bill in a manner that is as easy as possible for taxpayers, preparers and software providers. The proposed response to the federal changes and extenders affects returns that taxpayers have already filed for tax years 2017 and 2018. The department's administrative costs help us minimize the impact of the changes on taxpayers through automated and manual adjustments to previously filed returns. Administrative costs also cover the increased taxpayer communications, support and assistance that will be necessary to help taxpayers, preparers and software providers understand changes and respond to appeals. These costs will also ensure that the department has the tax year 2019 filing system fully developed, tested and ready for taxpayers in January of 2020. The administrative costs contained in this proposal are shown in the Expenditure Overview, Financing by Fund, and Change Summary fiscal reports contained in the Minnesota Department of Revenue's operating budget book.

Equity and Inclusion:

Expanding the Working Family Credit could play a role in narrowing Minnesota's racial income disparities. People of color were approximately 18% of the state's population in 2015, but they made up 34% of Minnesota households eligible for the Earned Income Tax Credit. In 2015, 49% of the credit was distributed to taxpayers in Greater Minnesota.

Results:

Minnesota low- and moderate-income families will receive a larger Working Family Credit, providing them with resources to meet their families' needs. This proposal will also increase the progressivity of Minnesota's tax code.

Type of Measure	***Impact***
Working Family Credit – Tax Progressivity	Increase

Statutory Change(s):

Minnesota Statutes, Section 270A.03
Minnesota Statutes, Chapter 289A
Minnesota Statutes, Chapter 290
Minnesota Statutes, Chapter 290A
Minnesota Statutes, Section 291.005
Minnesota Statutes, Section 297A.68
Minnesota Statutes, Section 297B.03
Minnesota Statutes, Section 462D.06
Minnesota Statues, Section 469.316

Tax Aids, Credits and Refunds

FY 2020-21 Biennial Budget Change Item

Change Item Title: Increase the Working Family Credit to Offset Transportation Costs

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	0	0	0
Revenues	(40,800)	(41,000)	(41,200)	(41,500)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	40,800	41,000	41,200	41,500
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends increasing the amount of the Working Family Credit in order to offset the impact of the transportation proposal on low-income families.

Rationale/Background:

Minnesota cannot preserve and improve the quality and performance of the state's transportation systems under the combined limitations of current investment levels and current lifecycle replacement practices. The consequences of underinvesting in the state's transportation system will include deterioration in service, increases in congestion, failing infrastructure, and diminished ability to remain economically competitive. This is because transportation systems facilitate the efficient movement of people and goods and create the opportunity for economic development, enhanced productivity, job formation and sustainable growth. Without additional investment, the transportation system will not be able to expand to accommodate expected population and job growth. In addition, alternatives to driving must play a larger role in satisfying the growing transportation demands - roads, transit and other transportation modes must work together as one system.

The transportation system supports all families in Minnesota. This proposal balances the needs of improved transportation with an additional tax credit for working families to help them afford the changes in the transportation proposal.

Proposal:

The proposal would increase the working family credit by $100 for each single or head of household recipient and by $200 for each married filing jointly recipient. This increase will provide working families with a tax credit to help offset any increased amount they pay for gasoline as a part of the Governor's recommendation to fund infrastructure.

Equity and Inclusion:

The increase in working family credit provides tax relief for low and middle-income Minnesotans.

Results:

Type of Measure	***Impact***
Tax Progressivity	Increase

Statutory Change(s):

Minnesota Statutes Section 290.0671

FY 2020-21 Biennial Budget Change Item

Change Item Title: Reduce Taxes on Social Security Income

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	0	0	0
Revenues	(11,000)	(11,900)	(12,700)	(13,500)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	11,000	11,900	12,700	13,500
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends increasing the portion of social security benefits that Minnesotans can subtract when calculating Minnesota taxable income.

Rationale/Background:
A certain amount of Social Security benefits are required to be included in federal taxable income if the income exceeds certain thresholds. Under current law, a taxpayer may subtract a portion of social security income when calculating Minnesota taxable income.

Proposal:
The proposal increases the maximum subtraction amount from $4,700 to $6,000 for married filing jointly, from $2,350 to $3,000 for married filing separately, and from $3,660 to $4,500 for single and head of household filers for 2019. The proposal also lowers the phase-out thresholds. The new thresholds are set so that taxpayers in the current phase-out range would have no change in tax or a slight decrease.

The maximum subtraction and phase-out totals would be adjusted for inflation beginning tax year 2020.

About 200,300 returns would be impacted for 2019 and the average reduction in tax would be approximately $55. No taxpayers would pay more tax under the proposal.

Equity and Inclusion:
The proposal provides tax relief for Minnesotans who rely on Social Security benefits, including senior citizens.

Results:
The proposal will allow more Minnesota seniors to pay less tax on their social security income.

Statutory Change(s):
Minnesota Statutes, Section 290.0132

Tax Aids, Credits and Refunds

FY 2020-21 Biennial Budget Change Item

Change Item Title: Angel Tax Credit

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	0	0	0
Revenues	(10,000)	(10,000)	0	0
Other Funds				
Expenditures	285	285	47	47
Revenues	368	368	127	127
Net Fiscal Impact = (Expenditures – Revenues)	9,917	9,917	(80)	(80)
FTEs	**1**	**1**	**0.25**	**0.25**

Recommendation:

The Governor recommends $10 million in FY 2020 and $10 million in FY 2021 for the Angel Tax Credit Program.

These funds provide a tax credit to investors or investment funds that put money into early stage companies focused on high technology, a new proprietary technology, or a new proprietary product, process, or service in specified fields. The program was funded at $15 million in calendar years 2015 and 2016, $10 million in calendar year 2017, and was not funded in 2018. Other funds in this program include fees collected for applications and report filing as well as expenditures for Department of Employment and Economic Development (DEED) program staff to certify participating businesses.

Rationale/Background:

The Angel Tax Credit program is Minnesota's primary economic development tool for assisting early stage businesses and is part of DEED's commitment to fostering innovation in the state. Minnesota has earned its reputation as one of the best states for business by encouraging the growth and economic competitiveness of businesses of all sizes. As high-tech startups look outside the confines of traditional hubs like Silicon Valley, Minnesota has the opportunity to provide incentives that will encourage job growth and technical expertise here in the state. The Angel Tax Credit program has resulted in over $421 million in private investment in Minnesota startups, leveraged by the state's issuance of $101 million in tax credits to angel investors. The program spurs economic growth and builds on Minnesota's existing ecosystem of high tech, high innovation companies, including the state's clean energy technology companies.

The program is also an important tool for wealth creation in communities across the state. Since its inception, DEED has sought to broaden the base of individuals, communities, and businesses that benefit from the program. DEED believes it is critical that all qualifying businesses in Minnesota have access to the benefits of the program. The policy changes included in this proposal will increase utilization of the program among targeted group businesses, including those owned by people of color, women-owned businesses, veteran-owned businesses, businesses owned by people with disabilities, and/or businesses in Greater Minnesota.

Proposal:

The Governor recommends $10 million in FY 2020 and $10 million in FY 2021 for the Angel Tax Credit Program.

The Governor recommends that the Angel Tax Credit program be modified to better serve targeted group businesses. These modifications include:

- *Adjust the minimum employee compensation requirement to better serve Greater Minnesota:* This proposal revises the minimum employee compensation so rather than applying to every employee of the business, it applies to at least 51% of a business's employees. This requirement has been especially problematic in Greater Minnesota, where wage levels are lower than the metro area. The 2017 requirement was $20.70 per hour or $43,050 per year.
- *Lower minimum investment thresholds for investors of targeted business:* This proposal reduces the minimum investment for individuals from $10,000 to $7,500 to increase the pool of potential investors in targeted businesses. Targeted businesses typically raise smaller amounts from each investor than non-targeted businesses.
- *Reduce disincentives to annual report filing:* Modify the late filing penalty to $100 from $500, an amount that has proven to be a substantial disincentive to filing and providing the program with needed information. This proposal also adds authority for the Commissioner of DEED to revoke any credit allocated and certified for investors, funds, and businesses who fail to file.

Equity and Inclusion:

This proposal specifically targets businesses owned and managed by minorities, women and businesses located in Greater Minnesota, reserving credits for investments in these business and modifying certain program requirements to better enable them to benefit from the program.

Results:

	CY 2014	CY 2015	CY 2016	CY 2017
Number of businesses receiving investments	183	182	187	163
Number of businesses in which investments were made	110	114	105	101
Investment made in businesses qualifying for credit	$59,783,632	$70,411,833	$58,894,095	$44,474,766
Credit issued for these investments	$13,841,673	$15,542,608	$14,723,711	$10,723,963
Number of Greater MN businesses receiving investment	8	13	10	10
Women owned & managed businesses	15	10	12	11
Minority owned	8	13	7	5

Statutory Change(s):

Minnesota Statutes, Section 116J.8737

Change Item Title: Modifications of Sales Tax Exemptions and Updates for Wayfair

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	(490)	(570)	(140)
Revenues	(22,830)	(13,440)	16,130	27,900
Other Funds				
Expenditures	0	0	0	0
Revenues	(1,279)	(770)	931	1,630
Net Fiscal Impact = (Expenditures – Revenues)	24,109	13,720	(17,631)	(29,670)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends three changes to sales tax.

1. Data center software sales tax exemption modification
2. Local government and non-profit sales tax exemption for construction materials for fiscal years 2020 and 2021
3. Modification of sales tax provisions in response to the United States Supreme Court decision in *South Dakota v. Wayfair, Inc.*

Rationale/Background:

1. *Data center software sales tax exemption modification*

In the context of Qualified Data Centers and sales tax, there are three types of software:

1) Software that operates data center equipment,
2) Software that manages data, and
3) Software with multiple licenses loaded at the data center and distributed by the enterprise.

Under current law, software that operates data center equipment is exempt. Software that manages data at the data center is also exempt. Software with multiple licenses loaded at the data center and distributed by the enterprise to users outside of the data center is not exempt. The software exemption can be claimed for up to 20 years from the date of the first purchase qualifying for the exemption. This exemption is only available for purchases of this type of software for use in a qualified data center.

This exemption from sales tax was first enacted in 2011. At that time, with refunds being paid beginning after July 1, 2013, it was estimated to cost approximately $24 million in 2014 and approximately $4 million in 2015. The exemption was substantially modified in 2013. Square footage and investment requirements were reduced and the qualification period extended. At this time, the changes to the exemption were estimated to cost approximately $8 million per fiscal year. The most recent Tax Expenditure Report anticipated that the Qualified Data Center exemption would cost $70 million in fiscal year 2018. The 2018 Budget and Economic Forecast published in December indicated that sales tax refund claims were forecasted to be $101 million greater than the prior forecast largely due to qualified data centers.

2. *Local government and non-profit sales tax exemption*

Under current law, construction materials and supplies are generally taxable in Minnesota. Sales tax-exempt entities such as cities, counties, townships, school districts, special districts, state institutions of higher education, public libraries, most hospitals and nursing homes, and most charitable, educational, and religious organizations may purchase construction materials directly without paying the tax, with certain exceptions. However, building, construction, and reconstruction materials purchased by a contractor or subcontractor as part of a lump-sum or similar type of contract with a guaranteed maximum price covering both labor and materials are taxable, even if the project owner is exempt from sales tax.

3. *Modification of sales tax provisions in response to the United States Supreme Court decision in Wayfair*

The June 21, 2018, U.S. Supreme Court decision in *South Dakota v. Wayfair, Inc.* allows states like Minnesota to require remote sellers with no physical presence, such as online and mail-order companies, to collect and remit the applicable sales or use tax on sales delivered to locations within their state. The Court's decision in *Wayfair* caused two existing Minnesota laws to become effective (remote sellers and marketplace providers). The department announced on July 25, 2018, that remote sellers and marketplace providers must comply with Minnesota's existing laws no later than October 1, 2018. During the implementation process, the department identified changes to current law that would ease administration and continue to pursue a level of uniformity amongst the states– a tenant of the *Wayfair* decision.

Proposal:

1. *Data center software sales tax exemption modification*

The proposal would modify the exemption for software:

- For entities whose first qualifying purchase was 5 or more years prior to July 1, 2019, purchases of software that operates data center equipment and software that manages data at the data center would be exempt, ending with the last purchase made prior to July 1, 2019.
- For entities whose first qualifying purchase was after June 30, 2019, the exemption expands to all software, is limited to 5 years of the first qualifying purchase, and the refund is reduced to 50% of the sales tax paid on the software.
- For entities whose first qualifying purchase was made less than 5 years prior to July 1, 2019, software that operates data center equipment and software that manages data at the data center would be exempt for purchases prior to July 1, 2019; and purchases after June 30, 2019, and within 5 years of the first qualifying purchase, *all* software is exempt, and the refund is limited to 50% of the sales tax paid.

2. *Local government and non-profit sales tax exemption for FY 2020 and 2021*

The proposal would eliminate the requirement that local governments and non-profits use certain types of contracts for their construction to obtain a sales tax exemption. Contractors, subcontractors, and builders would pay the tax at the time materials are purchased, and the local governments and nonprofits would submit a tax refund claim to the Department of Revenue. This provision is limited to fiscal years 2020 and 2021 only.

3. *Modification of sales tax provisions in response to the United States Supreme Court decision in Wayfair*

Regarding marketplace providers, the proposal:

- replaces current law's marketplace provider physical presence requirement with an economic nexus threshold that mirrors current law for retailers;
- requires marketplace providers to file an information report each calendar quarter;
- clarifies that marketplace providers must obtain a sales tax permit;

- removes the $10,000 threshold amount for remote sellers selling into Minnesota solely through a marketplace provider;

Regarding remote sellers, the proposal simplifies current Minnesota law by providing that all remote sellers with sales totaling more than $100,000, including sellers making nine or fewer sales, would be required to collect and remit sales tax.

The proposal also:
- updates and adds definitions clearly defining which remote sellers and marketplace providers are subject to Minnesota's sales tax jurisdiction;
- provides remote sellers and marketplace providers 60 days to begin collecting and remitting sales tax after satisfying Minnesota's economic nexus thresholds; and
- requires remote sellers and marketplace providers to notify the department when they no longer have economic nexus with Minnesota.

Equity and Inclusion:
This proposal will provide local governments and non-profits with an exemption from sales tax which will provide property tax relief to those jurisdictions and provide additional funds for non-profits to do their work in communities across Minnesota.

Results:
The modification of the sales tax exemption for data center software will clarify the exemption and increase the ability of taxpayers to understand which software qualifies for the exemption.

Type of Measure	***Impact***
Data Centers - Efficiency and Compliance	Increase
Data Centers - Transparency, Understandability, Simplicity, and Accountability	Increase

Statutory Change(s):
Minnesota Statutes, Sections 289A.11; 289A.60, subd. 29; 297A.66; 297A.68, subd. 42, paragraph (a); 297A.70;, and 297A.83, subd. 1.

Tax Aids, Credits and Refunds

FY 2020-21 Biennial Budget Change Item

Change Item Title: Buffer Credit for Agricultural Land

Fiscal Impact ($000s)	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
General Fund				
Expenditures (BWSR)	2,045	0	0	0
Expenditures (Tax Aids, Credits and Refunds)	0	15,800	15,800	15,800
Revenues (Tax Aids, Credits and Refunds)	0	550	550	550
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,045	15,250	15,250	15,250
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends creating an ongoing property tax credit to compensate landowners required to maintain riparian buffers or a water quality equivalent on agricultural land. In addition, the Governor recommends appropriating $2.045 million from the general fund to the Board of Water and Soil Resources (BWSR) in FY 2020 to provide payments to local soil and water conservation districts (SWCDs). SWCDs will be responsible for reporting landowner noncompliance with the buffer law to counties.

Rationale/Background:

Laws enacted during the 2015 legislative session require riparian buffers or a water quality equivalent to be established on many public waters and drainage systems. Owners of agricultural land abutting public waters must have had buffers in place by November 1, 2017. For land abutting public drainage systems, the deadline was November 1, 2018.

Proposal:

Under this proposal, landowners can claim a property tax credit of $50 per acre for land required to be maintained as a riparian buffer. Alternatively, landowners can claim an equivalent tax credit if they choose to instead implement an alternative practice with equivalent water quality benefits.

Parcels must meet the following requirements in order to be eligible for the credit:

1. The buffer or alternative practice must be on land classified as 2a agricultural;
2. The buffer or an alternative practice is required under Minnesota Statutes, Section 103F.48, and identified on the state's buffer-protection map;
3. There are no delinquent taxes on the parcel;
4. The land has not been compensated for damages consistent with Minnesota Statutes, Chapter 103E, for the purposes of installing a buffer; and
5. The SWCD has not found the landowner noncompliant with buffer requirements.

Landowners must apply for the riparian buffer credit and certify their amount of eligible land by December 31, 2019. Landowners only apply for the first year they receive the credit. Once approved, the credit will continue into future years. Beginning in 2020 applications for the buffer tax credit will be allowed only when ownership of the land changes or when compliance with at least one of the above conditions changes.

Counties, in consultation with SWCDs, other local water management authorities, and BWSR, will verify applicants' eligibility for the credit. BWSR will distribute a $30,000 payment from the general fund to MnGeo and $2.015 million in payments from the general fund to SWCDs in FY 2020. MnGeo will determine which parcels are both subject to the buffer law and are classified as 2a agricultural land. BWSR will provide $5,000 to $40,000 each to 89 SWCDs. The size of the payments will depend on the number of parcels BWSR anticipates the SWCD will review for compliance.

The Department of Natural Resources estimates approximately 317,000 acres will be eligible for this credit. Counties will administer the credit, and the Department of Revenue will reimburse the counties. The state estimates the total value of the credit for landowners will be $15.8 million annually. In addition, the buffer credit reduces property taxes on farm land. Because property taxes can be claimed as income tax deductions for businesses, the buffer credit will reduce income tax deductions and increase revenue to the state by $550,000 annually.

Equity and Inclusion:
This proposal will not increase inequities.

Results:
The credit will provide property tax relief for landowners complying with the riparian buffer requirement.

Statutory Change(s):
New section – Minnesota Statutes, Section 273.1388
Minnesota Statutes, Section 273.1393

FY 20-21 Biennial Budget Change Item

Change Item Title: Increase Local Government Aid and County Program Aid

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	59,479	59,479	59,479
Revenues	0	1,150	1,150	1,150
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	58,329	58,329	58,329
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends increasing the appropriations for the County Program Aid (CPA) and Local Government Aid (LGA) by approximately $30 million per year for each program.

Rationale/Background:

Local Government Aid and County Program Aid are important tools in the state-local partnership and supporting economic prosperity in our communities. They help local governments pay for vital needs such as local roads and public safety. They also help relieve the burden of local property taxes. Increased CPA and LGA assists local governments and reduces property tax levies for Minnesota property owners.

Proposal:

The CPA appropriation would increase from $234 million to $264.3 million starting in fiscal year 2021 through fiscal year 2025. For fiscal year 2026 and thereafter, the appropriation would be $261.3 million.

The LGA appropriation would increase from $534.4 million to $565 million starting in fiscal year 2021 and thereafter.

It is assumed that the increased CPA and LGA would reduce property tax levies by a portion of the increase. Lower levies will decrease property taxes on all properties. Lower levies will result in lower homeowner property tax refunds, reducing costs to the state general fund. Lower levies will also lower income tax deductions, increasing revenues to the state general fund.

Equity and Inclusion:

This proposal would help cities and counties provide for important services across the state that benefit all Minnesotans such as investments in local roads and public safety, which can be vital for lower-income taxpayers. This proposal will reduce the pressure on local property taxes, a regressive tax that can be burdensome for low-income taxpayers because it is not based on the ability to pay, unlike income tax, for example.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	CPA appropriation	$234 million	$264.3 million	FY 2020 – FY 2021
Quantity	LGA appropriation	$534.4 million	$565 million	FY 2020 – FY 2021
Results	Competitiveness for Businesses – businesses could see a decrease in local property taxes as a result of an LGA increase.		Increase	

Statutory Change(s):

Minnesota Statutes, Section 477A.03, subdivisions 2a and 2b

Tax Aids, Credits and Refunds

FY 20-21 Biennial Budget Change Item

Change Item Title: Property Tax Updates For Homeowners

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	1,100	1,100	1,100
Loan Issuances		170	260	260
Revenues	0	(5)	(5)	(10)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	1,275	1,365	1,370
FTEs	**0**	**0**	**0**	**0**

Recommendation:

Senior Citizen Property Tax Deferral Program

The Governor recommends amending the Senior Citizen Property Tax Deferral Program to lower the owner/occupancy requirements from 15 years to 5 years and to move the application date deadline from July 1 to November 1. These changes would allow more Minnesotans participate in the Senior Citizen Property Tax Deferral Program and make it more affordable for them to stay in their homes.

ITIN Usage for Homestead

The Governor recommends allowing property owners to qualify for homestead classification by providing an Individual Taxpayer Identification Number (ITIN) to an assessor. The Internal Revenue Service issues ITINs in lieu of Social Security numbers to some immigrants who are required to file a federal tax return. This property tax change is effective for applications for homestead filed in 2019 and thereafter.

Agricultural Homestead Market Value Credit

The Governor recommends clarification for changes made during the 2017 special session to the agricultural homestead market value credit. This change would clarify the maximum credit amount.

Deed Tax

The Governor recommends increasing the threshold of the amount of net consideration associated with a transfer that qualifies for the minimum deed tax from $500 to $3,000.

Rationale/Background:

Senior Citizen Property Tax Deferral Program

This proposal would help seniors to pay their property taxes. The changes would expand eligibility so more seniors can qualify for property tax deferrals, and extend the filing due date to make it easier to pay. There are two parts to this proposal. They are:

- Owner/Occupancy Requirement: The Senior Citizen Property Tax Deferral Program currently requires participants to own and occupy their homestead property for 15 years or longer. Reducing this requirement to 5 years will allow more seniors to enroll in this program. Living patterns are changing as fewer seniors occupy the same home for over 15 years. It is difficult to estimate how many would take advantage of this change because applicants typically learn of the current 15-year requirement when they apply for the program. As a result, many of them withdraw their application because they do not meet this requirement.

- Filing Requirement: The current July 1 filing requirement presents a challenge for seniors. Taxpayers often learn of this program when they are struggling to pay their second-half property taxes, due October 15. As a result, the July 1 application deadline has passed by the time they contact the department to get into the program for the next year. Minnesotans who apply for this program are often on a fixed income and trying to maintain a lifestyle that lets them remain in their homes. When their application is denied, they may face penalties and interest if they are delinquent on their property taxes.

ITIN Usage for Homestead
Under current law, only property owners with a valid Social Security number are allowed the homestead classification. This prevents many property tax payers who own a home from receiving homestead status, even if they meet every other qualification. Residents without homestead status are taxed at a higher class rate and do not qualify for the homestead property tax refund. The intent of homestead classification is to have homeowners share a smaller amount of the overall tax burden, since they bring value and stability to the city, school district, and county. Immigrants with an ITIN that own homes provide that value and stability as well, and should qualify for homestead status.

Agricultural Homestead Market Value Credit
During the 2017 special session, changes were made to the agricultural homestead market value credit to clarify the credit calculation for properties that are fractional agricultural homesteads. The two changes for these properties were: 1) the credit is calculated on a fractional market value based on the percentage homestead and 2) the amount of homestead is prorated equally between property owners. Due to these law changes, each fractional agricultural homestead and each owner of an agricultural homestead is eligible for the maximum credit amount beginning with taxes payable in 2019.

Deed Tax
Except for the exemptions listed in Minnesota Statutes, Section 287.22, a deed tax is imposed when real property is transferred or conveyed from one party to another. In some cases, a minimum deed tax of $1.65 is imposed. For those situations where the minimum tax does not apply, the tax rate is 0.0033 of the net consideration. The minimum tax applies in the following situations:

1. The transfer is made as a result of a consolidation or merger.
2. The transfer is a designated transfer.
3. There is no consideration associated with the transfer.
4. The net consideration associated with the transfer is less than or equal to $500. (Note that $1.65 = 0.0033 x $500.)

Proposal:

Senior Citizen Property Tax Deferral Program
This proposal would amend the Senior Citizen Property Tax Deferral Program to:

- Lower the owner/occupancy requirement from 15 years to 5 years.
- Move the application deadline from July 1 to November 1.

The department will continue to notify homeowners and counties whether they are accepted into the program by December 1.

ITIN Usage for Homestead
Under the proposal, property owners with a valid ITIN issued by the Internal Revenue Service could apply for (and receive) homestead classification. As a result, more taxpayers could qualify for homestead status and the Homestead Property Tax Refund. This would provide greater parity between taxpayers with an ITIN and those with a Social Security number.

Agricultural Homestead Market Value Credit
The proposal clarifies that a single agricultural homestead is eligible to receive a maximum credit of $490. A fractional homestead would also receive a fractional maximum credit amount. For example, under the proposal a 50% homestead could receive a maximum credit of $245, or half of the $490 maximum for a full homestead. The proposal also clarifies that a single homestead owned by multiple owners is also subject to the maximum credit of $490 per homestead.

The proposal also amends the homestead market value exclusion to be prorated based on the percentage of homestead for fractional homesteads. This change cleans up statutory language to be consistent with department guidance on the homestead market value exclusion.

The proposed clarification changes are effective beginning with taxes payable in 2020 to provide county administrators adequate time to implement the changes.

Deed Tax
Under the proposal, the net consideration for the transfer would be changed and the minimum tax of $1.65 would apply when the net consideration associated with the transfer is less than or equal to $3,000. Information provided to the Department of Revenue for 2015, 2016, and 2017 indicated that the following transfers occurred where the purchase amount was between $500 and $3,000:

- 2015 – 899 sales for a total of $1,780,000,
- 2016 – 655 sales for a total of $1,287.000,
- 2017 – 847 sales for a total of $1,656.000.
- 3-yr average – 800 sales for an average of $1,574,333.

Average actual deed tax collections for FY 2015, FY 2016, and FY 2017 were $109,663,333.

Equity and Inclusion:

Senior Citizen Property Tax Deferral Program
This proposal would expand the deferral program so that more seniors having trouble paying their property taxes will qualify. Seniors on a fixed income are most likely to utilize this program and would see the most benefit from these changes.

ITIN Usage for Homestead
Taxpayers who have an ITIN, but not a Social Security number, are often resident or non-resident immigrants. This proposal would increase equity and inclusion by providing the same tax treatment for these taxpayers as for those with a Social Security number.

Results:

Type of Measure	***Impact***
Senior Property Tax Deferral – Efficiency and Compliance	Increase
ITIN Usage for Homestead – Transparency, Understandability, Simplicity, and Accountability	Increase
ITIN Usage for Homestead – Tax Progressivity	Increase

Statutory Change(s):

Minnesota Statutes, Section 273.13, subd. 35
Minnesota Statutes, Section 273.124, subd. 13
Minnesota Statutes, Section 273.1384, subd. 2
Minnesota Statutes, Sections 290B.04, subd.1, and 290B.03, subd.1 (3)

FY 20-21 Biennial Budget Change Item

Change Item Title: Revenue Stability

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	0	0	0
Revenues	16,360	58,320	95,280	130,410
Other Funds				
Expenditures	0	0	0	0
Revenues	(21)	(21)	(9)	(9)
Net Fiscal Impact = (Expenditures – Revenues)	(16,339)	(58,299)	(95,271)	(130,401)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

General Levy Inflator

The Governor recommends reinstating the state general levy inflator. This state property tax provision is effective beginning with taxes payable in 2020.

Restore Tobacco Tax Inflator and Restore Premium Cigar Tax

The Governor recommends restoring the cigarette and moist snuff tax indexing to ensure that the tax keeps up with the pace of inflation. This proposal also restores the maximum tax on premium cigars to its previous level of $3.50 per cigar. These tobacco tax provisions are effective July 1, 2019.

Estate Tax Freeze

The Governor recommends freezing the estate tax exclusion amount at $2.7 million, the amount the exclusion is set at in 2019. The small business and farm property estate tax subtractions would remain at $2.3 million to ensure that the $5 million exclusion under current law would remain in place.

Rationale/Background:

General Levy Inflator

In 2017 the legislature repealed the inflator on the state general levy. This proposal would reinstate the levy beginning with taxes payable in 2020.

Over the next ten years, the freeze to the state general levy will cost Minnesota over $1 billion in lost revenue. Similar to how local governments change their total levy amount, the inflator allows the state general levy to keep pace with the increased cost of public services. Local property taxes have increased at a much higher rate over time than the state general levy.

This provision, passed in 2017, shortchanges the long-term prosperity of Minnesota by hurting our ability to fund schools, health care programs, infrastructure, and other important priorities.

Restore Tobacco Tax Inflator and Restore Premium Cigar Tax

In 2017 the legislature repealed the inflator on the moist snuff and cigarette taxes and reduced the maximum tax on premium cigars from $3.50 per cigar to $0.50 per cigar. The purpose of the 2013 enactment of the cigarette tax increase and inflator was to make strategic investments in health care, education and jobs, and to reduce smoking in Minnesota, in particular among its youth. Each year, more than 6,300 Minnesotans die from smoking-related illnesses, and smoking costs Minnesotans more than $3 billion in excess health care cost. Since the increase took effect, smoking has declined, most notably among high school students.

Elimination of the inflator on these taxes made cigarettes and moist snuff more affordable for our youth, who are more price sensitive. Removal of the inflator lowers the cost of cigarettes and snuff over time in real dollars.

Estate Tax Freeze
In 2017 the legislature increased the estate tax exclusion amount. The exclusion amount increased from $2 million to $3 million over a period of four years. This proposal would freeze the exclusion amount at $2.7 million.

The estate tax change passed by the legislature resulted in over 700 of the wealthiest 1,000 estates in Minnesota no longer having a potential liability for the Minnesota estate tax. Family farms and businesses are already exempt from the estate tax up to $5 million when they pass on their farms or businesses to their heirs. Freezing the estate tax exemption at its current level Minnesota will reduce the regressivity of Minnesota's tax code.

Proposal:

General Levy Inflator
This proposal would reinstate the state general levy inflator, which impacts commercial and industrial property as well as seasonal residential recreational property. Of the total amount, 95% is levied on commercial-industrial property and 5% on seasonal residential recreational property. This state property tax provision is effective beginning with taxes payable in 2020.

Reinstating the inflator will improve our state's long-term economic well-being by putting the state general property tax in line with local property taxes and will reduce the likelihood of projected deficits in the future by allowing the state general levy to keep pace with the increased cost of public services.

Restore Tobacco Tax Inflator and Restore Premium Cigar Tax
This proposal would reactivate the inflator effective July 1, 2019. In 2017 the legislature also reduced the maximum tax on premium cigars from $3.50 per cigar to $0.50 per cigar. This proposal would restore the maximum tax to its previous level of $3.50.

Estate Tax Freeze
The proposal would change the estate tax exclusion for estates of decedents dying after December 31, 2018, freezing the exclusion amount at $2.7 million.

In addition, the 2017 law changed the maximum small business and farm subtraction. The maximum small business and farm subtraction plus the amount of the exclusion is equal to $5 million under both the law prior to the 2017 changes and afterward. So as the exclusion increases, the maximum small business and farm subtraction decreases, with the sum of the two remaining at a constant $5 million. This proposal would maintain that $5 million exclusion.

Equity and Inclusion:

General Levy Inflator
This proposal will help Minnesota continue to fund important services that all Minnesotans depend on and treat the state general property tax similarly to local property taxes.

Restore Tobacco Tax Inflator and Restore Premium Cigar Tax
The lower price on tobacco products as a result of the law change in 2017 leads to increased youth access and worse public health.

Estate Tax Freeze
This proposal would eliminate a preferential tax treatment for a select few taxpayers that can afford and take advantage of it. It would help level the playing field for all taxpayers.

Results:

Type of Measure	***Impact***
General levy inflator, restore tobacco tax inflator, restore premium cigar tax, and estate tax freeze – Budget Stability	Increase

Statutory Change(s):

Minnesota Statutes, Section 275.025, subdivision 1
Minnesota Statutes, Section 289A.10, subdivision 1
Minnesota Statutes, Section 291.016, subdivision 3
Minnesota Statutes, Section 297F.05, subdivision 1, 3-4
Minnesota Statutes, Section 297F.01 subd. 13a
Minnesota Statutes, Section 297F.05 subdivisions 3a and 4a

Tax Aids, Credits and Refunds

FY 2020-21 Biennial Budget Change Item

Change Item Title: Corporate Tax Changes

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	0	0	0
Revenues	6,430	9,400	14,100	15,100
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(6,430)	(9,400)	(14,100)	(15,100)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends reforming corporate taxes to level the playing field for certain business transactions and simplify corporate taxes by clarifying current laws. This package includes four proposals, effective for tax year 2019 and thereafter.

Rationale/Background:

Some corporations take advantage of special loopholes in our tax code to avoid paying their fair share. The Governor’s proposal would eliminate unfair business tax avoidance and evasion strategies to level the playing field for working Minnesotans and small businesses.

As the economy and business practices change, it can be difficult for taxes to keep pace with how corporations structure their businesses. This proposal reforms part of the tax code to ensure it keeps pace with economic and business changes.

Proposal:

1. *Preventing Tax Evasion*

Restrict transactions or organizational structures that are structured to avoid tax and do not serve a business purpose. This proposal includes a penalty for using transactions or organizational structures that do not serve a business purpose.

2. *Eliminating the Dividend Received Deduction on Debt Financed Stock*

Exclude dividends received from debt-financed stock when calculating the Dividend Received Deduction. This proposal removes an unintended additional benefit to corporations that receive dividends from debt-financed stock. Including these dividends when calculating the dividends received deduction may allow taxpayers to report a net loss when they actually realized net income.

3. *Treating Mutual Fund Manager Income Consistently*

Require all entities that manage mutual funds to apportion their income consistently, based on where the mutual fund shareholders are located. Under current law, a corporation that manages a mutual fund apportions its income based on where the shareholders are located. If another type of entity, such as a partnership or limited liability company, manages a mutual fund then its income is apportioned based on where the mutual fund is located. Taxpayers have set up organizational structures to exploit this inconsistency.

4. *Apportionment Sales Factor-Exclude Derivatives*

This proposal would add a provision to specifically exclude derivative sales from the income apportionment computation. Currently Minnesota does not have any statutes or methods that specifically address how to apportion this type of income. The dealing of derivatives is usually high volume, which skews the apportionment percentage of total income to be attributed to the state.

Equity and Inclusion:

These proposals as a whole would simplify corporate taxes and make them fairer. It would also eliminate unintended preferential tax treatments for a select few taxpayers that are able to afford and take advantage of the unintentional tax benefits, and help level the playing field for all taxpayers.

Results:

Type of Measure	***Impact***
Transparency, Understandability, Simplicity and Accountability	Increase
Efficiency & Compliance	Increase
Competitiveness for Business	Increase

Statutory Change(s):

1. Preventing Tax Evasion: Minnesota Statutes, Sections 270C.03, subd. 1, 270C.331, 270C.33, subd. 6, 289A.60
2. Eliminate the Dividend Received Deduction on Debt Financed Stock: Minnesota Statutes, Section 290.21, subd. 4(c)
3. Treating Mutual Fund Manager Income Consistently: Minnesota Statutes, Section 290.191, subd. 5(k)
4. Apportionment Sales Factor-Exclude Derivatives: Minnesota Statutes, Section 290.191, subd. 5(a)

Tax Aids, Credits and Refunds

FY 2020-21 Biennial Budget Change Item

Change Item Title: Repeal Sunset of the Provider Tax

Fiscal Impact ($000s)	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
Tax Aids, Credits and Refunds				
Health Care Access Fund				
Expenditures	0	0	0	0
Revenues	236,777	733,429	770,784	809,287
Department of Human Services				
Health Care Access Fund				
Expenditures	11,564	27,551	45,973	39,259
Revenues	0	0	0	0
MMB Non-Operating				
Health Care Access Fund				
Transfers Out			122,000	122,000
General Fund				
Transfers In			122,000	122,000
Net Fiscal Impact = (Expenditures – Revenues)	(225,213)	(705,878)	(724,811)	(770,028)
FTEs	**0**	**0**	**0**	**0**

Recommendation:
To support essential health care services and expand access to health insurance, the Governor recommends repealing the sunset on the two percent taxes on hospitals, surgical centers, health care providers, wholesale drug distributors, and those subject to the legend drug use tax contained in Minnesota Statutes, section 295.52. This proposal increases revenues to the Health Care Access Fund by $970 million in the FY 2020-21 biennium.

The repeal of the tax sunset restores a provider rate increase that was established in 2003 to offset the cost of paying the provider tax on Medical Assistance and MinnesotaCare covered services.

The additional revenue creates a positive projected balance in the Health Care Access Fund. This balance triggers a statutory transfer to the General Fund of $122 million per year.

Rationale/Background:
The Provider Tax is an essential source of funding for the Health Care Access Fund which provides health care coverage through the MinnesotaCare and Medical Assistance (MA) programs and supports public health activities through the Minnesota Department of Health. The reinstatement of the Provider Tax would also enable the Health Care Access Fund to support the Health Insurance Premium Subsidy and Health Insurance Tax Credit to stabilize and make the individual health insurance market more affordable.

Minnesota levies a two percent tax on revenue from patient services at hospitals, surgical centers and health care providers. This two percent tax also applies to the gross revenue of wholesale drug distributers as well as on amounts paid for prescription drugs by entities subject to the legend drug use tax.

Under current law, the provider taxes sunset on December 31, 2019. Repealing the sunset of the provider tax provides greater funding stability for the state's initiatives to promote access to health care, improve the quality of care, and contain health care costs. This proposal raises about $237 million and $733 million of revenue in fiscal years 2020 and 2021 respectively.

In 2003, the state legislature removed an exemption on taxing health care provider revenue for services provided to recipients of MA and MinnesotaCare and increased provider payment rates by two percent for these services subject to this tax. The November 2016 MA and MinnesotaCare forecast accounted for the provider tax sunset by removing the value of the two percent rate increase effective January 1, 2020. Repealing the provider tax sunset reinstates the two percent rate increase in MA and MinnesotaCare, resulting in a net cost to the state of just over $39 million in FY 2020-21.

The current tax rate is 2%, although each year the rate must be reduced if the Commissioner of Management and Budget determines that projected revenue to the Health Care Access Fund is greater than 125% of expenditures and transfers, and the cash balance in the fund is adequate.

This proposal also amends existing nexus language and treats interest on overpayments for provider taxes consistent with other taxes. While current statutory language establishes nexus under the United States Constitution, this proposal addresses the impact of the United States Supreme Court decision in *Wayfair v. South Dakota* by providing for minimum economic nexus thresholds. Regarding interest, this proposal provides 90 days from the due date of the return or the date on which the original return is filed, whichever is later, before the amount refunded begins to bear interest.

Proposal:
This proposal repeals the sunset of the two percent provider taxes contained in Minnesota Statutes, section 295.52, to ensure funding for MinnesotaCare, Medical Assistance (MA), and public health activities through the Minnesota Department of Health. The repeal also supports proposals recommended in the Governor's budget to stabilize the individual health insurance market and make insurance more affordable. The individual market stabilization and affordability proposals include the Health Insurance Premium Subsidy and a Health Insurance Premium Tax Credit.

Equity and Inclusion:
Medical assistance is the largest expenditure from the Health Care Access Fund and currently provides health insurance coverage to over 1 million Minnesotans, who meet income limits. MinnesotaCare assists those most in need that are not already covered by existing programs. To be eligible for MinnesotaCare, individuals must meet income limits, not be eligible for Medical Assistance, and satisfy other requirements related to residency and lack of access to other health insurance. MinnesotaCare coverage is available to persons with incomes greater than 133 percent of federal poverty guidelines but not exceeding 200 percent, if other program eligibility requirements are met.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Avg. monthly MinnesotaCare enrollment	115,754	86,310	FY 2016 & 2019

Statutory Change(s):

Minnesota Statutes, section 295.51, subd. 1a
Minnesota Statutes, section 295.52, subd. 8
Minnesota Statutes, section 295.57, subd. 3;
Minn. Laws 2011, 1st Spec. Sess. Ch. 9, art. 6, sec. 97, subd. 6.

Tax Aids, Credits and Refunds

FY 2020-21 Biennial Budget Change Item

Change Item Title: State Based Premium Tax Credit

Tax Aids, Credits and Refunds				
Fiscal Impact ($000s)	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
Health Care Access Fund				
Expenditures	0	0	1,037	880
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	1,037	880
FTEs	**0**	**0**	**11**	**10.3**
MNsure				
Health Care Access Fund				
Expenditures	1,241	49,206	117,158	140,100
Revenues	0	0	0	0
MNsure Enterprise Fund				
Expenditures	0	105	3,193	2,748
Revenues	0	1,188	2,503	2,696
Net Fiscal Impact = (Expenditures – Revenues)	1,241	48,123	117,848	140,152
FTEs	**1.5**	**40.5**	**40**	**34**

Recommendation:

The Governor recommends providing a state-based premium tax credit for Minnesotans who earn too much to qualify for federal assistance to increase affordability of individual market health coverage. The tax credit would be available to reduce the cost of qualified health plan (QHP) coverage starting in plan year 2021.

Rationale/Background:

The Affordable Care Act (ACA) established health insurance exchanges to assist people without health care insurance to find information about health insurance options and purchase health care insurance. Minnesota established a state-based exchange known as MNsure. Qualified Health Plans (QHP) purchased through MNsure may be eligible for a federal premium tax credit to either reduce the cost of the monthly premium or to be claimed after the end of the plan year on the tax return.

In Minnesota, the federal premium tax credit is available for individuals and households with an income above the threshold of public program health coverage, such as Medical Assistance or MinnesotaCare programs, and at or below 400% of the federal poverty level (FPL). Under the Federal Poverty Guidelines for 2019, 400% of FPL for an individual is $49,960 and for a family of four is $103,000.

Minnesotans who exceed the 400% FPL threshold do not qualify for federal premium tax credits. Even for many Minnesotans above 400% of FPL, premiums now exceed 10 percent of household budgets.

Proposal:

The proposal establishes a state-based tax credit (SBTC) for Minnesotans who purchase a QHP in the individual market through MNsure. SBTC will be available to any customer who applies for financial assistance through MNsure, projects their household's annual income to be above 400% FPL, meets other program eligibility requirements, and enrolls in QHP coverage.

The amount of the SBTC will be the dollar amount necessary to reduce the premium of the second lowest cost silver plan available to the household to the affordability threshold established under the ACA (9.86% of annual income in tax year 2019, but varying by federal formula each year) after application of the 20% premium subsidy, if any.

Minnesotans will be able to qualify for the credit during the enrollment period, which starts on November 1, 2020, for plan year 2021 coverage. Similar to the federal premium tax credit, the SBTC can be applied to their monthly bill from their insurance provider, during the tax year to which it relates. This allows customers to receive a monthly reduction in premiums with the SBTC amount being paid directly to the insurance company.

Customers will also have an option to decline to claim the SBTC in advance and instead claim the credit upon filing a state tax return for the applicable tax year, generally filed during the following year.

MNsure will:

- Collect pertinent information needed to determine eligibility and facilitate the application of the SBTC, when appropriate, toward the cost of QHPs offered on the exchange.
- Enable the MNsure shopping tool to calculate the proper SBTC amount so that at the point of purchase, customers will see the actual premium price they will pay.
- Provide notice to consumers confirming amount of SBTC applied toward their selected health plan, as well as other program requirements.
- Assist consumers with change to income or other eligibility criteria throughout the coverage year.
- Administer SBTC through payments to carriers reimbursing them for SBTC discounts applied to monthly premium bills sent to enrollees and conduct regular data reconciliation with health insurance carriers.
- Provide an end-of-year file to the Department of Revenue reporting SBTC payments made to customers.
- Provide an end-of-year statement to each taxpayer by January 31 reporting the amount of advance tax credit, beginning in January 2022 and each January thereafter. This statement will include the amount of SBTC received and the premium amount of the second lowest cost silver plan available to the individual or family, less any state premium subsidy received, for each coverage month.

NOTE: The administrative costs for MNsure in this proposal reflect shared investments made in the Governor's 20 percent premium subsidy proposal. The administrative impact and staffing requirements of this program are higher than reflected in this change page and premium withhold revenue is insufficient to cover expenses if considered apart from the premium subsidy proposal.

The Minnesota Department of Revenue will reconcile advanced credits paid and credits due as a part of the individual income tax filing process. The department will review income and SBTC information to determine the appropriate amount of credit. The department will issue refunds for unclaimed or underpaid credits and assess additional tax as necessary to reconcile the credit. The Minnesota Department of Revenue will provide information to MMB annually to reconcile the appropriation.

Equity and Inclusion:

MNsure's mission is to ensure all Minnesotans have the security of health insurance.

MNsure serves Minnesota individuals and families who are:

- Uninsured and underinsured
- Buying health coverage on their own
- Seeking a better option
- Qualifying for Medical Assistance (MA) or MinnesotaCare applicants and recipients

Since October 1, 2013, MNsure has processed over 2.8 million enrollments in health and dental insurance coverage. Over 75% of these enrollments resulted in a Minnesotan receiving subsidized insurance coverage, whether via a public program or federal tax credits and cost sharing reductions.

This proposal will enhance Minnesotans ability to purchase affordable health care coverage. The proposal provides relief for consumers who do not qualify for other state-based health coverage programs or do not receive employer-provided insurance, such as self-employed and small business owners.

Results:

Analysts at the Departments of Commerce and Health estimate providing this state based tax credit would mean approximately 34,880 Minnesotans currently in the individual market would receive this tax credit by 2023 and see a reduction in their health insurance premium costs. Additionally, 13,080 uninsured Minnesotans are expected to enroll in coverage and receive this insurance premium reduction.

Statutory Change(s):

Minnesota Statutes, Chapter 290

Change Item Title: Transportation Funding Package

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	40	130	170	180
Revenues	227,654	223,614	224,604	226,334
Highway User Tax Distribution				
Revenues	177,802	720,781	875,852	907,993
Transfers Out	177,802	720,781	875,852	907,993
Trunk Highway Fund				
Expenditures	102,373	417,547	506,628	525,076
Transfer In	102,373	417,547	506,628	525,076
County State Aid Fund				
Revenues	(3,952)	(3,340)	(2,752)	(2,284)
Expenditures	52,623	227,410	277,227	287,889
Transfer In	56,575	230,750	279,979	290,173
Municipal State Aid Fund				
Expenditures	14,861	60,612	73,543	76,221
Transfer In	14,861	60,612	73,543	76,221
Transit Assistance Fund				
Expenditures	10,350	18,900	19,800	20,500
Revenues	7,548	17,660	19,248	20,516
Transportation Fund				
Expenditures	0	(13,052)	(13,715)	(14,352)
Revenues	(13,052)	(13,715)	(14,352)	(14,859)
DNR Transfers				
Expenditures	3,826	4,172	4,341	4,377
Transfer In	3,993	11,872	15,702	16,523
Net Fiscal Impact = (Expenditures – Revenues)	(211,927)	(229,281)	(234,606)	(237,809)
FTEs (DNR)	**6.25**	**6.25**	**6.25**	**6.25**
FTEs (MnDOT)	**0**	**50**	**75**	**100**
***HUTD Transfers out include transportation funds only.**				

Recommendation:

The Governor recommends the state commit to a major transportation investment plan to fund the estimated $6 billion dollar gap that exists between funding needs and available revenues over the next 10 years. The Governor proposes filling the $6 billion gap in road and bridge funding by:

- Initiating a 20 cent gas tax increase, including fuel in distributor storage at the start time of each increase (phased-in over two years in October and April in FY20 and FY21)
- Indexing the gas tax to inflation (beginning in FY23)
- Increasing the registration tax, effective January 1, 2020 (increase tax rate from 1.25 percent to 1.5 percent and base tax fee from $10 to $45; change the depreciation schedule; amend base value calculation by removing destination charge and hold harmless provision of statute)
- Increasing the motor vehicle sales tax from 6.5 percent to 6.875 percent, effective December 1, 2019
- Authorizing $2 billion in trunk highway bonds over 8 years starting in 2022

The gas tax, registration tax, and motor vehicle sales tax increases will fund roads and bridges for the state trunk highways, county state aid highways, and municipal state aid streets. In the FY22-23 biennium, when revenue changes are completely phased in, the increased revenue from the gas tax, motor vehicle sales tax, and registration fees are forecast to increase available resources for each transportation fund by 30 percent.

To help lower- and middle-income Minnesotans pay for transportation investments, the governor proposes an increase to the Working Family Credit of $100 for each single or head of household recipient and $200 for each married filing jointly recipient. This proposal is described in the Tax Aids, Credits and Refunds section. In addition, while the gas tax increase would impact how our rate compares to neighboring states, the existing qualifying service station tax credit would ensure Minnesota service stations within 7.5 miles of the state border receive refunds that effectively reduce the rate to not more than three cents per gallon above the rate of the neighboring state.

Other Components:
In addition to the new funding above, the Governor recommends:

- Returning the auto parts sales tax, 9.2 percent motor vehicle rental tax, and 6.5 percent sales tax on motor vehicle rentals currently deposited into the Highway User Tax Distribution (HUTD) Fund as of FY2018 back to the General Fund beginning in FY2020. This results in an increase to the General Fund of $395 million in FY20-21 and $404 million in FY22-23.
- Restoring the motor vehicle lease sales tax to the pre-2018 distribution levels. This results in $32 million returned to the General Fund, annually.
- In total, the General Fund would receive $459 million in FY20-21 and $468 million in FY22-23.

General fund revenues are reduced by $8 million in the FY20-21 biennium due to increased petroleum refunds and income tax interactions with the registration tax. General fund expenditures decrease by $170,000 for the biennium for increased aid to counties with casinos under M.S. 270C.19 (https://www.revisor.mn.gov/statutes/cite/270C.19) due to the increase in gas tax.

Authorization for the sale of $2 billion in trunk highway bonds over 8 years starting in 2022 ($250 million per year). Debt service for these bonds is estimated to be $22.2 million for the FY22-23 biennium.

Several components in this proposal require changes to the Minnesota Licensing and Registration System (MNLARS). Costs associated with changes to MNLARS will be funded through the Department of Public Safety's MNLARS budget recommendation.

Rationale/Background:

Minnesota cannot preserve and improve quality and performance of the state's transportation systems under the combined limitations of current investment levels and current lifecycle replacement practices. The consequences of underinvesting in the state's transportation system will include deterioration in service, increases in congestion, failing infrastructure and diminished ability to remain economically competitive. This is because transportation systems facilitate the efficient movement of people and goods and create the opportunity for economic development, enhanced productivity, job formation and sustainable growth. Without additional investment, the transportation system will not be able to expand to accommodate expected population and job growth. In addition, alternatives to driving alone must play a larger role in satisfying growing transportation demand - roads, transit and other transportation modes must work together as one system.

Road and Bridge Funding

The 2018 Minnesota Statewide Highway Investment Plan (MnSHIP) determined additional funding was needed for transportation, due largely to aging infrastructure and construction costs exceeding the growth of existing revenues. Overall, the department faces a $6 billion gap in revenue over the next ten years above current fund balance projections to fund needed investments in state road construction. Of this total gap, roughly $4 billion is needed for preservation and modernization, and $2 billion is needed for strategic expansion.

Without additional revenue, there will be:

- Increasing deterioration of pavement and bridges on state system. The percent of highway pavement considered in poor condition (rough driving surface) and the percent of bridge deck pavement considered in poor condition it is estimated to increase significantly in the next 20 years.
- Very little expansion to address population and economic growth
- Reductions in high priority products and service delivery

In addition, more operations and maintenance dollars are recommended, calculated at 5 percent of new Trunk Highway Fund revenues. This additional funding will be spent on snow plowing, fixing pot holes and guard rails, etc. Investing in operations and maintenance is needed due to declining asset conditions, increased snow and ice requirements, and the need for more timely maintenance.

Proposal:

Road and Bridge funding components

New revenues and bonding would be identified to help close the funding gap over the next ten years. The goal is an integrated transportation system that optimizes the movement of people and goods across the state. With new funding, we can:

- Improve asset management - preserve and modernize the existing system
- Invest in strategic mobility enhancements, including MnPASS and other intelligent transportation tools
- Complete strategic expansion on key corridors throughout the state
- Complete Main Street improvements

The benefits for Minnesotans will include:

- Reduced wear and tear on their cars
- Fewer stops at the fuel pump due to smoother roads and reduced congestion
- Fewer accidents
- More time doing what they need to do
- Reduced impacts on our environment

MnDOT has identified pavement and bridge needs as well as mobility projects that are not currently being addressed through its 10-year work plan. These unmet needs and projects will be given priority. These funds will provide for capital costs of construction as well as project development and engineering activities with contractor support, allowing the department to utilize this funding in the most efficient manner.

MnDOT proposes to utilize the increased operating appropriations for our highest-priority products and services. Some of these include:

- Snow and Ice - keeping the roads clear of snow and ice
- System Roadway Structures Maintenance – repair potholes (pavement repair)
- Bridges and Structures Inspection and Maintenance
- Intelligent transportation systems for improved safety and mobility

The Governor’s proposal provides constitutionally dedicated funding increases that can be relied on over the long term and can only be used for transportation purposes. Returning auto parts and other taxes to the general fund results in the availability of funding for other state priorities.

Department of Natural Resources Funding Components

The Governor's proposal provides constitutionally dedicated funding increases that can be relied on over the long term and can only be used for transportation purposes. Returning auto parts and other taxes to the general fund results in the availability of funding for other state priorities.

The Department of Natural Resources (DNR) receives a portion of the unrefunded gasoline tax, which has supported the state's recreational motorized vehicle activities and forest roads since 1961. This funding is dedicated to the DNR with the broader goal that the unrefunded gasoline proceeds should support programs related to non-highway gasoline use.

This revenue enables additional investment in Minnesota's water recreation facilities and services. The proposal funds $3.35 million annually for increased operations and maintenance of public water access sites and state trails ($1.35 million) and increasing boating access site rehabilitation ($2 million). Additionally, this proposal increases grants to local sheriff offices by $300,000 annually to reimburse for search and rescue efforts.

This proposal also increases revenues to DNR's forest road account by $170,000 in FY20, $506,000 in FY21, $670,000 in FY22, and $705,000 in FY23. The state and counties (with a land commissioner) split this revenue 52% and 48% respectively. This increase funds additional graveling, grading, and drainage projects to maintain the state's 2,340-mile forest road network used by the forest industry, emergency responders and outdoor enthusiasts.

Transit Funding Components

Revenue from the motor vehicle sales tax is split between the HUTD (60 percent) and the Transit Assistance Fund (40 percent). The Metropolitan Council receives 90 percent of the motor vehicle sales tax revenue in the Transit Assistance Fund and MnDOT receives the remaining 10 percent for greater Minnesota transit.

Over the long-term, greater Minnesota transit revenues will increase from the proposed increased MVST rate. However, restoring the motor vehicle lease sales tax to the pre-2018 distribution levels results in a short-term reduction in revenue. To offset the decrease in revenue between FY20-23, MnDOT is amending internal accounting practices to allow additional spending of the motor vehicle lease tax revenue in the current year (current accounting practices involve carrying forward all of this revenue each year, and planning spending in the subsequent year).

Equity and Inclusion:

A safe, reliable and multimodal system of transportation is vital to ensuring equity and inclusion by connecting communities statewide. This needed funding will also provide additional contracting opportunities to certified small businesses and opportunities to work towards enterprise-wide goals of equity and inclusion.

IT Related Proposals:

N/A

Results:

Currently, Minnesota's total state gasoline taxes are 28th highest in the country, including District of Columbia. Since 2013, Minnesota has dropped from 19th highest state gasoline taxes, as a result of other states increasing their gasoline tax rate. Over a 10-year period, the inflation-adjusted tax on gasoline is projected to add an additional 28 cents to the price of a gallon of gasoline.

These investments would provide additional long-term sustainable and dedicated funding. MnDOT would plan to rehabilitate the system for the 21st century by:

- Improving an additional 1,800 miles of pavement and repair or replace an additional 300 bridges on state highways
- Accelerate progress toward the state goal of zero highway deaths with targeted installation of rumble strips, median barriers, lighting and other safety improvements. The Minnesota Toward Zero Death program has helped decrease injuries and deaths on the highway
- Keep roadside infrastructure in a state of good repair

In addition, MnDOT has operating performance measures that will be impacted by this proposal. All are anticipated to decline without additional funding; and this would reduce the decline. They include:

- Snow Plowing Performance – meet clearance targets
- Smooth Roads – percent of pavement patching addressed
- Percent of projects let in the year scheduled

Statutory Change(s):

Gasoline Tax: M.S. 296A.07 and M.S. 296A.08
Vehicle Registration Taxes: M.S. 168.013
Motor Vehicle Sales Tax: M.S. 297B.02
Motor Vehicle Lease Sales Tax: 297A.815
General Fund Transfers: M.S. 297A.94 and 297A.64

FY 2020-21 Biennial Budget Change Item

Change Item Title: Transit Sales Tax Increase

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Fund (DOR)				
Expenditures	261	636	659	682
Revenues	261	636	659	682
Other Funds (Met Council)				
Expenditures	28,739	70,064	72,541	75,118
Revenues	28,739	70,064	72,541	75,118
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs (DOR)	**3.10**	**7.10**	**7.30**	**7.60**

Recommendation:

The Governor recommends enactment of a 1/8 cent sales tax in the seven-county metropolitan area to maintain and expand the regional bus and transitway system. Revenues from the sales tax, along with the Minnesota Department of Transportation proposal to increase the motor vehicle sales tax rate from 6.5 percent to 6.875 percent and state general obligation bonds would:

- Eliminate a structural deficit in the regional bus system
- Build out 10 Bus Rapid Transit (BRT) lines
- Increase service in the region's busiest transit corridors by 40 percent
- Increase regional transit ridership by 30-40 percent
- Begin the electrification of the regional fleet by adding at least 150 electric buses
- Improve the transit customer experience through investments in safety, shelters and technology

The Minnesota Department of Revenue will administer this tax for the Metropolitan Council, including working with retailers in the jurisdiction, updating tax collection systems, and compliance. The department will recover administrative costs from the revenue raised by the tax in its local sales tax administration account in the state special revenue fund.

Rationale/Background:

Today, more than three million people call the metropolitan region their home – 55 percent of the entire state. By 2040 the region is expected to add an additional 700,000 people and 500,000 jobs. As the region's population grows and changes, demand for reliable transit options will increase. That growing population will include more people of color, millennials, and seniors – all these cohorts use transit at higher rates than their peers.

Since 2011, the Metropolitan Council has provided 600 million transit rides, many of them connecting people to work or school. A reliable, safe and comprehensive transit system is a key part of our region's economic competitiveness, and our ability to attract and retain businesses, workers, and people. Ridership has steadily increased over the past decade; however, that trend has stagnated in the past several years. When looking more closely at ridership trends, while bus ridership is declining, ridership on rail and arterial BRT has been increasing. Put simply, when we invest in transit, ridership follows.

Over the past several years, investment in transit has failed to keep up with the growing demand for services. Further, existing revenues will not be sufficient to maintain existing service levels. In the next biennium alone, the regional bus system is facing a deficit over $53 million and more than $250 million over the next 10 years.

While the Council has managed some of the deficit with one-time savings, smart fiscal management, and $70 million in onetime general funds, without new investment, our region will continue to fall behind peer regions.

Proposal:

The Metropolitan Council is proposing that the state enact an 1/8 cent sales tax in the seven-county metropolitan area and invest the revenues - $770 Million over 10 years - to fund the structural deficit in the regional bus system, and build and operate an expanded, integrated regional transit system. An aggressive investment in BRT would mean nearly 40 percent more bus service in our region’s busiest transit corridors. This would significantly increase transit access to nearly 500,000 jobs along 10 corridors.

This investment in BRT complements the expansion planned for the next 10 years in the long-term regional transportation plan including Green Line extension (SWLRT), Blue Line extension (Bottineau LRT), Orange Line BRT, Gold Line BRT, and Rush Line BRT. It would also support an additional 3-5 percent investment in regular route bus.

In total, these investments would lead to a 30-40 percent increase in regional transit ridership in the greater Minneapolis-Saint Paul region over the next 10 years.

Accomplishing this plan is dependent on:

- MnDOT’s proposal to increase the motor vehicle sales tax from 6.5 percent to 6.875 percent;
- State GO Bonds;
- Continued financial support from the county transit sales tax collections in the region.

The Minnesota Department of Revenue will administer this tax for the Metropolitan Council. The administrative costs contained in this proposal are shown in the Expenditure Overview, Financing by Fund, and Change Summary fiscal reports contained in the Minnesota Department of Revenue’s operating budget book.

Equity and Inclusion:

More than 30 percent of transit riders are transit dependent, meaning they can’t afford a car. In addition to serving low-income populations, people of color also use transit at higher rates than white people. Investments in these transit corridors helps people who rely on public transit, giving them the ability to live and work throughout the region, and access opportunities. If everyone is going to have a seat at the table in One Minnesota, we need to properly fund transit, so everyone can get to the table.

Results:

- 10 new Bus Rapid Transit (BRT) lines
- 40 percent service increase in the region’s busiest transit corridors
- 30-40 percent increase in regional transit ridership
- 150 electric buses
- Improved transit customer experience

Statutory Change(s):

MS 297B.02

FY 2020-21 Biennial Budget Change Item

Change Item Title: Regional Transit Bonding Authority

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	50	520	820
Revenues	0	(40)	(400)	(640)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	90	920	1,460
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends the Metropolitan Council's authority to issue bonds under M.S. 473.39 be increased by $92,300,000 to implement the Council's transit capital improvement program.

Rationale/Background:
The Metropolitan Council is given authority to issue general obligation bonds to implement the Council's transit capital improvement program in M.S. 473.39. Council bonding authority is used primarily for bus and paratransit vehicle replacement as a local match for Federal Appropriations. This one-time authority is subject to the volume limitations in this section and when exhausted, the Council requests additional authority. The Council is requesting $92,300,000 in additional authority.

Proposal:
In addition to the authority previously granted in M.S. 473.446, the proposal allows the Council to issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding $92,300,000 for capital expenditures as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations. Of this authorization, after July 1, 2019, the council may issue certificates of indebtedness, bonds, or other obligations in an amount not exceeding $45,400,000 and after July 1, 2020, the council may issue certificates of indebtedness, bonds, or other obligations in an additional amount not exceeding $46,900,000.

Council transit bonds are repaid through a property tax authorized in M.S. 473.446. Higher levies will increase property taxes on all property. They result in higher homeowner property tax refunds, increasing costs to the state general fund. Higher levies also increase income tax deductions, reducing revenues to the state general fund. The net impact on the general fund is $90,000 in FY 2021, and $2.38 million in FY 2022-23. The fiscal impact is represented in the Tax Aids, Credits and Refunds budget pages.

Results:
The Council will implement its transit capital improvement program.

Statutory Change(s):
Minnesota Statutes, Section 473.446

FY 2020-21 Biennial Budget Change Item

Change Item Title: School Safety Revenue

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	5,769	11,791	12,109	12,081
Revenues	0	(200)	(210)	(250)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	5,769	11,991	12,319	12,331
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends providing Minnesota school districts and charter schools with additional revenue to improve student and school security. Funds may be used for building security improvements or to hire more school resource officers, counselors, or other student support staff. This recommendation provides one-time state aid to districts and charter schools equal to $5 per pupil in fiscal year (FY) 2020. In FY 2021 and beyond this proposal will: 1) increase the Safe Schools Levy allowance from $36 per pupil to $50 per pupil and create a minimum revenue amount of $20,834 per school district; 2) equalize the levy to allow districts with low property tax capacity access to this revenue; and 3) provide charter schools with $14 per pupil in Safe Schools Aid. The Governor also recommends amending the allowable uses under the school levy to include professional development such as restorative practices, social-emotional learning, and other evidence-based practices.

This proposal seeks an allocation of $17.8 million for the FY 2020-21 biennium and $24.7 million for the FY 2022-23 biennium, including the cost of interactions with the property tax refund program, state individual and corporate income taxes, and the continuation of the 4,000 expiring seats for the voluntary pre-kindergarten/school readiness plus program. In addition, the safe schools levy would increase by $5.4 million for taxes payable in 2020 and $5.6 million for taxes payable in 2021 and later.

Rationale/Background:

Under current law a district may levy up to $36 per adjusted pupil unit to directly fund the following purposes or reimburse cities and counties who contract with the district for these purposes:

1. to pay the costs incurred for the salaries, benefits and transportation costs of peace officers and sheriffs for liaison in services in the district's schools;
2. to pay the costs for a drug abuse prevention program as defined in section 609.101, subdivision 3, paragraph (e), in the elementary schools;
3. to pay the costs for a gang resistance education training curriculum in the district's schools;
4. to pay the costs for security in the district's schools and on school property;
5. to pay the costs for other crime prevention, drug abuse, student and staff safety, voluntary opt-in suicide prevention tools, and violence prevention measures taken by the school district;
6. to pay costs for licensed school counselors, licensed school nurses, licensed school social workers, licensed school psychologists, and licensed alcohol and chemical dependency counselors to help provide early responses to problems;
7. to pay for facility security enhancements including laminated glass, public announcement systems, emergency communications devices, and equipment and facility modifications related to violence prevention and facility security;

8. to pay for costs associated with improving the school climate; or
9. to pay costs for co-locating and collaborating with mental health professionals who are not district employees or contractors.

A school district that is a member of an intermediate school district may levy an additional amount up to $15 per adjusted pupil unit for intermediate school district programs.

The levy is not equalized by the state. Most districts levy the maximum amount, but a few districts, including those with the lowest tax base per pupil, do not levy or levy less than the maximum due to low tax capacity.

The levy formula has been increased periodically and the uses of the revenue have been broadened over time. Prior to 2001, the levy was called the crime levy, and a per capita formula was used ($1.50 per capita from taxes payable in 1998 – 2001 and $1 per capita before that). For taxes payable in 2001 and 2002, the rate was $11 per pupil unit. Beginning with taxes payable in 2003, the rate was increased to $30 per pupil unit, and beginning with taxes payable in 2014, the rate was increased to $36 per pupil unit ($4 of this increase was new revenue, and $2 was to adjust for a pupil unit weighting change).

With the increase in the number of school shootings and other violence in schools in recent years, there is growing recognition of the need to significantly increase funding for student and staff safety, both for building security improvements and for more school resource officers, counselors, or other student support staff, and to extend the funding to schools that are currently excluded. To ensure that districts with little or no tax base are able to access safe schools revenue, and to provide greater equity in the tax burdens between districts with low tax base per student and districts with higher tax base per student, state aid should be provided to equalize the levy. Finally, the authority for cooperative units to access safe schools revenue should be extended from intermediate districts only to all cooperative units enrolling students.

Proposal:

For FY 2020:

- Increase the safe schools revenue allowance for school districts from $36 to $41, a $5 increase, with a minimum revenue of $17,083 per district, and provide $5 per student for charter schools. Since the levy for FY 2020 has already been made, provide the increase all from state aid; and
- Increase the safe schools revenue allowance for intermediate districts from $15 to $17.08 per member district pupil unit, a $2.08 increase, and provide $2.08 per student for other cooperative units enrolling students. Since the levy for FY 2020 has already been made, provide the $2.08 increase all from state aid.
- Amend the allowable uses under item (8) school climate in the school safety levy to include professional development such as restorative practices, social-emotional learning, and other evidence-based practices.

For FY 2021 and later:

- Increase the current safe schools revenue allowance for school districts from $36 to $50, a $14 increase, with a minimum revenue of $20,834 per district, and provide $14 per student for charter schools;
- Increase the current safe schools revenue allowance for intermediate districts from $15 to $20.83 per member district pupil unit, a $5.83 increase, and provide $5.83 per student for other cooperative units enrolling students;
- Equalize the levy for school districts and the levy made by member districts of cooperatives, including intermediate districts, using an equalizing factor equal to 110 percent of the state average Adjusted Net Tax Capacity (ANTC) per pupil unit excluding 50 percent of Class 2a agricultural property valuation. This is the same measure currently used for Long Term Facilities Maintenance Revenue (LTFM), except that the equalizing factor for LTFM is 123 percent of the state average ag-modified ANTC per pupil.

For FY 2020 and later:

- Clarify that the equipment bonding under Minnesota Statute, section 123B.61 may be used for the purchase of equipment related to violence prevention and facility security, and increase the maximum amount of the annual debt service levy for facilities and equipment bonds by the amount of a district's safe schools revenue.

Because this proposal raises levy allowances, property taxes on all property will increase. Increased property taxes will result in higher homeowner property tax refunds, which are additional costs to the state general fund. The growth in property taxes will also increase income tax deductions, which reduces revenues to the state general fund.

Equity and Inclusion:

This proposal will support all students in Minnesota public schools, particularly students in charter schools, cooperatives other than intermediates, and students in low tax base school districts. Charter schools and cooperatives other than intermediates are currently excluded from eligibility for safe schools revenue; in this proposal they would be included in the program and would receive the same increase as school districts and intermediate districts, respectively. Districts with little or no tax base (e.g., Red Lake, Nett Lake), which have been effectively excluded from the program due to inability to make a tax levy, will be able to raise the same revenue per student as other districts with most of the revenue funded by the state. Districts with relatively low tax base per student will receive equalization aid to reduce disparities in the tax rate needed to raise the same safe schools revenue per student as other districts.

Results:

School districts and cooperatives will receive a much-needed boost in safe schools revenue, which can be used for building security improvements or to hire more school resource officers, counselors, or other student support staff.

Statutory Change(s):

M.S. 126C.44

FY 2020-21 Biennial Budget Change Item

Change Item Title: Soil and Water Conservation District Levy Authority

Fiscal Impact ($000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	0	940	940	1,150
Revenues	0	(740)	(740)	(900)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	1,680	1,680	2,050
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends providing Minnesota's soil and water conservation districts (SWCDs) property tax levy authority. Levy authority for each SWCD will be capped at 0.048 percent of the estimated market value of property or $1 million, whichever is less. The state estimates SWCDs will levy about $26.4 million in calendar year 2020, $26.4 million in calendar year 2021, and $34.1 million in calendar year 2022.

Rationale/Background:

SWCDs are the front lines of the state's conservation delivery system. They use their considerable knowledge, expertise and trust to help landowners target clean water and conservation practices where they can provide the greatest benefit. SWCDs are the only unit of government with the expressed statutory charge to work with private landowners to plan and implement soil and water conservation practices, yet they currently do not have the ability to independently raise revenue to support implementation of land and water treatment practices and programs to achieve the broad goals of clean water, clean air, and abundant fish and wildlife habitat.

Stable and predictable funding is necessary in light of many of the state's current goals for clean water, which are not presently being met. These goals are articulated in many places including the Federal Government Clean Water Act and Minnesota's Clean Water Legacy Act. The state has established goals such as reducing phosphorous and nitrogen levels by 45 percent in Mississippi River Basin (MN Nutrient Reduction Strategy) and reducing sediment loading by 90 percent in the Minnesota River Basin (MN Sediment Reduction Strategy). Protecting clean waters from becoming polluted is equally important.

Proposal:

This proposal will give each SWCD authority to independently levy property taxes on property owners. This authority will allow taxpayers to deduct more property taxes against their state income tax and receive larger property tax refunds. Because of this, the net cost to the general fund will be $1.68 million in FY 2020-21 and $3.73 million FY 2022-23.

This levy authority will increase SWCD capacity in:

- Funding technical capability.
- Funding the cost of implementing land and water treatment practices and programs.
- Organizing, planning, and implementing soil and water conservation practices with landowners on a watershed scale.
- Leveraging federal conservation programs, such as the Environmental Quality Incentives Program and the Conservation Reserve Program.

- Prioritizing and targeting clean water fund dollars to leverage landowner and SWCD investments.
- Delivering land and water treatment projects and programs that are prioritized, targeted, and measurable.
- Measuring and reporting progress and outcomes.

Statutory Change:
Minnesota Statutes, Section 103C

Program: Refunds
Activity: Homestead Credit Refund

revenue.state.mn.us/

AT A GLANCE

For refunds based on taxes paid in 2016:

- Approximately 506,000 homeowners received refunds
- The average refund was $853

PURPOSE & CONTEXT

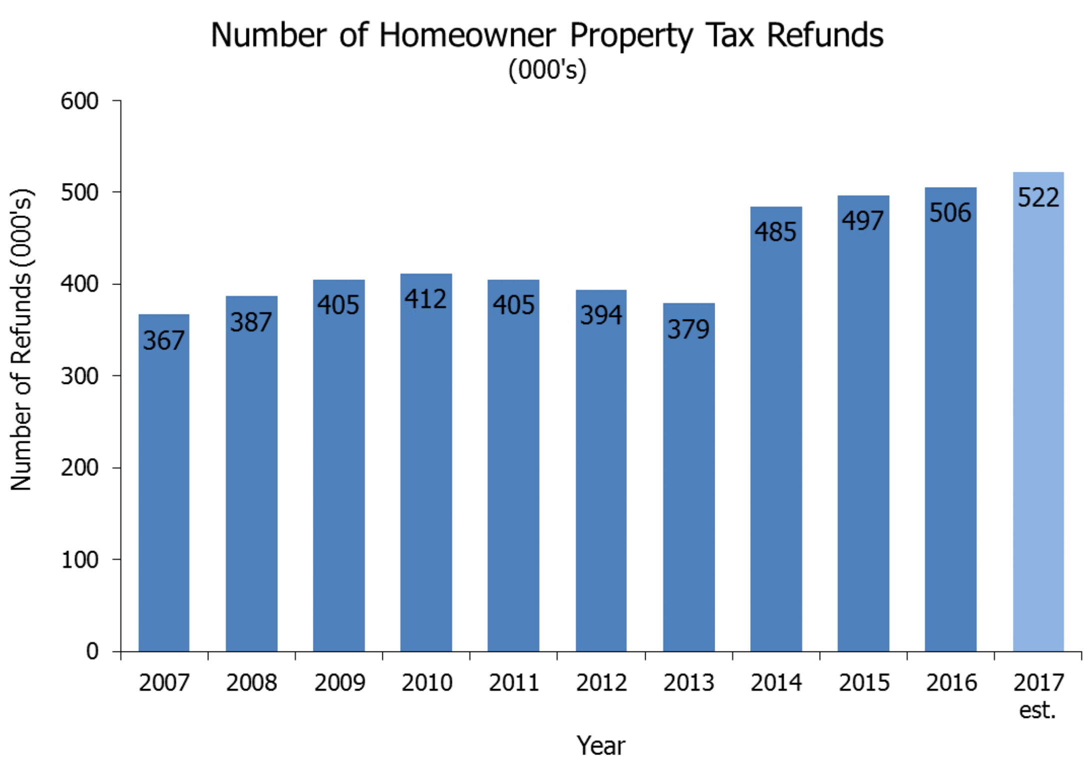
Property taxes account for a high share of household income for some taxpayers. The homestead credit refund for homeowners program is designed to provide relief to households that pay high property taxes relative to their household income.

The Homestead Credit Refund is paid from the General Fund.

SERVICES PROVIDED

The program provides property tax relief to homeowners based on an income definition of ability to pay. If property tax exceeds a threshold percentage of income, the refund equals a percentage of the tax over the threshold, up to a maximum amount.

RESULTS



The year is the taxes payable year in which refunds are based.

Property taxes are less regressive for households with lower incomes because of the property tax refunds (PTR).

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Results	Suits index - homeowner property taxes before PTR	-0.202	-0.175	2012 – 2014
Results	Suits index - homeowner property taxes after PTR	-0.161	-0.120	2012 – 2014
Results	Reduction in regressivity due to PTR	20%	31%	2012 – 2014

Performance Measure Notes:

The Suits index is a summary measure of tax progressivity or regressivity. A progressive tax is one in which the effective tax rate rises as income rises. A regressive tax is one in which the effective tax rate falls as income rises. A proportional tax has a Suits index equal to zero; a progressive tax has a positive index number in the range between 0 and +1; a regressive tax has a negative value between 0 and -1.

The Suits index compares the 2015 Tax Incidence Study based on calendar year 2012 property taxes and refunds (previous) with the most recently available 2017 Tax Incidence Study based on calendar year 2014 property taxes and refunds (current).

Homeowner property taxes become less regressive after the property tax refund.

Law changes in 2013 and 2014 increased the amount of refunds paid to homeowners by increasing the number of homeowners eligible and the average refund paid.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search ‘property tax refund’.

Legal Citation: M.S. 290A.04 Subd. 2 establishes the Homestead Credit Refund program. It was amended by: Laws 2013, Chapter 143, Article 1; and Laws 2014, Chapter 308, Article 1, Section 16. https://www.revisor.mn.gov/statutes/cite/290A.04.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	401,851	419,426	447,754	490,800	515,800	541,700	515,800	542,090
Total	**401,851**	**419,426**	**447,754**	**490,800**	**515,800**	**541,700**	**515,800**	**542,090**
Biennial Change				117,277		118,946		119,336
Biennial % Change				14		13		13
Governor's Change from Base								390
Governor's % Change from Base								0
Expenditures by Category								
Grants, Aids and Subsidies	401,668	419,228	447,541	490,575	515,569	541,467	515,569	541,857
Other Financial Transaction	184	197	213	225	231	233	231	233
Total	**401,851**	**419,426**	**447,754**	**490,800**	**515,800**	**541,700**	**515,800**	**542,090**

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	401,851	419,426	447,754	490,800	515,800	541,700	515,800	542,090
Expenditures	**401,851**	**419,426**	**447,754**	**490,800**	**515,800**	**541,700**	**515,800**	**542,090**
Biennial Change in Expenditures				117,277		118,946		119,336
Biennial % Change in Expenditures				14		13		13
Governor's Change from Base								390
Governor's % Change from Base								0

Program: Refunds
Activity: Renter Property Tax Refund

revenue.state.mn.us/

AT A GLANCE

For refunds based on taxes paid in 2016:

- Approximately 347,000 renters received refunds
- The average refund was $637

PURPOSE & CONTEXT

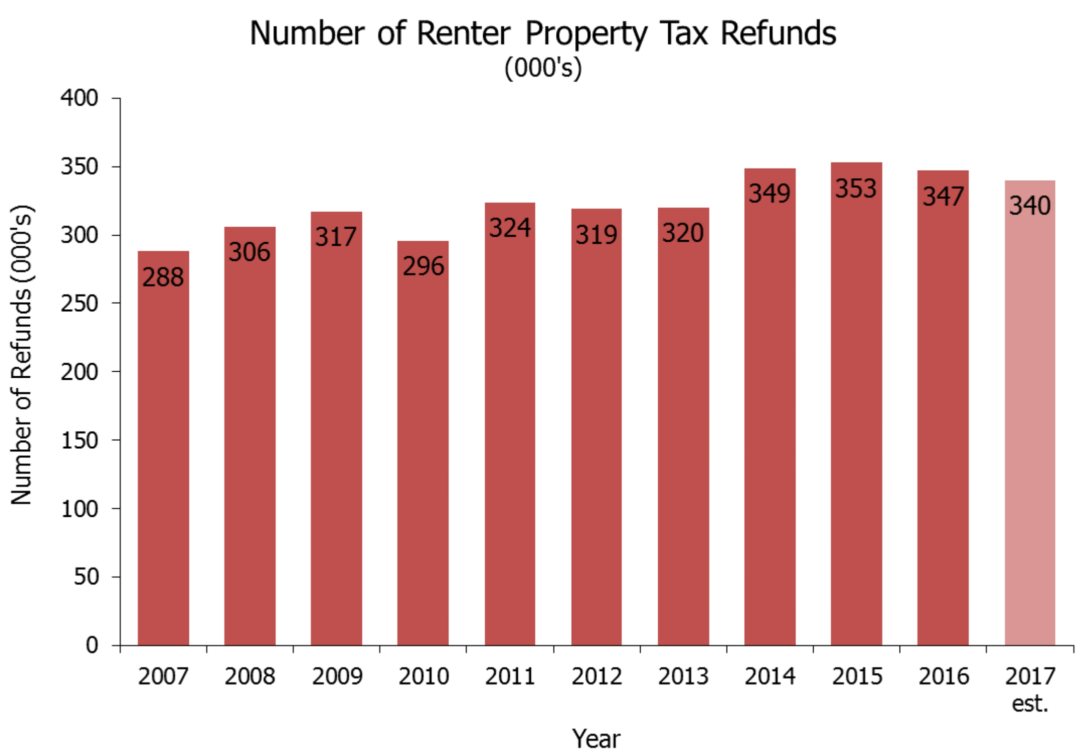
Property taxes account for a high share of income for some taxpayers. The renter property tax refund program is designed to provide relief to renters that pay high property taxes relative to their income.

The Renter Property Tax Refund is paid from the General Fund.

SERVICES PROVIDED

The program provides property tax relief to renters based on an income definition of ability to pay. If property tax exceeds a threshold percentage of income, the refund equals a percentage of the tax over the threshold, up to a maximum amount. Property tax for renters is defined as 17% of rent paid.

RESULTS



The year is the taxes payable year in which refunds are based.

Property taxes are less regressive for renters with lower incomes due to property tax refunds (PTR).

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Results	Suits index – renter property taxes before PTR	-0.282	-0.310	2012 –2014
Results	Suits index – renter property taxes after PTR	-0.118	-0.146	2012 – 2014
Results	Reduction in regressivity due to PTR	58%	53%	2012 – 2014

Performance Measure Notes:

The Suits index is a summary measure of tax progressivity or regressivity. A progressive tax is one in which the effective tax rate rises as income rises. A regressive tax is one in which the effective tax rate falls as income rises. A proportional tax has a Suits index equal to zero; a progressive tax has a positive index number in the range between 0 and +1; a regressive tax has a negative value between 0 and -1.

The Suits index compares the 2015 Tax Incidence Study based on calendar year 2012 property taxes and refunds (previous) with the most recently available 2017 Tax Incidence Study based on calendar year 2014 property taxes and refunds (current).

Rental housing property taxes become less regressive after the property tax refund.

Law changes in 2013 and 2014 increased the amount of refunds paid to homeowners by increasing the number of renters eligible and the average refund paid.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search 'property tax refund'.

Legal Citation: M.S. 290A.04 Subd. 2a establishes the Renter Property Tax Refund program. It was amended by: Laws 2013, Chapter 143, Article 1; and Laws 2014, Chapter 308, Article 1, Section 16.
https://www.revisor.mn.gov/statutes/cite/290A.04.

Renters Property Tax Refund

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	219,850	218,692	222,588	223,100	228,300	234,200	228,300	234,200
Total	**219,850**	**218,692**	**222,588**	**223,100**	**228,300**	**234,200**	**228,300**	**234,200**
Biennial Change				7,146		16,812		16,812
Biennial % Change				2		4		4
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Category								
Operating Expenses	128	127	115	116	118	118	118	118
Grants, Aids and Subsidies	219,572	218,459	222,377	222,886	228,083	233,983	228,083	233,983
Other Financial Transaction	150	106	96	98	99	99	99	99
Total	**219,850**	**218,692**	**222,588**	**223,100**	**228,300**	**234,200**	**228,300**	**234,200**

Renters Property Tax Refund

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	219,850	218,692	222,588	223,100	228,300	234,200	228,300	234,200
Expenditures	**219,850**	**218,692**	**222,588**	**223,100**	**228,300**	**234,200**	**228,300**	**234,200**
Biennial Change in Expenditures				7,146		16,812		16,812
Biennial % Change in Expenditures				2		4		4
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Refunds
Activity: Special Property Tax Refund

revenue.state.mn.us/

AT A GLANCE

In 2017:

- Approximately 36,000 homeowners received a special refund
- The average refund was $85

PURPOSE & CONTEXT

Large increases in property taxes can lead to financial strain for households. The special property tax refund program provides relief to property owners who have a large increase in property taxes due to economic conditions, property tax policy changes, or other factors.

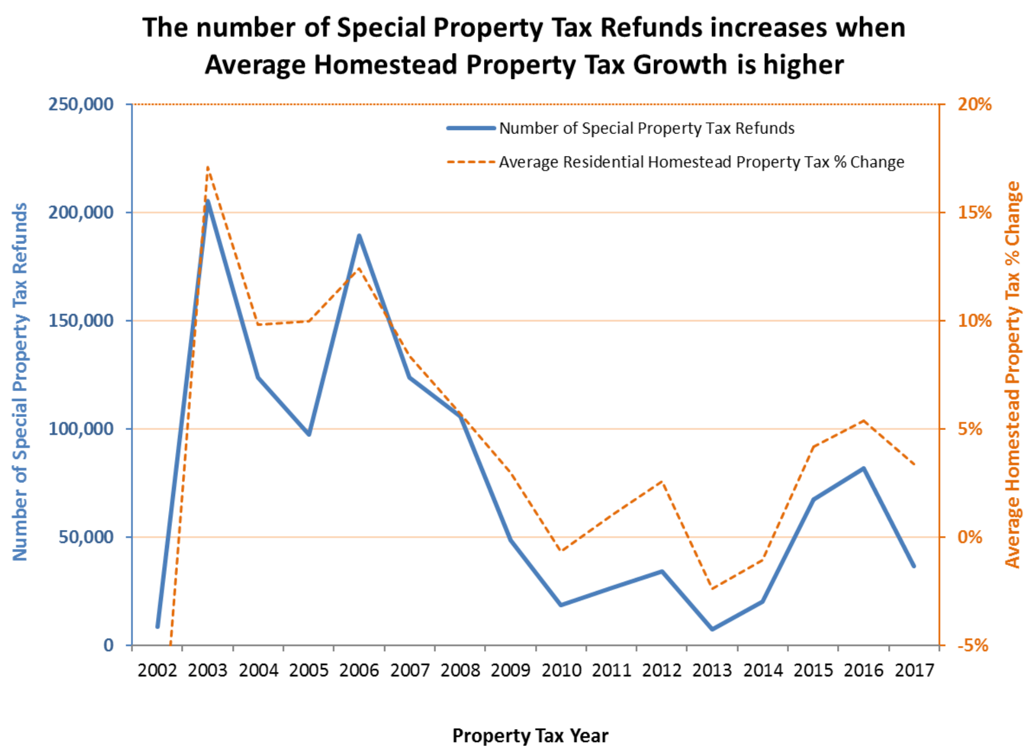
The Special Property Tax Refund is paid from the General Fund.

SERVICES PROVIDED

Homesteads experiencing an increase in property tax of at least 12% and $100 are eligible for a refund of 60% of the increase above 12%. The maximum refund is $1,000.

RESULTS

The chart shows that the number of special property tax refunds increases when average residential homestead property tax growth is higher.



Property taxes are more predictable and affordable for households by reducing significant annual increases.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quantity	Annual special refunds processed	67,000	36,000	2015 - 2017

Performance Measure Notes:

Results from year to year can be highly variable. Since 2008, the average annual number of special refunds processed is 45,000. The average refund has ranged from $83 to $152.

Annual refunds processed compares taxes payable year 2015 (previous) to 2017 (current).

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search 'property tax refund'.

Legal Citation: M.S. 290A.04 Subd. 2h establishes the Special Property Tax Refund program. https://www.revisor.mn.gov/statutes/cite/290A.04.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	5,844	7,641	3,629	7,352	5,100	5,000	5,100	5,000
Total	**5,844**	**7,641**	**3,629**	**7,352**	**5,100**	**5,000**	**5,100**	**5,000**
Biennial Change				(2,504)		(881)		(881)
Biennial % Change				(19)		(8)		(8)
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Category								
Grants, Aids and Subsidies	5,837	7,629	3,623	7,342	5,090	4,990	5,090	4,990
Other Financial Transaction	6	12	6	10	10	10	10	10
Total	**5,844**	**7,641**	**3,629**	**7,352**	**5,100**	**5,000**	**5,100**	**5,000**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	5,844	7,641	3,629	7,352	5,100	5,000	5,100	5,000
Expenditures	**5,844**	**7,641**	**3,629**	**7,352**	**5,100**	**5,000**	**5,100**	**5,000**
Biennial Change in Expenditures				(2,504)		(881)		(881)
Biennial % Change in Expenditures				(19)		(8)		(8)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Refunds
Activity: Sustainable Forest Incentive Payment

revenue.state.mn.us/

AT A GLANCE

In 2017:

- 2,560 forest land owners received an incentive payment
- The average incentive payment was $4,222

PURPOSE & CONTEXT

Property taxes can represent a significant cost for forested property that can discourage long-term forest management investments. The Sustainable Forest Incentive Act provides payments to owners of forest land to encourage sustainable forest management.

Sustainable Forest Incentive Payments are paid from the General Fund.

SERVICES PROVIDED

An owner of forest land who meets all qualifications of the Sustainable Forest Incentive Act is eligible for a payment for the enrolled acres. The annual payments are adjusted each year based on statewide average market values and tax rates.

RESULTS

The payments encourage forest land owners to make long-term commitments to sustainable forest management by reducing the costs of holding land in an undeveloped state.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Acres of forest land enrolled	756,000	989,000	2015 – 2017

Performance Measure Notes:

Acres of forest land enrolled compares calendar year 2015 (previous) to 2017 (current).

The average incentive payment increased from $2,205 in 2015 to $4,222 in 2017.

Law changes in 2017 modified the annual payments to forest land enrolled in the program. The annual payments are adjusted each year based on statewide average market values and tax rates, and vary based on the covenant length and total number of acres enrolled in the program. Previously, the annual payment was set by statute as $7 per acre.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search 'sustainable forest'.

Legal Citation: M.S. Chapter 290C establishes the Sustainable Forest Incentive Payment. It was amended by Laws 2013, Chapter 143, Article 2, Sections 2-5; and Laws 2017 First Special Session, Chapter 1, Article 10, Sections 1-17. https://www.revisor.mn.gov/statutes/cite/290C.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	5,312	5,533	10,799	10,860	11,540	11,990	11,540	11,990
Total	**5,312**	**5,533**	**10,799**	**10,860**	**11,540**	**11,990**	**11,540**	**11,990**
Biennial Change				10,814		1,871		1,871
Biennial % Change				100		9		9
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Category								
Grants, Aids and Subsidies	5,312	5,533	10,799	10,859	11,539	11,989	11,539	11,989
Other Financial Transaction	0		0	1	1	1	1	1
Total	**5,312**	**5,533**	**10,799**	**10,860**	**11,540**	**11,990**	**11,540**	**11,990**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	5,312	5,533	10,799	10,860	11,540	11,990	11,540	11,990
Expenditures	**5,312**	**5,533**	**10,799**	**10,860**	**11,540**	**11,990**	**11,540**	**11,990**
Biennial Change in Expenditures				10,814		1,871		1,871
Biennial % Change in Expenditures				100		9		9
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Local Government Aid to Cities

revenue.state.mn.us/

AT A GLANCE

In 2018:

- 760 cities out of 853 receive Local Government Aid
- Payments were increased $15 million from the previous year

PURPOSE & CONTEXT

Cities across the state have varying service needs and revenue sources. Local Government Aid payments to cities provide general support for services and reduce property tax burdens on homeowners and businesses.

Local Government Aid is paid from the General Fund.

SERVICES PROVIDED

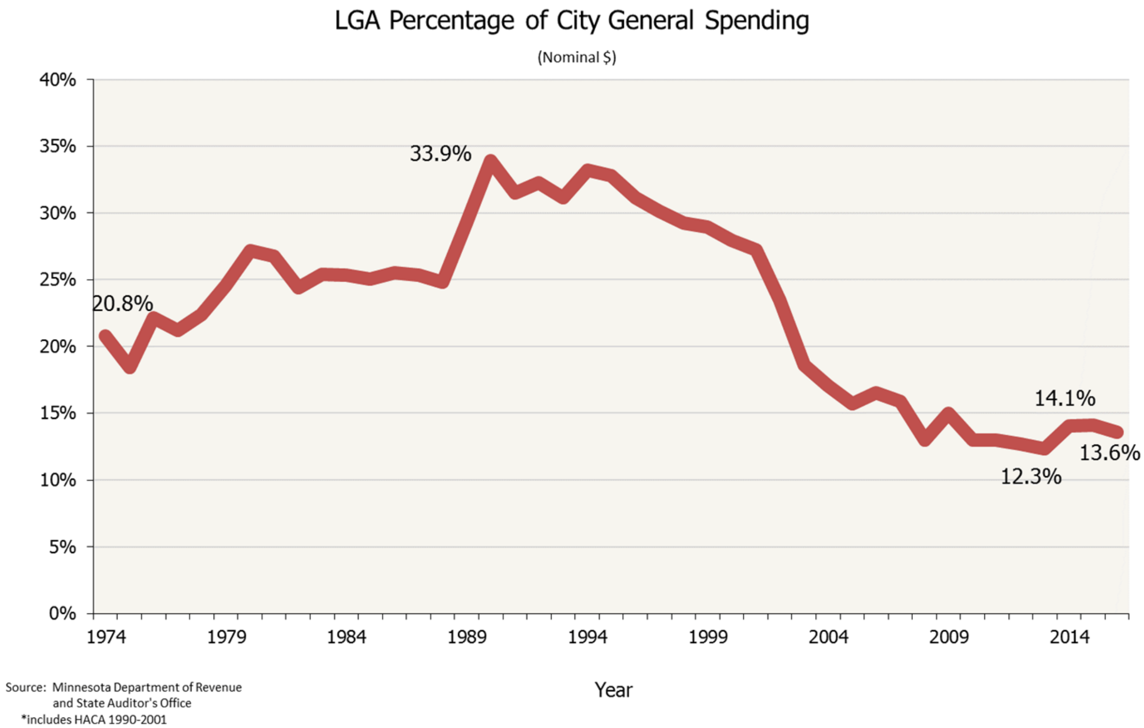
Local Government Aid (LGA) is a general purpose aid to cities that can be used for any lawful purpose. It is also used for property tax relief by reducing the amount of revenue that is collected locally.

The LGA formula has changed many times since enacted in 1971. The current formula measures city need with factors including population and age of housing and compares this to a city's ability to pay measured by local property values. The formula attempts to target aid to those cities with the lowest property values and highest need.

RESULTS

Cities across the state are more able to offer their residents comparable services at a similar tax cost.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quantity	Percentage of cities receiving LGA	90%	90%	2014 – 2016
Quantity	LGA percentage of city spending	14.1%	13.6%	2014 – 2016



Performance Measure Notes:

Percentage of cities receiving LGA compares payable year 2014 (previous) to 2016 (current).

LGA percentage of city spending is based on State Auditor city finance reports for 2014 and 2016 and computes LGA as a percentage of total current expenditures. 2016 is the most recent auditor data available.

A 2017 law change increased the city LGA appropriation by $15 million for aids payable 2018 and thereafter.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search 'LGA'.

Legal Citation: M.S. Chapter 477A establishes the Local Government Aid program. It was amended by: Laws 2013, Chapter 143, Article 2, Sections 7-12 and 14-18; Laws 2014, Chapter 308, Article 1, Sections 5-6; and Laws 2017 First Special Session, Chapter 1, Article 4, Sections 10-11, 15-17, 19, and 26. https://www.revisor.mn.gov/statutes/cite/477A.

Local Government Aid (City Aid)

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	516,888	519,391	519,468	612,420	456,376	534,398	456,376	564,991
Total	**516,888**	**519,391**	**519,468**	**612,420**	**456,376**	**534,398**	**456,376**	**564,991**
Biennial Change				95,609		(141,114)		(110,521)
Biennial % Change				9		(12)		(10)
Governor's Change from Base								30,593
Governor's % Change from Base								3

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Category								
Grants, Aids and Subsidies	516,888	519,391	519,468	612,420	456,376	534,398	456,376	564,991
Total	**516,888**	**519,391**	**519,468**	**612,420**	**456,376**	**534,398**	**456,376**	**564,991**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	516,898	519,398	519,537	612,420	456,376	534,398	456,376	564,991
Cancellations	10	7	69					
Expenditures	**516,888**	**519,391**	**519,468**	**612,420**	**456,376**	**534,398**	**456,376**	**564,991**
Biennial Change in Expenditures				95,609		(141,114)		(110,521)
Biennial % Change in Expenditures				9		(12)		(10)
Governor's Change from Base								30,593
Governor's % Change from Base								3

Program: Local Aids
Activity: County Program Aid

revenue.state.mn.us/

AT A GLANCE

In 2018:

- All 87 counties received County Program Aid
- Payments were increased $25 million from the previous year

PURPOSE & CONTEXT

Counties across the state have varying services needs and revenue sources. County Program Aid payments provide general support for services and reduce property tax burdens for homeowners and businesses.

County Program Aid is paid from the General Fund.

SERVICES PROVIDED

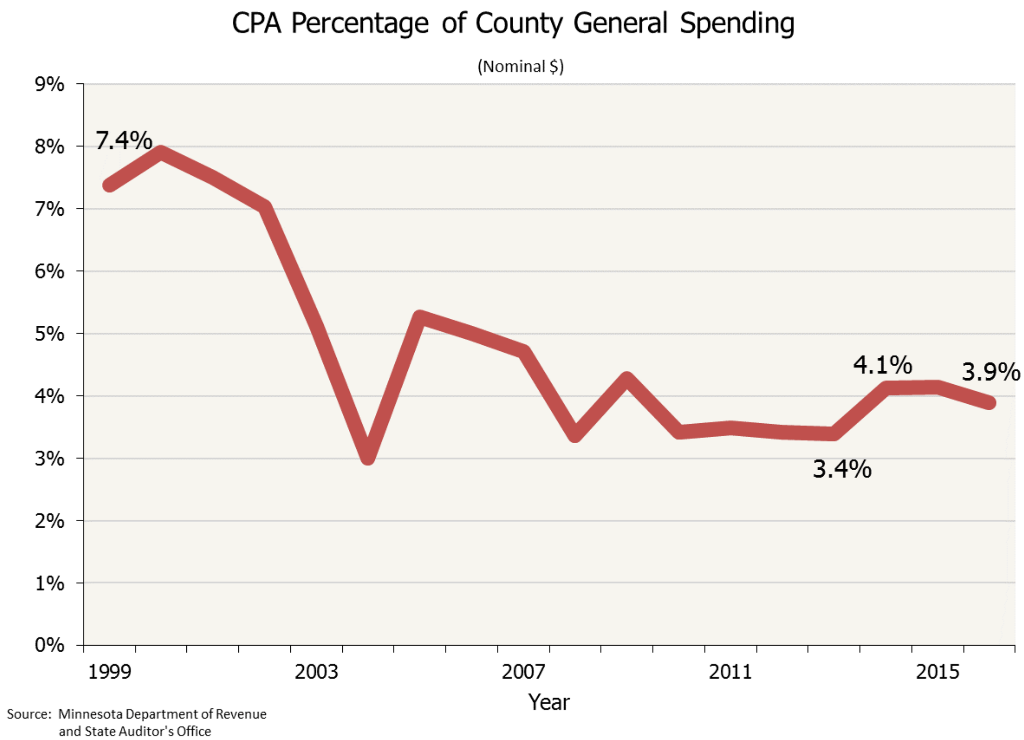
County Program Aid (CPA) is a general purpose aid to counties that can be used for any lawful purpose. It is also used for property tax relief by reducing the amount of revenue collected locally.

The CPA appropriation is divided into two main pots: (1) need aid and (2) tax base equalization aid. The need aid is distributed based on a county's measure of crime rate, poverty, and population. The tax base equalization aid is distributed based on a county's population and property values. The formula provides aid to those counties with the highest need and lowest property values.

RESULTS

Counties across the state are more able to offer their residents comparable services at a similar tax cost.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of counties receiving CPA - Need Aid	100%	100%	2014 – 2016
Quantity	Percentage of counties receiving CPA - Tax Base Equalization Aid	82%	69%	2014 – 2016
Quantity	CPA percentage of county spending	4.1%	3.9%	2014 – 2016



Performance Measure Notes:

Percentage of counties receiving CPA compares payable year 2014 (previous) to 2016 (current).

CPA percentage of county spending is based on State Auditor county finance reports for 2014 and 2016 and computes CPA as a percentage of total current expenditures. 2016 is the most recent auditor data available.

A 2017 law change increased the CPA appropriation by $25 million for aids payable 2018 and thereafter. The law change also modified the CPA formula to increase the number of counties receiving Tax Base Equalization Aid. Beginning in 2018, all 87 counties now receive Tax Base Equalization Aid.

Prior to 2004, the previous county aid programs were Family Preservation Aid, County Criminal Justice Aid, Homestead and Agricultural Credit Aid (HACA), and Attached Machinery Aid.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search 'CPA'.

Legal Citation: M.S. Chapter 477A establishes the County Program Aid program. It was amended by: Laws 2013, Chapter 143, Article 2, Section 19; Laws 2014, Chapter 150, Article 4, Section 6; Laws 2014, Chapter 308, Article 1, Section 13; and Laws 2017 First Special Session, Chapter 1, Article 4, Sections 12-13, 20, and 33.
https://www.revisor.mn.gov/statutes/cite/477A.

County Program Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21

Expenditures by Fund

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General	209,969	208,563	208,457	234,091	233,958	233,958	233,958	264,314
Total	**209,969**	**208,563**	**208,457**	**234,091**	**233,958**	**233,958**	**233,958**	**264,314**
Biennial Change				24,016		25,368		55,724
Biennial % Change				6		6		13
Governor's Change from Base								30,356
Governor's % Change from Base								6

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	209,969	208,563	208,457	234,091	233,958	233,958	233,958	264,314
Total	**209,969**	**208,563**	**208,457**	**234,091**	**233,958**	**233,958**	**233,958**	**264,314**

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								
Direct Appropriation	210,683	209,277	209,171	234,805	234,672	234,672	234,672	265,028
Transfers Out	714	714	714	714	714	714	714	714
Expenditures	**209,969**	**208,563**	**208,457**	**234,091**	**233,958**	**233,958**	**233,958**	**264,314**
Biennial Change in Expenditures				24,016		25,368		55,724
Biennial % Change in Expenditures				6		6		13
Governor's Change from Base								30,356
Governor's % Change from Base								6

Program: Local Aids
Activity: Disparity Reduction Aid

revenue.state.mn.us/

AT A GLANCE

In 2017:
- 15% of 6,197 taxing areas received Disparity Reduction Aid
- The average aid payment was $19,345

PURPOSE & CONTEXT

Tax reform in 1988 caused higher tax rates in some areas. Disparity Reduction Aid (DRA) provides aid to areas that received this aid in 1989 and continue to have a local tax rate above 90% of their net tax capacity today.

Disparity Reduction Aid is paid from the General Fund.

SERVICES PROVIDED

Disparity Reduction Aid was first paid in 1989 and continues to provide aid to some counties, school districts, and townships. Taxing areas that had a combined local tax rate above 90% of their net tax capacity in 1989 received DRA.

Today, a taxing area can only receive DRA if it received DRA in 1989, and still has a tax rate above 90%.

RESULTS

Taxing areas that received this aid in 1989 and continue to have a tax rate above 90% receive state assistance to help reduce property tax rates.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of taxing areas receiving DRA	924	932	2015 – 2017
Quantity	Number of taxing areas with a tax rate above 90%	2,778	2,872	2015 – 2017
Quantity	Percentage of taxing areas with a tax rate above 90% that receive DRA	32%	32%	2015 – 2017

Performance Measures Notes:

The percentage of taxing areas receiving DRA compares payable year 2015 (previous) to 2017 (current).

A taxing area is a geographic area that has the same county, school district, municipality, and special taxing districts. There are over 6,000 taxing areas in Minnesota.

Currently, 32% of taxing areas with a tax rate above 90% receive DRA. Only a small share of areas with tax rates above 90% receive DRA because aid distributions are based on the original 1989 calculations. If an area did not have a tax rate above 90% in 1989, they cannot receive DRA.

Fifteen percent of all taxing areas received DRA in both 2015 and 2017. The average aid payment decreased from $19,566 in 2015 to $19,345 in 2017.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search 'DRA'.

Legal Citation: M.S. 273.1398 establishes Disparity Reduction Aid.
https://www.revisor.mn.gov/statutes/cite/273.1398.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	18,072	18,063	18,035	18,036	18,141	18,148	18,141	18,148
Total	**18,072**	**18,063**	**18,035**	**18,036**	**18,141**	**18,148**	**18,141**	**18,148**
Biennial Change				(64)		218		218
Biennial % Change				(0)		1		1
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Category								
Grants, Aids and Subsidies	18,072	18,063	18,035	18,036	18,141	18,148	18,141	18,148
Total	**18,072**	**18,063**	**18,035**	**18,036**	**18,141**	**18,148**	**18,141**	**18,148**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	18,072	18,063	18,035	18,036	18,141	18,148	18,141	18,148
Expenditures	**18,072**	**18,063**	**18,035**	**18,036**	**18,141**	**18,148**	**18,141**	**18,148**
Biennial Change in Expenditures				(64)		218		218
Biennial % Change in Expenditures				(0)		1		1
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Casino Aid to Counties

revenue.state.mn.us/

AT A GLANCE

In 2018:

- 16 counties received Casino Aid
- The average aid payment was $96,000

PURPOSE & CONTEXT

Increased service demands from tax-exempt property can lead to financial strain for local governments. Casino Aid provides a state payment to counties where an Indian reservation is located in the county, the tribes operate a casino, and state taxes are collected under a tax agreement with the tribe.

Casino Aid to Counties is paid from the General Fund.

SERVICES PROVIDED

County Casino Aid is equal to 5% of taxes collected from the Indian reservation under a tax agreement

RESULTS

The fiscal impacts of tax-exempt tribal-owned casinos are reduced for local governments.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of Counties Receiving Casino Aid	15	16	2016 – 2018

Performance Measures Notes:

Number of counties receiving casino aid compares calendar year 2016 (previous) to 2018 (current).

The average aid payment decreased from $102,000 in 2016 to $96,000 in 2018.

Legal Citation: M.S. 270C.19 establishes Casino Aid. https://www.revisor.mn.gov/statutes/cite/270C.19.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	1,572	1,576	1,543	1,543	1,543	1,543	1,583	1,673
Total	**1,572**	**1,576**	**1,543**	**1,543**	**1,543**	**1,543**	**1,583**	**1,673**
Biennial Change				(62)		0		170
Biennial % Change				(2)		0		6
Governor's Change from Base								170
Governor's % Change from Base								6
Expenditures by Category								
Grants, Aids and Subsidies	1,572	1,576	1,543	1,543	1,543	1,543	1,583	1,673
Total	**1,572**	**1,576**	**1,543**	**1,543**	**1,543**	**1,543**	**1,583**	**1,673**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	1,572	1,576	1,543	1,543	1,543	1,543	1,583	1,673
Expenditures	**1,572**	**1,576**	**1,543**	**1,543**	**1,543**	**1,543**	**1,583**	**1,673**
Biennial Change in Expenditures				(62)		0		170
Biennial % Change in Expenditures				(2)		0		6
Governor's Change from Base								170
Governor's % Change from Base								6

Program: Local Aids
Activity: Utility Transition Aid

revenue.state.mn.us/

AT A GLANCE

In 2018:

- 3 towns receive Utility Valuation Transition Aid
- The average aid payment is $1,696

PURPOSE & CONTEXT

Large reductions to tax base can lead to financial strain for local governments. Utility Valuation Transition Aid provides aid to cities and towns that lost tax base due to a change in the rule for valuing utility property.

Utility Transition Aid is paid from the General Fund.

SERVICES PROVIDED

Utility Valuation Transition Aid was first paid in calendar year 2009 to 43 cities and towns with tax base reductions greater than 4% due to a 2007 utility valuation rule change. The aid will continue for each qualifying municipality until the current value of utility property exceeds its 2007 value under the old rule.

RESULTS

Local tax rates in jurisdictions receiving aid are lower than they would be without the aid, and the aid phases out as tax base returns to previous assessment levels.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of eligible cities and towns where the current utility tax base remains lower than the 2007 amount.	4	3	2016 – 2018

Performance Measures Notes:

Number of eligible cities and towns compares aid payable year 2016 (previous) to 2018 (current).

Due to decreases in utility property values, some cities and towns that no longer received transition aid became eligible for aid again.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search 'UVTA'.

Legal Citation: M.S. 477A.16 establishes Utility Value Transition Aid.
https://www.revisor.mn.gov/statutes/cite/477A.16.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21

Expenditures by Fund

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General	350	0	0	5	5	3	5	3
Total	**350**	**0**	**0**	**5**	**5**	**3**	**5**	**3**
Biennial Change				(345)		3		3
Biennial % Change				(98)		47		47
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	350	0	0	5	5	3	5	3
Total	**350**	**0**	**0**	**5**	**5**	**3**	**5**	**3**

Utility Valuation Transition Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY20**	**FY21**

1000 - General

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Open Appropriation	350	0	0	5	5	3	5	3
Expenditures	**350**	**0**	**0**	**5**	**5**	**3**	**5**	**3**
Biennial Change in Expenditures				(345)		3		3
Biennial % Change in Expenditures				(98)		47		47
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: State Taconite Aid

revenue.state.mn.us/

AT A GLANCE

In 2017:

- The state general fund paid 22 cents per taxable ton of iron ore concentrates produced ($7.4 million) to the taconite production distribution fund

PURPOSE & CONTEXT

Large decreases to tax base can lead to financial strain for local governments. State Taconite Aid provides revenue to compensate for reduced taconite production occurring in certain areas since 2001.

State Taconite Aid is paid from the General Fund.

SERVICES PROVIDED

Taconite production decreased 30% in 2001 primarily due to the closure of the LTV Steel Mining Company plant in Hoyt Lakes.

Beginning in 2001, state aid was provided to the production tax fund to be distributed like production tax revenues. Production tax revenues are distributed to various local governments, development agencies and for property tax relief to taxpayers within the taconite assistance area.

The state taconite aid contribution was equal to 33 cents per taxable ton of iron ore concentrates for production year 2001, and 22 cents per taxable ton of iron ore concentrates for production years 2002 and thereafter.

RESULTS

The potential fiscal impacts of the 2001 decrease in taconite production are reduced.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Taconite Production as a Percentage of Base Year 2000 Production	70%	75%	2000 – 2016

Performance Measures Notes:

Base year 2000 production is for the calendar year.

Taconite production percentage compares calendar year 2000 (previous) to calendar year 2016 (current).

The state taconite aid contribution accounted for 7.6% of total production tax distributions in 2017.

Legal Citation: M.S. 298.285 establishes State Taconite Aid. https://www.revisor.mn.gov/statutes/cite/298.285.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	4,804	4,514	4,263	4,158	4,291	4,347	4,291	4,347
Total	**4,804**	**4,514**	**4,263**	**4,158**	**4,291**	**4,347**	**4,291**	**4,347**
Biennial Change				(897)		217		217
Biennial % Change				(10)		3		3
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Category								
Operating Expenses	4,804	4,514	4,263	4,158	4,291	4,347	4,291	4,347
Total	**4,804**	**4,514**	**4,263**	**4,158**	**4,291**	**4,347**	**4,291**	**4,347**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	8,467	7,817	7,220	7,372	8,068	8,490	8,068	8,490
Transfers Out	3,664	3,303	2,957	3,214	3,777	4,143	3,777	4,143
Expenditures	**4,804**	**4,514**	**4,263**	**4,158**	**4,291**	**4,347**	**4,291**	**4,347**
Biennial Change in Expenditures				(897)		217		217
Biennial % Change in Expenditures				(10)		3		3
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Payment in Lieu of Taxes (PILT)

revenue.state.mn.us/

AT A GLANCE

In 2017:

- 8.5 million acres of natural resources land were enrolled in Payment in Lieu of Taxes (PILT) program
- All 87 counties received a PILT payment, with 18 counties receiving payments of at least $500,000

PURPOSE & CONTEXT

Loss of tax base when land becomes exempt can lead to financial strain for local governments. PILT payments provide compensation to local governments for the property taxes lost when the Department of Natural Resources acquires land for the state.

The PILT program is paid from the General Fund.

SERVICES PROVIDED

The state makes payments in lieu of taxes primarily to counties for certain natural resource and wildlife management lands. Counties are responsible for distributing any PILT payments to townships, cities, and schools.

RESULTS

The potential fiscal impacts of tax-exempt state-owned land are reduced for local governments.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Acres of Natural Resources Land in PILT	8.52 million	8.51 million	2015 – 2017

Performance Measures Notes:

Acres of natural resources land compares calendar year 2015 (previous) to 2017 (current)

Law changes in 2017 increased the per acre payment rate from $1.50 to $2.00 for county-administered other natural resources land and Department of Natural Resources-administered other natural resources land, effective beginning for payments made in 2018.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us/) and search ‘PILT’.

Legal Citation: M.S. 477A.11 through 477A.145 establish Payments in Lieu of Taxes. The program was amended by: Laws 2013, Chapter 143, Article 2, Sections 22-32; Laws 2014, Chapter 308, Article 1, Sections 7-9; and Laws 2017 First Special Session, Chapter 1, Article 4, Sections 22-23.
https://www.revisor.mn.gov/statutes/cite/477A.11.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	31,707	31,838	32,130	35,764	35,989	36,214	35,989	36,214
Total	**31,707**	**31,838**	**32,130**	**35,764**	**35,989**	**36,214**	**35,989**	**36,214**
Biennial Change				4,350		4,309		4,309
Biennial % Change				7		6		6
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Category								
Grants, Aids and Subsidies	31,707	31,838	32,130	35,764	35,989	36,214	35,989	36,214
Total	**31,707**	**31,838**	**32,130**	**35,764**	**35,989**	**36,214**	**35,989**	**36,214**

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								
Transfers In	31,707	31,838	32,130	35,764	35,989	36,214	35,989	36,214
Expenditures	**31,707**	**31,838**	**32,130**	**35,764**	**35,989**	**36,214**	**35,989**	**36,214**
Biennial Change in Expenditures				4,350		4,309		4,309
Biennial % Change in Expenditures				7		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Township Aid

revenue.state.mn.us/

AT A GLANCE

In 2018:

- 1,781 townships received Township Aid
- The average aid amount was $5,615

PURPOSE & CONTEXT

Township governments received Local Government Aid from the state until 2001. A 2013 law created a new aid program to help townships fund their services.

Township Aid is paid from the General Fund.

SERVICES PROVIDED

Township Aid is a general purpose aid to townships that can be used for any lawful purpose. It is also used for property tax relief by reducing the amount of revenue collected locally. Aid payments are determined through a formula that considers the size of the township, its population, and the share of its property value that is farms and cabins.

RESULTS

Townships across the state are more able to offer their residents comparable services at a similar tax cost.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Township Aid percentage of township spending	4.0%	3.8%	2014 – 2016

Performance Measures Notes:

Township Aid percentage of township spending is based on State Auditor township finance reports for 2014 and 2016 and computes Township Aid as a percentage of total current expenditures. The most recent auditor data available is from 2016 and the first year of Township Aid was 2014.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us/) and search 'township aid'.

Legal Citation: M.S. Chapter 477A establishes the Township Aid program. Township Aid was added to M.S. 477A by: Laws 2013, Chapter 143, Article 2, Sections 13 and 20. https://www.revisor.mn.gov/statutes/cite/477A.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	9,997	10,000	10,000	10,191	10,000	10,000	10,000	10,000
Total	**9,997**	**10,000**	**10,000**	**10,191**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change				194		(191)		(191)
Biennial % Change				1		(1)		(1)
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Category								
Grants, Aids and Subsidies	9,997	10,000	10,000	10,191	10,000	10,000	10,000	10,000
Total	**9,997**	**10,000**	**10,000**	**10,191**	**10,000**	**10,000**	**10,000**	**10,000**

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	9,997	10,000	10,000	10,191	10,000	10,000	10,000	10,000
Expenditures	**9,997**	**10,000**	**10,000**	**10,191**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change in Expenditures				194		(191)		(191)
Biennial % Change in Expenditures				1		(1)		(1)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Aquatic Invasive Species Aid

revenue.state.mn.us/

AT A GLANCE

In 2018:

- There were 787 Minnesota waters infested with invasive species
- 83 Minnesota counties received this aid

PURPOSE & CONTEXT

Invasive species not native to Minnesota can cause harm to the environment, the economy, and human health. Aquatic Invasive Species Aid assists counties in preventing or limiting the spread of invasive species in Minnesota waters.

Aquatic Invasive Species Aid is paid from the General Fund.

SERVICES PROVIDED

Created in 2014, Aquatic Invasive Species Prevention Aid is distributed to counties based on their share of the statewide total for watercraft trailer launches and watercraft trailer parking spaces.

RESULTS

Aquatic Invasive Species Prevention Aid provides funds to limit the spread of invasive species.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of Minnesota waters infested	669	787	2016 – 2018

Performance Measures Notes:

Number of infested waters compares calendar year 2016 (previous) to 2018 (current), as of January 1.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us/) and search ‘invasive species’.

Legal Citation: M.S. 477A.19 establishes the Aquatic Invasive Species Prevention Aid program. https://www.revisor.mn.gov/statutes/cite/477A.19.

Aquatic Invasive Species Prevention Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Category								
Grants, Aids and Subsidies	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Expenditures	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Production Property Transition Aid

revenue.state.mn.us/

AT A GLANCE

In 2018:

- 3 cities and towns received Production Property Transition Aid
- The average aid payment is $28,000

PURPOSE & CONTEXT

Property tax law changes can sometimes reduce the amount of tax base available to local governments. Production Property Transition Aid provides temporary aid for cities and towns that lost tax base due to a change in the method to value certain production facilities.

Production Property Transition Aid is paid from the General Fund.

SERVICES PROVIDED

Production Property Transition Aid provides transitional aid for cities and towns with tax base reductions greater than 5% due to a change in the way ethanol, dairy, brewery, wine and distillery properties are valued for property tax purposes. The aid amount is the difference in net tax capacity due to the valuation change times the local tax rate. The aid was first paid in 2016 and phases out over five years.

RESULTS

Local tax rates in jurisdictions receiving aid are compensated for their loss of tax base.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of cities and towns receiving aid	3	3	2016 - 2018

Performance Measures Notes:

Number of eligible cities and towns compares aids payable year 2016 (previous) to 2018 (current).

The total amount of aid paid in 2018 was $85,000. This amount will decrease each year until 2021, when the aid expires.

Legal Citation: M.S 477A.18 establishes Production Property Transition Aid.
https://www.revisor.mn.gov/statutes/cite/477A.18.

Production Property Transition Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General		127	105	85	53	27	53	27
Total		**127**	**105**	**85**	**53**	**27**	**53**	**27**
Biennial Change				64		(110)		(110)
Biennial % Change						(58)		(58)
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
Expenditures by Category								
Grants, Aids and Subsidies		127	105	85	53	27	53	27
Total		**127**	**105**	**85**	**53**	**27**	**53**	**27**
Total Agency Expenditures		127	105	85	53	27	53	27
Expenditures Less Internal Billing		**127**	**105**	**85**	**53**	**27**	**53**	**27**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation		127	105	85	53	27	53	27
Expenditures		**127**	**105**	**85**	**53**	**27**	**53**	**27**
Biennial Change in Expenditures				64		(110)		(110)
Biennial % Change in Expenditures						(58)		(58)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Small Cities Assistance

revenue.state.mn.us/

AT A GLANCE

In 2018:

- The state paid $8 million in small cities assistance

PURPOSE & CONTEXT

The Small Cities Assistance program was established in 2015 and provides formula-based transportation aid for 705 small cities in Minnesota that do not receive municipal state-aid street funding. Qualifying cities have a population under 5,000. Funds are for construction and maintenance of roads. This program is funded through fiscal year 2019.

SERVICES PROVIDED

The funding is for the construction and maintenance of roads located within the city and can include land acquisition, environmental analysis, design, engineering, construction, reconstruction and maintenance. The aid is formula based, so that cities do not apply or compete for funds. The Commissioner of Revenue distributes the funds to cities in the same manner as local government aid. Generally, cities will receive 50% of the payment in July and 50% of the payment in December.

RESULTS

The Small Cities Assistance program increases aid to small cities to assist in the construction and maintenance of roads.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of cities eligible for small cities assistance	704	705	2016 – 2018
Quantity	Amount of state aid paid in small cities assistance	$12.5 million	$8 million	2016 – 2018

Performance Measures Notes:

The previous and current measures show data from fiscal year 2016 (previous) to 2018 (current).

Legal Citation: M.S 162.145, establishes the Small Cities Assistance program.
https://www.revisor.mn.gov/statutes/2017/cite/162.145.

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Expenditures by Fund								
2001 - Other Misc Special Revenue	12,496		7,979	8,025				
Total	**12,496**		**7,979**	**8,025**				
Biennial Change				3,508		(16,004)		(16,004)
Biennial % Change						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Expenditures by Category								
Grants, Aids and Subsidies	12,496		7,979	8,025				
Total	**12,496**		**7,979**	**8,025**				

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
2001 - Other Misc Special Revenue								
Balance Forward In		4	4	25				
Transfers In	12,500		8,000	8,000				
Balance Forward Out	4	4	25					
Expenditures	**12,496**		**7,979**	**8,025**				
Biennial Change in Expenditures				3,508		(16,004)		(16,004)
Biennial % Change in Expenditures						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

Program: Local Aids
Activity: Riparian Protection Aid

revenue.state.mn.us

AT A GLANCE

In 2018, 14 watershed districts and 72 counties received Riparian Protection Aid

PURPOSE & CONTEXT

Riparian buffers – strips of vegetated land adjacent to streams, rivers, lakes, or wetlands – are used to protect and restore water quality and healthy aquatic life. State law requires riparian buffers along the shoreline of most lakes, rivers, and streams.

Created in 2017, Riparian Protection Aid provides funds to help watershed districts and counties oversee riparian protection and water quality practices.

Riparian Protection Aid is paid from the General Fund.

SERVICES PROVIDED

Riparian Protection Aid is distributed to watershed districts and counties based on their share of acres of agricultural land and miles of shoreline that require buffers.

If watershed districts and counties choose not to oversee the riparian protection and water quality practices required by law, their share of aid goes to the Board of Water and Soil Resources.

RESULTS

Riparian Protection Aid provides funds to oversee riparian protection and water quality practices.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Watershed Districts receiving aid	14	14	2017 - 2018
Quantity	Counties receiving aid	72	72	2017 - 2018

Performance Measures Notes
Watershed Districts and Counties receiving aid compares 2017 (previous) to 2018 (current).

For more information, visit our website (www.revenue.state.mn.us) and type **riparian protection aid** into the Search box.

Legal Citation: M.S. 477A.21 establishes the Riparian Protection Aid program.
https://www.revisor.mn.gov/statutes/cite/477A.21.

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Expenditures by Fund								
1000 - General			7,058	9,000	9,000	9,000	9,000	9,000
Total			**7,058**	**9,000**	**9,000**	**9,000**	**9,000**	**9,000**
Biennial Change				16,058		1,942		1,942
Biennial % Change						12		12
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Category								
Grants, Aids and Subsidies			7,058	9,000	9,000	9,000	9,000	9,000
Total			**7,058**	**9,000**	**9,000**	**9,000**	**9,000**	**9,000**
Total Agency Expenditures			7,058	9,000	9,000	9,000	9,000	9,000
Expenditures Less Internal Billing			**7,058**	**9,000**	**9,000**	**9,000**	**9,000**	**9,000**

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								
Direct Appropriation			8,000	10,000	10,000	10,000	10,000	10,000
Transfers Out			942	1,000	1,000	1,000	1,000	1,000
Expenditures			**7,058**	**9,000**	**9,000**	**9,000**	**9,000**	**9,000**
Biennial Change in Expenditures				16,058		1,942		1,942
Biennial % Change in Expenditures						12		12
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Out of Home Placement Aid

revenue.state.mn.us/

AT A GLANCE

In 2018:

- 2 tribes received Out of Home Placement Aid
- 65 counties received Out of Home Placement Aid

PURPOSE & CONTEXT

Payments made to provide foster care for children under the Indian Child Welfare Act can be a large expense for some tribes and local governments. Out of Home Placement Aid reduces the cost incurred by local social service agencies to provide foster care.

Out of Home Placement Aid is paid from the General Fund.

SERVICES PROVIDED

Out of Home Placement Aid is a specific-purpose aid that partially reimburses the costs incurred by counties and tribes to provide foster care for children under the Indian Child Welfare Act (ICWA).

Aid payments to counties are based on foster care payments made in the preceding calendar year. Aid payments to tribes are the greater of $200,000 or 5 percent of the reimbursement amount received from the federal government for out-of-home placement costs for the previous calendar year.

RESULTS

Out of Home Placement Aid reduces the cost to tribes and local governments of providing ICWA foster care.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Out of Home Placement Aid percentage of county spending on ICWA foster care	0%	25.1%	2016 – 2018

Performance Measures Notes

Out of Home Placement Aid percentage of county spending on ICWA foster care is based on county expenditures on ICWA foster care as reported to the Department of Human Services. This aid was first available in 2018.

For more information, visit our website (www.revenue.state.mn.us) and type **out of home placement** into the Search box.

Legal Citation: M.S. 477A.0126 establishes reimbursements for certain out-of-home placement costs. www.revisor.mn.gov/statutes/cite/477A.0126.

Indian Family Out of Home Placement Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General				5,000	5,000	5,000	5,000	5,000
Total				**5,000**	**5,000**	**5,000**	**5,000**	**5,000**
Biennial Change				5,000		5,000		5,000
Biennial % Change								
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category								
Grants, Aids and Subsidies				5,000	5,000	5,000	5,000	5,000
Total				**5,000**	**5,000**	**5,000**	**5,000**	**5,000**

Total Agency Expenditures				5,000	5,000	5,000	5,000	5,000
Expenditures Less Internal Billing				**5,000**	**5,000**	**5,000**	**5,000**	**5,000**

Indian Family Out of Home Placement Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation				5,000	5,000	5,000	5,000	5,000
Expenditures				**5,000**	**5,000**	**5,000**	**5,000**	**5,000**
Biennial Change in Expenditures				5,000		5,000		5,000
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Credits
Activity: Agricultural Homestead Market Value Credit

revenue.state.mn.us/

AT A GLANCE

In 2017:

- 96,000 farm homesteads received the credit
- The average market value agricultural land credit amount was $396

PURPOSE & CONTEXT

For some taxpayers, property taxes are a significant cost to owning agricultural land. Agricultural credits reduce the tax for owners of homesteaded farm property.

Agricultural Homestead Market Value Credits are paid from the General Fund.

SERVICES PROVIDED

The agricultural market value credit was designed to reduce the tax on agricultural homestead land beyond the house, garage, and immediately surrounding acre of land. The credit is based on a percentage of land market value, with a maximum credit of $490 per homestead.

RESULTS

The credit makes homesteaded farm land more affordable.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Average market value agricultural land credit amount	$433	$396	2015 – 2017
Quantity	Effective tax rate without credit	0.40%	0.43%	2015 – 2017
Quantity	Effective tax rate with credit	0.36%	0.38%	2015 – 2017

Performance Measures Notes:

Approximately 90,000 homesteads received the credit in 2015. The number has increased slightly to 96,000 in 2017.

Average credit amount compares payable year 2015 (previous) to 2017 (current).

Effective tax rate compares property tax as a percent of market value on all agricultural homestead land before and after the credit. The average effective tax rate for all property statewide was 1.45% for taxes payable 2017.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search 'Agricultural Homestead Market Value Credit'.

Legal Citation: M.S 273.1384 establishes Agricultural Homestead Market Value Credit. https://www.revisor.mn.gov/statutes/cite/273.1384.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	38,731	38,498	38,104	37,754	38,633	38,654	38,633	38,654
Total	**38,731**	**38,498**	**38,104**	**37,754**	**38,633**	**38,654**	**38,633**	**38,654**
Biennial Change				(1,371)		1,429		1,429
Biennial % Change				(2)		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Category								
Grants, Aids and Subsidies	38,731	38,498	38,104	37,754	38,633	38,654	38,633	38,654
Total	**38,731**	**38,498**	**38,104**	**37,754**	**38,633**	**38,654**	**38,633**	**38,654**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	38,731	38,498	38,104	37,754	38,633	38,654	38,633	38,654
Expenditures	**38,731**	**38,498**	**38,104**	**37,754**	**38,633**	**38,654**	**38,633**	**38,654**
Biennial Change in Expenditures				(1,371)		1,429		1,429
Biennial % Change in Expenditures				(2)		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Credits
Activity: Prior Year Credit Adjustments

revenue.state.mn.us/

AT A GLANCE

In 2017:

- Prior year credit adjustments were 0.11% of the total credits

PURPOSE & CONTEXT

Each year adjustments must be made for accounting corrections. Prior Year Credit Adjustments are paid to local governments to account for abatements, court orders, omissions, and other adjustments to credits.

Prior year credit adjustments are paid from the General Fund.

SERVICES PROVIDED

Prior Year Credit Adjustments are made for the Agricultural Preserve, Homestead Disaster, Agricultural Homestead Market Value, Local Option Disaster, and Disparity Reduction credits.

RESULTS

The potential impacts of tax-exempt state-owned land are reduced for local governments.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Adjustment amounts	$10,450	-$294,123	2015 – 2017
Quantity	Prior year credit adjustments percentage of total credits	0.02%	0.43%	2015 – 2017

Performance Measures Notes:

Adjustment amount compares payable year 2015 (previous) to 2017 (current).

Prior Year Credit Adjustment

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21

Expenditures by Fund

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General	11	160	(14)	49	1		1	
Total	**11**	**160**	**(14)**	**49**	**1**		**1**	
Biennial Change				(136)		(34)		(34)
Biennial % Change				(80)		(97)		(97)
Governor's Change from Base								0
Governor's % Change from Base								

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	11	160	(14)	49	1		1	
Total	**11**	**160**	**(14)**	**49**	**1**		**1**	

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								
Open Appropriation	11	160	(14)	49	1	0	1	0
Expenditures	**11**	**160**	**(14)**	**49**	**1**		**1**	
Biennial Change in Expenditures				(136)		(34)		(34)
Biennial % Change in Expenditures				(80)		(97)		(97)
Governor's Change from Base								0
Governor's % Change from Base								

Program: Credits
Activity: Disparity Reduction Credit

revenue.state.mn.us/

AT A GLANCE

In 2017:

- The average property tax decrease due to the Disparity Reduction Credit was $5,789
- Approximately 2,000 parcels received the credit

PURPOSE & CONTEXT

Property taxes tend to be lower in North Dakota, putting some Minnesota businesses in bordering communities at a disadvantage. The Disparity Reduction Credit provides property tax relief for businesses in certain border cities.

Disparity Reduction Credits are paid from the General Fund.

SERVICES PROVIDED

The Disparity Reduction Credit reduces property taxes for:

- commercial/industrial property,
- public utility property, and
- apartment property.

The credit reduces property taxes to 1.6% of the property's market value. The Disparity Reduction Credit assists businesses in the border cities of Breckenridge, Dilworth, East Grand Forks, Ortonville, and Moorhead.

RESULTS

The Disparity Reduction Credit increases business competitiveness in border areas.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quantity	Average property tax reduction due to credit	$6,998	$5,789	2015 – 2017

Performance Measures Notes:

The average credit amount compares payable year 2015 (previous) to 2017 (current).

In 2015, the tax rate threshold decreased from 1.9% to 1.6% of market value. Businesses in the City of Ortonville also became eligible to receive the credit in 2015. These changes have increased the total credits.

Legal Citation: M.S. 273.1398 establishes the Disparity Reduction Credit.
https://www.revisor.mn.gov/statutes/cite/273.1398.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21

Expenditures by Fund

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General	9,905	11,772	11,637	11,908	13,343	13,634	13,343	13,634
Total	**9,905**	**11,772**	**11,637**	**11,908**	**13,343**	**13,634**	**13,343**	**13,634**
Biennial Change				1,868		3,432		3,432
Biennial % Change				9		15		15
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	9,905	11,772	11,637	11,908	13,343	13,634	13,343	13,634
Total	**9,905**	**11,772**	**11,637**	**11,908**	**13,343**	**13,634**	**13,343**	**13,634**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	9,905	11,772	11,637	11,908	13,343	13,634	13,343	13,634
Expenditures	**9,905**	**11,772**	**11,637**	**11,908**	**13,343**	**13,634**	**13,343**	**13,634**
Biennial Change in Expenditures				1,868		3,432		3,432
Biennial % Change in Expenditures				9		15		15
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Credits
Activity: Supplemental Taconite Homestead Credit

revenue.state.mn.us/

AT A GLANCE

In 2017:

- The average property tax decrease from the Supplemental Taconite Homestead Credit was $260
- 20,000 homesteads received the credit

PURPOSE & CONTEXT

Property taxes increase the cost of owning a home. The Supplemental Taconite Homestead Credit reduces the property taxes for homesteads in the taconite relief area.

Supplemental Taconite Homestead Credits are paid from the General Fund.

SERVICES PROVIDED

The Supplemental Taconite Homestead Credit program was created in 1980. Homesteads receive a credit that is either 57% of the property tax up to $289.80 or 66% of the property tax up to $315.10, depending on the location of the homestead.

RESULTS

Property taxes are more affordable for residential homesteads in the taconite relief area.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Average property tax reduction due to credit	$283	$260	2015 – 2017

Performance Measures Notes:

Average property tax reduction compares payable year 2015 (previous) to 2017 (current).

79% of homesteads received maximum credit amount.

The effective tax rate (ETR) for a property equals the net property tax divided by its market value. The ETR can be viewed as a measure of how much property tax is paid per $1,000 in market value.

The ETR for homesteads receiving the Supplemental Taconite Homestead Credit was 0.79% for taxes payable in 2017. Without the credit, the ETR for homesteads would have been 0.96%. The average ETR for homesteads statewide was 1.26% for taxes payable in 2017.

Legal Citation: M.S. 273.1391 establishes the Supplemental Taconite Homestead Credit.
https://www.revisor.mn.gov/statutes/cite/273.1391

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	5,302	5,293	5,304	5,339	5,392	5,446	5,392	5,446
Total	**5,302**	**5,293**	**5,304**	**5,339**	**5,392**	**5,446**	**5,392**	**5,446**
Biennial Change				47		195		195
Biennial % Change				0		2		2
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Category								
Grants, Aids and Subsidies	5,302	5,293	5,304	5,339	5,392	5,446	5,392	5,446
Total	**5,302**	**5,293**	**5,304**	**5,339**	**5,392**	**5,446**	**5,392**	**5,446**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	5,302	5,293	5,304	5,339	5,392	5,446	5,392	5,446
Expenditures	**5,302**	**5,293**	**5,304**	**5,339**	**5,392**	**5,446**	**5,392**	**5,446**
Biennial Change in Expenditures				47		195		195
Biennial % Change in Expenditures				0		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Credits
Activity: Agricultural Preservation Credit

revenue.state.mn.us/

AT A GLANCE

In 2017:

- 3,196 credits were paid to agricultural land owners in the Twin Cities metropolitan area

PURPOSE & CONTEXT

For some taxpayers, property taxes are a significant cost to owning agricultural land. Agricultural preservation credits reduce the tax on homesteaded farm property that is increasing in value due to development pressure.

Agricultural Preservation Credits are paid from County Agricultural Preserve Funds, State Conservation Fund, and State General Fund.

SERVICES PROVIDED

The Metropolitan Agricultural Preserves Act, established in 1980, encourages agricultural use on land within the seven-county Twin Cities metropolitan area. Valuation for taxation is based on the land's agricultural use, irrespective of other market pressures. Unlike valuation deferments under the Green Acres law, land enrolled in this program is not required to repay any taxes or special assessments when exiting the program.

Lands in the program also receive a credit based on the difference between the local tax rate and the statewide average local tax rate for townships, but no less than $1.50 per acre.

A $5 fee on all mortgage registrations and deed transfers within the seven-county Twin Cities metropolitan area is split between each county's Agricultural Preserve Fund and the State Conservation Fund. If insufficient funds exist in the county fund to pay the credit, the balance is paid from the State Conservation Fund. If insufficient funds exist in the State Conservation Fund, the balance is paid from the State General Fund.

RESULTS

The credit enables land to remain in agricultural production despite rising values and development pressure.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of acres enrolled	210,000	210,000	2015 – 2017
Quantity	Average Credit	$295	$284	2015 – 2017

Performance Measures Notes:

Number of acres enrolled and average credit compare calendar year 2015 (previous) to 2017 (current).

For additional information, visit the Revenue Department website (www.revenue.state.mn.us/) and search 'agricultural preserve credit'.

Legal Citation: M.S. 473H.10 establishes the Agricultural Preserve Credit.
https://www.revisor.mn.gov/statutes/cite/473H.10.

Agricultural Preservation Credit

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General		392	410	230	220	220	220	220
2000 - Restrict Misc Special Revenue	612	182	50	190	200	200	200	200
2001 - Other Misc Special Revenue	326	325	218	213	210	210	210	210
Total	**939**	**899**	**678**	**633**	**630**	**630**	**630**	**630**
Biennial Change				(527)		(51)		(51)
Biennial % Change				(29)		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
Expenditures by Category								
Grants, Aids and Subsidies	939	899	678	633	630	630	630	630
Total	**939**	**899**	**678**	**633**	**630**	**630**	**630**	**630**

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								
Open Appropriation		392	607	359	331	330	331	330
Transfers Out			197	129	111	110	111	110
Expenditures		**392**	**410**	**230**	**220**	**220**	**220**	**220**
Biennial Change in Expenditures				248		(200)		(200)
Biennial % Change in Expenditures						(31)		(31)
Governor's Change from Base								0
Governor's % Change from Base								0
2000 - Restrict Misc Special Revenue								
Balance Forward In	1,001	355	152	310	319	310	319	310
Receipts	293	304	253	283	290	290	290	290
Transfers Out	326	325	45	84	99	100	99	100
Balance Forward Out	355	152	310	319	310	300	310	300
Expenditures	**612**	**182**	**50**	**190**	**200**	**200**	**200**	**200**
Biennial Change in Expenditures				(554)		160		160
Biennial % Change in Expenditures				(70)		67		67
Governor's Change from Base								0
Governor's % Change from Base								0
2001 - Other Misc Special Revenue								
Balance Forward In	26	26	26	50	50	50	50	50
Transfers In	326	325	242	213	210	210	210	210
Balance Forward Out	26	26	50	50	50	50	50	50
Expenditures	**326**	**325**	**218**	**213**	**210**	**210**	**210**	**210**
Biennial Change in Expenditures				(220)		(11)		(11)
Biennial % Change in Expenditures				(34)		(3)		(3)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Credits
Activity: Agricultural School Bonding Credit

revenue.state.mn.us/

AT A GLANCE

The Agricultural School Bonding Credit became effective with taxes payable year 2018.

PURPOSE & CONTEXT

Created in 2017, the Agricultural School Bonding Credit reduces the tax for owners of agricultural land. This is a property tax credit on all property classified as agricultural, excluding the house, garage, and surrounding one acre of land of an agricultural homestead, equal to 40 percent of the tax on the property attributable to school district bonded debt levies.

Agricultural School Bonding Credits are paid from the General Fund.

SERVICES PROVIDED

This credit reduces school property taxes on agricultural, rural vacant, and managed forest land. The credit amount is 40 percent of a property's net tax capacity multiplied by the school debt tax rate.

The county calculates a school debt tax rate for each school district. The school debt tax rate is the school debt service levy divided by the total Net Tax Capacity of all taxable property in the school district. The credit equals 40% of the qualifying property's Net Tax Capacity (excluding the house, garage, and surrounding one acre of land of an agricultural homestead) multiplied by the school debt tax rate. This credit applies to all school debt levies, whether or not they are voter-approved. The School Bond Credit is subtracted from the gross taxes on a property to determine the net property taxes.

RESULTS

No properties received this credit in taxes payable year 2017; the credit became effective with taxes payable year 2018.

Legal Citation: M.S. 273.1387 establishes the Agricultural School Bonding Credit.
https://www.revisor.mn.gov/statutes/cite/273.1387

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Expenditures by Fund								
1000 - General				32,430	39,199	40,820	39,199	40,820
Total				**32,430**	**39,199**	**40,820**	**39,199**	**40,820**
Biennial Change				32,430		47,589		47,589
Biennial % Change								
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Category								
Grants, Aids and Subsidies				32,430	39,199	40,820	39,199	40,820
Total				**32,430**	**39,199**	**40,820**	**39,199**	**40,820**
Total Agency Expenditures				32,430	39,199	40,820	39,199	40,820
Expenditures Less Internal Billing				**32,430**	**39,199**	**40,820**	**39,199**	**40,820**

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								
Open Appropriation				32,430	39,199	40,820	39,199	40,820
Expenditures				**32,430**	**39,199**	**40,820**	**39,199**	**40,820**
Biennial Change in Expenditures				32,430		47,589		47,589
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								15,800
Total								**15,800**
Biennial Change				0		0		15,800
Biennial % Change								
Governor's Change from Base								15,800
Governor's % Change from Base								
Grants, Aids and Subsidies								15,800
Total								**15,800**
Total Agency Expenditures								15,800
Expenditures Less Internal Billing								**15,800**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation								15,800
Expenditures								**15,800**
Biennial Change in Expenditures				0		0		15,800
Biennial % Change in Expenditures								
Governor's Change from Base								15,800
Governor's % Change from Base								

Program: Pension-Related Aids
Activity: Police Aid

revenue.state.mn.us/

AT A GLANCE

In 2017:

- 401 local jurisdictions received Police Aid

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. State Police Aid provides pension aid to local governments that employ police officers.

Police Aid is paid from the General Fund.

SERVICES PROVIDED

Police Aid was established in 1971 to help support retirement pensions of local police officers. Annual aid distributions to public safety departments are based on the number of months worked by each licensed officer employed by the department. The amount of aid is equal to the revenues from the auto insurance premiums tax. In fiscal year 2017 the total aid amount was $72.6 million.

RESULTS

Police Aid helps increase affordability of local peace officer pensions.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	404	401	2015 – 2017
Quantity	Aid as a percentage of employer pension cost	66%	63%	2015 – 2017

Performance Measures Notes:

Number of jurisdictions receiving aid compares payable year 2015 (previous) to 2017 (current).

Aid as a percentage of employer pension cost measures how much of a department's pension obligations are paid through state Police Aid. In 2017, Police Aid paid for an average of 63% of a police department's pension obligations.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search 'police state aid'.

Legal Citation: M.S. Chapter 69 establishes Police Aid. (https://www.revisor.mn.gov/statutes/cite/69).

Police State Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21

Expenditures by Fund

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General	66,088	69,655	72,559	76,273	79,710	83,300	79,710	83,300
Total	**66,088**	**69,655**	**72,559**	**76,273**	**79,710**	**83,300**	**79,710**	**83,300**
Biennial Change				13,089		14,178		14,178
Biennial % Change				10		10		10
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	66,088	69,655	72,559	76,273	79,710	83,300	79,710	83,300
Total	**66,088**	**69,655**	**72,559**	**76,273**	**79,710**	**83,300**	**79,710**	**83,300**

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								
Open Appropriation	72,555	76,365	80,031	84,437	88,240	92,220	88,240	92,220
Transfers Out	6,467	6,710	7,472	8,164	8,530	8,920	8,530	8,920
Expenditures	**66,088**	**69,655**	**72,559**	**76,273**	**79,710**	**83,300**	**79,710**	**83,300**
Biennial Change in Expenditures				13,089		14,178		14,178
Biennial % Change in Expenditures				10		10		10
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids
Activity: Fire Aid

revenue.state.mn.us/

AT A GLANCE

In 2017:

- 762 fire relief associations received state Fire Aid

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. State Fire Aid provides pension aid to fire relief associations that employ firefighters.

Fire Aid is paid from the General Fund.

SERVICES PROVIDED

Fire Aid was established in 1885 to help support retirement pensions of firefighters. Annual aid distributions are based on the population and property values of the department's coverage area. The amount of aid is equal to the revenues from the fire insurance premiums tax.

State fire aid helps fund:

- service pensions paid to retired firefighters
- disability benefits paid to disabled firefighters
- survivor benefits paid to the surviving spouses and children of deceased firefighters

RESULTS

Fire Aid helps increase affordability of fire service.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of fire relief associations receiving fire aid	766	762	2015 – 2017

Performance Measures Notes:

Number of fire relief associations receiving fire aid compares payable year 2015 (previous) to 2017 (current).

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search 'fire state aid'.

Legal Citation: M.S. Chapter 69 establishes Fire Aid. (https://www.revisor.mn.gov/statutes/cite/69).

Fire State Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	28,315	28,547	28,757	29,572	30,460	31,340	30,460	31,340
Total	**28,315**	**28,547**	**28,757**	**29,572**	**30,460**	**31,340**	**30,460**	**31,340**
Biennial Change				1,467		3,471		3,471
Biennial % Change				3		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Category								
Grants, Aids and Subsidies	28,315	28,547	28,757	29,572	30,460	31,340	30,460	31,340
Total	**28,315**	**28,547**	**28,757**	**29,572**	**30,460**	**31,340**	**30,460**	**31,340**

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								
Open Appropriation	28,315	28,547	28,757	29,572	30,460	31,340	30,460	31,340
Expenditures	**28,315**	**28,547**	**28,757**	**29,572**	**30,460**	**31,340**	**30,460**	**31,340**
Biennial Change in Expenditures				1,467		3,471		3,471
Biennial % Change in Expenditures				3		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids
Activity: Insurance Surcharge Aid

revenue.state.mn.us/

AT A GLANCE

In 2017:

- 4 firefighter relief associations received Insurance Surcharge Aid

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. Insurance Surcharge Aid helps support retirement pensions of firefighters.

Insurance Surcharge Aid is paid from the General Fund.

SERVICES PROVIDED

Insurance Surcharge Aid helps pay the employer's pension costs for firefighters' relief associations in first class cities. The aid amount is based on revenue from a 2% surcharge on insurance premiums for fire, lightning, and sprinkler leakage coverage within each city.

RESULTS

Insurance Surcharge Aid helps increase affordability of fire service.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	4	4	2015 – 2017

Performance Measures Notes:

Number of jurisdictions receiving aid compares payable year 2015 (previous) to 2017 (current).

Legal Citation: M.S. 297I.10 establishes the Insurance Surcharge Aid program.
https://www.revisor.mn.gov/statutes/cite/297I.10

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21

Expenditures by Fund

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General	4,065	4,002	3,936	4,213	4,340	4,470	4,340	4,470
Total	**4,065**	**4,002**	**3,936**	**4,213**	**4,340**	**4,470**	**4,340**	**4,470**
Biennial Change				82		661		661
Biennial % Change				1		8		8
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	4,065	4,002	3,936	4,213	4,340	4,470	4,340	4,470
Total	**4,065**	**4,002**	**3,936**	**4,213**	**4,340**	**4,470**	**4,340**	**4,470**

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								
Open Appropriation		4,002	3,936	4,213	4,340	4,470	4,340	4,470
Transfers In	4,065							
Expenditures	**4,065**	**4,002**	**3,936**	**4,213**	**4,340**	**4,470**	**4,340**	**4,470**
Biennial Change in Expenditures				82		661		661
Biennial % Change in Expenditures				1		8		8
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids
Activity: Public Employees Retirement Association Aid

revenue.state.mn.us/

AT A GLANCE

In 2017:

- 1,110 jurisdictions received Public Employees Retirement Association Aid

PURPOSE & CONTEXT

State law changes can increase costs to local governments by raising their pension contribution rates. Public Employees Retirement Association (PERA) Aid is paid to local governments to offset an increase to the employer-paid PERA rates that began in 1998.

PERA Aid is paid from the General Fund.

SERVICES PROVIDED

The aid is 0.35% of a jurisdiction's 1997 PERA payroll. The amounts remain the same each year, unless an employer no longer participates in PERA.

The aid will end on June 30, 2020.

RESULTS

State assistance helps increase affordability of local government employee pensions.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	1,113	1,110	2015 – 2017

Performance Measures Notes:

Number of jurisdictions receiving aid compares payable year 2015 (previous) to 2017 (current).

Legal Citation: M.S. 273.1385 establishes PERA Aid. https://www.revisor.mn.gov/statutes/cite/273.1385.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21

Expenditures by Fund

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General	14,090	14,068	14,065	13,919	13,860		13,860	
Total	**14,090**	**14,068**	**14,065**	**13,919**	**13,860**		**13,860**	
Biennial Change				(175)		(14,124)		(14,124)
Biennial % Change				(1)		(50)		(50)
Governor's Change from Base								0
Governor's % Change from Base								

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	14,090	14,068	14,065	13,919	13,860		13,860	
Total	**14,090**	**14,068**	**14,065**	**13,919**	**13,860**		**13,860**	

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								
Open Appropriation	14,090	14,068	14,065	13,919	13,860	0	13,860	0
Expenditures	**14,090**	**14,068**	**14,065**	**13,919**	**13,860**		**13,860**	
Biennial Change in Expenditures				(175)		(14,124)		(14,124)
Biennial % Change in Expenditures				(1)		(50)		(50)
Governor's Change from Base								0
Governor's % Change from Base								

Program: Pension-Related Aids
Activity: Amortization Aid

revenue.state.mn.us/

AT A GLANCE

In 2017:
- 3 jurisdictions received Amortization Aid

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. Amortization Aid supports retirement pensions of local police officers, firefighters, and teachers.

Amortization Aid is paid from the General Fund.

SERVICES PROVIDED

Amortization Aid was established in 1980 to assist underfunded police or salaried firefighters' pension associations and teachers' retirement funds. Aid payments are determined by a combination of fixed amounts and fixed percentages.

The number of jurisdictions receiving aid is decreasing as local pensions merge with the statewide pension systems or as local pensions become fully funded and no longer qualify for aid. Also, some of the amortization aid provisions ended in 2010.

RESULTS

Amortization Aid helps increase affordability of local government employee pensions.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quantity	Number of jurisdictions receiving aid	3	3	2015 – 2017

Performance Measures Notes:

Number of jurisdictions receiving aid compares calendar year 2015 (previous) to 2017 (current).

Legal Citation: M.S. 423A.02 establishes Amortization Aid. It was amended by Laws 2013, Chapter 111, Article 5, Sections 70-76. (https://www.revisor.mn.gov/statutes/cite/423A.02).

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Total	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Category								
Grants, Aids and Subsidies	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Total	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Expenditures	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids
Activity: Firefighter Supplemental Benefits Reimbursement

revenue.state.mn.us/

AT A GLANCE

In 2017:

- 328 firefighter relief associations received Firefighter Supplemental Benefits Reimbursement payments

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. The Firefighter Supplemental Benefits Reimbursement payments provide pension aid to fire relief associations.

Firefighter Supplemental Benefits Reimbursements are paid from the General Fund.

SERVICES PROVIDED

The Firefighter Supplemental Benefits Reimbursement was established in 1988 to help support retirement pensions for local firefighters. Payments are made to volunteer firefighter relief associations to reimburse them for benefits paid in the previous year. The payment is for retirement benefits, disability benefits, or survivor benefits.

The reimbursement cannot be more than 10% of the distributions paid and cannot be more than $1,000. The supplemental benefit for survivors cannot be more than 20% and cannot be more than $2,000.

RESULTS

Firefighter Supplemental Benefits Reimbursement helps increase affordability of firefighter pensions.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	329	328	2015 – 2017

Performance Measures Notes:

Number of jurisdictions receiving aid compares calendar year 2015 (previous) to 2017 (current).

Legal Citation: M.S. 424A.10 establishes Firefighter Supplemental Benefits Reimbursement.
https://www.revisor.mn.gov/statutes/cite/424A.10.

Firefighter Supp Benefits Reimbursement

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY20**	**FY21**

Expenditures by Fund

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General	531	584	629	632	586	586	586	586
Total	**531**	**584**	**629**	**632**	**586**	**586**	**586**	**586**
Biennial Change				146		(89)		(89)
Biennial % Change				13		(7)		(7)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	531	584	629	632	586	586	586	586
Total	**531**	**584**	**629**	**632**	**586**	**586**	**586**	**586**

Firefighter Supp Benefits Reimbursement

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	531	584	629	632	586	586	586	586
Expenditures	**531**	**584**	**629**	**632**	**586**	**586**	**586**	**586**
Biennial Change in Expenditures				146		(89)		(89)
Biennial % Change in Expenditures				13		(7)		(7)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids
Activity: Police-Fire Retirement Supplemental Aid

revenue.state.mn.us/

AT A GLANCE

In 2017:
- 745 entities received Police-Fire Retirement Supplemental Aid

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. State Police-Fire Retirement Supplemental Aid provides pension aid to relief associations and retirement plans for police officers and firefighters.

Police-Fire Retirement Supplemental Aid is paid from the General Fund.

SERVICES PROVIDED

Police-Fire Retirement Supplemental Aid was established in 2013 to help support retirement pensions of police officers and firefighters. Annual aid distributions are provided to the Public Employees Retirement Association (PERA) police and fire retirement fund, State Patrol retirement fund and volunteer fire relief associations. The amount of aid is equal to a specified general fund appropriation amount in statute.

The aid provided to PERA and the State Patrol will terminate once the funding levels of the retirement plans reach 90%.

RESULTS

Police-Fire Retirement Supplemental Aid helps increase affordability of peace officer and firefighter pensions.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of entities receiving aid	752	745	2015 – 2017

Performance Measures Notes:

Number of entities receiving aid compares payable year 2015 (previous) to 2017 (current); independent firefighter associations did not begin receiving aid until 2014.

Legal Citation: M.S. 423A.022 establishes Police-Fire Retirement Supplemental Aid.
https://www.revisor.mn.gov/statutes/cite/423A.022

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	14,498	14,473	14,498	14,500	14,500	14,500	14,500	14,500
Total	**14,498**	**14,473**	**14,498**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**
Biennial Change				27		2		2
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	14,498	14,473	14,498	14,500	14,500	14,500	14,500	14,500
Total	**14,498**	**14,473**	**14,498**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	15,500	15,500	15,500	15,500	15,500	15,500	15,500	15,500
Transfers Out	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Cancellations	2	27	2					
Expenditures	**14,498**	**14,473**	**14,498**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**
Biennial Change in Expenditures				27		2		2
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments
Activity: Senior Property Tax Deferral Reimbursement

revenue.state.mn.us/

AT A GLANCE

In 2017:

- 334 taxpayers were enrolled in the program
- The average amount of property taxes deferred was $3,900

PURPOSE & CONTEXT

Property taxes account for a high share of income for some taxpayers. The Senior Citizens Property Tax Deferral program helps seniors stay in their homes by allowing them to postpone paying a portion of their property tax.

Senior Property Tax Deferral Reimbursements are paid from the General Fund.

SERVICES PROVIDED

Beginning in 1999 this voluntary program allows eligible senior citizens to postpone paying a portion of their homestead property taxes and special assessments. The state reimburses counties for the amount of property taxes deferred each year. A homestead may remain eligible until a qualifying homeowner no longer lives in the property, at which point the deferred taxes and interest must be paid to the state.

Qualified homeowners must be age 65 or older who have owned and lived in their home for at least 15 years and have household income less than $60,000. They can postpone the portion of property taxes above 3% of their income.

RESULTS

Senior citizens can afford to stay in their homes by postponing payment of some of their property taxes.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of senior citizen taxpayers enrolled	309	334	2015 – 2017
Quantity	Average amount of property taxes deferred	$3,800	$3,900	2015 – 2017

Performance Measures Notes:

Number of taxpayers enrolled compares calendar year 2015 (previous) to 2017 (current).

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search 'senior deferral'.

Legal Citation: M.S. Chapter 290B establishes the Senior Citizens' Property Tax Deferral program.
https://www.revisor.mn.gov/statutes/cite/290B

Senior Property Tax Deferral Reimb

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	1,191	1,429	1,257	1,307	1,288	1,288	1,288	1,458
Net Loan Activity	(1,191)	(1,429)	(1,257)	(1,307)	(1,288)	(1,288)	(1,288)	(1,458)

Program: Other Local Government Payments
Activity: Performance Measurement Reimbursement

revenue.state.mn.us/

AT A GLANCE

In 2018:

- 28% of counties and 3% of cities participated in the Performance Measurement program.

PURPOSE & CONTEXT

Transparency in government finances is important for establishing the trust and understanding of taxpayers. The reimbursement helps local governments to develop performance measures.

Performance Measurement Reimbursements are paid from the General Fund.

SERVICES PROVIDED

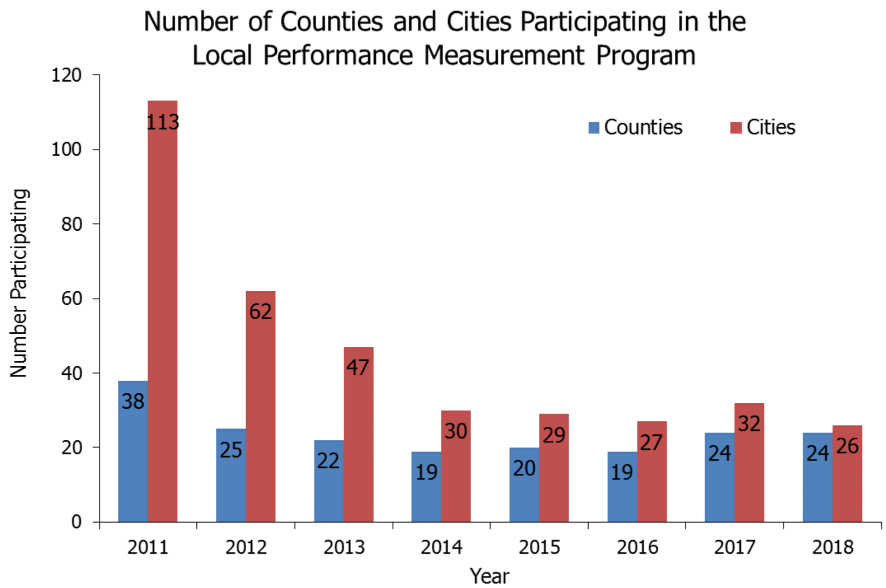
The Performance Measurement program was created in 2010 to determine the effectiveness of counties and cities in providing services. Participants use a set of 10 performance measures (for example police response time, hours to snow plow streets, citizen’s rating of water quality). Participation by counties and cities is voluntary.

Counties and cities report results annually to the state auditor and to their residents. Participating jurisdictions are eligible for a 14 cents per capita reimbursement (up to $25,000) and exemption from property tax levy limits for the following year (if levy limits are in effect).

RESULTS

Taxpayers have access to helpful information about the cost and quality of services provided by local governments.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of counties participating	22%	28%	2016 – 2018
Quantity	Percentage of cities participating	3%	3%	2016 – 2018



Performance Measures Notes:

Annual participation compares calendar year 2016 (previous) to 2018 (current).

Participation in the program has decreased since the first year of the program. The decrease in participation from the first year to the second reflects additional requirements for implementing local performance measures in the second year. Many local jurisdictions elected to explore the program in the first year but decided against moving towards full implementation in the second year.

Legal Citation: M.S. 6.91 establishes the Performance Measurement Reimbursement payments.
https://www.revisor.mn.gov/statutes/cite/6.91

Performance Measurement Reimb

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY20**	**FY21**
Expenditures by Fund								
1000 - General	397	387	457	423	426	428	426	428
Total	**397**	**387**	**457**	**423**	**426**	**428**	**426**	**428**
Biennial Change				96		(26)		(26)
Biennial % Change				12		(3)		(3)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Grants, Aids and Subsidies	397	387	457	423	426	428	426	428
Total	**397**	**387**	**457**	**423**	**426**	**428**	**426**	**428**

Performance Measurement Reimb

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	397	387	457	423	426	428	426	428
Expenditures	**397**	**387**	**457**	**423**	**426**	**428**	**426**	**428**
Biennial Change in Expenditures				96		(26)		(26)
Biennial % Change in Expenditures				12		(3)		(3)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments
Activity: Mahnomen Property Tax Reimbursement

revenue.state.mn.us/

AT A GLANCE

In 2017:

- 3 local governments in Mahnomen County received combined payments totaling $1.2 million

PURPOSE & CONTEXT

Large decreases in tax base can lead to financial strain for local governments. The program provides payments for the loss of property tax base due to the Shooting Star Casino becoming tax exempt.

Mahnomen Property Tax Reimbursements are paid from the General Fund.

SERVICES PROVIDED

Beginning in 2007, the Shooting Star Casino was placed into tax-exempt trust status.

The state makes annual payments to compensate for property taxes not collected on the tax exempt land:

- Mahnomen County ($900,000)
- the City of Mahnomen ($160,000), and
- Mahnomen School District #432 ($140,000)

The payment was first made in 2006, became permanent in 2008, and was increased in 2013.

RESULTS

The fiscal impacts of tax exempt tribal owned property are reduced for local governments in Mahnomen County.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	City tax base percentage of pre-exemption tax base	53%	56%	2015 – 2017
Quantity	County tax base percentage of pre-exemption tax base	173%	180%	2015 – 2017
Quantity	School district tax base percentage of pre-exemption tax base	162%	169%	2015 – 2017

Performance Measures Notes:

City tax base percentage compares assessment year 2015 (previous) to assessment year 2017 (current) for the City of Mahnomen, Mahnomen County, and Mahnomen School District #432. The pre-exemption tax base is assessment year 2006.

The total tax base for the city of Mahnomen decreased to 52% of its pre-exemption tax base when the exemption began in assessment year 2007. In recent years, the city tax base percentage has grown to 56% of pre-exemption levels. The exclusion reduced the taxable value of homesteads and the tax base of local taxing jurisdictions statewide.

Legal Citation: 2008 Minn. Laws Chapter 154, Article 1 established the payments; they were amended by Laws 2013 Chapter 143 Article 2 Section 33.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21

Expenditures by Fund

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Total	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Total	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Expenditures	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments
Activity: Taconite Aid Reimbursement

revenue.state.mn.us/

AT A GLANCE

In 2017:

- 1 school district received Taconite Aid Reimbursement

PURPOSE & CONTEXT

The Taconite Aid Reimbursement is paid to Deer River School District #317 in Itasca County to compensate the district for the mining occupation tax distribution received before the law was changed in 1978.

The Taconite Aid Reimbursement is paid from the General Fund.

SERVICES PROVIDED

The Deer River School District receives an annual payment of $561,050. This payment has remained the same since 1980.

RESULTS

The fiscal impacts of a 1978 occupation tax law change are reduced for the school district.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Payment's percentage of total school district revenues	4.6%	3.8%	2015 – 2017

Performance Measures Notes:

Payment's percentage of total school district revenue compares calendar year 2015 (previous) to 2017 (current).

In FY 2017, the reimbursement payment accounted for 3.8% of total school district revenues.

Legal Citation: M.S. 477A.15 establishes this payment. https://www.revisor.mn.gov/statutes/cite/477A.15.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21

Expenditures by Fund

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General	561	561	561	561	561	561	561	561
Total	**561**	**561**	**561**	**561**	**561**	**561**	**561**	**561**
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	561	561	561	561	561	561	561	561
Total	**561**	**561**	**561**	**561**	**561**	**561**	**561**	**561**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	561	561	561	561	561	561	561	561
Expenditures	**561**	**561**	**561**	**561**	**561**	**561**	**561**	**561**
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments
Activity: Border City Reimbursement

revenue.state.mn.us/

AT A GLANCE

In 2017:
- 2 jurisdictions received a Border City Reimbursement payment

PURPOSE & CONTEXT

Property taxes tend to be lower in North Dakota, putting some Minnesota businesses in bordering communities at a disadvantage. The Border City Reimbursement provides property tax relief for businesses in certain border cities.

Border City Reimbursements are paid from the General Fund.

SERVICES PROVIDED

The Border City Reimbursement reduces property taxes for:
- commercial/industrial property,
- public utility property, and
- apartment property.

The reimbursement provides additional property tax relief to the border cities of Breckenridge, Dilworth, East Grand Forks, and Moorhead. Cities must request the state reimbursement, and then payments to businesses are determined by the cities.

RESULTS

Border City Reimbursement increases business competitiveness in border areas.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving reimbursement	1	2	2015 – 2017

Performance Measures Notes:

Number of jurisdictions receiving reimbursement compares payable year 2015 (previous) to 2017 (current).

The City of Breckenridge was the only city to receive a payment in 2015. The two jurisdictions receiving reimbursement payments in 2017 were the City of Breckenridge and the City of East Grand Forks.

Legal Citation: M.S. 469.1735 establishes the Border City Reimbursement.
https://www.revisor.mn.gov/statutes/cite/469.1735.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	17	18	103	111	106	100	106	100
Total	**17**	**18**	**103**	**111**	**106**	**100**	**106**	**100**
Biennial Change				178		(8)		(8)
Biennial % Change				506		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
Expenditures by Category	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	17	18	103	111	106	100	106	100
Total	**17**	**18**	**103**	**111**	**106**	**100**	**106**	**100**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	17	18	103	111	106	100	106	100
Expenditures	**17**	**18**	**103**	**111**	**106**	**100**	**106**	**100**
Biennial Change in Expenditures				178		(8)		(8)
Biennial % Change in Expenditures				506		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments
Activity: Disaster Credits

revenue.state.mn.us/

AT A GLANCE

In 2016 and 2017:

- 917 parcels received Disaster Credits

PURPOSE & CONTEXT

Damage caused by natural disasters and other events can lead to financial strain for households and businesses. The credit provides property tax relief for property damaged in a declared disaster or emergency area.

Disaster Credits are paid from the General Fund.

SERVICES PROVIDED

Beginning in 1984, the disaster credit reduces the property tax of damaged homestead property within a declared disaster or emergency area. The damaged property is revalued, and the credit is equal to difference in tax between the original value and the value after damage. The state reimburses local governments for the credit in the year following the damage.

A county board may grant an abatement of property tax in the year in which the damage occurred if 50% of the homestead was destroyed. The county may also grant a credit for taxes payable in the year following the damage for homestead property that does not qualify for the disaster credit and non-homestead property. The state reimburses the local jurisdictions for abatements and credits for property located in a declared disaster or emergency area.

The state legislature periodically authorizes tax base replacement aid for cities that experience a tax base reduction greater than 5% due to damage caused by a natural disaster.

RESULTS

Property tax relief helps individuals, businesses and communities recover from the impacts of damage caused by a disaster.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of parcels receiving credits	121	917	2014/2015 – 2016/2017

Performance Measures Notes:

The number of parcels receiving credits compares payable years 2014 and 2015 (previous) to 2016 and 2017 (current). The amount of payment is dependent on the number and severity of disasters. In payable years 2014 and 2016, no parcels received the credit.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search ‘disaster’.

Legal Citation: M.S. 273.1231 through 273.1235 establish these credits.
https://www.revisor.mn.gov/statutes/cite/273.1231.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21

Expenditures by Fund

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General	23	107	278	12	98	223	98	223
Total	**23**	**107**	**278**	**12**	**98**	**223**	**98**	**223**
Biennial Change				160		31		31
Biennial % Change				123		11		11
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	23	107	278	12	98	223	98	223
Total	**23**	**107**	**278**	**12**	**98**	**223**	**98**	**223**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	23	107	278	12	98	223	98	223
Expenditures	**23**	**107**	**278**	**12**	**98**	**223**	**98**	**223**
Biennial Change in Expenditures				160		31		31
Biennial % Change in Expenditures				123		11		11
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments
Activity: Miscellaneous Payments

revenue.state.mn.us/

AT A GLANCE

Between 2016 and 2019:

- 2 local governments received one-time relief payments

PURPOSE & CONTEXT

Unforeseen events may occur that strain local government finances. State payments provide financial assistance to help local governments through unforeseen events.

The miscellaneous payments made during the reporting period were paid from the General Fund.

SERVICES PROVIDED

Occasionally payments are authorized by law to local governments experiencing an extraordinary or unusual circumstance and where other financial assistance is unavailable. Examples include:

- $48,152 to the city of Bluffton between 2015 and 2016 for repayment of Local Government Aid penalties, and
- $1,200,000 to the county of Wadena between 2018 and 2019 for health care costs

The payments are made outside of existing aid distribution formulas.

RESULTS

Relief payments help communities recover from the impacts of unusual circumstances.

Performance Measures Notes:

The amount and frequency of payments is dependent on legislative approval.

Legal Citation: Laws 2014, Chapter 308, Article 1, Section 15; Laws 2017 First Special Session, Chapter 1, Article 4, Section 32.

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Expenditures by Fund								
1000 - General			600	600				
Total			**600**	**600**				
Biennial Change				1,200		(1,200)		(1,200)
Biennial % Change						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Expenditures by Category								
Grants, Aids and Subsidies			600	600				
Total			**600**	**600**				
Total Agency Expenditures			600	600				
Expenditures Less Internal Billing			**600**	**600**				

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								
Direct Appropriation			600	600	0	0	0	0
Expenditures			**600**	**600**				
Biennial Change in Expenditures				1,200		(1,200)		(1,200)
Biennial % Change in Expenditures						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

Program: Other Local Government Payments
Activity: Minneapolis Debt Service Aid

revenue.state.mn.us/

AT A GLANCE

In 2017:

- The state paid $4.12 million of Minneapolis's library referendum bonds.

PURPOSE & CONTEXT

Regional infrastructure projects often require state assistance to be affordable. This program will provide state aid to Minneapolis to pay a portion of the city's library referendum bonds.

The Minneapolis Debt Service Aid is paid from the General Fund.

SERVICES PROVIDED

The state makes annual payments to the city of Minneapolis equal to 40% of the annual levy for payments for the city's library referendum bonds. These payments began in 2016.

RESULTS

Minneapolis Debt Service Aid decreases property taxes for properties in the city of Minneapolis.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quality	State aid payment as a percent of the city's total property taxes paid	0.4%	0.4%	2016 – 2017

Performance Measures Notes:

The state aid payment as a percent of the city's total property taxes paid compare taxes payable year 2016 (previous) to 2017 (current).

Legal Citation: M.S. 477A.085 establishes the Minneapolis Debt Service Aid.
https://www.revisor.mn.gov/statutes/cite/477A.085

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Expenditures by Fund								
1000 - General		3,720	4,120	4,120	4,120	4,120	4,120	4,120
Total		**3,720**	**4,120**	**4,120**	**4,120**	**4,120**	**4,120**	**4,120**
Biennial Change				4,520		0		0
Biennial % Change						0		0
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Expenditures by Category								
Grants, Aids and Subsidies		3,720	4,120	4,120	4,120	4,120	4,120	4,120
Total		**3,720**	**4,120**	**4,120**	**4,120**	**4,120**	**4,120**	**4,120**
Total Agency Expenditures		3,720	4,120	4,120	4,120	4,120	4,120	4,120
Expenditures Less Internal Billing		**3,720**	**4,120**	**4,120**	**4,120**	**4,120**	**4,120**	**4,120**

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
1000 - General								
Open Appropriation		3,720	4,120	4,120	4,120	4,120	4,120	4,120
Expenditures		**3,720**	**4,120**	**4,120**	**4,120**	**4,120**	**4,120**	**4,120**
Biennial Change in Expenditures				4,520		0		0
Biennial % Change in Expenditures						0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments
Activity: Bloomington Fiscal Disparities Loan Repayment

revenue.state.mn.us/

AT A GLANCE

In 2018:

- The state paid $4.7 million of Bloomington's loan obligation

PURPOSE & CONTEXT

Regional infrastructure projects often require state assistance to be affordable. This program will repay a portion of a loan on behalf of the city of Bloomington.

Bloomington Fiscal Disparities Loan Repayments are paid from the General Fund.

SERVICES PROVIDED

This program relieves the city of Bloomington of its obligation to repay a loan it received from the Fiscal Disparities Property Tax program for the initial construction of infrastructure for the Mall of America. For the last four years of repayment (2015 to 2018) the state will make the repayment to the fiscal disparities program on Bloomington's behalf.

RESULTS

The Bloomington Fiscal Disparities Loan Repayment program allows the City of Bloomington to use money they would have used to pay off the loan for other purposes.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quantity	Percent of additional tax base in Bloomington due to the state payment	2.8%	2.4%	2016 – 2018
Quality	State aid payment as a percent of the city's total property taxes paid	1.7%	1.7%	2016 – 2018

Performance Measures Notes:

Percent of additional tax base available to the city of Bloomington due to the state repayment of its obligation and state aid payment as a percent of the city's total property taxes paid compare taxes payable year 2016 (previous) to 2018 (current).

Legal Citation: M.S 473F.08, subdivision 3a, establishes the Bloomington Fiscal Disparities Loan Repayment program. https://www.revisor.mn.gov/statutes/cite/473F.08

Bloomington Fiscal Disparities Loan Rpymt

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	4,820	4,522	4,858	4,704				
Total	**4,820**	**4,522**	**4,858**	**4,704**				
Biennial Change				219		(9,562)		(9,562)
Biennial % Change				2		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Category								
Grants, Aids and Subsidies	4,820	4,522	4,858	4,704				
Total	**4,820**	**4,522**	**4,858**	**4,704**				

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	4,820	4,522	4,858	4,704	0	0	0	0
Expenditures	**4,820**	**4,522**	**4,858**	**4,704**				
Biennial Change in Expenditures				219		(9,562)		(9,562)
Biennial % Change in Expenditures				2		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

Program: Other Taxes and Refunds
Activity: Other Taxes and Refunds

revenue.state.mn.us/

AT A GLANCE

- The Department of Revenue collects and transfers numerous taxes on behalf of other state agencies.

PURPOSE & CONTEXT

The Department of Revenue collects certain taxes on behalf of other state agencies. Those include revenue for the Highway User & Tax Distribution, Restricted Miscellaneous Special Revenue, State Airports, Environmental, and Remediation funds. That revenue is then transferred to the appropriate agencies.

SERVICES PROVIDED

For some of these funds collected and transferred by the department of revenue, the agency does provide interest on refunds to taxpayers when necessary.

RESULTS

Type of Measure	*Name of Measure*	*Previous*	*Projected*	*Dates*
Quantity	Amount of interest on refunds on taxes for the state airport fund	$0	$1,000	2017 – 2019
Quantity	Amount of interest on refunds on taxes for the environmental fund	$0	$1,000	2017 – 2019

Performance Measures Notes:

The previous and current measures show data from fiscal year 2017 (previous) to 2019 (projected).

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
2720 - State Airports				1	1	1	1	1
2800 - Environmental	0	0		1	1	1	1	1
2801 - Remediation	0	0						
Total	**0**	**0**		**2**	**2**	**2**	**2**	**2**
Biennial Change				2		2		2
Biennial % Change				17,156				
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
Expenditures by Category	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Other Financial Transaction	0	0		2	2	2	2	2
Total	**0**	**0**		**2**	**2**	**2**	**2**	**2**

(Dollars in Thousands)

2000 - Restrict Misc Special Revenue

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Balance Forward In	37	48	57	70	88	106	88	106
Receipts	5,765	6,167	6,591	5,953	5,953	5,953	5,953	5,953
Transfers Out	5,753	6,158	6,578	5,935	5,935	5,935	5,935	5,935
Balance Forward Out	49	57	70	88	106	124	106	124

2710 - Highway Users Tax Distribution

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Open Appropriation	22,514	22,800	23,028	23,530	23,640	23,750	27,633	35,622
Transfers Out	22,514	22,800	23,028	23,530	23,640	23,750	27,633	35,622

2720 - State Airports

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Open Appropriation				1	1	1	1	1
Expenditures				**1**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

2800 - Environmental

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Open Appropriation	0	0		1	1	1	1	1
Receipts	109	15	15	15	15	15	15	15
Cancellations	109	15	15	15	15	15	15	15
Expenditures	**0**	**0**		**1**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures				16,187				
Governor's Change from Base								0
Governor's % Change from Base								0

2801 - Remediation

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20	Forecast Base FY21	Governor's Recommendation FY20	Governor's Recommendation FY21
Open Appropriation	0	0						
Expenditures	**0**	**0**						
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				(100)				

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Governor's Change from Base								0
Governor's % Change from Base								

Program: Other Taxes and Refunds
Activity: Political Contribution Refund

revenue.state.mn.us/

AT A GLANCE

In FY 2017:

- This program was suspended for contributions made from July 1, 2015 – June 30, 2017.

PURPOSE & CONTEXT

The Political Contribution Refund program was enacted in 1990 (Minnesota Statute 290.06, subdivision 23). The program provides funds to qualifying political candidates and parties through contributions by Minnesotans who request the refund. Only contributions to candidates that have signed an agreement with the Minnesota Campaign Finance and Public Disclosure Board to observe the state campaign spending limit law are eligible for the political contribution refund.

Individuals who make qualifying contributions to qualified candidates may receive a state refund up to a total of $50 per person (or $100 per couple) in any calendar year.

Political Contribution Refunds are paid from the General Fund.

SERVICES PROVIDED

The program provides refunds to individuals who make qualified contributions to candidates who agree to limit their spending by signing a Public Subsidy Agreement.

Candidates and parties provide contributors documentation about their contribution on forms. Contributors submit those forms and documentation to the Department of Revenue. The department sends a refund to contributors who apply for a refund of contributions they made to qualified Minnesota political parties or candidates for the following Minnesota offices:

- Legislature (State House or Senate)
- Governor, Lieutenant Governor, or Attorney General
- Secretary of State
- State Auditor

RESULTS

Individuals who contribute money to a qualifying party or candidate may receive a refund of up to $50 for their contribution. The program was suspended for FY2009 – 2013. It was in effect for FY14-15. It was suspended for FY16-17.

To qualify for a refund of political contributions made during 2018, taxpayers must apply by April 15, 2019.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Political Contribution Refunds Paid	$0	$2,489,000	2016-2017
Quantity	Total Political Contribution Refunds	0	33,000	2016-2017

Performance Measure Notes:

Compares refunds paid in tax year 2016 (previous) to tax year 2017 (current).

Legal Citation: M.S. 290.06, subdivision 23, establishes the Political Contribution Refund program. It was amended (suspended) by Laws 2015, Chapter 77, Section 82. https://www.revisor.mn.gov/statutes/cite/290.06.

Political Contribution Refunds

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY20**	**FY21**
Expenditures by Fund								
1000 - General	1,251	13	3,695	3,000	3,000	4,500	3,000	4,500
Total	**1,251**	**13**	**3,695**	**3,000**	**3,000**	**4,500**	**3,000**	**4,500**
Biennial Change				5,432		805		805
Biennial % Change				430		12		12
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY20**	**FY21**
Expenditures by Category								
Grants, Aids and Subsidies	1,251	13	3,695	2,995	2,995	4,495	2,995	4,495
Other Financial Transaction	0		0	5	5	5	5	5
Total	**1,251**	**13**	**3,695**	**3,000**	**3,000**	**4,500**	**3,000**	**4,500**

Political Contribution Refunds

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	1,251	13	3,695	3,000	3,000	4,500	3,000	4,500
Expenditures	**1,251**	**13**	**3,695**	**3,000**	**3,000**	**4,500**	**3,000**	**4,500**
Biennial Change in Expenditures				5,432		805		805
Biennial % Change in Expenditures				430		12		12
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Taxes and Refunds
Activity: Tax Refund Interest

revenue.state.mn.us/

AT A GLANCE

In Fiscal Year 2017:
- $10.6 million in tax refund interest was paid to taxpayers who did not receive refunds within the statutory time frame
- The interest rate has been 3% since 2010.

PURPOSE & CONTEXT

The Department of Revenue must pay interest to taxpayers on certain tax refunds if they are not paid within the time frame set by statute. The interest rate has been 3% since 2010; it is the same rate taxpayers owe on underpayments.

The department calculates the interest rate based on the prime rate charged by banks and announces the rate prior to each calendar year.

Tax Refund Interest Payments are paid from the General Fund.

SERVICES PROVIDED

Interest can accrue on tax refunds for various reasons, such as disputes that are resolved in court cases, tax audits, and administrative appeals. The Department of Revenue works to minimize interest accruals, which can fluctuate greatly from year to year depending on resolution of court cases and appeals.

The date interest starts to accrue on a tax refund is specified in statute, as shown below.

Type of Tax or Refund	***Interest Starts to Accrue***
Individual Income Tax	90 days after the return is due or filed (whichever is later)
Corporate Franchise Tax	90 days after the return is due or filed (whichever is later)
Withholding Taxes	On the date taxes were paid to the Department of Revenue
Sales and Use Taxes	Usually on the date taxes were paid to the Department of Revenue **However,** interest starts to accrue 90 days after refund claims filed for: • Sales tax paid on exempt capital equipment or building materials • Purchaser refunds (of sales tax incorrectly charged by a retailer or vendor)

RESULTS

Taxpayers receive interest payments on any refunds that are not paid within the statutory timeline.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quantity	Tax Refund Interest Paid	$8,660,000	$10,610,000	2016-2017
Quantity	Returns Receiving Refund Interest	106,000	119,000	2016-2017

Performance Measure Notes:

Compares tax refund interest paid in FY2016 (previous) to FY2017 (current).

Legal Citation: M.S. 289A.56 establishes tax refund interest payments.
https://www.revisor.mn.gov/statutes/2017/cite/289A.56.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Expenditures by Fund								
1000 - General	8,660	10,610	10,637	10,000	10,400	10,800	10,400	10,800
2360 - Health Care Access	432	576	165	214	343		183	19
2710 - Highway Users Tax Distribution	28	16	20	20	20	20	20	20
Total	**9,121**	**11,203**	**10,822**	**10,234**	**10,763**	**10,820**	**10,603**	**10,839**
Biennial Change				733		527		386
Biennial % Change				4		3		2
Governor's Change from Base								(141)
Governor's % Change from Base								(1)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
Expenditures by Category								
Other Financial Transaction	9,121	11,203	10,822	10,234	10,763	10,820	10,603	10,839
Total	**9,121**	**11,203**	**10,822**	**10,234**	**10,763**	**10,820**	**10,603**	**10,839**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	8,660	10,610	10,637	10,000	10,400	10,800	10,400	10,800
Expenditures	**8,660**	**10,610**	**10,637**	**10,000**	**10,400**	**10,800**	**10,400**	**10,800**
Biennial Change in Expenditures				1,367		563		563
Biennial % Change in Expenditures				7		3		3
Governor's Change from Base								0
Governor's % Change from Base								0
2360 - Health Care Access								
Open Appropriation	432	576	165	214	343	0	183	19
Expenditures	**432**	**576**	**165**	**214**	**343**		**183**	**19**
Biennial Change in Expenditures				(629)		(36)		(177)
Biennial % Change in Expenditures				(62)		(10)		(47)
Governor's Change from Base								(141)
Governor's % Change from Base								
2710 - Highway Users Tax Distribution								
Open Appropriation	28	16	20	20	20	20	20	20
Expenditures	**28**	**16**	**20**	**20**	**20**	**20**	**20**	**20**
Biennial Change in Expenditures				(5)		0		0
Biennial % Change in Expenditures				(11)		1		1
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Taxes and Refunds
Activity: Discontinued Programs

revenue.state.mn.us/

PURPOSE & CONTEXT

Effective July 1, 2017 the Greater Minnesota Internship Credit was repealed. Starting in tax year 2018 taxpayers can no longer claim the credit. The program required the Office of Higher Education to administer an internship program through public and private nonprofit institutions to provide tax credits to employers who hired interns under the program.

The Volunteer Retention Stipend was established in 2014 as a three year pilot program to help recruit and retain volunteer firefighters, ambulance attendants, and medical responders. The stipend was $500 for each qualified volunteer in the pilot area, which includes 14 counties. The final year of the three year pilot program was in 2017.

RESULTS

Type of Measure	*Name of Measure*	*Previous*	*Projected*	*Dates*
Quantity	Transfer from department of revenue to office of higher education to administer Greater Minnesota Internship Credit	$20,000	$0	2017 – 2019
Quantity	Aid paid to volunteer firefighters, ambulance attendants, and medical responders	$1,559,000	$0	2017 – 2019

Performance Measures Notes:

The previous and current measures show data from fiscal year 2017 (previous) to 2019 (projected).

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21

Expenditures by Fund

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General	1,552	1,553	1,558					
Total	**1,552**	**1,553**	**1,558**					
Biennial Change				(1,547)		(1,558)		(1,558)
Biennial % Change				(50)				
Governor's Change from Base								0
Governor's % Change from Base								

Expenditures by Category

	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Grants, Aids and Subsidies	1,552	1,553	1,558					
Total	**1,552**	**1,553**	**1,558**					

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Open Appropriation	1,572	1,573	1,558	0	0	0	0	0
Transfers Out	20	20						
Expenditures	**1,552**	**1,553**	**1,558**					
Biennial Change in Expenditures				(1,547)		(1,558)		(1,558)
Biennial % Change in Expenditures				(50)				
Governor's Change from Base								0
Governor's % Change from Base								