

## Table of Contents

### Tax Aids, Credits and Refunds

Agency Profile .....	1
Agency Expenditure Overview .....	3
Agency Financing by Fund .....	4
Agency Change Summary .....	7
<b><u>Change Item(s)</u></b> .....	<b>12</b>
<i>Individual Income Tax Relief</i> .....	12
<i>Individual Income Tax Changes</i> .....	14
<i>Business Income Tax Changes</i> .....	16
<i>Angel Tax Credit</i> .....	18
<i>Tax Updates</i> .....	20
<i>Modification of Sales Tax Exemptions</i> .....	22
<i>Revenue Stability</i> .....	24
<i>Vapor Gross Receipts Tax</i> .....	26
<i>Property Tax and Aid Updates</i> .....	28
<i>Simplify School Levies and Improve Equalization</i> .....	30
<i>Tax Rate Consistency</i> .....	33
<i>Iron Ore Bearing Material Update</i> .....	35
<i>Regional Transit Bonding Authority</i> .....	36
<i>Public Defender Payment Distribution Change</i> .....	37
<i>Petrofund Sunset Date Repeal</i> .....	39
<i>Administering the Governor’s 2021 Tax Bill</i> .....	41
<b><u>Program</u></b> .....	<b>42</b>
<b>Refunds</b> .....	<b>42</b>
<b><u>Activity</u></b> .....	<b>42</b>
<b>Homestead Credit Refund</b> .....	<b>42</b>
<i>Activity Narrative</i> .....	42
Activity Expenditure Overview .....	44
Activity Financing by Fund .....	45
<b>Renters Property Tax Refund</b> .....	<b>46</b>
<i>Activity Narrative</i> .....	46
Activity Expenditure Overview .....	48
Activity Financing by Fund .....	49
<b>Special Property Tax Refund</b> .....	<b>50</b>
<i>Activity Narrative</i> .....	50
Activity Expenditure Overview .....	52
Activity Financing by Fund .....	53
<b>Sustainable Forest Incentive Payments</b> .....	<b>54</b>
<i>Activity Narrative</i> .....	54
Activity Expenditure Overview .....	55
Activity Financing by Fund .....	56
<b><u>Program</u></b> .....	<b>57</b>
<b>Local Aids</b> .....	<b>57</b>
<b><u>Activity</u></b> .....	<b>57</b>

<b>Local Government Aid (City Aid)</b> .....	57
<i>Activity Narrative</i> .....	57
Activity Expenditure Overview .....	59
Activity Financing by Fund .....	60
<b>County Program Aid</b> .....	61
<i>Activity Narrative</i> .....	61
Activity Expenditure Overview .....	63
Activity Financing by Fund .....	64
<b>Disparity Reduction Aid</b> .....	65
<i>Activity Narrative</i> .....	65
Activity Expenditure Overview .....	67
Activity Financing by Fund .....	68
<b>Casino Aid to Counties</b> .....	69
<i>Activity Narrative</i> .....	69
Activity Expenditure Overview .....	70
Activity Financing by Fund .....	71
<b>Utility Valuation Transition Aid</b> .....	72
<i>Activity Narrative</i> .....	72
Activity Expenditure Overview .....	73
Activity Financing by Fund .....	74
<b>State Taconite Aid</b> .....	75
<i>Activity Narrative</i> .....	75
Activity Expenditure Overview .....	76
Activity Financing by Fund .....	77
<b>Payment in Lieu of Taxes (PILT)</b> .....	78
<i>Activity Narrative</i> .....	78
Activity Expenditure Overview .....	79
Activity Financing by Fund .....	80
<b>Township Aid</b> .....	81
<i>Activity Narrative</i> .....	81
Activity Expenditure Overview .....	82
Activity Financing by Fund .....	83
<b>Aquatic Invasive Species Prevention Aid</b> .....	84
<i>Activity Narrative</i> .....	84
Activity Expenditure Overview .....	85
Activity Financing by Fund .....	86
<b>Production Property Transition Aid</b> .....	87
<i>Activity Narrative</i> .....	87
Activity Expenditure Overview .....	88
Activity Financing by Fund .....	89
<b>Riparian Protection Aid</b> .....	90
<i>Activity Narrative</i> .....	90
Activity Expenditure Overview .....	91
Activity Financing by Fund .....	92
<b>Indian Family Out-of-Home Placement Aid</b> .....	93
<i>Activity Narrative</i> .....	93
Activity Expenditure Overview .....	94
Activity Financing by Fund .....	95

<b><u>Program</u></b> .....	96
<b>Credits</b> .....	96
<b><u>Activity</u></b> .....	96
<b>Agricultural Homestead MV Credit</b> .....	96
<i>Activity Narrative</i> .....	96
Activity Expenditure Overview .....	97
Activity Financing by Fund .....	98
<b>Prior Year Credit Adjustment</b> .....	99
<i>Activity Narrative</i> .....	99
Activity Expenditure Overview .....	100
Activity Financing by Fund .....	101
<b>Border City Disparity Reduction Credit</b> .....	102
<i>Activity Narrative</i> .....	102
Activity Expenditure Overview .....	103
Activity Financing by Fund .....	104
<b>Supplemental Taconite Homestead Credit</b> .....	105
<i>Activity Narrative</i> .....	105
Activity Expenditure Overview .....	106
Activity Financing by Fund .....	107
<b>Agricultural Preservation Credit</b> .....	108
<i>Activity Narrative</i> .....	108
Activity Expenditure Overview .....	109
Activity Financing by Fund .....	110
<b>School Building Bond Agricultural Credit</b> .....	111
<i>Activity Narrative</i> .....	111
Activity Expenditure Overview .....	113
Activity Financing by Fund .....	114
<b><u>Program</u></b> .....	115
<b>Pension-Related Aids</b> .....	115
<b><u>Activity</u></b> .....	115
<b>Police State Aid</b> .....	115
<i>Activity Narrative</i> .....	115
Activity Expenditure Overview .....	116
Activity Financing by Fund .....	117
<b>Fire State Aid</b> .....	118
<i>Activity Narrative</i> .....	118
Activity Expenditure Overview .....	119
Activity Financing by Fund .....	120
<b>Fire Insurance Surcharge Aid</b> .....	121
<i>Activity Narrative</i> .....	121
Activity Expenditure Overview .....	122
Activity Financing by Fund .....	123
<b>PERA Pension Aid</b> .....	124
<i>Activity Narrative</i> .....	124
Activity Expenditure Overview .....	125
Activity Financing by Fund .....	126
<b>Amortization Aids</b> .....	127
<i>Activity Narrative</i> .....	127

Activity Expenditure Overview .....	128
Activity Financing by Fund .....	129
<b>Firefighter Supplemental Benefits Reimbursement .....</b>	<b>130</b>
<i>Activity Narrative</i> .....	130
Activity Expenditure Overview .....	131
Activity Financing by Fund .....	132
<b>Police/Fire Retirement Supplemental State Aid .....</b>	<b>133</b>
<i>Activity Narrative</i> .....	133
Activity Expenditure Overview .....	134
Activity Financing by Fund .....	135
<b><u>Program</u> .....</b>	<b>136</b>
<b>Other Local Govt Payments .....</b>	<b>136</b>
<b><u>Activity</u> .....</b>	<b>136</b>
<b>Senior Property Tax Deferral Reimbursement .....</b>	<b>136</b>
<i>Activity Narrative</i> .....	136
Activity Expenditure Overview .....	137
Activity Financing by Fund .....	138
<b>Performance Measurement Reimbursement .....</b>	<b>139</b>
<i>Activity Narrative</i> .....	139
Activity Expenditure Overview .....	141
Activity Financing by Fund .....	142
<b>Mahnomen Property Tax Reimbursement .....</b>	<b>143</b>
<i>Activity Narrative</i> .....	143
Activity Expenditure Overview .....	145
Activity Financing by Fund .....	146
<b>Taconite Aid Reimbursement .....</b>	<b>147</b>
<i>Activity Narrative</i> .....	147
Activity Expenditure Overview .....	148
Activity Financing by Fund .....	149
<b>Border City Reimbursement .....</b>	<b>150</b>
<i>Activity Narrative</i> .....	150
Activity Expenditure Overview .....	151
Activity Financing by Fund .....	152
<b>Disaster Credits .....</b>	<b>153</b>
<i>Activity Narrative</i> .....	153
Activity Expenditure Overview .....	154
Activity Financing by Fund .....	155
<b>Miscellaneous Payments .....</b>	<b>156</b>
<i>Activity Narrative</i> .....	156
Activity Expenditure Overview .....	157
Activity Financing by Fund .....	158
<b>Minneapolis Debt Service Aid .....</b>	<b>159</b>
<i>Activity Narrative</i> .....	159
Activity Expenditure Overview .....	160
Activity Financing by Fund .....	161
<b><u>Program</u> .....</b>	<b>162</b>
<b>Other Taxes and Refunds .....</b>	<b>162</b>
<b><u>Activity</u> .....</b>	<b>162</b>

<b>Other Taxes and Refunds</b> .....	162
<i>Activity Narrative</i> .....	162
Activity Expenditure Overview .....	163
Activity Financing by Fund .....	164
<b>Political Contribution Refunds</b> .....	166
<i>Activity Narrative</i> .....	166
Activity Expenditure Overview .....	168
Activity Financing by Fund .....	169
<b>Tax Refund Interest</b> .....	170
<i>Activity Narrative</i> .....	170
Activity Expenditure Overview .....	171
Activity Financing by Fund .....	172
<b>Discontinued Programs</b> .....	173
<i>Activity Narrative</i> .....	173
Activity Expenditure Overview .....	174
Activity Financing by Fund .....	175
<b><u>Program</u></b> .....	176
<b>COVID-19 Aid</b> .....	176
<b><u>Activity</u></b> .....	176
<b>COVID-19 Response Aid Payments</b> .....	176
<i>Activity Narrative</i> .....	176
Activity Expenditure Overview .....	178
Activity Financing by Fund .....	179

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2019 the Department of Revenue paid:

- \$1.071 billion in aids to local governments
- \$721 million in property tax refunds to about 880,000 individuals
- \$106 million in credits to reduce individuals’ and businesses’ property taxes
- \$30 million in other programs

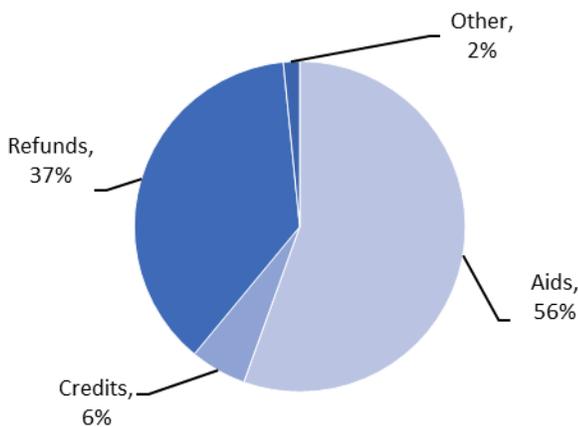
**PURPOSE**

Property taxes are a primary source of funding for local governments. Property tax amounts are not linked to ability to pay and can be a significant cost relative to income for some taxpayers.

Property Tax Aid, Credit and Refund programs provide direct property tax relief to individual taxpayers and funding to local governments, including cities and counties.

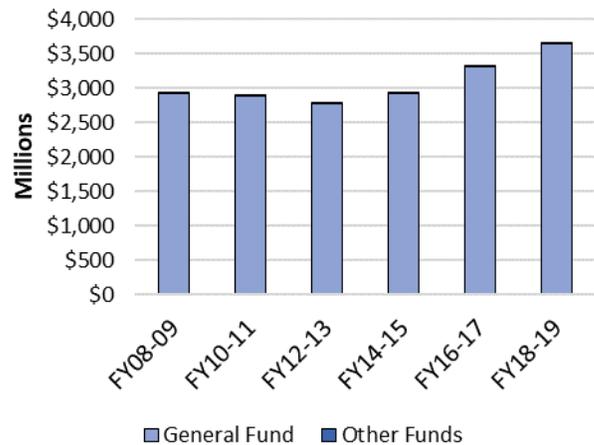
**BUDGET**

**Spending by Category  
FY 19 Actual**



*Source: Budget Planning and Analysis System (BPAS)*

**Historical Spending**



*Source: Consolidated Fund Statement*

The Department of Revenue administers 36 Property Tax Aid, Credit and Refund programs that make payments to individual taxpayers and local governments. In 2019, we disbursed more than \$1.9 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 property tax deferral for senior citizens and tax refund interest payments.

## STRATEGIES

Minnesota's future is dependent on successfully meeting the following priorities: to be the best state in the country when it comes to children and families, equity and inclusion, thriving communities, fiscal accountability, measurable results, and the environment. The Department of Revenue works to meet these priorities through the administration of property tax aid, credit and refund programs.

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.

## Tax Aids, Credits and Refunds

## Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	1,718,604	1,921,278	1,861,252	2,120,994	2,081,410	2,106,571	2,081,449	2,106,399
2000 - Restrict Misc Special Revenue	50	190	132	180	200	200	200	200
2001 - Other Misc Special Revenue	8,197	8,193	162	127	128	128	128	128
2360 - Health Care Access	165	142	239	103	108	113	108	113
2710 - Highway Users Tax Distribution	20	110	20	30	30	30	30	30
2800 - Environmental				1	1	1	1	1
2801 - Remediation		0	0					
3010 - Coronavirus Relief				837,729				
6000 - Miscellaneous Agency	1	0		57	57	57	57	57
<b>Total</b>	<b>1,727,036</b>	<b>1,929,913</b>	<b>1,861,804</b>	<b>2,959,221</b>	<b>2,081,934</b>	<b>2,107,100</b>	<b>2,081,973</b>	<b>2,106,928</b>
Biennial Change				1,164,075		(631,991)		(632,124)
Biennial % Change				32		(13)		(13)
Governor's Change from Base								(133)
Governor's % Change from Base								0

### **Expenditures by Program**

Refunds	684,771	721,083	783,953	835,233	870,380	889,600	870,380	890,470
Local Aids	811,059	939,427	783,337	914,109	920,278	921,112	920,317	921,190
Credits	55,709	88,149	93,967	112,059	118,049	126,225	118,049	125,105
Pension-Related Aids	139,266	144,006	149,284	140,733	145,775	150,845	145,775	150,845
Other Local Govt Payments	7,319	7,022	22,559	9,017	10,256	2,717	10,256	2,717
Other Taxes and Refunds	28,913	30,227	28,703	22,591	17,196	16,601	17,196	16,601
COVID-19 Aid				925,479				
<b>Total</b>	<b>1,727,036</b>	<b>1,929,913</b>	<b>1,861,804</b>	<b>2,959,221</b>	<b>2,081,934</b>	<b>2,107,100</b>	<b>2,081,973</b>	<b>2,106,928</b>

### **Expenditures by Category**

Operating Expenses	4,377	4,274	4,413	4,416	4,227	4,134	4,266	4,212
Grants, Aids and Subsidies	1,711,521	1,910,790	1,831,243	2,935,501	2,063,300	2,089,650	2,063,300	2,089,400
Other Financial Transaction	11,138	14,848	26,148	19,304	14,407	13,316	14,407	13,316
<b>Total</b>	<b>1,727,036</b>	<b>1,929,913</b>	<b>1,861,804</b>	<b>2,959,221</b>	<b>2,081,934</b>	<b>2,107,100</b>	<b>2,081,973</b>	<b>2,106,928</b>

# Tax Aids, Credits and Refunds

# Agency Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Direct Appropriation	778,830	904,538	762,427	965,156	888,343	883,647	888,343	883,647
Open Appropriation	922,253	997,430	1,078,460	1,135,772	1,172,864	1,202,845	1,172,974	1,202,815
Transfers In	32,130	35,783	35,940	36,090	36,315	36,540	36,315	36,540
Transfers Out	13,283	14,386	14,210	14,848	14,936	15,285	15,007	15,427
Net Loan Activity	(1,257)	(1,248)	(1,311)	(1,176)	(1,176)	(1,176)	(1,176)	(1,176)
Cancellations	71	839	56					
<b>Expenditures</b>	<b>1,718,604</b>	<b>1,921,278</b>	<b>1,861,252</b>	<b>2,120,994</b>	<b>2,081,410</b>	<b>2,106,571</b>	<b>2,081,449</b>	<b>2,106,399</b>
Biennial Change in Expenditures				342,364		205,735		205,602
Biennial % Change in Expenditures				9		5		5
Governor's Change from Base								(133)
Governor's % Change from Base								0

## 2000 - Restrict Misc Special Revenue

Balance Forward In	210	380	307	428	357	287	357	287
Receipts	6,844	7,341	6,992	6,821	6,841	6,841	6,841	6,841
Transfers Out	6,623	7,225	6,738	6,712	6,711	6,711	6,711	6,711
Balance Forward Out	380	307	428	357	287	217	287	217
<b>Expenditures</b>	<b>50</b>	<b>190</b>	<b>132</b>	<b>180</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
Biennial Change in Expenditures				72		88		88
Biennial % Change in Expenditures				30		28		28
Governor's Change from Base								0
Governor's % Change from Base								0

## 2001 - Other Misc Special Revenue

Balance Forward In	30	75	92	71	71	71	71	71
Transfers In	8,242	8,210	141	127	128	128	128	128
Balance Forward Out	75	92	71	71	71	71	71	71
<b>Expenditures</b>	<b>8,197</b>	<b>8,193</b>	<b>162</b>	<b>127</b>	<b>128</b>	<b>128</b>	<b>128</b>	<b>128</b>
Biennial Change in Expenditures				(16,101)		(33)		(33)
Biennial % Change in Expenditures				(98)		(11)		(11)
Governor's Change from Base								0
Governor's % Change from Base								0

## Tax Aids, Credits and Refunds

## Agency Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
--	----------------	----------------	----------------	------------------	----------------------------	--	---	--

### 2360 - Health Care Access

Open Appropriation	165	142	239	103	108	113	108	113
<b>Expenditures</b>	<b>165</b>	<b>142</b>	<b>239</b>	<b>103</b>	<b>108</b>	<b>113</b>	<b>108</b>	<b>113</b>
Biennial Change in Expenditures				35		(121)		(121)
Biennial % Change in Expenditures				11		(35)		(35)
Governor's Change from Base								0
Governor's % Change from Base								0

### 2710 - Highway Users Tax Distribution

Open Appropriation	23,047	23,384	23,086	21,318	22,931	22,703	22,931	22,703
Transfers Out	23,028	23,274	23,066	21,288	22,901	22,673	22,901	22,673
<b>Expenditures</b>	<b>20</b>	<b>110</b>	<b>20</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
Biennial Change in Expenditures				(80)		10		10
Biennial % Change in Expenditures				(62)		21		21
Governor's Change from Base								0
Governor's % Change from Base								0

### 2800 - Environmental

Open Appropriation				1	1	1	1	1
Receipts	15	15	15	15	15	15	15	15
Cancellations	15	15	15	15	15	15	15	15
<b>Expenditures</b>				<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

### 2801 - Remediation

Open Appropriation	0	0	0	0				
<b>Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>				
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures								

## Tax Aids, Credits and Refunds

## Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Governor's Change from Base								0
Governor's % Change from Base								

### 3010 - Coronavirus Relief

Direct Appropriation			841,464		0	0	0	0
Cancellations			3,735					
<b>Expenditures</b>			<b>837,729</b>					
Biennial Change in Expenditures			837,729		(837,729)		(837,729)	
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

### 6000 - Miscellaneous Agency

Balance Forward In	129	266	312	349	349	349	349	349
Receipts	137	46	38	57	57	57	57	57
Balance Forward Out	266	312	349	349	349	349	349	349
<b>Expenditures</b>	<b>1</b>	<b>0</b>		<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>
Biennial Change in Expenditures				56		57		57
Biennial % Change in Expenditures				5,444				
Governor's Change from Base								0
Governor's % Change from Base								0

### 6002 - Taxes Clearing Agency

Balance Forward In	0	1,237	95	26				
Receipts	0	(1,142)	(69)	(26)	0	0	0	0
Balance Forward Out	0	95	26					

## Tax Aids, Credits and Refunds

## Agency Change Summary

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
<b>Direct</b>				
<b>Fund: 1000 - General</b>				
FY2021 Appropriations	965,156	965,156	965,156	1,930,312
<b>Base Adjustments</b>				
All Other One-Time Appropriations		(87,750)	(87,750)	(175,500)
Current Law Base Change		6,200	6,183	12,383
November Forecast Adjustment		4,737	58	4,795
<b>Forecast Base</b>	<b>965,156</b>	<b>888,343</b>	<b>883,647</b>	<b>1,771,990</b>
<b>Total Governor's Recommendations</b>	<b>965,156</b>	<b>888,343</b>	<b>883,647</b>	<b>1,771,990</b>
<b>Fund: 3010 - Coronavirus Relief</b>				
FY2021 Appropriations	841,464	841,464	841,464	1,682,928
<b>Base Adjustments</b>				
All Other One-Time Appropriations		(841,464)	(841,464)	(1,682,928)
<b>Forecast Base</b>	<b>841,464</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Governor's Recommendations</b>	<b>841,464</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Open</b>				
<b>Fund: 1000 - General</b>				
FY2021 Appropriations	1,105,061	1,105,061	1,105,061	2,210,122
<b>Base Adjustments</b>				
Current Law Base Change		(24)	(24)	(48)
Forecast Open Appropriation Adjustment	330	36,783	63,198	99,981
November Forecast Adjustment	30,381	31,044	34,610	65,654
<b>Forecast Base</b>	<b>1,135,772</b>	<b>1,172,864</b>	<b>1,202,845</b>	<b>2,375,709</b>
<b>Change Items</b>				
ITIN Usage for Homestead			1,800	1,800
Simplify School Levies and Improve Equalization			(2,100)	(2,100)
Iron Ore Bearing Material Update		110	220	330
Regional Transit Bonding Authority			50	50
<b>Total Governor's Recommendations</b>	<b>1,135,772</b>	<b>1,172,974</b>	<b>1,202,815</b>	<b>2,375,789</b>
<b>Fund: 2360 - Health Care Access</b>				
FY2021 Appropriations	600	600	600	1,200
<b>Base Adjustments</b>				
Forecast Open Appropriation Adjustment	(497)	(492)	(487)	(979)
<b>Forecast Base</b>	<b>103</b>	<b>108</b>	<b>113</b>	<b>221</b>
<b>Total Governor's Recommendations</b>	<b>103</b>	<b>108</b>	<b>113</b>	<b>221</b>
<b>Fund: 2710 - Highway Users Tax Distribution</b>				

## Tax Aids, Credits and Refunds

## Agency Change Summary

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
<b>FY2021 Appropriations</b>	<b>21,401</b>	<b>21,401</b>	<b>21,401</b>	<b>42,802</b>
<b>Base Adjustments</b>				
November Forecast Adjustment	(83)	1,530	1,302	2,832
<b>Forecast Base</b>	<b>21,318</b>	<b>22,931</b>	<b>22,703</b>	<b>45,634</b>
<b>Total Governor's Recommendations</b>	<b>21,318</b>	<b>22,931</b>	<b>22,703</b>	<b>45,634</b>
<b>Fund: 2800 - Environmental</b>				
<b>FY2021 Appropriations</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Forecast Base</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Total Governor's Recommendations</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Dedicated</b>				
<b>Fund: 2000 - Restrict Misc Special Revenue</b>				
<b>Planned Spending</b>	<b>180</b>	<b>200</b>	<b>200</b>	<b>400</b>
<b>Forecast Base</b>	<b>180</b>	<b>200</b>	<b>200</b>	<b>400</b>
<b>Total Governor's Recommendations</b>	<b>180</b>	<b>200</b>	<b>200</b>	<b>400</b>
<b>Fund: 2001 - Other Misc Special Revenue</b>				
<b>Planned Spending</b>	<b>127</b>	<b>128</b>	<b>128</b>	<b>256</b>
<b>Forecast Base</b>	<b>127</b>	<b>128</b>	<b>128</b>	<b>256</b>
<b>Total Governor's Recommendations</b>	<b>127</b>	<b>128</b>	<b>128</b>	<b>256</b>
<b>Fund: 6000 - Miscellaneous Agency</b>				
<b>Planned Spending</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>114</b>
<b>Forecast Base</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>114</b>
<b>Total Governor's Recommendations</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>114</b>
<b>Revenue Change Summary</b>				
<b>Dedicated</b>				
<b>Fund: 2000 - Restrict Misc Special Revenue</b>				
<b>Forecast Revenues</b>	<b>6,821</b>	<b>6,841</b>	<b>6,841</b>	<b>13,682</b>
<b>Total Governor's Recommendations</b>	<b>6,821</b>	<b>6,841</b>	<b>6,841</b>	<b>13,682</b>
<b>Fund: 2800 - Environmental</b>				
<b>Forecast Revenues</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>30</b>
<b>Total Governor's Recommendations</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>30</b>
<b>Fund: 6000 - Miscellaneous Agency</b>				
<b>Forecast Revenues</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>114</b>

## Tax Aids, Credits and Refunds

## Agency Change Summary

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
<b>Total Governor's Recommendations</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>114</b>
<b>Fund: 6002 - Taxes Clearing Agency</b>				
Forecast Revenues	(26)	0	0	0
<b>Total Governor's Recommendations</b>	<b>(26)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Non-Dedicated</b>				
<b>Fund: 1000 - General</b>				
Forecast Revenues	22,465,232	23,112,888	23,984,715	47,097,603
<b>Change Items</b>				
Increase Amount of Working Family Credit		(50,300)	(50,700)	(101,000)
Expansion of First Tier of Individual Income Tax		(58,800)	(36,400)	(95,200)
ITIN Usage for Working Family Credit		(11,600)	(11,600)	(23,200)
5th Tier Income Tax Rate		214,700	188,000	402,700
Capital Gains Tax		256,500	229,600	486,100
Previously Taxed Foreign Income		289,270	46,960	336,230
Corporate Franchise Tax Rate Increase		236,500	187,300	423,800
Angel Tax Credit		(7,000)		(7,000)
Minnesota Itemized Deduction for Casualty and Theft Losses		(1,010)	(1,010)	(2,020)
Resident Trust Definition		3,400	3,400	6,800
Qualified Data Centers Sales Tax Exemption		10,200	20,500	30,700
Sales Tax Exemption for School Fundraising		(640)	(670)	(1,310)
Reinstate Estate Tax Exclusion		11,600	16,500	28,100
Cigarette Tax Increase		71,750	67,020	138,770
Vapor Tax		3,320	8,290	11,610
Simplify School Levies and Improve Equalization			380	380
Non Admitted Surplus Lines Tax			800	800
Regional Transit Bonding Authority			(20)	(20)
<b>Total Governor's Recommendations</b>	<b>22,465,232</b>	<b>24,080,778</b>	<b>24,653,065</b>	<b>48,733,843</b>
<b>Fund: 2000 - Restrict Misc Special Revenue</b>				
Forecast Revenues	26,212	26,212	26,212	52,424
<b>Total Governor's Recommendations</b>	<b>26,212</b>	<b>26,212</b>	<b>26,212</b>	<b>52,424</b>
<b>Fund: 2107 - State Pks &amp; Trls Lott In Lieu</b>				
Forecast Revenues	6,723	6,538	6,644	13,182
<b>Total Governor's Recommendations</b>	<b>6,723</b>	<b>6,538</b>	<b>6,644</b>	<b>13,182</b>
<b>Fund: 2109 - Local Trls Grants Lott In Lieu</b>				
Forecast Revenues	897	872	886	1,758

## Tax Aids, Credits and Refunds

## Agency Change Summary

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
<b>Total Governor's Recommendations</b>	<b>897</b>	<b>872</b>	<b>886</b>	<b>1,758</b>
<b>Fund: 2110 - Zoos Lottery In Lieu</b>				
Forecast Revenues	598	581	591	1,172
<b>Total Governor's Recommendations</b>	<b>598</b>	<b>581</b>	<b>591</b>	<b>1,172</b>
<b>Fund: 2209 - Heritage Enhancement</b>				
Forecast Revenues	14,941	14,530	14,765	29,295
<b>Total Governor's Recommendations</b>	<b>14,941</b>	<b>14,530</b>	<b>14,765</b>	<b>29,295</b>
<b>Fund: 2300 - Outdoor Heritage</b>				
Forecast Revenues	112,452	119,057	123,970	243,027
<b>Change Items</b>				
Qualified Data Centers Sales Tax Exemption		198	396	594
Sales Tax Exemption for School Fundraising		(13)	(13)	(26)
Cigarette Tax Increase		10	13	23
Vapor Tax		(10)	(23)	(33)
<b>Total Governor's Recommendations</b>	<b>112,452</b>	<b>119,242</b>	<b>124,343</b>	<b>243,585</b>
<b>Fund: 2301 - Arts &amp; Cultural Heritage</b>				
Forecast Revenues	67,301	71,254	74,194	145,448
<b>Change Items</b>				
Qualified Data Centers Sales Tax Exemption		119	237	356
Sales Tax Exemption for School Fundraising		(8)	(8)	(16)
Cigarette Tax Increase		6	8	14
Vapor Tax		(6)	(14)	(20)
<b>Total Governor's Recommendations</b>	<b>67,301</b>	<b>71,365</b>	<b>74,417</b>	<b>145,782</b>
<b>Fund: 2302 - Clean Water</b>				
Forecast Revenues	112,452	119,057	123,970	243,027
<b>Change Items</b>				
Qualified Data Centers Sales Tax Exemption		198	396	594
Sales Tax Exemption for School Fundraising		(13)	(13)	(26)
Cigarette Tax Increase		10	13	23
Vapor Tax		(10)	(23)	(33)
<b>Total Governor's Recommendations</b>	<b>112,452</b>	<b>119,242</b>	<b>124,343</b>	<b>243,585</b>
<b>Fund: 2303 - Parks and Trails</b>				
Forecast Revenues	48,559	51,411	53,533	104,944
<b>Change Items</b>				

## Tax Aids, Credits and Refunds

## Agency Change Summary

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Qualified Data Centers Sales Tax Exemption		85	171	256
Sales Tax Exemption for School Fundraising		(6)	(6)	(12)
Cigarette Tax Increase		4	6	10
Vapor Tax		(4)	(10)	(14)
<b>Total Governor's Recommendations</b>	<b>48,559</b>	<b>51,490</b>	<b>53,694</b>	<b>105,184</b>
<b>Fund: 2350 - Petroleum Tank Release Cleanup</b>				
Forecast Revenues	22,500	25,948		25,948
Change Items				
Petrofund Sunset Date Repeal			21,755	21,755
<b>Total Governor's Recommendations</b>	<b>22,500</b>	<b>25,948</b>	<b>21,755</b>	<b>47,703</b>
<b>Fund: 2360 - Health Care Access</b>				
Forecast Revenues	747,376	782,177	816,447	1,598,624
<b>Total Governor's Recommendations</b>	<b>747,376</b>	<b>782,177</b>	<b>816,447</b>	<b>1,598,624</b>
<b>Fund: 2710 - Highway Users Tax Distribution</b>				
Forecast Revenues	1,030,854	1,109,015	1,109,546	2,218,561
<b>Total Governor's Recommendations</b>	<b>1,030,854</b>	<b>1,109,015</b>	<b>1,109,546</b>	<b>2,218,561</b>
<b>Fund: 2720 - State Airports</b>				
Forecast Revenues	12,900	15,200	15,700	30,900
<b>Total Governor's Recommendations</b>	<b>12,900</b>	<b>15,200</b>	<b>15,700</b>	<b>30,900</b>
<b>Fund: 2800 - Environmental</b>				
Forecast Revenues	63,907	66,035	67,825	133,860
<b>Total Governor's Recommendations</b>	<b>63,907</b>	<b>66,035</b>	<b>67,825</b>	<b>133,860</b>

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Individual Income Tax Relief

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	0	0	0
Revenues	(120,700)	(98,700)	(109,700)	(111,900)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	120,700	98,700	109,700	111,900
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

##### *Expansion of First Tier of Individual Income Tax*

The Governor recommends an expansion of the first tier individual income tax bracket by increasing the income threshold. Under the proposal, more income will qualify for the 5.35% income tax rate. Over one million taxpayers will see some relief from the change. The third bracket threshold is lowered by an offsetting amount, so that taxpayers with income over the 3rd tier threshold will not see a change. The expansion is effective starting with tax year 2021.

##### *Increase Amount of Working Family Credit*

The Governor recommends changing the calculation of the refundable Working Family Credit (WFC) for the over 300,000 Minnesotans already receiving it. Households would see an average increase in the tax credit of approximately \$160 starting with tax year 2021.

##### *ITIN Usage for Working Family Credit*

The Governor recommends expanding the WFC to include taxpayers who file a return using an Individual Taxpayer Identification Number (ITIN) as opposed to a social security number. The Internal Revenue Service issues ITINs in lieu of social security numbers to individuals who are required to file a federal tax return but are not eligible for a social security number. Approximately 10,800 returns would qualify for the WFC as a result of this change. The average credit is about \$850 and these households would also qualify for the recommended increase in amount of the credit. This change is effective beginning in tax year 2021.

#### Rationale/Background:

##### *Expansion of First Tier of Individual Income Tax*

The current first tier tax bracket taxes income at a 5.35% rate for income below \$27,230 for single taxpayers, \$39,810 for married filing jointly, and \$33,520 for head of household for tax year 2021. Income at or above these thresholds are taxed at the 6.8% rate. By expanding the amount of income subject to the lower rate of tax, lower- and middle- income taxpayers will pay less tax.

##### *Increase Amount of Working Family Tax Credit*

Many low- and middle-income families haven't seen their wages rise while their cost of living has increased. This credit provides working families with a credit to help with the many financial constraints they face. This program, which also exists at the federal level, is an important source of financial stability for low and moderate-income working families with children. In 2016, Minnesota returns claimed \$249 million in WFCs, of which \$44.3 million offset tax liability, and the remaining \$204.8 million was paid as a refund. The average credit was \$768.

### *ITIN Usage for Working Family Credit*

Under current law, a taxpayer generally must be eligible for the federal Earned Income Tax Credit in order to receive the state WFC. Taxpayers filing an income tax return with an ITIN are not eligible for the federal credit, and therefore cannot receive the WFC. ITINs are issued by the Internal Revenue Service to individuals who are not eligible for a social security number but are required to file taxes. They are used exclusively for the purpose of filing taxes. By including ITIN users, we will gain consistency among eligible taxpayers and will provide relief to more lower- and middle-income families.

### **Proposal:**

#### *Expansion of First Tier of Individual Income Tax*

This proposal increases the income threshold for the 2nd bracket. Returns with their last dollar of taxable income in the 2nd bracket will have a tax decrease, with more income taxed at 5.35% rather than 6.8%. Returns with some income in the 3rd bracket or higher will have no change in tax, other than minor changes in the alternative minimum tax or marriage credit.

Under this proposal, over one million households would have an average decrease in tax of \$36.

#### *Increase Amount of Working Family Tax Credit*

This proposal changes the WFC calculation to increase the amount of the credit for Minnesotans that are currently eligible for the credit. This is an increase in the existing state credit, which is modeled on the federal version, the Earned Income Tax Credit. The WFC is based on a percentage of the earnings of low-income households. The credit rate is increased for everyone proportionally and the phase-out rate is increased to limit the benefit to current recipients. The income thresholds remain unchanged.

Under this proposal approximately 313,000 households would see an average increase in the tax credit of approximately \$160. No one would receive a lower credit.

### *ITIN Usage for Working Family Credit*

Under the proposal, individuals with a valid ITIN issued by the Internal Revenue Service who are otherwise eligible for the WFC could qualify. An additional 10,800 returns could qualify for the WFC as a result of this change. These households would also qualify for the recommended increase in amount of the credit. This would provide greater parity between taxpayers with an ITIN and those with a Social Security number.

### **Impact on Children and Families:**

#### *Working Family Tax Credit*

This program, which also exists at the federal level, is an important source of financial stability for low and moderate-income working families with children. In 2016, seventy-two percent of all working family credits went to families with one or more children. A growing body of research shows that the credit benefits families at virtually every stage of life, including:

- Improved infant and maternal health
- Reduces poverty
- Better 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.
- Helps business: Working families are likely to put these tax credit funds back into the Minnesota economy.

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Individual Income Tax Changes

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	0	0	0
Revenues	471,200	417,600	396,800	410,000
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(471,200)	(417,600)	(396,800)	(410,000)
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

The Governor recommends making changes to the individual income tax to provide a more equitable and progressive tax system for Minnesotans. These changes are effective beginning in tax year 2021.

- Establish a 5<sup>th</sup> tier income tax rate for household incomes above \$1,000,000 (married filing jointly), \$750,000 (head of household), and \$500,000 (single).
- Impose an additional tax of 1.5% on capital gains and dividend income over \$500,000 up to \$1,000,000 and 4% on income over \$1,000,000 for individuals, trusts and estates.

#### Rationale/Background:

##### *5<sup>th</sup> Tier Income Tax Rate*

Under current law, individual income is taxed at four different rates that are applied to brackets of income. The highest bracket of income is taxed at 9.8% for income of more than \$276,000 for married joint filers, \$220,730 for head of household, \$166,040 for single, and \$138,100 for married filing separate.

##### *Capital Gains Tax*

When a taxpayer sells a capital asset, such as stocks, a home, or business assets, the difference between the sales prices and the asset's basis is either a capital gain or a loss. The gain or loss on an asset held for more than one year is considered "long term." The federal government taxes most type of long-term capital gains, or investment income, at a preferential lower rate than other types of income.

Minnesota does not provide a separate rate for capital gains. Minnesota includes net capital gains income in taxable income and subjects it to the same tax rates as apply to other income.

Capital gains are generally reported by higher income taxpayers. Minnesota filers with incomes over \$100,000 reported about 86% of the capital gains income in tax year 2016. Filers with income over \$500,000 reported about 57% of the capital gains and the average gain was \$234,437.

#### Proposal:

##### *5<sup>th</sup> Tier Income Tax Rate*

This proposal adds a new top bracket at a rate of 10.85% starting in tax year 2021. The 10.85% bracket is set at \$1,000,000 for married joint filers, \$750,000 for head of household filers, and \$500,000 for married separate and single filers. Beginning in tax year 2022, the thresholds would be adjusted for inflation in the same manner as existing brackets.

Over 21,000 households would have an average increase in tax of \$8,072 per return. This represents the top 0.7% of returns.

*Capital Gains Tax*

The proposal adds an additional income tax rate to the income tax rate under M.S. 290.06. The surcharge applies to long term capital gains and qualified dividends of individuals, trusts, and estates. The surcharge is 1.5% on capital gains and dividend income over \$500,000 up to \$1,000,000 and 4% on income over \$1,000,000 for individuals, trusts and estates.

Over 7,000 households would have an average increase in tax of \$30,000 per return.

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Business Income Tax Changes

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	0	0	0
Revenues	525,770	234,260	247,560	253,560
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(525,770)	(234,260)	(247,560)	(253,560)
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

##### *Previously Taxed Foreign Income*

The Governor recommends taxing foreign income when it is actually repatriated to the United States. This proposal would continue Minnesota's approach of taxing repatriated foreign income that was in effect prior to the changes included in the 2019 tax bill. The income inclusion applies to deferred foreign income under section 965 of the Internal Revenue Code (IRC) and the new category of global intangible low-taxed income (GILTI) under section 951A of the IRC. This recommendation applies to both corporate and pass through businesses and is effective retroactively to tax year 2016.

##### *Corporate Franchise Tax Rate Increase*

The Governor recommends increasing the current corporate franchise tax rate from 9.8% to 11.25%. The increase would be effective beginning in tax year 2021.

#### Rationale/Background:

##### *Previously Taxed Foreign Income*

The 2017 federal tax bill changed federal treatment of certain foreign earnings and profits. Deferred foreign earnings were deemed to be includible in taxable income and subject to a one-time transition tax. This category of foreign income is defined in IRC section 965 as a pool of income that consists of income accrued by controlled foreign corporations (CFCs) since the 1986 repatriation holiday through December 2017. In order to transition to a new regime of international taxation, the Tax Cuts and Jobs Act (TCJA) created a taxable event in December 2017 for the pool of 965 income held by CFCs. The same tax treatment applied whether the CFC actually repatriated the income as dividends to owners or continued to hold the income overseas (in that case it was "deemed" repatriated). If corporations later actually repatriated income from the 965 income pool – by making payments to their owners for example – they receive an exemption at the federal level to avoid double taxation of the income. Dividends from the 965 income pool are no longer included in federal taxable income when they are actually distributed and are treated federally as previously taxed income.

TCJA also created a current year inclusion of global intangible low-taxed income (GILTI) which addresses profit shifting concerns in the new territorial tax system. GILTI is taxed at the federal level regardless of whether it is repatriated to the United States.

Minnesota has not conformed to the federal changes to deferred foreign income under section 965 and the current year inclusion of GILTI under section 951A. Individual and corporate taxpayers are allowed a subtraction from income for foreign income amounts that are included on the federal return.

*Corporate Franchise Tax Rate Increase*

Minnesota currently taxes profits of C corporations at a flat 9.8% tax rate. For corporations that do business in more than one state, the rate is applied to income that is apportioned to Minnesota based on the in-state percentage of sales.

**Proposal:**

*Previously Taxed Foreign Income*

The proposal creates an addition for any income of a C corporation, resident, or part-year resident that is transferred to the United States but is excluded from federal income because it was previously taxed by the federal government as IRC section 965 repatriated income or GILTI. Amounts reported as an addition would be eligible for the corporate dividends received deduction.

*Corporate Franchise Tax Rate Increase*

The proposal increases the corporate franchise tax rate from 9.8% to 11.25%. The increase would be effective beginning in tax year 2021. The minimum fee remains unchanged.

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Angel Tax Credit

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	0	0	0
Revenues	(7,000)	0	0	0
Other Funds				
Expenditures	256	0	0	0
Revenues	187	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	7,069	0	0	0
<b>FTEs</b>	<b>1</b>	0	0	0

#### Recommendation:

The Governor recommends \$7 million in FY 2022 for the Angel Tax Credit program.

These funds provide a tax credit to investors or investment funds that make equity investment in early stage companies focused on high technology, new proprietary technology, or a new proprietary product, process, or service in specified fields. The program has been funded at various levels since its inception in 2010, ranging from \$10 million to \$15 million, though the program was not funded in 2018 or 2020. Other funds in this program include fees collected for processing applications and annual report filings, as well as expenditures for Department of Employment and Economic Development (DEED) program staff to certify participating businesses and administer the program.

#### 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 in the state. The Angel Tax Credit program has resulted in over \$461 million in private investment in Minnesota startups, leveraged by the state's issuance of \$111 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 and biotech/bioscience businesses.

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. As a result of past changes to the program, in 2019 32% of the number of businesses that received investment were in targeted groups, including businesses owned by people of color, women-owned businesses, and/or businesses in headquartered in Greater Minnesota.

#### Proposal:

The Governor recommends \$7 million in FY 2022 for the Angel Tax Credit Program.

Expenditures are based on actual program figures from 2019, the last year the program was in operation (the program is authorized again for 2021). The program was funded with \$10 million in credits in 2019; a decrease in

funding by \$3 million will not result in operational savings. Revenues are based on 2019 figures, reduced by 30% because with fewer credits available, there will be fewer fee paying participants using the program.

**Equity and Inclusion:**

The Angel Tax Credit Program specifically targets businesses owned and managed by minorities and women and businesses located in Greater Minnesota, reserving half of the credits available for investments in these business to ensure that these underrepresented groups and geographic regions benefit from the program.

**Results:**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2019</b>
Number of businesses certified	182	187	163	124
Number of businesses receiving investments	114	105	101	72
Investment made in qualifying businesses	\$70,411,833	\$58,894,095	\$44,474,766	\$39,875,431
Credits issued for these investments	\$15,542,608	\$14,723,711	\$10,723,963	\$9,774,038
Number of Greater MN businesses receiving investment	13	10	10	7
Women owned & managed businesses	10	12	11	11
Minority owned & managed businesses	13	7	5	7

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Tax Updates

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	0	0	0
Revenues	2,390	2,390	2,390	2,390
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(2,390)	(2,390)	(2,390)	(2,390)
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

The Governor recommends three proposals to respond to a recent law changes and court cases.

##### *Minnesota Itemized Deduction for Casualty and Theft Losses*

The Governor recommends updating the Minnesota itemized deduction for casualty and theft losses to clarify that the deduction is not allowed for amounts that are reimbursed by insurance, that the federal disaster area limitations do not apply, and to add a deduction for losses that relate to for-profit transactions. The technical clarifying changes are effective on the day following final enactment and the expansion to for-profit transactions is effective retroactively to taxable years beginning after December 31, 2018.

##### *Minnesota Addition for Federal Domestic Production Activities Deduction of Agricultural Cooperatives*

The Governor recommends reinstating an addition to income for the federal deduction for domestic production activities (DPAD) of certain horticultural and agricultural cooperatives. The proposal is effective beginning with tax year 2021.

##### *Resident Trust Definition*

The Governor recommends changes to the resident trust definition in response to the Minnesota Supreme Court ruling in *Fielding v. Commissioner of Revenue* and the U.S. Supreme Court's decision in *North Carolina Department of Revenue v. The Kimberley Rice Kaestner 1992 Family Trust*. The proposal updates the factors to be considered when determining whether a trust has sufficient minimum connection with Minnesota to be taxed as a resident trust. The updated definition will reduce confusion and provide greater clarity to the application of the resident trust tax statute. The proposal is effective beginning in tax year 2021.

#### Rationale/Background:

##### *Minnesota Itemized Deduction for Casualty and Theft Losses*

Under federal law, an itemized deduction is allowed for unreimbursed casualty and theft losses, including losses caused by theft, vandalism, storms, or other accidents. The 2017 federal Tax Cuts and Jobs Act (TCJA) suspended the deduction for tax years 2018 through 2025, with certain exceptions for losses occurring in federally declared disaster areas.

In 2019, Minnesota created an itemized deduction for casualty and theft losses. The deduction is based on the definition of losses eligible for the federal deduction. Because of the interaction of certain cross-references to the Internal Revenue Code, the state itemized deduction is unintentionally narrower than the previous federal deduction.

### *Minnesota Addition for Federal Domestic Production Activities Deduction of Agricultural Cooperatives*

The 2017 TCJA created a deduction for qualified business income (QBI) for pass through entities. Specified agricultural and horticultural cooperatives are C corporations but were allowed a QBI deduction for certain payments that flow through to patrons, specifically patronage dividends and per retain payments. After enactment, it was realized that allowing cooperatives a QBI deduction created the unintended consequence of allowing a double dip for cooperative patrons also eligible for the QBI deduction. Thus, the Consolidated Appropriations Act of 2018 retroactively amended the TCJA to repeal the QBI deduction and restored the repealed DPAD for these cooperatives. This fix was informally known as the “grain glitch” because over ninety percent of grain grown in the U.S. is sold through cooperatives.

The 2019 state tax bill conformed with provisions of the federal tax bill and Consolidated Appropriations Act of 2018. Minnesota decoupled from the QBI deduction for most entities. However, conformity with the federal changes resulted in inadvertently allowing the DPAD for cooperatives under section 199A(g) of the Internal Revenue Code. Minnesota had always provided an addition for the DPAD but that addition was repealed when the deduction was repealed by the 2017 Tax Cuts and Jobs Act. Because the DPAD is being restored for these cooperatives, the addition should be reinstated.

### *Resident Trust Definition*

To qualify as a resident trust under Minnesota law, the trust must meet one of three residency tests. The test at issue in *Fielding* provided that an irrevocable *inter vivos* trust is a resident trust if the grantor was domiciled in state at the time the trust became irrevocable. The *Fielding* Court held that this test, when applied to the trusts at issue, violated the Due Process Clause. The *Fielding* Court found that there were not sufficient minimum connections between the trust and the state to be taxed as resident trust. The *Kaestner* Court reached the same conclusion in a case which applied North Carolina’s resident trust statute to an *inter vivos* trust.

### **Proposal:**

#### *Minnesota Itemized Deduction for Casualty and Business Losses*

This proposal would update the Minnesota itemized deduction for casualty and theft losses to clarify that the amount of the deduction does not include the amount of reimbursement from insurance received for the loss. The proposal also expands the deduction to include losses from a Ponzi scheme or other fraudulent activity. These changes will align the Minnesota deduction with the losses that were allowed on the federal and state return prior to the changes made in the 2019 state tax bill.

### *Minnesota Addition for Federal Domestic Production Activities Deduction of Agricultural Cooperatives*

This proposal would create an addition to income for cooperatives that claim a federal deduction for cooperatives under section 199A(g). The effect of the proposal is to restore the definition of taxable income for cooperatives to what it was prior to the TCJA.

### *Resident Trust Definition*

This proposal updates the resident trust definition to trigger resident status if sufficient relevant connections to Minnesota exist. The proposal lists seven relevant connections to be considered. The proposal could change the amount of tax paid by trusts that were classified as resident trusts before the Supreme Court decision but as nonresident trusts after the decision. The change primarily impacts taxation of the intangible income of the trust since that is assigned 100% based on the trust’s state of residence.

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Modification of Sales Tax Exemptions

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	0	0	0
Revenues	9,560	19,830	29,310	39,280
Other Funds				
Expenditures	0	0	0	0
Revenues	560	1,160	1,660	2,360
Net Fiscal Impact = (Expenditures – Revenues)	(10,120)	(20,990)	(30,970)	(41,540)
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

The Governor recommends the following changes to sales tax:

- Modify the sales tax exemption for qualified data center software purchases
- Reinstate the sales tax exemption for fundraising sales by a school organization

#### Rationale/Background:

##### *Qualified Data Center Software Sales Tax Exemption*

In the context of Qualified Data Centers and sales tax, under current law the sales tax exemption applies to purchases of enterprise information technology equipment, electricity used to operate or maintain a qualified data center, and software for use in the qualified data center, including the corresponding software maintenance agreements. there are two types of software:

- Software where the original software or original software license is loaded at the data center and remains on the data center equipment, and
- Software where neither the original software nor the original software license is loaded at the data center, or if loaded at the data center, neither remains on the data center equipment.

Under current law, to qualify for the exemption, the original software or the original software license must be loaded at the data center and remain on the enterprise information technology equipment located at the data center. The software exemption can be claimed for up to 20 years from the date of the first purchase qualifying for the exemption, either data center equipment or software.

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 over \$100 million in fiscal year 2020. The growth of this expenditure has far exceeded the expected costs at the time of enactment. The November 2018 Budget and Economic Forecast indicated that sales tax refund claims were forecast to be \$101 million higher than the prior forecast largely due to qualified data centers.

### *School Fundraising Sales Tax Exemption*

Prior to July 2019, fundraising sales made by an educational or social nonprofit organization for people age 18 and under had a sales tax exemption provided the proceeds from the activities were not deposited with the school district treasurer. A 2019 law change to conform with federal accounting standards required fundraising sales made by schools and school-run groups for extracurricular activities to be deposited with the school district treasurer. The 2019 law change created the unintended effect of negating the sales tax exemption for certain fundraising activities.

### **Proposal:**

#### *Qualified Data Center Software Sales Tax Exemption*

The proposal would modify the exemption for software by decreasing the period for exemption from 20 years to five years and limiting the refund to 50% of the sales tax paid on all software purchases after June 30, 2021.

- For entities whose first qualifying purchase was five or more years prior to July 1, 2021, purchases of software loaded at the data center with either the original software or original software license remaining on equipment at the data center would be exempt, ending with the last purchase made prior to July 1, 2021.
- For entities whose first qualifying purchase was after June 30, 2021, the exemption is limited to five years from the first qualifying purchase and the refund is reduced to 50% of the sales tax paid on all software.
- For entities whose first qualifying purchase was made less than 5 years prior to July 1, 2021, purchases of software loaded at the data center with either the original software or original software license on equipment at the data center would be exempt for purchases prior to July 1, 2021. For purchases after June 30, 2021, and within five years of the first qualifying purchase, *all* software is exempt, and the refund is limited to 50% of the sales tax paid.

#### *School Fundraising Sales Tax Exemption*

The proposal would reverse the unintended effect of the recent law change on the sales tax exemption for fundraising sales. The sales tax exemption would again apply to educational or social nonprofit organizations for people age 18 and under, regardless of the accounting with the school district treasurer. The proposed change would require that: 1) the fundraising sales are for elementary and secondary school student extracurricular activities, and 2) the school district reserves and spends revenues raised by a particular extracurricular activity only for that activity. The change is effective for sales and purchases made after the date of enactment.

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Revenue Stability

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	0	0	0
Revenues	83,350	83,520	85,640	87,660
Other Funds				
Expenditures	0	0	0	0
Revenues	30	40	40	40
Net Fiscal Impact = (Expenditures – Revenues)	(83,380)	(83,560)	(85,680)	(87,700)
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

##### *Cigarette Tax Increase*

The Governor recommends increasing the cigarette tax and correlating moist snuff tax. These tobacco tax provisions are effective July 1, 2021.

##### *Reinstate Estate Tax Exclusion*

The Governor recommends reinstating the estate tax exclusion amount at \$2.7 million, the amount the exclusion was 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. The proposal would change the estate tax exclusion for estates of decedents dying after December 31, 2020.

#### Rationale/Background:

##### *Cigarette Tax Increase*

The current pack tax is \$3.04 and the last major increase was in 2013. The automatic inflator was removed in 2017.

##### *Reinstate Estate Tax Exclusion*

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. The exclusion is currently set at \$3 million. This proposal would reinstate the \$2.7 million exclusion amount.

The estate tax cut 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. Reinstating the lower estate tax exemption will reduce the regressivity of Minnesota's tax code.

#### Proposal:

##### *Cigarette Tax Increase*

The proposal would increase the cigarette pack tax by \$1 with a correlating moist snuff increase. The proposal includes a floor stock tax on existing product.

##### *Reinstate Estate Tax Exclusion*

The proposal would change the estate tax exclusion for estates of decedents dying after December 31, 2020, freezing the exclusion amount at \$2.7 million.

In addition, the 2017 law changed reduced 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.

### **Impact on Children and Families:**

#### *Cigarette Tax Increase*

The purpose of the 2013 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.

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Vapor Gross Receipts Tax

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	0	0	0
Revenues	\$3,320	\$8,290	\$8,580	\$8,870
Other Funds				
Expenditures	0	0	0	0
Revenues	(\$30)	(\$70)	(\$80)	(\$80)
Net Fiscal Impact = (Expenditures – Revenues)	(\$3,290)	(\$8,220)	(\$8,500)	(\$8,790)
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

##### *Gross Receipts Tax on Vapor Products and Devices*

The Governor recommends creating a new gross receipts tax to be collected at retail. This tax will be equal to 35% of the gross receipts from retail sales of nicotine solutions and devices.

##### *Electronic Delivery Devices*

The Governor recommends taxing electronic delivery devices at 95% of the wholesale sales price. Currently the nicotine solution, or vapor solution, consumed through devices are subject to this tax, but the devices are not subject to tax when sold separately from the solution.

##### *Online Sales*

The Governor recommends online retailers of tobacco products collect and remit Minnesota's tobacco product excise tax and vapor gross receipts excise tax. All out-of-state retailers making online sales of tobacco products would be required to collect and remit Chapter 297F consumer use tax. These retailers are currently required to remit sales tax.

#### Rationale/Background:

##### *Gross Receipts Tax on Vapor Products and Devices*

The 2019 Minnesota Student Survey shows that e-cigarette, or vaping, use continues to escalate among youth. Youth are more price sensitive, and this proposal will increase the price.

##### *Electronic Delivery Devices*

The 2019 Minnesota Student Survey shows that e-cigarette use, or vaping, continues to escalate among youth. Youth are more price sensitive, and this proposal will increase the price.

Current law taxes vapor solution, or "nicotine solution products," at 95% of wholesale price. The 95% wholesale tax applies to all products defined as "tobacco products" under Chapter 297F. This list includes, but is not limited to, moist snuff, loose leaf tobacco, and nicotine solution products. This proposal adds electronic delivery devices to the definition of "nicotine solution products."

##### *Online Sales*

Online retailers have a price advantage over Minnesota retailers because unlike Minnesota's brick-and-mortar retailers of tobacco products, online retailers do not pay tobacco product excise taxes. By requiring all online retailers of tobacco products to collect and remit consumer use tax imposed by Chapter 297F, the playing field

would be made more level for Minnesota businesses. Youth often search for cheaper online tobacco product prices, leveling the tax playing field will better ensure that sales to youth include the cost of the excise tax. Increasing the price of online tobacco product sales, we will deter youth use and improve youth health.

**Proposal:**

*Gross Receipts Tax on Vapor Products and Devices*

This proposal creates a new excise tax on retailers based on gross receipts from the retail sales of “nicotine solution products” and “heat devices.” The gross receipts tax is equal to 35% of the retail sale price of “nicotine solution products” and “heat devices.” “Nicotine solution products” is defined in Chapter 297F, this proposal creates a definition for “heat devices” in Chapter 297F.

*Electronic Delivery Devices*

In general, electronic cigarettes and vaping devices are only subject to sales tax. The proposal makes all electronic delivery devices subject to the 95% wholesale price tax and the new gross receipts tax. To include devices under these taxes, the definition of “nicotine solution products” in Chapter 297F is expanded to include electronic delivery devices sold separately from solutions.

*Online Sales*

This proposal imposes new tax collection obligations on out-of-state retailers of tobacco products by requiring them to collect and remit the applicable Chapter 297F consumer use tax. It should be noted that this proposal stems, in part, from the U.S. Supreme Court’s decision in *South Dakota v. Wayfair, Inc., et al.*, 138 S. Ct. 2080 (2018) (“*Wayfair*”). *Wayfair* provides the Department of Revenue greater jurisdiction to require out-of-state retailers to collect and remit tax on sales to Minnesota consumers.

**Impact on Children and Families:**

This package will increase the price of vapor products and tobacco products, which will lead into decreased youth access.

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Property Tax and Aid Updates

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	1,800	1,800	1,800
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	1,800	1,800	1,800
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

##### *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 2021 and thereafter.

##### *Sustainable Forest Incentive Act Program Modification*

The Governor recommends reducing the number of acres needing to be split classified when 2b Rural Vacant Land is enrolled in the Sustainable Forest Incentive Act (SFIA) Program.

##### *Commissioner's Responsibilities for State Aid Programs*

The Governor recommends updating the responsibilities of the Commissioner of Revenue related to state aid calculation, certification, and payment.

#### Rationale/Background:

##### *ITIN Usage for Homestead*

Under current law, only property owners with a valid Social Security number are allowed 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.

##### *Sustainable Forest Incentive Act Program Modification*

The classification requirements in the SFIA statutes conflict with standard property classification statutes. Standard classification statutes require assessors to split classify 10 acres when a parcel is over 20 acres and improved with a structure. The SFIA statutes only require 3 acres to be split when there is a structure on the land. Because of these conflicting statutes, a parcel could be enrolled in an SFIA covenant while also having a classification that violates the SFIA covenant's requirements.

*Commissioner's Responsibilities for State Aid Programs*

Over the years state aid programs have been added and modified in M.S. 477A, but the section related to the roles and responsibilities has not been updated with these modifications. There are aspects of the section that apply only to a particular aid program rather than all the aid programs administered by the department in this chapter.

**Proposal:**

*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.

*Sustainable Forest Incentive Act Program Modification*

This proposal creates an exception to the standard classification statutes to lower the number of acres split classified from 10 to 3 when the parcel is enrolled in an SFIA covenant. It adds language requiring the commissioner to notify county assessors annually of land enrolled in and released from an SFIA covenant. The proposal also adds a special law requiring the commissioner to not consider land that was split classified in conflict with SFIA statutes prior to this law change when determining violations of the condition of enrollment.

*Commissioner's Responsibilities for State Aid Programs*

This proposal updates M.S. 477A.014 to reflect the diverse aid programs and recipients administered by the department. It also clarifies the procedures in this section apply to all aid programs under chapter M.S. 477A, rather than being limited certain programs that existed when the section was enacted. The proposal addresses how to handle data errors and erroneous payments.

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Simplify School Levies and Improve Equalization

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	93,328	112,323	121,838
Revenues	0	380	360	340
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	92,948	111,963	121,498
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

The Governor recommends \$92.948 million in general funds in FY 2022-23 and \$233.461 million in FY 2024-25 funding to simplify school funding formulas and improve levy equalization by replacing two tiers of Local Optional Revenue (LOR) with one tier, replacing two tiers of operating referendum revenue with one tier, and replacing two tiers of Debt Service Equalization with one tier beginning in FY 2023.

#### Rationale/Background:

Under current law:

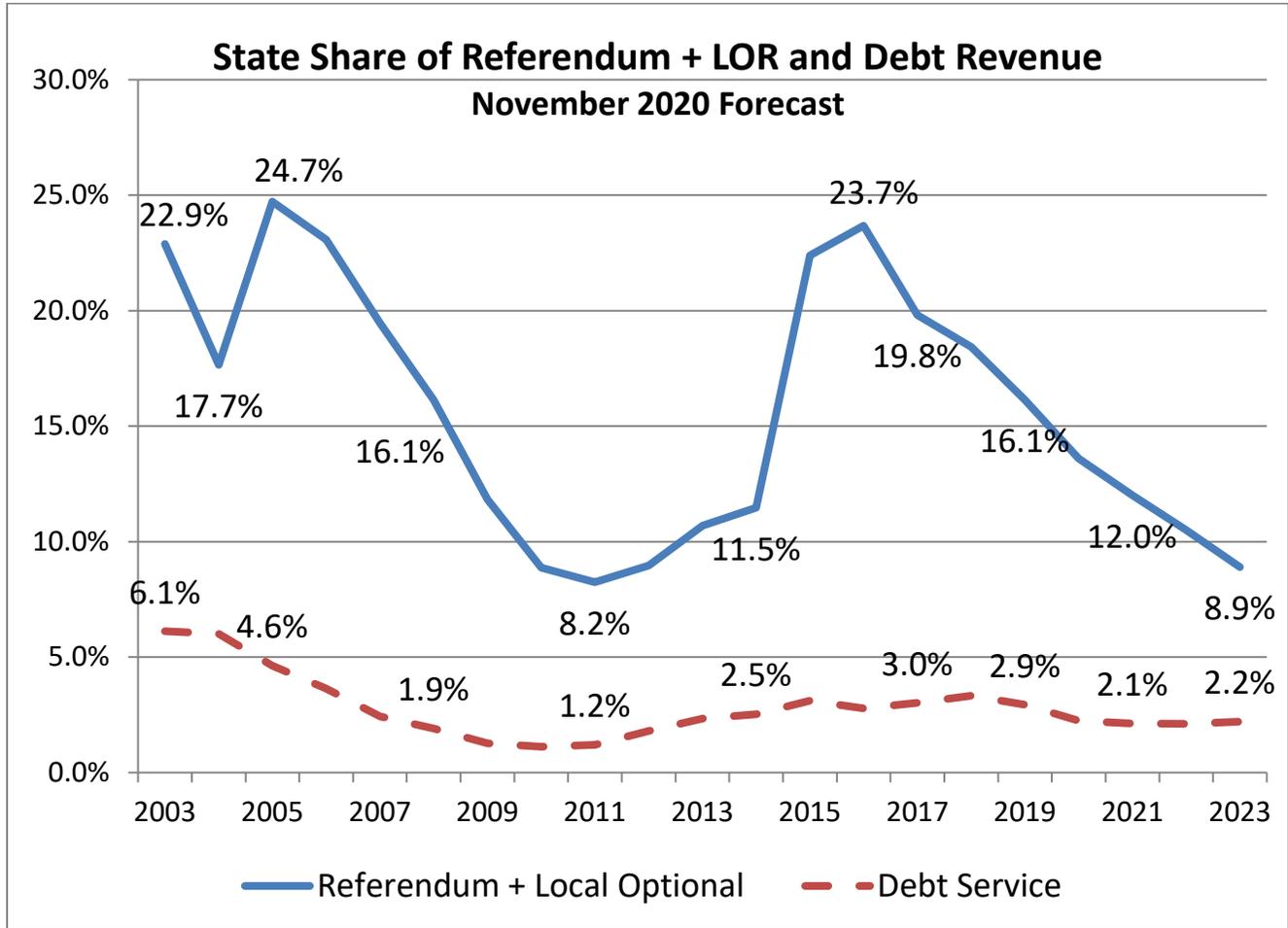
- The first \$300 of LOR is equalized at \$880,000 per pupil based on referendum market value (RMV) tax base. This is currently about 130 percent of the statewide average RMV per pupil. The remaining \$425 of LOR is equalized at the much lower rate of \$510,000 per pupil or about 81 percent of the statewide average RMV per pupil.
- The first \$460 of operating referendum is equalized at \$576,000 per pupil based on RMV; a slightly higher rate than the second tier of LOR. The second tier of operating referendum up to the equalization cap is equalized at \$290,000 per pupil, or only about 43 percent of the statewide average RMV per pupil.
- The two tiers of debt service equalization provide equalization for debt levies over a certain threshold. The threshold is 15.74 percent of the adjusted net tax capacity (ANTC) tax base of the district. The first tier of equalization applies to debt revenue between 15.74 and 26.24 percent of ANTC and is equalized at 55.33 percent of the statewide average ANTC per third year prior adjusted pupil unit. The second tier equalizes the remaining revenue over 26.24 of ANTC and is equalized at 100 percent of the statewide average ANTC per third year prior adjusted pupil unit.

The recommendations for these three programs are a variation of the recommendations made by the School Finance Working Group, and support the following principals for education funding and levy equalization identified by the working group:

- School finance calculations should be simplified as much as possible without sacrificing equity.
- When equalization is provided using equalizing factors, the equalizing factors should be set at or above the state average tax base per student to ensure that districts with low tax base per student are not disadvantaged in raising revenue compared with districts having higher tax base per student.

Improved equalization is needed for these programs because over time the equalization levels erode as the tax base grows. The state share of operating referendum and LOR revenue has fallen from 22.9 percent in FY 2003 to 12.0 percent in FY 2021 as shown in the chart below. While significant improvements were made to the state

share of these programs in FY 2015 and FY 2016, with fixed equalizing factors the equalization tends to erode over time as property values increase. This also occurred in the earlier period between FY 2005 and FY 2011.



**Proposal:**

This proposal includes funding for operating referendum equalization by replacing the two-tiered equalization formula with a single equalization tier, up to the current equalization cap beginning in FY 2023. Referendum revenue would be equalized at 85 percent of the state average RMV per third year prior resident pupil unit (\$574,300). For LOR, this proposal replaces the two-tiered equalization formula with a single tier beginning in FY 2023. LOR would be equalized at 123 percent of the state average RMV per third year prior resident pupil unit (\$844,600). For debt service equalization aid, this proposal includes replacing the current two-tiered equalization formula with a single equalization tier, maintaining the existing 15.74 percent threshold for qualifying for equalization aid, and fully equalizing the remainder at 100 percent of the state average ANTC per third year prior pupil unit.

- This will increase general education aid by \$77.5 million in FY 2023, \$95.3 million in FY 2024, and \$105.5 million in FY 2025. This will also increase debt service equalization aid by \$17.9 million in FY 2023, \$19.3 million in FY 2024, and \$18.6 million in FY 2025. The breakdown of these changes is shown in the table below:

Appropriation Summary	FY 23	FY 22-23 Biennium	FY 24	FY 25	FY 24-25 Biennium
Referendum	\$9,464	\$9,464	\$14,490	\$16,421	\$30,911
Local Optional Revenue	\$68,054	\$68,054	\$80,854	\$89,097	\$169,951
Debt Service Equalization	\$17,910	\$17,910	\$19,309	\$18,590	\$37,899
Total Appropriation	\$95,428	\$95,428	\$114,653	\$124,108	\$238,761

Because this proposal decreases the levy share of these program allowances, property taxes on all property will decrease. Decreased property taxes will result in lower homeowner property tax refunds, which is a savings to the state general fund, a decrease of \$980 thousand in FY 2022-23 and a decrease of \$1.850 million in FY 2024-25. The reduction in debt levies will also lower the basis for the school building bond and bond credit, which is also a savings to the state general fund. This results in a decrease of \$1.120 million in FY 2022-23 and a decrease of \$2.750 million in FY 2024-25. The decrease in property taxes will also decrease income tax deductions, which increases revenues to the state general fund by \$380 thousand in FY 2022-23 and by \$700 thousand in FY 2024-25.

**Impact on Children and Families:**

This proposal increases state aid for districts with low tax bases per student providing property tax relief for families while maintaining resources for education.

**Equity and Inclusion:**

For every school levy dollar passed in a lower property wealth school district, the state pays a portion to lower the tax burden on local taxpayers. The intent of equalization is to make the taxpayer cost for a levy dollar more uniform throughout the state. Improving levy equalization makes it more equitable for districts with low tax base per student in raising revenue compared with districts having higher tax base per student.

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Tax Rate Consistency

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	0	0	0
Revenues	0	\$800	\$800	\$800
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	(\$800)	(\$800)	(\$800)
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

##### *Non Admitted Surplus Lines Tax*

The Governor recommends creating a consistent gross premium tax rate of 3% for non admitted insurance regardless of how the insurance was purchased.

##### *Updated Conversion Rate for Self-Haulers*

The Governor recommends amending the self-hauler construction debris tax rate language to make it consistent with the commercial generator construction debris tax rate language. This proposal will promote tax fairness by aligning the tax of construction debris waste by commercial generators and self-haulers.

#### Rationale/Background:

##### *Non Admitted Surplus Lines Tax*

Under current law, the purchase of surplus lines insurance through a surplus lines agent is subject to a 3% gross premium tax. However, the direct purchase of the same insurance by the insured is subject to a 2% gross premium tax. There is no difference between a surplus lines policy that is purchased directly or through a non admitted surplus lines agent, except the tax rate. The taxpayers that benefit the most from this difference are large corporations with in-house insurance/risk management divisions available for direct procurement. This also creates a situation where identical products are taxed two different ways.

In 2018, only about 35 insureds reported directly procuring a total of approximately \$70 million in non admitted insurance premium, which at a 2% rate generated approximately \$1.4 million in premium tax. These amounts are low when compared to the hundreds of licensed surplus lines brokers that brokered \$556 million in non admitted insurance premium in the same year, which at a 3% rate generated approximately \$16.7 million in premium tax.

##### *Updated Conversion Rate for Self-Haulers*

In 2017, the construction debris rate language for commercial generators of non-mixed municipal solid waste (M.S. 297H.04) was changed to make converting the per-ton tax rate to the per-cubic-yard rate more accurate. Parallel changes to the self-hauler construction debris conversion method (M.S. 297H.05) were not made. As a result, the per-ton to per-cubic-yard tax rate conversions are no longer parallel and the self-hauler construction debris method for converting per-ton tax rates to per-cubic-yard tax rates are less accurate.

Conversion schedules should mirror one another for construction debris just as the Industrial waste and Infection waste references are identical in both sections. This is a technical correction and should have been included in the changes made in 2017.

**Proposal:**

*Non Admitted Surplus Lines Tax*

This proposal creates a consistent 3% tax rate for non admitted surplus lines insurance premiums regardless of how the insurance premium was purchased. The majority of taxpayers will not see a change in their tax rate as non admitted insurance is a lightly regulated insurance that is too specialized (e.g., cyber-liability policy for national retailers) or risky (e.g., amusement park liability policy) for the standard market.

*Updated Conversion Rate for Self-Haulers*

This proposal is to amend self-hauler construction debris (i.e., construction and demolition waste) tax rate language to make it consistent with the commercial generator construction debris tax rate language. The current conversion rate of \$2.00 per ton for self-haulers of construction debris has not been changed since 1997 and is no longer reflective of the volume to weight ratio. The proposal provides for a tax on construction debris for self-haulers of 60¢ per ton. The proposal would have the Department of Revenue consult with the Pollution Control Agency to determine a more accurate ton-to-dollar amount, and for this reason the revenue estimate is unknown.

This proposal also makes technical changes to the weight-to-volume conversion language for both mixed municipal solid waste (M.S. 297H.04) and self-haulers (M.S. 297H.05). The previous weight-to-volume conversion language was not accurate.

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Iron Ore Bearing Material Update

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	110	220	220	220
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	1,550	3,130	3,070	3,220
Net Fiscal Impact = (Expenditures – Revenues)	(1,440)	(2,910)	(2,850)	(3,000)
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

The Governor recommends updating the definition of iron ore bearing material to reflect lump-ore. The updated definition will create fairness among the mining industry by ensuring the new process is also subject to the production tax.

#### Rationale/Background:

The Department of Revenue has become aware of a new mining process that does not result in the creation of taconite pellets, but results in lump ore. The current statutes are narrow in the definitions of what is subject to production tax. It's our interpretation the production tax would not apply to lump ore.

The updated definition would expand to any future mining changes to ensure new processes would be captured under this definition. This will help prevent disruption to the collection of production tax.

#### Proposal:

This proposal amends the definition of iron ore bearing material relating to production tax in M.S. 298.24. The purpose is to ensure that any iron-bearing material that goes through material beneficiation is subject to Minnesota production taxes. The proposal updates the definition to account for newer mining technologies that do not create taconite pellets.

The state distributes 22 cents per taxable ton each year, which is distributed with the other production tax collected.

#### Impact on Children and Families:

The Production Tax is the largest tax paid by the Minnesota mining industry. It is a major source of revenue to the counties, cities, towns and school districts within the Taconite Assistance Area. The tax is paid in lieu of property taxes on the mining and production of taconite, direct-reduced iron (DRI) and other iron-bearing materials. This proposal maintains the revenue stream, which funds schools, parks and trails, and property tax relief.

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Regional Transit Bonding Authority

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	50	600	950
Revenues	0	(20)	(260)	(410)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	70	860	1,360
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

The Governor recommends the Metropolitan Council's authority to issue bonds under M.S. 473.39 be increased by \$98,400,000 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 \$98,400,000 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 \$98,400,000 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, 2021, the council may issue certificates of indebtedness, bonds, or other obligations in an amount not exceeding \$48,400,000 and after July 1, 2022 the council may issue certificates of indebtedness, bonds, or other obligations in an additional amount not exceeding \$50,000,000. 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 \$70,000 in FY 2023, and \$2.22 million in FY 2024-25. 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

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Public Defender Payment Distribution Change

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
<b>MMB Non-Operating</b>				
General Fund				
Expenditures	(500)	(500)	(500)	(500)
Revenues	0	0	0	0
<b>Board of Public Defense</b>				
General Fund				
Expenditures	500	500	500	500
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Recommendation:

The Governor recommends the responsibility for distributing public defender expense reimbursements be transferred from Minnesota Management and Budget (MMB) to the Minnesota Board of Public Defense. Public defender expense reimbursements are paid using a portion of the county program aid appropriation. This proposal creates government efficiency by ensuring that the Board of Public Defense, which approves the expenses under current law, is also the entity that processes the expense payments. The Governor also recommends removing the requirement that certain public defender costs must be authorized by court order.

#### Rationale/Background:

As authorized by Minnesota Statutes Section 611.27, the \$500,000 annual transfer from county program aid can be used for two broad purposes. First, to pay for appellate public defenders' transcript costs and other necessary expenses in appeal and postconviction cases when the Board of Public Defense's own \$500,000 annual allocation has been exhausted. Second, for the costs of alternative counsel in district court cases when a district public defense office indicates it is unable to provide adequate representation. For both types of costs, the expenses must be authorized by the Board of Public Defense. For district-level costs, the appointment of alternative counsel must also be approved by the district court. All expenses are then received by the Board of Public Defense and forwarded to MMB for payment.

MMB processed 927 invoices forwarded from the Board of Public Defense in FY 2020, 1,196 in FY 2019, 1,091 in FY 2018, and 679 in FY 2017.

#### Proposal:

The proposal moves the \$500,000 annual transfer of county program aid from MMB to the Board of Public Defense. Under current law, the Minnesota Department of Revenue (DOR) transfers this amount from the county program aid account to MMB every July. Under this proposal, DOR will transfer the funds to the board instead, which removes MMB from the process. The proposal also contains related clean-ups to statutory language to clarify how the process works.

These changes increase government efficiency by ensuring that the entity approving these public defender expenses—the Board of Public Defense—is the same entity that is consistently processing the payments. These changes will improve processing times and will provide consistency and administrative ease for the vendors seeking payment. These vendors have relationships with the Board of Public Defense and submit their invoices to

the board. And in the case of appellate transcripts costs, vendors receive payment from the board during certain months of the fiscal year and from MMB during other months. This proposal ensures that vendors will only need to interact with one agency during all times of the year.

This proposal also contains policy changes requested by the Board of Public Defense that removes the requirement that certain public defender costs must ultimately be authorized by court order. When a district public defense office believes it cannot provide representation for a case, the office contacts the Board of Public Defense. As required by law, the board must approve requests for outside counsel, and if it does, current law also requires court order approval from the district court. This is achieved by the board estimating costs, and the state public defender drafting a court order to be signed by the chief district court judge. The board indicates that it is unaware of any instance when a judge has denied a request. By removing the requirement of court order approval, it further streamlines the process by ensuring that one agency receives the county program aid transfer, reviews and approves requests for outside counsel, and monitors expenses in the account.

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Petrofund Sunset Date Repeal

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	22,205	22,205	22,205
Revenues	0	22,205	22,205	22,205
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
<b>FTEs</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>6</b>

#### Recommendation:

The Governor recommends repealing the Petrofund sunset date in Minn. Stat. §115C.13 and expanding the eligibility criteria of the Petrofund Abandoned Underground Storage Tank (UST) Removal Program to include abandoned tanks located on properties that have been taken over by the State due to tax forfeiture.

#### Rationale/Background:

The Petrofund program is a necessary service utilized by Minnesotans across the state. Due to bipartisan and industry support of the Petrofund Program, the ‘sunset date’ has been extended on five previous occasions:

- **1997** – from June 30, 2000 to June 30, 2005;
- **2003** – from June 30, 2005 to June 30, 2007;
- **2005** – from June 30, 2007 to June 30, 2012;
- **2011** – from June 30, 2012 to June 30, 2017; and
- **2016** – from June 30, 2017 to June 30, 2022.

Inclusion of tax-forfeited properties into this program will allow for expedient removal of the tanks and their contents, identification and cleanup activities. Once the tanks are removed, these properties are much more likely to be purchased and developed by private parties. Redeveloping these properties is more difficult, particularly in Greater Minnesota.

#### Proposal:

This proposal eliminates the current Petrofund repealer in Minn. Stat. §115C.13 currently set for June 30, 2022. Owners of petroleum storage tanks and petroleum-contaminated property will see a direct financial benefit from the continued existence of the Petrofund, which provides reimbursement of up to 90 percent of costs to investigate and clean up contamination from leaking tanks. Furthermore, there would be stability for consumers by removing any uncertainty around the extension of the program’s existence.

This proposal does not increase the Department’s FTE count. It continues the program at the existing staff and funding levels. The program is funded through the Petroleum tank release cleanup fee.

This proposal also expands the eligibility criteria of the Petrofund Abandoned Underground Storage Tank (UST) Removal Program, as outlined in Minn. Stat. §115C.094, to include abandoned tanks located on properties that have been taken over by the State due to tax forfeiture.

**Impact on Children and Families:**

Minnesota families in proximity to each of these sites will benefit from the removal of potentially harmful contaminated soil and groundwater. In addition, removal of the USTs and addressing any necessary investigation and cleanup could expedite redevelopment of properties. The state as a whole will be better off because promptly addressing petroleum releases saves money that would otherwise be reimbursed by the Petrofund Program.

**Equity and Inclusion:**

All communities, including those that are under-represented, are positively affected when abandoned petroleum USTs are removed and the risk to human health and the environment is addressed. In addition, all communities are positively impacted when petroleum storage tank owners have funding available to cover costs to address contamination and/or third-party liability claims.

Providing reliable, stable funding so that contamination from leaking tanks is addressed in a timely manner helps to protect the quality of the entire state's ground and surface water resources and indoor air quality (i.e. petroleum vapors in buildings).

**IT Related Proposals:**

N/A

## Tax Aids, Credits and Refunds

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Administering the Governor's 2021 Tax Bill

Fiscal Impact (\$000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	2,209	1,860	1,860	1,860
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,209	1,860	1,860	1,860
<b>FTEs</b>	<b>13.46</b>	<b>14.23</b>	<b>14.23</b>	<b>14.23</b>

#### Recommendation:

The Governor recommends providing the Department of Revenue with funding to administer the Governor's 2021 Tax Bill. The Department of Revenue would incur \$2.209 million in costs in FY 2022 and \$1.860 million in each year thereafter to implement these changes.

#### Rationale/Background:

The cost of implementing new tax provisions strongly depends on the nature of the tax law changes. The Department of Revenue can leverage our existing systems and processes to implement some changes with little additional effort while others – particularly complex law changes and new tax types, for example – require additional resources.

The Department of Revenue's goal is to ensure that all taxpayers with obligations or benefits under Minnesota's tax code have the information and resources they need to follow the law. With growing numbers of taxpayers and additional tax laws, the department will not be able to meet taxpayer demands without additional resources.

#### Proposal:

This proposal funds the costs that the Department of Revenue would incur to implement the Governor's tax bill, which includes: providing clear forms, instructions, and other written guidance; outreach to the affected industry or customer set; systems changes and maintenance to our integrated tax system; working with external vendors on changes, particularly for individual income taxes; maintaining IT systems that can process and retain accurate information; reviewing and auditing returns; and handling appeals.

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.

**Program: Refunds**  
**Activity: Homestead Credit Refund**

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

For refunds based on taxes paid in 2018:

- Approximately 535,000 homeowners received refunds
- The average refund was \$920

**PURPOSE AND CONTEXT**

Property taxes account for a high share of income for some taxpayers. The Homestead Credit Refund provides relief to homeowners who pay high property taxes relative to their income.

Funding source: State General Fund

**SERVICES PROVIDED**

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

**RESULTS**

Property taxes are more affordable for qualifying homeowners. The chart below shows the number of homeowner refunds varies from year to year.



Property taxes are less regressive for homeowners with lower incomes because of the Property Tax Refund (PTR).

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Suits index - homeowner property taxes before PTR	-0.175	-0.165	2014 – 2016
Results	Suits index - homeowner property taxes after PTR	-0.120	-0.106	2014 – 2016
Results	Reduction in regressivity due to PTR	31%	36%	2014 – 2016

**Performance Measure Notes:**

The Suits index compares the 2017 Tax Incidence Study based on calendar year 2014 property taxes and refunds (previous) with the most recently available 2019 Tax Incidence Study based on calendar year 2016 property taxes and refunds (current).

The Suits index measures if taxes are progressive or regressive. For a progressive tax, the effective tax rate rises as income rises. For a regressive tax, 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.

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search “property tax refund.”

Legal Citation: M.S. 290A.04 Subd. 2 establishes the Homestead Credit Refund program.  
<https://www.revisor.mn.gov/statutes/cite/290A.04>.

# Homestead Credit Refund

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	447,754	478,550	531,467	584,500	612,600	625,600	612,600	626,470
<b>Total</b>	<b>447,754</b>	<b>478,550</b>	<b>531,467</b>	<b>584,500</b>	<b>612,600</b>	<b>625,600</b>	<b>612,600</b>	<b>626,470</b>
Biennial Change				189,663		122,233		123,103
Biennial % Change				20		11		11
Governor's Change from Base								870
Governor's % Change from Base								0

## **Expenditures by Category**

Grants, Aids and Subsidies	447,541	478,506	531,407	584,400	612,500	625,500	612,500	626,370
Other Financial Transaction	213	44	60	100	100	100	100	100
<b>Total</b>	<b>447,754</b>	<b>478,550</b>	<b>531,467</b>	<b>584,500</b>	<b>612,600</b>	<b>625,600</b>	<b>612,600</b>	<b>626,470</b>

# Homestead Credit Refund

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	447,754	478,550	531,467	584,500	612,600	625,600	612,600	626,470
<b>Expenditures</b>	<b>447,754</b>	<b>478,550</b>	<b>531,467</b>	<b>584,500</b>	<b>612,600</b>	<b>625,600</b>	<b>612,600</b>	<b>626,470</b>
Biennial Change in Expenditures				189,663		122,233		123,103
Biennial % Change in Expenditures				20		11		11
Governor's Change from Base								870
Governor's % Change from Base								0

Program: Refunds
Activity: Renters Property Tax Refund

revenue.state.mn.us

AT A GLANCE

For refunds based on taxes paid in 2018:

- Approximately 337,000 renters received refunds
The average refund was \$670

PURPOSE AND CONTEXT

Property taxes account for a high share of income for some taxpayers. The Renter's Property Tax Refund provides relief for those who - through their rent - pay high property taxes relative to their income.

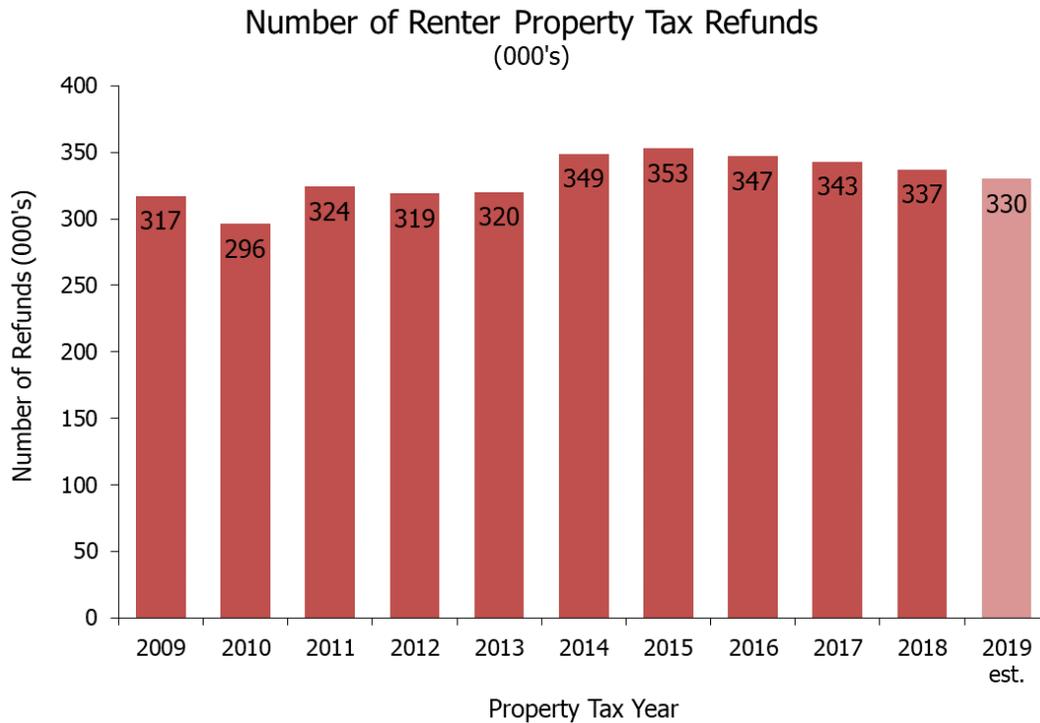
Funding source: State General Fund

SERVICES PROVIDED

The program provides property tax relief to renters based on their ability to pay. If property tax exceeds a certain percentage of household 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

Property taxes are more affordable for qualifying renters. The chart below shows the number of renter refunds varies from year to year.



Property taxes are less regressive for renters with lower incomes due to the Property Tax Refund (PTR).

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Suits index – renter property taxes before PTR	-0.310	-0.293	2014 –2016
Results	Suits index – renter property taxes after PTR	-0.146	-0.102	2014 –2016
Results	Reduction in regressivity due to PTR	53%	65%	2014 –2016

**Performance Measure Notes:**

The Suits index compares the 2017 Tax Incidence Study based on calendar year 2014 property taxes and refunds (previous) with the most recently available 2019 Tax Incidence Study based on calendar year 2016 property taxes and refunds (current).

The Suits index measures if taxes are progressive or regressive. For a progressive tax, the effective tax rate rises as income rises. For a regressive tax, 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.

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search “property tax refund.”

Legal Citation: M.S. 290A.04 Subd. 2a establishes the Renter’s Property Tax Refund program.  
<https://www.revisor.mn.gov/statutes/cite/290A.04>.

# Renters Property Tax Refund

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	222,588	223,726	229,888	227,300	243,100	245,600	243,100	245,600
<b>Total</b>	<b>222,588</b>	<b>223,726</b>	<b>229,888</b>	<b>227,300</b>	<b>243,100</b>	<b>245,600</b>	<b>243,100</b>	<b>245,600</b>
Biennial Change				10,874		31,512		31,512
Biennial % Change				2		7		7
Governor's Change from Base								0
Governor's % Change from Base								0

## **Expenditures by Category**

Operating Expenses	115	114	115	150	150	150	150	150
Grants, Aids and Subsidies	222,377	223,545	229,687	227,050	242,850	245,350	242,850	245,350
Other Financial Transaction	96	68	87	100	100	100	100	100
<b>Total</b>	<b>222,588</b>	<b>223,726</b>	<b>229,888</b>	<b>227,300</b>	<b>243,100</b>	<b>245,600</b>	<b>243,100</b>	<b>245,600</b>

# Renters Property Tax Refund

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	222,588	223,726	229,888	227,300	243,100	245,600	243,100	245,600
<b>Expenditures</b>	<b>222,588</b>	<b>223,726</b>	<b>229,888</b>	<b>227,300</b>	<b>243,100</b>	<b>245,600</b>	<b>243,100</b>	<b>245,600</b>
Biennial Change in Expenditures				10,874		31,512		31,512
Biennial % Change in Expenditures				2		7		7
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Refunds  
**Activity:** Special Property Tax Refund  
[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2019:

- Approximately 100,000 homeowners received a special refund
- The average refund was \$96

**PURPOSE AND CONTEXT**

Large increases in property taxes can lead to financial strain for some taxpayers. The Special Property Tax Refund provides relief for homeowners who have a large increase in property taxes due to economic conditions, property tax policy changes, or other factors.

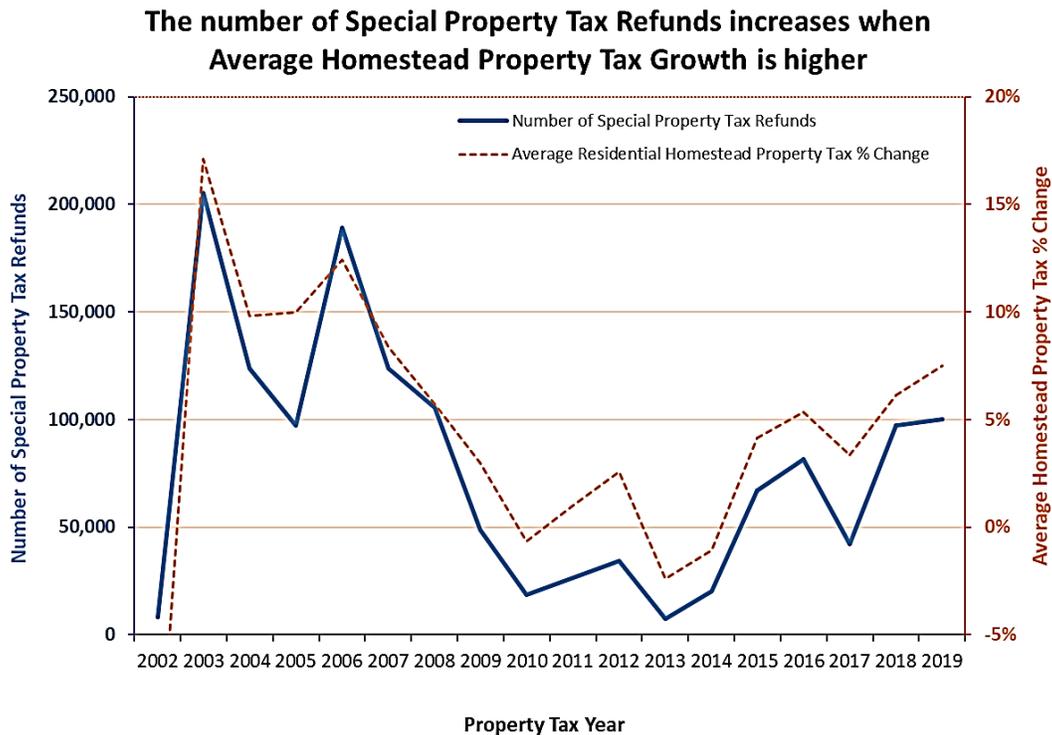
Funding source: State General Fund

**SERVICES PROVIDED**

The special refund provides relief to homesteads that experience a one-year increase in property tax of at least 12% and \$100. The refund amount is 60% of the increase above 12%, up to a maximum of \$1,000.

**RESULTS**

Property taxes are more predictable and affordable for households by reducing significant annual increases. The chart below shows the number of refunds increases when average homestead property tax growth is higher.



<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Annual special refunds processed	42,000	100,000	2017 - 2019

**Performance Measure Notes:**

Results from year to year can be highly variable. Since 2010, the average annual number of special refunds processed is 49,000. The average refund has ranged from \$84 to \$152.

Annual refunds processed compares taxes payable year 2017 (previous) to 2019 (current).

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://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>.

# Special Property Tax Refund

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	3,629	7,940	10,722	11,073	1,800	5,000	1,800	5,000
<b>Total</b>	<b>3,629</b>	<b>7,940</b>	<b>10,722</b>	<b>11,073</b>	<b>1,800</b>	<b>5,000</b>	<b>1,800</b>	<b>5,000</b>
Biennial Change				10,226		(14,995)		(14,995)
Biennial % Change				88		(69)		(69)
Governor's Change from Base								0
Governor's % Change from Base								0

## **Expenditures by Category**

Grants, Aids and Subsidies	3,623	7,939	10,720	11,070	1,799	4,995	1,799	4,995
Other Financial Transaction	6	1	2	3	1	5	1	5
<b>Total</b>	<b>3,629</b>	<b>7,940</b>	<b>10,722</b>	<b>11,073</b>	<b>1,800</b>	<b>5,000</b>	<b>1,800</b>	<b>5,000</b>

# Special Property Tax Refund

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	3,629	7,940	10,722	11,073	1,800	5,000	1,800	5,000
<b>Expenditures</b>	<b>3,629</b>	<b>7,940</b>	<b>10,722</b>	<b>11,073</b>	<b>1,800</b>	<b>5,000</b>	<b>1,800</b>	<b>5,000</b>
Biennial Change in Expenditures				10,226		(14,995)		(14,995)
Biennial % Change in Expenditures				88		(69)		(69)
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Refunds**Activity:** Sustainable Forest Incentive Payment[revenue.state.mn.us](http://revenue.state.mn.us)**AT A GLANCE**

In 2019:

- 2,675 forest land owners received an incentive payment
- The average incentive payment was \$4,434

**PURPOSE AND CONTEXT**

Property taxes can be a significant cost to owning forest land, which can discourage long-term forest management investments. The Sustainable Forest Incentive Act provides payments to owners of forest land to encourage sustainable forest management rather than developing the land.

Funding source: State General Fund

**SERVICES PROVIDED**

A land owner who meets all the qualifications of the Sustainable Forest Incentive Act is eligible for a payment for the enrolled acres. Land is enrolled for eight, twenty, or fifty years, with higher payment rates for longer enrollments. 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Acres of forest land enrolled	989,000	1,026,000	2017 – 2019

**Performance Measure Notes:**

Acres of forest land enrolled compares calendar year 2017 (previous) to 2019 (current).

The average incentive payment increased from \$4,222 in 2017 to \$4,434 in 2019.

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. Prior to 2018, the annual payment was set at \$7 per acre.

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search “sustainable forest.”

---

Legal Citation: M.S. Chapter 290C establishes the Sustainable Forest Incentive.  
<https://www.revisor.mn.gov/statutes/cite/290C>.

## Sustainable Forest Incentive Payments

## Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	10,799	10,867	11,876	12,360	12,880	13,400	12,880	13,400
<b>Total</b>	<b>10,799</b>	<b>10,867</b>	<b>11,876</b>	<b>12,360</b>	<b>12,880</b>	<b>13,400</b>	<b>12,880</b>	<b>13,400</b>
Biennial Change				2,569		2,044		2,044
Biennial % Change				12		8		8
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	10,799	10,867	11,875	12,355	12,875	13,395	12,875	13,395
Other Financial Transaction	0	0	1	5	5	5	5	5
<b>Total</b>	<b>10,799</b>	<b>10,867</b>	<b>11,876</b>	<b>12,360</b>	<b>12,880</b>	<b>13,400</b>	<b>12,880</b>	<b>13,400</b>

# Sustainable Forest Incentive Payments

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Open Appropriation	10,799	10,867	11,876	12,360	12,880	13,400	12,880	13,400
<b>Expenditures</b>	<b>10,799</b>	<b>10,867</b>	<b>11,876</b>	<b>12,360</b>	<b>12,880</b>	<b>13,400</b>	<b>12,880</b>	<b>13,400</b>
Biennial Change in Expenditures				2,569		2,044		2,044
Biennial % Change in Expenditures				12		8		8
Governor's Change from Base								0
Governor's % Change from Base								0

**Program: Local Aids**  
**Activity: Local Government Aid (City Aid)**

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2020:

- 760 cities out of 853 receive Local Government Aid
- Payments were increased \$26 million from the previous year

**PURPOSE AND 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.

Funding source: State General Fund

**SERVICES PROVIDED**

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

The LGA formula has changed many times since it started in 1971. The current formula measures a city’s need by comparing factors like its population and age of housing to its ability to pay (based on local property values).

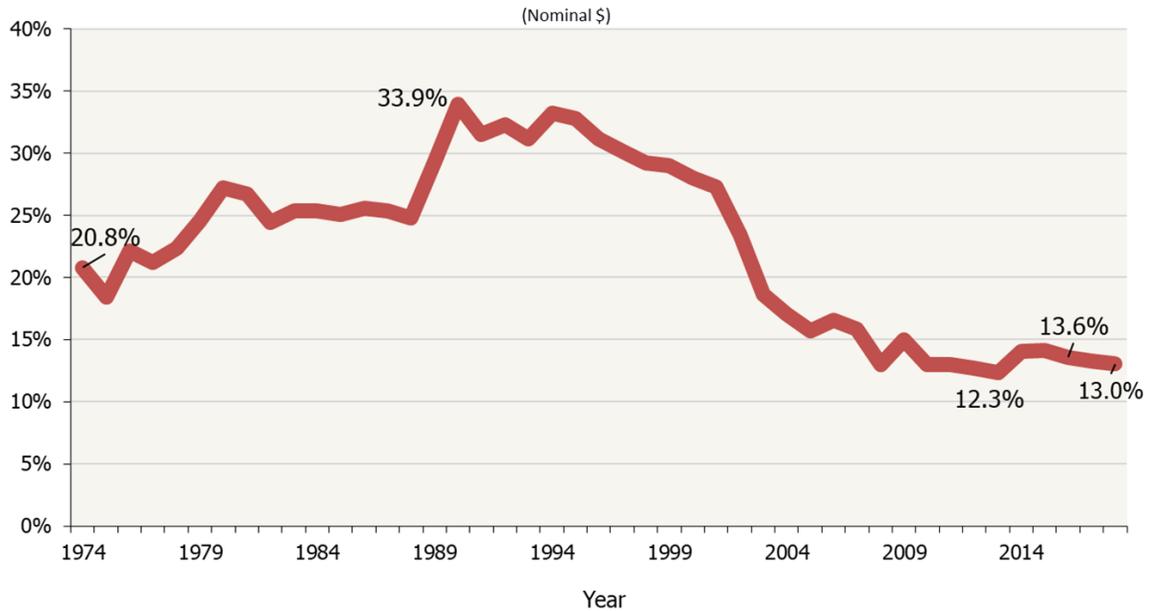
The formula attempts to target aid to those cities with the lowest property values and highest need.

**RESULTS**

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Percentage of cities receiving LGA	90%	89%	2016 – 2018
Quality	LGA percentage of city spending	13.6%	13.0%	2016 – 2018

## LGA Percentage of City General Spending



**Performance Measure Notes:**

Percentage of cities receiving LGA compares payable year 2016 (previous) to 2018 (current).

LGA percentage of city spending is based on State Auditor city finance reports for 2016 and 2018 and computes LGA as a percentage of total current expenditures. 2018 is the most recent auditor data available.

A 2019 law change increased the LGA appropriation by \$26 million for aids payable 2020 and another \$4 million for aids payable 2021 and thereafter.

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search “LGA.”

Legal Citation: M.S. Chapter 477A establishes the Local Government Aid program.  
<https://www.revisor.mn.gov/statutes/cite/477A>.

## Local Government Aid (City Aid)

## Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	519,468	611,583	457,137	561,353	564,398	564,398	564,398	564,398
<b>Total</b>	<b>519,468</b>	<b>611,583</b>	<b>457,137</b>	<b>561,353</b>	<b>564,398</b>	<b>564,398</b>	<b>564,398</b>	<b>564,398</b>
Biennial Change				(112,561)		110,306		110,306
Biennial % Change				(10)		11		11
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	519,468	611,583	457,137	561,353	564,398	564,398	564,398	564,398
<b>Total</b>	<b>519,468</b>	<b>611,583</b>	<b>457,137</b>	<b>561,353</b>	<b>564,398</b>	<b>564,398</b>	<b>564,398</b>	<b>564,398</b>

## Local Government Aid (City Aid)

## Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Direct Appropriation	519,537	612,420	457,185	561,353	564,398	564,398	564,398	564,398
Cancellations	69	837	47					
<b>Expenditures</b>	<b>519,468</b>	<b>611,583</b>	<b>457,137</b>	<b>561,353</b>	<b>564,398</b>	<b>564,398</b>	<b>564,398</b>	<b>564,398</b>
Biennial Change in Expenditures				(112,561)		110,306		110,306
Biennial % Change in Expenditures				(10)		11		11
Governor's Change from Base								0
Governor's % Change from Base								0

**Program: Local Aids**  
**Activity: County Program Aid**

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2020:

- All 87 counties received County Program Aid
- Payments were increased \$26 million from the previous year

**PURPOSE AND 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.

Funding source: State General Fund

**SERVICES PROVIDED**

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

The CPA appropriation is divided into two pots:

1. Need aid, which is based on a county’s measure of crime rate, poverty, and population.
2. Tax base equalization aid, which is based on a county’s population and property values.

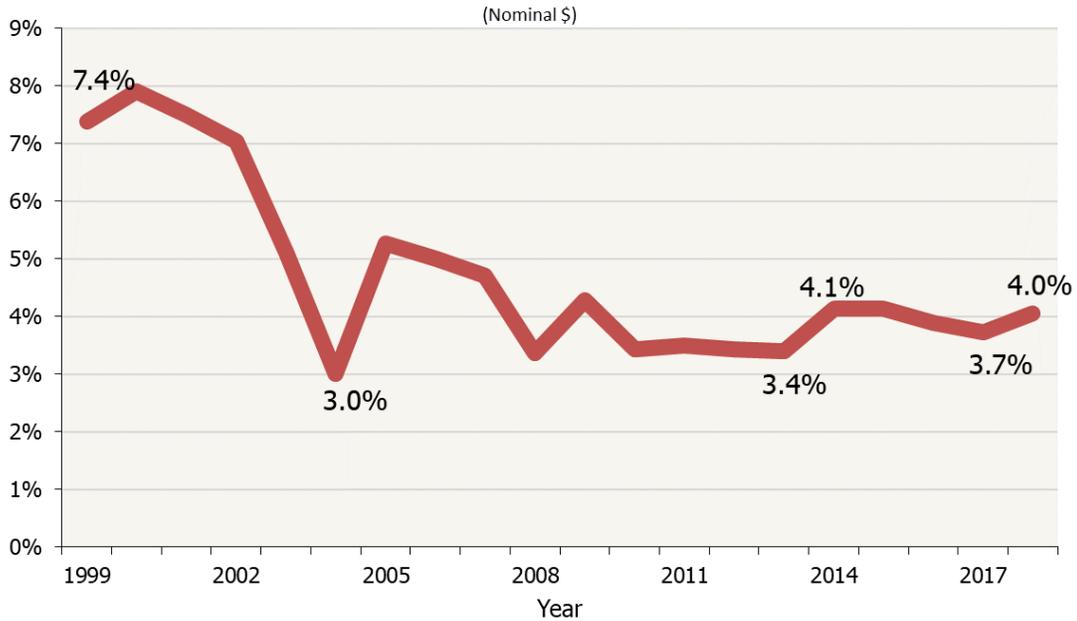
The formula provides aid to those counties with the highest need and lowest property values.

**RESULTS**

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Percentage of counties receiving CPA - Need Aid	100%	100%	2016 – 2018
Quantity	Percentage of counties receiving CPA - Tax Base Equalization Aid	69%	100%	2016 – 2018
Quality	CPA percentage of county spending	3.9%	4.0%	2016 – 2018

## CPA Percentage of County General Spending



### Performance Measure Notes:

Percentage of counties receiving CPA compares payable year 2016 (previous) to 2018 (current).

CPA percentage of county spending is based on State Auditor county finance reports for 2016 and 2018 and computes CPA as a percentage of total current expenditures. 2018 is the most recent auditor data available.

A 2019 law change increased the CPA appropriation by \$26 million for aids payable 2020 and another \$4 million for aids payable 2021 and thereafter.

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 more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search "CPA."

---

Legal Citation: M.S. Chapter 477A establishes the County Program Aid program.

<https://www.revisor.mn.gov/statutes/cite/477A>.

# County Program Aid

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	208,457	234,091	233,958	260,216	263,971	264,012	263,971	264,012
<b>Total</b>	<b>208,457</b>	<b>234,091</b>	<b>233,958</b>	<b>260,216</b>	<b>263,971</b>	<b>264,012</b>	<b>263,971</b>	<b>264,012</b>
Biennial Change				51,627		33,809		33,809
Biennial % Change				12		7		7
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	208,457	234,091	233,958	260,216	263,971	264,012	263,971	264,012
<b>Total</b>	<b>208,457</b>	<b>234,091</b>	<b>233,958</b>	<b>260,216</b>	<b>263,971</b>	<b>264,012</b>	<b>263,971</b>	<b>264,012</b>

**County Program Aid**

**Activity Financing by Fund**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Direct Appropriation	209,171	234,805	234,672	260,930	264,685	264,726	264,685	264,726
Transfers Out	714	714	714	714	714	714	714	714
Cancellations		0						
<b>Expenditures</b>	<b>208,457</b>	<b>234,091</b>	<b>233,958</b>	<b>260,216</b>	<b>263,971</b>	<b>264,012</b>	<b>263,971</b>	<b>264,012</b>
Biennial Change in Expenditures				51,627		33,809		33,809
Biennial % Change in Expenditures				12		7		7
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Local Aids  
**Activity:** Disparity Reduction Aid

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2019:

- 15% of 6,185 taxing areas received Disparity Reduction Aid
- The average aid payment was \$19,122

**PURPOSE AND CONTEXT**

Tax reform in 1988 caused higher local property 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.

Funding source: State 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of taxing areas receiving DRA	932	946	2017 – 2019
Quantity	Number of taxing areas with a tax rate above 90%	2,872	2,902	2017 – 2019
Quantity	Percentage of taxing areas with a tax rate above 90% that receive DRA	32%	33%	2017 – 2019

**Performance Measures Notes:**

The percentage of taxing areas receiving DRA compares payable year 2017 (previous) to 2019 (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.

Only 33% 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 2017 and 2019. The average aid payment decreased from \$19,339 in 2017 to \$19,122 in 2019.

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://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>.

# Disparity Reduction Aid

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	18,035	18,109	18,076	18,288	18,300	18,300	18,300	18,300
<b>Total</b>	<b>18,035</b>	<b>18,109</b>	<b>18,076</b>	<b>18,288</b>	<b>18,300</b>	<b>18,300</b>	<b>18,300</b>	<b>18,300</b>
Biennial Change				219		236		236
Biennial % Change				1		1		1
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	18,035	18,109	18,076	18,288	18,300	18,300	18,300	18,300
<b>Total</b>	<b>18,035</b>	<b>18,109</b>	<b>18,076</b>	<b>18,288</b>	<b>18,300</b>	<b>18,300</b>	<b>18,300</b>	<b>18,300</b>

# Disparity Reduction Aid

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	18,035	18,109	18,076	18,288	18,300	18,300	18,300	18,300
<b>Expenditures</b>	<b>18,035</b>	<b>18,109</b>	<b>18,076</b>	<b>18,288</b>	<b>18,300</b>	<b>18,300</b>	<b>18,300</b>	<b>18,300</b>
Biennial Change in Expenditures				219		236		236
Biennial % Change in Expenditures				1		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](http://revenue.state.mn.us)

### AT A GLANCE

In 2020:

- 13 counties received Casino Aid
- The average aid payment was \$124,000

### PURPOSE AND CONTEXT

Increased service demands from tax-exempt property can lead to financial strain for local governments. Casino Aid to Counties provides a state payment 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.

Funding source: State General Fund

### SERVICES PROVIDED

Casino Aid to Counties 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of Counties Receiving Casino Aid	16	13	2018 – 2020

#### Performance Measures Notes:

Number of counties receiving casino aid compares calendar year 2018 (previous) to 2020 (current).

The average aid payment increased from \$96,000 in 2018 to \$124,000 in 2020.

---

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

# Casino Aid to Counties

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><u>Expenditures by Fund</u></b>								
1000 - General	1,543	1,597	1,614	1,614	1,614	1,614	1,614	1,614
<b>Total</b>	<b>1,543</b>	<b>1,597</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>
Biennial Change				88		0		0
Biennial % Change				3		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	1,543	1,597	1,614	1,614	1,614	1,614	1,614	1,614
<b>Total</b>	<b>1,543</b>	<b>1,597</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>

Casino Aid to Counties

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Open Appropriation	1,543	1,597	1,614	1,614	1,614	1,614	1,614	1,614
<b>Expenditures</b>	<b>1,543</b>	<b>1,597</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>
Biennial Change in Expenditures				88		0		0
Biennial % Change in Expenditures				3		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Local Aids  
**Activity:** Utility Valuation Transition Aid

[revenue.state.mn.us](http://revenue.state.mn.us)

### AT A GLANCE

In 2020:

- 3 towns receive Utility Valuation Transition Aid
- The average aid payment is \$886

### PURPOSE AND CONTEXT

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

Funding source: State 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of eligible cities and towns where the current utility tax base remains lower than the 2007 amount.	3	3	2018 – 2020

#### Performance Measures Notes:

Number of eligible cities and towns compares aid payable year 2018 (previous) to 2020 (current).

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

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search “UVTA.”

Legal Citation: M.S. 477A.16 establishes Utility Valuation Transition Aid.

<https://www.revisor.mn.gov/statutes/cite/477A.16>.

# Utility Valuation Transition Aid

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	0	5	5	3	11	9	11	9
<b>Total</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>11</b>	<b>9</b>	<b>11</b>	<b>9</b>
Biennial Change				2		12		12
Biennial % Change				44		152		152
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	0	5	5	3	11	9	11	9
<b>Total</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>11</b>	<b>9</b>	<b>11</b>	<b>9</b>

# Utility Valuation Transition Aid

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	0	5	5	3	11	9	11	9
<b>Expenditures</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>11</b>	<b>9</b>	<b>11</b>	<b>9</b>
Biennial Change in Expenditures				2		12		12
Biennial % Change in Expenditures				44		152		152
Governor's Change from Base								0
Governor's % Change from Base								0

**Program: Local Aids**  
**Activity: State Taconite Aid**  
[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2019:

- The state paid 22 cents per taxable ton of iron ore concentrates produced (\$7.7 million) to the taconite production tax fund

**PURPOSE AND CONTEXT**

Large decreases to property 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.

Funding source: State 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.

State Taconite Aid supplements mining-related revenue to increase the balance of the Production Tax fund. This fund distributes Production Tax revenues to local governments, development agencies, and for property tax relief to taxpayers within the Taconite Assistance Area.

The state 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Taconite Production as a Percentage of Base Year 2000 Production	70%	84%	2001 – 2018

**Performance Measures Notes:**

Base year 2000 production is for the calendar year.

Taconite production percentage compares calendar year 2001 (previous) to calendar year 2018 (current).

The State Taconite Aid contribution accounted for 7.4% of total Production Tax distributions in 2019.

---

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

# State Taconite Aid

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	4,263	4,161	4,298	4,266	4,077	3,984	4,116	4,062
<b>Total</b>	<b>4,263</b>	<b>4,161</b>	<b>4,298</b>	<b>4,266</b>	<b>4,077</b>	<b>3,984</b>	<b>4,116</b>	<b>4,062</b>
Biennial Change				141		(503)		(386)
Biennial % Change				2		(6)		(5)
Governor's Change from Base								117
Governor's % Change from Base								1
<b><u>Expenditures by Category</u></b>								
Operating Expenses	4,263	4,161	4,298	4,266	4,077	3,984	4,116	4,062
<b>Total</b>	<b>4,263</b>	<b>4,161</b>	<b>4,298</b>	<b>4,266</b>	<b>4,077</b>	<b>3,984</b>	<b>4,116</b>	<b>4,062</b>

# State Taconite Aid

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	7,220	7,375	8,019	8,034	7,546	7,392	7,656	7,612
Transfers Out	2,957	3,214	3,721	3,768	3,469	3,408	3,540	3,550
<b>Expenditures</b>	<b>4,263</b>	<b>4,161</b>	<b>4,298</b>	<b>4,266</b>	<b>4,077</b>	<b>3,984</b>	<b>4,116</b>	<b>4,062</b>
Biennial Change in Expenditures				141		(503)		(386)
Biennial % Change in Expenditures				2		(6)		(5)
Governor's Change from Base								117
Governor's % Change from Base								1

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

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2019:

- 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 19 counties receiving payments of at least \$500,000

**PURPOSE AND CONTEXT**

When land becomes tax-exempt, the resulting loss of property tax base can lead to financial strain for local governments. PILT payments compensate local governments for the property taxes lost when the Department of Natural Resources acquires land for the state.

Funding source: State General Fund

**SERVICES PROVIDED**

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

**RESULTS**

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Acres of Natural Resources Land in PILT	8.51 million	8.54 million	2017 – 2019

**Performance Measures Notes:**

Acres of natural resources land compares calendar year 2017 (previous) to 2019 (current)

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search “PILT.”

Legal Citation: M.S. 477A.11-477A.145 establish Payments in Lieu of Taxes.  
<https://www.revisor.mn.gov/statutes/cite/477A.11>.

# Payment in Lieu of Taxes (PILT)

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	32,130	35,783	35,940	36,090	36,315	36,540	36,315	36,540
<b>Total</b>	<b>32,130</b>	<b>35,783</b>	<b>35,940</b>	<b>36,090</b>	<b>36,315</b>	<b>36,540</b>	<b>36,315</b>	<b>36,540</b>
Biennial Change				4,117		825		825
Biennial % Change				6		1		1
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	32,130	35,783	35,940	36,090	36,315	36,540	36,315	36,540
<b>Total</b>	<b>32,130</b>	<b>35,783</b>	<b>35,940</b>	<b>36,090</b>	<b>36,315</b>	<b>36,540</b>	<b>36,315</b>	<b>36,540</b>

**Payment in Lieu of Taxes (PILT)**

**Activity Financing by Fund**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Transfers In	32,130	35,783	35,940	36,090	36,315	36,540	36,315	36,540
<b>Expenditures</b>	<b>32,130</b>	<b>35,783</b>	<b>35,940</b>	<b>36,090</b>	<b>36,315</b>	<b>36,540</b>	<b>36,315</b>	<b>36,540</b>
Biennial Change in Expenditures				4,117		825		825
Biennial % Change in Expenditures				6		1		1
Governor's Change from Base								0
Governor's % Change from Base								0

**Program: Local Aids**  
**Activity: Township Aid**  
[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2020:

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

**PURPOSE AND 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.

Funding source: State General Fund

**SERVICES PROVIDED**

Township Aid is a general-purpose aid that townships can use 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 better able to offer their residents comparable services at a similar tax cost.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Township Aid percentage of township spending	3.8%	3.7%	2016 - 2018

**Performance Measures Notes:**

Township Aid percentage of township spending is based on State Auditor township finance reports for 2016 and 2018 and computes Township Aid as a percentage of total current expenditures. The most recent auditor data available is from 2018.

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search “township aid.”

---

Legal Citation: M.S. Chapter 477A establishes Township Aid. <https://www.revisor.mn.gov/statutes/cite/477A>.

# Township Aid

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	10,000	10,190	9,997	10,000	10,000	10,000	10,000	10,000
<b>Total</b>	<b>10,000</b>	<b>10,190</b>	<b>9,997</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
Biennial Change				(193)		3		3
Biennial % Change				(1)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	10,000	10,190	9,997	10,000	10,000	10,000	10,000	10,000
<b>Total</b>	<b>10,000</b>	<b>10,190</b>	<b>9,997</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>

**Township Aid**

**Activity Financing by Fund**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Direct Appropriation	10,000	10,191	10,000	10,000	10,000	10,000	10,000	10,000
Cancellations		0	3					
<b>Expenditures</b>	<b>10,000</b>	<b>10,190</b>	<b>9,997</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
Biennial Change in Expenditures				(193)		3		3
Biennial % Change in Expenditures				(1)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Local Aids  
**Activity:** Aquatic Invasive Species Prevention Aid  
[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2020:

- There were 931 Minnesota waters infested with invasive species
- 83 Minnesota counties received Aquatic Invasive Species Prevention Aid

**PURPOSE AND CONTEXT**

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

Funding source: State General Fund

**SERVICES PROVIDED**

Aquatic Invasive Species Prevention Aid, created in 2014, helps counties cover the costs of protecting their waters from invasive species.

The aid amount is based on a county’s share of the statewide total number of watercraft trailer launches and watercraft trailer parking spaces.

**RESULTS**

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of Minnesota waters infested	787	931	2018 – 2020

**Performance Measures Notes:**

Number of infested waters compares calendar year 2018 (previous) to 2020 (current), as of January 1.

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search “invasive species.”

---

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

# Aquatic Invasive Species Prevention Aid

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><u>Expenditures by Fund</u></b>								
1000 - General	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Total</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
Biennial Change				0				0
Biennial % Change				0				0
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Total</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>

# Aquatic Invasive Species Prevention Aid

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Direct Appropriation	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Expenditures</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
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](http://revenue.state.mn.us)

### AT A GLANCE

In 2020:

- 3 cities and towns received Production Property Transition Aid
- The average aid payment is \$8,000

### PURPOSE AND CONTEXT

Property tax law changes can reduce the amount of tax base available to local governments, leading to financial strain. 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.

Funding source: State General Fund.

### SERVICES PROVIDED

Production Property Transition Aid provides temporary 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of cities and towns receiving aid	3	3	2018 – 2020

#### Performance Measures Notes:

Number of eligible cities and towns compares aids payable year 2018 (previous) to 2020 (current).

The total amount of aid paid in 2020 was \$24,000. 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 FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	105	85	56	24				
<b>Total</b>	<b>105</b>	<b>85</b>	<b>56</b>	<b>24</b>				
Biennial Change				(110)		(80)		(80)
Biennial % Change				(58)		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	105	85	56	24				
<b>Total</b>	<b>105</b>	<b>85</b>	<b>56</b>	<b>24</b>				

**Production Property Transition Aid**

**Activity Financing by Fund**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Open Appropriation	105	85	56	24	0	0	0	0
<b>Expenditures</b>	<b>105</b>	<b>85</b>	<b>56</b>	<b>24</b>				
Biennial Change in Expenditures				(110)		(80)		(80)
Biennial % Change in Expenditures				(58)		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

**Program: Local Aids**  
**Activity: Riparian Protection Aid**  
[www.revenue.state.mn.us/](http://www.revenue.state.mn.us/)

**AT A GLANCE**

In 2020:

- 14 watershed districts and 75 counties received Riparian Protection Aid

**PURPOSE AND 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.

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

Funding source: State 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Watershed Districts receiving aid	14	14	2018 – 2020
Quantity	Counties receiving aid	72	75	2018 – 2020

**Performance Measures Notes**

Watershed Districts and Counties receiving aid compares 2018 (previous) to 2020 (current).

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search “Riparian Protection Aid.”

---

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

# Riparian Protection Aid

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><u>Expenditures by Fund</u></b>								
1000 - General	7,058	8,822	7,255	7,255	7,255	7,255	7,255	7,255
<b>Total</b>	<b>7,058</b>	<b>8,822</b>	<b>7,255</b>	<b>7,255</b>	<b>7,255</b>	<b>7,255</b>	<b>7,255</b>	<b>7,255</b>
Biennial Change				(1,370)		0		0
Biennial % Change				(9)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	7,058	8,822	7,255	7,255	7,255	7,255	7,255	7,255
<b>Total</b>	<b>7,058</b>	<b>8,822</b>	<b>7,255</b>	<b>7,255</b>	<b>7,255</b>	<b>7,255</b>	<b>7,255</b>	<b>7,255</b>

**Riparian Protection Aid**

**Activity Financing by Fund**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Direct Appropriation	8,000	10,000	8,000	8,000	8,000	8,000	8,000	8,000
Transfers Out	942	1,178	745	745	745	745	745	745
<b>Expenditures</b>	<b>7,058</b>	<b>8,822</b>	<b>7,255</b>	<b>7,255</b>	<b>7,255</b>	<b>7,255</b>	<b>7,255</b>	<b>7,255</b>
Biennial Change in Expenditures				(1,370)		0		0
Biennial % Change in Expenditures				(9)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Local Aids  
**Activity:** Indian Family Out-of-Home Placement Aid  
[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2020:

- 2 tribes received Indian Family Out-of-Home Placement Aid
- 57 counties received Indian Family Out-of-Home Placement Aid

**PURPOSE AND 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. Indian Family Out-of-Home Placement Aid reduces the cost incurred by local social service agencies to provide foster care.

Funding source: State General Fund

**SERVICES PROVIDED**

Indian Family Out-of-Home Placement Aid partially reimburses counties and tribes for the costs incurred 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% of the reimbursement amount received from the federal government for out-of-home placement costs for the previous calendar year.

**RESULTS**

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Aid percentage of county spending on ICWA foster care	25.1%	22.0%	2018 – 2020

**Performance Measures Notes**

The aid percentage of county spending on ICWA foster care compares payable year 2018 (previous) to 2020 (current). This aid was first available in 2018.

County spending on ICWA foster care is based on expenditures reported to the Department of Human Services.

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search “placement aid.”

---

Legal Citation: M.S. 477A.0126 establishes Reimbursement for Certain Out-of-Home Placements.  
[www.revisor.mn.gov/statutes/cite/477A.0126](http://www.revisor.mn.gov/statutes/cite/477A.0126).

# Indian Family Out-of-Home Placement Aid

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General		5,000	5,000	5,000	4,337	5,000	4,337	5,000
<b>Total</b>		<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>4,337</b>	<b>5,000</b>	<b>4,337</b>	<b>5,000</b>
Biennial Change				5,000		(663)		(663)
Biennial % Change						(7)		(7)
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies		5,000	5,000	5,000	4,337	5,000	4,337	5,000
<b>Total</b>		<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>4,337</b>	<b>5,000</b>	<b>4,337</b>	<b>5,000</b>

# Indian Family Out-of-Home Placement Aid

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Direct Appropriation		5,000	5,000	5,000	4,337	5,000	4,337	5,000
<b>Expenditures</b>		<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>4,337</b>	<b>5,000</b>	<b>4,337</b>	<b>5,000</b>
Biennial Change in Expenditures				5,000		(663)		(663)
Biennial % Change in Expenditures						(7)		(7)
Governor's Change from Base								0
Governor's % Change from Base								0

**Program: Credits**

**Activity: Agricultural Homestead Market Value Credit**

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2019:

- 89,000 farm homesteads received the credit
- The average market value agricultural land credit amount was \$424

**PURPOSE AND 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.

Funding source: State General Fund

**SERVICES PROVIDED**

The Agricultural Market Value Credit reduces 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 it more affordable to own homesteaded farmland.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Average market value agricultural land credit amount	\$421	\$424	2017 – 2019
Quantity	Effective tax rate without credit	0.43%	0.42%	2017 – 2019
Quantity	Effective tax rate with credit	0.38%	0.37%	2017 – 2019

**Performance Measures Notes:**

Average credit amount compares taxes payable year 2017 (previous) to 2019 (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 2019.

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search “Agricultural Homestead Market Value Credit.”

---

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

# Agricultural Homestead MV Credit

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><u>Expenditures by Fund</u></b>								
1000 - General	38,104	37,704	37,546	36,894	35,520	35,489	35,520	35,489
<b>Total</b>	<b>38,104</b>	<b>37,704</b>	<b>37,546</b>	<b>36,894</b>	<b>35,520</b>	<b>35,489</b>	<b>35,520</b>	<b>35,489</b>
Biennial Change				(1,367)		(3,431)		(3,431)
Biennial % Change				(2)		(5)		(5)
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	38,104	37,704	37,546	36,894	35,520	35,489	35,520	35,489
<b>Total</b>	<b>38,104</b>	<b>37,704</b>	<b>37,546</b>	<b>36,894</b>	<b>35,520</b>	<b>35,489</b>	<b>35,520</b>	<b>35,489</b>

# Agricultural Homestead MV Credit

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Open Appropriation	38,104	37,704	37,546	36,894	35,520	35,489	35,520	35,489
<b>Expenditures</b>	<b>38,104</b>	<b>37,704</b>	<b>37,546</b>	<b>36,894</b>	<b>35,520</b>	<b>35,489</b>	<b>35,520</b>	<b>35,489</b>
Biennial Change in Expenditures				(1,367)		(3,431)		(3,431)
Biennial % Change in Expenditures				(2)		(5)		(5)
Governor's Change from Base								0
Governor's % Change from Base								0

**Program: Credits**

**Activity: Prior Year Credit Adjustments**

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2019:

- Prior year credit adjustments were 0.14% of the total credits

**PURPOSE AND CONTEXT**

Each year the Department of Revenue adjusts credit payments for accounting corrections. The state pays Prior Year Credit Adjustments to local governments to account for abatements, court orders, omissions, and other adjustments to credits.

Funding source: State General Fund

**SERVICES PROVIDED**

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

**RESULTS**

Prior Year Credit Adjustments ensure local governments receive the correct amount of credit payments.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Adjustment amounts	-\$288,000	\$146,000	2017 – 2019
Quantity	Prior year credit adjustments percentage of total credits	0.42%	0.14%	2017 – 2019

**Performance Measures Notes:**

Adjustment amount compares taxes payable year 2017 (previous) to 2019 (current).

**Prior Year Credit Adjustment**

**Activity Expenditure Overview**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	(14)	90	186	818	81		81	
<b>Total</b>	<b>(14)</b>	<b>90</b>	<b>186</b>	<b>818</b>	<b>81</b>		<b>81</b>	
Biennial Change				928		(923)		(923)
Biennial % Change				1,216		(92)		(92)
Governor's Change from Base								0
Governor's % Change from Base								
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	(14)	90	186	818	81		81	
<b>Total</b>	<b>(14)</b>	<b>90</b>	<b>186</b>	<b>818</b>	<b>81</b>		<b>81</b>	

**Prior Year Credit Adjustment**

**Activity Financing by Fund**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Open Appropriation	(14)	90	186	818	81	0	81	0
<b>Expenditures</b>	<b>(14)</b>	<b>90</b>	<b>186</b>	<b>818</b>	<b>81</b>		<b>81</b>	
Biennial Change in Expenditures				928		(923)		(923)
Biennial % Change in Expenditures				1,216		(92)		(92)
Governor's Change from Base								0
Governor's % Change from Base								

**Program: Credits**  
**Activity: Border City Disparity Reduction Credit**  
[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2019:

- The average property tax decrease due to the Border City Disparity Reduction Credit was \$6,169
- Approximately 2,000 parcels received the credit

**PURPOSE AND CONTEXT**

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

Funding source: State General Fund

**SERVICES PROVIDED**

The Border City Disparity Reduction Credit reduces property taxes for:

- Commercial/industrial property
- Public utility property
- Apartment property

The credit reduces property taxes to 1.6% of a property’s market value. It helps businesses in the border cities of Breckenridge, Dilworth, East Grand Forks, Ortonville, and Moorhead.

**RESULTS**

The credit increases business competitiveness in border areas.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Average property tax reduction due to credit	\$5,872	\$6,169	2017 – 2019

**Performance Measures Notes:**

The average credit amount compares taxes payable year 2017 (previous) to 2019 (current).

---

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

## Border City Disparity Reduction Credit

## Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	11,637	11,936	12,493	13,386	14,430	15,153	14,430	15,153
<b>Total</b>	<b>11,637</b>	<b>11,936</b>	<b>12,493</b>	<b>13,386</b>	<b>14,430</b>	<b>15,153</b>	<b>14,430</b>	<b>15,153</b>
Biennial Change				2,307		3,704		3,704
Biennial % Change				10		14		14
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	11,637	11,936	12,493	13,386	14,430	15,153	14,430	15,153
<b>Total</b>	<b>11,637</b>	<b>11,936</b>	<b>12,493</b>	<b>13,386</b>	<b>14,430</b>	<b>15,153</b>	<b>14,430</b>	<b>15,153</b>

# Border City Disparity Reduction Credit

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	11,637	11,936	12,493	13,386	14,430	15,153	14,430	15,153
<b>Expenditures</b>	<b>11,637</b>	<b>11,936</b>	<b>12,493</b>	<b>13,386</b>	<b>14,430</b>	<b>15,153</b>	<b>14,430</b>	<b>15,153</b>
Biennial Change in Expenditures				2,307		3,704		3,704
Biennial % Change in Expenditures				10		14		14
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Credits

**Activity:** Supplemental Taconite Homestead Credit

[revenue.state.mn.us](http://revenue.state.mn.us)

### AT A GLANCE

In 2019:

- The average property tax decrease from the Supplemental Taconite Homestead Credit was \$285
- 19,000 homesteads received the credit

### PURPOSE AND CONTEXT

Property taxes increase the cost of owning a home. The Supplemental Taconite Homestead Credit reduces the property taxes for homesteads in the Taconite Tax Relief Area.

Funding source: State General Fund

### SERVICES PROVIDED

The Supplemental Taconite Homestead Credit program was created in 1980. Depending on their location, 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.

### RESULTS

Property taxes are more affordable for residential homesteads in the Taconite Tax Relief Area.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Average property tax reduction due to credit	\$282	\$285	2017 – 2019

#### Performance Measures Notes:

Average property tax reduction compares taxes payable year 2017 (previous) to 2019 (current).

91% of eligible 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 0.88% for taxes payable in 2019. Without the credit, the ETR for those homesteads would have been 1.04%. The average ETR for homesteads statewide was 1.26% for taxes payable in 2019.

Legal Citation: M.S. 273.1391 establishes the Supplemental Taconite Homestead Credit.

<https://www.revisor.mn.gov/statutes/cite/273.1391>.

# Supplemental Taconite Homestead Credit

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><u>Expenditures by Fund</u></b>								
1000 - General	5,304	5,353	5,394	5,394	5,448	5,502	5,448	5,502
<b>Total</b>	<b>5,304</b>	<b>5,353</b>	<b>5,394</b>	<b>5,394</b>	<b>5,448</b>	<b>5,502</b>	<b>5,448</b>	<b>5,502</b>
Biennial Change				131		162		162
Biennial % Change				1		2		2
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	5,304	5,353	5,394	5,394	5,448	5,502	5,448	5,502
<b>Total</b>	<b>5,304</b>	<b>5,353</b>	<b>5,394</b>	<b>5,394</b>	<b>5,448</b>	<b>5,502</b>	<b>5,448</b>	<b>5,502</b>

# Supplemental Taconite Homestead Credit

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	5,304	5,353	5,394	5,394	5,448	5,502	5,448	5,502
<b>Expenditures</b>	<b>5,304</b>	<b>5,353</b>	<b>5,394</b>	<b>5,394</b>	<b>5,448</b>	<b>5,502</b>	<b>5,448</b>	<b>5,502</b>
Biennial Change in Expenditures				131		162		162
Biennial % Change in Expenditures				1		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Credits

**Activity:** Agricultural Preservation Credit

[revenue.state.mn.us](http://revenue.state.mn.us)

### AT A GLANCE

In 2019:

- 3,097 parcels in the Twin Cities metropolitan area received the Agricultural Preservation Credit

### PURPOSE AND CONTEXT

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

Funding source: County Agricultural Preserve Funds, State Conservation Fund, 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 property tax 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 makes it more affordable to keep land in agricultural production despite rising values and development pressure.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of acres enrolled	210,000	200,000	2017 – 2019
Quantity	Average credit	\$284	\$187	2017 – 2019

#### Performance Measures Notes:

Number of acres enrolled and average credit compare payable year 2017 (previous) to 2019 (current).

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search "ag preserve credit."

Legal Citation: M.S. 473H.10 establishes the Agricultural Preservation Credit.

<https://www.revisor.mn.gov/statutes/cite/473H.10>.

# Agricultural Preservation Credit

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	410	234	202	118	101	101	101	101
2000 - Restrict Misc Special Revenue	50	190	132	180	200	200	200	200
2001 - Other Misc Special Revenue	218	213	162	127	128	128	128	128
<b>Total</b>	<b>678</b>	<b>637</b>	<b>496</b>	<b>425</b>	<b>429</b>	<b>429</b>	<b>429</b>	<b>429</b>
Biennial Change				(395)		(63)		(63)
Biennial % Change				(30)		(7)		(7)
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	678	637	496	425	429	429	429	429
<b>Total</b>	<b>678</b>	<b>637</b>	<b>496</b>	<b>425</b>	<b>429</b>	<b>429</b>	<b>429</b>	<b>429</b>

# Agricultural Preservation Credit

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	607	351	287	164	149	149	149	149
Transfers Out	197	117	85	46	48	48	48	48
<b>Expenditures</b>	<b>410</b>	<b>234</b>	<b>202</b>	<b>118</b>	<b>101</b>	<b>101</b>	<b>101</b>	<b>101</b>
Biennial Change in Expenditures				(324)		(118)		(118)
Biennial % Change in Expenditures				(50)		(37)		(37)
Governor's Change from Base								0
Governor's % Change from Base								0

## 2000 - Restrict Misc Special Revenue

Balance Forward In	152	310	299	420	339	259	339	259
Receipts	253	272	309	180	200	200	200	200
Transfers Out	45	93	56	81	80	80	80	80
Balance Forward Out	310	299	420	339	259	179	259	179
<b>Expenditures</b>	<b>50</b>	<b>190</b>	<b>132</b>	<b>180</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
Biennial Change in Expenditures				72		88		88
Biennial % Change in Expenditures				30		28		28
Governor's Change from Base								0
Governor's % Change from Base								0

## 2001 - Other Misc Special Revenue

Balance Forward In	26	50	47	26	26	26	26	26
Transfers In	242	210	141	127	128	128	128	128
Balance Forward Out	50	47	26	26	26	26	26	26
<b>Expenditures</b>	<b>218</b>	<b>213</b>	<b>162</b>	<b>127</b>	<b>128</b>	<b>128</b>	<b>128</b>	<b>128</b>
Biennial Change in Expenditures				(142)		(33)		(33)
Biennial % Change in Expenditures				(33)		(11)		(11)
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Credits

**Activity:** School Building Bond Agricultural Credit

[revenue.state.mn.us](http://revenue.state.mn.us)

### AT A GLANCE

In 2019:

- The credit paid for 3.8% of school debt service levies statewide
- Approximately 507,000 parcels received the credit

### PURPOSE AND CONTEXT

In some school districts, owners of agricultural land can pay a large portion of school building bond levies. The School Building Bond Agricultural Credit reduces the tax for owners of agricultural land. The credit began in 2018.

Funding source: State General Fund

### SERVICES PROVIDED

The School Building Bond Agricultural Credit reduces school property taxes on agricultural, rural vacant, and managed forest land. The credit applies to all school debt levies, regardless of whether or not they are voter-approved.

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.

For taxes payable 2018 and 2019, 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. The credit is subtracted from the gross taxes on a property to determine the net property taxes.

The credit increases to 50% of the property's net tax capacity multiplied by the school debt tax rate for taxes payable 2020. The percentage increases each year until it reaches 70% in taxes payable 2023.

### RESULTS

The credit provides tax relief for owners of agricultural land, who can pay a large share of school debt service levies.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	School capital referendum passage rate – statewide	54.2%	64.5%	2017 - 2019
Results	School capital referendum passage rate – non-metro	45.9%	64.6%	2017 - 2019
Quantity	Share of school debt services levies paid for by the credit	3.9%	3.8%	2018 - 2019

#### Performance Measures Notes:

School capital referendum passage rates compares election years 2017 (previous) to 2019 (current).

The share of school debt service levies paid for by the credit compares taxes payable 2018 (previous) to 2019 (current).

The credit was created, in part, because school districts with a large share of agricultural land had more difficulty passing capital referendums than districts with little agricultural land. The passage rate for non-metro school districts, which have more agricultural land than metro districts, has increased since the credit began in 2018.

---

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

# School Building Bond Agricultural Credit

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><u>Expenditures by Fund</u></b>								
1000 - General		32,429	37,852	55,142	62,141	69,652	62,141	68,532
<b>Total</b>		<b>32,429</b>	<b>37,852</b>	<b>55,142</b>	<b>62,141</b>	<b>69,652</b>	<b>62,141</b>	<b>68,532</b>
Biennial Change				60,565		38,799		37,679
Biennial % Change						42		41
Governor's Change from Base								(1,120)
Governor's % Change from Base								(1)
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies		32,429	37,852	55,142	62,141	69,652	62,141	68,532
<b>Total</b>		<b>32,429</b>	<b>37,852</b>	<b>55,142</b>	<b>62,141</b>	<b>69,652</b>	<b>62,141</b>	<b>68,532</b>

# School Building Bond Agricultural Credit

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Open Appropriation		32,429	37,852	55,142	62,141	69,652	62,141	68,532
<b>Expenditures</b>		<b>32,429</b>	<b>37,852</b>	<b>55,142</b>	<b>62,141</b>	<b>69,652</b>	<b>62,141</b>	<b>68,532</b>
Biennial Change in Expenditures				60,565		38,799		37,679
Biennial % Change in Expenditures						42		41
Governor's Change from Base								(1,120)
Governor's % Change from Base								(1)

**Program:** Pension-Related Aids

**Activity:** Police State Aid

[revenue.state.mn.us](http://revenue.state.mn.us)

### AT A GLANCE

In 2019:

- 396 local jurisdictions received Police State Aid

### PURPOSE AND CONTEXT

State and local governments have historically shared responsibility for public safety pensions. Police State Aid provides pension aid to local governments that employ police officers.

Funding source: State General Fund

### SERVICES PROVIDED

Police State Aid was established in 1971 to help support retirement pensions of local police officers.

The aid is funded by a tax on auto insurance premiums. Annual aid distributions to public safety departments are based on the number of months worked by each licensed officer employed by the department.

### RESULTS

Police State Aid helps increase the affordability of local police officer pensions.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of jurisdictions receiving aid	401	396	2017 – 2019
Quantity	Aid as a percentage of employer pension cost	63%	64%	2017 – 2019

#### Performance Measures Notes:

Number of jurisdictions receiving aid compares payable year 2017 (previous) to 2019 (current).

Aid as a percentage of employer pension cost measures how much of a department's pension obligations are paid through Police State Aid. In 2019, Police State Aid paid for an average of 64% of a police department's pension obligations.

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search "police state aid."

---

Legal Citation: M.S. Chapter 69 establishes Police State Aid. <https://www.revisor.mn.gov/statutes/cite/69>.

**Police State Aid**

**Activity Expenditure Overview**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><i>Expenditures by Fund</i></b>								
1000 - General	72,559	76,273	81,241	84,181	88,100	92,070	88,100	92,070
<b>Total</b>	<b>72,559</b>	<b>76,273</b>	<b>81,241</b>	<b>84,181</b>	<b>88,100</b>	<b>92,070</b>	<b>88,100</b>	<b>92,070</b>
Biennial Change				16,590		14,748		14,748
Biennial % Change				11		9		9
Governor's Change from Base								0
Governor's % Change from Base								0
<b><i>Expenditures by Category</i></b>								
Grants, Aids and Subsidies	72,559	76,273	81,241	84,181	88,100	92,070	88,100	92,070
<b>Total</b>	<b>72,559</b>	<b>76,273</b>	<b>81,241</b>	<b>84,181</b>	<b>88,100</b>	<b>92,070</b>	<b>88,100</b>	<b>92,070</b>

**Police State Aid**

**Activity Financing by Fund**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	80,031	84,437	89,186	92,756	97,060	101,440	97,060	101,440
Transfers Out	7,472	8,164	7,944	8,575	8,960	9,370	8,960	9,370
<b>Expenditures</b>	<b>72,559</b>	<b>76,273</b>	<b>81,241</b>	<b>84,181</b>	<b>88,100</b>	<b>92,070</b>	<b>88,100</b>	<b>92,070</b>
Biennial Change in Expenditures				16,590		14,748		14,748
Biennial % Change in Expenditures				11		9		9
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Pension-Related Aids

**Activity:** Fire State Aid

[revenue.state.mn.us](http://revenue.state.mn.us)

### AT A GLANCE

In 2019:

- 761 fire relief associations received state Fire State Aid

### PURPOSE AND CONTEXT

State and local governments have historically shared responsibility for public safety pensions. Fire State Aid provides pension aid to fire relief associations.

Funding source: State General Fund

### SERVICES PROVIDED

Fire State Aid was established in 1885 to help support retirement pensions of firefighters.

The total aid amount is equal to the revenues from the state fire insurance premiums tax. Annual aid distributions are based on population and property values within each department's coverage area.

### RESULTS

Fire State Aid helps increase the affordability of firefighter pensions.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of fire relief associations receiving aid	762	761	2017 – 2019

#### Performance Measures Notes:

Number of fire relief associations receiving aid compares payable year 2017 (previous) to 2019 (current).

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search "fire state aid."

---

Legal Citation: M.S. Chapter 69 establishes Fire State Aid. <https://www.revisor.mn.gov/statutes/cite/69>.

# Fire State Aid

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	28,757	29,572	30,445	32,493	33,480	34,460	33,480	34,460
<b>Total</b>	<b>28,757</b>	<b>29,572</b>	<b>30,445</b>	<b>32,493</b>	<b>33,480</b>	<b>34,460</b>	<b>33,480</b>	<b>34,460</b>
Biennial Change				4,609		5,002		5,002
Biennial % Change				8		8		8
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	28,757	29,572	30,445	32,493	33,480	34,460	33,480	34,460
<b>Total</b>	<b>28,757</b>	<b>29,572</b>	<b>30,445</b>	<b>32,493</b>	<b>33,480</b>	<b>34,460</b>	<b>33,480</b>	<b>34,460</b>

**Fire State Aid**

**Activity Financing by Fund**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	28,757	29,572	30,445	32,493	33,480	34,460	33,480	34,460
<b>Expenditures</b>	<b>28,757</b>	<b>29,572</b>	<b>30,445</b>	<b>32,493</b>	<b>33,480</b>	<b>34,460</b>	<b>33,480</b>	<b>34,460</b>
Biennial Change in Expenditures				4,609		5,002		5,002
Biennial % Change in Expenditures				8		8		8
Governor's Change from Base								0
Governor's % Change from Base								0

**Program: Pension-Related Aids**  
**Activity: Fire Insurance Surcharge Aid**

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2019:

- 4 firefighter relief associations received Fire Insurance Surcharge Aid

**PURPOSE AND CONTEXT**

State and local governments have historically shared responsibility for public safety pensions. Fire Insurance Surcharge Aid provides pension aid to fire relief associations.

Funding source: State General Fund

**SERVICES PROVIDED**

Fire Insurance Surcharge Aid helps support retirement pensions of firefighters in the cities of Minneapolis, St. Paul, Duluth, and Rochester.

The aid amount is equal to the revenues from a 2% surcharge on insurance premiums for fire, lightning, and sprinkler leakage coverage within each city.

**RESULTS**

Fire Insurance Surcharge Aid helps increase the affordability of firefighter pensions.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of jurisdictions receiving aid	4	4	2017 – 2019

**Performance Measures Notes:**

Number of jurisdictions receiving aid compares payable year 2017 (previous) to 2019 (current).

---

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

# Fire Insurance Surcharge Aid

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	3,936	4,213	3,775	4,130	4,260	4,380	4,260	4,380
<b>Total</b>	<b>3,936</b>	<b>4,213</b>	<b>3,775</b>	<b>4,130</b>	<b>4,260</b>	<b>4,380</b>	<b>4,260</b>	<b>4,380</b>
Biennial Change				(243)		735		735
Biennial % Change				(3)		9		9
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	3,936	4,213	3,775	4,130	4,260	4,380	4,260	4,380
<b>Total</b>	<b>3,936</b>	<b>4,213</b>	<b>3,775</b>	<b>4,130</b>	<b>4,260</b>	<b>4,380</b>	<b>4,260</b>	<b>4,380</b>

# Fire Insurance Surcharge Aid

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	3,936	4,213	3,775	4,130	4,260	4,380	4,260	4,380
<b>Expenditures</b>	<b>3,936</b>	<b>4,213</b>	<b>3,775</b>	<b>4,130</b>	<b>4,260</b>	<b>4,380</b>	<b>4,260</b>	<b>4,380</b>
Biennial Change in Expenditures				(243)		735		735
Biennial % Change in Expenditures				(3)		9		9
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Pension-Related Aids

**Activity:** PERA Pension Aid

[revenue.state.mn.us](http://revenue.state.mn.us)

### AT A GLANCE

In 2019:

- 1,111 jurisdictions received Public Employees Retirement Association Pension Aid

### PURPOSE AND CONTEXT

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

Funding source: State General Fund

### SERVICES PROVIDED

PERA Pension 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.

By statute, the aid ended on June 30, 2020.

### RESULTS

PERA Pension Aid helps increase the affordability of local government employee pensions.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of jurisdictions receiving aid	1,110	1,111	2017 – 2019

#### Performance Measures Notes:

Number of jurisdictions receiving aid compares payable year 2017 (previous) to 2019 (current).

---

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

**PERA Pension Aid**

**Activity Expenditure Overview**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><i>Expenditures by Fund</i></b>								
1000 - General	14,065	13,921	13,900					
<b>Total</b>	<b>14,065</b>	<b>13,921</b>	<b>13,900</b>					
Biennial Change				(14,086)		(13,900)		(13,900)
Biennial % Change				(50)				
Governor's Change from Base								0
Governor's % Change from Base								
<b><i>Expenditures by Category</i></b>								
Grants, Aids and Subsidies	14,065	13,921	13,900					
<b>Total</b>	<b>14,065</b>	<b>13,921</b>	<b>13,900</b>					

**PERA Pension Aid**

**Activity Financing by Fund**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Open Appropriation	14,065	13,921	13,900					
<b>Expenditures</b>	<b>14,065</b>	<b>13,921</b>	<b>13,900</b>					
Biennial Change in Expenditures				(14,086)		(13,900)		(13,900)
Biennial % Change in Expenditures				(50)				
Governor's Change from Base								0
Governor's % Change from Base								

**Program: Pension-Related Aids**  
**Activity: Police/Fire Amortization Aid**  
[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

- In 2019:
- 3 jurisdictions received Police/Fire Amortization Aid

**PURPOSE AND CONTEXT**

State and local governments have historically shared responsibility for public safety pensions. Police/Fire Amortization Aid supports retirement pensions of local police officers, firefighters, and teachers.

Funding source: State General Fund

**SERVICES PROVIDED**

Police/Fire 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 set in statute.

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**

Police/Fire Amortization Aid helps increase the affordability of local government employee pensions.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of jurisdictions receiving aid	3	3	2017 – 2019

**Performance Measures Notes:**

Number of jurisdictions receiving aid compares payable year 2017 (previous) to 2019 (current).

---

Legal Citation: M.S. 423A.02 establishes Police/Fire Amortization Aid.  
<https://www.revisor.mn.gov/statutes/cite/423A.02>.

## Amortization Aids

## Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><u>Expenditures by Fund</u></b>								
1000 - General	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
<b>Total</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
<b>Total</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>

## Amortization Aids

## Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Direct Appropriation	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Cancellations			0					
<b>Expenditures</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>	<b>4,823</b>
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](http://revenue.state.mn.us)

### AT A GLANCE

In 2019:

- 360 fire relief associations received Firefighter Supplemental Benefits Reimbursement payments

### PURPOSE AND CONTEXT

State and local governments have historically shared responsibility for public safety pensions. The Firefighter Supplemental Benefits Reimbursement provides pension aid to fire relief associations.

Funding source: State General Fund

### SERVICES PROVIDED

The Firefighter Supplemental Benefits Reimbursement was established in 1988 to help support retirement pensions of firefighters.

The state reimburses volunteer fire relief associations for supplemental benefits paid in the previous year. The payment helps fund retirement benefits, disability benefits, and survivor benefits.

For each qualifying firefighter, the supplemental benefit equals 10% of the lump-sum retirement distribution, but not more than \$1,000. For each qualifying survivor, the supplemental benefit equals 20% of the lump-sum survivor benefit, but not more than \$2,000.

### RESULTS

Firefighter Supplemental Benefits Reimbursement helps increase the affordability of firefighter pensions.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of fire relief associations receiving aid	328	360	2017 – 2019

#### Performance Measures Notes:

Number of fire relief associations receiving aid compares payable year 2017 (previous) to 2019 (current).

Legal Citation: M.S. 424A.10 establishes the Firefighter Supplemental Benefits Reimbursement.

<https://www.revisor.mn.gov/statutes/cite/424A.10>.

# Firefighter Supplemental Benefits Reimbursement

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	629	705	606	606	612	612	612	612
<b>Total</b>	<b>629</b>	<b>705</b>	<b>606</b>	<b>606</b>	<b>612</b>	<b>612</b>	<b>612</b>	<b>612</b>
Biennial Change				(123)		12		12
Biennial % Change				(9)		1		1
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	629	705	606	606	612	612	612	612
<b>Total</b>	<b>629</b>	<b>705</b>	<b>606</b>	<b>606</b>	<b>612</b>	<b>612</b>	<b>612</b>	<b>612</b>

# Firefighter Supplemental Benefits Reimbursement

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	629	705	606	606	612	612	612	612
<b>Expenditures</b>	<b>629</b>	<b>705</b>	<b>606</b>	<b>606</b>	<b>612</b>	<b>612</b>	<b>612</b>	<b>612</b>
Biennial Change in Expenditures				(123)		12		12
Biennial % Change in Expenditures				(9)		1		1
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Pension-Related Aids

**Activity:** Police/Fire Retirement Supplemental State Aid

[revenue.state.mn.us](http://revenue.state.mn.us)

#### AT A GLANCE

In 2019:

- 742 fire relief associations received Police/Fire Retirement Supplemental State Aid

#### PURPOSE AND CONTEXT

State and local governments have historically shared responsibility for public safety pensions. Police/Fire Retirement Supplemental State Aid provides pension aid to fire relief associations and police retirement plans.

Funding source: State General Fund

#### SERVICES PROVIDED

Police/Fire Retirement Supplemental Aid was established in 2013 to help support retirement pensions of police officers and firefighters.

The total aid amount is equal to an appropriation set in statute. Annual aid distributions to the Public Employees Retirement Association (PERA) police and fire retirement fund, the State Patrol retirement fund, and volunteer fire relief associations are based on percentages set in statute.

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

#### RESULTS

Police/Fire Retirement Supplemental State Aid helps increase the affordability of police officer and firefighter pensions.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of fire relief associations receiving aid	745	742	2017 – 2019

#### Performance Measures Notes:

Number of fire relief associations receiving aid compares payable year 2017 (previous) to 2019 (current).

Legal Citation: M.S. 423A.022 establishes Police/Fire Retirement Supplemental Aid.

<https://www.revisor.mn.gov/statutes/cite/423A.022>.

**Police/Fire Retirement Supplemental State Aid**

**Activity Expenditure Overview**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	14,498	14,498	14,495	14,500	14,500	14,500	14,500	14,500
<b>Total</b>	<b>14,498</b>	<b>14,498</b>	<b>14,495</b>	<b>14,500</b>	<b>14,500</b>	<b>14,500</b>	<b>14,500</b>	<b>14,500</b>
Biennial Change				(2)		5		5
Biennial % Change				(0)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	14,498	14,498	14,495	14,500	14,500	14,500	14,500	14,500
<b>Total</b>	<b>14,498</b>	<b>14,498</b>	<b>14,495</b>	<b>14,500</b>	<b>14,500</b>	<b>14,500</b>	<b>14,500</b>	<b>14,500</b>

**Police/Fire Retirement Supplemental State Aid**

**Activity Financing by Fund**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
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	2	5					
<b>Expenditures</b>	<b>14,498</b>	<b>14,498</b>	<b>14,495</b>	<b>14,500</b>	<b>14,500</b>	<b>14,500</b>	<b>14,500</b>	<b>14,500</b>
Biennial Change in Expenditures				(2)		5		5
Biennial % Change in Expenditures				(0)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Other Local Govt Payments

**Activity:** Senior Property Tax Deferral Reimbursement

[revenue.state.mn.us](http://revenue.state.mn.us)

### AT A GLANCE

In 2019:

- 308 taxpayers were enrolled in the program
- The average amount of property taxes deferred was \$4,000

### PURPOSE AND 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.

Funding source: State General Fund

### SERVICES PROVIDED

This voluntary program, started in 1999, allows eligible senior citizens to postpone paying a portion of their homestead property taxes and special assessments. The state reimburses counties for the 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, 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of senior citizen taxpayers enrolled	336	308	2017 – 2019
Quantity	Average amount of property taxes deferred	\$3,600	\$4,000	2017 – 2019

#### Performance Measures Notes:

Number of taxpayers enrolled compares calendar year 2017 (previous) to 2019 (current).

A 2019 law changed the application deadline from July 1, to November 1.

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://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 Reimbursement

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General				276	162	173	162	173
<b>Total</b>				<b>276</b>	<b>162</b>	<b>173</b>	<b>162</b>	<b>173</b>
Biennial Change				276		59		59
Biennial % Change								
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies				276	162	173	162	173
<b>Total</b>				<b>276</b>	<b>162</b>	<b>173</b>	<b>162</b>	<b>173</b>

# Senior Property Tax Deferral Reimbursement

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Open Appropriation	1,257	1,248	1,311	1,452	1,338	1,349	1,338	1,349
Net Loan Activity	(1,257)	(1,248)	(1,311)	(1,176)	(1,176)	(1,176)	(1,176)	(1,176)
<b>Expenditures</b>				<b>276</b>	<b>162</b>	<b>173</b>	<b>162</b>	<b>173</b>
Biennial Change in Expenditures				276		59		59
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

**Program: Other Local Govt Payments**

**Activity: Performance Measurement Reimbursement**

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2020:

- 29% of counties and 4% of cities participated in the Performance Measurement program.

**PURPOSE AND CONTEXT**

The Performance Measurement reimbursement helps local governments develop performance measures. This type of transparency in government finances is important to establish the trust and understanding of taxpayers.

Funding source: State General Fund

**SERVICES PROVIDED**

The Performance Measurement program was created in 2010 to determine how effectively counties and cities provide services. Counties and cities in the program:

- Track 10 performance measures such as police response time, hours to plow streets, and water quality.
- Report their results annually to the state auditor and their residents.

This program is voluntary. The state reimburses participants 14 cents per capita (up to \$25,000) to help cover their costs. They are also exempt from property tax levy limits for the following year (if levy limits are in effect).

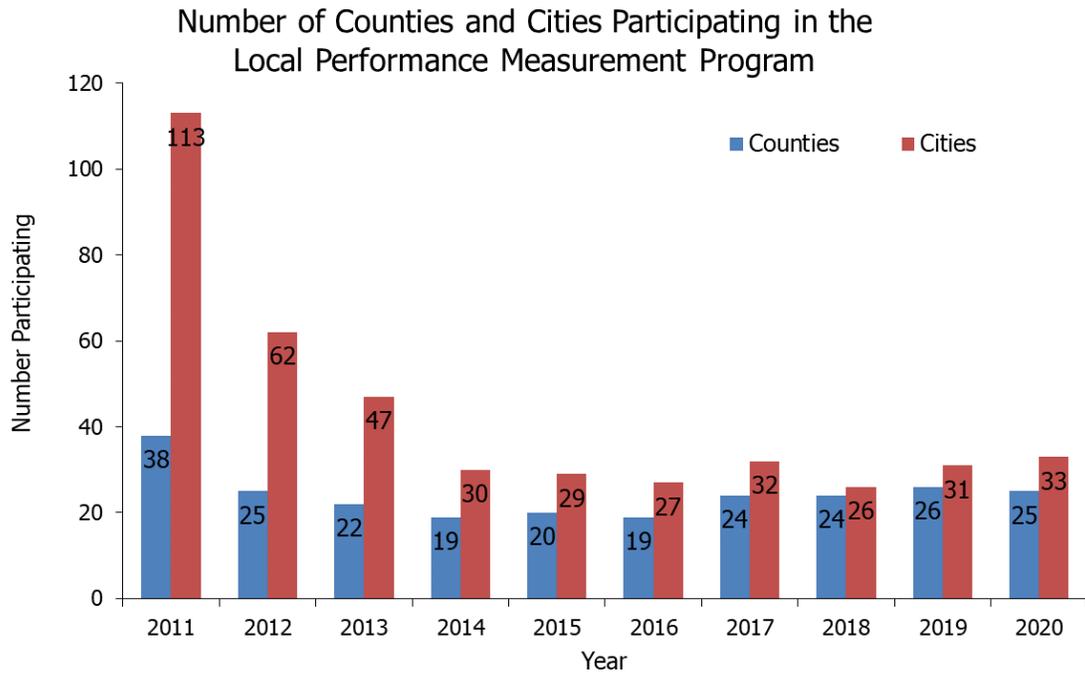
**RESULTS**

Taxpayers receive helpful information about the cost and quality of services provided by local governments.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Percentage of counties participating	28%	29%	2018 – 2020
Quantity	Percentage of cities participating	3%	4%	2018 – 2020

**Performance Measure Note:**

Annual participation compares calendar year 2018 (previous) to 2020 (current).



**Performance Measure Notes:**

The decrease in participation from 2011 to 2012 reflects additional requirements for implementing local performance measures in the second year. Many local jurisdictions elected to explore the program in 2011 but decided against full implementation in 2012.

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

# Performance Measurement Reimbursement

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	457	423	466	458	461	464	461	464
<b>Total</b>	<b>457</b>	<b>423</b>	<b>466</b>	<b>458</b>	<b>461</b>	<b>464</b>	<b>461</b>	<b>464</b>
Biennial Change				44		1		1
Biennial % Change				5		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	457	423	466	458	461	464	461	464
<b>Total</b>	<b>457</b>	<b>423</b>	<b>466</b>	<b>458</b>	<b>461</b>	<b>464</b>	<b>461</b>	<b>464</b>

# Performance Measurement Reimbursement

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	457	423	466	458	461	464	461	464
<b>Expenditures</b>	<b>457</b>	<b>423</b>	<b>466</b>	<b>458</b>	<b>461</b>	<b>464</b>	<b>461</b>	<b>464</b>
Biennial Change in Expenditures				44		1		1
Biennial % Change in Expenditures				5		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Other Local Govt Payments

**Activity:** Mahnomen Property Tax Reimbursement

[revenue.state.mn.us](http://revenue.state.mn.us)

### AT A GLANCE

In 2019:

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

### PURPOSE AND CONTEXT

When land becomes tax-exempt, the resulting loss of property tax base can lead to financial strain for local governments. Mahnomen Property Tax Reimbursement provides payments for the loss of tax base when the Shooting Star Casino became tax-exempt.

Funding source: State General Fund

### SERVICES PROVIDED

The Shooting Star Casino was placed into tax-exempt trust status, starting in 2007.

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

- Mahnomen County (\$900,000)
- City of Mahnomen (\$160,000)
- 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	City tax base percentage of pre-exemption tax base	56%	64%	2017 – 2019
Quantity	County tax base percentage of pre-exemption tax base	180%	204%	2017 – 2019
Quantity	School district tax base percentage of pre-exemption tax base	169%	193%	2017 – 2019

#### Performance Measures Notes:

City tax base percentage compares assessment year 2017 (previous) to assessment year 2019 (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 64% of pre-exemption

levels. The homestead exclusion reduced the taxable value of homesteads and the tax base of local taxing jurisdictions statewide.

---

Legal Citation: Laws 2008 Chapter 154, Article 1 established the payments. It was amended by: Laws 2013 Chapter 143, Article 2, Section 33.

# Mahnomen Property Tax Reimbursement

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<b>Total</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<b>Total</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>

# Mahnomen Property Tax Reimbursement

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Direct Appropriation	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<b>Expenditures</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>
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 Govt Payments  
**Activity:** Taconite Aid Reimbursement

[revenue.state.mn.us](http://revenue.state.mn.us)

#### AT A GLANCE

In 2019:

- 1 school district received Taconite Aid Reimbursement

#### PURPOSE AND 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.

Funding source: State 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Payment's percentage of total school district revenues	3.8%	3.6%	2017 – 2019

#### Performance Measures Notes:

Payment's percentage of total school district revenue compares calendar year 2017 (previous) to 2019 (current).

In fiscal year 2019, the Taconite Aid Reimbursement payment accounted for 3.6% of total school district revenues.

Legal Citation: M.S. 477A.15 establishes Taconite Aid Reimbursement.

<https://www.revisor.mn.gov/statutes/cite/477A.15>.

# Taconite Aid Reimbursement

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	561	561	561	561	561	561	561	561
<b>Total</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	561	561	561	561	561	561	561	561
<b>Total</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>

# Taconite Aid Reimbursement

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	561	561	561	561	561	561	561	561
<b>Expenditures</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>	<b>561</b>
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 Govt Payments  
**Activity:** Border City Reimbursement

[revenue.state.mn.us](http://revenue.state.mn.us)

### AT A GLANCE

In 2019:

- 2 jurisdictions received a Border City Reimbursement payment

### PURPOSE AND 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.

Funding source: State General Fund

### SERVICES PROVIDED

The Border City Reimbursement reduces property taxes for:

- Commercial/industrial property
- Public utility property
- Apartment property

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

### RESULTS

Border City Reimbursement increases business competitiveness in border areas.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of jurisdictions receiving reimbursement	2	2	2017 – 2019

#### Performance Measures Notes:

Number of jurisdictions receiving reimbursement compares taxes payable year 2017 (previous) to 2019 (current).

The two jurisdictions receiving reimbursement payments in 2017 and 2019 were the City of Breckenridge and the City of East Grand Forks.

Legal Citation: M.S. 469.1735 establishes the Border City Reimbursement program.

<https://www.revisor.mn.gov/statutes/cite/469.1735>.

# Border City Reimbursement

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	103	111	65	32	42	42	42	42
<b>Total</b>	<b>103</b>	<b>111</b>	<b>65</b>	<b>32</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>42</b>
Biennial Change				(117)		(13)		(13)
Biennial % Change				(55)		(13)		(13)
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	103	111	65	32	42	42	42	42
<b>Total</b>	<b>103</b>	<b>111</b>	<b>65</b>	<b>32</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>42</b>

# Border City Reimbursement

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Open Appropriation	103	111	65	32	42	42	42	42
<b>Expenditures</b>	<b>103</b>	<b>111</b>	<b>65</b>	<b>32</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>42</b>
Biennial Change in Expenditures				(117)		(13)		(13)
Biennial % Change in Expenditures				(55)		(13)		(13)
Governor's Change from Base								0
Governor's % Change from Base								0

**Program: Other Local Govt Payments**

**Activity: Disaster Credits**

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2018 and 2019:

- 663 parcels received Disaster Credits

**PURPOSE AND 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.

Funding source: State General Fund

**SERVICES PROVIDED**

The Disaster Credit, which started in 1984, 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.

In addition, a county may:

- Grant an abatement of property tax in the year in which the damage occurred if 50% of the homestead was destroyed.
- 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 governments for abatements and credits for property located in a declared disaster or emergency area.

**RESULTS**

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of parcels receiving credits	917	663	2016/2017 – 2018/2019

**Performance Measures Notes:**

The number of parcels receiving credits compares payable years 2016 and 2017 (previous) to 2018 and 2019 (current). The amount of payment is dependent on the number and severity of disasters. In payable years 2016 and 2018, no parcels received the credit.

For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search “disaster.”

Legal Citation: M.S. 273.1231-273.1235 establish Disaster Credits.

<https://www.revisor.mn.gov/statutes/cite/273.1231>.

## Disaster Credits

## Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	278	7	100	2,280	2,430	277	2,430	277
<b>Total</b>	<b>278</b>	<b>7</b>	<b>100</b>	<b>2,280</b>	<b>2,430</b>	<b>277</b>	<b>2,430</b>	<b>277</b>
Biennial Change				2,095		327		327
Biennial % Change				734		14		14
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	278	7	100	2,280	2,430	277	2,430	277
<b>Total</b>	<b>278</b>	<b>7</b>	<b>100</b>	<b>2,280</b>	<b>2,430</b>	<b>277</b>	<b>2,430</b>	<b>277</b>

# Disaster Credits

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	278	7	100	2,280	2,430	277	2,430	277
<b>Expenditures</b>	<b>278</b>	<b>7</b>	<b>100</b>	<b>2,280</b>	<b>2,430</b>	<b>277</b>	<b>2,430</b>	<b>277</b>
Biennial Change in Expenditures				2,095		327		327
Biennial % Change in Expenditures				734		14		14
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Other Local Govt Payments

**Activity:** Miscellaneous Payments

[revenue.state.mn.us](http://revenue.state.mn.us)

### AT A GLANCE

From 2018 to 2022:

- 9 local governments and 11 tribal nations received temporary relief payments

### PURPOSE AND CONTEXT

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

Funding source: State 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:

- \$2,400,000 to the county of Wadena between 2018 and 2021 for health care costs
- \$3,000,000 to the county of Beltrami in 2020 for out-of-home placement costs
- \$500,000 to the county of Otter Tail in 2020 for debt service on state leased building
- \$500,000 to the county of Mahnommen in 2020 for health center and costs of child welfare services
- \$275,000 to the city of Lilydale in 2020 for state highway construction bond payments
- \$129,000 to the city of Austin in 2020 to reimburse the city for state pension aids
- \$38,400 to the city of Flensburg in 2020 for repayment of Local Government Aid penalties
- \$5,000 to the city of Mazeppa and county of Wabasha in 2020 for fire damage tax abatements
- \$5,400,000 to the city of Virginia in 2022 for state highway construction utility relocation
- \$11 million in 2020 to tribal nations to fund emergency response activities in response to COVID-19

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 2017 First Special Session, Chapter 1, Article 4, Section 32; Laws 2019 First Special Session, Chapter 6, Article 5, Section 10; Laws 2020, Chapter 71, Article 1, Section 10.

## Miscellaneous Payments

## Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><i>Expenditures by Fund</i></b>								
1000 - General	600	600	16,047	600	5,400		5,400	
<b>Total</b>	<b>600</b>	<b>600</b>	<b>16,047</b>	<b>600</b>	<b>5,400</b>		<b>5,400</b>	
Biennial Change				15,447	(11,247)		(11,247)	
Biennial % Change				1,287	(68)		(68)	
Governor's Change from Base							0	
Governor's % Change from Base								
<b><i>Expenditures by Category</i></b>								
Grants, Aids and Subsidies	600	600	16,047	600	5,400		5,400	
<b>Total</b>	<b>600</b>	<b>600</b>	<b>16,047</b>	<b>600</b>	<b>5,400</b>		<b>5,400</b>	

# Miscellaneous Payments

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Direct Appropriation	600	600	16,047	600	5,400	0	5,400	0
<b>Expenditures</b>	<b>600</b>	<b>600</b>	<b>16,047</b>	<b>600</b>	<b>5,400</b>		<b>5,400</b>	
Biennial Change in Expenditures				15,447		(11,247)		(11,247)
Biennial % Change in Expenditures				1,287		(68)		(68)
Governor's Change from Base								0
Governor's % Change from Base								

**Program: Other Local Govt Payments**  
**Activity: Minneapolis Debt Service Aid**

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2019:

- The state paid \$4.12 million of Minneapolis’s library referendum bonds

**PURPOSE AND CONTEXT**

Regional infrastructure projects often need state assistance to be affordable. This program provides state aid to Minneapolis to pay part of the city’s library referendum bonds.

Funding source: State 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	State aid payment as a percent of the city’s total property taxes paid	0.4%	0.4%	2017 – 2019

**Performance Measures Notes:**

The state aid payment as a percent of the city’s total property taxes paid compare taxes payable year 2017 (previous) to 2019 (current).

Legal Citation: M.S. 477A.085 establishes the Minneapolis Debt Service Aid.

<https://www.revisor.mn.gov/statutes/cite/477A.085>.

# Minneapolis Debt Service Aid

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><u>Expenditures by Fund</u></b>								
1000 - General	4,120	4,120	4,120	3,610				
<b>Total</b>	<b>4,120</b>	<b>4,120</b>	<b>4,120</b>	<b>3,610</b>				
Biennial Change				(510)		(7,730)		(7,730)
Biennial % Change				(6)		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	4,120	4,120	4,120	3,610				
<b>Total</b>	<b>4,120</b>	<b>4,120</b>	<b>4,120</b>	<b>3,610</b>				

# Minneapolis Debt Service Aid

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Open Appropriation	4,120	4,120	4,120	3,610	0	0	0	0
<b>Expenditures</b>	<b>4,120</b>	<b>4,120</b>	<b>4,120</b>	<b>3,610</b>				
Biennial Change in Expenditures				(510)		(7,730)		(7,730)
Biennial % Change in Expenditures				(6)		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

**Program:** Tax Aids, Credits, and Refunds

**Activity:** Other Taxes and Refunds

[revenue.state.mn.us/](http://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 provides interest on refunds to taxpayers when necessary.

#### RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Projected</i>	<i>Dates</i>
Quantity	Amount of interest on refunds on taxes for the state airport fund	\$0	\$0	2019 – 2021
Quantity	Amount of interest on refunds on taxes for the environmental fund	\$0	\$1,000	2019 – 2021

#### Performance Measures Notes:

The previous and current measures show data from fiscal year 2019 (previous) to 2021 (projected).

## Other Taxes and Refunds

## Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
2800 - Environmental				1	1	1	1	1
2801 - Remediation		0	0					
6000 - Miscellaneous Agency	1	0		57	57	57	57	57
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>
Biennial Change				57		58		58
Biennial % Change				5,545		100		100
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Other Financial Transaction	1	0	0	58	58	58	58	58
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>

## Other Taxes and Refunds

## Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>2000 - Restrict Misc Special Revenue</b>								
Balance Forward In	57	70	8	8	18	28	18	28
Receipts	6,591	7,070	6,683	6,641	6,641	6,641	6,641	6,641
Transfers Out	6,578	7,132	6,682	6,631	6,631	6,631	6,631	6,631
Balance Forward Out	70	8	8	18	28	38	28	38

### 2710 - Highway Users Tax Distribution

Open Appropriation	23,028	23,274	23,066	21,288	22,901	22,673	22,901	22,673
Transfers Out	23,028	23,274	23,066	21,288	22,901	22,673	22,901	22,673

### 2800 - Environmental

Open Appropriation				1	1	1	1	1
Receipts	15	15	15	15	15	15	15	15
Cancellations	15	15	15	15	15	15	15	15
<b>Expenditures</b>				<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

### 2801 - Remediation

Open Appropriation	0	0	0	0				
<b>Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>				
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

### 6000 - Miscellaneous Agency

Balance Forward In	129	266	312	349	349	349	349	349
Receipts	137	46	38	57	57	57	57	57
Balance Forward Out	266	312	349	349	349	349	349	349
<b>Expenditures</b>	<b>1</b>	<b>0</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>

## Other Taxes and Refunds

## Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Biennial Change in Expenditures				56		57		57
Biennial % Change in Expenditures				5,444				
Governor's Change from Base								0
Governor's % Change from Base								0

**Program: Tax Aids, Credits, and Refunds**

**Activity: Political Contribution Refund**

[revenue.state.mn.us/](http://revenue.state.mn.us/)

**AT A GLANCE**

In FY 2019:

- This program provided \$2.8 million in refunds for political contributions.

**PURPOSE & CONTEXT**

The Political Contribution Refund program was enacted in 1990. 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.

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.

Funding source: State 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 FY 2009-2013 and FY 2016-2017. It was in effect for FY 2014-2015.

To qualify for a refund of political contributions made during 2020, taxpayers must apply by April 15, 2021.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Political Contribution Refunds Paid	\$3,695,000	\$2,808,000	2018-2019
Quantity	Total Political Contribution Refunds	0	33,000	2018-2019

**Performance Measure Notes:**

Compares refunds paid in tax year 2018 (previous) to tax year 2019 (current).

---

**Legal Citation:** M.S. 290.06, subdivision 23, establishes the Political Contribution Refund program.

[www.revisor.mn.gov/statutes/?id=290.06](http://www.revisor.mn.gov/statutes/?id=290.06).

## Political Contribution Refunds

## Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	3,695	2,808	2,707	3,500	3,000	3,500	3,000	3,500
<b>Total</b>	<b>3,695</b>	<b>2,808</b>	<b>2,707</b>	<b>3,500</b>	<b>3,000</b>	<b>3,500</b>	<b>3,000</b>	<b>3,500</b>
Biennial Change				(296)		293		293
Biennial % Change				(5)		5		5
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	3,695	2,808	2,705	3,495	2,995	3,495	2,995	3,495
Other Financial Transaction	0	0	2	5	5	5	5	5
<b>Total</b>	<b>3,695</b>	<b>2,808</b>	<b>2,707</b>	<b>3,500</b>	<b>3,000</b>	<b>3,500</b>	<b>3,000</b>	<b>3,500</b>

# Political Contribution Refunds

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	3,695	2,808	2,707	3,500	3,000	3,500	3,000	3,500
<b>Expenditures</b>	<b>3,695</b>	<b>2,808</b>	<b>2,707</b>	<b>3,500</b>	<b>3,000</b>	<b>3,500</b>	<b>3,000</b>	<b>3,500</b>
Biennial Change in Expenditures				(296)		293		293
Biennial % Change in Expenditures				(5)		5		5
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/](http://revenue.state.mn.us/)

**AT A GLANCE**

In Fiscal Year 2019:

- Over \$14 million in tax refund interest was paid to taxpayers who did not receive refunds within the statutory time frame. The interest rate has been 5% since 2019.

**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 was 4% in 2017 – 2018 and has been 5% since 2019; 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.

**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.

<i>Type of Tax or Refund</i>	<i>Interest Starts to Accrue</i>
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 <b>However</b> , interest starts to accrue 90 days after refund claims filed for: <ul style="list-style-type: none"> <li>• Sales tax paid on exempt capital equipment or building materials</li> <li>• Purchaser refunds (of sales tax incorrectly charged by a retailer or vendor)</li> </ul>

**RESULTS**

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Tax Refund Interest Paid	\$10,632,000	\$14,476,000	2018-2019

**Performance Measure Notes:**

Compares tax refund interest paid in FY2018 (previous) to FY2019 (current).

Legal Citation: M.S. 289A.56 establishes tax refund interest payments. [www.revisor.mn.gov/statutes/?id=289A.56](http://www.revisor.mn.gov/statutes/?id=289A.56)

## Tax Refund Interest

## Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b><u>Expenditures by Fund</u></b>								
1000 - General	10,637	14,483	25,738	18,900	14,000	12,900	14,000	12,900
2360 - Health Care Access	165	142	239	103	108	113	108	113
2710 - Highway Users Tax Distribution	20	110	20	30	30	30	30	30
<b>Total</b>	<b>10,822</b>	<b>14,735</b>	<b>25,996</b>	<b>19,033</b>	<b>14,138</b>	<b>13,043</b>	<b>14,138</b>	<b>13,043</b>
Biennial Change				19,472		(17,848)		(17,848)
Biennial % Change				76		(40)		(40)
Governor's Change from Base								0
Governor's % Change from Base								0
<b><u>Expenditures by Category</u></b>								
Other Financial Transaction	10,822	14,735	25,996	19,033	14,138	13,043	14,138	13,043
<b>Total</b>	<b>10,822</b>	<b>14,735</b>	<b>25,996</b>	<b>19,033</b>	<b>14,138</b>	<b>13,043</b>	<b>14,138</b>	<b>13,043</b>

## Tax Refund Interest

## Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Open Appropriation	10,637	14,483	25,738	18,900	14,000	12,900	14,000	12,900
<b>Expenditures</b>	<b>10,637</b>	<b>14,483</b>	<b>25,738</b>	<b>18,900</b>	<b>14,000</b>	<b>12,900</b>	<b>14,000</b>	<b>12,900</b>
Biennial Change in Expenditures				19,517		(17,738)		(17,738)
Biennial % Change in Expenditures				78		(40)		(40)
Governor's Change from Base								0
Governor's % Change from Base								0

### 2360 - Health Care Access

Open Appropriation	165	142	239	103	108	113	108	113
<b>Expenditures</b>	<b>165</b>	<b>142</b>	<b>239</b>	<b>103</b>	<b>108</b>	<b>113</b>	<b>108</b>	<b>113</b>
Biennial Change in Expenditures				35		(121)		(121)
Biennial % Change in Expenditures				11		(35)		(35)
Governor's Change from Base								0
Governor's % Change from Base								0

### 2710 - Highway Users Tax Distribution

Open Appropriation	20	110	20	30	30	30	30	30
<b>Expenditures</b>	<b>20</b>	<b>110</b>	<b>20</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
Biennial Change in Expenditures				(80)		10		10
Biennial % Change in Expenditures				(62)		21		21
Governor's Change from Base								0
Governor's % Change from Base								0

**Program:** Other Taxes and Refunds

**Activity:** Discontinued Programs

[revenue.state.mn.us](http://revenue.state.mn.us)

### PURPOSE AND CONTEXT

The Bloomington Fiscal Disparities Loan Repayment program relieved 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, the state made the repayment to the fiscal disparities program on Bloomington's behalf. The final payment was made in 2018.

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

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Loan repayment paid by the state on behalf of the City of Bloomington	\$4,700,000	\$0	2018 – 2020
Quantity	Number of cities eligible for small cities assistance	705	\$0	2018-2019
Quantity	Amount of state aid paid in small cities assistance	\$8,000,000	\$0	2018-2019
Quantity	Aid paid to volunteer firefighters, ambulance attendants, and medical responders	\$1,559,000	\$0	2018-2019

#### Performance Measure Notes:

The previous and current measures show data from taxes payable years 2018 (previous) to 2019/2020 (Current).

## Discontinued Programs

## Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><u>Expenditures by Fund</u></b>								
1000 - General	6,416	4,704						
2001 - Other Misc Special Revenue	7,979	7,980						
<b>Total</b>	<b>14,395</b>	<b>12,683</b>						
Biennial Change				(27,078)		0		0
Biennial % Change				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
<b><u>Expenditures by Category</u></b>								
Grants, Aids and Subsidies	14,395	12,683						
<b>Total</b>	<b>14,395</b>	<b>12,683</b>						

## Discontinued Programs

## Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b>1000 - General</b>								
Open Appropriation	6,416	4,704						
<b>Expenditures</b>	<b>6,416</b>	<b>4,704</b>						
Biennial Change in Expenditures				(11,119)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
<b>2001 - Other Misc Special Revenue</b>								
Balance Forward In	4	25	45	45	45	45	45	45
Transfers In	8,000	8,000						
Balance Forward Out	25	45	45	45	45	45	45	45
<b>Expenditures</b>	<b>7,979</b>	<b>7,980</b>						
Biennial Change in Expenditures				(15,959)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								

**Program: COVID 19 Aid**  
**Activity: COVID-19 Response Aid Payments**

[revenue.state.mn.us](http://revenue.state.mn.us)

**AT A GLANCE**

In 2020:

- \$841 million was authorized for distribution to local governments
- \$838 million was paid to eligible jurisdictions which submitted certifications
- 1,615 out of 1,888 eligible jurisdictions received an aid payment from the federal Coronavirus Relief Fund

**PURPOSE AND CONTEXT**

The Coronavirus Disease 2019 (COVID-19) public health emergency created costs for local governments, created a financial strain. COVID Aid provides financial support to some counties, cites, and towns.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed by President Trump on March 27, 2020. The CARES Act established the \$150 billion Coronavirus Relief Fund. The State of Minnesota was allocated \$2.187 billion from the federal Coronavirus Relief Fund. Hennepin and Ramsey Counties received a total of \$317 million directly from the U.S. Treasury. Of the remaining state allocation, \$841 million was authorized through the Legislative Advisory Commission review process for distribution to local governments.

Funding source: Federal Coronavirus Relief Fund

**SERVICES PROVIDED**

The federal government, through the CARES Act, provided states with aid to cover costs resulting from the COVID-19 outbreak. The State of Minnesota created a formula that allowed certain counties, and cities and towns with a population over 200 to apply for this aid. Counties, cities, and towns that chose to apply for and accept this aid agreed to follow federal and state guidelines.

**RESULTS**

COVID Aid payments help local governments pay costs associated with the COVID-19 outbreak.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of jurisdictions receiving payment	0	1,615	2018 – 2020
Quantity	Average payment for all local governments	0	\$519,000	2018 – 2020
Quantity	Average amount of payments distributed to counties	0	\$5,497,000	2018 – 2020
Quantity	Average amount of payments distributed to cities	0	\$542,000	2018 – 2020
Quantity	Average amount of payments distributed to towns	0	\$23,000	2018 – 2020

**Performance Measures Notes:**

Number of jurisdictions receiving payment compares taxes payable year 2018 (previous) to 2020 (current). The number of jurisdictions receiving aid is dependent on how many local jurisdictions qualify for aid and how many chose to apply to receive aid.

Average payment amount compares taxable year 2018 (previous) to 2020 (current). The size of the aid payments is dependent on the type of government and its population. For more information, visit the Revenue website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)) and search "Coronavirus Relief Fund." Additional data is also available on the TransparencyMN website (<https://mn.gov/mmb/transparency-mn/covid19-checkbook/>), which provides checkbook-level data on how the state CRF funds (and all other COVID-19 funding) have been spent.

# COVID-19 Response Aid Payments

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation		
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23	
<b><u>Expenditures by Fund</u></b>									
1000 - General				87,750					
3010 - Coronavirus Relief				837,729					
<b>Total</b>				<b>925,479</b>					
Biennial Change				925,479		(925,479)		(925,479)	
Biennial % Change									
Governor's Change from Base									0
Governor's % Change from Base									
<b><u>Expenditures by Category</u></b>									
Grants, Aids and Subsidies				925,479					
<b>Total</b>				<b>925,479</b>					

# COVID-19 Response Aid Payments

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Direct Appropriation				87,750	0	0	0	0
<b>Expenditures</b>				<b>87,750</b>				
Biennial Change in Expenditures				87,750		(87,750)		(87,750)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								
<b>3010 - Coronavirus Relief</b>								
Direct Appropriation				841,464	0	0	0	0
Cancellations				3,735				
<b>Expenditures</b>				<b>837,729</b>				
Biennial Change in Expenditures				837,729		(837,729)		(837,729)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								