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Tax Aids, Credits and Refunds — Agency Profile

http://www.revenue.state.mn.us

AT A GLANCE

In 2021 the Department of Revenue paid:

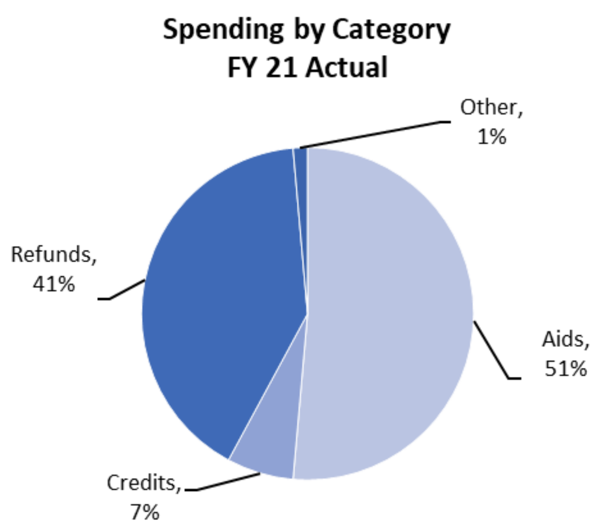
- $1.042 billion in aids to local governments
- $826 million in property tax refunds to about 902,000 individuals
- $131 million in credits to reduce individuals' and businesses' property taxes
- $29 million in other programs

PURPOSE

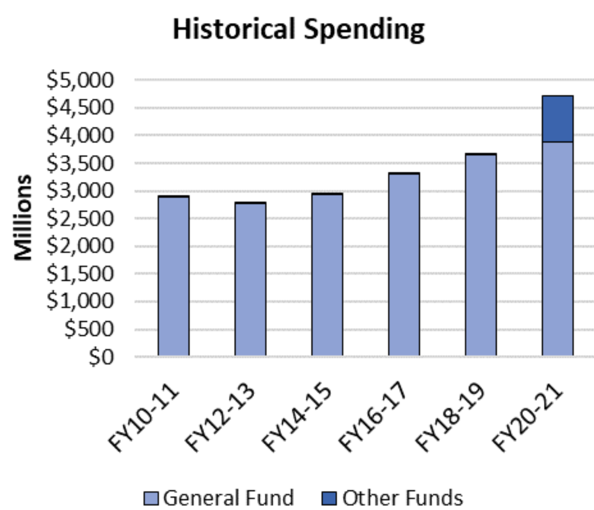
Property taxes are a primary source of funding for local governments. Property tax amounts are not linked to ability to pay and can be a significant cost relative to income for some taxpayers.

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



Source: Budget Planning and Analysis System (BPAS)



Source: Consolidated Fund Statement

The Department of Revenue administers 35 Property Tax Aid, Credit and Refund programs that make payments to individual taxpayers and local governments. In 2021, we disbursed more than $2 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

Property Tax Aid, Credit and Refund programs:

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	1,861,252	2,020,293	2,047,480	2,583,123	2,191,671	2,230,685	2,797,671	2,322,715
2000 - Restrict Misc Special Revenue	132	180	196	216	220	220	220	220
2001 - Other Misc Special Revenue	162	127	18,051	81	89	90	89	90
2360 - Health Care Access	239	696	1,270	447	346	360	346	360
2710 - Highway Users Tax Distribution	20	45	39	50	50	50	50	50
2720 - State Airports				1	1	1	1	1
2800 - Environmental		0		1	1	1	1	1
2801 - Remediation	0							
3000 - Federal			376,364					
3010 - Coronavirus Relief		835,926	66,695					
Total	**1,861,804**	**2,857,268**	**2,510,096**	**2,583,919**	**2,192,378**	**2,231,407**	**2,798,378**	**2,323,437**
Biennial Change				374,943		(670,230)		27,800
Biennial % Change				8		(13)		1
Governor's Change from Base								698,030
Governor's % Change from Base								16
Expenditures by Program								
Refunds	783,953	825,512	808,353	863,020	931,780	954,050	931,780	953,920
Local Aids	783,281	913,601	937,527	925,494	945,162	944,985	1,507,162	1,036,985
Credits	93,967	112,609	118,248	126,859	141,234	152,838	141,234	152,838
Pension-Related Aids	135,385	141,255	141,702	149,861	155,190	160,580	155,190	160,580
Other Local Government Payments	18,439	4,590	39,997	2,736	2,864	2,592	46,864	2,752
Other Taxes and Refunds	46,779	23,775	21,210	15,949	16,148	16,362	16,148	16,362
COVID Aid		835,926	443,059	500,000				
Total	**1,861,804**	**2,857,268**	**2,510,096**	**2,583,919**	**2,192,378**	**2,231,407**	**2,798,378**	**2,323,437**
Expenditures by Category								
Operating Expenses	4,413	4,363	4,169	4,036	3,916	3,846	3,916	3,846
Grants, Aids and Subsidies	1,831,243	2,835,823	2,490,373	2,567,180	2,175,241	2,214,125	2,781,241	2,306,155
Other Financial Transaction	26,148	17,082	15,553	12,703	13,221	13,436	13,221	13,436
Total	**1,861,804**	**2,857,268**	**2,510,096**	**2,583,919**	**2,192,378**	**2,231,407**	**2,798,378**	**2,323,437**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In				500,000				
Direct Appropriation	762,427	965,157	1,418,712	882,701	903,621	903,289	903,621	983,449
Open Appropriation	1,078,460	1,123,152	1,109,442	1,181,688	1,265,478	1,305,097	1,871,478	1,317,177
Transfers In	35,940	36,090	36,358	36,488	40,866	41,091	40,866	41,091
Transfers Out	14,210	14,876	15,134	16,033	16,541	17,008	16,541	17,008
Net Loan Activity	(1,311)	(1,479)	(1,743)	(1,721)	(1,753)	(1,784)	(1,753)	(1,994)
Cancellations	56	87,750	155					
Balance Forward Out			500,000					
Expenditures	**1,861,252**	**2,020,293**	**2,047,480**	**2,583,123**	**2,191,671**	**2,230,685**	**2,797,671**	**2,322,715**
Biennial Change in Expenditures				749,058		(208,247)		489,783
Biennial % Change in Expenditures				19		(5)		11
Governor's Change from Base								698,030
Governor's % Change from Base								16

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
2000 - Restrict Misc Special Revenue								
Balance Forward In	307	428	601	729	1,070	1,408	1,070	1,408
Receipts	6,992	7,675	9,626	8,729	8,729	8,729	8,729	8,729
Transfers Out	6,738	7,322	9,302	8,172	8,171	8,171	8,171	8,171
Balance Forward Out	428	601	729	1,070	1,408	1,746	1,408	1,746
Expenditures	**132**	**180**	**196**	**216**	**220**	**220**	**220**	**220**
Biennial Change in Expenditures				100		28		28
Biennial % Change in Expenditures				32		7		7
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
2001 - Other Misc Special Revenue								
Balance Forward In	92	71	71	110	110	110	110	110
Transfers In	141	127	18,090	81	89	90	89	90
Balance Forward Out	71	71	110	110	110	110	110	110
Expenditures	**162**	**127**	**18,051**	**81**	**89**	**90**	**89**	**90**
Biennial Change in Expenditures				17,843		(17,953)		(17,953)
Biennial % Change in Expenditures				6,166		(99)		(99)
Governor's Change from Base								0

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Governor's % Change from Base								0

2360 - Health Care Access

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Open Appropriation	239	696	1,270	447	346	360	346	360
Expenditures	**239**	**696**	**1,270**	**447**	**346**	**360**	**346**	**360**
Biennial Change in Expenditures				783		(1,011)		(1,011)
Biennial % Change in Expenditures				84		(59)		(59)
Governor's Change from Base								0
Governor's % Change from Base								0

2710 - Highway Users Tax Distribution

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Open Appropriation	23,086	20,362	21,436	22,504	22,885	22,589	22,885	22,589
Transfers Out	23,066	20,317	21,397	22,454	22,835	22,539	22,835	22,539
Expenditures	**20**	**45**	**39**	**50**	**50**	**50**	**50**	**50**
Biennial Change in Expenditures				24		11		11
Biennial % Change in Expenditures				37		13		13
Governor's Change from Base								0
Governor's % Change from Base								0

2720 - State Airports

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Open Appropriation				1	1	1	1	1
Expenditures				**1**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

2800 - Environmental

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In				342	342	342	342	342
Open Appropriation		0		1	1	1	1	1
Receipts	15	15	342					
Cancellations	15	15						
Balance Forward Out			342	342	342	342	342	342

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures		**0**		**1**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

2801 - Remediation

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Open Appropriation	0							
Expenditures	**0**							
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

3000 - Federal

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In			188,466	284	284	284	284	284
Receipts		188,466	188,182					
Balance Forward Out		188,466	284	284	284	284	284	284
Expenditures			**376,364**					
Biennial Change in Expenditures				376,364		(376,364)		(376,364)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

3010 - Coronavirus Relief

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Direct Appropriation		840,125	66,885					
Cancellations		4,199	190					
Expenditures		**835,926**	**66,695**					
Biennial Change in Expenditures				(769,231)		(66,695)		(66,695)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Direct				
Fund: 1000 - General				
FY2023 Appropriations	**882,196**	**882,196**	**882,196**	**1,764,392**
Base Adjustments				
Current Law Base Change		20,000	20,000	40,000
Forecast Open Appropriation Adjustment		1,813	1,393	3,206
November Forecast Adjustment	505	(388)	(300)	(688)
Forecast Base	**882,701**	**903,621**	**903,289**	**1,806,910**
Change Items				
Local Government Aid and County Program Aid Increases			80,160	80,160
Total Governor's Recommendations	**882,701**	**903,621**	**983,449**	**1,887,070**
Open				
Fund: 1000 - General				
FY2023 Appropriations	**1,174,324**	**1,174,324**	**1,174,324**	**2,348,648**
Base Adjustments				
All Other One-Time Appropriations		(5,516)	(5,516)	(11,032)
Forecast Open Appropriation Adjustment	(3,582)	50,098	89,974	140,072
November Forecast Adjustment	18,155	58,696	72,048	130,744
February Forecast Adjustment	(7,209)	(12,124)	(25,733)	(37,857)
Forecast Base	**1,181,688**	**1,265,478**	**1,305,097**	**2,570,575**
Change Items				
Public Safety Aid		550,000		550,000
Local Government Aid and County Program Aid Increases			(2,180)	(2,180)
Allowing Homestead Status for ITIN Residents			2,000	2,000
Senior Citizen Property Tax Deferral			210	210
Tribal Nation Housing and Homelessness Aid		44,000		44,000
Increase Regional Transit Bonding Authority			50	50
Soil and Water Conservation District Capacity Funding		12,000	12,000	24,000
Total Governor's Recommendations	**1,181,688**	**1,871,478**	**1,317,177**	**3,188,655**
Fund: 2360 - Health Care Access				
FY2023 Appropriations	**700**	**700**	**700**	**1,400**
Base Adjustments				
All Other One-Time Appropriations	(548)	(541)	(535)	(1,076)
November Forecast Adjustment	71	62	62	124
February Forecast Adjustment	224	125	133	258
Forecast Base	**447**	**346**	**360**	**706**
Total Governor's Recommendations	**447**	**346**	**360**	**706**

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Fund: 2710 - Highway Users Tax Distribution				
FY2023 Appropriations	**23,179**	**23,179**	**23,179**	**46,358**
Base Adjustments				
Forecast Open Appropriation Adjustment		185	370	555
November Forecast Adjustment	(404)	(527)	(872)	(1,399)
February Forecast Adjustment	(271)	48	(88)	(40)
Forecast Base	**22,504**	**22,885**	**22,589**	**45,474**
Total Governor's Recommendations	**22,504**	**22,885**	**22,589**	**45,474**
Fund: 2720 - State Airports				
FY2023 Appropriations	**1**	**1**	**1**	**2**
Forecast Base	**1**	**1**	**1**	**2**
Total Governor's Recommendations	**1**	**1**	**1**	**2**
Fund: 2800 - Environmental				
FY2023 Appropriations	**1**	**1**	**1**	**2**
Forecast Base	**1**	**1**	**1**	**2**
Total Governor's Recommendations	**1**	**1**	**1**	**2**
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	**216**	**220**	**220**	**440**
Forecast Base	**216**	**220**	**220**	**440**
Total Governor's Recommendations	**216**	**220**	**220**	**440**
Fund: 2001 - Other Misc Special Revenue				
Planned Spending	**81**	**89**	**90**	**179**
Forecast Base	**81**	**89**	**90**	**179**
Total Governor's Recommendations	**81**	**89**	**90**	**179**
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	**8,729**	**8,729**	**8,729**	**17,458**
Total Governor's Recommendations	**8,729**	**8,729**	**8,729**	**17,458**
Non-Dedicated				
Fund: 1000 - General				

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Forecast Revenues	**28,311,459**	**28,365,120**	**29,321,440**	**57,686,560**
Change Items				
Responding to Federal Changes		4,400	(700)	3,700
Child Tax Credit		(547,600)	(575,200)	(1,122,800)
Child and Dependent Care Credit Expansion with Newborn Credit		(268,300)	(270,500)	(538,800)
K-12 Education Credit		(10,000)	(10,500)	(20,500)
One-Time Advanced Refundable Tax Credit		(3,902,000)		(3,902,000)
Social Security Benefits		(105,600)	(114,800)	(220,400)
Working Family Credit		(9,800)	(10,000)	(19,800)
Payment Agreement Fee Removal		(1,500)	(1,500)	(3,000)
Military Credit Due Date		(200)		(200)
Capital Gains Tax		362,300	317,300	679,600
Sales Tax Update Edible Cannabinoids		10	10	20
Sales Tax Exemption for Local Government and Nonprofit Construction		(177,110)	(78,520)	(255,630)
Local Government Aid and County Program Aid Increases			780	780
Angel Tax Credit		(10,000)	(10,000)	(20,000)
Reinstate the Historic Rehabilitation Tax Credit		(700)	(3,100)	(3,800)
Increase Regional Transit Bonding Authority			(20)	(20)
Registration Tab Fee Restructure			(700)	(700)
Legalizing Adult-Use Cannabis		5,800	31,000	36,800
Charitable Gaming Rate Reduction		(13,600)	(15,600)	(29,200)
Federal Update for SECURE Act 2.0		2,700	(800)	1,900
Electric Vehicle Tax Credit		(8,900)	(10,000)	(18,900)
Preserving Funding for Medical Education and Research Costs		149	149	298
Total Governor's Recommendations	**28,311,459**	**23,685,169**	**28,568,739**	**52,253,908**
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	**26,287**	**26,287**	**26,287**	**52,574**
Total Governor's Recommendations	**26,287**	**26,287**	**26,287**	**52,574**
Fund: 2107 - State Pks & Trls Lott In Lieu				
Forecast Revenues	**7,933**	**7,378**	**7,674**	**15,052**
Total Governor's Recommendations	**7,933**	**7,378**	**7,674**	**15,052**
Fund: 2109 - Local Trls Grants Lott In Lieu				
Forecast Revenues	**1,058**	**984**	**1,023**	**2,007**
Total Governor's Recommendations	**1,058**	**984**	**1,023**	**2,007**
Fund: 2110 - Zoos Lottery In Lieu				
Forecast Revenues	**705**	**656**	**682**	**1,338**
Total Governor's Recommendations	**705**	**656**	**682**	**1,338**

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Fund: 2209 - Heritage Enhancement				
Forecast Revenues	**17,630**	**16,395**	**17,055**	**33,450**
Total Governor's Recommendations	**17,630**	**16,395**	**17,055**	**33,450**
Fund: 2300 - Outdoor Heritage				
Forecast Revenues	**143,428**	**143,928**	**148,557**	**292,485**
Change Items				
Sales Tax Exemption for Local Government and Nonprofit Construction		(3,373)	(1,495)	(4,868)
Legalizing Adult-Use Cannabis		(3)	96	93
Total Governor's Recommendations	**143,428**	**140,552**	**147,158**	**287,710**
Fund: 2301 - Arts & Cultural Heritage				
Forecast Revenues	**85,839**	**86,139**	**88,909**	**175,048**
Change Items				
Sales Tax Exemption for Local Government and Nonprofit Construction		(2,018)	(895)	(2,913)
Legalizing Adult-Use Cannabis		(2)	57	55
Total Governor's Recommendations	**85,839**	**84,119**	**88,071**	**172,190**
Fund: 2302 - Clean Water				
Forecast Revenues	**143,428**	**143,928**	**148,557**	**292,485**
Change Items				
Sales Tax Exemption for Local Government and Nonprofit Construction		(3,373)	(1,495)	(4,868)
Legalizing Adult-Use Cannabis		(3)	96	93
Total Governor's Recommendations	**143,428**	**140,552**	**147,158**	**287,710**
Fund: 2303 - Parks and Trails				
Forecast Revenues	**61,935**	**62,151**	**64,150**	**126,301**
Change Items				
Sales Tax Exemption for Local Government and Nonprofit Construction		(1,456)	(646)	(2,102)
Legalizing Adult-Use Cannabis		(1)	41	40
Total Governor's Recommendations	**61,935**	**60,694**	**63,545**	**124,239**
Fund: 2350 - Petroleum Tank Release Cleanup				
Forecast Revenues	**25,000**	**25,000**	**25,000**	**50,000**
Total Governor's Recommendations	**25,000**	**25,000**	**25,000**	**50,000**
Fund: 2360 - Health Care Access				
Forecast Revenues	**865,798**	**884,399**	**980,923**	**1,865,322**
Total Governor's Recommendations	**865,798**	**884,399**	**980,923**	**1,865,322**

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Fund: 2710 - Highway Users Tax Distribution				
Forecast Revenues	**1,084,513**	**1,101,037**	**1,091,538**	**2,192,575**
Total Governor's Recommendations	**1,084,513**	**1,101,037**	**1,091,538**	**2,192,575**
Fund: 2720 - State Airports				
Forecast Revenues	**17,827**	**17,827**	**17,827**	**35,654**
Total Governor's Recommendations	**17,827**	**17,827**	**17,827**	**35,654**
Fund: 2800 - Environmental				
Forecast Revenues	**77,409**	**79,265**	**81,544**	**160,809**
Total Governor's Recommendations	**77,409**	**79,265**	**81,544**	**160,809**

Tax Aids, Credits and Refunds

FY 2024-25 Biennial Budget Change Item

Change Item Title: Responding to Federal Changes

Fiscal Impact ($000s)*	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	4,400	(700)	19,700	68,300
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(4,400)	700	(19,700)	(68,300)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends conforming Minnesota's tax code with many of the important federal law changes made in the past four years. Adopting the federal changes for individuals and businesses provides an investment in Minnesota's tax system to ensure that it is stable, predictable, and less complex. The Governor's recommendation includes the federal update enacted as chapter 1, House File 31, as well as two additional changes:

- Adoption of the federal extension of the limit on the deduction for losses from a pass-through entity for tax years 2026 through tax years 2028.
- Application of federal changes adopted by Minnesota to individual income taxpayer calculation of the nonresident percentage of Minnesota tax liability.

The proposal is effective at the same time as the changes were effective for federal purposes.

Rationale/Background:

The Minnesota tax code is based on the Internal Revenue Code (IRC) as of a static date. The recently signed HF 31 conformed the state taxes that reference either federal adjusted gross income or federal taxable income to the federal IRC as amended through December 15, 2022. This update encompasses the following seven federal acts:

- The Further Consolidated Appropriations Act, 2020 (Public Law 116- 94), enacted on December 20, 2019.
- The Families First Coronavirus Response Act (Public Law 116-127), enacted on March 18, 2020.
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136), enacted on March 27, 2020.
- The Consolidated Appropriations Act, 2021 (Public Law 116-260), enacted on December 27, 2020.
- The American Rescue Plan Act (ARPA), (Public Law 117-2), enacted on March 11, 2021.
- The Infrastructure Investment and Jobs Act (Public Law 117-9), enacted on November 15, 2021.
- The Inflation Reduction Act (Public Law 117-169), enacted on August 16, 2022.

These federal acts made many changes across the tax system that impact individuals, families, and businesses. HF 31 adopted permanent federal changes for individuals and mainly conformed to the temporary changes for individuals and businesses and changes targeting COVID-19 relief. The bill decoupled from some of the federal changes, such as the prospective extension of Tax Cuts and Jobs Act of 2017 (TCJA) limitation on excess business loss deductions. The bill also made modifications regarding how federal changes to net operating losses should be calculated for Minnesota income purposes.

Excess Business Loss Limitation
The TCJA limited the deduction for losses from a partnership, S corporation, or sole proprietorship to $250,000 ($500,000 for married joint filers.) Any excess losses over that amount may be carried over to following tax years. The limitation was effective for tax years 2018 through 2025. Minnesota adopted this limitation on losses.

The American Rescue Plan Act (ARPA) extended the limit through 2026. The Inflation Reduction Act extended the limit again for tax years 2027 and 2028. Minnesota has not conformed with this extension of the limitation. Under current law, beginning in tax year 2026, a taxpayer may claim a subtraction for any excess business losses not allowed federally. This will result in some taxpayers taking a larger deduction against Minnesota state income for a taxable year, than they are allowed federally.

Nonresident Percentage
Nonresident individual income taxpayers must calculate their Minnesota tax liability based on their total income. The result is multiplied by the percentage of their income that is Minnesota source income. Current law does not include certain Minnesota adjustments to net operating loss in the calculation of the nonresident percentage. The Minnesota adjustments are:

- The amount of additional business interest that was allowed under the CARES Act in 2018-2020 must be added back to taxable income but can be deducted over five years beginning in tax years 2023.
- Additional net operating loses (NOLs) that were allowed under the CARES Act in tax years 2018-2020 must be added back to taxable income but can be carried forward for up to 20 years.
- A subtraction is allowed for excess business losses subject to the federal limitation in Section 461(l)(1) of the Internal Revenue Code in tax years 2026-2028.

Proposal:
The proposal would adopt the federal extension of the limitation on excess business losses. The proposal would also apply Minnesota modifications for calculating net operating losses for purposes of determining the nonresident percentage.

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:
Updating our tax code to the most current version of the Internal Revenue Code makes the Minnesota tax code clearer for taxpayers and tax professionals, makes filing and recordkeeping less complex and is less burdensome for the department to administer.

Statutory Change(s):
Changes to Minnesota Statutes chapters 289A, 290, 290A, and 291.

Change Item Title: Supporting Children and Families

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
DHS	316	63	63	63
Revenues				
Tax Aids, Credits, & Refunds	(825,900)	(856,200)	(874,300)	(889,900)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	826,216	856,263	874,363	889,963
FTEs				

Recommendation:

The Governor recommends expanding tax programs for families with children, including –

- Establishing a refundable, state-based Child Tax Credit for households with children younger than 18 years old and eligible adults with qualifying special needs;
- Expanding Minnesota's Child and Dependent Care Credit by increasing the income threshold at which the credit phaseout begins to $200,000 ($100,000 for married separate filers), increasing the percentage of expenses that qualify to 50% and increasing the maximum credit for care of young children under five years old;
- Updating the Child and Dependent Care Credit to allow single taxpayers to claim the "newborn credit" that is allowed for a child born in the tax year even if there are no eligible expenses; and
- Modifying the K-12 Education Credit to simplify the calculation and update the eligibility criteria to account for inflation. The update would increase the amount of income at which credit phaseout begins (from $33,500 to $59,210) and use federal adjusted gross income rather than household income when calculating the K-12 Education Credit.

Rationale/Background:

Child Tax Credit

Minnesota does not currently have a state-based Child Tax Credit (CTC) to support families with the costs of raising and caring for a child or eligible adult with qualifying special needs. The federal government has a partially refundable CTC and nine states have a refundable, state-based CTC.

The federal CTC is available for families with children who have employment income, but the program is not targeted to low-wage workers and provides greater benefit amounts for higher income families than for lower income families. The credit begins to phase out for income over $400,000 if Married Filing Jointly and $200,00 if filing as Single. The federal CTC was temporarily expanded in 2021 to remove the income requirement, increase the amount of the credit for lower-income households, and allow full refundability of the credit.

The availability of the federal and state refundable tax credits, and especially the expanded 2021 credit, has been shown to alleviate poverty for low- and middle-income families. The credit allows parents to afford basic essentials such as paying bills, paying for school expenses, investing in savings, and paying for childcare. There is a strong relationship between childhood poverty and negative long-term outcomes. Reduction of poverty can result in better average birth weights and gestational ages, better parent-reported health status, and lower rates of child maltreatment.

The CTC is in addition to Minnesota's other tax benefits that are targeted to the costs of raising children – such as the K-12 Education Credit, the dependent deduction, and Dependent and Child Care Credit. The CTC would allow families to choose where the money would do the most good based on their financial situation. A state-based credit can fill in some of the gaps of the federal credit for lower-income families.

Child and Dependent Care Credit Expansion
Minnesota's Child and Dependent Care Credit is based on the federal Dependent Care Credit. The federal credit, which is nonrefundable, is equal to a percentage of unreimbursed employment-related expenses related to child or dependent care, up to $3,000 for one qualifying dependent and $6,000 for two or more qualifying dependents. Qualifying expenses are amounts paid for someone to care for your child or other dependent younger than age thirteen and household services. The credit rate depends on income and ranges from 35% for families with incomes of $15,000 or less to 20% for families with incomes over $43,000. The maximum federal credit is equal to $1,050 for one dependent and $2,100 for two or more dependents. The maximum qualifying expenses are reduced by the amount of the federal exclusion for employer-provided dependent care assistance.

The Minnesota Child and Dependent Care Credit is equal to the federal credit except that it is refundable and the maximum credit is phased out by 5% of adjusted gross income over a threshold ($59,210 in 2023). The credit is not available for individuals filing a married separate return. A newborn credit is allowed for a child born in the tax year even if there are not qualifying expenses. The newborn credit is only available to married taxpayers. Approximately 48,900 households claimed the Child and Dependent Care Credit in 2019.

K-12 Education Credit
Current law allows a taxpayer a refundable income tax credit equal to 75% of eligible education expenses for a qualifying child in kindergarten through 12th grade. The maximum credit is $1,000 for each child. Eligible expenses include fees for instruction outside the regular school day or school year, expenses for textbooks or instructional materials, and transportation costs paid to others. Tuition is not an eligible expense. A maximum of $200 per family for certain computer hardware and software is allowed. Approximately 28,300 households claimed this credit in 2019.

The maximum credit phases out starting at household income of $33,500. Household income includes income from all sources, both taxable and nontaxable. Taxpayers must use worksheets to make modifications to their adjusted gross income by adding in certain sources of income that are not included in the federal adjusted gross income amount on their return. This calculation of household income is then used to determine eligibility for the credit. This calculation can be complex and confusing for taxpayers, resulting in the need to assistance in preparing returns and mistakes.

For taxpayers with one child, the maximum credit decreases by $1 for every $4 of household income over $33,500. For taxpayers with two or more children, the maximum credit decreases by $2 for every $4 of household income over $33,500. The phaseout range increases by $2,000 for each additional child. The income thresholds are not indexed for inflation and were set at $33,500 when the credit was first effective in 1998.

Proposal:

Child Tax Credit
The Child Tax Credit is a state-based, fully refundable income tax credit. While the proposed credit is modeled on the components of the expanded portion of the 2021 federal CTC, it is a stand-alone credit that does not require a taxpayer to be eligible for the federal credit.

- The credit can be claimed for a child younger than 18 years of age or an eligible adult with qualifying special needs.
- The credit is equal to $1,000 per child.
- The maximum total credit allowable in any year is $3,000.
- The maximum credit amount is phased-out by $100 for each $1,000 of federal adjusted gross income (FAGI) over the following thresholds: $50,000 if Married Filing Jointly, $25,000 if Married Filing Separately, and $33,300 if filing as Single or Head of Household.
- The credit does not require that the taxpayer have any minimum earned income, unlike the federal CTC.
- The credit is available for filers and children with either a Social Security Number or an Individual Taxpayer Identification Numbers (ITINs). ITINs are used only for the purpose of filing taxes. The IRS issues them to individuals who are not eligible for an SSN but are required to file taxes.
- The amount of credit, maximum credit, and income thresholds are indexed for inflation.

The credit would be effective for tax years 2023 through 2030.

Child and Dependent Care Credit Expansion
The proposal expands the credit to provide relief for the increasing costs of childcare. The percentage of qualifying expenses that can be included is increased to 50%. The threshold at which the credit begins to phaseout is increased to $200,000 ($100,000 for married separate filers). The percentage of costs are reduced by one percentage point for each $800 of adjusted gross income over $200,000 ($400 of AGI over $100,000 for married separate filers) until the percentage equals zero. The threshold is adjusted for inflation beginning in tax year 2024.

Taxpayers who care for their own child under the age of six at a licensed family day care home are deemed to have paid an amount equal to what they would charge to care for the child.

The maximum eligible expenses are increased for a young child under the age of five. The maximum is increased by $5,000 for one young child, $10,000 for two young children, and by $15,000 for three or more young children.

Children	Maximum Eligible Expenses	Maximum Credit
1 child	$3,000	$1,500
Under 5	$8,000	$4,000
2 children	$6,000	$3,000
One under 5	$11,000	$5,500
Two under 5	$16,000	$8,000
3 children	$6,000	$3,000
One under 5	$11,000	$5,500
Two under 5	$16,000	$8,000
Three under 5	$21,000	$10,500

The proposal also updates the credit to allow eligibility for the newborn credit for all filing statuses except married filing separately.

The Department of Human Services will incur systems costs as a result of this proposal. Systems changes are needed to add the expanded dependent care credit to the child support calculator used to determine how costs are split between parents.

K-12 Education Credit
This proposal phases out the credit using federal adjusted gross income (FAGI) rather than total household income. The phaseout threshold is increased to match the threshold for the state Child and Dependent Care Credit, which was set to be $59,210 in tax year 2023 (under current law.) The threshold is adjusted for inflation

beginning in tax year 2024. The phaseout rates and maximum credit amount are unchanged. Using FAGI will greatly simplify the calculation of the credit and ability to file a return.

Impact on Children and Families:

A state-based CTC will add to the other vital tax benefits that Minnesota invests in to support families, including K-12 Education Credit and Subtraction, Child and Dependent Care Credit, and the Renters' and Homeowners' Property Tax Refund.

The CTC is an important source of financial stability for low- and moderate-income families with children. The credit is refundable, meaning it can provide refunds to families without any tax liability. Studies of the federal CTC have shown that families use these refunds to provide financial stability for the needs of the household, including health care costs, rent and utility payments, and educational costs.

With the rising cost of school supplies, the K-12 refundable credit provides relief to help families provide the necessary resources to children attending K-12 schools. The benefit helps make tutoring, extracurricular enrichment and other programs more accessible to families.

Access to extracurricular activities, tutors, school supplies, and computer software and hardware help set children up for success for life after high school. This proposal simplifies the calculation method and adjusts the threshold for the credit so that more children and families can access programs and resources that improve educational outcomes.

Equity and Inclusion:

The availability of the federal and state refundable tax credits, and especially the expanded 2021 federal child tax credit (CTC), has been shown to help alleviate poverty for low- and middle-income families. It helps parents afford basic essentials such as paying bills, paying for school expenses, investing in savings, and paying for childcare costs. Data on Minnesota families indicates that a significant percentage of children – particularly American Indian and African American children - live in low-income households, according to MN Compass. A state-based credit may help fill in some of the gaps of the federal credit for lower-income families by providing additional financial support to afford basic essentials for their families and children.

Expanded eligibility to the K-12 credit allows for more households to recoup some if not all, of the costs of educational opportunities for their children. By increasing the threshold amount to $59,210 in tax year 2023 to match the current threshold for the Child and Dependent Care Credit, parents and caretakers who would otherwise be unable to afford education expenses for tutoring, or school supplies, may be eligible to claim the credit.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

- This proposal provides support for over 360,000 households that could claim an average Child Tax Credit of $1,500.
- This proposal triples the number of households that are eligible to claim the Child and Dependent Care Credit to approximately 157,600 households. The average credit would increase from $500 to over $1,500.
- This proposal will increase the number of households with a newborn that qualify for the Child and Dependent Care Credit. Under current law, about 3,800 returns will receive $2.1 million in newborn

credits in tax year 2023, with an average credit of $550. Under this proposal, about 2,500 more returns will be eligible for the credit.

- This proposal increases the number of households that are eligible to claim the K-12 Education Credit. Some households will qualify for a larger tax credit than they would if impacted under the previous income phaseout. Changing the eligibility calculation to use adjusted gross income reduces complexity for taxpayers. This proposal allows approximately 29,600 more families to claim the K-12 refundable credit, with an average credit amount of $300.

Statutory Change(s):

Minnesota Statutes 2020, section 290.067, 290.0674, new section added to chapter 290.

Change Item Title: One-Time Advanced Refundable Tax Credit

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	(3,902,200)	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	3,902,200	0	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a one-time advanced refundable income tax credit equal to $2,000 for Married Filing Jointly and Head of Household filers and $1,000 for Single and Married Filing Separately filers. Households with dependents will receive an additional $200 for each dependent, up to three dependents. Households with federal adjusted gross income in excess of $150,000 (Married Filing Jointly and Head of Household filers) and $75,000 (Single and Married Filing Separate filers) are not eligible. About 2,582,100 households would receive a payment.

Rationale/Background:

The proposal would provide relief to Minnesotans for the impact of inflation on prices of items such as groceries, utilities, healthcare, childcare, and other daily costs of living.

Proposal:

- Creates a one-time advanced refundable income tax credit equal to $2,000 for Married Filing Jointly and Head of Household filers and $1,000 for Single and Married Filing Separately filers. Households with dependents will receive an additional $200 for each dependent, up to three dependents.
- Households with federal adjusted gross income exceeding $150,000 (Married Filing Jointly and Head of Household filers) and $75,000 (Single and Married Filing Separate filers) are not eligible.
- Qualifying individuals include all full-year residents and part-year residents. Payments to part-year residents will be limited by the percent of their income subject to Minnesota income tax.
- Eligibility for the advanced payment of the credit is be based on information on the 2021 Minnesota income tax return or 2021 Minnesota property tax refund return filed by December 31, 2022. Advanced payments would be made to eligible households in the fall of 2023.
- If an eligible household does not receive an advanced payment of the credit, the credit can be claimed on the 2023 income tax return. For households that receive advanced payments, any additional credit for which they qualify or overpayment of the credit will be reconciled on the 2023 income tax return.
- The payments are not subject to Minnesota income tax and are not used in the calculation of Minnesota income tax credits, the property tax refund, or the senior citizen property tax deferral program. Payments are not considered as income, assets, personal property, or resources in determining eligibility for any program administered by the commissioner of Human Services.

Impact on Children and Families:

The payment will help parents afford basic essentials such as paying bills, paying for school expenses, investing in savings, and paying for childcare costs. Data on Minnesota families indicates that a significant percentage of children – particularly American Indian and African American children - live in low-income households, according to MN Compass.

Equity and Inclusion:
NA

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:
About 2,582,100 households would receive a payment, either directly paid in advance or claimed on their 2023 tax return. This includes approximately 123,600 households with 30,200 dependents who are not otherwise required to file income tax returns.

Statutory Change(s):
Legislative change will be included in uncodified law.

FY 2024-25 Biennial Budget Change Item

Change Item Title: Individual Income Tax Relief

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	(117,100)	(126,300)	(133,200)	(140,400)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	117,100	126,300	133,200	140,400
FTEs				

Recommendation:

The Governor recommends updating and expanding individual income tax provisions to provide relief for working families, seniors, military members, and taxpayers working to resolve outstanding tax debt. The proposal includes-

- Expanding the Working Family Credit to include Minnesotans who file taxes with an Individual Taxpayer Identification Number (ITIN). The Internal Revenue Service issues ITINs in lieu of Social Security Numbers to some immigrants who are required to file a federal tax return. Working Minnesotans file and pay taxes on their income on both the federal and state level but cannot qualify for this important tax benefit that supports working families.
- Expanding the current Social Security benefit subtraction from income to increase the amount of the subtraction and increase the threshold at which the subtraction begins to phase out.
- Allow the Credit for Military Service in a Combat Zone refund to be claimed during the calendar year when the member returns from service, rather than waiting for the end of the year.
- Removing the $50 payment agreement fee required of taxpayers when they establish or change a payment plan with Revenue to resolve their outstanding tax debt.

Rationale/Background:

Working Family Credit

Many low- and middle-income families haven't seen their wages keep up with the rising cost of living. The Working Family Credit (WFC) provides working families with a refundable 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 and individuals.

Current law generally requires a taxpayer to be eligible for the federal Earned Income Tax Credit in order to receive the state WFC. But taxpayers filing an income tax return with an ITIN are not eligible for the federal credit, and therefore cannot receive the state credit. ITINs are used only for the purpose of filing taxes. The IRS issues them to individuals who are not eligible for an SSN but are required to file taxes. SSNs are used exclusively for the purpose of filing taxes.

By including these Minnesotans in the credit, we would reduce poverty and economic hardship for these families and their children and contribute to a more equitable tax system.

Social Security Benefits
Starting in 2017, a taxpayer may subtract a flat amount of Social Security benefits when calculating Minnesota taxable income. Benefits that are subject to state and federal tax include retirement, survivor, and disability benefits, but not supplemental security income (SSI) payments, which are not taxed. For 2023, the maximum subtraction is $5,840 if Married Filing Jointly, $2,920 if Married Filing Separately, and $4,560 if filing as Single or Head of Household.

The state exclusion of benefit income is in addition to the federal exclusion for Social Security benefits (at least 15% and up to 100% of benefits are excluded federally). Providing this additional state exclusion increases the amount of benefits exempt from income tax. The maximum subtraction is phased out as income increases. The phase out reduces the amount of the subtraction by 20% of provisional income over the following thresholds for 2023: $88,630 if Married Filing Jointly, $44,315 if Married Filing Separately, and $69,250 if filing as Single or Head of Household. “Provisional income” is income used to calculate the federally taxable portion of Social Security benefits. Provisional income equals adjusted gross income excluding Social Security benefits, plus tax-exempt interest and one-half of Social Security benefits.

Under the existing subtraction, some recipients still pay state tax on a portion of their Social Security benefits. The thresholds and maximum subtractions are adjusted annually for inflation.

Military Credit Due Date
Minnesota allows a refundable credit for service members who served in a combat zone or qualified hazardous duty area. The credit amount is $120 for each month or portion of month of active military service in the zone or area. The claim form for the credit is completed and filed separately from the income tax return. The credit can be claimed after the end of the year in which the service was completed.

The current alignment of filing dates for the military credit with the income tax return requires that service members who return in the middle of the year must wait until the following year to file and receive the credit. Military members have requested to be able to receive the credit upon return from service, when it may be most helpful. It also would reduce complexity for taxpayers who currently must retain the records and information until they are able to file in the following year.

Payment Agreement Fee Removal
The commissioner of revenue is authorized to establish payment plans with taxpayers who have outstanding tax debt. Payment plans provide for payment of the amount in installments over time. Since 2010, Revenue has been required to impose a $50 payment agreement fee for each payment agreement established with individuals and businesses. This non-negotiable fee is charged when a customer contacts Revenue to establish a payment agreement or when they make a change to an existing agreement.

The fee is not discretionary and does not allow for adjustment due to a customer’s outstanding balance or current financial situation. Therefore, we charge a customer who earns $30,000 per year and a customer who earns $110,000 the same flat fee for setting up a payment agreement. Similarly, we charge a customer that owes $300 the same fee as a customer that owes $100,000.

Payment agreements represent “voluntary compliance” by the taxpayer. The imposition of a payment agreement fee on top of the outstanding debt can be viewed as punitive to taxpayers who take action to resolve their debt. Fees are not imposed for all collection actions carried out by Revenue. Enforced actions, such as levies, do not require a fee.

Customers explain how the fee only increases the amount owed on top of already assessed penalties and interest, which in turn lengthens an installment payment agreement. Additionally, the minimum installment amount accepted is $25. If a customer can only afford to pay $25 per month, the first two installment payments are paid to the payment agreement fee instead of to tax, penalty, and interest.

Proposal:

Working Family Credit

This proposal allows individuals with a valid ITIN issued by the Internal Revenue Service to qualify for the WFC if they meet all other eligibility requirements. This change allows about 8,200 more returns to qualify for the WFC. This provides greater parity between taxpayers with an ITIN and those with a Social Security Number. Qualifying children included in the WFC calculation still need to hold a taxpayer identification number, which may be an ITIN, SSN, or an Adoption Taxpayer Identification Number. This change is effective beginning in tax year 2023

Social Security Benefits

The proposal expands the subtraction for Social Security benefits, allowing more households to receive their benefits not subject to state income tax. The proposal would:

- Increase the maximum subtraction to $10,000 if Married Filing Jointly, $5,000 if Married Filing Separately, and $7,800 if filing as Single or Head of Household.
- Increase the phaseout threshold to $120,000 if Married Filing Jointly, $60,000 if Married Filing Separately, and $93,600 if filing as Single or Head of Household.

The provision would be effective beginning in tax year 2023.

Military Credit Due Date

The change allows military members to file the credit claim form during the calendar year when they return from service rather than waiting until the end of the year under current law. This would impact all active military members. Over a five-year period (2016-2020), an average of 880 credits were claimed each year totaling $672,100. Active military members would get refunds upon return from duty rather than waiting until tax season filing.

This change in timing would be communicated through various channels, including the outreach conducted by Revenue's Individual Tax Military Outreach Group. Revenue already focuses on making this credit accessible and increasing its uptake by eligible members. When the credit is about to expire, Revenue sends letters to eligible taxpayers with instructions for how to claim. The proposal is effective beginning in tax year 2023.

Payment Agreement Fee Removal

The proposal would remove the requirement of a payment agreement fee. Any taxpayer with a tax debt that they cannot pay in full by the due date who needs to set up a payment agreement to resolve their debt will benefit from this change.

Removing this fee would have additional impact for lower-income customers who need a payment plan to resolve their taxes without being charged additional fees. Any time a taxpayer requests a new payment agreement, they are charged another $50 payment agreement fee. This is in addition to penalties and interest charged on past due tax debts.

The payment agreement fee goes into the General Fund. Removing the fee would have an impact on the Fund.

Impact on Children and Families:

The WFC is an important source of financial stability for low and moderate-income working families with children. In 2016, 72% of all credits went to families with one or more children. Continuing to expand this program for Minnesotans with children is important and Minnesota has made progress in recent years.

A growing body of research shows that the credit can help:

- Reduce poverty
- Boost employment, which reduces the number of households receiving other forms of assistance.
- Help business, as working families are likely to put these tax credit funds back into the Minnesota economy

Removing the payment agreement fee will have the biggest positive impact on lower-income households. Data on Minnesota families indicates that a significant percentage of children – particularly American Indian and African American children - live in low-income households, according to MN Compass. By removing the requirement of a payment agreement fee, the payment agreement plan will not add to the financial stresses of households that could least afford the fees. It also makes establishing a payment agreement more accessible to all Minnesotans, regardless of income.

Access to the military credit throughout the calendar year helps provide financial assistance to children and families as their military family member transitions home. The proposal helps give military families financial assistance when they need it rather than waiting until the next filing tax filing season. This helps relieve the financial burden and strain during what may be a strenuous time for the military family.

Equity and Inclusion:

Currently, working Minnesotans who are otherwise eligible to claim the WFC based off their earned income, are not able to claim the credit because they file their tax return using a federally-issued ITIN. Examples of individuals who require an ITIN include non-resident alien individuals who are required to file with their resident spouse, or international students who have not received permission to work outside of their educational department. They are individuals who are earning income and would use an ITIN to file their tax returns.

Allowing working Minnesotans who file income tax returns with an ITIN to claim the WFC helps ensure equitable access for all eligible taxpayers to a tax benefit that provides an important source of financial stability.

Social Security is a crucial social safety net for people with limited access to savings and pensions, people with disabilities, senior widows and widowers, and seniors in general. The benefits from this proposal will help people that rely on social security to have more economic security and dignity.

Currently, military members must wait until after the end of the year in which they completed service to claim a credit that would help provide immediate and needed financial support. This creates an undue burden upon military families to wait until the end of the year to receive financial support that could be used to help with the transition home. For example, under the current law, military members who return on January 1 could be waiting more than a year to claim and receive their benefit, whereas a member who returned on December 31 of the previous year would be eligible to claim and receive the credit the following year when they file their tax return.

This proposal would allow military members to claim the credit upon their return rather than waiting until the following tax season. This helps ensure equity and inclusion by recognizing and supporting the unique needs of military members and helping provide more timely financial support that is needed upon their return from service.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

This proposal would increase access to the WFC. In 2019, about 21,300 returns were filed with an ITIN for the taxpayer or their spouse. Under this proposal, about 8,200 of those returns would qualify for the WFC, with an average credit of $1,340.

Approximately 377,000 households that receive Social Security benefits would be impacted by the change with an average decrease in tax of $278.

This proposal would benefit all active military members by providing a shorter time frame for receiving the financial assistance available through the refundable tax credit.

Removing the fee for payment agreements may make it easier for taxpayers to enter into payment agreements and shorten the amount of time it takes to pay off outstanding tax debt. Over the past three years, an average of 32,500 customers paid tax agreement fees each year.

Statutory Change(s):

Repeal Minnesota Statute § 270C.52 subdivision 2(h) (payment agreement fee); Amend Minnesota Statutes, section 290.0132, subdivision 26 (social security); section 290.0671, subdivisions 1, 1a, and 7 (WFC); and section 290.0677 (military credit).

Tax Aids, Credits and Refunds

FY 2024-25 Biennial Budget Change Item

Change Item Title: Tax Changes

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	362,310	317,310	308,110	317,010
Other Funds				
Expenditures	0	0	0	0
Revenues	Negl	Negl	Negl	Negl
Net Fiscal Impact = (Expenditures – Revenues)	(362,310)	(317,310)	(308,110)	(317,010)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends changes to provide a more equitable and progressive individual income tax system for Minnesotans and to clarify sales tax statutes in response to recently enacted laws.

- 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.
- Update sales and use tax to include a definition for cannabis, adult-use cannabis, and adult-use cannabis products in the sales tax statutes. The definition includes the recently legalized edible cannabinoid products and does not change the department's general application of sales tax to those products. The proposal also adds those products to the list of taxable items for sales to governments, non-profits, nursing homes, and boarding care homes.

Rationale/Background:

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.

Sales Tax Update

During the 2022 legislative session, Minnesota legalized and regulated certain cannabinoid products derived from hemp, including edible cannabinoid products. Under the current sales tax statutes, most sales of cannabis products, including edible cannabinoid products, are taxable. However, there is no definition of these products in Minnesota statutes. A definition of these products in sales tax statutes would clarify the application of the tax provide more transparency to taxpayers.

Under current Minnesota Statutes section 297A.70, sales to exempt entities are exempt from sales tax with certain exceptions. It is unclear if cannabis products could be considered exempt under this section as a purchase that was made or used to further the entity's exempt purpose. The proposal adds cannabis products to the list of exceptions, thereby making sales to exempt entities taxable. Exempt entities include governments, non-profits, nursing homes, and boarding care homes. The sales tax exemption is generally used for purchases that are made or used to further the entity's exempt purpose. This change would apply sales tax to all sales of cannabis products, including sales to exempt entities.

Proposal:

Capital Gains Tax

The proposal imposes an additional income tax rate under Minnesota Statutes section 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. The tax is effective for taxable years beginning in 2023.

Sales Tax Update

The proposal adds a broad definition for cannabis, adult-use cannabis, and adult-use cannabis products in the sales tax statutes. The definition includes the recently legalized edible cannabinoid products and does not change the department's general application of sales tax to those products.

The proposal also adds cannabis products to the list of exceptions to for exempt entity sales, thereby making sales to exempt entities of these products taxable. Exempt entities include governments, non-profits, nursing homes, and boarding care homes. It is assumed that this change would impact sales of medical supplies to senior citizen nonprofit groups in the forecast window. This change would result in sales tax being applied to all sales of cannabis products, including sales to exempt entities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

For tax year 2023, an estimated 8,200 returns would have an average increase in tax of $33,974 as a result of the capital gains tax.

Statutory Change(s):

New rate under Minnesota Statutes, section 290.06; new subdivisions for Minnesota Statutes section 297A.61; changes to Minnesota Statutes sections 297A.67, subdivision 2; 297A.67, subdivision 7; 297A.70, subdivision 2; 297A.70, subdivision 4; and 297A.70, subdivision 18.

Tax Aids, Credits and Refunds

FY 2024-25 Biennial Budget Change Item

Change Item Title: Assisting Local Government

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	550,000	80,160	80,160	80,160
Revenues	(177,110)	(75,560)	2,960	2,960
Other Funds				
Expenditures	0	0	0	0
Revenues	(10,220)	(4,530)		
Net Fiscal Impact = (Expenditures – Revenues)	737,330	160,250	77,200	77,200
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends changes to support projects and services provided by local governments.

- Streamlining the sales tax exemption for construction materials and supplies purchased by contractors for government and nonprofit organizations. The proposal is effective for purchases made after July 1, 2021, and before January 1, 2025.
- Increasing the Local Government Aid (LGA) and County Program Aid (CPA) appropriations by $40 million each for aids payable in 2024 and thereafter. The proposal would also modify the LGA distribution formulas and increase the city of Mahnomen property tax reimbursement.
- Providing one-time aid to cities, counties, and tribal governments to supplement public safety spending. Aid will be distributed based on population.

Rationale/Background:

Sales Tax Exemption for Local Government and Nonprofit Construction

Construction materials and supplies are generally taxable in Minnesota. Sales tax-exempt entities may purchase construction materials directly without paying the sales tax, with certain exceptions. Eligible entities include cities, counties, townships, school districts, special districts, state institutions of higher education, public libraries, most hospitals and nursing homes, and most charitable, educational, and religious organizations.

However, building, construction, and reconstruction materials are taxable when purchased by a contractor or subcontractor as part of a lump-sum or similar type of contract with a guaranteed maximum price covering both labor and materials, even if the project owner is exempt from sales tax. There is an administrative rule that allows an exempt entity to designate a construction contractor as its purchasing agent so the contractor can acquire construction materials exempt from tax under specific conditions. But this creates liability issues for the local government or nonprofit organization, and is seldom used.

Local Government Aid and County Program Aid Increases

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

Public Safety Aid
Local governments are required to provide public safety services to their constituents. This proposal provides support to local governments so they can meet the evolving expectations of public safety in communities across Minnesota.

Proposal:

Sales Tax Exemption for Local Government and Nonprofit Construction
Currently, contractors, subcontractors, and builders pay sales tax when purchasing building, construction, and reconstruction materials, supplies and equipment materials. Local governments and nonprofits submit a tax refund claim to the Department of Revenue for that tax.

This proposal streamlines that process with a sales and use tax exemption for contractors when they purchase building, construction, or reconstruction materials, supplies, and equipment that are:

- Used, consumed, or incorporated into buildings or facilities used principally by cities, counties, townships, public school districts, special districts, nonprofit hospitals and nursing homes, public libraries, nonprofit groups, and nonprofit hospitals and outpatient surgical centers.
- Used by a school district or local government in the construction, reconstruction, repair, maintenance, or improvement of public infrastructure of any kind.

Local Government Aid and County Program Aid Increases
The CPA appropriation would increase from $264.6 million to $304.6 million starting in fiscal year 2025.

The LGA appropriation would increase from $564.4 million to $604.4 million starting in fiscal year 2025. The proposal also updates the formula's factors for determining "need." The factors are still based on the size of the city, but also include additional tax base characteristics. The sparsity adjustments and annual certified aid adjustments are eliminated. The city of Mahnomen receives property tax reimbursement aid of $160,000, replacing the current aid adjustment.

Public Safety Aid
The proposal would provide a one-time public safety aid payment of $550 million. Cities with law enforcement agencies would receive 70% percent of the appropriation based on their population share, and 30% of the apportion would be apportioned between counties based on their population share excluding cities with law enforcement agencies.

The new aid program would increase annual state general fund costs by $550 million for fiscal year 2024. It is assumed that cities and counties receiving the new aid would reduce property tax levies by a portion of the aid increase. Lower levies would reduce property taxes on all property.

Impact on Children and Families:

Public spaces meaningfully contribute to the quality of life for communities. Everyone in a community, including children and families, thrives when they have access to parks, libraries, classrooms, community centers, recreation centers, and other types of public spaces.

The proposal to streamline the sales tax exemption makes it easier for public-serving entities such as cities, townships, counties, public school districts, public libraries, and nonprofits to benefit from the existing sales and use tax exemption in the construction, repair, maintenance, or improvement of public spaces.

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

While the Public Safety Aid is not tied to any specific public safety programs, if they are used for holistic approaches to public safety, such as violence intervention programs, mental health service delivery, and youth programing, there could be a positive impact for children and families.

Equity and Inclusion:

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

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

This change will increase the number of construction purchases that qualify for the sales tax exemption. The availability of the sales tax exemption for purchases will decrease overall costs for government and nonprofit projects.

Statutory Change(s):

This proposal amends Minnesota Statutes section 297A.71 and section 477A.

Tax Aids, Credits and Refunds

FY 2024-25 Biennial Budget Change Item

Change Item Title: Property Tax Modifications

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	2,210	20,110	26,710
Revenues	0		490	470
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	2,210	19,620	26,240
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends modifying property taxes to provide relief for homeowners, seniors and farmers.

- Expand access to 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.
- Increase access to the senior citizen property tax deferral program by increasing the income threshold from $60,000 to $75,000 and lowering the number of years a senior must have lived in their home from 15 to 5 years.
- Increase the School Building Bond Agricultural Credit to 80% of the property's net tax capacity multiplied by the school debt tax rate.

Rationale/Background:

Allowing Homestead Status for ITIN Residents

Under current law, only property owners with a valid Social Security number are allowed homestead classification. This prevents many property taxpayers 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 and reside in homes also provide that value and stability and should qualify for homestead status.

Senior Citizen Property Tax Deferral

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 homestead property taxes and special assessments, allowing more seniors to stay in their homes. The state reimburses counties for the property taxes deferred each year. Currently there are about 300 taxpayers enrolled.

School Building Bond Agricultural Credit

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 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.

Proposal:

Allowing Homestead Status for ITIN Residents
Under the proposal, property owners with a valid ITIN issued by the Internal Revenue Service would now qualify for homestead classification. Allowing more taxpayers to qualify for homestead status and the Homestead Property Tax Refund would provide greater parity between taxpayers with an ITIN and those with a Social Security number. The change is effective for homestead applications filed in 2023 and thereafter.

Senior Citizen Property Tax Deferral
The Senior Citizen Property Tax Deferral is a voluntary program and allows eligible senior citizens to postpone paying a portion of their homestead property taxes and special assessments. 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.

Currently a 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. This proposal would lower the number of years they must have lived and owned their home from 15 to 5 and increase the income threshold from $60,000 to $75,000. The proposal is effective beginning with deferral of taxes payable in 2024.

School Building Bond Agricultural Credit
The credit started at 40% for taxes payable in 2018 and gradually increased to 70% for taxes payable in 2023 and after. This proposal increases the credit to 80% beginning with taxes payable in 2025.

Impact on Children and Families:

The expanded use of an ITIN for homestead status will allow families without Social Security numbers to qualify for the property tax refund or lower market value subject to the tax.

The expansion of the Senior Citizen Property Tax Deferral can increase the amount of time a senior can stay in their home by reducing the requisite number of years for homeownership. For some, staying in their own home not only lends itself to a sense of independence and dignity but also supports stability and social connectedness. Intergenerational families where the senior is the homeowner may see additional downstream benefits in terms of stability, particularly for low-income families and those with school-aged children.

Children and families do better when public schools are well-funded. Advocates for creating the School Building Bond Agricultural Credit cited years of school building bond referendums failing. While this credit does not specifically go to schools, it does help taxpayers pay for school improvements. After this credit was passed 64.5% of school capital referendum passed, in the prior cycle only 54.2% of referendum passed.

Equity and Inclusion:

Under current law, there must be one property owner with a valid Social Security number to be eligible for the homestead classification. Individuals who have a federally issued ITIN and purchased a property in Minnesota to use as their home are ineligible for the homestead classification. This prevents many homeowners who are immigrants from being granted homestead status, even if they meet every other qualification. Residences with homestead status are eligible to be taxed on a lower market value than those without it.

Expanding eligibility for the homestead classification to Minnesota homeowners who file income tax returns with an ITIN helps ensure equitable access to a tax benefit that is meant to help reduce the property tax burden on Minnesota residents.

Many seniors live on fixed income and are unable to afford their property taxes or move. This proposal helps seniors by allowing them to use their home's equity to pay their property taxes. Under current law, only seniors that have been in their home for 15 years are eligible to participate in this program. Seniors who recently downsized to a new home in retirement or shortly before may be ineligible to participate in this program. However, this proposal may provide an affordable opportunity for more seniors to age in place. This proposal would benefit those tribal members who live off-reservation. Considering there are many tribal members who do live off the reservation this could impact tribal members, especially inter-generational households as noted before.

As Minnesota's demographics shift with more and more BIPOC youth, while also recognizing the education gap, well-funded public schools are an important part of ensuring young people can thrive in the classroom and beyond. While the School Building Bond Agricultural Credit does not specifically go to schools, it does help taxpayers pay for school improvements. After this credit was passed 64.5% of school capital referendum passed, in the prior cycle only 54.2% of referendum passed.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

These changes will increase access to homestead status for an estimated 3,300 owners with a federally issued ITIN and approximately 1,900 of those homeowners would be eligible for a property tax refund. The proposal would expand eligibility for the Senior Citizen Property Tax Deferral Program.

Statutory Change(s):

Minnesota Statutes section 273.124, section 273.1387, and section 290B.

FY 2024-25 Biennial Budget Change Item

Change Item Title: Angel Tax Credit

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	(10,000)	(10,000)	(10,000)	(10,000)
Other Funds				
Expenditures	427	427	427	427
Revenues	890	890	890	890
Net Fiscal Impact = (Expenditures – Revenues)	9,537	9,537	9,537	9,537
FTEs	**3**	**3**	**3**	**3**

Recommendation:

The Governor recommends $10 million for each year of the FY24-25 biennium and in FY26-27 for the Angel Tax Credit program. This funding will provide a tax credit to investors or investment funds that make equity investments 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 $5 million to $15 million. The program was not funded in CY2018 or CY2020. 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. As a tax credit, there is no increase to DEED’s budget.

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 a 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. Through October 2022, the Angel Tax Credit program has resulted in over $514 million in private investment in Minnesota startups, leveraged by the state’s issuance of $125 million in tax credits to angel investors. The program, when adequately and consistently funded, 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. For the first nine months of the year, fifty percent of the credits are reserved for targeted businesses. In recent years, about one third of the number of businesses that received investment were targeted businesses, which includes those owned by people of color, women-owned businesses, and/or businesses in headquartered in Greater Minnesota.

Proposal:

The Governor recommends $10 million for each year of the FY24-25 biennium and in FY26-27 for the Angel Tax Credit program. Other funds revenues and expenditures are extrapolated from actual program figures from previous year's operations. The program's fees and expenses operate through the program's Special Fund. Fees charged by the program cover its operating expenses, including staffing.

Impact on Children and Families:

- How does this budget proposal build on and/or align with innovations from other public, private, and Tribal agencies to increase equity and bridge the opportunity gap for children, youth, and families through improved access to resources and services within their community?
- How does this budget proposal help achieve the administration's priorities for children and families by ensuring all children have: a healthy start; access to affordable and quality child care and early education; access to mental health supports; and stable housing?
- Based on data, how will this policy improve the lives of the next generation of all Minnesotans?

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 businesses to ensure that these underrepresented groups and geographic regions benefit from the program. With continued funding, credits will be available for investments in minority and women owned businesses, as well as businesses outside the Metro area.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

This funding level is expected to provide over 80 businesses investment through the program per year, and should increase the number of targeted businesses benefiting from the program per year to between 30 and 40 (see the Equity and Inclusion section above). This funding will immediately leverage a minimum of $40 million in private investment into the certified businesses.

	2016	2017	2019	2021
Number of businesses certified	187	163	124	146
Number of businesses receiving investments	105	101	72	83
Investment made in qualifying businesses	$58,894,095	$44,474,766	$39,875,431	$39,583,329
Credits issued for these investments	$14,723,711	$10,723,963	$9,774,038	$9,890,026
Number of Greater MN businesses receiving investment	10	10	7	6
Women owned & managed businesses	12	11	11	16
Minority owned & managed businesses	7	5	7	14

Statutory Change(s):

Minnesota Statutes, Section 116J.8737

Tax Aids, Credits and Refunds

FY 2024-25 Biennial Budget Change Item

Change Item Title: Reinstate the Historic Rehabilitation Tax Credit

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Tax Aids, Credits and Refunds				
Expenditures	0	0	0	0
Revenues	(700)	(3,100)	(8,100)	(14,700)
Department of Administration				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(700)	(3,100)	(8,100)	(14,700)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends reinstating the State Historic Rehabilitation Tax Credit (HTC), which sunset on June 30, 2022. The HTC offered a 20 percent state tax credit for qualified historic rehabilitations and paralleled with the existing federal rehabilitation tax credit.

The Governor also recommends amending M.S. 290.0681 to clarify that funds in the State Historic Tax Credit Fund can be used to administer the companion federal Historic Tax Credit Program.

Rationale/Background:

The HTC encouraged investment in historic buildings that in turn generated greater economic return on investment in those communities. The HTC offered a 20 percent state tax credit for qualified historic rehabilitations and paralleled the existing federal rehabilitation tax credit. It also offered project investors an option of a grant in lieu of a credit. Investors could decide which option best suited a developer's tax situation to maximize the efficiency of the public dollars assisting the project. The program required an application with the State Historic Preservation Office (SHPO) and approval by the National Park Service before project work could begin. The federal historic tax credit program is still active and continues to be administered by the SHPO with the National Park Service and the Internal Revenue Service.

A study conducted by the University of Minnesota on the 15 projects that were approved for an HTC in FY 2022, identified a $9.90 return on investment for each dollar of state tax credit. Specific findings include:

- Developers report planning to invest $209.9 million to complete their 15 rehabilitation projects
- Approximately $95.9 million in labor income supporting 1,250 jobs
- An estimated $12.5 million in state and local tax receipts
- For four cases studies, annual property taxes increased by $304,140 due to improvements
- Thirty-five percent of the state credits issued are repaid immediately in state and local taxes upon project completion (issuance of the state credits are rated over a five-year period after project completion)

The state HTC promoted the adaptive reuse of historic buildings and when rehabilitated with energy efficiency measures, construction waste into landfills is reduced and a significant amount of carbon release is avoided.

The HTC program sunset on June 30, 2022.

Proposal:
The Governor proposes to reinstate the HTC program retroactively to July 1, 2022, to continue to preserve and reuse historically significant buildings in Minnesota communities. This will also provide resources for redevelopment and reuse projects that result in substantial economic impact.

The program administration is supported by application fees.

Impact on Children and Families:
Many historic rehabilitations that use the state and federal historic tax credits create housing, and some are paired with the Low-Income Housing Tax Credit to create affordable housing in communities across the state. A 2022 University of Minnesota Extension study looked at the neighborhoods where historic tax credit projects were located since 2011 in Minneapolis, St. Paul, and Duluth. Using the Social Vulnerability Index (SVI), 45 percent of rehabilitations in Minneapolis and 50 percent in St. Paul were benefitting neighborhoods with high vulnerability. Nearly all of Duluth's projects were in highly vulnerable neighborhoods.

Equity and Inclusion:
The newly approved *Statewide Historic Preservation Plan, 2022-2032* promotes continuing funding tools like the state HTC that make preservation happen across Minnesota. Additionally, increased access to and participation in the use of the HTC and balancing fiscal hardships with financial incentives are identified as action items.

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

Type of Measure	*Name of Measure*	*Current Value*	*Date*	*Projected Value (without)*	*Projected Value (with)**	*Date*
Quantity	Economic Impact per $1 Credit	$9.90	FY 2022	$0	$9.50	FY 2024
Results	Jobs supported by HTC projects	1,250	FY 2022	$0	2,540	FY 2024
Results	Total estimated economic impact of HTC	$350 million	FY 2022	$0	$422 million	FY 2024

*Projected value is based on averages over the 11-year period having a State Historic Structure Rehabilitation Tax Credit (2011 to 2021). FY 2021 had 34 and FY 2022 had 15 applications while 16 applications annually is the average.

Statutory Change(s):
M.S. 290.0681

FY 2024-25 Biennial Budget Change Item

Change Item Title: Tribal Nation Housing and Homelessness Aid

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	44,000	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	44,000	0	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends investing $44 million from the General Fund in fiscal year 2024 to provide Minnesota's federally recognized Tribal Nations with a direct allocation for homelessness prevention, emergency shelter, and other needs related to housing instability and homelessness. This investment supports Tribal Nations in preventing and addressing the prevalence of homelessness among American Indian communities in Minnesota, and in providing safe emergency shelter and housing to tribal members. Funding will be used in a manner determined by each individual Tribe to best meet their housing and shelter needs, in accordance with Tribal Nation self-governance and sovereignty.

Rationale/Background:

Minnesota counted 7,917 people experiencing homelessness on one night during the January 2022 Point-in-Time count. In recent years, individuals and families staying outdoors or in places not meant for human habitation has been one of the fastest growing segments of the population of Minnesotans experiencing homelessness. Roughly 2,000 Minnesotans, or 25% of people homeless at any point in time, are without shelter, and many are in encampments due a lack of state support for emergency shelter and other supportive housing options.

Of those experiencing homelessness in Minnesota, American Indian communities are vastly overrepresented among the state's homeless population. As detailed in the most recent Wilder Research report, significant racial and ethnic disparities in housing and the experience of homelessness are deep and persistent across Minnesota, and are particularly notable for American Indian populations. American Indians make up 12% of homeless adults in Minnesota, despite being only 1% of the statewide population.[1] Additionally, American Indians are at least 32 times more likely to be homeless than white Minnesotans.[2]

A separate Wilder Research study on the experience of homelessness on American Indian reservations found that children, youth, and elders make up half of the homeless and near-homeless population on reservations in Minnesota. Additionally, over 25% of respondents in the study were American Indian parents with their children, and over 52% of all children with these parents were age 6 or younger. Finally, a majority of those experiencing homelessness on reservations are experiencing long-term, chronic homelessness: The same study found that 77%

[1] Wilder Research, 2018 https://www.wilder.org/mnhomeless/results.

[2] Minnesota Interagency Council on Homelessness, "Racial and Ethnic Disparities Among People Experiencing Homelessness in Minnesota." https://mich.mn.gov/resources.

of those interviewed had been without a permanent home for at least a year or had experienced homelessness at least four times during the last three years.[3]

Tribal Nations have articulated the financial pressures they face in ensuring their members have access to emergency shelter and other housing supports to find and maintain stable housing. This proposal is intended to provide Minnesota's Tribal Nations with direct state support to help address their housing and shelter needs.

Proposal:

This proposal invests $44 million from the General Fund in fiscal year 2024 to provide Minnesota's federally recognized Tribal Nations with a direct allocation for homelessness prevention, emergency shelter, and other needs related to housing instability and homelessness. This investment supports Tribal Nations in preventing the prevalence of homelessness among American Indian communities in Minnesota, and in providing safe shelter and housing to tribal members.

Funding from this recommendation will be equally distributed by the commissioner of revenue to each of Minnesota's 11 Tribal Nations. Any funds not claimed by an individual Tribe would be reallocated on an equal basis to the remaining Tribes. The aid will be certified by August 1 and paid in one payment on December 26, 2023. Funding from this recommendation would be used in a manner determined by each individual Tribe to best meet their housing and shelter needs, in accordance with Tribal Nation self-governance and sovereignty. The commissioner would not be allowed to conduct oversight, monitoring, or mandate reporting requirements either prior to or after receipt of funds.

Impact on Children and Families:

Despite recent declines in the prevalence of homelessness among unaccompanied youth age 24 or younger,[4] children continue to make up a significant portion of those experiencing homelessness in Minnesota. According to Wilder's most recent Minnesota homelessness study, 32% of those experiencing homelessness were children (17 or younger) living with their parents – a percentage that has remained relatively flat since 2015. Of the parents experiencing homelessness that were surveyed in the study, 46% reported that at least one of their children had to change schools as a result of being homeless, and 43% reported that at least one of their children had experienced learning problems.[5] A parallel study conducted by Wilder Research on American Indian reservations found that 33% of those experiencing homelessness or near-homelessness on reservations were children age 17 or younger, and 12% were youth age 18 to 24. Additionally, over 25% of respondents were parents with children, and over 52% of all children with these parents were age 6 or younger.[6]

Equity and Inclusion:

Housing disparities and inequities between American Indian and white Minnesotans are significant. This proposal is intended to reduce housing inequities in Minnesota by providing Tribal Nations with direct state financial support to reduce the prevalence of homelessness and increase housing stability for American Indians in Minnesota. In accordance with Tribal self-governance and sovereignty, funds will be used in a form and manner determined by each individual Tribal Nation to best meet their housing and shelter needs.

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[3] Wilder Research, https://www.wilder.org/mnhomeless/results/reservations.

[4] Minnesota Interagency Council on Homelessness, "Relative Change in Populations of People Experiencing Homelessness in Minnesota, Point-in-Time Count." https://mich.mn.gov/resources.

[5] Wilder Research. https://www.wilder.org/mnhomeless/results.

[6] Wilder Research. https://www.wilder.org/mnhomeless/results/reservations

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☒Yes
☐No

All Tribal Nations in Minnesota will be impacted by this proposal. Tribal Nations indicated during the 2022 Legislative Summit with the Minnesota Department of Human Services that additional support for housing and shelter needs was an important tribal priority. In addition to this one-time direct allocation, Tribal Nations would still be eligible for other housing and shelter-related competitive grant programs administered by the state.

Impacts to Counties:

This proposal does not directly impact county governments.

IT Costs

Not applicable.

Results:

This proposal provides Tribal Nations with financial resources to address the prevalence of homelessness among American Indian communities and to meet other emergency shelter and housing needs of their members. This proposal will assist Tribal Nations in reducing housing and shelter disparities and the experience of homelessness among American Indians in Minnesota.

FY 2024-25 Biennial Budget Change Item

Change Item Title: Administering the 2023 Tax Bill

Fiscal Impact ($000s)	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**
General Fund					
Expenditures	2,589	20,085	4,548	335	192
Revenues		0	0	0	0
Other Funds					
Expenditures		0	0	0	0
Revenues		0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,589	20,085	4,548	335	192
FTEs	**13.9**	**28.6**	**23.4**	**2.8**	**1.7**

Recommendation:

The Governor recommends providing the Department of Revenue with funding to administer the 2023 Tax Bill. The Department of Revenue would incur $2.589 million in costs in FY 23, $20.085 million in FY 24 and $4.548 million in FY 23 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:

Costs that the Department of Revenue would incur to implement the Governor's tax bill include: 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 information technology (IT) systems that can process and retain accurate information; reviewing and auditing returns; and handling appeals.

Responding to Federal Changes

Beginning in 2019, the federal government enacted multiple bills that made changes across the tax system that impact individuals, families, and businesses. HF 31, enacted early this session, adopted the permanent federal changes for individuals and mainly conformed to the temporary changes for individuals and businesses and changes targeting COVID-19 relief. The costs in FY 23, FY 24 and FY 25 include costs for reviewing and auditing amended returns that will be filed due to these changes to our individual and business taxes. Taxpayers with a modification to prior year returns due to conformity with retroactive federal law changes will make those adjustments by filing a paper amended return. Reviewing amended returns is a significant effort and will take additional resources if we are to get them processed in a reasonable time frame.

One-Time Advanced Refundable Tax Credit

The one-time advanced refundable tax credit would provide relief to Minnesotans for the impact of inflation on prices of items such as groceries, utilities, healthcare, childcare, and other daily costs of living. About 2,582,100 households would receive a payment, either directly paid in advance or claimed on their 2023 tax return. The majority of costs in FY 23, FY 24 and FY 25 are for the implementation of the advanced payment of the credit. The amount would be spent working with a third party vendor to develop a portal to allow potential recipients to update their ACH or demographic information if they qualify for an advanced payment. The portal would also be translated into Somali, Hmong, and Spanish. Costs would also include a temporary customer support service line and email address to help answer questions and costs for processing the payments, both ACH and checks.

Impact on Children and Families:

NA

Equity and Inclusion:

NA

FY 2024-25 Biennial Budget Change Item

Change Item Title: Regional Transit Sales Tax

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Fund (DOR)				
Expenditures	454	704	728	752
Revenues	454	704	728	752
Other Funds (Met Council)				
Expenditures	60,046	93,196	96,272	99,448
Revenues	60,046	93,196	96,272	99,448
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0

Recommendation:

The Governor recommends enactment of a 1/8th cent sales tax in the seven-county metropolitan area, beginning in October of 2023, to expand investment in the regional transit system. The funds will be used with other federal, state and local resources to assist in addressing the operating and capital needs of the Metropolitan Council's transit programs.

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

Proposal:

The Metropolitan Council's Transportation Division has long operated in a structural deficit with a significant fiscal cliff delayed through one-time state appropriations and one-time federal COVID relief funding. Most recently, federal COVID relief funds have allowed the Council to project sufficient funding for SFY 2024-2025 biennium services, pushing out the significant funding cliff to the SFY 2026-2027 biennium.

This proposal will provide on-going funding that will reduce the transit operating structural deficit estimated at $260M for the SFY 2026-2027 biennium, and this includes current base general funds appropriations assistance with funding the state operating subsidies for the METRO lines. The METRO Lines include Arterial Bus Rapid Transit Lines (ABRT), Highway Bus Rapid Transit Lines (BRT), and light rail transit (LRT) and commuter rail lines. Current bus METRO lines include the A, C, and D ABRT Lines and Red and Orange BRT Lines. By and large, these lines that provide fast, frequent, all-day service with transit advantages have proven to be the highest performing ridership routes both prior to and after the beginning of the pandemic.

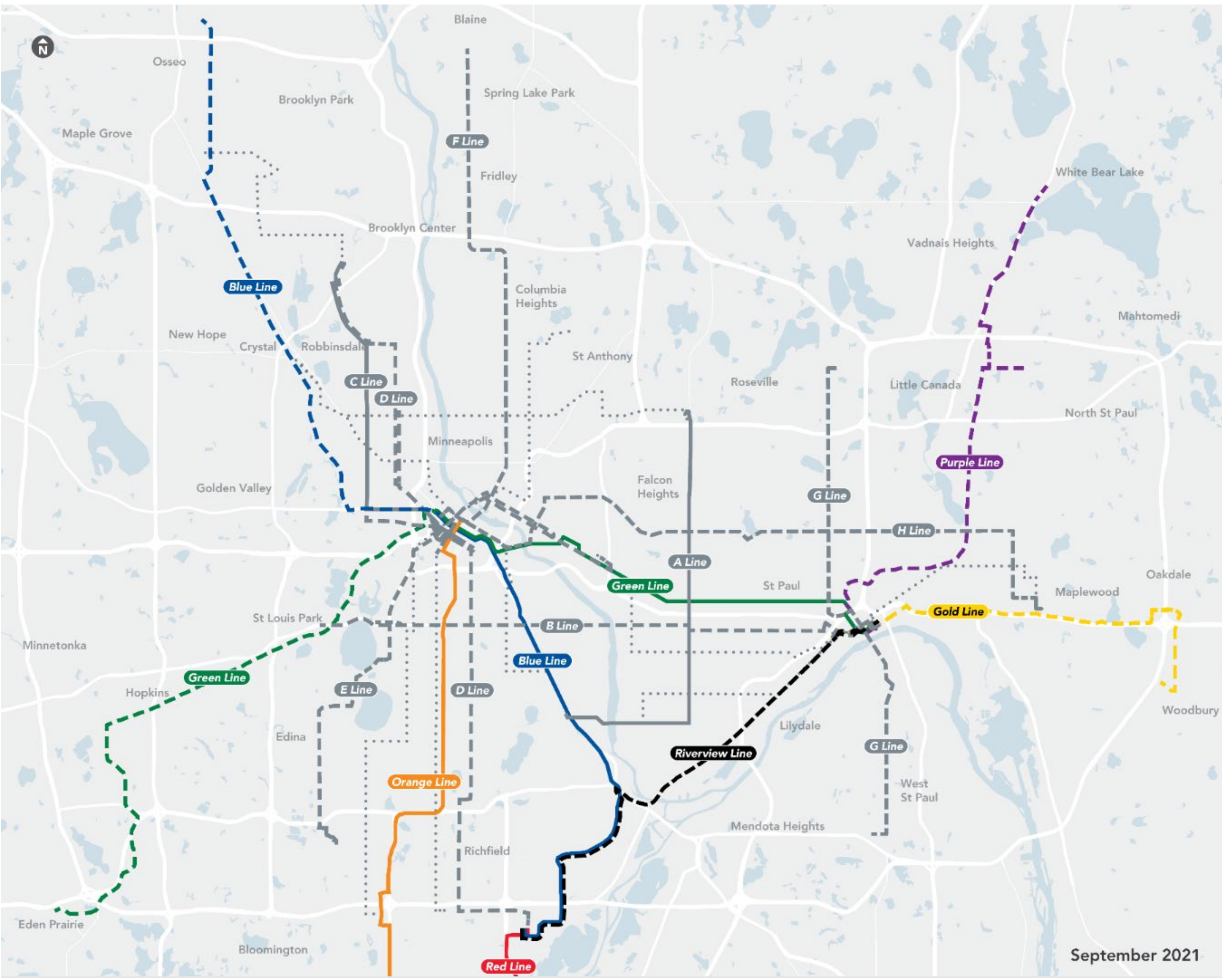
Current base general fund appropriations provide $32.654M per year for rail operations. This current level of state general fund appropriations has not been increased since SFY 2018, and both the light rail and commuter rail systems are experiencing unusually high increases to service and maintenance costs due to the significant increases in general inflation, parts, fuel, and other expenses.

Subsidies for the operations of current rail lines are covered in part by state appropriations and funding from the counties through a Master Operations Funding Agreement. In addition, one-time federal COVID relief funds have been added to address the remaining rail funding gap. As noted, one-time federal funding is forecast to run out at the end of the SFY2024-2025 biennium.

Current transit development plans call for the significant expansion of the METRO Line system. B Line ABRT and Gold Line BRT are fully funded capital projects expected to start service in SFY 2025. E Line ABRT is fully funded capital project that with projected service start in SFY 2026. F Line ABRT is a partially funded capital project projected to begin service in SFY 2027. Green Line Extension also has a projected service start date in SFY 2027.

Other planned METRO Lines with service start dates outside the current four-year state planning horizon (SFY 2024-2027) are in various stages of construction and planning, including G, H, and J ABRT Lines, Purple BRT Line, and Blue Line extension.

The following is a map showing the planned build out of the METRO Line system, including both current and planned lines.



Impact on Children and Families:

As the population of the Twin Cities metropolitan region grows, prospers, and becomes more diverse, the demand for transit will also grow. In July 2021, the Metropolitan Council released regional forecasts for population and employment through 2050. By 2050 the region is expected to grow by over 800,000 people and add over 600,000 new jobs. That population will be, on average, older and include more people of color. The region has experienced significant growth since 2010, with an increase of more than 325,000 people. This growth and change are expected to increase the demand and need for transit.

Ongoing investments in highway infrastructure have allowed the region to keep congestion relatively stable in recent years. The reduction in vehicle travel due to the COVID-19 pandemic also contributed to that stability. However, congestion and vehicle travel are once again growing and the ability to expand the regional roadway system is limited for financial, environmental, and livability reasons.

Transit provides a sustainable, efficient, and effective option to provide mobility for those who can't or choose not to drive, address increasing roadway congestion, improve air quality, and reduce green-house gas emissions. Transit connects people to jobs, school, food, services, recreation, shopping and more. Transit also plays a critical role in economic prosperity and livability. Businesses cite transit as one of the most important assets when looking to attract and retain employees. More and more, people are prioritizing access to transit as one of the factors they consider when choosing where to live and work. During the COVID-19 pandemic the proportion using transit for all trip purposes increased while the proportion of transit riders for work trips decreased, emphasizing the importance of transit for travel beyond the peak-direction commute.

Equity and Inclusion:

Providing transit contributes to regional equity with the regional bus and rail service that is configured in our region. Transportation connects all residents to opportunity and creates viable housing, transportation and recreation options for all races, ethnicities, incomes, and abilities.

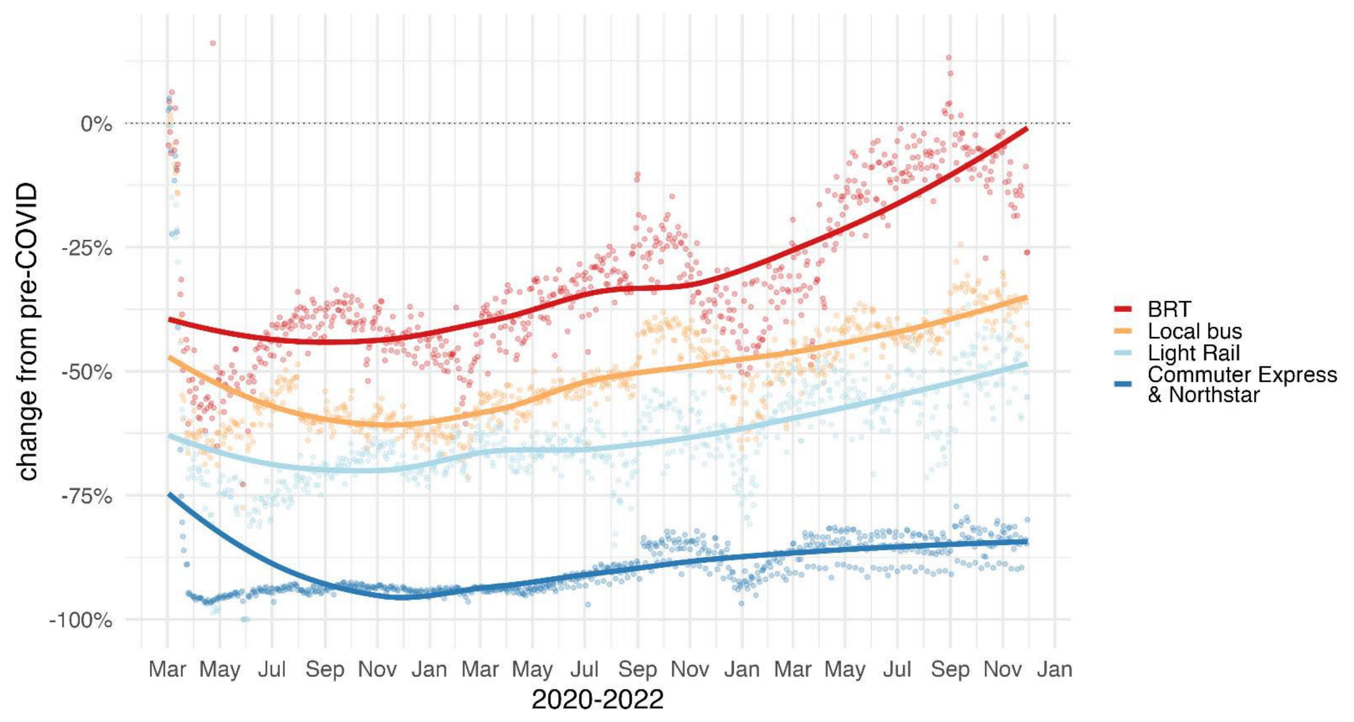
Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

The following charts show that transit ridership is rebounding from ridership loss during the pandemic. Overall, ridership has nearly doubled since hitting a low point early in the pandemic and continues to grow at a steady pace. Metro Transit bus operations ridership was also positively impacted by ridership results on the region's highest performing corridors including METRO A, C, and D ABRT lines and METRO Orange Line BRT. METRO Orange Line BRT began service in December 2021 and METRO D Line ABRT began service in December 2022.



Statutory Change(s):

Not applicable.

FY 2024-25 Biennial Budget Change Item

Change Item Title: Increase Regional Transit Bonding Authority

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	50	610	830
Revenues	0	(20)	(220)	(310)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	70	830	1,140
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends the Metropolitan Council's authority to issue bonds under M.S. 473.39 be increased to $51.5 million in FY24 and $53.045 million in FY25 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. The current authority is $98.4 million over two years. 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 the limit be raised to $104.545 million in the FY25-25 biennium.

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 $105,545,000 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, 2023, the council may issue certificates of indebtedness, bonds, or other obligations in an amount not exceeding $51,500,000 and after July 1, 2024 the council may issue certificates of indebtedness, bonds, or other obligations in an additional amount not exceeding $54,045,000.

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 2025, and $1.97 million in FY 2026-27. 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 473.39 and 473.446

FY 2024-25 Biennial Budget Change Item

Change Item Title: Registration Tab Fee Restructure

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
Highway User Tax Distribution				
Revenue	92,400	193,600	201,800	209,900
Transfer Out	92,400	193,600	201,800	209,900
General Fund (DOR)				
Expenditures	0	0	0	0
Revenues	0	(700)	(700)	(700)
Trunk Highway Fund				
Expenditures	0	0	0	0
Transfer In	54,424	114,030	118,860	123,631
County State Aid Highway				
Expenditures	30,076	63,017	65,686	68,322
Transfer In	30,076	63,017	65,686	68,322
Municipal State Aid Street				
Expenditures	7,900	16,553	17,254	17,947
Transfer In	7,900	16,553	17,254	17,947
Net Fiscal Impact = (Expenditures – Revenues)	(54,424)	(113,330)	(118,160)	(122,931)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

This Governor recommends an adjustment to the motor vehicle registration tax schedule. This adjustment would be effective and applies to taxes payable for a registration period starting on or after January 1, 2024.

Rationale/Background:

For passenger vehicles, current law imposes a tax of $10 plus 1.285% of the base value, adjusted by a percentage based on the age of the vehicle: 100% in the first year, declining by ten percentage points each year until it reaches 10% in the tenth year. The flat tax for vehicles over 10 years old and the minimum for all vehicles is $35 ($10 fee plus a minimum tax of $25). This proposal has a small impact to the general fund because all the motor vehicle registration tax above the current minimum of $10 plus $25 can be claimed as an itemized deduction on individual income tax returns, totaling $700,000 in FY24-25 and $1.4 million in FY26-27.

Proposal:

The proposal would adjust the motor vehicle registration tax schedule by increasing the first year to 160% of the manufacturer's suggested retail price and increasing the percentage in all other years by 10 percentage points. The minimum tax would be reduced from $35 to $30 ($10 plus a minimum tax of $20).

Impact on Children and Families:

This change item does not directly impact the administration's priorities for children and families. However, it does contribute to a comprehensive transportation system and economy that serves Minnesotans now and into the future.

Equity and Inclusion:

MnDOT uses an equity lens framework to evaluate policies, designs, programs, and practices to create the most equitable outcomes possible. MnDOT understands that decisions made by the agency affect people differently and develops measures that advance equity in transportation. Considerations like multimodal access and impact, community and built environment factors, user experience and local context, zero emission vehicle access and use, and workforce inclusion and representation affirm MnDOT's mission and values.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

IT Costs

Not applicable

Results:

Revenue generated from the registration tab fee restructure will be used for system preservation, improvements, and expansion. MnDOT staff administers and provides oversight to hundreds of projects each season. Investment decisions reflect the priorities and policies identified in the planning documents developed by the agency based on state and federal goals and input from the public and transportation stakeholders. MnDOT tracks the performance of the transportation system through a variety of measures, many of which can be found in annual scorecard and the MinnesotaGo performance dashboard (http://www.dot.state.mn.us/measures/)

Statutory Change(s):

MS 168.013

Tax Aids, Credits and Refunds

FY 2024-25 Biennial Budget Change Item

Change Item Title: Legalizing Adult-Use Cannabis

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Cannabis Management Office Expenditures	15,430	14,841	13,980	13,711
DEED Expenditures	10,400	6,700	0	0
Health Expenditures	8,115	8,115	8,115	8,115
Public Safety Expenditures	4,175	2,662	2,662	2,662
Revenue Expenditures	3,673	3,118	3,138	3,153
Human Services Expenditures	2,260	6,476	6,476	6,476
Cannabis Expungement Board Expenditures	921	844	844	844
Pollution Control Expenditures	607	496	70	70
Supreme Court Expenditures	545	545	0	0
Higher Education Expenditures	500	500	500	500
Agriculture Expenditures	411	411	338	338
Natural Resources Expenditures	338	0	0	0
Education Expenditures	180	120	120	120
Labor and Industry Expenditures	132	132	132	132
Commerce Expenditures	75	283	569	799
Corrections Expenditures	(177)	(345)	(407)	(458)
Tax Aids, Credits, and Refunds Revenues	5,800	31,000	79,300	130,800
Cannabis Management Office Revenues	1,996	3,330	4,000	6,000
State Government Special Revenue Fund				
Health Expenditures	(3,424)	(3,424)	(3,424)	(3,424)
Health Revenues	(7,411)	(10,879)	(12,973)	(19,223)
Trunk Highway Fund				
Public Safety Expenditures	5,608	1,668	1,668	1,668
Outdoor Heritage Fund				
Tax Aids, Credits, and Refunds Revenues	(3)	96	330	594
Arts and Cultural Heritage Fund				
Tax Aids, Credits, and Refunds Revenues	(2)	57	198	356
Clean Water Fund				
Tax Aids, Credits, and Refunds Revenues	(3)	96	330	594
Parks and Trails Fund				
Tax Aids, Credits, and Refunds Revenues	(1)	41	142	257
Net Fiscal Impact = (Expenditures – Revenues)	49,393	19,401	(36,546)	(84,672)
FTEs	**92**	**98**	**104**	**104**

Recommendation:

The Governor recommends funding for the safe and responsible legalization of cannabis for adults in Minnesota. A new Cannabis Management Office will be responsible for the implementation of the regulatory framework for adult-use cannabis, along with the medical cannabis program, and a program to regulate hemp and hemp-derived products. This recommendation also includes funding for grants to assist individuals entering the legal cannabis market, provides for expungement of non-violent offenses involving cannabis, and implements taxes on adult-use cannabis.

Rationale/Background:

Prohibiting the use of cannabis in Minnesota has not worked. Despite the current prohibition, marijuana is widely consumed across Minnesota. The most recent Minnesota Survey on Adult Substance Use conducted in 2014-2015 found that nearly half (44%) of Minnesota adults reported using marijuana at some point during their lives. The maturation of the market for hemp-derived cannabinoid products following the 2018 Farm Bill culminating in the 2022 legislation authorizing hemp-derived THC edible cannabinoids have created urgency for comprehensive regulation and reform at the state level.

Regulating cannabis for use by adults will replace the abundant illicit market with a tightly regulated system with controls similar to those currently accepted for the sale of alcohol. This proposal will allow for the monitoring and regulation of its cultivation, processing, transportation and sale, activities currently occurring to the profit of drug cartels and criminals and without consumer protection guardrails.

Importantly, this proposal will begin to address racial inequities our current system has created. Despite survey data suggesting that Black and white Minnesotans use cannabis at similar rates, in 2021 Black Minnesotans were over four times more likely than their white counterparts to be arrested for marijuana according to data from the Bureau of Criminal Apprehension.

Marijuana prohibition additionally leaves potential tax revenue uncollected and furthers an opportunity for economic growth in the underground market. This proposal will bolster amounts available the General Fund for policymakers to prioritize while grant programs administered by DEED and the Office of Cannabis Management will further ensure Minnesotan entrepreneurs have the best opportunity to become the new adult-use market.

Finally, this approach is now well-tested across the country. Nineteen states and the District of Columbia have passed laws to legalize and regulate cannabis for adults. In Colorado, the first state to adopt this approach, legal sales began in January 2014 so there is now nearly a decade of implementation experience in other states to help craft this proposal for Minnesota.

Proposal:

This proposal creates a new agency, the Cannabis Management Office, which would be responsible for the implementation of a new regulatory framework for adult-use cannabis. The Office of Medical Cannabis will also move from the Department of Health to join this new agency. The office will be headed by a director appointed by the Governor and receive advice from a Cannabis Advisory Council with representatives from experts, local governments, the cannabis industry and relevant state agencies. The core duties of the office will include:

- to develop, maintain, and enforce an organized system of regulation for the lawful cannabis industry
- to establish programming, services, and notification to protect, maintain, and improve the health of citizens.
- to prevent unauthorized access to cannabis by individuals under 21 years of age.
- to establish and regularly update standards for product testing, packaging, and labeling.
- to promote economic growth with an emphasis on growth in areas that experienced a disproportionate, negative impact from cannabis prohibition.
- to issue and renew licenses.
- to impose and collect civil and administrative penalties.
- to authorize research and studies on cannabis, cannabis products, and the cannabis industry.

Adult-use cannabis will be subject to a new 15% gross receipts tax and state sales tax with retail sales beginning January 1, 2025. A new 15% gross receipts tax would also be imposed on the retail sale of edible cannabinoid products with retail sales beginning October 1, 2023.

The proposal authorizes three grant programs to support the establishment of cannabis businesses in Minnesota. Cannabis grower grants administered by the Office of Cannabis Management will provide farmers with assistance navigating the new industry and regulations along with subsidized loans for expanding into legal cannabis. Administered by the Department of Employment and Economic Development industry navigation grants and industry training grants will assist individuals in setting up a legal cannabis business through technical assistance and navigation services while providing grants to organizations and individuals for training on cannabis jobs.

The proposal provides for automatic sealing of dismissals, exonerations, convictions, or stayed sentences of petty misdemeanor and misdemeanor marijuana offenses by the Bureau of Criminal Apprehension, which will provide notice of the expungement to local law enforcement agencies as well as the Judicial Branch for compliance purposes. It also provides for the establishment of a Cannabis Expungement Board to review other cannabis convictions to consider eligibility for expungement or resentencing.

The proposal authorizes the Governor to enter into compacts with Minnesota Tribal governments on issues related to medical cannabis and adult-use cannabis.

The proposal finally provides significant resources to address substance use disorders. The proposal includes initial funding for grants directed by the advice of a Substance Use Disorder Advisory Council convened by the Department of Human Services. Five percent of the revenue from the cannabis gross receipts tax would flow into this fund to support these grants into the future.

Appropriations necessary for its implementation include:

- $30,271,000 in FY2024/2025 and $27,691,000 in FY2026/2027 to establish and begin operations of a new Cannabis Management Office responsible for the implementation of the new regulatory framework.
- $822,000 in FY2024/2025 and $ 676,000 in FY2026/2027 to the Department of Agriculture for food safety and pesticide enforcement lab testing and rulemaking related to changes in cannabis laws.
- $1,765,000 in FY2024/2025 and $1,688,000 in FY2026/2027 for a newly created Cannabis Expungement Board for staffing and other expenses related to reviewing criminal convictions and issuing decisions related to expungement and resentencing.
- $358,000 in FY2024/2025 and $1,368,000 in FY2026/2027 for the Department of Commerce for staffing and other expenses to complete scale, and packaging inspections.
- A reduction of $522,000 in FY2024/2025 and $865,000 in FY2026/2027 to the Department of Corrections' base budget to account for an expected reduction in marijuana-related incarcerations.
- $300,000 in FY2024/2025 and $240,000 in FY2026/2027 for the Department of Education to support schools and districts in accessing resources on cannabis use and substance use.
- $17,100,000 in FY2024/2025 for the Department of Employment and Economic Development for cannabis industry navigator and startup grants.
- $16,230,000 in FY2024/2025 and $16,230,000 in FY2026/2027 for the Department of Health for education of women who are pregnant, breastfeeding, or who may become pregnant; data collection and reports; and youth education.
- $8,736,000 in FY2024/2025 and $12,952,000 in FY2026/2027 for the Department of Human Services to implement the substance use disorder treatment and prevention grant program and process background studies relevant to the work of the Cannabis Expungement Board.
- $264,000 in FY2024/2025 and $264,000 in FY2026/2027 for the Department of Labor and Industry to identify occupational competency standards and provide technical assistance for developing dual-training programs.
- $338,000 in FY2024/2025 for the Department of Natural Resources for training of DNR Conservation Officers relating to the new cannabis regulatory system and requirements, recognition of impairment, and for the enforcement of the purposed environmental standards adopted by the Cannabis Management Office.
- $1,000,000 in FY2024/2025 and $1,000,000 in FY2026/2027 for the Office of Higher Education for Dual Training Competency Grants to employers in the legal cannabis industry.

- $1,103,000 in FY2024/2025 and $140,000 in FY2026/2027 for the Pollution Control Agency for rulemaking to establish of water, energy, odor, and solid waste environmental standards for cannabis businesses and provide technical assistance for small businesses.
- $6,837,000 in FY2024/2025 and $5,324,000 in FY2026/2027 for the Department of Public Safety Bureau of Criminal Apprehension for identifying and sealing records, forensic science services, and investigations.
- $7,276,000 in FY2024/2025 and $3,336,000 in FY2026/2027 for the Department of Public Safety Minnesota State Patrol from the Trunk Highway Fund for additional Drug Recognition Expert (DRE) troopers, crash reconstruction specialist troopers, and replacement drug detection canines.
- $6,791,000 in FY2024/2025 and $6,291,000 in FY2026/2027 for the Department of Revenue to collect and administer the tax requirements.

Impact on Children and Families:

The current widespread underground market for marijuana provides no controls against the sale and access to children. This proposal provides age restrictions to prevent the sale of cannabis to those under 21. Additionally, the biannual Healthy Kids Colorado Survey found no increase in the use of marijuana from 2011 to 2015 in the period where legal sales initiated in the state, a finding that has been consistent in Washington, Oregon, Alaska, California, Massachusetts, Maine, and Nevada. The proposal additionally provides funding for MDH to conduct a long-term, coordinated education program to raise public awareness about and address adverse health effects associated with the use of cannabis or cannabis products by persons under age 21.

Equity and Inclusion:

This proposal seeks to begin to address the inequities the current system of marijuana prohibition has created, beginning with the expungement of nonviolent marijuana offenses. A Division of Social Equity at the Office of Cannabis Management will work to further promote the consideration of equity and inclusion in the development and implementation of cannabis regulatory systems. The proposal additionally requires the prioritization of social equity applicants in cannabis license selection along with the cannabis grower and industry training and navigation grant programs.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☒Yes
☐No

Minnesota tribal governments, in particular the Red Lake Nation and the White Earth Nation, have raised significant concerns about the current interactions between their medical cannabis programs and current restrictions in statute. This proposal will provide broad authority for the Governor or designated representatives to negotiate compacts with an American Indian tribe regulating cannabis and cannabis products including medical cannabis.

Results:

The proposal requires Department of Health to engage in research and data collection activities to measure the prevalence of cannabis use and the use of cannabis products in the state by persons under age 21 and persons age 21 or older.

Statutory Change(s):

13.411, by adding a subdivision; 13.871, by adding a subdivision; 152.02, subdivisions 2, 4; 152.022, subdivisions 1, 2; 152.023, subdivisions 1, 2; 152.024, subdivision 1; 152.025, subdivisions 1, 2; 181.938, subdivision 2; 181.950, subdivisions 2, 4, 5, 8, 13, by adding a subdivision; 181.951, by adding subdivisions; 181.952, by adding a subdivision; 181.953; 181.954; 181.955; 181.957, subdivision 1; 244.05, subdivision 2; 256.01, subdivision 18c;

256D.024, subdivision 1; 256J.26, subdivision 1; 273.13, subdivision 24; 275.025, subdivision 2; 290.0132, subdivision 29; 290.0134, subdivision 19; 297A.67, subdivisions 2, 7; 297A.99, by adding a subdivision; 297D.01, subdivision 2; 297D.04; 297D.06; 297D.07; 297D.08; 297D.085; 297D.09, subdivision 1a; 297D.10; 297D.11; 609.135, subdivision 1; 609.531, subdivision 1; 609.5311, subdivision 1; 609.5314, subdivision 1; 609.5316, subdivision 2; 609.5317, subdivision 1; 609A.01; 609A.03, subdivisions 5, 9; 624.712, by adding subdivisions; 624.713, subdivision 1; 624.714, subdivision 6; 624.7142, subdivision 1; 624.7151; proposing coding for new law in Minnesota Statutes, chapters 3; 17; 28A; 34A; 116J; 116L; 120B; 144; 152; 289A; 295; 604; 609A; 624; proposing coding for new law as Minnesota Statutes, chapter 342; repealing Minnesota Statutes 2020, sections 152.027, subdivisions 3, 4; 152.21; 152.22, subdivisions 1, 2, 3, 4, 5, 5a, 5b, 6, 7, 8, 9, 10, 11, 12, 13, 14; 152.23; 152.24; 152.25, subdivisions 1, 1a, 1b, 1c, 2, 3, 4; 152.26; 152.261; 152.27, subdivisions 1, 2, 3, 4, 5, 6, 7; 152.28, subdivisions 1, 2, 3; 152.29, subdivisions 1, 2, 3, 3a, 4; 152.30; 152.31; 152.32, subdivisions 1, 2, 3; 152.33, subdivisions 1, 1a, 2, 3, 4, 5, 6; 152.34; 152.35; 152.36, subdivisions 1, 1a, 2, 3, 4, 5; 152.37; 297D.01, subdivision 1; Minnesota Rules, parts 4770.0100; 4770.0200; 4770.0300; 4770.0400; 4770.0500; 4770.0600; 4770.0800; 4770.0900; 4770.1000; 4770.1100; 4770.1200; 4770.1300; 4770.1400; 4770.1460; 4770.1500; 4770.1600; 4770.1700; 4770.1800; 4770.1900; 4770.2000; 4770.2100; 4770.2200; 4770.2300; 4770.2400; 4770.2700; 4770.2800; 4770.4000; 4770.4002; 4770.4003; 4770.4004; 4770.4005; 4770.4007; 4770.4008; 4770.4009; 4770.4010; 4770.4012; 4770.4013; 4770.4014; 4770.4015; 4770.4016; 4770.4017; 4770.4018; 4770.4030.

FY 2024-25 Biennial Budget Change Item

Change Item Title: Soil and Water Conservation District (SWCD) Capacity Funding

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	12,000	12,000	12,000	12,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	12,000	12,000	12,000	12,000
FTEs	**0.25**	**0.25**	**0.25**	**0.25**

Recommendation:

The Governor recommends that the Department of Revenue, in consultation with the Board of Water and Soil Resources (BWSR), establish a soil water conservation aid program for the state portion of capacity funding for Soil and Water Conservation Districts (SWCDs) to meet their statutory Chapter 103C responsibilities.

Rationale/Background:

SWCDs are the front lines of the state's conservation delivery system. They use their considerable knowledge, expertise and trust to help landowners target clean water and conservation practices where they can provide the greatest benefit. The State made a critical commitment to SWCDs in the 2015 legislative session to provide the necessary capacity to carry out Minnesota's soil and water conservation programs. That appropriation of $22 million of Clean Water Funds (CWF) (see Laws of Minnesota 2015, 1st Special Session, Chapter 2, Article 2, Section 7(o)). The 2015 legislation included a commitment to putting SWCD Capacity Funding into the General Fund in the next biennium so that SWCDs would have a stable, on-going funding source from the state.

2017 final legislation reverted funding for SWCD capacity from BWSR's General Fund base to the Clean Water Fund. Shifting the SWCD capacity dollars to the Clean Water Fund has the consequence of significantly reducing the amount of funding for on-the-ground conservation projects and leaves SWCD funding vulnerable and unstable. In 2019 and 2021 the cycle was repeated and $24 million for SWCD Capacity was appropriated from the Clean Water Fund.

Based on a BWSR benchmarking analysis, there is a gap in funding required to provide the necessary essential services of a modern soil and water conservation district. BWSR defines "local capacity" as the readiness of soil and water conservation districts to plan, identify, and successfully accomplish locally led water quality solutions to identified local resource concerns related to the protection and/or restoration of surface water and groundwater.

Soil and water conservation districts are the only local unit of government with the express statutory charge to work with private landowners to plan and implement soil and water conservation practices, yet they do not have the ability to independently raise revenue to support implementation of land and water treatment practices and programs at a level necessary to achieve the broad goals of clean water, clean air, and abundant fish and wildlife habitat.

Stable and predictable funding is necessary considering many of our current State goals for clean water and climate adaption and resiliency are not presently being met. These goals are articulated in many places including the Federal Farm Bill, the Clean Water Act and Minnesota's Clean Water Legacy Act. Numeric goals have been established in the State such as reducing phosphorous & nitrogen levels by 45% in the Mississippi River Basin (MN Nutrient Reduction Strategy) and reducing sediment loading by 90% in the Minnesota River Basin (MN Sediment Reduction Strategy). Equally important is protecting those waters in the state that are currently meeting water quality standards from becoming polluted.

Investment in SWCD Capacity aids in:

- Funding adequate technical capacity in every SWCD.
- Funding the cost of implementing land and water treatment practices and programs.
- Organizing, planning and implementing soil and water conservation practices with landowners on a watershed scale.
- Leveraging federal conservation programs, including the climate and conservation elements of the recent *Inflation Reduction Act*.
- Local prioritization and targeting of CWF dollars leveraged with landowner & SWCD investments.
- Delivering land & water treatment projects and programs that are prioritized, targeted, and measurable.
- Measuring and reporting progress and outcomes.
- Organizational effectiveness.

Proposal:

The department, in consultation with the Board of Water and Soil Resources (BWSR), propose a Soil and Water Conservation Aid Program to provide the state portion of capacity funding for Soil and Water Conservation Districts to meet their statutory responsibilities.

Impact on Children and Families:

NA

Equity and Inclusion:

This proposal would not disproportionately impact any ethnic, racial or other minority group in either a negative or positive way, nor would it eliminate or reduce any disparities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

When funded, SWCD Capacity Funding supports continued efforts to address climate issues and improve water quality and habitat protection and restoration projects and practices.

Statutory Change(s):

Minnesota Statutes Chapter 477A

Change Item Title: US Bank Stadium Debt and Stadium Reserve Changes

Fiscal Impact ($000s)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
General Fund Expenditures					
Debt Payoff	377,000	0	0	0	0
Debt Service	0	(30,152)	(30,151)	(30,152)	(30,157)
Capital Improvements	15,700	0	0	0	0
General Fund Revenue					
Minneapolis Sales Tax	0	(2,542)	(2,542)	(2,542)	(2,542)
Stadium Reserve					
Fund Debt Payoff	(366,179)	0	0	0	0
Reserve Repeal	0	(150,783)	(161,353)	(167,784)	(174,518)
Net General Fund Impact	26,521	(178,393)	(188,962)	(195,394)	(202,133)

Recommendation:

The Governor recommends paying off the remaining state held debt for US Bank Stadium in Minneapolis, funding a secure perimeter at the stadium, relieving the City of Minneapolis of repayments of state advances, and repealing the stadium reserve in the general fund. The general fund net impact of this change would be a cost of $26.521 million in FY 2023 and a savings of $367.355 million in FY 2024-25 and $397.527 million in FY 2026-27.

Proposal:

On June 1, 2023, the earliest allowable payoff date, approximately $377 million in bonds will be outstanding on the publicly financed portion of the US Bank Stadium project in Minneapolis. Under this this proposal, MMB would pay off the remaining bonds with the current balance of the stadium reserve, estimated to be $366.179 million, and additional general fund resources as needed to fully pay off the remaining debt.

In addition, under this proposal the state would fund the first phase of a secure perimeter around US Bank Stadium at a cost of $15.7 million. This project is within the current legal uses of the Stadium Reserve and would mitigate a significant capital cost for the Stadium Authority.

An additional general fund appropriation in FY 2023 of $26.521 million would enable quicker payoff of existing debt. From that point forward, the state would not incur additional interest costs. Starting, in FY 2024, annual general fund debt service savings would be approximately $30.2 million under this proposal.

Under this proposal, the stadium reserve would be repealed after bond payoff and the current forecast growth of the reserve would fall to the general fund bottom line. The estimated general fund benefit of the reserve repeal would be $312.136 million in FY 2024-25 and $342.302 million in FY 2026-27.

Also incorporated into this proposal is forgiveness of remaining advances made on behalf of the City of Minneapolis for stadium operations and capital reserves from FY 2016-20. Repeal of repayments would result in $2.542 million in reduced state sales tax revenue, with that amount remitted back to the city each year instead of the current law deposit in the state general fund. Under this proposal, repayments made prior to FY 2024 would not be refunded. This proposal also would not change statutory revenue retention from Minneapolis local sales taxes for its share of the stadium debt.

Statutory Change(s):

MS 297A.994 Subd. 4 (4); 297E.021; 16A.965

Tax Aids, Credits and Refunds

FY 2024-25 Biennial Budget Change Item

Change Item Title: Charitable Gaming Rate Reduction

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	(13,600)	(15,600)	(16,100)	(16,600)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	13,600	15,600	16,100	16,600
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends reducing the combined net receipt tax rate for lawful gambling organizations. The reduction is effective for games played after June 30, 2023.

Rationale/Background:
The combined net receipts tax is imposed on lawful gambling organizations' net receipts after prizes from pull-tabs (paper and electronic), non-sports-themed tipboards, and electronic linked bingo games.

Proposal:
The proposal would lower tax rates as follows:

Net Receipts for fiscal year	Current	Proposed
Not more than $87,500	9%	8%
Over $87,500 but not more than $122,500	18%	17%
Over $122,500 but not more than $157,500	27%	25%
Over $157,500	36%	33.5%

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:
There are approximate 1,100 charitable organizations that pay this tax. The proposal would lower the tax rate for all organizations and allow them to retain a greater amount of receipts.

Statutory Change(s):
Changes to Minnesota Statutes chapter 297E.

FY 2024-25 Biennial Budget Change Item

Change Item Title: Federal Update for SECURE Act 2.0

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	2,700	(800)	(800)	(2,000)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(2,700)	800	800	2,000
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends conforming Minnesota's tax code with the federal law changes made in the SECURE Act 2.0, 2022. Adopting the federal changes for individuals provides an investment in Minnesota's tax system to ensure that it is stable, predictable, and less complex. The proposal is effective at the same time as the changes were effective for federal purposes.

Rationale/Background:

The Minnesota tax code is based on the Internal Revenue Code (IRC) as of a static date. The recently signed HF 31 conformed the state taxes that reference either federal adjusted gross income or federal taxable income to the federal IRC as amended through December 15, 2022. The SECURE Act 2.0 was enacted on December 29, 2022, and made numerous changes to retirement savings provisions for individuals and limiting the deduction for charitable conservation easements.

The federal changes update the SECURE Act of 2019 and are aimed at increasing retirement savings and providing a more secure stream of retirement income. The changes include –

- Increase the age at which required minimum distributions (RMD) from retirement accounts are required
- Lower the income tax penalty for failure to take an RMD
- Require catch-up contributions at higher incomes to be made to a Roth retirement account
- Increase the catch-up maximum contribution amount for those aged 60-63
- Allow for small business owners to open and contribute to Roth SEP IRAs and Roth SIMPLE IRAs, which creates some parity between large and small employer plan options.
- Allow unused funds in 529 College Savings Plan accounts to be rolled over into a Roth IRA for the beneficiary, subject to the annual contribution limits and an aggregate lifetime limit of $35,000.
- Enable matching contributions for student loan payments
- Enable plans to include emergency savings accounts
- Encourage automatic enrollment and automatic contribution increases
- Disallow a charitable deduction for a qualified conservation contribution if the deduction claimed exceeds two and one half times the sum of each partner's relevant basis in the contributing partnership, unless the contribution meets a three year holding period test, substantially all of the contributing partnership is owned by members of a family, or the contribution relates to the preservation of a certified historic structure. This is intended to limit use of the deduction for abusive tax avoidance.

Many of the changes made by the federal SECURE 2.0 Act do not affect state liability. The fiscal impact included on this page reflects the provisions that have an impact on state definitions of income.

Proposal:
The proposal would update the conformity date in tax statutes from December 15, 2022, to March 1, 2023. This would adopt all the changes made in the federal SECURE Act 2.0.

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:
Updating Minnesota’s tax code to the most current version of the Internal Revenue Code makes the state tax statutes clearer for taxpayers and tax professionals, makes filing and recordkeeping less complex and is less burdensome for the department to administer.

Statutory Change(s):
Minnesota Statutes sections 289A.22, 290.01, 290A.03, and 291.005.

Change Item Title: Electric Vehicle Tax Credit

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	(8,900)	(10,000)	(11,400)	(13,200)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	8,900	10,000	11,400	13,200
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends creating a new nonrefundable credit of up to $2,500 that is based on the federal credit for electric vehicles (EV). The credit is available for individuals purchasing new EVs starting with tax year 2023.

Rationale/Background:

Transportation is the largest contributor to greenhouse gas emissions in Minnesota and is a major contributor to climate change, air pollution, and ecosystem degradation. The global market is shifting to electric vehicles and tapping their potential to save families money, lower pollution, and make the air we breathe cleaner. A tax credit towards the purchase of new EVs will help make these vehicles affordable and accessible for more Minnesotans.

Proposal:

The federal credit is available if an EV is purchased for an individual's own use, not for resale, and is used primarily in the United States. To qualify, modified adjusted gross income may not exceed $300,000 for married couples filing jointly, $225,000 for heads of households, and $150,000 for all other filers. Taxpayers may use modified adjusted gross income from the year the EV is delivered or the year before, whichever is less.

For a vehicle to qualify it must have:

- A battery capacity of at least 7 kilowatt hours
- A gross vehicle weight rating of less than 14,000 pounds
- Be made by a qualified manufacturer
- Undergone final assembly in North America
- Been bought new
- A MSRP under $80,000 for vans, SUVs and pickup trucks; $55,000 for other vehicles

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes

☒No

Results:

In tax year 2023, about 4,100 returns would claim the credit, with an average reduction in tax of $2,168.

Statutory Change(s):

Changes to Minnesota Statutes section 290.

FY 2024-25 Biennial Budget Change Item

Change Item Title: Preserving Funding for Medical Education and Research Costs

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	1,482	1,482	1,482	1,482
Revenues	149	149	149	149
MERC Fund				
Expenditures	(7,725)	(7,725)	(7,725)	(7,725)
Revenues	(7,725)	(7,725)	(7,725)	(7,725)
Other Funds (Dedicated Account)				
Expenditures	7,576	7,576	7,576	7,576
Revenues	7,576	7,576	7,576	7,576
Net Fiscal Impact = (Expenditures – Revenues)	1,333	1,333	1,333	1,333
FTEs	**1.10**	**1.10**	**1.10**	**1.10**

Recommendation:

The Governor recommends a general fund investment to transition funding for the Medical Education and Research Cost (MERC) program out of the MERC fund. This includes an annual general fund appropriation of $1,182,000 beginning in fiscal year 2024 for the clinical dental education innovations grant program to increase dental access for underserved populations and promote innovative clinical training of dental professionals, and an annual general fund appropriation of $300,000 beginning in fiscal year 2024 for administration of the MERC grant program to replace the current $149,000 in administration funding that was previously appropriated from the MERC fund in Minnesota Statutes 62J.692, subdivision 4 (g) and adding $151,000 in general funds. Additionally, a dedicated MERC account would be established in the special revenue fund for deposit of the existing cigarette tax revenue per Minnesota Statutes, section 297F.10, subd. 1(2). This is a joint proposal with the Minnesota Department of Human Services (DHS).

Rationale/Background:

The Medical Education and Research Cost (MERC) grant was established in 1996 to provide support for medical education activities in Minnesota that were historically supported in significant part by patient care revenues. The grant recognizes Medicaid’s share of the costs of training new medical professionals. The Centers for Medicare and Medicaid Services (CMS) released a rule that the current payment methodology was no longer permissible. In order to have medical education costs recognized, the federal agency required that DHS reconfigure payment mechanisms. DHS has requested to shift the funds that were previously carved out of the Medicaid rates and distributed through MERC payments to a methodology that will distribute the medical education component through fee-for-service rates to comply with CMS guidance. This necessitates a number of updates to the statutes that govern the MERC program.

Proposal:

The proposal eliminates the Medical Education and Research Cost (MERC) fund in the state treasury. DHS payments for the MERC formula grants will instead be from the general fund, rather than being passed through MDH. MERC payments by DHS will be maintained at $49,552,000 per year, the same amount in fiscal year 2022. MDH will continue to gather the information from hospitals and clinic sites and perform the calculations that determine the amounts that will be paid out through the rates.

A dedicated MERC account in the special revenue fund would be established by MDH for the receipt of the existing $3,788,000 in cigarette tax revenue per Minnesota Statutes, section 297F.10, subdivision 1(2), and for the DHS federal match, for the continued annual total of $7,576,000. Administration of the MERC is not eligible for federal match, so the proposal would directly appropriate $300,000 annually from the general fund beginning in fiscal year 2024 to MDH for administration of the MERC account and formula, an increase of $151,000 over prior levels to allow for the addition of 0.7 full-time equivalent staff (FTE) and for information technology costs.

The proposal maintains the clinical dental education innovations grants previously authorized by Minnesota Statutes, section 62J.692 subdivision 7(4), by placing the authorization in section 144, with an annual general fund appropriation of $1,122,000 per year beginning in fiscal year 2024 for grants, plus 0.4 FTE for administration each year. These grants were previously appropriated in the MERC fund.

The proposal directs amounts appropriated for MERC distribution in prior session law to support providers who are unaffiliated with a hospital as required by the new DHS funding. A total of $1,000,000 in the annual Health Improvement general fund base previously appropriated by the Laws of 2015, chapter 71, article 14, section 3, subdivision 2, and a total of $1,000,000 in the annual Health Improvement health care access fund base previously appropriated by the Laws of 2016, chapter 189, article 23, section 3, subdivision 2, are proposed for distribution according to the revised Minnesota Statutes, section 62J.692, subdivision 4(b).

Impact on Children and Families:

This proposal will continue a program that is designed to provide critical funding for training providers who treat Minnesotans, including children and families who have low incomes and are eligible for Medical Assistance and Prepaid Medical Assistance.

Equity and Inclusion:

The MERC formula is designed to give weight to facilities that train providers working with and providing services to people who have low incomes and are receiving support through Medical Assistance and Prepaid Medical Assistance.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

IT Costs

The proposal includes $26,000 for improvements and maintenance of information technology systems to manage the MERC formula application portal and distribution processing, which has greatly eased the application process for stakeholders.

Results:

Type of Measure	*Name of Measure*	*Current Value*	*Date*	*Projected Value (without)*	*Projected Value (with)*	*Date*
Quantity	Number of dental innovation grants	$1.122 million	FY 2023	$0	$1.122 million	FY 2024

Statutory Change(s):

Minnesota Statutes, section 62J.692; 144.1913; 297F.10; 256B.69; 256B.969, subd. 2b (k); 256B.75(b)

Program: Refunds

Activity: Homestead Credit Refund

http://www.revenue.state.mn.us/

AT A GLANCE

For refunds based on taxes paid in 2020:

- Approximately 556,000 homeowners received refunds
- The average refund was $1,045

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.

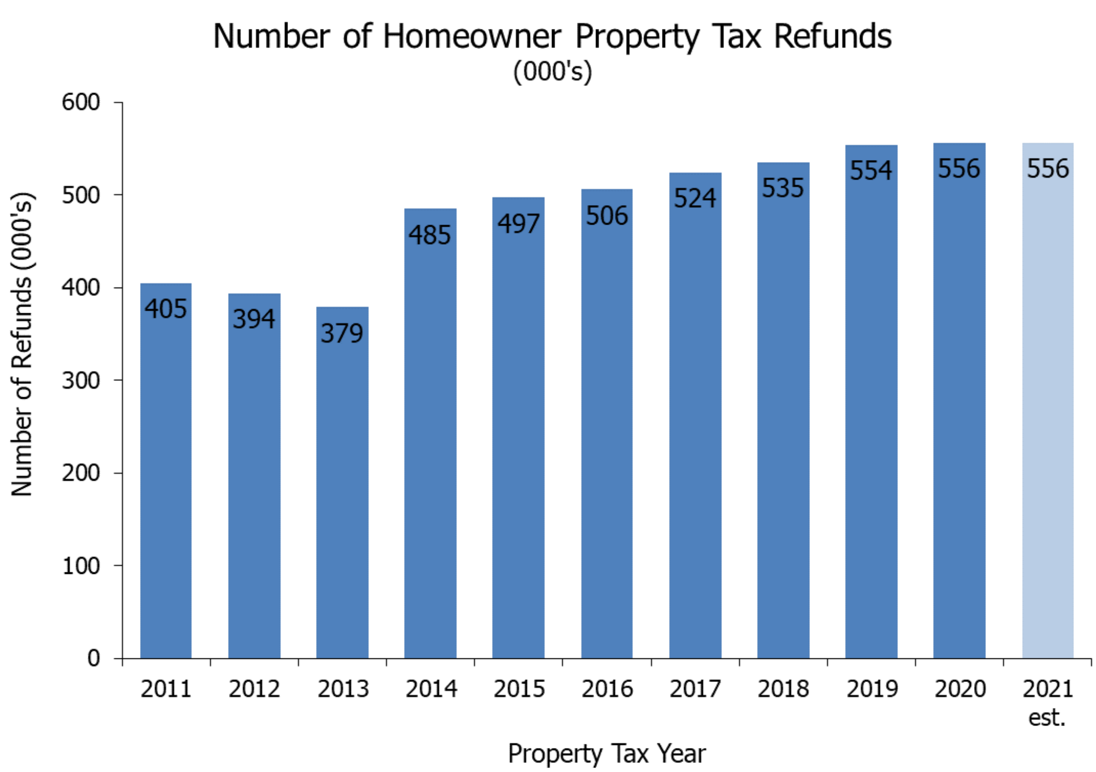
Funding source: State General Fund

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).

Type of Measure	***Name of Measure***	***Previous Value***	***Date***	***Current Value***	***Date***
Results	Suits index - homeowner property taxes before PTR	-0.165	2016	-0.181	2018
Results	Suits index - homeowner property taxes after PTR	-0.106	2016	-0.130	2018
Results	Reduction in regressivity due to PTR	36%	2016	28%	2018

Performance Measure Notes:

The Suits index compares the 2019 Tax Incidence Study based on calendar year 2016 property taxes and refunds (previous) with the most recently available 2021 Tax Incidence Study based on calendar year 2018 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) 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.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	531,467	576,390	571,271	612,800	665,600	691,700	665,600	691,570
Total	**531,467**	**576,390**	**571,271**	**612,800**	**665,600**	**691,700**	**665,600**	**691,570**
Biennial Change				76,214		173,229		173,099
Biennial % Change				7		15		15
Governor's Change from Base								(130)
Governor's % Change from Base								(0)
Expenditures by Category								
Grants, Aids and Subsidies	531,407	576,279	571,162	612,722	665,514	691,602	665,514	691,472
Other Financial Transaction	60	111	109	78	86	98	86	98
Total	**531,467**	**576,390**	**571,271**	**612,800**	**665,600**	**691,700**	**665,600**	**691,570**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	531,467	576,390	571,271	612,800	665,600	691,700	665,600	691,570
Expenditures	**531,467**	**576,390**	**571,271**	**612,800**	**665,600**	**691,700**	**665,600**	**691,570**
Biennial Change in Expenditures				76,214		173,229		173,099
Biennial % Change in Expenditures				7		15		15
Governor's Change from Base								(130)
Governor's % Change from Base								(0)

Program: Refunds
Activity: Renters Property Tax Refund

http://www.revenue.state.mn.us/

AT A GLANCE

For refunds based on taxes paid in 2020:

- Approximately 321,000 renters received refunds
- The average refund was $704

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.

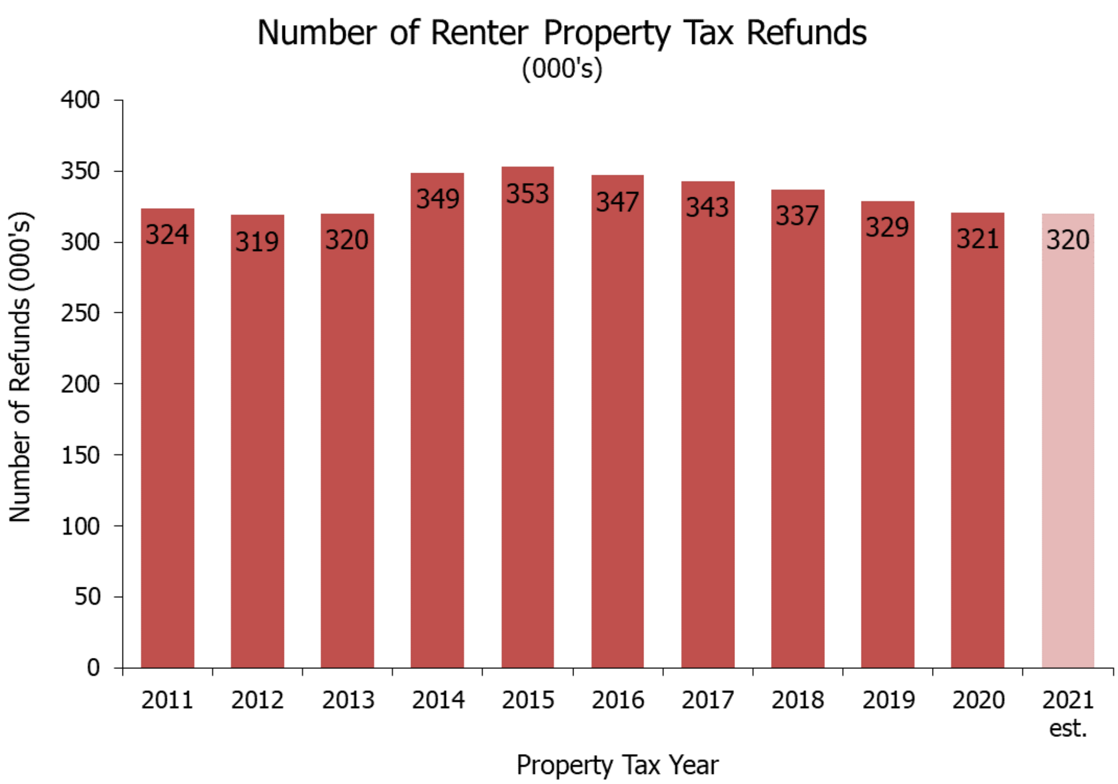
Funding source: State General Fund

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).

Type of Measure	***Name of Measure***	***Previous Value***	***Date***	***Current Value***	***Date***
Results	Suits index - renter property taxes before PTR	-0.293	2016	-0.299	2018
Results	Suits index - renter property taxes after PTR	-0.102	2016	-0.130	2018
Results	Reduction in regressivity due to PTR	65%	2016	57%	2018

Performance Measure Notes:

The Suits index compares the 2019 Tax Incidence Study based on calendar year 2016 property taxes and refunds (previous) with the most recently available 2021 Tax Incidence Study based on calendar year 2018 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) 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.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	229,888	225,736	220,814	229,300	234,300	242,400	234,300	242,400
Total	**229,888**	**225,736**	**220,814**	**229,300**	**234,300**	**242,400**	**234,300**	**242,400**
Biennial Change				(5,510)		26,586		26,586
Biennial % Change				(1)		6		6
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Category								
Operating Expenses	115	82	74	69	71	72	71	72
Grants, Aids and Subsidies	229,687	225,589	220,666	229,162	234,158	242,256	234,158	242,256
Other Financial Transaction	87	64	74	69	71	72	71	72
Total	**229,888**	**225,736**	**220,814**	**229,300**	**234,300**	**242,400**	**234,300**	**242,400**

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Open Appropriation	229,888	225,736	220,814	229,300	234,300	242,400	234,300	242,400
Expenditures	**229,888**	**225,736**	**220,814**	**229,300**	**234,300**	**242,400**	**234,300**	**242,400**
Biennial Change in Expenditures				(5,510)		26,586		26,586
Biennial % Change in Expenditures				(1)		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Refunds
Activity: Special Property Tax Refund

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- Approximately 31,000 homeowners received a special refund
- The average refund was $97

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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Annual special refunds processed	112,000	2019	31,000	2021

Performance Measure Notes:

Results from year to year can be highly variable. Since 2010, the average annual number of special refunds processed is 54,000. The average refund has ranged from $84 to $152.

Annual refunds processed compares to taxes payable year 2019 (previous) to 2021 (current).

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

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	10,722	10,878	3,148	7,290	17,700	5,200	17,700	5,200
Total	**10,722**	**10,878**	**3,148**	**7,290**	**17,700**	**5,200**	**17,700**	**5,200**
Biennial Change				(11,161)		12,462		12,462
Biennial % Change				(52)		119		119
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Category								
Grants, Aids and Subsidies	10,720	10,876	3,146	7,286	17,687	5,199	17,687	5,199
Other Financial Transaction	2	1	2	4	13	1	13	1
Total	**10,722**	**10,878**	**3,148**	**7,290**	**17,700**	**5,200**	**17,700**	**5,200**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	10,722	10,878	3,148	7,290	17,700	5,200	17,700	5,200
Expenditures	**10,722**	**10,878**	**3,148**	**7,290**	**17,700**	**5,200**	**17,700**	**5,200**
Biennial Change in Expenditures				(11,161)		12,462		12,462
Biennial % Change in Expenditures				(52)		119		119
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Refunds
Activity: Sustainable Forest Incentive Payment

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- 2,913 landowners received an incentive payment
- The average incentive payment was $4,499

PURPOSE AND CONTEXT

Property taxes can be a significant cost to owning forest land, which can discourage long-term investments in forest management. 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 landowner who meets all the qualifications of the Sustainable Forest Incentive Act is eligible for a payment. Land is enrolled for eight, twenty, or fifty years, with higher per-acre 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 landowners to make long-term commitments to sustainable forest management by reducing the costs of holding land in an undeveloped state.

Type of Measure	***Name of Measure***	***Previous Value***	***Date***	***Current Value***	***Date***
Quantity	Acres of forest land enrolled	1,027,000	2019	1,055,000	2021

Performance Measure Notes:

Acres of forest land enrolled compares calendar year 2019 (previous) to 2021 (current).

The average incentive payment increased from $4,434 in 2019 to $4,499 in 2021.

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) and search “sustainable forest.”

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	11,876	12,508	13,120	13,630	14,180	14,750	14,180	14,750
Total	**11,876**	**12,508**	**13,120**	**13,630**	**14,180**	**14,750**	**14,180**	**14,750**
Biennial Change				2,366		2,180		2,180
Biennial % Change				10		8		8
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	11,875	12,508	13,119	13,629	14,179	14,749	14,179	14,749
Other Financial Transaction	1	0	1	1	1	1	1	1
Total	**11,876**	**12,508**	**13,120**	**13,630**	**14,180**	**14,750**	**14,180**	**14,750**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	11,876	12,508	13,120	13,630	14,180	14,750	14,180	14,750
Expenditures	**11,876**	**12,508**	**13,120**	**13,630**	**14,180**	**14,750**	**14,180**	**14,750**
Biennial Change in Expenditures				2,366		2,180		2,180
Biennial % Change in Expenditures				10		8		8
Governor's Change from Base								0
Governor's % Change from Base								0

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

http://www.revenue.state.mn.us/

AT A GLANCE

In 2022:

- 744 cities out of 854 receive Local Government Aid

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.

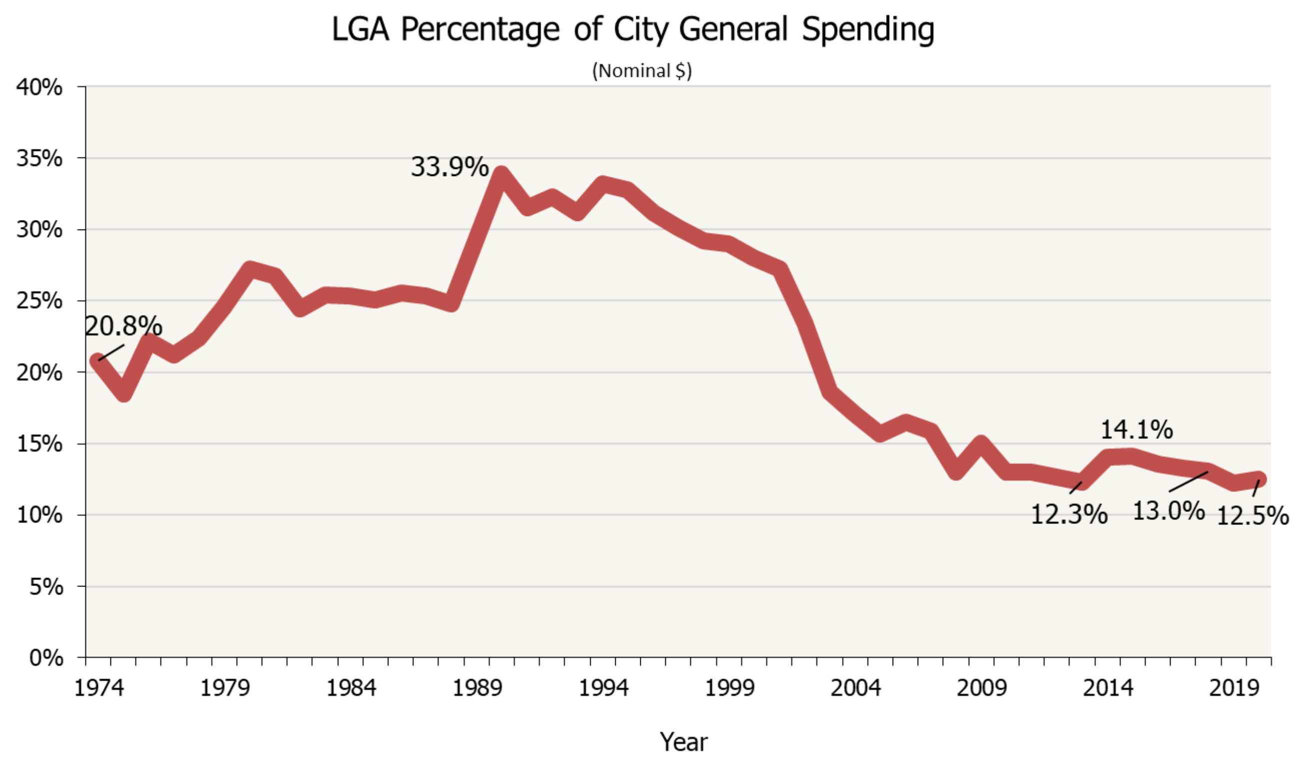
The LGA formula has changed many times since it started in 1971. The current formula measures a city's need by comparing factors like its population and age of housing to its ability to pay (based on local property values).

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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Percentage of cities receiving LGA	89%	2018	89%	2020
Quality	LGA percentage of city spending	13.0%	2018	12.5%	2020



Performance Measure Notes:

Percentage of cities receiving LGA compares payable year 2018 (previous) to 2020 (current).

LGA percentage of city spending is based on State Auditor city finance reports for 2018 and 2020 and computes LGA as a percentage of total current expenditures. 2020 is the most recent auditor data available.

For more information, visit the Revenue website (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.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25

Expenditures by Fund

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General	457,137	561,353	564,247	569,914	564,398	564,398	564,398	604,398
Total	**457,137**	**561,353**	**564,247**	**569,914**	**564,398**	**564,398**	**564,398**	**604,398**
Biennial Change				115,671		(5,365)		34,635
Biennial % Change				11		(0)		3
Governor's Change from Base								40,000
Governor's % Change from Base								4

Expenditures by Category

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Grants, Aids and Subsidies	457,137	561,353	564,247	569,914	564,398	564,398	564,398	604,398
Total	**457,137**	**561,353**	**564,247**	**569,914**	**564,398**	**564,398**	**564,398**	**604,398**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	457,185	561,353	564,398	564,398	564,398	564,398	564,398	604,398
Open Appropriation				5,516	0	0	0	0
Cancellations	47		151					
Expenditures	**457,137**	**561,353**	**564,247**	**569,914**	**564,398**	**564,398**	**564,398**	**604,398**
Biennial Change in Expenditures				115,671		(5,365)		34,635
Biennial % Change in Expenditures				11		(0)		3
Governor's Change from Base								40,000
Governor's % Change from Base								4

Program: Local Aids
Activity: County Program Aid

http://www.revenue.state.mn.us/

AT A GLANCE

In 2022:

- All 87 counties received County Program Aid

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:

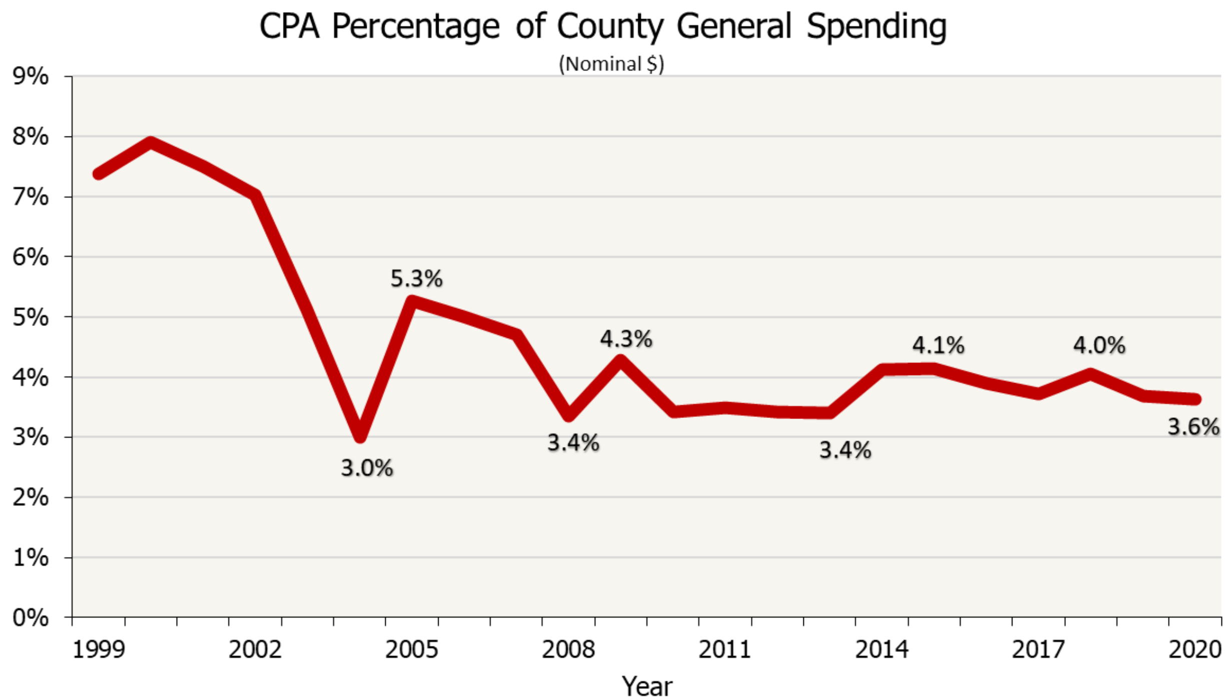
1. Need aid, based on a county's measure of crime rate, poverty, and population.
2. Tax base equalization aid, based on a county's population and property values.

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Percentage of counties receiving CPA - Need Aid	100%	2018	100%	2020
Quantity	Percentage of counties receiving CPA - Tax Base Equalization Aid	100%	2018	100%	2020
Quality	CPA percentage of county spending	4.0%	2018	3.6%	2020



Performance Measure Notes:

Percentage of counties receiving CPA compares payable year 2018 (previous) to 2020 (current).

CPA percentage of county spending is based on State Auditor county finance reports for 2018 and 2020 and computes CPA as a percentage of total current expenditures. 2020 is the most recent auditor data available.

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) 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	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	233,958	260,216	263,971	264,012	264,374	264,154	264,374	304,154
Total	**233,958**	**260,216**	**263,971**	**264,012**	**264,374**	**264,154**	**264,374**	**304,154**
Biennial Change				33,809		545		40,545
Biennial % Change				7		0		8
Governor's Change from Base								40,000
Governor's % Change from Base								8

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	233,958	260,216	263,971	264,012	264,374	264,154	264,374	304,154
Total	**233,958**	**260,216**	**263,971**	**264,012**	**264,374**	**264,154**	**264,374**	**304,154**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	234,672	260,930	264,685	264,726	265,088	264,868	265,088	304,868
Transfers Out	714	714	714	714	714	714	714	714
Expenditures	**233,958**	**260,216**	**263,971**	**264,012**	**264,374**	**264,154**	**264,374**	**304,154**
Biennial Change in Expenditures				33,809		545		40,545
Biennial % Change in Expenditures				7		0		8
Governor's Change from Base								40,000
Governor's % Change from Base								8

Program: Local Aids
Activity: Disparity Reduction Aid

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:
- 15% of 6,200 taxing areas received Disparity Reduction Aid
- The average aid payment was $19,229

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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Number of taxing areas receiving DRA	946	2019	943	2021
Quantity	Number of taxing areas with a tax rate above 90%	2,902	2019	2,832	2021
Quantity	Percentage of taxing areas with a tax rate above 90% that receive DRA	33%	2019	33%	2021

Performance Measure Notes:

The percentage of taxing areas receiving DRA compares payable year 2019 (previous) to 2021 (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 2019 and 2021. The average aid payment increased from $19,122 in 2019 to $19,229 in 2021.

For more information, visit the Revenue website (www.revenue.state.mn.us) and search "DRA."

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	18,076	18,269	18,118	18,181	18,182	18,182	18,182	18,182
Total	**18,076**	**18,269**	**18,118**	**18,181**	**18,182**	**18,182**	**18,182**	**18,182**
Biennial Change				(45)		65		65
Biennial % Change				(0)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	18,076	18,269	18,118	18,181	18,182	18,182	18,182	18,182
Total	**18,076**	**18,269**	**18,118**	**18,181**	**18,182**	**18,182**	**18,182**	**18,182**

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Open Appropriation	18,076	18,269	18,118	18,181	18,182	18,182	18,182	18,182
Expenditures	**18,076**	**18,269**	**18,118**	**18,181**	**18,182**	**18,182**	**18,182**	**18,182**
Biennial Change in Expenditures				(45)		65		65
Biennial % Change in Expenditures				(0)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Casino Aid to Counties

http://www.revenue.state.mn.us/

AT A GLANCE

In 2022:

- 13 counties received Casino Aid
- The average aid payment was $91,000

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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Number of Counties Receiving Casino Aid	13	2020	13	2022

Performance Measure Notes:

Number of counties receiving casino aid compares calendar year 2020 (previous) to 2022 (current).

The average aid payment decreased from $124,000 in 2020 to $91,000 in 2022.

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	1,614	1,135	1,171	1,614	1,614	1,614	1,614	1,614
Total	**1,614**	**1,135**	**1,171**	**1,614**	**1,614**	**1,614**	**1,614**	**1,614**
Biennial Change				36		443		443
Biennial % Change				1		16		16
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Grants, Aids and Subsidies	1,614	1,135	1,171	1,614	1,614	1,614	1,614	1,614
Total	**1,614**	**1,135**	**1,171**	**1,614**	**1,614**	**1,614**	**1,614**	**1,614**

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Open Appropriation	1,614	1,135	1,171	1,614	1,614	1,614	1,614	1,614
Expenditures	**1,614**	**1,135**	**1,171**	**1,614**	**1,614**	**1,614**	**1,614**	**1,614**
Biennial Change in Expenditures				36		443		443
Biennial % Change in Expenditures				1		16		16
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Utility Valuation Transition Aid

http://www.revenue.state.mn.us/

AT A GLANCE

In 2022:

- 3 towns receive Utility Valuation Transition Aid
- The average aid payment was $3,124

PURPOSE AND CONTEXT

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

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Number of eligible cities and towns where the current utility tax base remains lower than the 2007 amount	3	2020	3	2022

Performance Measure Notes:

Number of eligible cities and towns compares aid payable year 2020 (previous) to 2022 (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 (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	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	5	3	11	9	16	17	16	17
Total	**5**	**3**	**11**	**9**	**16**	**17**	**16**	**17**
Biennial Change				12		13		13
Biennial % Change				162		66		66
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	5	3	11	9	16	17	16	17
Total	**5**	**3**	**11**	**9**	**16**	**17**	**16**	**17**

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Open Appropriation	5	3	11	9	16	17	16	17
Expenditures	**5**	**3**	**11**	**9**	**16**	**17**	**16**	**17**
Biennial Change in Expenditures				12		13		13
Biennial % Change in Expenditures				162		66		66
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: State Taconite Aid

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- The state paid 22 cents per taxable ton of iron ore concentrates produced ($7.8 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 Co. 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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Taconite Production as a Percentage of Base Year 2000 Production	70%	2001	67%	2020

Performance Measure Notes:

Base year 2000 production is for the calendar year.

Taconite production percentage compares calendar year 2001 (previous) to calendar year 2020 (current).

The State Taconite Aid contribution accounted for 7.2% of total Production Tax distributions in 2021.

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	4,298	4,281	4,096	3,967	3,845	3,774	3,845	3,774
Total	**4,298**	**4,281**	**4,096**	**3,967**	**3,845**	**3,774**	**3,845**	**3,774**
Biennial Change				(516)		(444)		(444)
Biennial % Change				(6)		(6)		(6)
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Operating Expenses	4,298	4,281	4,096	3,967	3,845	3,774	3,845	3,774
Total	**4,298**	**4,281**	**4,096**	**3,967**	**3,845**	**3,774**	**3,845**	**3,774**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	8,019	8,076	7,783	7,579	7,508	7,433	7,508	7,433
Transfers Out	3,721	3,795	3,688	3,612	3,663	3,659	3,663	3,659
Expenditures	**4,298**	**4,281**	**4,096**	**3,967**	**3,845**	**3,774**	**3,845**	**3,774**
Biennial Change in Expenditures				(516)		(444)		(444)
Biennial % Change in Expenditures				(6)		(6)		(6)
Governor's Change from Base								0
Governor's % Change from Base								0

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

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- 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.

Type of Measure	***Name of Measure***	***Previous Value***	***Date***	***Current Value***	***Date***
Quantity	Acres of Natural Resources Land in PILT	8.54 million	2019	8.54 million	2021

Performance Measure Notes:

Acres of natural resources land compares calendar year 2019 (previous) to 2021 (current)

For more information, visit the Revenue website (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.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	35,940	36,090	36,358	36,488	40,866	41,091	40,866	41,091
Total	**35,940**	**36,090**	**36,358**	**36,488**	**40,866**	**41,091**	**40,866**	**41,091**
Biennial Change				816		9,111		9,111
Biennial % Change				1		13		13
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	35,940	36,090	36,358	36,488	40,866	41,091	40,866	41,091
Total	**35,940**	**36,090**	**36,358**	**36,488**	**40,866**	**41,091**	**40,866**	**41,091**

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Transfers In	35,940	36,090	36,358	36,488	40,866	41,091	40,866	41,091
Expenditures	**35,940**	**36,090**	**36,358**	**36,488**	**40,866**	**41,091**	**40,866**	**41,091**
Biennial Change in Expenditures				816		9,111		9,111
Biennial % Change in Expenditures				1		13		13
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Township Aid

http://www.revenue.state.mn.us/

AT A GLANCE

In 2022:
- 1,780 townships received Township Aid
- The average aid amount was $5,618

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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Aid percentage of township expenses	3.6%	2018	3.1%	2020

Performance Measure Notes:

Aid percentage (of township expenses) is based on State Auditor township finance reports for 2018 and 2020 and computes Township Aid as a percentage of total current expenditures. The most recent auditor data available is from 2020.

For more information, visit the Revenue website (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.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	9,997	10,000	10,000	10,000	9,612	9,500	9,612	9,500
Total	**9,997**	**10,000**	**10,000**	**10,000**	**9,612**	**9,500**	**9,612**	**9,500**
Biennial Change				3		(888)		(888)
Biennial % Change				0		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
Expenditures by Category								
Grants, Aids and Subsidies	9,997	10,000	10,000	10,000	9,612	9,500	9,612	9,500
Total	**9,997**	**10,000**	**10,000**	**10,000**	**9,612**	**9,500**	**9,612**	**9,500**

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Direct Appropriation	10,000	10,000	10,000	10,000	9,612	9,500	9,612	9,500
Cancellations	3							
Expenditures	**9,997**	**10,000**	**10,000**	**10,000**	**9,612**	**9,500**	**9,612**	**9,500**
Biennial Change in Expenditures				3		(888)		(888)
Biennial % Change in Expenditures				0		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Aquatic Invasive Species Prevention Aid

http://www.revenue.state.mn.us/

AT A GLANCE

In 2022:

- There were 1,023 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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Number of infested waters	924	2020	1,023	2022

Performance Measure Notes:

Number of infested waters compares calendar year 2020 (previous) to 2022 (current), as of January 1.

For more information, visit the Revenue website (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.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Expenditures	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Small Cities Assistance

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- The state paid $18 million in small cities assistance

PURPOSE AND CONTEXT

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

Funding source: Small Cities Assistance Account

SERVICES PROVIDED

The funding is for the construction and maintenance of roads located within the city and can include land acquisition, environmental analysis, design, engineering, construction, reconstruction, and maintenance. The aid is formula based, so that cities do not apply or compete for funds. Small Cities Assistance does not have a standing appropriation and has not been funded every year.

RESULTS

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

Type of Measure	***Name of Measure***	***Previous Value***	***Date***	***Current Value***	***Date***
Quantity	Number of cities eligible for small cities assistance	0	2019	705	2021
Quantity	Amount of state aid paid in small cities assistance	$0	2019	$18 million	2021

Performance Measure Notes:

The previous and current measures show data from aids payable year 2019 (previous) to 2021 (current).

Small Cities Assistance was not funded by the legislature for aids payable year 2019. A one-time appropriation of $18 million was provided for aids payable 2021.

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

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Fund								
2001 - Other Misc Special Revenue			17,962					
Total			**17,962**					
Biennial Change				17,962		(17,962)		(17,962)
Biennial % Change								
Governor's Change from Base								0
Governor's % Change from Base								

Expenditures by Category

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Grants, Aids and Subsidies			17,962					
Total			**17,962**					

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
2001 - Other Misc Special Revenue								
Balance Forward In	45	45	45	84	84	84	84	84
Transfers In			18,000					
Balance Forward Out	45	45	84	84	84	84	84	84
Expenditures			**17,962**					
Biennial Change in Expenditures				17,962		(17,962)		(17,962)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

Program: Local Aids
Activity: Riparian Protection Aid

http://www.revenue.state.mn.us/

AT A GLANCE

In 2022:

- 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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Watershed Districts receiving aid	14	2020	14	2022
Quantity	Counties receiving aid	75	2020	75	2022

Performance Measures Notes

Watershed Districts and Counties receiving aid compares 2020 (previous) to 2022 (current).

For more information, visit the Revenue website (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.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	7,255	7,255	7,255	7,255	7,255	7,255	7,255	7,255
Total	**7,255**	**7,255**	**7,255**	**7,255**	**7,255**	**7,255**	**7,255**	**7,255**
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	7,255	7,255	7,255	7,255	7,255	7,255	7,255	7,255
Total	**7,255**	**7,255**	**7,255**	**7,255**	**7,255**	**7,255**	**7,255**	**7,255**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Transfers Out	745	745	745	745	745	745	745	745
Expenditures	**7,255**	**7,255**	**7,255**	**7,255**	**7,255**	**7,255**	**7,255**	**7,255**
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: Indian Family Out-of-Home Placement Aid

http://www.revenue.state.mn.us/

AT A GLANCE

In 2022:

- 2 tribes received Indian Family Out-of-Home Placement Aid
- 53 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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Aid percentage of county expenses on ICWA foster care	22.0%	2020	21.0%	2022

Performance Measure Notes:

Aid percentage (of county expenses on ICWA foster care) compares payable year 2020 (previous) to 2022 (current). This aid was first available in 2018.

County expenses on ICWA foster care are based on expenditures reported to the Department of Human Services.

For more information, visit the Revenue website (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.

Indian Family Out-of-Home Placement Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	5,000	5,000	4,337	4,054	5,000	5,000	5,000	5,000
Total	**5,000**	**5,000**	**4,337**	**4,054**	**5,000**	**5,000**	**5,000**	**5,000**
Biennial Change				(1,609)		1,609		1,609
Biennial % Change				(16)		19		19
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	5,000	5,000	4,337	4,054	5,000	5,000	5,000	5,000
Total	**5,000**	**5,000**	**4,337**	**4,054**	**5,000**	**5,000**	**5,000**	**5,000**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	5,000	5,000	4,337	4,054	5,000	5,000	5,000	5,000
Expenditures	**5,000**	**5,000**	**4,337**	**4,054**	**5,000**	**5,000**	**5,000**	**5,000**
Biennial Change in Expenditures				(1,609)		1,609		1,609
Biennial % Change in Expenditures				(16)		19		19
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids
Activity: Local Homeless Prevention Aid

http://www.revenue.state.mn.us/

AT A GLANCE

Between 2019 and 2021:

- On average, 7,501 students in Minnesota experienced homelessness

PURPOSE AND CONTEXT

Thousands of students in Minnesota experience homelessness. Local Homeless Prevention Aid payments provide support for programs to help keep families from losing their housing and provide housing to families experiencing homelessness. The aid will be paid from 2023 to 2028.

Funding source: State General Fund

SERVICES PROVIDED

Local Homeless Prevention Aid is distributed to counties based on population and the three-year average of students experiencing homelessness.

Counties must spend the aid directly on family homeless prevention and assistance programs or projects administered by cities, Tribes, or community-based nonprofit organizations.

RESULTS

Local Homeless Prevention Aid provides funds to limit the number of students experiencing homelessness.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Three-year average of students experiencing homelessness	8,609	2017 - 2019	7,501	2019 - 2021

Performance Measure Notes:

Three-year average of students experiencing homelessness compares calendar years 2017 - 2019 (previous) to 2019 - 2021 (current).

For more information, visit the Revenue website (www.revenue.state.mn.us) and search “Homeless Prevention Aid.”

Legal Citation: M.S. 477A.30 establishes the Local Homeless Prevention Aid program.
https://www.revisor.mn.gov/statutes/cite/477A.30

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Fund								
1000 - General					20,000	20,000	20,000	20,000
Total					**20,000**	**20,000**	**20,000**	**20,000**
Biennial Change				0		40,000		40,000
Biennial % Change								
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Category								
Grants, Aids and Subsidies					20,000	20,000	20,000	20,000
Total					**20,000**	**20,000**	**20,000**	**20,000**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation					20,000	20,000	20,000	20,000
Expenditures					**20,000**	**20,000**	**20,000**	**20,000**
Biennial Change in Expenditures				0		40,000		40,000
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General							550,000	
Total							**550,000**	
Biennial Change				0		0		550,000
Biennial % Change								
Governor's Change from Base								550,000
Governor's % Change from Base								
Grants, Aids and Subsidies							550,000	
Total							**550,000**	

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Open Appropriation							550,000	
Expenditures							**550,000**	
Biennial Change in Expenditures				0		0		550,000
Biennial % Change in Expenditures								
Governor's Change from Base								550,000
Governor's % Change from Base								

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General							12,000	12,000
Total							**12,000**	**12,000**
Biennial Change				0		0		24,000
Biennial % Change								
Governor's Change from Base								24,000
Governor's % Change from Base								
Grants, Aids and Subsidies							12,000	12,000
Total							**12,000**	**12,000**

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Open Appropriation							12,000	12,000
Expenditures							**12,000**	**12,000**
Biennial Change in Expenditures				0		0		24,000
Biennial % Change in Expenditures								
Governor's Change from Base								24,000
Governor's % Change from Base								

Program: Credits
Activity: Agricultural Homestead Market Value Credit

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:
- 91,000 farm homesteads received the credit
- The average market value agricultural land credit amount was $401

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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Average market value agricultural land credit amount	$424	2019	$401	2021
Quantity	Effective tax rate without credit	0.42%	2019	0.41%	2021
Quantity	Effective tax rate with credit	0.37%	2019	0.37%	2021

Performance Measure Notes:

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 1.39% for taxes payable 2021.

Average credit amount compares to taxes payable year 2019 (previous) to 2021 (current).

For more information, visit the Revenue website (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 Market Value Credit

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25

Expenditures by Fund

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General	37,546	36,877	36,140	36,467	34,826	34,791	34,826	34,791
Total	**37,546**	**36,877**	**36,140**	**36,467**	**34,826**	**34,791**	**34,826**	**34,791**
Biennial Change				(1,817)		(2,990)		(2,990)
Biennial % Change				(2)		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Grants, Aids and Subsidies	37,546	36,877	36,140	36,467	34,826	34,791	34,826	34,791
Total	**37,546**	**36,877**	**36,140**	**36,467**	**34,826**	**34,791**	**34,826**	**34,791**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	37,546	36,877	36,140	36,467	34,826	34,791	34,826	34,791
Expenditures	**37,546**	**36,877**	**36,140**	**36,467**	**34,826**	**34,791**	**34,826**	**34,791**
Biennial Change in Expenditures				(1,817)		(2,990)		(2,990)
Biennial % Change in Expenditures				(2)		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Credits

Activity: Prior Year Credit Adjustment

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- Prior year credit adjustments were 0.07% 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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Adjustment amounts	$133,000	2019	$91,000	2021
Quantity	Prior year credit adjustments percentage of total credits	0.13%	2019	0.07%	2021

Performance Measure Notes:

Adjustment amount compares to taxes payable year 2019 (previous) to 2021 (current).

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Fund								
1000 - General	186	688	96	75	2		2	
Total	**186**	**688**	**96**	**75**	**2**		**2**	
Biennial Change				(704)		(169)		(169)
Biennial % Change				(81)		(99)		(99)
Governor's Change from Base								0
Governor's % Change from Base								

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Category								
Grants, Aids and Subsidies	186	688	96	75	2		2	
Total	**186**	**688**	**96**	**75**	**2**		**2**	

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Open Appropriation	186	688	96	75	2	0	2	0
Expenditures	**186**	**688**	**96**	**75**	**2**		**2**	
Biennial Change in Expenditures				(704)		(169)		(169)
Biennial % Change in Expenditures				(81)		(99)		(99)
Governor's Change from Base								0
Governor's % Change from Base								

Program: Credits
Activity: Border City Disparity Reduction Credit

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- The average property tax decrease due to the Border City Disparity Reduction Credit was $6,909
- 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.

Type of Measure	***Name of Measure***	***Previous Value***	***Date***	***Current Value***	***Date***
Quantity	Average property tax reduction due to credit	$6,169	2019	$6,909	2021

Performance Measure Notes:

The average credit amounts compare taxes payable 2018 (previous) to 2019 (current).

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	12,493	13,385	14,084	14,516	13,382	13,790	13,382	13,790
Total	**12,493**	**13,385**	**14,084**	**14,516**	**13,382**	**13,790**	**13,382**	**13,790**
Biennial Change				2,721		(1,428)		(1,428)
Biennial % Change				11		(5)		(5)
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	12,493	13,385	14,084	14,516	13,382	13,790	13,382	13,790
Total	**12,493**	**13,385**	**14,084**	**14,516**	**13,382**	**13,790**	**13,382**	**13,790**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	12,493	13,385	14,084	14,516	13,382	13,790	13,382	13,790
Expenditures	**12,493**	**13,385**	**14,084**	**14,516**	**13,382**	**13,790**	**13,382**	**13,790**
Biennial Change in Expenditures				2,721		(1,428)		(1,428)
Biennial % Change in Expenditures				11		(5)		(5)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Credits
Activity: Supplemental Taconite Homestead Credit

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:
- 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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Average property tax reduction due to credit	$285	2019	$285	2021

Performance Measure Notes:

Average property tax reduction compares taxes payable year 2019 (previous) to 2021 (current).

87% of eligible homesteads received the 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 0.86% for taxes payable in 2021. Without the credit, the ETR for those homesteads would have been 1.01%. The average ETR for homesteads statewide was 1.23% for taxes payable in 2021.

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	5,394	5,394	5,408	5,454	5,509	5,564	5,509	5,564
Total	**5,394**	**5,394**	**5,408**	**5,454**	**5,509**	**5,564**	**5,509**	**5,564**
Biennial Change				74		211		211
Biennial % Change				1		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	5,394	5,394	5,408	5,454	5,509	5,564	5,509	5,564
Total	**5,394**	**5,394**	**5,408**	**5,454**	**5,509**	**5,564**	**5,509**	**5,564**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	5,394	5,394	5,408	5,454	5,509	5,564	5,509	5,564
Expenditures	**5,394**	**5,394**	**5,408**	**5,454**	**5,509**	**5,564**	**5,509**	**5,564**
Biennial Change in Expenditures				74		211		211
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

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:
- 3,007 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 of land within the seven-county Twin Cities metropolitan area. Valuation for property taxes is based on the land's agricultural use, irrespective of other market pressures. Unlike valuation deferments under the Green Acres law, landowners are not required to repay any taxes or special assessments when exiting the program. In addition, landowners 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 development pressure.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Number of acres enrolled	202,000	2019	196,000	2021
Quantity	Average credit	$187	2019	$154	2021

Performance Measure Notes:

Number of acres enrolled and average credit compare payable year 2019 (previous) to 2021 (current).

For more information, visit the Revenue website (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.

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Fund								
1000 - General	202	118	53		40	40	40	40
2000 - Restrict Misc Special Revenue	132	180	196	216	220	220	220	220
2001 - Other Misc Special Revenue	162	127	90	81	89	90	89	90
Total	**496**	**425**	**339**	**297**	**349**	**350**	**349**	**350**
Biennial Change				(285)		63		63
Biennial % Change				(31)		10		10
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Category								
Grants, Aids and Subsidies	496	425	339	297	349	350	349	350
Total	**496**	**425**	**339**	**297**	**349**	**350**	**349**	**350**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25

1000 - General

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Open Appropriation	287	164	53		49	50	49	50
Transfers Out	85	46			9	10	9	10
Expenditures	**202**	**118**	**53**		**40**	**40**	**40**	**40**
Biennial Change in Expenditures				(266)		27		27
Biennial % Change in Expenditures				(83)				
Governor's Change from Base								0
Governor's % Change from Base								0

2000 - Restrict Misc Special Revenue

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Balance Forward In	299	420	588	723	1,059	1,392	1,059	1,392
Receipts	309	429	420	633	633	633	633	633
Transfers Out	56	81	90	81	80	80	80	80
Balance Forward Out	420	588	723	1,059	1,392	1,725	1,392	1,725
Expenditures	**132**	**180**	**196**	**216**	**220**	**220**	**220**	**220**
Biennial Change in Expenditures				100		28		28
Biennial % Change in Expenditures				32		7		7
Governor's Change from Base								0
Governor's % Change from Base								0

2001 - Other Misc Special Revenue

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Balance Forward In	47	26	26	26	26	26	26	26
Transfers In	141	127	90	81	89	90	89	90
Balance Forward Out	26	26	26	26	26	26	26	26
Expenditures	**162**	**127**	**90**	**81**	**89**	**90**	**89**	**90**
Biennial Change in Expenditures				(119)		8		8
Biennial % Change in Expenditures				(41)		5		5
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Credits

Activity: School Building Bond Agricultural Credit

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- The credit paid for 5.7% of school debt service levies statewide
- Approximately 526,000 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.

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, 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 2019, the credit equaled 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 was 50% of the property's net tax capacity multiplied by the school debt tax rate for taxes payable 2020 and 55% for taxes payable in 2021. 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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Results	School capital referendum passage rate – statewide	64.5%	2019	47.9%	2021
Results	School capital referendum passage rate – non-metro	64.6%	2019	46.0%	2021
Quantity	Share of school debt services levies paid for by the credit	3.8%	2019	5.7%	2021

Performance Measure Notes:

The results compare taxes payable 2019 (previous) to 2021 (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, increased after the credit began in 2018. The lower passage rate in 2021 may have been affected by the COVID pandemic, among other factors.

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	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	37,852	55,839	62,182	70,050	87,166	98,343	87,166	98,343
Total	**37,852**	**55,839**	**62,182**	**70,050**	**87,166**	**98,343**	**87,166**	**98,343**
Biennial Change				38,541		53,277		53,277
Biennial % Change				41		40		40
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	37,852	55,839	62,182	70,050	87,166	98,343	87,166	98,343
Total	**37,852**	**55,839**	**62,182**	**70,050**	**87,166**	**98,343**	**87,166**	**98,343**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	37,852	55,839	62,182	70,050	87,166	98,343	87,166	98,343
Expenditures	**37,852**	**55,839**	**62,182**	**70,050**	**87,166**	**98,343**	**87,166**	**98,343**
Biennial Change in Expenditures				38,541		53,277		53,277
Biennial % Change in Expenditures				41		40		40
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids
Activity: Police State Aid

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- 392 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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Number of jurisdictions receiving aid	396	2019	392	2021
Quantity	Aid percentage of employer pension costs	64%	2019	54%	2021

Performance Measure Notes:

Number of jurisdictions receiving aid compares payable year 2019 (previous) to 2021 (current).

Aid percentage (of employer pension costs) measures how much of a department's pension obligations are paid through Police State Aid. In 2021, Police State Aid paid for an average of 54% of a police department's pension obligations.

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

Legal Citation: M.S. Chapter 477C establishes Police State Aid. https://www.revisor.mn.gov/statutes/cite/477C

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	81,241	84,185	82,181	86,800	90,750	94,830	90,750	94,830
Total	**81,241**	**84,185**	**82,181**	**86,800**	**90,750**	**94,830**	**90,750**	**94,830**
Biennial Change				3,555		16,599		16,599
Biennial % Change				2		10		10
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	81,241	84,185	82,181	86,800	90,750	94,830	90,750	94,830
Total	**81,241**	**84,185**	**82,181**	**86,800**	**90,750**	**94,830**	**90,750**	**94,830**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	89,186	92,760	91,169	96,762	101,160	105,710	101,160	105,710
Transfers Out	7,944	8,575	8,987	9,962	10,410	10,880	10,410	10,880
Expenditures	**81,241**	**84,185**	**82,181**	**86,800**	**90,750**	**94,830**	**90,750**	**94,830**
Biennial Change in Expenditures				3,555		16,599		16,599
Biennial % Change in Expenditures				2		10		10
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids
Activity: Fire State Aid

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- 758 fire relief associations received 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.

Type of Measure	***Name of Measure***	***Previous Value***	***Date***	***Current Value***	***Date***
Quantity	Number of fire relief associations receiving aid	761	2019	758	2021

Performance Measure Notes:

Number of fire relief associations receiving aid compares payable year 2019 (previous) to 2021 (current).

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

Legal Citation: M.S. Chapter 477B establishes Fire State Aid. https://www.revisor.mn.gov/statutes/cite/477B

Fire State Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	30,445	32,500	34,191	36,931	38,090	39,210	38,090	39,210
Total	**30,445**	**32,500**	**34,191**	**36,931**	**38,090**	**39,210**	**38,090**	**39,210**
Biennial Change				8,177		6,178		6,178
Biennial % Change				13		9		9
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	30,445	32,500	34,191	36,931	38,090	39,210	38,090	39,210
Total	**30,445**	**32,500**	**34,191**	**36,931**	**38,090**	**39,210**	**38,090**	**39,210**

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	30,445	32,500	34,191	36,931	38,090	39,210	38,090	39,210
Expenditures	**30,445**	**32,500**	**34,191**	**36,931**	**38,090**	**39,210**	**38,090**	**39,210**
Biennial Change in Expenditures				8,177		6,178		6,178
Biennial % Change in Expenditures				13		9		9
Governor's Change from Base								0
Governor's % Change from Base								0

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

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:
- 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.

Type of Measure	***Name of Measure***	***Previous Value***	***Date***	***Current Value***	***Date***
Quantity	Number of jurisdictions receiving aid	4	2019	4	2021

Performance Measure Notes:

Number of jurisdictions receiving aid compares payable year 2019 (previous) to 2021 (current).

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	3,775	4,611	5,404	6,200	6,390	6,580	6,390	6,580
Total	**3,775**	**4,611**	**5,404**	**6,200**	**6,390**	**6,580**	**6,390**	**6,580**
Biennial Change				3,218		1,366		1,366
Biennial % Change				38		12		12
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
Expenditures by Category								
Grants, Aids and Subsidies	3,775	4,611	5,404	6,200	6,390	6,580	6,390	6,580
Total	**3,775**	**4,611**	**5,404**	**6,200**	**6,390**	**6,580**	**6,390**	**6,580**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	3,775	4,611	5,404	6,200	6,390	6,580	6,390	6,580
Expenditures	**3,775**	**4,611**	**5,404**	**6,200**	**6,390**	**6,580**	**6,390**	**6,580**
Biennial Change in Expenditures				3,218		1,366		1,366
Biennial % Change in Expenditures				38		12		12
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids
Activity: Police/Fire Amortization Aid

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- 3 entities 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 entities receiving aid has decreased over time 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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Number of entities receiving aid	3	2019	3	2021

Performance Measure Notes:

Number of entities receiving aid compares payable year 2019 (previous) to 2021 (current).

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Total	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Total	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Cancellations	0	0	0					
Expenditures	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

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

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:
- 327 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.

Type of Measure	***Name of Measure***	***Previous Value***	***Date***	***Current Value***	***Date***
Quantity	Number of fire relief associations receiving aid	360	2019	327	2021

Performance Measure Notes:

Number of fire relief associations receiving aid compares payable year 2019 (previous) to 2021 (current).

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	606	637	607	607	637	637	637	637
Total	**606**	**637**	**607**	**607**	**637**	**637**	**637**	**637**
Biennial Change				(29)		60		60
Biennial % Change				(2)		5		5
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Category								
Grants, Aids and Subsidies	606	637	607	607	637	637	637	637
Total	**606**	**637**	**607**	**607**	**637**	**637**	**637**	**637**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	606	637	607	607	637	637	637	637
Expenditures	**606**	**637**	**607**	**607**	**637**	**637**	**637**	**637**
Biennial Change in Expenditures				(29)		60		60
Biennial % Change in Expenditures				(2)		5		5
Governor's Change from Base								0
Governor's % Change from Base								0

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

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- 738 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. Independent fire relief associations did not begin receiving aid until 2014.

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.

Type of Measure	***Name of Measure***	***Previous Value***	***Date***	***Current Value***	***Date***
Quantity	Number of fire relief associations receiving aid	742	2019	738	2021

Performance Measure Notes:

Number of fire relief associations receiving aid compares payable year 2019 (previous) to 2021 (current).

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	14,495	14,500	14,496	14,500	14,500	14,500	14,500	14,500
Total	**14,495**	**14,500**	**14,496**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**
Biennial Change				1		4		4
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	14,495	14,500	14,496	14,500	14,500	14,500	14,500	14,500
Total	**14,495**	**14,500**	**14,496**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	15,500	15,500	15,500	15,500	15,500	15,500	15,500	15,500
Transfers Out	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Cancellations	5		4					
Expenditures	**14,495**	**14,500**	**14,496**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**
Biennial Change in Expenditures				1		4		4
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

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

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- 375 taxpayers were enrolled in the program
- The average amount of property taxes deferred was $4,500

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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Number of senior citizen taxpayers enrolled	315	2019	375	2021
Quantity	Average amount of property taxes deferred	$4,000	2019	$4,500	2021

Performance Measure Notes:

Number of taxpayers enrolled compares calendar year 2019 (previous) to 2021 (current).

For more information, visit the Revenue website (www.revenue.state.mn.us) and search “senior deferral.”

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

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Open Appropriation	1,311	1,479	1,743	1,721	1,753	1,784	1,753	1,994
Net Loan Activity	(1,311)	(1,479)	(1,743)	(1,721)	(1,753)	(1,784)	(1,753)	(1,994)

Program: Other Local Government Payments
Activity: Performance Measurement Reimbursement

http://www.revenue.state.mn.us/

AT A GLANCE

In 2022:

- 32% of counties and 4% of cities participated in the Performance Measurement program.

PURPOSE AND CONTEXT

The Performance Measurement reimbursement program 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:

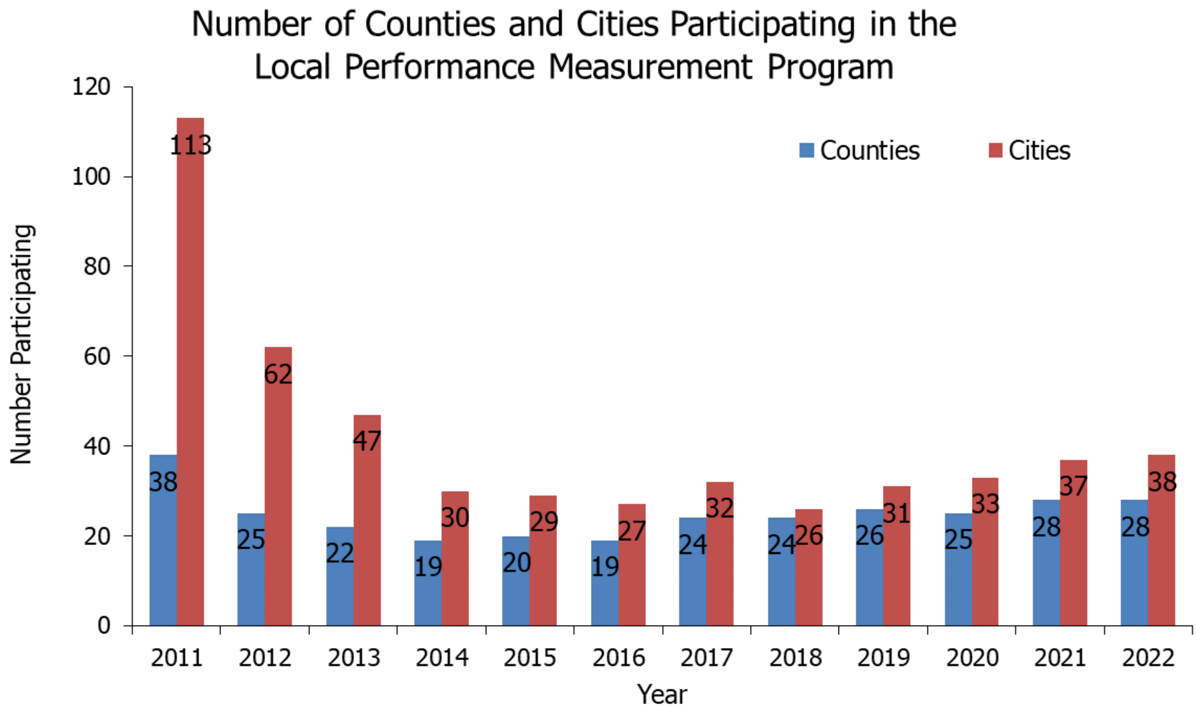
- Track 10 performance measures such as police response time, hours to plow streets, and water quality.
- Report their results annually to the state auditor and their residents.

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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Percentage of counties participating	29%	2020	32%	2022
Quantity	Percentage of cities participating	4%	2020	4%	2022



Performance Measure Notes:

Annual participation compares calendar year 2020 (previous) to 20202 (current).

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.

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Fund								
1000 - General	466	458	497	514	516	519	516	519
Total	**466**	**458**	**497**	**514**	**516**	**519**	**516**	**519**
Biennial Change				87		24		24
Biennial % Change				9		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Category								
Grants, Aids and Subsidies	466	458	497	514	516	519	516	519
Total	**466**	**458**	**497**	**514**	**516**	**519**	**516**	**519**

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Open Appropriation	466	458	497	514	516	519	516	519
Expenditures	**466**	**458**	**497**	**514**	**516**	**519**	**516**	**519**
Biennial Change in Expenditures				87		24		24
Biennial % Change in Expenditures				9		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

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

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- 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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	City tax base percentage of pre-exemption tax base	64%	2019	63%	2021
Quantity	County tax base percentage of pre-exemption tax base	204%	2019	235%	2021
Quantity	School district tax base percentage of pre-exemption tax base	193%	2019	227%	2021

Performance Measure Notes:

City tax base percentage compares assessment year 2019 (previous) to assessment year 2021 (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 63% 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.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25

Expenditures by Fund

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,360
Total	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,360**
Biennial Change				0		0		160
Biennial % Change				0		0		7
Governor's Change from Base								160
Governor's % Change from Base								7

Expenditures by Category

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Grants, Aids and Subsidies	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,360
Total	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,360**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,360
Expenditures	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,360**
Biennial Change in Expenditures				0		0		160
Biennial % Change in Expenditures				0		0		7
Governor's Change from Base								160
Governor's % Change from Base								7

Program: Other Local Government Payments
Activity: Taconite Aid Reimbursement

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- 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.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Payment's percentage of total school district revenues	3.6%	2019	3.3%	2021

Performance Measure Notes:

Payment's percentage of total school district revenue compares calendar year 2019 (previous) to 2021 (current).

In fiscal year 2021, the Taconite Aid Reimbursement payment accounted for 3.3% of total school district revenues.

Legal Citation: M.S. 477A.15 establishes Taconite Aid Reimbursement.
https://www.revisor.mn.gov/statutes/cite/477A.15.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	561	561	561	561	561	561	561	561
Total	**561**	**561**	**561**	**561**	**561**	**561**	**561**	**561**
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Grants, Aids and Subsidies	561	561	561	561	561	561	561	561
Total	**561**	**561**	**561**	**561**	**561**	**561**	**561**	**561**

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	561	561	561	561	561	561	561	561
Expenditures	**561**	**561**	**561**	**561**	**561**	**561**	**561**	**561**
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments
Activity: Border City Reimbursement

http://www.revenue.state.mn.us/

AT A GLANCE

In 2021:

- 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. The cities must request the state reimbursement, and then determine payments to businesses.

RESULTS

Border City Reimbursement increases business competitiveness in border areas.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Number of jurisdictions receiving reimbursement	2	2019	2	2021

Performance Measure Notes:

Number of jurisdictions receiving reimbursement compares taxes payable year 2019 (previous) to 2021 (current).

The two jurisdictions receiving reimbursement payments in 2019 and 2021 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.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	65	32	32	83	83	83	83	83
Total	**65**	**32**	**32**	**83**	**83**	**83**	**83**	**83**
Biennial Change				18		51		51
Biennial % Change				18		44		44
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	65	32	32	83	83	83	83	83
Total	**65**	**32**	**32**	**83**	**83**	**83**	**83**	**83**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	65	32	32	83	83	83	83	83
Expenditures	**65**	**32**	**32**	**83**	**83**	**83**	**83**	**83**
Biennial Change in Expenditures				18		51		51
Biennial % Change in Expenditures				18		44		44
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments
Activity: Disaster Credits

http://www.revenue.state.mn.us/

AT A GLANCE

In 2020 and 2021:

- 105 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.

Type of Measure	***Name of Measure***	***Previous Value***	***Date***	***Current Value***	***Date***
Quantity	Number of parcels receiving credits	663	2018/2019	105	2020/2021

Performance Measure Notes:

The number of parcels receiving credits compares payable years 2018 and 2019 (previous) to 2020 and 2021 (current). The amount of payment is dependent on the number and severity of disasters. In payable years 2014, 2016, and 2018, no parcels received the credit.

For more information, visit the Revenue website (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.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	100	1,739	1,939	378	504	229	504	229
Total	**100**	**1,739**	**1,939**	**378**	**504**	**229**	**504**	**229**
Biennial Change				478		(1,584)		(1,584)
Biennial % Change				26		(68)		(68)
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies	100	1,739	1,939	378	504	229	504	229
Total	**100**	**1,739**	**1,939**	**378**	**504**	**229**	**504**	**229**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	100	1,739	1,939	378	504	229	504	229
Expenditures	**100**	**1,739**	**1,939**	**378**	**504**	**229**	**504**	**229**
Biennial Change in Expenditures				478		(1,584)		(1,584)
Biennial % Change in Expenditures				26		(68)		(68)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments
Activity: Miscellaneous Payments

http://www.revenue.state.mn.us/

AT A GLANCE

From 2018 to 2022:
- 25 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 Mahnomen 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
- $250,000 to the city of Floodwood in 2022 to pay for a city-wide street and infrastructure project
- $643,729 to the city of Merlose in 2022 to be used to remediate the effects of fires in the city
- $120,000 to the city of Alexandria in 2022 to be used to remediate the effects of fires in the city
- $29,354,688 to 13 counties in 2022 for grants to pay for refunding the overpayment of property taxes
- $11,000,000 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 Measure 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 77, Article 1, Section 10; Laws 2021 First Special Session Chapter 14, Article 7, Sections 6-7; Laws 2021 First Special Session Chapter 14, Article 11, Section 46, Subd. 1-2.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	16,047	600	35,768					
Total	**16,047**	**600**	**35,768**					
Biennial Change				19,121		(35,768)		(35,768)
Biennial % Change				115				
Governor's Change from Base								0
Governor's % Change from Base								

Expenditures by Category

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Grants, Aids and Subsidies	16,047	600	35,768					
Total	**16,047**	**600**	**35,768**					

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Direct Appropriation	16,047	600	35,768					
Expenditures	**16,047**	**600**	**35,768**					
Biennial Change in Expenditures				19,121		(35,768)		(35,768)
Biennial % Change in Expenditures				115				
Governor's Change from Base								0
Governor's % Change from Base								

Tribal Nations Housing and Homelessness Aid — Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General							44,000	
Total							**44,000**	
Biennial Change				0		0		44,000
Biennial % Change								
Governor's Change from Base								44,000
Governor's % Change from Base								
Grants, Aids and Subsidies							44,000	
Total							**44,000**	

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Open Appropriation							44,000	
Expenditures							**44,000**	
Biennial Change in Expenditures				0		0		44,000
Biennial % Change in Expenditures								
Governor's Change from Base								44,000
Governor's % Change from Base								

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

http://www.revenue.state.mn.us/

AT A GLANCE

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

PURPOSE AND 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

Type of Measure	*Name of Measure*	*Previous*	*Projected*	*Dates*
Quantity	Amount of interest on refunds on taxes for the state airport fund	$0	$1,000	2021 – 2023
Quantity	Amount of interest on refunds on taxes for the environmental fund	$0	$1,000	2021 – 2023

Performance Measures Notes:

The previous and current measures show data from fiscal year 2021 (previous) to 2023 (projected).

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Fund								
2720 - State Airports				1	1	1	1	1
2800 - Environmental		0		1	1	1	1	1
2801 - Remediation	0							
Total	**0**	**0**		**2**	**2**	**2**	**2**	**2**
Biennial Change				2		2		2
Biennial % Change				3,802				
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Other Financial Transaction	0	0		2	2	2	2	2
Total	**0**	**0**		**2**	**2**	**2**	**2**	**2**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
2000 - Restrict Misc Special Revenue								
Balance Forward In	8	8	12	6	11	16	11	16
Receipts	6,683	7,245	9,206	8,096	8,096	8,096	8,096	8,096
Transfers Out	6,682	7,241	9,213	8,091	8,091	8,091	8,091	8,091
Balance Forward Out	8	12	6	11	16	21	16	21
2710 - Highway Users Tax Distribution								
Open Appropriation	23,066	20,317	21,397	22,454	22,835	22,539	22,835	22,539
Transfers Out	23,066	20,317	21,397	22,454	22,835	22,539	22,835	22,539
2720 - State Airports								
Open Appropriation				1	1	1	1	1
Expenditures				**1**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0
2800 - Environmental								
Balance Forward In				342	342	342	342	342
Open Appropriation		0		1	1	1	1	1
Receipts	15	15	342					
Cancellations	15	15						
Balance Forward Out			342	342	342	342	342	342
Expenditures		**0**		**1**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0
2801 - Remediation								
Open Appropriation	0							
Expenditures	**0**							

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

Program: Other Taxes and Refunds
Activity: Political Contribution Refund

http://www.revenue.state.mn.us/

AT A GLANCE

In FY 2021:

- This program provided $3.2 million in refunds for political contributions.

PURPOSE AND 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 2022, taxpayers must apply by April 15, 2023.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Political Contribution Refunds Paid	$2,707,000	$3,220,000	2020-2021
Quantity	Total Political Contribution Refunds	36,585	43,720	2020-2021

Performance Measure Notes:
Compares refunds paid in FY 2020 (previous) to FY 2021 (current).

Legal Citation: M.S. 290.06, subdivision 23, establishes the Political Contribution Refund program. https://www.revisor.mn.gov/statutes/cite/290.06.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	2,707	3,220	2,468	3,400	3,100	3,100	3,100	3,100
Total	**2,707**	**3,220**	**2,468**	**3,400**	**3,100**	**3,100**	**3,100**	**3,100**
Biennial Change				(59)		332		332
Biennial % Change				(1)		6		6
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Category								
Grants, Aids and Subsidies	2,705	3,220	2,460	3,398	3,098	3,098	3,098	3,098
Other Financial Transaction	2	0	8	2	2	2	2	2
Total	**2,707**	**3,220**	**2,468**	**3,400**	**3,100**	**3,100**	**3,100**	**3,100**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	2,707	3,220	2,468	3,400	3,100	3,100	3,100	3,100
Expenditures	**2,707**	**3,220**	**2,468**	**3,400**	**3,100**	**3,100**	**3,100**	**3,100**
Biennial Change in Expenditures				(59)		332		332
Biennial % Change in Expenditures				(1)		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Taxes and Refunds
Activity: Tax Refund Interest

http://www.revenue.state.mn.us/

AT A GLANCE

In Fiscal Year 2021:

- Almost $17 million in tax refund interest was paid to taxpayers who did not receive refunds within the statutory time frame. The interest rate was 5% in 2020 and 3% in 2021.

PURPOSE AND 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 5% in 2019 – 2020 and has been 3% since 2021; 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.

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Tax Refund Interest Paid	$25,996,000	$16,921,000	2020-2021

Performance Measure Notes:

Compares tax refund interest paid in FY2020 (previous) to FY2021 (current).

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General	25,738	16,180	14,058	12,050	12,650	12,850	12,650	12,850
2360 - Health Care Access	239	696	1,270	447	346	360	346	360
2710 - Highway Users Tax Distribution	20	45	39	50	50	50	50	50
Total	**25,996**	**16,921**	**15,368**	**12,547**	**13,046**	**13,260**	**13,046**	**13,260**
Biennial Change				(15,003)		(1,609)		(1,609)
Biennial % Change				(35)		(6)		(6)
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies			9					
Other Financial Transaction	25,996	16,921	15,359	12,547	13,046	13,260	13,046	13,260
Total	**25,996**	**16,921**	**15,368**	**12,547**	**13,046**	**13,260**	**13,046**	**13,260**

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	25,738	16,180	14,058	12,050	12,650	12,850	12,650	12,850
Expenditures	**25,738**	**16,180**	**14,058**	**12,050**	**12,650**	**12,850**	**12,650**	**12,850**
Biennial Change in Expenditures				(15,810)		(608)		(608)
Biennial % Change in Expenditures				(38)		(2)		(2)
Governor's Change from Base								0
Governor's % Change from Base								0
2360 - Health Care Access								
Open Appropriation	239	696	1,270	447	346	360	346	360
Expenditures	**239**	**696**	**1,270**	**447**	**346**	**360**	**346**	**360**
Biennial Change in Expenditures				783		(1,011)		(1,011)
Biennial % Change in Expenditures				84		(59)		(59)
Governor's Change from Base								0
Governor's % Change from Base								0
2710 - Highway Users Tax Distribution								
Open Appropriation	20	45	39	50	50	50	50	50
Expenditures	**20**	**45**	**39**	**50**	**50**	**50**	**50**	**50**
Biennial Change in Expenditures				24		11		11
Biennial % Change in Expenditures				37		13		13
Governor's Change from Base								0
Governor's % Change from Base								0

Production Property Transition Aid

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.

RESULTS

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

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Number of cities and towns receiving aid	3	2020	0	2022

Performance Measure Notes:

Number of eligible cities and towns compares aids payable year 2020 (previous) to 2022 (current).

Public Employees Retirement Association (PERA) 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.

RESULTS

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

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Number of jurisdictions receiving aid	1,111	2019	0	2021

Performance Measure Notes:

Number of jurisdictions receiving aid compares payable year 2019 (previous) to 2021 (current).

<u>Minneapolis Debt Service Aid</u>

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.

RESULTS

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

Type of Measure	***Name of Measure***	***Previous Value***	***Date***	***Current Value***	***Date***
Quality	State aid payment as a percent of the city's total property taxes paid	0.3%	2020	0.0%	2022

Performance Measure Notes:

The state aid payment as a percent of the city's total property taxes paid compare taxes payable year 2020 (previous) to 2022 (current).

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Fund								
1000 - General	18,076	3,634	3,374					
Total	**18,076**	**3,634**	**3,374**					
Biennial Change				(18,336)		(3,374)		(3,374)
Biennial % Change				(84)				
Governor's Change from Base								0
Governor's % Change from Base								

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Category								
Grants, Aids and Subsidies	18,076	3,634	3,374					
Total	**18,076**	**3,634**	**3,374**					

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Open Appropriation	18,076	3,634	3,374					
Expenditures	**18,076**	**3,634**	**3,374**					
Biennial Change in Expenditures				(18,336)		(3,374)		(3,374)
Biennial % Change in Expenditures				(84)				
Governor's Change from Base								0
Governor's % Change from Base								

Program: COVID Aid
Activity: COVID Aid Grants

http://www.revenue.state.mn.us/

AT A GLANCE

In 2020:

- 1,615 jurisdictions received an aid payment from the Coronavirus Relief Fund

In 2021:

- 3,891 businesses received COVID business relief payments from the General Fund

In 2021 and 2022:

- 2,107 jurisdictions received aid payments from the State and Local Fiscal Recovery Fund

PURPOSE AND CONTEXT

The coronavirus public health emergency created additional costs for local governments and businesses while simultaneously reducing their revenues. This resulted in financial strain for many local governments and businesses. COVID Aid provides financial relief to some counties, cities, towns, and businesses.

Funding source: General Fund; Coronavirus Aid, Relief, and Economic Security (CARES) Act -Coronavirus Relief Fund; American Rescue Plan (ARP) -Coronavirus State and Local Fiscal Recovery Fund

SERVICES PROVIDED

The federal government, through the CARES Act and the ARP Act, provided states with aid to cover additional costs resulting from the coronavirus outbreak.

The CARES Act encouraged states to allocate a portion of the CRF to local governments. The state created a formula that allowed some counties, cities, and towns to apply for this aid. Counties, cities, and towns that applied for and accepted this aid were required to follow federal and state guidelines for using the aid.

The American Rescue Plan Act established states as pass-through entities for State and Local Fiscal Recovery Funds and required funds be allocated directly to local units of government. Local units of government with a population of 50,000 and larger received their payments from the US Treasury.

Additionally, the legislature appropriated funds for COVID business relief to help restaurants, bars, gyms, and bowling centers impacted by the COVID-19 pandemic. This program was originally financed with general fund dollars but was later refinanced with CARES act funding.

RESULTS

COVID Aid payments help local governments and businesses with costs associated with the coronavirus outbreak.

Type of Measure	*Name of Measure*	*Previous Value*	*Date*	*Current Value*	*Date*
Quantity	Number of Jurisdictions Receiving Payment from the Coronavirus Relief Fund	1,615	2020	0	2022
Quantity	Number of Business Receiving Grants	3,891	2021	0	2022
Quantity	Number of Jurisdictions Receiving Payment from the State and Local Fiscal Recovery Fund (funds went out in two payments within state FY 2022)	2,107	2021	2,107	2022

Performance Measure Notes:

Number of Jurisdictions Receiving Payment compares taxes payable year 2020 (previous) and 2021 (previous) to 2022 (current). The number depends on how many local jurisdictions qualify and apply for this aid as well as the number of businesses eligible for grants.

For more information, visit the Revenue website (http://www.revenue.state.mn.us/) and search "Coronavirus Relief Fund."

Additionally, visit the Minnesota COVID-19 Response Accountability Office website https://mn.gov/mmb/covid-19-response-accountability-office/.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
1000 - General				500,000				
3000 - Federal			376,364					
3010 - Coronavirus Relief		835,926	66,695					
Total		**835,926**	**443,059**	**500,000**				
Biennial Change				107,133		(943,059)		(943,059)
Biennial % Change						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Grants, Aids and Subsidies		835,942	443,059	500,000				
Other Financial Transaction		(16)						
Total		**835,926**	**443,059**	**500,000**				

(Dollars in Thousands)

1000 - General

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In				500,000				
Direct Appropriation		87,750	500,000					
Cancellations		87,750						
Balance Forward Out			500,000					
Expenditures				**500,000**				
Biennial Change in Expenditures				500,000		(500,000)		(500,000)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

3000 - Federal

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In			188,466	284	284	284	284	284
Receipts		188,466	188,182					
Balance Forward Out		188,466	284	284	284	284	284	284
Expenditures			**376,364**					
Biennial Change in Expenditures				376,364		(376,364)		(376,364)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

3010 - Coronavirus Relief

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Direct Appropriation		840,125	66,885					
Cancellations		4,199	190					
Expenditures		**835,926**	**66,695**					
Biennial Change in Expenditures				(769,231)		(66,695)		(66,695)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	FY 2022 Actual	FY 2023 Budget	FY 2024 Base	FY 2025 Base	Required State Match or MOE?	FTEs
U.S. Department of the Treasury CFDA 21.027	**American Rescue Plan-Local Government:** The Coronavirus Local Fiscal Recovery Fund (CLFRF) provided a source of relief for non-entitlement units of local government (NEUs), which include cities, villages, towns, townships, or other types of local governments typically serving populations of less than 50,000. Non-entitlement units of local government (NEUs) is defined in section 603(g)(5) of the Social Security Act, as added by section 9901 of the American Rescue Plan Act of 2021.	$ 376,364	$ -	$ -	$ -	No	-
	Federal Fund [3000 Fund] - Agency Total	**$ 376,364**	**$ -**	**$ -**	**$ -**		**-**
U.S. Department of the Treasury CFDA 21.027	**MN Covid Business Relief:** Payments to provide economic relief for businesses adversely affected by the COVID-19 pandemic. These payments were originally funded from the general fund and refinanced to the Coronavirus Relief Fund.	$ 66,695	$ -	$ -	$ -	No	-
	Coronavirus Relief Fund [3010 Fund]- Agency Total	**$ 66,695**	**$ -**	**$ -**	**$ -**		**-**
	Federal Fund - Agency Total	**$ 443,059**	**$ -**	**$ -**	**$ -**		**-**