

Financing Minnesota

Local Government Operations:

Revenue Alternatives to Property Taxes

Minnesota Senate

Senate Counsel and Research

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FINANCING MINNESOTA LOCAL GOVERNMENT OPERATIONS:

Revenue Alternatives to Property Taxes

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TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
I. Historical Perspectives	3
II. Other States' Experience	10
III. Optional Redistribution Systems	19
IV. Alternative Taxation - Impact on Selected Minnesota Communities	24
 <u>Appendix:</u>	
Methodology	44
Questionnaire	46
Tables	49

TABLES

	<u>Page</u>
<u>Table 1</u> - Local Revenue from Sales Tax by State . .	12
<u>Table 2</u> - Local Revenue from Income, Wage, or Payroll Tax by State	12
<u>Table 3</u> - Use of General Tax Sources by Local Governments in U.S., 1970-71 and 1980-81	13
<u>Table 4</u> - Minnesota Communities with Highest and Lowest Per Capita Sales Tax Distribution	28
<u>Table 5</u> - Per Capita Dollar Distribution for Selected Minnesota Communities	32
<u>Table 6</u> - Dollar Distribution for Selected Minnesota Communities	34
<u>Table 7</u> - Mill Rate Reductions for Selected Minnesota Communities	36
<u>Table 8</u> - By Size of Mill Rate Reduction for Selected Minnesota Communities	38

APPENDIX TABLES

	<u>Page</u>
<u>Table B1</u> - National Ranking of Per Capita Local Tax Collections	49
<u>Table B2</u> - Per Capita Tax Collections and Aid by State	50
<u>Table B3</u> - Percentage of Total Local Revenue by Source	51
<u>Table B4</u> - Percentage of Local Tax Revenue by Type of Tax	52
<u>Table B5</u> - City General Sales and Income Taxes as a Percentage of City Tax Collections, Selected Cities, 1971 and 1981	53
<u>Table B6</u> - Local Corporation Income Taxation in the United States	55
<u>Table B7</u> - Local Sales Taxation in the United States: July 1983	56
<u>Table B8</u> - Local Personal Income Taxation in the United States: July 1983	58

INTRODUCTION

This study is in response to much interest by senators and local officials in looking at alternatives to continually rising property taxes.

It is not intended as a guide to an immediate course of action, but as a framework for consideration of factors that should be taken into account in selecting alternative taxes or distribution systems. It does not address the question of whether Minnesota taxes are too high or too low.

In order to achieve the goal of creating this framework, the following four sections were developed.

Section I, Historical Perspective, deals with the history of property taxes and property tax relief. In dealing with this issue, it helps to keep in mind that the issue has been around for decades and is likely to be around for many more years.

Section II, Other States' Experience, deals with what other states have done and are doing to deal with this issue. This resulted from a survey of all states, a literature search on the issue, federal government statistics, and discussion with tax officials from other states.

Section III, Optional Redistribution Systems, deals with options for solving property tax overburden problems.

Although this section concentrates on alternative tax sources, it is understood that spending cuts, user fees, and other types of state aids can also be used to solve these problems.

In Section IV, redistribution systems were selected to achieve various equities and goals, and the impact of these systems on various Minnesota communities in a test year were evaluated. Seventy-six municipalities were selected and tables are included on the impact of the various systems on these communities. Data is also available on other state communities.

Various tables referred to in the narrative are included in the appendix. These tables should be helpful for comparative purposes.

I. HISTORICAL PERSPECTIVE

Property tax relief has been the driving force behind Minnesota's tax law decisions over the past 20 years. Minnesota is not alone in this. The level of property taxation has been a significant political and fiscal issue in virtually every state of the union over the past two decades.

To deal with this issue, states have developed local governmental aid systems, levy limits, and supplementary sources of financing education and other locally delivered services. States have also responded to high property taxes by reducing the level of locally delivered services.

This report will deal with alternative methods of delivering property tax relief, with the primary focus on alternative sources of revenue.

Minnesota's existing public service financing system is a unique product of legislative responses to the cost of elementary and secondary education and other local services. The need to finance these services often has put heavy pressure on local property tax bases.

Minnesota's state and local public services are paid for primarily by state and local tax revenues of more than \$5.5 billion a year.

Of that, about 31 percent comes from property taxpayers, 35 percent from individual income taxpayers, 25 percent from sales and excise taxpayers, and 5 percent from corporate income taxpayers.

The property tax levy actually consists of 42 percent of the total annual tax yield in Minnesota, but the state pays about 11 percent of this levy in the form of homestead and agricultural mill credits paid out of sales and income tax revenues.

The current distribution of the Minnesota tax burden is dramatically different than it was in 1967 when the Legislature made its first major attempt at property tax relief. At that time the Minnesota property tax was fifth highest in the nation.

The 1967 Legislature dramatically restructured the state tax mix. At that time, 69 percent of all local and state taxes came from property taxpayers and 25 percent came from individual and corporate income taxpayers, while sales and excise taxes were a minor factor in state financing.

The restructuring was financed by enactment of a 3 percent general sales tax that excluded food, clothing, medical care, and services.

The 1967 tax bill also:

- Eliminated the state property tax levy that had been used to pay for general obligation bonds and teacher retirement costs.
- Allowed merchants to exempt either their inventory or equipment from the personal property tax.

- Enacted a tax credit for owners of homesteads at 35 percent of the tax bill to a maximum of \$250. Bonded debt was excluded from the credit computation.
- Enacted a local aid program that provided per capita aid to municipalities, counties, and school districts.

Overall the 1967 law eliminated more than \$100 million in property tax levies and provided about \$150 million in per capita aid and homestead credits so that local units of government could reduce property tax levies.

As a result of these actions, property taxes in 1968 dropped from 69 to 52 percent of the total tax burden. The sales tax picked up the slack.

But in 1969, 1970, and 1971, property tax levies increased 20, 14, and 19 percent, respectively, setting the stage for the second major restructuring--the 1971 tax bill. That bill was aimed at the same problems as the 1967 bill. The pattern of the bill was similar to the 1967 bill. The most significant structural change was the adoption of levy limits for all local governmental units.

The 1971 law was financed by increases in the sales and individual and corporate income taxes. The heart of the 1971 tax relief program involved the method of financing elementary and secondary education. In essence, the new system consisted of a mandated statewide mill levy for education, with the state financing the difference between the yield of the mill levy and the state-determined educational cost.

The 1971 Legislature also increased the local aids appropriation and eliminated the taxation of both inventory and equipment and machinery (at that time, a commercial-industrial property taxpayer could choose to exempt either his inventory or his equipment and machinery from personal property taxation). Much of the revenue loss from the later change was offset by changing the property classification law so that commercial-industrial property would be taxed at 43 percent of full and true value rather than at 40 percent as before.

As a result of the 1971 Legislature's actions, the property tax share of total local and state revenues dropped from 56 percent to 47 percent.

In 1973 and subsequent sessions, the Legislature continued in the same direction. Property tax relief efforts involved increased direct property tax relief by enactment of income-related property tax relief or circuit breaker. The homestead credit and agricultural mill rate program were also increased and the property tax on huge and ponderous machinery was eliminated.

Indirect property tax relief was also increased by putting more money into school and municipal aid programs and by the state taking a much larger role in the financing of welfare--particularly in the payment of medical assistance to nursing homes, doctors, dentists, and other medical providers.

The Legislature in 1973 also enacted a significant policy change with relatively minor fiscal impact when it eliminated the local distributions of liquor, cigarette, bank excise, and gross earnings taxes to local communities, and also sharply cut the distribution of the mortgage registry and inheritance tax distribution.

The yield from these taxes was rolled into the local aid formula, and the tax-sharing concept virtually disappeared from the laws.

Minnesota's recent fiscal crisis resulted in some major tax relief shifts, but essentially did not alter the overall state direction. The one significant turn-around of the trend was the increase of the local effort school levy from a low of 21 mills in 1981 to 24 mills currently (a 14 percent increase in school property taxes). The local effort levy had gone from 30 mills in 1971 to 21 mills in 1981.

Overall, the property tax burdens in Minnesota are in the reasonable range by most national standards. But the combined impact of dozens of legislative actions involving property assessments and classifications, various local aids, homestead credit, etc. has resulted in some dislocations that will adversely affect various groups of property taxpayers.

Some agricultural land is and will be carrying a heavy property tax burden because of high assessment levels and the changes in computing the agricultural credit. Some

commercial-industrial properties, particularly outstate, are and will be carrying unusually heavy property tax loads because of the series of classification changes and other factors. And more such problems are likely to show up over the next few years.

The policy question likely to be faced by legislators within the not too distant future will be how to achieve further property tax relief.

The level of property taxes has always posed a unique political problem only peripherally related to the general aversion of the public to taxation.

Since property taxes have no inherent relationship to ability to pay, major property tax increases result in severe hardships for thousands of homeowners and business people.

Rising property taxes cause severe problems to farmers and businessmen caught in bad years, to elderly people who find their income reduced at retirement, for families where one or two earners lose their jobs, and in families where the income remains stable while property taxes keep rising.

These problems almost invariably translate to political problems at times of rising property taxes. Alternative solutions to these problems must involve the cutting of local expenses by increasing state financing, dropping services, or developing alternative supplementary sources of revenues.

All states have faced similar problems periodically and will continue to do so. Some have responded with generous local aid systems, some have cut local expenses by shifting costs to the state budget, some have cut services, and some have developed alternative supplementary sources of revenue. In most instances, a combination of these approaches has been used.

This paper is primarily a discussion of one of these alternatives--revenue from supplementary sources.

The basic issue of collecting these revenues is relatively simple and usually involves the income tax or sales and excise taxes. But the next step--the allocation of such revenues--is very complex and involves hard policy decisions. Virtually every conceivable distribution system addresses a different set of problems.

II. OTHER STATES' EXPERIENCE

States and units of local government are using various methods of augmenting their property tax levies to pay for local services. Many methods of raising revenues are being used, but the survey indicated that many distribution systems have been left unexplored.

Basically, local governments have three options for raising revenues to finance local services--taxes, charges for specific government services, and fees for such things as occupational licenses. While taxes are generally the most significant source of local revenue, several states--including Georgia, Mississippi, and Nevada--rely heavily on service charges. In each of these states, local governments derive more than 20 percent of their total revenue from these charges.

While the property tax remains the dominant source of local tax revenue, the survey results indicate that most states allow one or more local governmental subdivisions the option of imposing some type of non-property tax. The principal exceptions are Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, and Hawaii. Their reliance on property tax is illustrated in Appendix Table B1 which provides per capita rankings of the 50 states by type

of tax. All of the aforementioned states rank in the top ten in per capita property taxes collected. As is shown in Table B2, these per capita property tax amounts range from \$652 in New Hampshire to \$434 in Massachusetts. These amounts compare with the national average of \$282 per capita and Minnesota's per capita dollar amount of \$215. In addition, these states tend to be among the lowest in percent of their total local budget received from state sources, generally 25 percent or less. This contrasts with states like New Mexico where 57 percent of local revenues are derived from state sources. Tables B3 and B4 in the Appendix display this data for all 50 states.

Although most states allow some type of non-property local option tax to be imposed, local sales and income taxes do not generally provide a significant percentage of total revenue for local governments. Of the 31 states indicating that a general local option sales tax was authorized, only ten report sales tax revenues exceeding 5 percent of total local revenues. Those states are as follows:

Table 1

LOCAL REVENUE FROM SALES TAX BY STATE

<u>State</u>	<u>Percent</u>
Louisiana	17.07
Oklahoma	12.47
Colorado	10.64
Tennessee	9.12
Alabama	8.39
New York	7.48
Missouri	6.90
Illinois	6.30
Arizona	5.49
Utah	5.19

Source: Department of Commerce, U.S. Bureau of the Census,
Governmental Finances in 1981-1982.

Twelve states surveyed indicated that a local option income, wage, or payroll tax has been authorized. Table 2 shows those states reporting that these taxes represent more than 5 percent of total local government revenues:

Table 2

LOCAL REVENUE FROM INCOME, WAGE, OR PAYROLL TAX BY STATE

<u>State</u>	<u>Percent</u>
Maryland	12.44
Pennsylvania	9.38
Kentucky	8.87
Ohio	8.26
New York	6.16

Source: Department of Commerce, U.S. Bureau of the Census,
Governmental Finances in 1981-1982.

When taken as a percentage of all local governmental revenues, non-property taxes provide about 15 per cent of local revenues (Table 3). Twenty-four percent of local taxes levied in fiscal year 1980-81 were non-property taxes. Revenues received from these types of taxes more than tripled over the past decade and percentage reliance on non-property taxes increased from 15.4 percent to 23.9 percent.

Table 3

USE OF GENERAL TAX SOURCES BY LOCAL GOVERNMENTS IN U.S.
1970-71 AND 1980-81
(in millions)

All Local Governments

		Percent Own Source	Percent Tax Revenue	Total 1970-71	Percent Own Source	Percent Tax Revenue	Percentage Change 1970-71 to 1980-81
	<u>1980-81</u>						
<u>General Revenue:</u>							
Own Source	\$145,736	-	-	\$57,491	-	-	153.5%
Taxes	94,776	65.0%	-	43,434	75.5%	-	118.2
Property	72,020	49.4	76.0%	36,726	63.9	84.6%	96.1
Income	5,531	3.8	5.8	1,747	3.0	4.0	216.6
General Sales	9,229	6.3	9.7	2,339	4.1	5.4	294.6
Selective Sales	3,991	2.3	4.2	1,323	2.3	3.0	201.7
Other Tax	4,005	2.7	4.2	1,299	2.3	3.0	208.3
Charges & Misc.	50,960	35.0	-	14,058	24.5	-	262.5

Source: Department of Commerce, U.S. Bureau of the Census:
City Government Finances in 1980-81; City Government Finances
in 1970-71; Governmental Finances in 1980-81; and
Governmental Finances in 1970-71.

Beyond the data in Table 3, many individual taxing districts depend heavily on non-property taxes.

A survey of 49 cities used for the Department of Commerce's Local Government Finances in Selected Metropolitan Areas and Large Counties: 1980-81 showed ten cities in which more than half of the municipal taxes came from non-property tax sources. These cities are Cincinnati, Cleveland, Columbus, Toledo, Louisville, Philadelphia, St. Louis, Tulsa, Oklahoma City, and Washington, D.C.

Another nine communities depend on non-property taxes for more than one-third of their municipal taxes. These are Denver, Detroit, Kansas City, New Orleans, New York City, Omaha, Phoenix, San Antonio, and San Diego.

Table B5 in the Appendix shows the percentage of reliance on non-property taxes in 49 cities in fiscal years 1971 and 1981.

The table indicates the diversity in municipal reliance on local sales and income taxes and also indicates a trend toward increased reliance on such non-property tax sources.

Twenty-seven of the communities increased their reliance on those two tax sources over the decade--ten of them by more than 10 percent of total tax revenues.

Five states also authorize local corporate income taxes. According to a recent study¹, about 500 cities, six counties, and one school district levy local corporation income taxes in Kentucky, Michigan, Missouri, New York, and Ohio (see Table B6 in Appendix). These taxes are locally

administered and the rates are in the same range as the individual income tax.

The level of reliance on non-property tax revenues shown by various local government units is usually a result not only of the need for a local broad-based revenue source, but of the governing state's approach to a variety of policy questions. These vary significantly with each state's view of the extent to which local governments' power to tax should be limited. As a result, decisions on the following policy options directly impact on each district's authority to rely heavily on non-property tax revenues.

1. What taxes may be imposed? (i.e., broad-based sales or income taxes or limited selective excise taxes)
2. What local units will be allowed to impose the taxes? (i.e., counties, municipalities, school districts, etc.)
3. What method of adoption will be used at the local level? (i.e., referendum, resolution, etc.)
4. What purposes will the proceeds be used for? (i.e., road, other dedicated, general revenue)
5. How much latitude will the local government be allowed in setting tax rates? (i.e., one statutory rate, range of rates, upper statutory limit, etc.)
6. What level of government will administer the tax? (i.e., "piggy-backed" on state system or local collection-enforcement)
7. What distribution method will be used if taxes are not locally collected? (i.e., per capita, point of collection, formula, etc.)
8. Will the local tax base be the same as the base for similar state taxes?

As Tables B7 and B8 in the Appendix show, approaches to these options vary substantially, not only between states but also within states depending on the taxes imposed. The survey showed the same variability in state limitations on local taxing authority; however, these general patterns not found in the previous tables are worth noting.

1. Proceeds from broad-based sales and income taxes are generally not dedicated to a specific fund or purpose. Where the proceeds are dedicated, it is often for use in a specified property tax relief program.
2. Proceeds of selective excise taxes tend to be dedicated to specific funds or purposes. Transient lodging taxes are usually dedicated to tourism, convention centers, or similar purposes. Locally imposed motor fuel taxes are generally dedicated to road and bridge funds.
3. State-collected local option taxes are generally returned to the local governmental units in which they are collected, and there is usually a statutory mechanism for sharing joint revenues if overlapping jurisdictions may impose the tax.
4. Local option income taxes are generally flat rate, or nearly so, and tend to be locally administered and collected.
5. Most local income taxes provide a reduced rate, special credits or exemptions, or total exemption for non-residents.

Recent studies of local option taxes point out several issues which have been important in other states' experiences. The first is that taxing jurisdictions will not adopt local option taxes which only benefit other jurisdictions.

Wisconsin county governments, for instance, have had authority to impose local sales taxes since 1969. The

authorizing legislation, however, provides that all revenue generated by the tax is to be shared exclusively by municipalities within the county imposing the tax. While the county governments might indirectly benefit from the increased municipal revenues, no county has yet imposed the tax.

Other states' experiences also indicate that local sales taxes are becoming a popular funding source for mass transit. In 1971, transit districts in only two states imposed a sales tax. Currently, transit districts in 11 states impose a sales tax and two additional states have authorized its use for mass transit funding. Although sales tax revenue is a relatively small funding source for many districts, Ohio transit districts derive more than 80 percent of their non-fare revenue from the sales tax.

Part of the appeal of a transit sales tax appears to be the possibility of exceptional yield resulting from the fact that a regional transit district is likely to encompass a major portion of the retail activity in the state. In Minnesota, for instance, the seven metropolitan counties account for nearly 60 percent of all taxable sales in the state.

Although most state-collected local option taxes are returned to the taxing jurisdiction in which they are collected, two exceptions were indicated in the questionnaire responses. North Carolina distributes local sales tax revenue to counties and municipalities in the

proportion that their property tax levy was of the total property tax levy during the fiscal year preceding the distribution. Utah distributes a portion of the local collections on a per capita basis and the remainder to the point of collection.

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- 1 Broad-Based Sources for Local Revenue Diversification: Income and General Sales Taxation, a paper by John L. Mikesell and C. Kurt Zorn of Indiana University and Scott S. Lloyd.

III. OPTIONAL REDISTRIBUTION SYSTEMS

Discussion and enactment of alternatives and supplements to the local property tax usually result from the perception that property tax relief is needed or the belief that more equity can be achieved by spreading the tax burden beyond real property.

Two obvious questions must be answered in selecting an alternative tax and distribution system: "Who should pay?" and "Who is entitled to property tax relief?"

Nationally, the major alternatives to the property tax are sales and income taxes. The choice of one or the other determines the answer to the first question--who should pay?

In most cases, choosing the income tax will make the system reasonably responsive to the ability to pay criteria.

On the other hand, choosing the sales tax meets a broad base criteria because rich and poor, young and old, and residents and non-residents will pay taxes as consumers of taxable items.

The ability to pay criteria of the income tax is somewhat tainted at times because some groups of income taxpayers shelter substantial portions of their income. This can be avoided by making the local income tax a gross earnings tax.

Reliance on the income tax has become less popular in recent years as the pressure on take-home pay has continued to build. Paychecks are reduced by Social Security, other pensions, and medical insurance fees in addition to federal and state income taxes.

The traditional objection to the sales tax as a revenue raiser is that it is proportionately harder on low and moderate income consumers than it is on the wealthy. This phenomenon is substantially mitigated by the structure of the Minnesota sales tax--its exclusion of food, medical supplies, clothing, and most services. Nevertheless, the fact that the poor are exposed to the sales tax would make it objectionable to some.

A more difficult decision than the choice of tax type involves the choice of a system to distribute the tax money. Those we have chosen to explore are as follows.

Point of Collection

The most common distribution systems allocate revenues back to the political subdivision in which they were collected. In essence, such systems broaden the tax base of a taxing district by adding either income or consumption.

The theory behind this distribution system is that those who pay the alternative tax should receive the benefit in the form of tax relief or increased services. This holds true if the income tax is chosen. But collection and redistribution of income taxes in the communities where the

high income earners reside is very likely to funnel large amounts of tax money to communities with small needs. It would not solve property tax relief needs for agricultural communities and small towns and much of the tax relief would go to communities not particularly pressured by high property taxes.

If the sales tax were to be redistributed to the communities where it was collected, communities which happen to include major retail centers would receive abnormally high revenues--although a majority of customers could be from other taxing jurisdictions. Overall, return of revenues to the source of collections is more likely to increase fiscal disparities than to reduce them.

Per Capita

Another way to redistribute either income or sales tax collections would be on a per capita basis. Such a system treats everyone in the state equally, but does not consider either the existing property tax load or the ability to pay in making the allocation. Under a per capita distribution system, densely populated bedroom communities would be favored over sparsely populated rural areas.

Tax Effort

Allocation of the alternative tax revenues on the basis of combined property taxes paid per thousand dollars of assessed value is another possibility.

This type of system would make the allocation on the basis of per capita equalized mills. Each taxing district would be entitled to an amount to be determined by multiplying the taxing district's combined equalized mill rate by its population and taking the ratio of the result to the total for all taxing districts. This would provide a relative measure of the total equalized tax effort for each taxing district, giving the most relief to taxing districts with the highest combined tax rate for the municipality, school district, county, etc. In a sense, this system seems to encourage public spending, but this tendency can be controlled with effective levy and spending limitations.

Property Value

Alternative tax collections could also be distributed on the basis of property values. This would mean that the amount of the alternative tax collection would be converted to an equalized mill rate and every community in the state would receive the same dollar amount per thousand of adjusted assessed value in tax relief.

Administratively, a distribution system based on property values could be attached to the school financing system by reducing the mandated levy by the appropriate mill rate and reimbursing the school district independently of the formula.

This system does not deliver tax relief on the basis of tax burden per thousand dollars of value (mill rate). Thus,

persons with equal property value would benefit equally, although one of the property owners could be paying substantially more in property taxes.

This system would provide the greatest relief to high value farm land and would give the least relief to taxing districts with low per capita assessed values, which often have very high mill rates.

Other distribution systems could be found, or portions of the distribution systems discussed in this report could be combined. The key to selection of a taxing system and a distribution system should be based on answers to several questions such as:

- Why do we want to reduce reliance on the property tax?
- What groups of taxpayers need property tax relief?
- What criteria should be used to determine who pays for services?
- Does the distribution system solve the equity or overburden problem?

Once those questions are answered, a taxing system and a distribution system could be tailored to best deal with the problems.

IV. ALTERNATIVE TAXATION - IMPACT ON SELECTED MINNESOTA COMMUNITIES

This section deals with the impact of levying income and sales taxes to offset local property taxes and with five systems of redistributing about \$154 million of supplementary tax. Two of the redistribution systems return the revenues to the communities where they were collected.

The impact of the two taxing systems and the five distribution systems was simulated on a statewide basis, and 76 representative Minnesota communities were selected to test the impact of these systems. Tables 5, 6, 7, and 8 on the yield and distribution for these 76 communities follow this narrative.

The \$154 million distribution was used because it is approximately the amount that would have been raised by one percent of the 1982 sales tax (excluding sales that couldn't be allocated to individual communities) or 10 percent income tax surtax in 1981. The simulations used property tax data for taxes payable in 1983, and 1982 population estimates.

It should be remembered in looking at the tables that these are the results of one specific year. A different test year would produce different results. Nevertheless, some conclusions can be drawn from our data.

The five methods of redistribution used were:

1. Individual income tax returned to the communities where it was collected.
2. Sales tax returned to the communities where it was collected.
3. Per capita distribution. Under this system, each community gets a little more than \$37 per person residing in that community.
4. Distribution based on total tax effort and population. This is achieved by multiplying the average combined equalized mill rate in each community by its population and then distributing the total accordingly.
5. Distribution based on equalized assessed property values. This is achieved by dividing the total of taxes to be distributed (about \$154 million) by the statewide equalized value (about \$35.6 billion) to arrive at an equalized mill rate (4.3 mills). Each community then receives its equalized value multiplied by 4.3 mills, or \$4.30 per \$1,000 of equalized value.

The tables at the end of this section include dollar and mill rate relief achieved under the various proposals.

Mill rate relief is shown both in alphabetical and community rank order because the major point of this report is to examine the property tax relief which could be achieved through various distributions of alternative taxes.

Following is some analysis and discussion of the five distribution systems.

Income Tax Redistribution

Tables 5, 6, 7, and 8 on the income tax returned to the source of collection show who pays if this method of

taxation is chosen--regardless of what type of distribution is selected.

Not surprisingly, the bulk of the income tax collections come from the metropolitan area where about half the population resides, including many of the state's higher-income residents.

The \$154 million distribution would allocate about \$37 per capita on a statewide basis. The income tax to source redistribution shows a range of per capita redistribution from about \$10 in some townships to \$88 in Edina.

With some exceptions, the metropolitan area communities in the sample tend to be at or above the statewide per capita average. Conversely, the outstate communities tend to be near or below the statewide average.

Tables 7 and 8 on mill rate relief show that the relief achieved per thousand dollars of assessed value is not correlated with levels of per capita income tax paid in these communities.

For instance: Edina, the highest per capita contributor in our sample, ranks 57th among the 76 communities in mill rate relief. On the other hand, Hallock, which ranks 40th in per capita income tax contributions, ranked second in mill rate relief.

The impact of mill rate relief seems to be more dependent on the assessed value in these communities than on per capita dollars paid in income tax. The occurrences of

high income communities also having very high residential and commercial values is common in our sample.

The best argument for this system is that money is being returned to the community in which residents paid the taxes. The best argument against the method is that there seems to be little or no correlation between the need for property tax relief and a high income tax base.

Sales Tax Redistribution

Tables 5, 6, 7, and 8 for this redistribution system show where these taxes were collected, but not where the payers of these taxes reside.

The bulk of the collections, both outstate and in the metropolitan area, are in commercial centers.

Distributions on a per capita basis range from about \$6 in Shoreview to \$109 in Minneapolis. Other suburban bedroom communities, including Columbia Heights, Coon Rapids, Woodbury, Robbinsdale, and Cottage Grove, also fare poorly under this distribution system. Presumably the residents of these communities buy many of their goods in adjacent communities, and a sales tax source system would provide little tax relief for these areas.

This study shows that the relative size of the sales tax collection is not a good indicator of high property tax burden.

To illustrate this, the mill rates of 11 communities with the lowest per capita distribution and the 11

communities with the highest per capita distribution were compared. The average equalized mill rate of the 11 communities on the bottom of the per capita receiving list was nine mills higher than the comparable average of the 11 top per capita gainers.

Table 4

MINNESOTA COMMUNITIES WITH HIGHEST AND LOWEST
PER CAPITA SALES TAX DISTRIBUTION

<u>Lowest Per Capita Distribution</u>		<u>Highest Per Capita Distribution</u>	
<u>Community</u>	<u>Equalized Mill Rate</u>	<u>Community</u>	<u>Equalized Mill Rate</u>
Hallock	90	Fergus Falls	71
St. Peter	76	Alexandria	71
South St. Paul	94	Bemidji	92
Moorhead	84	Brainerd	66
Mounds View	88	Farmington	78
Robbinsdale	106	Grand Rapids	77
Cottage Grove	90	Minneapolis	95
Columbia Heights	84	Osseo	83
Richfield	89	Virginia	108
Shoreview	84	Park Rapids	64
Woodbury	86	Bagley	79
Average	88	Average	79

Source: Senate Counsel and Research, 1984 Simulation.

The comparison was taken one step further by assuming that the per capita income taxes were correlated with purchasing power and spending for sales tax items. The conclusion is that the 11 communities on the low end of the distribution scale had about

6 percent of the state's purchasing power and received only 3 percent of the sales tax source distribution.

The 11 communities on the high end had 13 percent of the state's purchasing power and would receive 31 percent of the sales tax distribution.

Clearly, the sales tax source redistribution does not go back to the consumers who paid the tax. The communities with large commercial centers received more than double their likely contribution, while the communities with the low distributions received only half of what they contributed.

(The high purchasing power and distribution for the 11 gainers includes Minneapolis, but the ratios do not change significantly if Minneapolis is removed from the list. The other ten communities are estimated to have about 2 percent of the state's purchasing power and would receive 5 percent of the distribution--still more than double.)

Per Capita Distribution

This system redistributes the same amount of money as the others (\$154 million) on a straight population basis. Since it is generally assumed that governmental services are related to populations, a per capita distribution system seems to make some sense.

Two key arguments against such a system are on the opposite ends of the political philosophy scale.

Some would argue that the money and the services are not adequately returned to the communities where the people pay the taxes. Others would say that a per capita system is flawed because the distribution is not related to the property tax burden. Communities with relatively low tax burdens receive just as much as communities which pay twice as much property taxes per thousand dollars of assessed value.

The strongest case for this distribution is the appearance of fairness involved in allocating to each citizen equal dollars.

Distribution on the Basis of Tax Effort

This system is similar to the per capita distribution but includes a mechanism to target greater relief to those paying high taxes per thousand dollars of assessed value.

It is similar in some ways to local governmental aid formulas. But the system tested goes beyond municipal overburden by providing relief to property taxpayers who are paying high rates per thousand dollars of assessed value--regardless of whether it is spent by the municipality, the county, the school district, the sewer district, etc.

It differs from the straight per capita distribution by providing higher than average per capita relief to high tax burden communities and lower than average per capita allotments to low mill rate communities.

This formula attempts to measure tax burden in allocating revenues.

Distribution on the Basis of Property Value

An alternative to delivering property tax relief on a per capita or effort basis is to deliver it on the basis of property value.

In essence, this system redistributes the revenues of the alternative tax on the basis of equalized property value at about \$4.30 per thousand dollars of equalized assessed value.

This system distributes more money to agricultural areas than the per capita, mill rate, and return to source formulas, but does not consider tax burden or contribution level as a criteria for redistribution.

Conclusion

All of the redistribution systems have some strengths and weaknesses. There is no magic in any of the systems. But if the Legislature decided to go to a supplementary local taxing system, distribution systems can be tailored to achieve specified goals. There is nothing to prevent distributing portions of the revenue under different criteria, and further innovative distribution systems can be found to fine tune the achievement of virtually any goal.

Hopefully, the discussion in this report provides a solid base and good starting point to rationally deal with this issue.

Table 5, Page 1 of 2

PER CAPITA DOLLAR DISTRIBUTION FOR SELECTED MINNESOTA COMMUNITIES

	INCOME TAX POINT OF COLLECTION	SALES TAX POINT OF COLLECTION	PER CAPITA DISTRIBUTION	TAX EFFORT DISTRIBUTION	PROPERTY VALUE DISTRIBUTION
	-----	-----	-----	-----	-----
ADA	\$ 28.79	\$ 61.83	\$ 37.53	\$ 42.98	\$ 15.17
ALBANY	26.81	35.36	37.53	35.00	18.97
ALBERT LEA	35.50	50.19	37.53	34.29	24.05
ALEXANDRIA	29.50	118.30	37.53	33.40	28.63
ANOKA	59.84	76.31	37.53	39.28	31.38
AUSTIN	40.49	45.48	37.53	39.77	20.43
BABBITT	62.14	42.28	37.53	36.10	13.58
BAGLEY	19.28	84.78	37.53	37.13	15.34
BEARDSLEY	14.98	12.51	37.53	45.20	9.10
BEMIDJI	24.07	91.62	37.53	43.47	18.04
BLACKDUCK	16.89	68.66	37.53	40.92	17.50
BLOOMINGTON	55.34	48.38	37.53	35.45	53.92
BLUE EARTH	33.43	55.24	37.53	27.89	20.30
BRAINERD	30.83	110.54	37.53	31.20	24.86
BROOKLYN CENTER	39.27	36.00	37.53	40.03	35.44
BURNSVILLE	53.40	45.67	37.53	41.38	43.84
CAMBRIDGE	46.78	51.53	37.53	48.93	23.46
CHISAGO LAKE TWP	15.89	0.00	37.53	35.88	28.93
CLOQUET	35.62	40.07	37.53	41.04	27.11
COLUMBIA HEIGHTS	37.73	10.05	37.53	39.58	29.28
COON RAPIDS	38.34	20.40	37.53	38.24	28.24
COTTAGE GROVE	40.34	13.50	37.53	42.50	28.86
DETROIT LAKES	27.88	76.68	37.53	31.17	26.19
DULUTH	34.47	38.99	37.53	54.70	19.31
EDINA	89.38	61.44	37.53	37.16	71.63
FAIRMONT	35.41	53.99	37.53	24.80	30.45
FARIBAULT	29.93	38.67	37.53	39.78	20.22
FARMINGTON	53.13	89.77	37.53	36.59	31.38
FERGUS FALLS	29.61	86.90	37.53	33.59	25.70
FOREST LAKE	53.64	62.18	37.53	43.61	32.17
FRIDLEY	44.25	30.31	37.53	43.52	38.84
GOLDEN VALLEY	60.17	63.71	37.53	39.76	60.30
GRAND RAPIDS	42.28	107.98	37.53	36.19	29.19
HALLOCK	33.97	31.30	37.53	42.33	15.42
HALSTAD TWP	52.69	0.00	37.53	22.71	130.48
JACKSON	28.72	56.15	37.53	42.07	16.25
LUVERNE	30.14	43.57	37.53	26.79	20.34
MANKATO	31.95	66.22	37.53	43.25	24.43
MAPLEWOOD	27.21	36.87	37.53	40.12	54.60

Table 5, Page 2 of 2

PER CAPITA DOLLAR DISTRIBUTION FOR SELECTED MINNESOTA COMMUNITIES

	INCOME TAX POINT OF COLLECTION	SALES TAX POINT OF COLLECTION	PER CAPITA DISTRIBUTION	TAX EFFORT DISTRIBUTION	PROPERTY VALUE DISTRIBUTION
	-----	-----	-----	-----	-----
MARSHALL	31.73	60.93	37.53	33.57	22.58
MINNEAPOLIS	46.12	111.48	37.53	44.58	38.72
MONTEVIDEO	28.67	60.80	37.53	39.05	15.78
MOORHEAD	26.15	28.07	37.53	39.63	18.44
MOUNDS VIEW	26.54	7.90	37.53	41.62	24.97
MULLIGAN TWP	20.02	0.00	37.53	18.50	128.30
NEW ULM	33.36	48.19	37.53	33.92	22.44
ORTONVILLE	25.25	51.23	37.53	44.94	17.93
OSSEO	56.99	179.36	37.53	39.31	34.67
OWATONNA	33.90	47.81	37.53	33.98	24.95
PARK RAPIDS	22.80	90.72	37.53	30.15	24.21
PINE CITY	31.84	66.85	37.53	36.34	22.71
RED WING	35.77	35.66	37.53	34.25	64.44
RICHFIELD	44.45	22.99	37.53	41.92	32.69
ROBBINSDALE	38.66	20.73	37.53	49.75	29.25
ROCHESTER	55.72	72.12	37.53	33.37	37.73
ROSEVILLE	44.34	59.08	37.53	40.97	48.32
SAUK CENTER	25.45	61.54	37.53	33.91	19.64
SHAKOPEE	41.80	75.01	37.53	55.54	40.34
SHIELDSVILLE TWP	12.54	0.00	37.53	28.79	40.31
SHOREVIEW	40.46	6.14	37.53	39.47	36.69
SLEEPY EYE	29.52	60.92	37.53	28.63	16.96
SOUTH ST. PAUL	39.38	20.12	37.53	44.30	25.44
ST. CLOUD	30.90	60.93	37.53	38.23	25.36
ST. PAUL	46.30	56.09	37.53	45.01	33.12
ST. PETER	22.53	27.00	37.53	36.03	14.04
THIEF RIVER FALLS	27.96	59.45	37.53	39.87	19.03
VIRGINIA	44.67	96.63	37.53	51.00	24.94
WADENA	25.73	83.12	37.53	38.41	16.43
WASECA	35.13	43.34	37.53	37.39	20.10
WEST ST. PAUL	45.44	38.23	37.53	33.52	36.96
WILLMAR	30.62	64.63	37.53	32.23	23.56
WINDOM	32.32	53.15	37.53	29.23	22.40
WINONA	27.87	38.12	37.53	41.63	18.87
WOODBURY	49.81	7.89	37.53	40.40	45.23
WORTHINGTON	34.19	62.77	37.53	31.83	24.45
YORK TWP	11.17	0.00	37.53	21.20	96.25
AVERAGE	\$ 43.14	\$ 62.13	\$ 37.53	\$ 41.51	\$ 34.49

Source: Senate Counsel and Research, 1984 Simulations.

Table 6, Page 1 of 2

DOLLAR DISTRIBUTION FOR SELECTED MINNESOTA COMMUNITIES

	INCOME TAX POINT OF COLLECTION	SALES TAX POINT OF COLLECTION	PER CAPITA DISTRIBUTION	TAX EFFORT DISTRIBUTION	PROPERTY VALUE DISTRIBUTION
	-----	-----	-----	-----	-----
ADA	\$ 56,580	\$ 121,497	\$ 73,746	\$ 84,447	\$ 29,802
ALBANY	43,025	56,747	60,236	56,179	30,443
ALBERT LEA	658,210	930,692	695,881	635,855	445,850
ALEXANDRIA	218,458	876,012	277,910	247,359	211,987
ANOKA	931,071	1,187,404	583,967	611,193	488,291
AUSTIN	916,602	1,029,514	849,642	900,437	462,600
BABBITT	148,896	101,293	89,922	86,499	32,528
BAGLEY	24,696	108,606	48,076	47,561	19,651
BEARDSLEY	5,588	4,665	13,999	16,859	3,394
BEMIDJI	264,991	1,008,511	413,130	478,561	198,591
BLACKDUCK	11,049	44,900	24,545	26,762	11,445
BLOOMINGTON	4,531,093	3,961,190	3,072,581	2,902,672	4,414,838
BLUE EARTH	137,651	227,465	154,549	114,840	83,603
BRAINERD	339,656	1,217,714	413,430	343,734	273,820
BROOKLYN CENTER	1,210,428	1,109,523	1,156,675	1,233,870	1,092,131
BURNSVILLE	1,970,831	1,685,627	1,385,232	1,527,379	1,618,040
CAMBRIDGE	155,909	171,757	125,087	163,098	78,187
CHISAGO LAKE TWP	41,735	0	98,591	94,256	75,997
CLOQUET	394,266	443,467	415,382	454,223	300,033
COLUMBIA HEIGHTS	742,236	197,721	738,215	778,510	575,964
COON RAPIDS	1,449,976	771,556	1,419,385	1,446,421	1,068,213
COTTAGE GROVE	792,737	265,285	737,465	835,209	567,094
DETROIT LAKES	196,726	541,050	264,812	219,961	184,826
DULUTH	3,160,742	3,575,037	3,441,463	5,015,650	1,771,125
EDINA	4,055,335	2,787,585	1,702,736	1,685,925	3,249,819
FAIRMONT	401,850	612,662	425,853	281,351	345,461
FARIBAULT	482,066	622,798	604,383	640,576	325,547
FARMINGTON	234,286	395,874	165,507	161,343	138,401
FERGUS FALLS	372,823	1,094,302	472,578	423,026	323,561
FOREST LAKE	255,856	296,620	179,018	208,002	153,463
FRIDLEY	1,323,970	906,987	1,122,898	1,302,199	1,162,023
GOLDEN VALLEY	1,346,677	1,425,913	839,921	889,761	1,349,605
GRAND RAPIDS	345,995	883,738	307,146	296,197	238,856
HALLOCK	47,522	43,784	52,504	59,225	21,578
HALSTAD TWP	11,644	0	8,294	5,018	28,835
JACKSON	109,844	214,726	143,515	160,883	62,127
LUVERNE	140,592	203,262	175,077	124,986	94,906
MANKATO	910,104	1,886,497	1,069,192	1,232,085	696,026
MAPLEWOOD	739,925	1,002,361	1,020,441	1,090,782	1,484,610

Table 6, Page 2 of 2

DOLLAR DISTRIBUTION FOR SELECTED MINNESOTA COMMUNITIES

	INCOME TAX POINT OF COLLECTION	SALES TAX POINT OF COLLECTION	PER CAPITA DISTRIBUTION	TAX EFFORT DISTRIBUTION	PROPERTY VALUE DISTRIBUTION
	-----	-----	-----	-----	-----
MARSHALL	\$ 360,234	\$ 691,795	\$ 426,116	\$ 381,145	\$ 256,378
MINNEAPOLIS	16,821,260	40,657,659	13,687,566	16,258,971	14,120,486
MONTEVIDEO	169,075	358,574	221,352	230,332	93,051
MOORHEAD	780,065	837,256	1,119,595	1,182,193	550,179
MOUNDS VIEW	332,306	98,899	469,876	521,054	312,663
MULLIGAN TWP	7,066	0	13,248	6,529	45,290
NEW ULM	457,068	660,298	514,199	464,714	307,432
ORTONVILLE	64,530	130,940	95,927	114,874	45,823
OSSEO	165,277	520,137	108,837	113,987	100,542
OWATONNA	646,018	911,078	715,172	647,474	475,423
PARK RAPIDS	65,578	260,923	107,936	86,701	69,623
PINE CITY	76,770	161,182	90,485	87,606	54,765
RED WING	489,962	488,357	514,011	469,037	882,539
RICHFIELD	1,655,000	856,059	1,397,242	1,560,698	1,217,093
ROBBINSDALE	542,363	290,895	526,546	697,963	410,335
ROCHESTER	3,228,537	4,179,080	2,174,676	1,933,608	2,186,370
ROSEVILLE	1,577,136	2,101,476	1,334,942	1,457,464	1,718,736
SAUK CENTER	93,539	226,228	137,960	124,636	72,187
SHAKOPEE	427,644	767,373	383,932	568,159	412,662
SHIELDSVILLE TWP	10,700	0	32,013	24,560	34,387
SHOREVIEW	720,915	109,383	668,785	703,373	653,742
SLEEPY EYE	103,189	212,970	131,205	100,101	59,277
SOUTH ST. PAUL	823,110	420,493	784,377	925,971	531,712
ST. CLOUD	1,326,064	2,615,084	1,610,750	1,640,817	1,088,410
ST. PAUL	12,374,469	14,991,316	10,031,394	12,030,133	8,853,672
ST. PETER	202,798	243,069	337,883	324,352	126,364
THIEF RIVER FALLS	242,594	515,807	325,648	345,941	165,122
VIRGINIA	482,980	1,044,623	405,737	551,364	269,675
WADENA	118,189	381,777	172,375	176,400	75,442
WASECA	292,732	361,164	312,775	311,638	167,531
WEST ST. PAUL	836,108	703,503	690,552	616,811	680,121
WILLMAR	507,772	1,071,697	622,360	534,537	390,699
WINDOM	144,607	237,777	167,909	130,762	100,218
WINONA	689,630	943,348	928,642	1,029,993	466,939
WOODBURY	553,381	87,615	416,958	448,898	502,519
WORTHINGTON	357,533	656,492	392,489	332,875	255,712
YORK TWP	4,447	0	14,937	8,436	38,309
 TOTAL	 \$76,932,281	 \$110,808,671	 \$66,929,388	 \$74,027,001	 \$61,504,699

Source: Senate Counsel and Research, 1984 Simulations.

Table 7, Page 1 of 2

MILL RATE* REDUCTIONS FOR SELECTED MINNESOTA COMMUNITIES

	INCOME TAX POINT OF COLLECTION	SALES TAX POINT OF COLLECTION	PER CAPITA DISTRIBUTION	TAX EFFORT DISTRIBUTION	PROPERTY VALUE DISTRIBUTION
ADA	9.962	21.391	12.984	14.868	5.247
ALBANY	7.598	10.021	10.637	9.921	5.376
ALBERT LEA	8.695	12.294	9.193	8.400	5.890
ALEXANDRIA	6.220	24.943	7.913	7.043	6.036
ANOKA	10.417	13.285	6.534	6.838	5.463
AUSTIN	9.831	11.042	9.113	9.657	4.961
BABBITT	25.550	17.381	15.430	14.843	5.582
BAGLEY	8.172	35.936	15.908	15.737	6.502
BEARDSLEY	10.203	8.518	25.561	30.784	6.197
BEMIDJI	7.373	28.059	11.494	13.315	5.525
BLACKDUCK	5.732	23.293	12.733	13.883	5.937
BLOOMINGTON	6.229	5.446	4.224	3.991	6.070
BLUE EARTH	9.776	16.155	10.976	8.156	5.938
BRAINERD	7.936	28.451	9.660	8.031	6.398
BROOKLYN CENTER	6.047	5.543	5.779	6.164	5.456
BURNSVILLE	7.262	6.211	5.104	5.628	5.962
CAMBRIDGE	11.318	12.468	9.080	11.840	5.676
CHISAGO LAKE TWP	3.217	0.000	7.600	7.266	5.858
CLOQUET	8.532	9.596	8.989	9.829	6.493
COLUMBIA HEIGHTS	6.658	1.774	6.622	6.983	5.166
COON RAPIDS	7.253	3.859	7.100	7.235	5.343
COTTAGE GROVE	7.773	2.601	7.231	8.189	5.560
DETROIT LAKES	6.137	16.878	8.261	6.861	5.765
DULUTH	10.757	12.167	11.712	17.069	6.028
EDINA	6.767	4.651	2.841	2.813	5.423
FAIRMONT	8.158	12.437	8.645	5.711	7.013
FARIBAULT	7.961	10.285	9.980	10.578	5.376
FARMINGTON	10.038	16.961	7.091	6.912	5.930
FERGUS FALLS	6.964	20.442	8.828	7.902	6.044
FOREST LAKE	8.769	10.166	6.135	7.129	5.260
FRIDLEY	6.232	4.269	5.286	6.130	5.470
GOLDEN VALLEY	5.723	6.060	3.569	3.781	5.735
GRAND RAPIDS	7.797	19.915	6.921	6.675	5.383
HALLOCK	13.202	12.163	14.586	16.453	5.994
HALSTAD TWP	2.248	0.000	1.601	0.969	5.567
JACKSON	8.355	16.333	10.916	12.238	4.726
LUVERNE	7.681	11.104	9.565	6.828	5.185
MANKATO	7.551	15.652	8.871	10.222	5.775
MAPLEWOOD	3.025	4.098	4.172	4.459	6.069

Table 7, Page 2 of 2

MILL RATE* REDUCTIONS FOR SELECTED MINNESOTA COMMUNITIES

	<u>INCOME TAX POINT OF COLLECTION</u>	<u>SALES TAX POINT OF COLLECTION</u>	<u>PER CAPITA DISTRIBUTION</u>	<u>TAX EFFORT DISTRIBUTION</u>	<u>PROPERTY VALUE DISTRIBUTION</u>
MARSHALL	7.116	13.667	8.418	7.530	5.065
MINNEAPOLIS	6.508	15.730	5.296	6.291	5.463
MONTEVIDEO	9.410	19.956	12.319	12.819	5.179
MOORHEAD	8.940	9.596	12.831	13.549	6.305
MOUNDS VIEW	5.371	1.598	7.594	8.421	5.053
MULLIGAN TWP	0.944	0.000	1.770	0.873	6.053
NEW ULM	9.112	13.163	10.251	9.264	6.129
ORTONVILLE	9.009	18.282	13.393	16.038	6.398
OSSEO	8.892	27.983	5.855	6.132	5.409
OWATONNA	8.247	11.631	9.130	8.266	6.069
PARK RAPIDS	5.045	20.073	8.304	6.670	5.356
PINE CITY	8.335	17.499	9.824	9.511	5.946
RED WING	2.702	2.694	2.835	2.587	4.868
RICHFIELD	7.075	3.660	5.974	6.672	5.203
ROBBINSDALE	6.845	3.671	6.645	8.809	5.179
ROCHESTER	9.911	12.829	6.676	5.936	6.712
ROSEVILLE	4.915	6.549	4.160	4.542	5.356
SAUK CENTER	7.345	17.764	10.833	9.787	5.668
SHAKOPEE	6.204	11.132	5.570	8.242	5.986
SHIELDSVILLE TWP	1.858	0.000	5.558	4.264	5.970
SHOREVIEW	5.745	0.872	5.329	5.605	5.210
SLEEPY EYE	10.294	21.246	13.089	9.986	5.914
SOUTH ST. PAUL	8.972	4.584	8.550	10.094	5.796
ST. CLOUD	6.771	13.354	8.225	8.379	5.558
ST. PAUL	7.432	9.003	6.024	7.225	5.317
ST. PETER	9.133	10.946	15.216	14.606	5.691
THIEF RIVER FALLS	7.888	16.773	10.589	11.249	5.369
VIRGINIA	10.258	22.187	8.618	11.711	5.728
WADENA	8.165	26.375	11.908	12.186	5.212
WASECA	9.594	11.837	10.251	10.214	5.491
WEST ST. PAUL	7.718	6.494	6.375	5.694	6.278
WILLMAR	7.415	15.650	9.088	7.806	5.705
WINDOM	7.834	12.881	9.096	7.084	5.429
WINONA	8.233	11.262	11.087	12.297	5.575
WOODBURY	6.503	1.030	4.900	5.275	5.906
WORTHINGTON	8.618	15.823	9.460	8.023	6.163
YORK TWP	0.695	0.000	2.334	1.318	5.986
AVERAGE	6.998	10.080	6.088	6.734	5.595

* Auditors' mills

Source: Senate Counsel and Research, 1984 Simulations.

Table 8, Page 1 of 6

BY SIZE OF MILL RATE* REDUCTION FOR SELECTED MINNESOTA COMMUNITIES

	INCOME TAX POINT OF COLLECTION -----		SALES TAX POINT OF COLLECTION -----
BABBITT	25.550	BAGLEY	35.936
HALLOCK	13.202	BRAINERD	28.451
CAMBRIDGE	11.318	BEMIDJI	28.059
DULUTH	10.757	OSSEO	27.983
ANOKA	10.417	WADENA	26.375
SLEEPY EYE	10.294	ALEXANDRIA	24.943
VIRGINIA	10.258	BLACKDUCK	23.293
BEARDSLEY	10.203	VIRGINIA	22.187
FARMINGTON	10.038	ADA	21.391
ADA	9.962	SLEEPY EYE	21.246
ROCHESTER	9.911	FERGUS FALLS	20.442
AUSTIN	9.831	PARK RAPIDS	20.073
BLUE EARTH	9.776	MONTEVIDEO	19.956
WASECA	9.594	GRAND RAPIDS	19.915
MONTEVIDEO	9.410	ORTONVILLE	18.282
ST. PETER	9.133	SAUK CENTER	17.764
NEW ULM	9.112	PINE CITY	17.499
ORTONVILLE	9.009	BABBITT	17.381
SOUTH ST. PAUL	8.972	FARMINGTON	16.961
MOORHEAD	8.940	DETROIT LAKES	16.878
OSSEO	8.892	THIEF RIVER FALLS	16.773
FOREST LAKE	8.769	JACKSON	16.333
ALBERT LEA	8.695	BLUE EARTH	16.155
WORTHINGTON	8.618	WORTHINGTON	15.823
CLOQUET	8.532	MINNEAPOLIS	15.730
JACKSON	8.355	MANKATO	15.652
PINE CITY	8.335	WILLMAR	15.650
OWATONNA	8.247	MARSHALL	13.667
WINONA	8.233	ST. CLOUD	13.354
BAGLEY	8.172	ANOKA	13.285
WADENA	8.165	NEW ULM	13.163
FAIRMONT	8.158	WINDOM	12.881
FARIBAULT	7.961	ROCHESTER	12.829
BRAINERD	7.936	CAMBRIDGE	12.468
THIEF RIVER FALLS	7.888	FAIRMONT	12.437
WINDOM	7.834	ALBERT LEA	12.294
GRAND RAPIDS	7.797	DULUTH	12.167
COTTAGE GROVE	7.773	HALLOCK	12.163
WEST ST. PAUL	7.718	WASECA	11.837

Table 8, Page 2 of 6

BY SIZE OF MILL RATE* REDUCTION FOR SELECTED MINNESOTA COMMUNITIES

	INCOME TAX POINT OF COLLECTION -----		SALES TAX POINT OF COLLECTION -----
LUVERNE	7.681	OWATONNA	11.631
ALBANY	7.598	WINONA	11.262
MANKATO	7.551	SHAKOPEE	11.132
ST. PAUL	7.432	LUVERNE	11.104
WILLMAR	7.415	AUSTIN	11.042
BEMIDJI	7.373	ST. PETER	10.946
SAUK CENTER	7.345	FARIBAULT	10.285
BURNSVILLE	7.262	FOREST LAKE	10.166
COON RAPIDS	7.253	ALBANY	10.021
MARSHALL	7.116	CLOQUET	9.596
RICHFIELD	7.075	MOORHEAD	9.596
FERGUS FALLS	6.964	ST. PAUL	9.003
ROBBINSDALE	6.845	BEARDSLEY	8.518
ST. CLOUD	6.771	ROSEVILLE	6.549
EDINA	6.767	WEST ST. PAUL	6.494
COLUMBIA HEIGHTS	6.658	BURNSVILLE	6.211
MINNEAPOLIS	6.508	GOLDEN VALLEY	6.060
WOODBURY	6.503	BROOKLYN CENTER	5.543
FRIDLEY	6.232	BLOOMINGTON	5.446
BLOOMINGTON	6.229	EDINA	4.651
ALEXANDRIA	6.220	SOUTH ST. PAUL	4.584
SHAKOPEE	6.204	FRIDLEY	4.269
DETROIT LAKES	6.137	MAPLEWOOD	4.098
BROOKLYN CENTER	6.047	COON RAPIDS	3.859
SHOREVIEW	5.745	ROBBINSDALE	3.671
BLACKDUCK	5.732	RICHFIELD	3.660
GOLDEN VALLEY	5.723	RED WING	2.694
MOUNDS VIEW	5.371	COTTAGE GROVE	2.601
PARK RAPIDS	5.045	COLUMBIA HEIGHTS	1.774
ROSEVILLE	4.915	MOUNDS VIEW	1.598
CHISAGO LAKE TWP	3.217	WOODBURY	1.030
MAPLEWOOD	3.025	SHOREVIEW	0.872
RED WING	2.702	HALSTAD TWP	0.000
HALSTAD TWP	2.248	MULLIGAN TWP	0.000
SHIELDSVILLE TWP	1.858	SHIELDSVILLE TWP	0.000
MULLIGAN TWP	0.944	CHISAGO LAKE TWP	0.000
YORK TWP	0.695	YORK TWP	0.000
AVERAGE	6.998	AVERAGE	10.080

Table 8, Page 3 of 6

BY SIZE OF MILL RATE* REDUCTION FOR SELECTED MINNESOTA COMMUNITIES

	PER CAPITA DISTRIBUTION		TAX EFFORT DISTRIBUTION
BEARDSLEY	25.561	BEARDSLEY	30.784
BAGLEY	15.908	DULUTH	17.069
BABBITT	15.430	HALLOCK	16.453
ST. PETER	15.216	ORTONVILLE	16.038
HALLOCK	14.586	BAGLEY	15.737
ORTONVILLE	13.393	ADA	14.868
SLEEPY EYE	13.089	BABBITT	14.843
ADA	12.984	ST. PETER	14.606
MOORHEAD	12.831	BLACKDUCK	13.883
BLACKDUCK	12.733	MOORHEAD	13.549
MONTEVIDEO	12.319	BEMIDJI	13.315
WADENA	11.908	MONTEVIDEO	12.819
DULUTH	11.712	WINONA	12.297
BEMIDJI	11.494	JACKSON	12.238
WINONA	11.087	WADENA	12.186
BLUE EARTH	10.976	CAMBRIDGE	11.840
JACKSON	10.916	VIRGINIA	11.711
SAUK CENTER	10.833	THIEF RIVER FALLS	11.249
ALBANY	10.637	FARIBAULT	10.578
THIEF RIVER FALLS	10.589	MANKATO	10.222
NEW ULM	10.251	WASECA	10.214
WASECA	10.251	SOUTH ST. PAUL	10.094
FARIBAULT	9.980	SLEEPY EYE	9.986
PINE CITY	9.824	ALBANY	9.921
BRAINERD	9.660	CLOQUET	9.829
LUVERNE	9.565	SAUK CENTER	9.787
WORTHINGTON	9.460	AUSTIN	9.657
ALBERT LEA	9.193	PINE CITY	9.511
OWATONNA	9.130	NEW ULM	9.264
AUSTIN	9.113	ROBBINSDALE	8.809
WINDOM	9.096	MOUNDS VIEW	8.421
WILLMAR	9.088	ALBERT LEA	8.400
CAMBRIDGE	9.080	ST. CLOUD	8.379
CLOQUET	8.989	OWATONNA	8.266
MANKATO	8.871	SHAKOPEE	8.242
FERGUS FALLS	8.828	COTTAGE GROVE	8.189
FAIRMONT	8.645	BLUE EARTH	8.156
VIRGINIA	8.618	BRAINERD	8.031
SOUTH ST. PAUL	8.550	WORTHINGTON	8.023

Table 8, Page 4 of 6

BY SIZE OF MILL RATE* REDUCTION FOR SELECTED MINNESOTA COMMUNITIES

	PER CAPITA DISTRIBUTION		TAX EFFORT DISTRIBUTION
MARSHALL	8.418	FERGUS FALLS	7.902
PARK RAPIDS	8.304	WILLMAR	7.806
DETROIT LAKES	8.261	MARSHALL	7.530
ST. CLOUD	8.225	CHISAGO LAKE TWP	7.266
ALEXANDRIA	7.913	COON RAPIDS	7.235
CHISAGO LAKE TWP	7.600	ST. PAUL	7.225
MOUNDS VIEW	7.594	FOREST LAKE	7.129
COTTAGE GROVE	7.231	WINDOM	7.084
COON RAPIDS	7.100	ALEXANDRIA	7.043
FARMINGTON	7.091	COLUMBIA HEIGHTS	6.983
GRAND RAPIDS	6.921	FARMINGTON	6.912
ROCHESTER	6.676	DETROIT LAKES	6.861
ROBBINSDALE	6.645	ANOKA	6.838
COLUMBIA HEIGHTS	6.622	LUVERNE	6.828
ANOKA	6.534	GRAND RAPIDS	6.675
WEST ST. PAUL	6.375	RICHFIELD	6.672
FOREST LAKE	6.135	PARK RAPIDS	6.670
ST. PAUL	6.024	MINNEAPOLIS	6.291
RICHFIELD	5.974	BROOKLYN CENTER	6.164
OSSEO	5.855	OSSEO	6.132
BROOKLYN CENTER	5.779	FRIDLEY	6.130
SHAKOPEE	5.570	ROCHESTER	5.936
SHIELDSVILLE TWP	5.558	FAIRMONT	5.711
SHOREVIEW	5.329	WEST ST. PAUL	5.694
MINNEAPOLIS	5.296	BURNSVILLE	5.628
FRIDLEY	5.286	SHOREVIEW	5.605
BURNSVILLE	5.104	WOODBURY	5.275
WOODBURY	4.900	ROSEVILLE	4.542
BLOOMINGTON	4.224	MAPLEWOOD	4.459
MAPLEWOOD	4.172	SHIELDSVILLE TWP	4.264
ROSEVILLE	4.160	BLOOMINGTON	3.991
GOLDEN VALLEY	3.569	GOLDEN VALLEY	3.781
EDINA	2.841	EDINA	2.813
RED WING	2.835	RED WING	2.587
YORK TWP	2.334	YORK TWP	1.318
MULLIGAN TWP	1.770	HALSTAD TWP	0.969
HALSTAD TWP	1.601	MULLIGAN TWP	0.873
AVERAGE	6.088	AVERAGE	6.734

Table 8, Page 5 of 6

BY SIZE OF MILL RATE* REDUCTION FOR SELECTED MINNESOTA COMMUNITIES

	PROPERTY VALUE DISTRIBUTION
FAIRMONT	7.013
ROCHESTER	6.712
BAGLEY	6.502
CLOQUET	6.493
ORTONVILLE	6.398
BRAINERD	6.398
MOORHEAD	6.305
WEST ST. PAUL	6.278
BEARDSLEY	6.197
WORTHINGTON	6.163
NEW ULM	6.129
BLOOMINGTON	6.070
MAPLEWOOD	6.069
OWATONNA	6.069
MULLIGAN TWP	6.053
FERGUS FALLS	6.044
ALEXANDRIA	6.036
DULUTH	6.028
HALLOCK	5.994
YORK TWP	5.986
SHAKOPEE	5.986
SHIELDSVILLE TWP	5.970
BURNSVILLE	5.962
PINE CITY	5.946
BLUE EARTH	5.938
BLACKDUCK	5.937
FARMINGTON	5.930
SLEEPY EYE	5.914
WOODBURY	5.906
ALBERT LEA	5.890
CHISAGO LAKE TWP	5.858
SOUTH ST. PAUL	5.796
MANKATO	5.775
DETROIT LAKES	5.765
GOLDEN VALLEY	5.735
VIRGINIA	5.728
WILLMAR	5.705
ST. PETER	5.691
CAMBRIDGE	5.676

Table 8, Page 6 of 6

BY SIZE OF MILL RATE* REDUCTION FOR SELECTED MINNESOTA COMMUNITIES

	PROPERTY VALUE DISTRIBUTION
SAUK CENTER	5.668
BABBITT	5.582
WINONA	5.575
HALSTAD TWP	5.567
COTTAGE GROVE	5.560
ST. CLOUD	5.558
BEMIDJI	5.525
WASECA	5.491
FRIDLEY	5.470
MINNEAPOLIS	5.463
ANOKA	5.463
BROOKLYN CENTER	5.456
WINDOM	5.429
EDINA	5.423
OSSEO	5.409
GRAND RAPIDS	5.383
ALBANY	5.376
FARIBAULT	5.376
THIEF RIVER FALLS	5.369
ROSEVILLE	5.356
PARK RAPIDS	5.356
COON RAPIDS	5.343
ST. PAUL	5.317
FOREST LAKE	5.260
ADA	5.247
WADENA	5.212
SHOREVIEW	5.210
RICHFIELD	5.203
LUVERNE	5.185
MONTEVIDEO	5.179
ROBBINSDALE	5.179
COLUMBIA HEIGHTS	5.166
MARSHALL	5.065
MOUNDS VIEW	5.053
AUSTIN	4.961
RED WING	4.868
JACKSON	4.726
AVERAGE	5.595

* Auditor's mills

Source: Senate Counsel and Research, 1984 Simulation.

APPENDIX

METHODOLOGY

Data collection and analysis for this report was primarily completed in two distinct phases. The first concentrated on the gathering and summarization of a wide range of data from other states. These data provided a basis for the assessment of recent national trends in state and local tax policy, particularly as they relate to enactment and administration of local alternatives to the property tax.

The sources of data for the first phase included a questionnaire which was sent to the principal tax administration agency of each state. The questionnaire, a copy of which follows this narrative, asked for a variety of information regarding state and local policy as it relates to property tax alternatives. The response rate for the questionnaire was slightly better than 90 percent, with responses received from 46 states.

Other data sources utilized in the first phase included Department of Commerce data and the paper prepared by John L. Mikesell, C. Kurt Zorn, and Scott S. Lloyd cited elsewhere in this report.

The second phase concentrated on the simulation of partial property tax replacement delivered through five

possible distribution systems. These simulations were based upon data made available by the Minnesota Department of Revenue through EDP files accessed at the Information Systems Bureau. The Local Government Aids and Analysis Division provided property tax data for taxes payable in 1983 as well as a local government aid municipal population estimate file.

The Research Office of the Department of Revenue prepared 1982 sales tax and 1981 individual income tax data files, summarized by municipality, for use in the simulations. The simulation programs which accessed this data were developed by Senate Counsel and Research staff.

The 76 Minnesota communities indicated in Tables 4 through 8 were selected to illustrate the impact of each of the distribution systems in a variety of situations. These include metropolitan, suburban, and rural communities in both high and low value areas of the state.

QUESTIONNAIRE

1. Are local governmental units in your state allowed to levy taxes other than the property tax?
2. If yes, please specify:

☐ Income Tax

☐ Payroll Tax

☐ Other

☐ Sales Tax

☐ Franchise Tax

3. Are the local taxes mandated by state statute or do governmental units have the option?
4. If the tax is optional, how is it adopted at the local level?
(majority vote, two-thirds, etc.)
5. Are the proceeds from the tax dedicated to a specific purpose?
6. If the tax proceeds are dedicated, for what purposes are they used?
7. Do local units have an option on the rate at which the tax is imposed or is the rate specified by state statute?

8. Does the local government unit collect the tax or is it "piggy-backed" on a state collection system?

9. If the tax is state collected, how are the revenues distributed to local units?

10. What portion of the total local budget does the revenue from the tax represent? (Circle applicable ranges)

<u>Counties</u>	<u>Municipalities</u>	<u>Schools</u>	<u>Other</u> _____
0 - 20	0 - 20	0 - 20	0 - 20
20 - 40	20 - 40	20 - 40	20 - 40
40 - 60	40 - 60	40 - 60	40 - 60
60 - 80	60 - 80	60 - 80	60 - 80
80 - 100	80 - 100	80 - 100	80 - 100

11. If local units impose an income tax, is it flat rate, graduated rate, or a percentage of state liability?

12. Upon which of the following is the income tax imposed?

- | | | |
|--|------------------------------------|---------------------------------------|
| ☐ Residents | ☐ Employers | ☐ Corporations |
| ☐ Non-Residents | ☐ Employees | ☐ Other _____ |

13. Is there a rate differential for residents and non-residents?

14. Does the state distribute state revenue to local government units in the form of aids or property tax relief?

15. What portion of the total local budget does the state assistance represent? (Circle applicable ranges)

<u>Counties</u>	<u>Municipalities</u>	<u>Schools</u>	<u>Other</u> _____
0 - 20	0 - 20	0 - 20	0 - 20
20 - 40	20 - 40	20 - 40	20 - 40
40 - 60	40 - 60	40 - 60	40 - 60
60 - 80	60 - 80	60 - 80	60 - 80
80 - 100	80 - 100	80 - 100	80 - 100

16. Is a personal property tax imposed in your state?

17. Any other comments?

Table B1
NATIONAL RANKING OF PER CAPITA LOCAL TAX COLLECTIONS

	PER CAPITA RANK TOTAL TAXES	PER CAPITA RANK PROPERTY TAX	PER CAPITA RANK SALES TAX	PER CAPITA RANK INCOME TAX
ALABAMA	47	51	11	11
ALASKA	3	46	5	29
ARIZONA	29	36	10	16
ARKANSAS	49	40	25	26
CALIFORNIA	20	41	9	24
COLORADO	5	22	3	43
CONNECTICUT	6	3	47	41
DELAWARE	44	38	46	9
FLORIDA	30	28	49	45
GEORGIA	34	35	14	34
HAWAII	35	6	37	21
IDAHO	42	27	27	12
ILLINOIS	10	16	7	19
INDIANA	36	19	36	10
IOWA	18	14	50	47
KANSAS	26	15	24	46
KENTUCKY	50	47	41	5
LOUISIANA	32	49	1	28
MAINE	27	5	39	25
MARYLAND	13	32	48	1
MASSACHUSETTS	12	9	28	49
MICHIGAN	8	12	40	6
MINNESOTA	31	39	26	40
MISSISSIPPI	51	43	33	13
MISSOURI	28	31	12	8
MONTANA	9	7	35	17
NEBRASKA	15	11	21	22
NEVADA	37	48	43	33
NEW HAMPSHIRE	7	1	32	48
NEW JERSEY	4	8	29	30
NEW MEXICO	48	50	22	38
NEW YORK	1	24	2	2
NORTH CAROLINA	43	37	19	20
NORTH DAKOTA	38	26	34	15
OHIO	21	23	23	4
OKLAHOMA	40	44	4	39
OREGON	11	13	38	23
PENNSYLVANIA	22	29	30	3
RHODE ISLAND	14	4	45	37
SOUTH CAROLINA	45	30	42	31
SOUTH DAKOTA	19	10	20	50
TENNESSEE	41	34	8	42
TEXAS	23	18	16	44
UTAH	33	33	13	14
VERMONT	17	2	51	51
VIRGINIA	25	20	18	36
WASHINGTON	39	45	17	18
WEST VIRGINIA	46	42	31	32
WISCONSIN	24	21	44	35
WYOMING	2	17	6	27
U.S. AVERAGE	16	25	15	7

Source: Department of Commerce, U.S. Bureau of the Census,
Governmental Finances in 1981-82.

Table B2

PER CAPITA TAX COLLECTIONS AND AID BY STATE

	PER CAPITA STATE AID	PER CAPITA TAXES	PER CAPITA PROPERTY TAX	PER CAPITA SALES TAX	PER CAPITA INCOME TAX
ALABAMA	\$ 279	\$ 199	\$ 99	\$ 65	\$ 9
ALASKA	1633	665	154	107	0
ARIZONA	452	366	227	67	0
ARKANSAS	278	176	211	2	0
CALIFORNIA	700	441	201	70	0
COLORADO	365	588	296	145	0
CONNECTICUT	212	567	590	0	0
DELAWARE	336	212	218	0	20
FLORIDA	340	360	267	0	0
GEORGIA	272	338	230	49	0
HAWAII	39	321	480	0	0
IDAHO	328	242	270	0	0
ILLINOIS	311	545	347	75	0
INDIANA	368	319	317	0	10
IOWA	409	447	367	0	0
KANSAS	272	415	355	17	0
KENTUCKY	303	174	149	0	57
LOUISIANA	398	350	118	190	0
MAINE	232	371	483	0	0
MARYLAND	393	510	254	0	152
MASSACHUSETTS	361	513	434	0	0
MICHIGAN	333	553	382	0	32
MINNESOTA	685	356	215	2	0
MISSISSIPPI	379	170	183	0	0
MISSOURI	227	371	256	61	25
MONTANA	282	550	464	0	0
NEBRASKA	237	498	388	30	0
NEVADA	569	317	134	0	0
NEW HAMPSHIRE	132	563	652	0	0
NEW JERSEY	461	593	452	0	0
NEW MEXICO	622	197	116	26	0
NEW YORK	719	908	284	151	124
NORTH CAROLINA	379	238	222	38	0
NORTH DAKOTA	467	313	272	0	0
OHIO	340	435	292	18	89
OKLAHOMA	362	305	180	117	0
OREGON	378	529	367	0	0
PENNSYLVANIA	331	426	266	0	99
RHODE ISLAND	220	507	579	0	0
SOUTH CAROLINA	288	211	259	0	0
SOUTH DAKOTA	219	443	420	35	0
TENNESSEE	217	303	239	74	0
TEXAS	293	424	332	44	0
UTAH	338	347	247	56	0
VERMONT	149	452	600	0	0
VIRGINIA	295	419	311	43	0
WASHINGTON	507	311	156	44	0
WEST VIRGINIA	348	201	194	0	0
WISCONSIN	555	420	309	0	0
WYOMING	669	882	336	91	0
U.S. AVERAGE	\$ 414	\$ 452	\$ 282	\$ 45	\$ 27

Source: Department of Commerce, U.S. Bureau of the Census,
Governmental Finances in 1981-82.

Table B3
PERCENTAGE OF TOTAL LOCAL REVENUE BY SOURCE

	PERCENT FEDERAL GOVT. -----	PERCENT STATE GOVT. -----	PERCENT OWN SOURCE -----
ALABAMA	7.56	36.02	56.45
ALASKA	4.14	47.23	48.63
ARIZONA	7.30	37.34	55.36
ARKANSAS	8.14	38.18	53.68
CALIFORNIA	5.63	44.69	49.68
COLORADO	5.86	26.79	67.33
CONNECTICUT	6.21	22.33	71.46
DELAWARE	11.71	39.88	46.63
FLORIDA	8.71	30.42	60.88
GEORGIA	10.52	25.25	64.23
HAWAII	16.07	7.18	76.75
IDAHO	6.90	38.14	54.96
ILLINOIS	10.22	26.14	63.65
INDIANA	7.12	38.08	54.80
IOWA	4.64	34.12	60.67
KANSAS	5.59	23.27	71.14
KENTUCKY	10.05	46.79	43.16
LOUISIANA	7.44	35.72	56.85
MAINE	8.81	30.48	60.72
MARYLAND	7.80	32.25	59.95
MASSACHUSETTS	12.74	30.91	56.35
MICHIGAN	8.62	25.16	66.21
MINNESOTA	5.97	43.47	50.57
MISSISSIPPI	7.96	43.31	48.78
MISSOURI	9.66	25.59	64.72
MONTANA	6.79	24.53	68.67
NEBRASKA	6.29	20.65	73.05
NEVADA	5.15	39.95	54.90
NEW HAMPSHIRE	6.65	15.56	77.79
NEW JERSEY	4.77	35.95	59.28
NEW MEXICO	7.18	57.00	35.89
NEW YORK	4.74	35.66	59.60
NORTH CAROLINA	8.50	43.31	48.21
NORTH DAKOTA	6.33	42.23	51.44
OHIO	8.59	31.57	59.84
OKLAHOMA	5.91	38.52	55.57
OREGON	8.38	28.95	62.67
PENNSYLVANIA	8.42	31.26	60.33
RHODE ISLAND	8.71	25.39	65.78
SOUTH CAROLINA	7.75	38.18	54.11
SOUTH DAKOTA	9.16	23.70	67.14
TENNESSEE	8.82	26.73	64.45
TEXAS	5.95	27.60	66.45
UTAH	5.74	31.34	62.92
VERMONT	8.31	20.00	71.43
VIRGINIA	7.47	31.70	60.83
WASHINGTON	5.87	40.86	53.27
WEST VIRGINIA	8.52	42.54	49.00
WISCONSIN	5.14	41.41	53.45
WYOMING	4.40	28.96	66.73
U.S. AVERAGE	7.49	34.04	58.47

Source: Department of Commerce, U.S. Bureau of the Census,
Governmental Finances in 1981-82.

Table B4
PERCENTAGE OF LOCAL TAX REVENUE BY TYPE OF TAX

	PERCENT FROM TAXES	PERCENT FROM PROPERTY TAX	PERCENT FROM SALES TAX	PERCENT FROM INCOME TAX	PERCENT OTHER TAXES
ALABAMA	25.69	9.94	8.39	1.16	6.21
ALASKA	19.23	15.37	3.09	0.00	0.77
ARIZONA	30.25	22.66	5.49	0.00	2.10
ARKANSAS	24.12	21.07	0.24	0.00	2.81
CALIFORNIA	28.15	20.11	4.45	0.00	3.60
COLORADO	43.14	29.61	10.64	0.00	2.89
CONNECTICUT	59.64	58.97	0.00	0.00	0.67
DELAWARE	25.20	21.83	0.00	2.38	0.99
FLORIDA	32.17	26.74	0.00	0.00	5.43
GEORGIA	31.43	22.95	4.58	0.00	3.90
HAWAII	59.55	48.02	0.00	0.00	11.53
IDAHO	28.09	27.00	0.00	0.00	1.09
ILLINOIS	45.76	34.65	6.30	0.00	4.81
INDIANA	33.06	31.74	0.00	1.00	0.32
IOWA	37.32	36.65	0.00	0.00	0.66
KANSAS	35.46	35.46	1.47	0.00	.00
KENTUCKY	26.98	14.95	0.00	8.87	3.17
LOUISIANA	31.38	11.79	17.07	0.00	2.52
MAINE	48.67	48.32	0.00	0.00	0.35
MARYLAND	41.88	25.39	0.00	12.44	4.04
MASSACHUSETTS	43.87	43.37	0.00	0.00	0.50
MICHIGAN	41.73	38.19	0.00	2.42	1.12
MINNESOTA	22.59	21.52	0.11	0.00	0.96
MISSISSIPPI	19.48	18.31	0.00	0.00	1.18
MISSOURI	41.83	25.61	6.90	2.86	6.47
MONTANA	47.75	46.44	0.00	0.00	1.31
NEBRASKA	43.35	38.76	2.65	0.00	1.93
NEVADA	22.26	13.37	0.00	0.00	8.89
NEW HAMPSHIRE	66.12	65.24	0.00	0.00	0.88
NEW JERSEY	46.19	45.22	0.00	0.00	0.98
NEW MEXICO	18.01	11.59	2.42	0.00	4.00
NEW YORK	45.03	28.39	7.48	6.16	3.01
NORTH CAROLINA	27.16	22.15	4.32	0.00	0.69
NORTH DAKOTA	28.34	27.24	0.00	0.00	1.10
OHIO	40.38	29.18	1.72	8.26	1.22
OKLAHOMA	32.51	18.04	12.47	0.00	1.99
OREGON	40.51	36.72	0.00	0.00	3.79
PENNSYLVANIA	40.17	26.61	0.00	9.38	4.18
RHODE ISLAND	58.40	57.92	0.00	0.00	0.48
SOUTH CAROLINA	28.04	25.90	0.00	0.00	2.14
SOUTH DAKOTA	48.03	42.02	3.79	0.00	2.21
TENNESSEE	37.29	23.85	9.12	0.00	4.32
TEXAS	39.87	33.19	4.14	0.00	2.54
UTAH	32.19	24.68	5.19	0.00	2.32
VERMONT	60.52	60.00	0.00	0.00	0.52
VIRGINIA	45.03	31.11	4.57	0.00	9.35
WASHINGTON	25.11	15.61	3.52	0.00	5.99
WEST VIRGINIA	24.62	19.42	0.00	0.00	5.20
WISCONSIN	31.36	30.89	0.00	0.00	0.47
WYOMING	38.20	33.63	3.96	0.00	0.62
U.S. AVERAGE	37.12	28.22	3.67	2.19	3.04

Source: Department of Commerce, U.S. Bureau of Census,
Governmental Finances in 1981-82.

Table B5

CITY GENERAL SALES AND INCOME TAXES AS A PERCENTAGE OF
CITY TAX COLLECTIONS, SELECTED CITIES, 1971 AND 1981

	<u>General Sales Tax</u>		<u>Income Tax</u>	
	<u>1971</u>	<u>1981</u>	<u>1971</u>	<u>1981</u>
Atlanta	0	0	0	0
Austin	n.a.	29.2	n.a.	0
Baltimore	0	0	14.4	21.1
Birmingham	32.9	n.a.	0	n.a.
Boston	0	0	0	0
Buffalo 1	7.3	0	0	0
Chicago	14.7	14.0	0	0
Cincinnati	0	0	49.9	72.3
Cleveland	0	0	41.7	68.4
Columbus	0	0	80.4	84.0
Dallas	21.3	27.3	0	0
Denver	41.0	47.6	0	0
Detroit	0	0	35.6	35.3
El Paso	22.4	24.1	0	0
Fort Worth	26.2	30.7	0	0
Honolulu	0	0	0	0
Houston	26.0	28.8	0	0
Indianapolis	0	0	0	0
Jacksonville	0	0	0	0
Kansas City	0	16.4	26.7	33.1
Long Beach	23.0	25.8	0	0
Los Angeles	19.6	24.2	0	0
Louisville	0	0	54.9	63.0
Memphis	0	0	0	0
Miami	0	0	0	0
Milwaukee	0	0	0	0
Minneapolis	0	0	0	0
Nashville - Davidson	21.6	27.3	0	0
Newark	0	0	0	0
New Orleans	41.0	39.6	0	0
New York	15.1	17.7	13.8	27.2
Norfolk	11.7	n.a.	0	n.a.
Oakland	21.5	24.6	0	0
Oklahoma City	39.4	62.3	0	0
Omaha	16.4	42.5	0	0
Philadelphia	0	0	60.1	66.0
Phoenix	38.5	42.5	0	0
Pittsburgh	0	0	17.1	21.8
Portland	0	0	0	0
St. Louis	7.9	18.8	33.6	31.7
St. Paul	0	n.a.	0	n.a.

	<u>General Sales Tax</u>		<u>Income Tax</u>	
	<u>1971</u>	<u>1981</u>	<u>1971</u>	<u>1981</u>
San Antonio	25.8	35.8	0	0
San Diego	28.3	39.2	0	0
San Francisco	12.4	14.1	3.5	0
San Jose	23.8	29.0	0	0
Seattle	9.7	16.2	0	0
Toledo	0	0	77.4	75.9
Tulsa	39.2	77.0	0	0
Washington D.C.	17.9	21.1	30.0	33.8
Mean	12.6	16.9	11.2	13.8

n.a.= not applicable

Source: Department of Commerce, U.S. Bureau of the Census,
City Government Finances in 1970-71, and
City Government Finances in 1980-81.

Table B6

LOCAL CORPORATION INCOME TAXATION IN THE UNITED STATES

<u>State/Jurisdiction</u>	<u>Approximate Number Using</u>	<u>Referendum Requirement</u>	<u>Administration</u>
Kentucky			
Cities	31	No	Local
Counties	6	No	Local
School Districts	1	No	Local
Michigan			
Cities	16	Yes	Local
Missouri			
Cities	2	Yes	Local
New York			
Cities	1	No	Local
Ohio			
Cities	453	Yes	Local

Source: Broad-Based Sources for Local Revenue Diversification:
Income and General Sales Taxation, a paper by John L.
Mikesell and C. Kurt Zorn of Indiana University and
Scott S. Lloyd.

Table B7

LOCAL SALES TAXATION IN THE UNITED STATES: JULY 1983

	<u>Approximate Number of Jurisdictions</u>	<u>Administration</u>	<u>Referendum Requirement</u>
<u>Alabama</u>	40 C	State	No
	3 C	Local	No
	286 M	State	Usually
	23 M	Local	No
<u>Alaska</u>	7 B	Local	Yes
	85 M	Local	No
<u>Arizona</u>	52 M	State	No
	17 M	Local	No
<u>Arkansas</u>	11 C	State	Yes
	33 M	State	Yes
<u>California</u>	58 C	State	No ²
	381 M	State	No
	4 T	State	No
<u>Colorado</u>	26 C	State	Yes
	137 M	State	Yes
	1 T	State	Yes
	32 M	Local	No
<u>Florida</u>	None	State	Yes
	Enacted	State	Yes
<u>Georgia</u>	128 C	State	Yes
	1 T	State	Yes
<u>Illinois</u>	1 M	Local	No
	102 C	State	No
	1,250 M	State	No
	2 T	State	No
<u>Kansas</u>	47 C	State	Yes
	231 M	State	Yes
<u>Kentucky</u>	0 T	State	Yes
<u>Louisiana</u>	63 P	Local	Yes
<u>Minnesota</u>	1 M	Local	Yes
<u>Missouri</u>	70 C	State	Yes
	360 M	State	Yes
	11 T	State	Yes
<u>Nebraska</u>	12 M	State	Yes

	<u>Approximate Number of Jurisdictions</u>	<u>Administration</u>	<u>Referendum Requirement</u>
<u>Nevada</u>	1 C	State	Yes
<u>New Mexico</u>	10 C	State	Yes
	98 M	State	Yes
<u>New York</u>	51 C	State	No
	29 M	State	No
	1 T	State	No
<u>North Carolina</u>	99 C	State	Optional
<u>Ohio</u>	59 C	State	Optional ²
	3 T	State	Optional
<u>Oklahoma</u>	0 C ³	State	Yes
	424 M	State	Yes
<u>South Dakota</u>	72 M	State	Yes
<u>Tennessee</u>	94 C	State	Yes
	16 M	State	Yes
<u>Texas</u>	945 M	State	Yes
	2 T	State	Yes
<u>Utah</u>	29 C	State	No ²
	4 T	State	No
<u>Virginia</u>	95 C	State	No
	41 M	State	No
<u>Washington</u>	39 C	State	No ²
	168 M	State	No
	-- T		
<u>Wisconsin</u>	None Enacted	State	No
<u>Wyoming</u>	15 C	State	Yes

1 C= Counties
 M= Municipalities
 B= Boroughs
 T= Transit District
 P= Parish

2 Referendum required for transit district

3 County sales tax authorized for June 1, 1984

Source: Broad-Based Sources for Local Revenue Diversification:
 Income and General Sales Taxation, a paper by
 John L. Mikesell and C. Kurt Zorn of Indiana
 University and Scott S. Lloyd.

Table B8

LOCAL PERSONAL INCOME TAXATION IN THE UNITED STATES: JULY 1983

<u>State/Jurisdiction</u>	<u>Approximate Number Using</u>	<u>Referendum Requirement</u>	<u>Administration</u>	<u>Base</u>
<u>Alabama</u> Cities	4	No	Local	Payroll
<u>Arkansas</u> Cities	Authorized but not adopted	Yes	c	State Base
<u>Delaware</u> Cities	1	No	Local	Payroll
<u>Georgia</u> Cities	None adopted	Yes	State	State Base
Counties	None adopted	Yes	State	State Base
<u>Indiana</u> Counties	38	No	State	State Base
<u>Iowa</u> School Districts	44	Yes	State	State Base
<u>Kentucky</u> Cities	55	No	Local	Payroll
Counties	7	No	Local	Payroll
School Districts	4	No	Local	Payroll
<u>Maryland</u> Cities	1	No	State	State Base
Counties	23	No	State	State Base
<u>Michigan</u> Cities	16	Yes	Local	Earned and unearned income
<u>Missouri</u> Cities	2	In one city	Local	Payroll
<u>New York</u> Cities	1	No	State	State Base

<u>State/Jurisdiction</u>	<u>Approximate Number Using</u>	<u>Referendum Requirement</u>	<u>Administration</u>	<u>Base</u>
<u>Ohio</u>				
Cities	453	Yes	Local	Generally earned income plus net business profits
School Districts	5	Yes	State	State Base
<u>Pennsylvania</u>				
Municipalities	2,255	No	Local	Payroll
School Districts	448	No	Local	Payroll

San Francisco, California, city and county levy 1.5% tax on payroll expense of businesses. Newark, New Jersey, levies a 0.75% payroll tax on employers. Three counties in Oregon levy a 0.6% business payroll tax, a fourth county levies a 0.54% rate on business payrolls that goes to the Lane County Mass Transit District, and Multnomah County levies a 0.6% business income tax.

Source: Broad-Based Sources for Local Revenue Diversification:
Income and General Sales Taxation, a paper by
 John L. Mikesell and C. Kurt Zorn of Indiana
 University and Scott S. Lloyd.

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