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2016-17 Biennial Budget – Tax Aids, Credits and Refunds

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AT A GLANCE

In 2013 we paid:

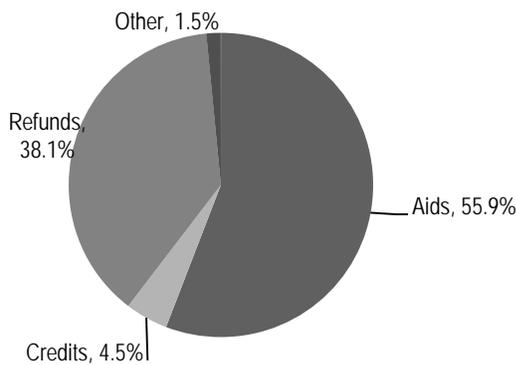
- \$736 million in aids to local governments
- \$502 million in property tax refunds to individuals
- \$60 million in credits to reduce individuals' and businesses' property taxes
- \$20 million in other programs

PURPOSE

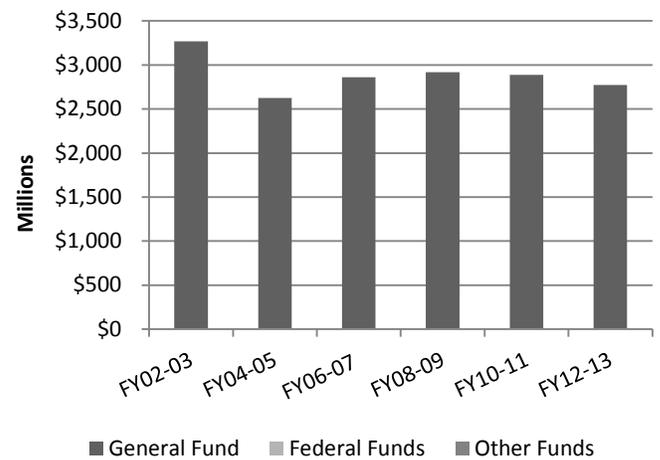
Property taxes are a primary source of funding for local governments. Property tax amounts are not linked to ability to pay and can be a significant cost relative to income for some taxpayers. Tax Aid, Credit and Refund programs administered by the Department of Revenue provide direct property tax relief for individual taxpayers and funding for local governments, including cities and counties.

BUDGET

**Spending by Category
FY 13 Actual**



Historical Spending



Source: Consolidated Fund Statement

Tax aids, credits, and refunds include three dozen programs administered by the Department of Revenue that make payments to individual taxpayers and local governments. In 2013 \$1.3 billion in general fund dollars were spent 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, and other programs including the senior citizen property tax deferral program and tax refund interest payments.

STRATEGIES

Property tax aid, credit and refund programs:

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

Program: Tax Aids, Credits, and Refunds
Activity: Homestead Credit State Refund

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AT A GLANCE

In FY 2013:

- 395,000 homeowners received refunds
- The average refund was \$785
- Recent law changes will increase the number of homeowners receiving a refund beginning in FY 2015

PURPOSE & CONTEXT

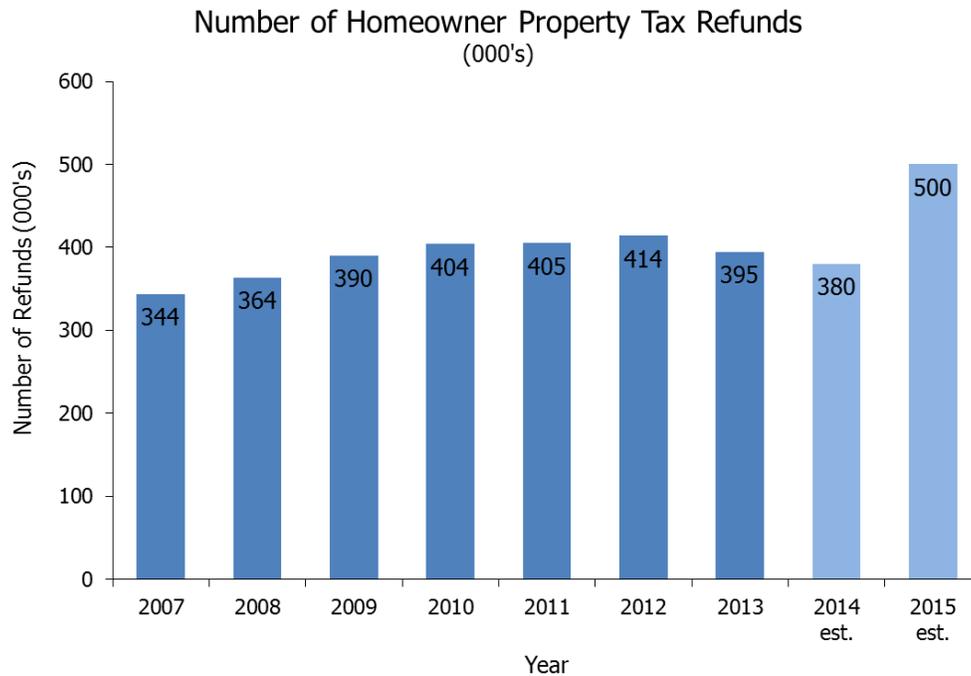
Property taxes account for a high share of household income for some taxpayers. The Homestead Credit State Refund program is designed to provide property tax relief to households that pay high property taxes relative to their household income.

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS



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

Type of Measure	Name of Measure	Previous	Current	Dates
Quality	Suits index - homeowner property taxes before PTR	-0.197	-0.176	2011 – 2013
Quality	Suits index - homeowner property taxes after PTR	-0.161	-0.133	2011 – 2013
Results	Reduction in regressivity due to PTR	18%	24%	2011 – 2013

Performance Measure Notes:

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

The Suits index compares the 2011 Tax Incidence Study (previous) with the 2013 Tax Incidence Study (current).

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

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

For additional information, visit the Revenue Department website.

(www.revenue.state.mn.us) and search 'property tax refund'.

Legal Citation: M.S. 290A establishes the Homestead Credit State Refund program; the program was amended by Laws 2013 Chapter 143 Article 1 and Laws 2014 Chapter 308 Article 1 Section 16. www.revisor.mn.gov/statutes/?id=290A

Program: Tax Aids, Credits, and Refunds

Activity: Renter Property Tax Refund

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AT A GLANCE

In FY 2013:

- 318,000 renters received refunds
- The average refund was \$580
- Recent law changes will increase the number of renters receiving a refund beginning in FY 2015

PURPOSE & CONTEXT

Property taxes account for a high share of income for some taxpayers. The renter property tax refund program is designed to provide property tax relief to renters that 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 an income definition of ability to pay. If property tax exceeds a threshold percentage of income, the refund equals a percentage of the tax over the threshold, up to a maximum amount. Property tax for renters is defined as 17 percent of rent paid.

RESULTS



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

Type of Measure	Name of Measure	Previous	Current	Dates
Quantity	Suits index - renter property taxes before PTR	-0.300	-0.277	2011 – 2013
Quality	Suits index - renter property taxes after PTR	-0.119	-0.148	2011 – 2013
Results	Reduction in regressivity due to PTR	60%	47%	2011 – 2013

Performance Measures Notes:

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

The Suits index compares the 2011 Tax Incidence Study (previous) with the 2013 Tax Incidence Study (current).

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

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

For additional information, visit the Revenue Department website.

(www.revenue.state.mn.us) and search 'property tax refund'.

Legal Citation: M.S. 290A establishes the Renter Property Tax Refund program; the program was amended by Laws 2013 Chapter 143 Article 1 and Laws 2014 Chapter 308 Article 1 Section 16. www.revisor.mn.gov/statutes/?id=290A

Program: Tax Aids, Credits, and Refunds

Activity: Special Property Tax Refund

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AT A GLANCE

In FY 2013:

- 35,000 homeowners received a special refund
- The average refund was \$111

PURPOSE & CONTEXT

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

Funding source: State General Fund

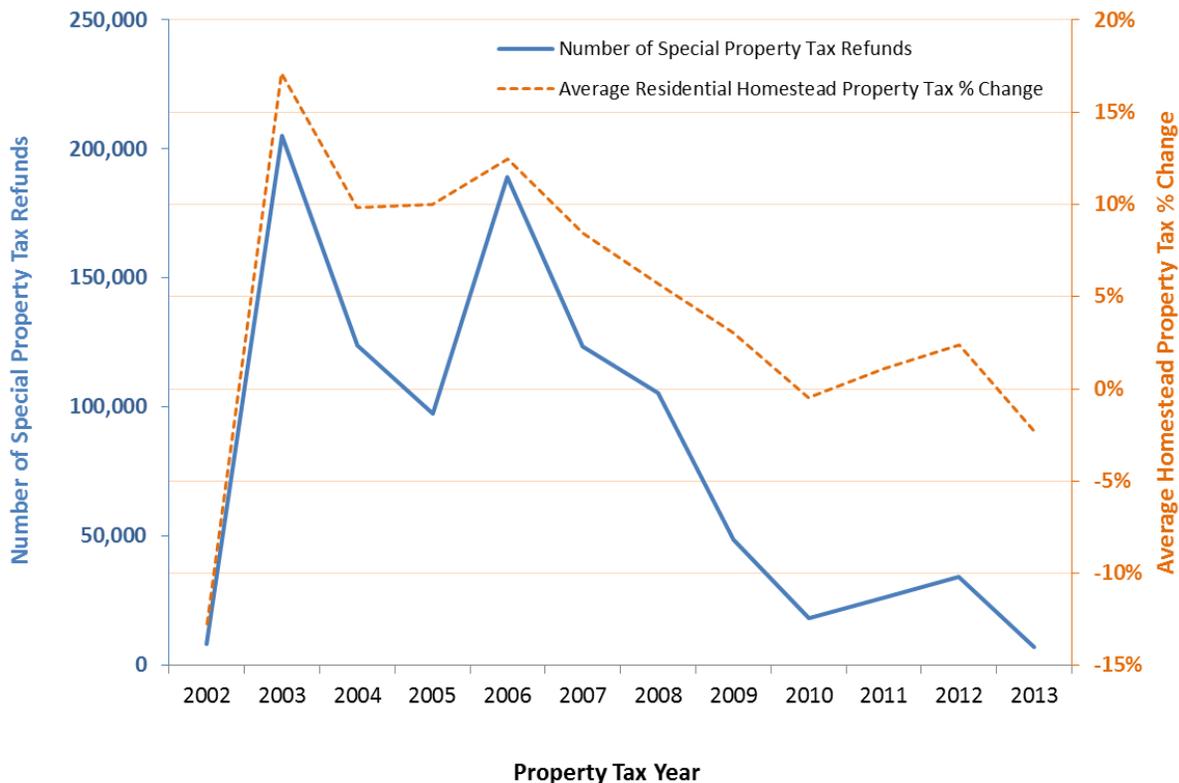
SERVICES PROVIDED

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

RESULTS

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

The number of Special Property Tax Refunds increases when Average Homestead Property Tax Growth is higher



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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Annual special refunds processed	22,000	35,000	2011 – 2013

Performance Measure Notes:

Results from year to year can be highly variable. Since 2004, the average annual number of special refunds processed is 97,000. The average refund has ranged from \$73 to \$132. In recent years, the number of special refunds has been lower due to slower growth in residential homestead property taxes (see chart above).

Annual refunds processed compares fiscal year 2011 (previous) to 2013 (current).

For additional information, visit the Revenue Department website.

www.revenue.state.mn.us and search 'property tax refund'.

Legal Citation: M.S. 290A establishes the Special Property Tax Refund program. www.revisor.mn.gov/statutes/?id=290A

Program: Tax Aids, Credits, and Refunds
Activity: Sustainable Forest Incentive Payment

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 2,300 forest land owners received an incentive payment
- The average incentive payment was \$2,242

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

An owner of forest land who meets all qualifications of the Sustainable Forest Incentive Act is eligible for a payment for the enrolled acres. The annual payment is set by statute as \$7 per acre.

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Acres of forest land enrolled	916,000	743,000	2011 – 2013

Performance Measure Notes:

Acres of forest land enrolled compares calendar year 2011 (previous) to 2013 (current).

The decrease in enrolled acres was due to a law change that excluded land with a conservation easement exceeding 60,000 acres from being eligible for an incentive payment.

The average incentive payment increased from \$1,567 in 2011 to \$2,242 in 2013.

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

Legal Citation: M.S. 290C establishes the Sustainable Forest Incentive Payment; the program was amended by Laws 2013 Chapter 143 Article 2 Sections 2-5. www.revisor.mn.gov/statutes/?id=290C

Program: Tax Aids, Credits, and Refunds

Activity: Local Government Aid to Cities

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AT A GLANCE

In 2014:

- 770 cities out of 853 receive Local Government Aid
- Payments were increased \$80 million over the previous year

PURPOSE & CONTEXT

Cities across the state have varying service needs and revenue sources. Local Government Aid payments to cities provide general support aid 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 to cities that can be used for any lawful purpose. It is also intended to be used for property tax relief by reducing the amount of revenue that is collected locally.

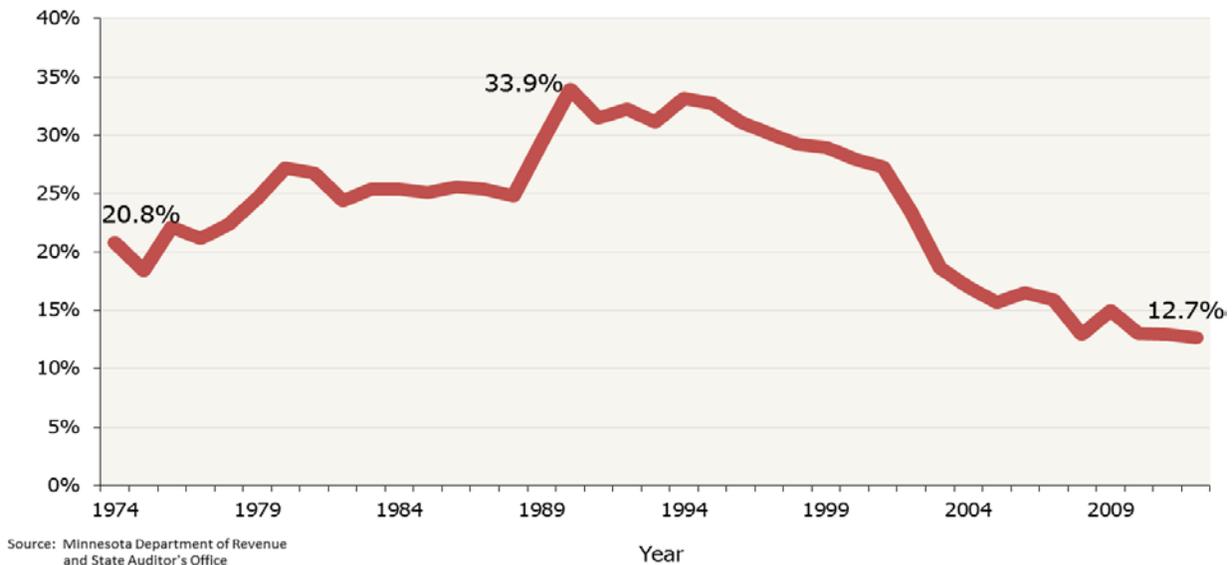
The LGA formula has changed many times since enacted in 1971. The current formula measures city need with factors including population and age of housing and compares this to a city's ability to pay measured by local property values. The formula attempts to target aid to those cities with the lowest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

RESULTS

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

Type of Measure	Name of Measure	Previous	Current	Dates
Quantity	Percentage of cities receiving LGA	85%	85%	2010 – 2012
Quantity	LGA percentage of city spending	13.0%	12.7%	2010 – 2012

LGA Percentage of City General Spending



Performance Measure Notes:

Percentage of cities receiving LGA compares payable year 2010 (previous) to 2012 (current).

LGA percentage of city spending is based on State Auditor city finance reports for 2010 and 2012 and computes LGA as a percentage of total current expenditures.

The city LGA formula was changed beginning for aid payable year 2014. The appropriation was increased by \$80 million. Over 90% of cities will receive LGA.

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

Legal Citation: M.S. 477A establishes the Local Government Aid program; it was amended by Laws 2013 Chapter 143 Article 2 Sections 7-12 and 14-18 and Laws 2014 Chapter 308 Article 1 Sections 5-6. www.revisor.mn.gov/statutes/?id=477A

Program: Tax Aids, Credits, and Refunds

Activity: County Program Aid

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- All 87 counties receive County Program Aid
- Payments were increased \$40 million from the previous year

PURPOSE & CONTEXT

Counties across the state have varying services needs and revenue sources. County Program Aid payments provide general support aid 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 to counties that can be used for any lawful purpose. It is also intended to be used for property tax relief by reducing the amount of revenue collected locally.

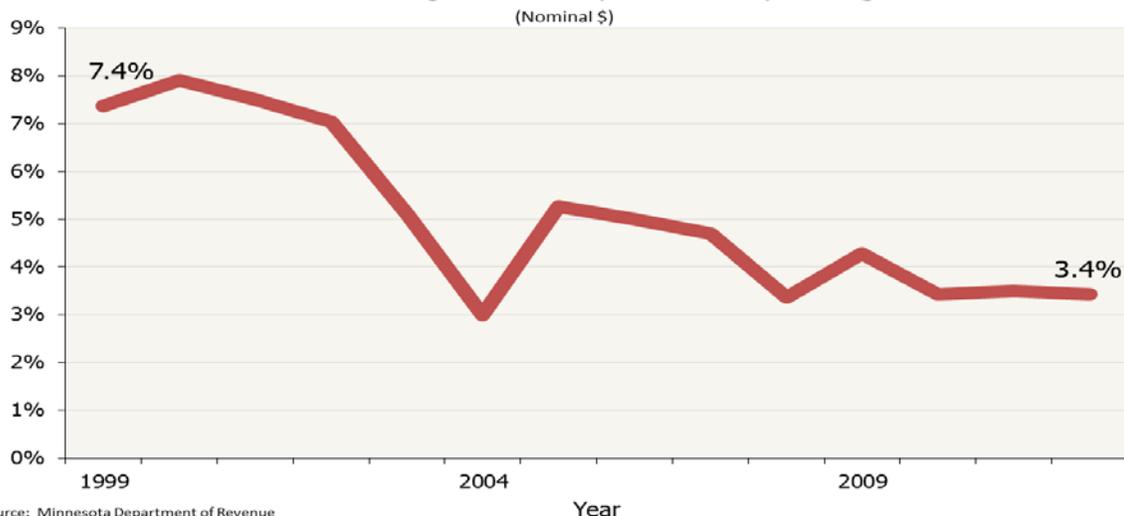
The CPA appropriation is divided into two main pots: (1) need aid and (2) tax base equalization aid. The need aid is distributed based on a county's measure of crime rate, poverty, and population. The tax base equalization aid is distributed based on a county's population and property values. The formula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

RESULTS

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

Type of Measure	Name of Measure	Previous	Current	Dates
Quantity	Percentage of counties receiving CPA - Need Aid	100%	100%	2010 – 2012
Quantity	Percentage of counties receiving CPA - Tax Base Equalization Aid	93%	91%	2010 – 2012
Quantity	CPA percentage of county spending	3.4%	3.4%	2010 – 2012

CPA Percentage of County General Spending



Source: Minnesota Department of Revenue and State Auditor's Office

Performance Measure Notes:

Percentage of counties receiving CPA compares payable year 2010 (previous) to 2012 (current).

CPA percentage of county spending is based on State Auditor county finance reports for 2010 and 2012 and computes CPA as a percentage of total current expenditures.

The CPA appropriation was increased by \$40 million in 2014. This will not change the percentage of counties receiving aid.

For additional information, visit the Revenue Department website.

(www.revenue.state.mn.us) and search 'CPA'.

Legal Citation: M.S. 477A establishes the County Program Aid program; it was amended by Laws 2013 Chapter 143 Article 2 Section 19, Laws 2014 Chapter 150 Article 4 Section 6, and Laws 2014 Chapter 308 Article 1 Section 13.

www.revisor.mn.gov/statutes/?id=477A

Program: Tax Aids, Credits, and Refunds

Activity: Disparity Reduction Aid

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- 15% of 6,152 taxing areas received Disparity Reduction Aid
- The average aid payment was \$19,375

PURPOSE & CONTEXT

Tax reform in 1988 caused higher tax rates in some areas. Tax rates represent the dollars of property tax levy of each local government divided by its tax base. When the 1988 tax reform reduced the local tax base, local tax rates were pushed up. Disparity Reduction Aid (DRA) provides aid to areas that received this aid in 1989 and continue to have a tax rate above 90 percent 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 tax rate above 90 percent 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 percent.

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of taxing areas receiving DRA	1,044	930	2012 - 2014
Quantity	Number of taxing areas with a tax rate above 90%	3,276	2,927	2012 - 2014
Quantity	Percentage of taxing areas with a tax rate above 90% that receive DRA	32%	32%	2012 - 2014

Performance Measures Notes:

The percentage of taxing areas receiving DRA compares payable year 2012 (previous) to 2014 (current).

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

Currently, 32 percent of taxing areas with a tax rate above 90 percent receive DRA. This is because aid distributions are based on the original 1989 calculations.

17 percent of all taxing areas received DRA in 2012 compared to 15 percent in 2014. The change is due to changes in local tax rates and eligibility for DRA. The average aid payment increased from \$17,598 in 2012 to \$19,375 in 2014.

For additional information, visit the Revenue Department website.

(www.revenue.state.mn.us) and search 'DRA'.

Legal Citation: M.S 273.1398 establishes Disparity Reduction Aid. www.revisor.mn.gov/statutes/?id=273.1398

Program: Tax Aids, Credits, and Refunds

Activity: Casino Aid to Counties

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- 12 counties received Casino Aid
- The average aid payment was \$105,000

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

County Casino Aid is equal to ten percent of state taxes collected from the Indian reservation under a tax agreement.

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of Counties Receiving Casino Aid	12	12	2012 – 2014

Performance Measures Notes:

Number of counties receiving casino aid compares calendar year 2012 (previous) to 2014 (current).

The average aid payment increased from \$59,000 in 2012 to \$105,000 in 2014.

Legal Citation: M.S. 270C.19 establishes Casino Aid. www.revisor.mn.gov/statutes/?id=270C.19

Program: Tax Aids, Credits, and Refunds

Activity: Utility Transition Aid

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- 3 cities and towns receive Utility Valuation Transition Aid
- The average aid payment is \$845

PURPOSE & CONTEXT

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

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 four percent due to a 2007 utility valuation rule change. The aid will continue for each qualifying municipality until the current value of utility property exceeds its 2007 value under the old rule.

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of eligible cities and towns where the current utility tax base remains lower than the 2007 amount.	9	3	2012 - 2014

Performance Measures Notes:

Number of eligible cities and towns compares aid payable year 2012 (previous) to 2014 (current).

Due to decreases in utility property values, some cities and towns that no longer receive transition aid are expected to become eligible for aid again in 2015.

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

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

Program: Tax Aids, Credits, and Refunds

Activity: State Taconite Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- The state general fund paid 22 cents per ton (\$8.4 million) to the taconite production distribution fund

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

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

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

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Taconite Production Percentage of Base Year 2000 Production	70%	87%	2000 – 2012

Performance Measures Notes:

Base year 2000 production is for the calendar year.

Taconite production percentage compares calendar year 2000 (previous) to calendar year 2012 (current).

After dropping 30 percent between 2000 and 2001, taconite production is more than halfway back to pre-2001 levels.

The state taconite aid contribution accounted for 8.2 percent of total production tax distributions in 2013.

Legal Citation: M.S. 298.285 establishes State Taconite Aid. www.revisor.mn.gov/statutes/?id=298.285

Program: Tax Aids, Credits, and Refunds
Activity: Payment in Lieu of Taxes (PILT)

www.revenue.state.mn.us

AT A GLANCE

In 2013:

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

PURPOSE & CONTEXT

Loss of tax base from taxable land becoming exempt can lead to financial strain for local governments. PILT payments provide compensation for the property taxes lost to local governments when the DNR acquires natural resource 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 are responsible for distributing any PILT payments to townships, cities, and schools.

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Acres of Natural Resources Land in PILT (millions)	8.42	8.50	2011 – 2013

Performance Measures Notes:

Acres of natural resources land compares calendar year 2011 (previous) to 2013 (current)

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

Legal Citation: M.S. 477A.11 through 477A.145 establish Payments in Lieu of Taxes; the program was amended by Laws 2013 Chapter 143 Article 2 Sections 22-32 and Laws 2014 Chapter 308 Article 1 Sections 7-9. www.revisor.mn.gov/statutes/?id=477A.11

Program: Tax Aids, Credits, and Refunds

Activity: Township Aid

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- 1,783 townships received Township Aid in the first year of the program

PURPOSE & CONTEXT

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

Funding Source: State General Fund

SERVICES PROVIDED

A new aid program provides general-purpose revenues to townships in 2014 and thereafter. Aid payments are determined through a formula that considers the size of the township, its population, and the share of its property value that is farms and cabins.

RESULTS

Townships across the state are more able to offer their residents affordable services.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Town aid as a percentage of town revenues	0%	3.1%	2012-2014

Performance Measures Notes:

Township aid percentage of township revenues is based on Price of Government estimates for township revenues.

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

Legal Citation: 2013 laws chapter 143 article 2 sections 13 and 20, amending M.S 477A.013

Program: Tax Aids, Credits, and Refunds

Activity: County AIS Prevention Aid

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- There were 629 Minnesota waters infested with invasive species

PURPOSE & CONTEXT

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

Funding Source: State General Fund

SERVICES PROVIDED

Created in 2014, Aquatic Invasive Species Prevention Aid is distributed to counties based on the counties' share of the statewide total for watercraft trailer launches and watercraft trailer parking spaces. Counties are required by law to use the aid to fund activities intended to reduce and prevent the spread of aquatic invasive species.

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of Minnesota waters infested	-	629	2014

Performance Measures Notes:

The number of infestations in Minnesota waters is as of July 7, 2014.

For additional information, visit the Revenue Department website:

(www.revenue.state.mn.us) and search 'invasive'.

Legal Citation: M.S 84D.02 www.revisor.mn.gov/statutes/?id=84D.02

Program: Tax Aids, Credits, and Refunds
Activity: Production Property Transition Aid

www.revenue.state.mn.us

AT A GLANCE

This program will begin paying aid to municipalities in 2016.

PURPOSE & CONTEXT

Property tax law changes can sometimes reduce the amount of tax base available to local governments. This program will provide temporary aid for cities and townships that lose more than five percent of their tax base due to a change in the way certain production facilities' property is valued.

Funding Source: State General Fund

SERVICES PROVIDED

Created in 2014, this program will provide transitional aid for cities and townships whose property tax base is reduced by more than five percent due to a change in the way ethanol, dairy, brewery, wine and distillery properties are valued for property tax purposes. The aid will first be paid in 2016 and phase out over five years.

RESULTS

This is a new program.

Performance Measures Notes:

While the program hasn't yet taken effect, we estimate that two cities and one township will be eligible for aid beginning in calendar year 2016.

Legal Citation: This is a new program Laws 2014 Chapter 308, Article 1, Section 10 establishes the Production Property Transition Aid program. www.revisor.mn.gov/laws/?year=2014&type=0&doctype=Chapter&id=308

Program: Tax Aids, Credits, and Refunds
Activity: Agricultural Homestead Market Value Credit

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 94,000 farm homesteads received the credit
- The average market value agricultural land credit amount was \$244
- Changes to the program will increase the average credit beginning in 2014

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

Funding Source: State General Fund.

RESULTS

The credit makes homesteaded farm land more affordable.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Average market value agricultural land credit amount	\$244	\$244	2012 – 2013
Quantity	Number of homesteads receiving the market value agricultural land credit	96,000	94,000	2012 – 2013

Performance Measures Notes:

Average credit amount compares payable year 2012 (previous) to 2013 (current).

New laws in 2014 provide a one-time supplemental credit in 2014 and changed the maximum credit from \$230 to \$490 and changed the calculation beginning in 2015. These changes are expected to increase the average credit amount beginning in 2014.

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

Legal Citation: M.S. 273.1384 establishes the Agricultural Homestead Market Value Credit; the program was amended by Laws 2014 Chapter 308 Article 1 Sections 2 and 14. www.revisor.mn.gov/statutes/?id=273.1384

Program: Tax Aids, Credits, and Refunds

Activity: Prior Year Credit Adjustments

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- Prior year credit adjustments were 0.02% of the total credits

PURPOSE & CONTEXT

Each year adjustments must be made for accounting corrections. Prior Year Credit Adjustments are paid 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, Local Option Disaster, and Disparity Reduction Credits.

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Adjustment amounts	\$726,000	\$11,007	2012 – 2014
Quantity	Prior year credit adjustment percentage of total credits	0.21%	0.02%	2012 - 2014

Performance Measures Notes:

Adjustment amount compares payable year 2012 (previous) to 2014 (current).

Adjustments have decreased recently due to the repeal of homestead market value credit.

Program: Tax Aids, Credits, and Refunds

Activity: Disparity Reduction Credit

www.revenue.state.mn.us

AT A GLANCE

In 2014:

- The average property tax decrease due to the Disparity Reduction Credit was \$6,448
- Approximately 1,300 parcels received the credit

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

The Disparity Reduction Credit reduces property taxes for:

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

The credit reduced property taxes to 1.9 percent of the property's market value in 2014. The Disparity Reduction Credit assisted businesses in the border cities of Breckenridge, Dilworth, East Grand Forks, and Moorhead in 2014. Businesses in Ortonville will be eligible in 2015.

RESULTS

The Disparity Reduction Credit increases business competitiveness in border areas.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Average property tax reduction due to credit	\$5,197	\$6,448	2012 - 2014

Performance Measures Notes:

The average credit amount compares payable year 2012 (previous) to 2014 (current).

In 2014, the tax rate threshold decreased from 2.3% to 1.9% of market value.

In 2015 businesses in the City of Ortonville will become eligible to receive the credit. The tax rate threshold will also decrease from 1.9% to 1.6%. These changes are expected to increase the total credits.

Legal Citation: M.S. 273.1398 establishes the Disparity Reduction Credit; the program was amended by Laws 2013 Chapter 143 Article 2 Section 1 and Laws 2014 Chapter 308 Article 1 Section 3. www.revisor.mn.gov/statutes/?id=273.1398

Program: Tax Aids, Credits, and Refunds
Activity: Supplemental Taconite Homestead Credit

www.revenue.state.mn.us

AT A GLANCE

- In 2014:
- The average property tax decrease from the Supplemental Taconite Homestead Credit was \$281

PURPOSE & CONTEXT

Property taxes increase the cost of owning a home. The Supplemental Taconite Homestead Credit reduces the property taxes for homesteads in the taconite relief area as defined in M.S. 273.134.

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Average property tax reduction due to credit	\$281	\$281	2012 - 2014

Performance Measures Notes:

Average property tax reduction compares payable year 2012 (previous) to 2014 (current).

87% of homesteads received maximum credit amount.

The effective tax rate (ETR) for a property equals the net property tax divided by its market value. The ETR can be viewed as a measure of how much property tax is paid per \$1,000 in market value. The ETR for homesteads receiving the supplement taconite homestead credit was 0.74 percent for taxes payable in 2014. Without the credit, the ETR for homesteads would have been 0.91 percent. The average ETR for homesteads statewide was 1.30 percent for taxes payable in 2014.

Legal Citation: M.S. 273.1391 establishes the Supplemental Homestead Credit. www.revisor.mn.gov/statutes/?id=273.1391

Program: Tax Aids, Credits, and Refunds

Activity: Agricultural Preservation Credit

www.revenue.state.mn.us

AT A GLANCE

- In 2013 3,511 credits were paid to agricultural land owners in the Twin Cities metropolitan area

PURPOSE & CONTEXT

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

Funding source: County Agricultural Preserve Funds, State Conservation Fund, State General Fund

SERVICES PROVIDED

The agricultural preservation credit, established in 1980, encourages agricultural use retention on land within the seven-county Twin Cities metropolitan area. The program establishes a valuation for taxation that is based on the land's agricultural use, irrespective of other market pressures. Lands in the program are protected from tax levy increases by limiting annual tax capacity rate increases to 105% of the statewide average local tax rate for townships. Unlike valuation deferrals under the Green Acres law, land in this program is not required to repay any taxes or special assessments when terminating exiting the program.

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 then the balance is paid from the State Conservation Fund. If insufficient funds exist in the State Conservation fund, the balance is then paid from the State General Fund.

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of acres enrolled	195,115	209,337	2011-2013
Quantity	Average Credit	\$187	\$237	2011-2013

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

Legal Citation: M.S. 473H.10 establishes the Agricultural Preserves Credit <https://www.revisor.mn.gov/statutes/?id=473H.10>

Program: Tax Aids, Credits, and Refunds

Activity: Police Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 408 local jurisdictions received Police Aid

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

Police Aid helps increase affordability of local peace officer pensions.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of jurisdictions receiving aid	411	408	2011 – 2013
Quantity	Aid as a percentage of employer pension cost	72%	74%	2011 – 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

Aid as a percentage of employer pension cost measures how much of a department's pension obligations are paid through state Police Aid. In 2013, Police Aid paid for an average of 74% of a police department's pension obligations.

Legal Citation: M.S. 69 establishes Police Aid. www.revisor.mn.gov/statutes/?id=69

Program: Tax Aids, Credits, and Refunds

Activity: Fire Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 766 fire relief associations received state Fire Aid

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

State fire aid helps fund:

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

RESULTS

Fire Aid helps increase affordability of fire service.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of fire relief associations receiving fire aid	764	766	2011 - 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

Legal Citation: M.S. 69 establishes Fire Aid. www.revisor.mn.gov/statutes/?id=69

Program: Tax Aids, Credits, and Refunds

Activity: Insurance Surcharge Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 4 firefighter relief associations received Insurance Surcharge Aid

PURPOSE & CONTEXT

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

Funding Source: State General Fund

SERVICES PROVIDED

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

RESULTS

Insurance Surcharge Aid helps increase affordability of fire service.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of jurisdictions receiving aid	4	4	2011 – 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

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

Program: Tax Aids, Credits, and Refunds

Activity: PERA Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 1,114 jurisdictions received Public Employees Retirement Association (PERA) Aid

PURPOSE & CONTEXT

State law changes can increase costs to local governments. PERA Aid is paid to local governments to offset an increase to the employer-paid PERA rates that began in 1998.

Funding source: State General Fund

SERVICES PROVIDED

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

The aid will end on June 30, 2020.

RESULTS

State assistance helps increase affordability of local government employee pensions.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of jurisdictions receiving aid	1,121	1,114	2011 – 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

Legal Citation: M.S. 273.1385 establishes PERA aid. www.revisor.mn.gov/statutes/?id=273.1385

Program: Tax Aids, Credits, and Refunds

Activity: Amortization Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 2 jurisdictions received Amortization Aid

PURPOSE & CONTEXT

Public safety pensions have historically been a shared responsibility of both state and local governments. Amortization Aid supports retirement pensions of local peace officers and fire fighters.

Funding source: State General Fund

SERVICES PROVIDED

Amortization Aid was established in 1980 to assist underfunded police or salaried firefighters' pension associations and to teachers' retirement funds.

RESULTS

Amortization Aid helps increase affordability of local government employee pensions.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of jurisdictions receiving aid	4	2	2011 – 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

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

Legal Citation: M.S. 423A.02 establishes Amortization Aid; the program was amended by Laws 2013 Chapter 111 Article 5 Sections 70-76. www.revisor.mn.gov/statutes/?id=423A.02

Program: Tax Aids, Credits, and Refunds

Activity: Firefighter Supplemental Benefits Reimbursement

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 357 fire relief associations received Firefighter Supplemental Benefits Reimbursement payments

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

The Firefighter Supplemental Benefits Reimbursement was established in 1988 to help support retirement pensions for local firefighters. Payments are made to volunteer firefighter relief associations to reimburse them for benefits paid in the previous year. The payment is for retirement benefits, disability benefits, or survivor benefits. The reimbursement cannot be more than ten percent of the distributions paid and cannot be more than \$1,000. The supplemental benefit for survivors cannot be more than 20 percent and cannot be more than \$2,000.

RESULTS

Firefighter Supplemental Benefits Reimbursement provides additional benefit to local firefighters and supports local jurisdictions.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of jurisdictions receiving aid	357	357	2011 – 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

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

Program: Tax Aids, Credits, and Refunds

Activity: Police-Fire Retirement Supplemental Aid

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 695 entities received Police-Fire Retirement Supplemental Aid

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

The aid will terminate once the funding levels of the retirement plans meet 90%.

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of entities receiving aid	0	695	2011 – 2013

Performance Measures Notes:

Compares payable year 2011 (previous) to 2013 (current).

Legal Citation: M.S. 423A.022 establishes Police-Fire Retirement Supplemental Aid. <https://www.revisor.mn.gov/statutes/?id=423A.022>

Program: Tax Aids, Credits, and Refunds
Activity: Senior Property Tax Deferral Reimbursement

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 344 taxpayers were enrolled in the program
- The average amount of property taxes deferred was \$4,250

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

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

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of senior citizen taxpayers enrolled	290	344	2011 – 2013
Quantity	Average amount of property taxes deferred	\$4,500	\$4,250	2011 – 2013

Performance Measures Notes:

Number of taxpayers enrolled compares calendar year 2011 (previous) to 2013 (current).

As the baby boomer generation continues to reach retirement age, participation in the senior property tax deferral program is expected to continue increasing.

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

Legal Citation: M.S. 290B establishes the Senior Citizens' Property Tax Deferral program. www.revisor.mn.gov/statutes/?id=290B

Program: Tax Aids, Credits, and Refunds
Activity: Performance Measurement Reimbursement

www.revenue.state.mn.us

AT A GLANCE

- In 2014:
- 22% of counties and 4% of cities participated in the Performance Measurement program

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

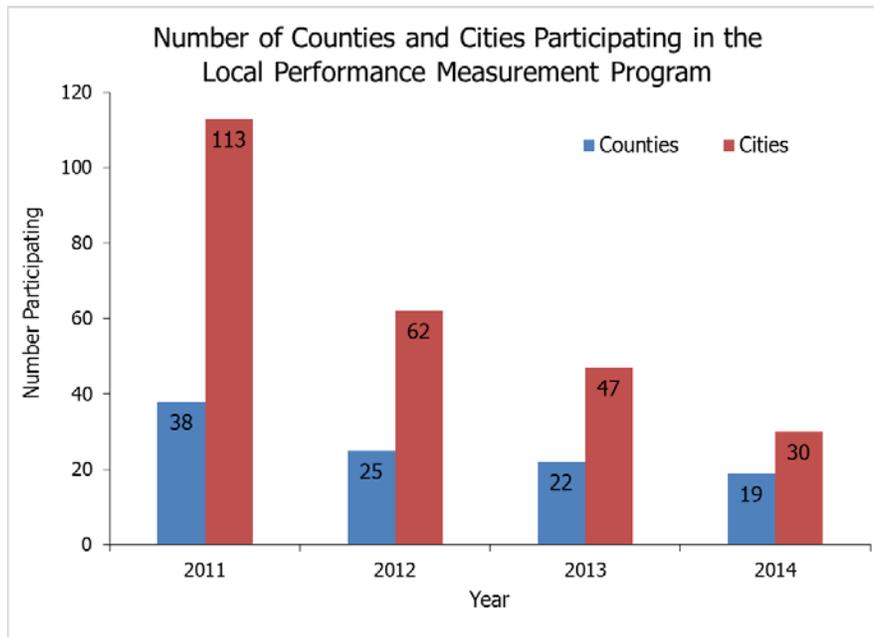
The Performance Measurement program was created in 2010 to determine the effectiveness of counties and cities in providing services. Participants use a set of ten performance measures (for example police response time, hours to snow plow complete system, citizen’s rating of water quality). Participation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

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

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Percentage of counties participating	29%	22%	2012 – 2014
Quantity	Percentage of cities participating	7%	4%	2012 – 2014



Performance Measures Notes:

Annual participation compares calendar year 2012 (previous) to 2014 (current).

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

Legal Citation: M.S. 6.91 establishes the Performance Measurement Reimbursement payments. www.revisor.mn.gov/statutes/?id=6.91

Program: Tax Aids, Credits, and Refunds
Activity: Mahnomen Property Tax Reimbursement

www.revenue.state.mn.us

AT A GLANCE

In 2013:

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

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

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

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

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

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	City tax base percentage of pre-exemption tax base	46%	48%	2011 – 2013
Quantity	County tax base percentage of pre-exemption tax base	131%	161%	2011 – 2013
Quantity	School district tax base percentage of pre-exemption tax base	100%	150%	2011 – 2013

Performance Measures Notes:

City tax base percentage compares assessment year 2011 (previous) to assessment year 2013 (current) for the city of Mahnomen, County of Mahnomen, and Mahnomen School District #432. The pre-exemption tax base is assessment year 2006.

The total tax base for the city of Mahnomen decreased almost 50 percent following the exemption of the Shooting Star Casino. In recent years, the city tax base percentage had grown from 52 percent back to 57 percent of pre-exemption levels, but declined beginning in assessment year 2011 as a result of the market value homestead credit being converted into a market value exclusion. The exclusion reduced the taxable value of homesteads and the tax base of local taxing jurisdictions statewide.

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

Program: Tax Aids, Credits, and Refunds

Activity: Taconite Aid Reimbursement

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 1 school district received Taconite Aid Reimbursement

PURPOSE & CONTEXT

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

Funding Source: State General Fund

SERVICES PROVIDED

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

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of school districts receiving	1	1	2011 – 2013
Quantity	Payment's percentage of total school district revenues	5.4%	5.2%	2011 – 2013

Performance Measures Notes:

Number of school districts compares calendar year 2011 (previous) to 2013 (current).

In FY 2013, the reimbursement payment accounted for 5.2% of total school district revenues.

Legal Citation: M.S. 477A.15 establishes this payment. www.revisor.mn.gov/statutes/?id=477A.15

Program: Tax Aids, Credits, and Refunds

Activity: Border City Reimbursement

www.revenue.state.mn.us

AT A GLANCE

In 2013:

- 2 jurisdictions received Border City Reimbursement payments

PURPOSE & CONTEXT

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

Funding Source: State General Fund

SERVICES PROVIDED

The Border City Reimbursement reduces property taxes for:

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

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

RESULTS

Border City Reimbursement increases business competitiveness in border areas

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of jurisdictions receiving reimbursement	2	2	2011 – 2013

Performance Measures Notes:

Number of jurisdictions receiving reimbursement compares payable year 2011 (previous) to 2013 (current).

The two jurisdictions receiving reimbursement payments in 2011 and 2013 were Wilkin County and the City of Breckinridge.

Legal Citation: 469.1735 establishes this reimbursement. www.revisor.mn.gov/statutes/?id=469.1735

Program: Tax Aids, Credits, and Refunds

Activity: Disaster Credits

www.revenue.state.mn.us

AT A GLANCE

In 2013 and 2014:

- An average of 869 parcels received Disaster Credits

PURPOSE & CONTEXT

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

Funding Source: State General Fund

SERVICES PROVIDED

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

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

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

RESULTS

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Average annual number of parcels receiving credits	2,222	869	2011/2012 – 2013/2014

Performance Measures Notes:

Average number of parcels receiving credits compares payable year 2011/2012 (previous) to 2013/2014 (current).

The amount of payment is dependent on the number and severity of disasters. In 2013, flooding in Northeastern Minnesota resulted in approximately 1,700 parcels receiving disaster credits. In 2014, there were zero parcels receiving the credit.

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

Legal Citation: M.S. 273.1231 through 273.1235 establish these credits. www.revisor.mn.gov/statutes/?id=273.1231

Program: Tax Aids, Credits, and Refunds

Activity: Miscellaneous Payments

www.revenue.state.mn.us

AT A GLANCE

Between 2011 and 2014:

- 4 local governments received one-time relief payments

PURPOSE & CONTEXT

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

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:

- \$50,000 to the city of St. Charles in 2010 for a loss of a major manufacturing facility due to fire, and
- \$12,000 to the city of Tamarack in 2012 to compensate for sewer project issues

The payments are made outside of existing aid distribution formulas.

RESULTS

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

Performance Measures Notes:

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

Program: Tax Aids, Credits, and Refunds
Activity: Lewis and Clark Debt Service Aid

www.revenue.state.mn.us

AT A GLANCE

This program will be available beginning in 2015.

PURPOSE & CONTEXT

Regional infrastructure projects often require state assistance to be affordable. This program will help pay for the Lewis and Clark water supply system project in southwestern Minnesota.

Funding Source: State General Fund

SERVICES PROVIDED

This program creates a state aid program that helps pay for the Lewis and Clark water supply system project in southwestern Minnesota. The aid equals local bond payments for the project minus a defined amount paid by the participating local governments and a portion of any federal aid available for the project.

RESULTS

This is a new program.

Legal Citation: M.S. 477A.20 establishes Lewis and Clark Debt Service Aid.

Program: Tax Aids, Credits, and Refunds

Activity: Minneapolis Debt Service Aid

www.revenue.state.mn.us

AT A GLANCE

This program will begin to make payments to Minneapolis in 2016.

PURPOSE & CONTEXT

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

Funding Source: State General Fund

SERVICES PROVIDED

This program provides that the state will make annual payments to the city of Minneapolis equal to 40 percent of the annual levy for payments for the city's library referendum bonds, beginning in 2016.

RESULTS

This is a new program.

Legal Citation: M.S. 477A.085 establishes Minneapolis Debt Service Aid. www.revisor.mn.gov/statutes/?id=477A.085

Program: Tax Aids, Credits, and Refunds

Activity: Bloomington Fiscal Disparities Loan Repayment

www.revenue.state.mn.us

AT A GLANCE

This program will make payments beginning in 2015.

PURPOSE & CONTEXT

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

Funding Source: State General Fund

SERVICES PROVIDED

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

RESULTS

This is a new program.

Legal Citation: M.S 473.08 Subdivision 3a establishes the Bloomington Fiscal Disparities loan repayment. www.revisor.mn.gov/statutes/?id=473F.08

Program: Tax Aids, Credits, and Refunds

Activity: Volunteer Retention Stipend

www.revenue.state.mn.us

AT A GLANCE

This program will provide stipends to volunteer firefighters beginning in 2015.

PURPOSE & CONTEXT

Volunteers are vital to many local fire departments and ambulance services. The Volunteer Retention Stipend was established to help recruit and retain volunteer firefighters, ambulance attendants, and medical responders.

Funding Source: State General Fund

SERVICES PROVIDED

The stipend is \$500 for each qualified volunteer in the pilot area, which includes 14 counties. The stipend is available in 2015, 2016, and 2017.

RESULTS

This is a new program.

Performance Measures Notes:

While this program has not yet taken effect, we estimate that 123 fire departments' volunteers will be eligible to receive the stipend beginning in calendar year 2015.

Legal Citation: Laws 2014 Chapter 308, Article 1, Section 1 establishes the Volunteer Retention Stipend.

www.revisor.mn.gov/laws/?year=2014&type=0&doctype=Chapter&id=308

Program: Tax Aids, Credits, and Refunds

Activity: Political Contribution Refunds

www.revenue.state.mn.us

AT A GLANCE

- The program was created in 1990.
- It was suspended in 2009 and re-instated on July 1, 2013.
- Revenue issued 51,795 refunds in FY14.

PURPOSE & CONTEXT

The Political Contribution Refund program was enacted in 1990. The program provides funds to qualifying political candidates and political party units from contributions made by Minnesotans. State refunds can be up to a total of \$50 per person (or \$100 per couple) in any calendar year.

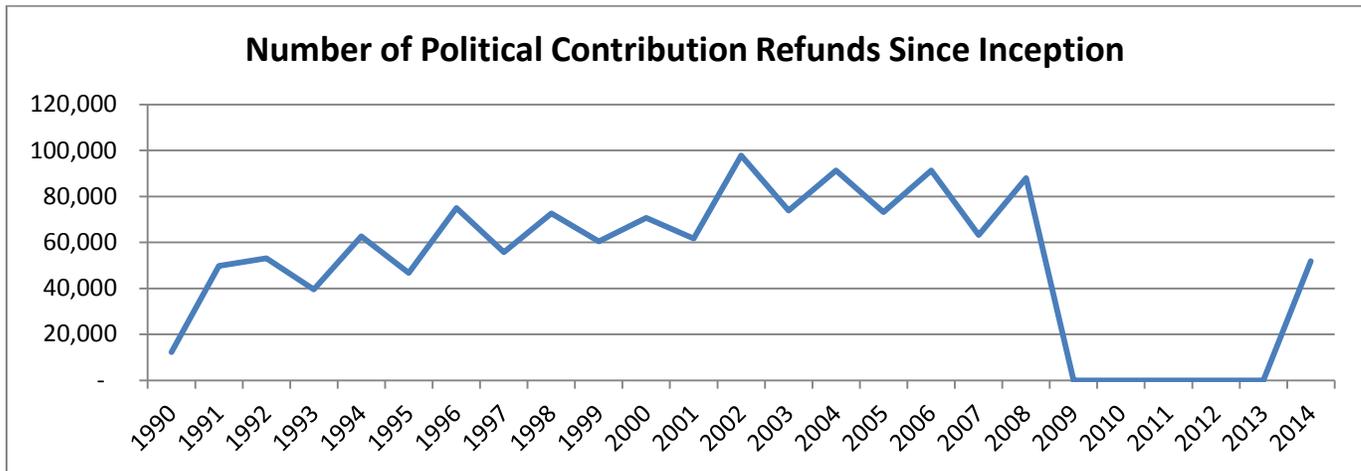
SERVICES PROVIDED

The program provides resources to political party units and legislative and state-wide candidates who agree to limit their spending by signing a Public Subsidy Agreement. Political candidates and parties are provided with special forms to document their contributions. This documentation is sent to the Department of Revenue, and a refund check is sent to the original donor.

RESULTS

In essence, the contributor is donating state general fund money to a political candidate or party.

The program was suspended from 2009 – 2013.



For additional information, visit the Revenue Department website.

www.revenue.state.mn.us and search 'political contribution'.

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

<https://www.revisor.leg.state.mn.us/statutes/?id=290.06>

Program: Tax Aids, Credits, and Refunds

Activity: Tax Refund Interest

www.revenue.state.mn.us

AT A GLANCE

- Taxpayers are refunded interest if not paid within a set statutory time frame.
- Interest paid totaled \$14.9 million in FY14.

PURPOSE & CONTEXT

Interest is due and paid to the taxpayer on certain tax refunds if they are not paid within a set statutory time frame. The interest rate paid on refunds is the same rate that the taxpayer would owe on underpayments. The interest rate has been three percent since 2010. The interest rate is announced prior to the start of each calendar year and is calculated based on the prime rate charged by banks.

SERVICES PROVIDED

While the Department of Revenue works to minimize interest accruals; interest accruals can occur for various reasons, such as tax disputes that are resolved via court cases, and audits and administrative appeals. Interest payments can fluctuate greatly from year to year depending on resolution of court cases.

For individual income tax and corporate franchise tax, interest on refunds is computed starting 90 days after the due date or the date the return is filed (whichever is later). For both sales and use tax and withholding taxes, interest generally accrues from the date of payment. However, for sales tax refunds of tax paid on capital equipment, certain building materials, and purchaser refunds, interest is computed starting 90 days after the refund claim is filed.

RESULTS

Everyone reports, pays, and receives the right amount: no more, no less.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Trend</i>
Quantity	Tax refund interest paid	\$14,828,018	\$14,905,674	Stable

Performance Measure Notes: The measure above compares tax refund interest paid in FY 2013 compared to FY 2014.

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

Legal Citation: M.S. 270C.405 establishes interest on refunds. <https://www.revisor.leg.state.mn.us/statutes/?id=270C.405>

Program: Tax Aids, Credits, and Refunds
Activity: Discontinued Programs

The following programs are discontinued, but incurred expenditures in FY 2012, FY 2013, and/or FY 2014.

<i>Discontinued State Programs</i>	<i>Dollars in Thousands</i>		
	<i>FY 2012</i>	<i>FY 2013</i>	<i>FY 2014</i>
Market Value Homestead Credit	153,961	22,028	17
Bovine Tuberculosis Credit	420	34	-
Wetlands Reimbursement	5	-	-
Total	\$154,386	\$22,062	\$17