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Mission:

Tax Aids and Credits include various property tax relief programs established by the state, such as property tax refunds and aids to local governments. These programs are administered by the Department of Revenue.

Statewide Outcome(s):

Tax Aids and Credits supports the following statewide outcome(s).

Strong and stable families and communities.

Efficient and accountable government services.

Context:

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 Aids and Credits programs provide property tax relief for individual taxpayers, land owners and local taxing jurisdictions, including counties and cities.

Funding Source: State General Fund

Strategies:

Target property tax relief based on income and ability to pay to reduce regressivity of the property tax.

Provide general support aid and property tax relief to help make services provided by local governments more affordable.

Help mitigate sudden property tax spikes due to unforeseen circumstances or state tax policy decisions.

Incentivize behavior which the state deems beneficial to achieving statewide outcomes.

Measuring Success:

Track measures of tax progressivity and regressivity (e.g. Incidence Study and Suits Index)

Study property tax burdens relative to income (e.g. Voss Report)

Analyze local government costs to provide services to taxpayers (e.g. local tax rates, financial reporting)

Tax Policy Aids and Credits**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$2,787,475	\$84,544		\$2,872,019
Current Law Expenditures (FY 2014-15)	\$2,701,982	\$81,896		\$2,783,878
Governor's Recommended Expenditures (FY2014-15)	\$2,837,512	\$81,896		\$2,919,408
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$135,530	\$0		\$135,530
% Change from FY 2014-15 Current Law to Governor's Rec	5%	0%		5%

Tax Policy Aids and Credits**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			Total Funds
	General Funds	Other State Funds	Federal Funds	
BALANCE FORWARD IN		\$3,075		\$3,075
REVENUE		\$110,653		\$110,653
TRANSFERS IN	\$51,927	\$288		\$52,215
APPROPRIATION	\$2,806,030	\$45,783		\$2,851,813
SOURCES OF FUNDS	\$2,857,957	\$159,800		\$3,017,757
BALANCE FORWARD OUT		\$2,477		\$2,477
TRANSFERS OUT	\$20,445	\$74,276		\$94,721
EXPENDITURES	\$2,837,512	\$81,896		\$2,919,408
PAYROLL EXPENSE				
OPERATING EXPENSES	\$10,286			\$10,286
OTHER FINANCIAL TRANSACTIONS	\$30,102	\$80,684		\$110,786
GRANTS, AIDS AND SUBSIDIES	\$2,797,124	\$1,212		\$2,798,336
USES OF FUNDS	\$2,857,957	\$158,649		\$3,016,606

Tax Policy Aids and Credits

Governor's Changes

(Dollars in Thousands)

	FY 14	FY 15	FY 14-15 Biennium	FY 16	FY 17	FY 16-17 Biennium
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New Bracket on Top Two Percent - Revised

The Governor recommends creating a new 4th tier income tax bracket for upper incomes at a marginal income tax rate of 9.85 percent beginning in tax year 2013. The new marginal rate will apply only to taxable income above \$250,000 for married joint filers, \$125,000 for married separate filers, \$150,000 for single filers, and \$200,000 for head of household filers. Taxable income is less than total household income because it is calculated after deductions. The new bracket would be adjusted yearly for inflation. For tax year 2013, an estimated 54,400 returns, or 2.1 percent of all Minnesota resident returns, would pay an average of \$7,168 more tax.

Performance Measures:

The Department of Revenue's Tax Incidence Study shows that the state and local tax system in Minnesota is regressive. That is higher income households pay a smaller share of their income to support state and local services than do lower- and middle-income households. Among the major tax types, the state income tax is the only progressive tax. A new 4th tier income tax bracket for the top 2 percent of Minnesota income earners is progressive.

General Fund	Revenue	592,500	526,400	1,118,900	554,300	590,300	1,144,600
	Net Change	(592,500)	(526,400)	(1,118,900)	(554,300)	(590,300)	(1,144,600)

Sales and Use Tax Reform - Revised

The Governor withdraws his recommendation in this area.

Performance Measures:

N/A

General Fund	Revenue	0	0	0	0	0	0
Other Funds	Revenue	0	0	0	0	0	0
	Net Change	0	0	0	0	0	0

Sales and Use Tax Rate Reduction - Revised

The Governor withdraws his recommendation in this area.

Performance Measures:

N/A

General Fund	Revenue	0	0	0	0	0	0
Other Funds	Revenue	0	0	0	0	0	0
	Net Change	0	0	0	0	0	0

Tax Policy Aids and Credits

Governor's Changes

(Dollars in Thousands)

		FY 14	FY 15	FY 14-15 Biennium	FY 16	FY 17	FY 16-17 Biennium
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Sales Tax Upfront Capital Equipment Exemption - Revised

The Governor withdraws his recommendation in this area.

Performance Measures:

N/A

General Fund	Revenue	0	0	0	0	0	0
Other Funds	Revenue	0	0	0	0	0	0
	Net Change	0	0	0	0	0	0

Corporate Tax Rate Reduction from 9.8 percent to 8.4 percent - Revised

The Governor withdraws his recommendation in this area.

Performance Measures:

N/A

General Fund	Revenue	0	0	0	0	0	0
	Net Change	0	0	0	0	0	0

Corporate Tax Reform - Revised

The Governor recommends several changes to the corporate franchise tax intended to level the playing field for businesses and lower the corporate tax rate. Recommended changes to the corporate tax base include: 1) Repealing the current law subtraction for foreign royalties and provisions for foreign operating corporations (FOCs). 2) Amending statutes to require that all sales to this state of a unitary business be included in the sales factor for this state. 3) Adopting statutory language requiring business transactions to meet an economic substance test to be allowed in determining Minnesota taxable income. 4) Amending statutes to conform to the federal law treatment of foreign entities in Section 701 of the Internal Revenue Code. Under federal law, the distributive share of income from all domestic and foreign partnerships flows to its domestic owners. Current Minnesota law excludes the net income and apportionment factors of foreign partnerships in calculating net income and apportionment factors for a unitary business. 5) Eliminating the unintended double-deduction by excluding dividends received from a real estate investment trust (REIT) in calculating the deduction allowed to a corporation for dividends received deduction (DRD) from another corporation.

Performance Measures:

Reforming the corporate tax promotes good tax policy by broadening the base. The change will reduce the number and amount of tax expenditures thereby simplifying Minnesota's tax code.

General Fund	Revenue	172,500	125,100	297,600	125,250	126,900	252,150
	Net Change	(172,500)	(125,100)	(297,600)	(125,250)	(126,900)	(252,150)

Tax Policy Aids and Credits

Governor's Changes

(Dollars in Thousands)

	FY 14	FY 15	FY 14-15 Biennium	FY 16	FY 17	FY 16-17 Biennium
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Property Tax Rebate - Revised

The Governor withdraws his recommendation in this area.

Performance Measures:

N/A

General Fund	Revenue	0	0	0	0	0	0
	Net Change	0	0	0	0	0	0

State Business Levy Reduction - Revised

The Governor withdraws his recommendation in this area.

Performance Measures:

N/A

General Fund	Revenue	0	0	0	0	0	0
	Net Change	0	0	0	0	0	0

Local Government Aid Increase / New Formula

The Governor recommends increasing the annual appropriation for Local Government Aid (LGA) for cities, and adjusting the distribution formula to make the program more understandable and more stable. The annual appropriation will increase by \$80 million, or 19 percent, to \$506 million beginning with aids payable in calendar year 2014 (state FY2015). Further, recognizing how repeated cuts in LGA funding from a high of \$565 million to the current law level of \$426 million has destabilized the existing formula and the reliability of the program, the Governor recommends a simplified new distribution formula.

Performance Measures:

This proposal will reduce city property taxes in recipient cities. Cities across the state are better able to offer their residents access to comparable services at a relatively similar tax cost.

General Fund	Expenditure	0	80,000	80,000	80,000	80,000	160,000
	Net Change	0	80,000	80,000	80,000	80,000	160,000

County Program Aid Increase

The Governor recommends increasing the annual appropriation for County Program Aid by \$40 million per year to \$205.6 million beginning with aids payable in calendar 2014 (state FY2015). This program has been cut repeatedly over the past decade. The proposal nearly returns County Program Aid to its 2005 level of \$206 million.

Performance Measures:

This proposal will reduce county property taxes. Counties across the state are better able to offer their residents access to comparable services at a relatively similar tax cost.

General Fund	Expenditure	0	40,000	40,000	40,000	40,000	80,000
	Net Change	0	40,000	40,000	40,000	40,000	80,000

Tax Policy Aids and Credits

Governor's Changes

(Dollars in Thousands)

	FY 14	FY 15	FY 14-15 Biennium	FY 16	FY 17	FY 16-17 Biennium
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Part Year Residents Maintaining a Minnesota Abode

The Governor recommends extending the income tax to persons who are present in the state for more than 60 days but less than 183 days and who maintain an abode in Minnesota for at least six months. Individuals who meet these criteria will be considered "part-year residents." Part-year residents will be subject to tax on their Minnesota-sourced income (as they are now) and a pro-rata share of all other income based on the number of days they are present in the state. A credit will be granted for income taxes paid on the same income to other states if the other state does not allow a credit for tax paid to Minnesota. An exception is made for days an individual is in the state for the purpose of receiving medical services. The proposed change will be effective beginning in tax year 2013.

Performance Measures:

This proposal will make Minnesota's overall tax system more fair by requiring those who benefit from Minnesota state and local public services for a substantial portion of the year to also contribute to the cost of providing those services.

General Fund	Revenue	15,000	15,000	30,000	15,000	15,000	30,000
	Net Change	(15,000)	(15,000)	(30,000)	(15,000)	(15,000)	(30,000)

Increase Cigarette and Tobacco Products Excise Tax - Revised

The Governor recommends increasing the cigarette excise tax from 48 cents per pack to \$1.42 per pack, an increase of 94 cents per pack. The additional amount would be deposited in the General Fund. No change is proposed for the cigarette health impact fee of 75 cents per pack. The total cigarette excise tax and fee would increase from \$1.23 to \$2.17 per pack. The tobacco products excise tax of 35 percent will increase 20 percentage points to a total of 55 percent of the wholesale price. The tobacco products health impact fee of 35 percent of the wholesale price would not be changed. The total tax and fee on tobacco products will increase from 70 percent to 90 percent of the whole-sale price. This proposal will reduce the amount of revenue generated by the health impact fee as increasing cigarette and tobacco taxes reduces cigarette and tobacco use overall.

Performance Measures:

Increasing cigarette and tobacco taxes has been shown to reduce the percentage of Minnesotan's who smoke or use tobacco products.

General Fund	Revenue	184,200	180,800	365,000	180,900	180,500	361,400
General Fund	Transfers In	(23,300)	(24,800)	(48,100)	(25,000)	(24,400)	(49,400)
Other Funds	Revenue	(23,279)	(24,779)	(48,058)	(24,979)	(24,370)	(49,349)
Other Funds	Transfers Out	(23,300)	(24,800)	(48,100)	(25,000)	(24,400)	(49,400)
	Net Change	(160,921)	(156,021)	(316,942)	(155,921)	(156,130)	(312,051)

Tax Policy Aids and Credits

Governor's Changes

(Dollars in Thousands)

	FY 14	FY 15	FY 14-15 Biennium	FY 16	FY 17	FY 16-17 Biennium
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Motor Vehicle Rental Tax - 3% Point Increase - Revised

The Governor recommends increasing the car rental tax from 6.2 percent to 9.2 percent. The revenue from this rate increase will fund an increased appropriation to Explore Minnesota Tourism of \$15 million for the FY 2014-15 biennium. Most car rental tax revenues are captured at the Minneapolis-St. Paul International Airport and are paid primarily by out-of-state visitors.

Performance Measures:

The increase in funding for Explore Minnesota Tourism will be successful if it increases awareness of Minnesota and results in additional tourism-related economic activity.

General Fund	Revenue	7,300	7,700	15,000	8,100	8,400	16,500
	Net Change	(7,300)	(7,700)	(15,000)	(8,100)	(8,400)	(16,500)

Levy Change Interactions: Income Tax and Property Tax Refund - Revised

The Governor's budget recommendations for increases in Local Government Aid and County Program Aid, and school levy changes interact with property tax refund claims and the income tax system. It is assumed that due to the recommended changes there will be an overall reduction in property taxes levied statewide. Resulting from this is a decrease in property tax refunds paid to homeowners and an increase individual and corporate tax receipts.

Performance Measures:

The revenue and expenditure changes resulting from interaction effects are a result of the Governor's priority to provide property tax relief for Minnesotans.

General Fund	Expenditure	0	(2,870)	(2,870)	(2,960)	(3,000)	(5,960)
General Fund	Revenue	0	2,860	2,860	2,950	3,000	5,950
	Net Change	0	(5,730)	(5,730)	(5,910)	(6,000)	(11,910)

Federal Tax Conformity - New

The Governor recommends conforming to selected provisions of the American Taxpayer Relief Act of 2012, Public Law 112-240, enacted January 2, 2013, including the higher phase-out range for the working family credit for married joint returns, and the following 13 provisions: parity for exclusion of employer provided mass transit and parking benefits; special rule for contributions to qualified conservation property; tax-free IRA distributions to certain public charities; 15-year straight line depreciation for qualified leasehold, restaurants and retail improvements; 7-year recovery period for certain motorsports racing track facilities; accelerated depreciation for business property on Indian reservations; increased Sec. 179 expensing, with 80% addback and 5-year recovery; election to expense mine safety equipment; special expensing rules for certain film and television productions; exception under Subpart F for active financing income; Increase from 50% to 100% the exclusion of gain on certain small business stock; and 50% bonus depreciation with 80% addback and 5-year recovery.

Performance Measures:

Federal conformity for the working family credit will provide tax relief and income assistance for low- and moderate-income working families making Minnesota's tax system more progressive. Conforming to other provisions will simplify tax filing and eliminate the need for businesses to keep two sets of books for tax purposes (one for federal tax and one for Minnesota tax).

General Fund	Revenue	(20,525)	4,930	(15,595)	(19,355)	(31,685)	(51,040)
	Net Change	20,525	(4,930)	15,595	19,355	31,685	51,040

Tax Policy Aids and Credits

Governor's Changes

(Dollars in Thousands)

	FY 14	FY 15	FY 14-15 Biennium	FY 16	FY 17	FY 16-17 Biennium
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Renter Property Tax Refund Modifications - New

The Governor recommends increased funding for the renter's property tax refund (or renter's credit) to enhance tax fairness for Minnesota's low- and moderate-income renters. Changes to the formula include reducing the copayments, increasing the maximum refund, increasing the income subtraction for seniors and disabled, allowing the income subtraction for seniors and disabled to be claimed by both members of a married couple if both are seniors/disabled, and increasing the income subtraction for qualifying dependents. The Governor's recommendation will increase renter's credit refunds for approximately 93% of the 334,000 renters who currently file for a refund. The average refund will increase \$57.

Performance Measures:

This proposal provides property tax relief to renters whose imputed property tax burdens are high compared with their incomes. Property taxes will be less regressive for the 311,000 renters receiving an increased renter's property tax refund.

General Fund	Expenditure	0	18,400	18,400	19,100	19,700	38,800
	Net Change	0	18,400	18,400	19,100	19,700	38,800

Affiliate Nexus - New

The Governor recommends broadening the definition of "affiliated entity" in sales tax law in order to collect sales tax on online purchases used and consumed in Minnesota. Under current law, a large portion of the sales on internet retailers go uncollected because many internet retailers do not have a physical presence in the State. This proposal would change the legal definition of affiliated entity to include entities who refer potential customers, whether by a link on an internet web site or otherwise, to the out-of-state retailer. This item will be effective July 1, 2013.

Performance Measures:

This proposal will create fairness by leveling the playing field between brick and mortar businesses located in Minnesota and out-of-state sellers who do not have a physical presence in Minnesota. This proposal also reduces the burden on purchasers of taxable goods from internet sellers to file and remit use tax on their purchases making Minnesota's tax system more efficient and easier to administer.

General Fund	Revenue	4,300	5,400	9,700	5,940	6,520	12,460
Other Funds	Revenue	260	309	569	339	379	718
	Net Change	(4,560)	(5,709)	(10,269)	(6,279)	(6,899)	(13,178)

Tax Policy Aids and Credits

Governor's Changes

(Dollars in Thousands)

	FY 14	FY 15	FY 14-15 Biennium	FY 16	FY 17	FY 16-17 Biennium
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Index Minimum Fee Brackets - New

The Governor recommends indexing the minimum fee brackets and tax amounts for inflation since 1990. The minimum fee was established in 1990 and has not been adjusted since that time. As adopted in 1990, the minimum fee is based on the sum of property, payroll and sales in Minnesota and is paid annually by S-corporations, partnerships, and C-corporations. Indexing the minimum fee brackets will prevent taxpayers from being subject to the next higher bracket based solely on economic changes while updating the brackets and amounts since 1990 will ensure that corporations benefiting from sales to the Minnesota market place will pay a minimum tax to support the public investments that sustain that marketplace. The indexing method used to compute the fee and factor brackets is the same method used to index tax brackets for the individual income tax. This provision is effective for tax year 2013.

Performance Measures:

Indexing the minimum fee brackets and tax amounts updates and aligns the revenue system with current economic activities. It also makes our tax system more fair by requiring business to pay something in tax to reflect the business done in Minnesota.

General Fund	Revenue	9,300	9,400	18,700	9,600	9,800	19,400
	Net Change	(9,300)	(9,400)	(18,700)	(9,600)	(9,800)	(19,400)
Net All Change Items	General Fund	(941,275)	(717,260)	(1,658,535)	(721,545)	(747,635)	(1,469,180)
	Other Funds	(281)	(330)	(611)	(360)	(409)	(769)
	Net Change	(941,556)	(717,590)	(1,659,146)	(721,905)	(748,044)	(1,469,949)

Tax Aids and Credits

Refunds – Homeowner Property Tax Refund

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Homeowner Property Tax Refund supports the following statewide outcome(s).

Strong and stable families and communities.

Context:

For some taxpayers, property taxes account for a relatively high share of household income. Property tax refunds, credits and reimbursements exist in various forms to reduce property tax burdens on homeowners and/or businesses.

Funding Source: State General Fund

Strategies:

The homeowner property tax refund program is designed to reduce regressivity of the property tax by targeting state paid refunds to households that pay high property taxes relative to their household income.

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 refund (PTR).

Performance Measures	Previous	Current	Trend
Suits index – homeowner property taxes before PTR	-0.178	-0.164	Improving
Suits index – homeowner property taxes after PTR	-0.139	-0.126	Improving
Reduction in regressivity due to PTR	22%	23%	Improving

Performance Measures Notes:

The Suits index is a summary measure of tax progressivity or regressivity. 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 2009 Tax Incidence Study (previous) with the 2011 Tax Incidence Study (current).

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

For additional information, visit the Revenue Department website (<http://www.revenue.state.mn.us/Pages/default.aspx>) and search 'property tax refund'.

Budget Activity: Prop. Tax Refund - Homeowner
Current, Base and Governor's Recommended Expenditures - Rev
(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$612,756			\$612,756
Current Law Expenditures (FY 2014-15)	\$672,400			\$672,400
Governor's Recommended Expenditures (FY2014-15)	\$669,530			\$669,530
\$ Change from FY 2014-15 Current Law to Governor's Rec	(2,870)			(2,870)
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Prop. Tax Refund - Homeowner**Sources and Uses**

(Dollars in Thousands)

Biennium FY14-FY15				
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$669,530			\$669,530
SOURCES OF FUNDS	\$669,530			\$669,530
EXPENDITURES	\$669,530			\$669,530
PAYROLL EXPENSE				
OTHER FINANCIAL TRANSACTIONS	\$50			\$50
GRANTS, AIDS AND SUBSIDIES	\$669,480			\$669,480
USES OF FUNDS	\$669,530			\$669,530

Tax Aids and Credits

Refunds – Renter Property Tax Refund

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Renter Property Tax Refund supports the following statewide outcome(s).

Strong and stable families and communities.

Context:

For some taxpayers, property taxes account for a relatively high share of income. Property tax refunds, credits and reimbursements exist in various forms to reduce property tax burdens on homeowners and/or businesses.

Funding Source: State General Fund

Strategies:

The renter property tax refund program is designed to reduce regressivity of the property tax by targeting state paid refunds to renters that pay high property taxes relative to their household income.

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 refund (PTR).

Performance Measures	Previous	Current	Trend
Suits index – rental housing property taxes before PTR	-0.391	-0.299	Improving
Suits index – rental housing property taxes after PTR	-0.196	-0.119	Improving
Reduction in regressivity due to PTR	50%	60%	Improving

Performance Measures Notes:

The Suits index is a summary measure of tax progressivity or regressivity. 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 2009 Tax Incidence Study (previous) with the 2011 Tax Incidence Study (current).

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

For additional information, visit the Revenue Department website (<http://www.revenue.state.mn.us/Pages/default.aspx>) and search 'property tax refund'.

Budget Activity: Prop. Tax Refund - Renter**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$388,844			\$388,844
Current Law Expenditures (FY 2014-15)	\$399,100			\$399,100
Governor's Recommended Expenditures (FY2014-15)	\$417,500			\$417,500
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$18,400			\$18,400
% Change from FY 2014-15 Current Law to Governor's Rec	5%			5%

Budget Activity: Prop. Tax Refund - Renter**Sources and Uses**

(Dollars in Thousands)

Biennium FY14-FY15				
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$417,500			\$417,500
SOURCES OF FUNDS	\$417,500			\$417,500
EXPENDITURES	\$417,500			\$417,500
PAYROLL EXPENSE				
OPERATING EXPENSES	\$300			\$300
OTHER FINANCIAL TRANSACTIONS	\$50			\$50
GRANTS, AIDS AND SUBSIDIES	\$417,150			\$417,150
USES OF FUNDS	\$417,500			\$417,500

Tax Aids and Credits

Refunds – Special Property Tax Refund

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Special Property Tax Refund supports the following statewide outcome(s).

Strong and stable families and communities.

Context:

Sudden, significant spikes in property taxes can lead to financial strain for households.

The special property tax refund program provides additional property tax relief to property owners who may be uniquely impacted by a sudden increase in property taxes due to economic conditions, property tax policy changes, or other factors.

Funding Source: State General Fund

Strategies:

The program is designed to mitigate large spikes in property tax levels.

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:

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

Performance Measures	Previous	Current	Trend
Annual special refunds processed	58,000	26,000	Decreasing

Performance Measures Notes:

Results from year to year can be highly variable. Since 2002, the average annual number of special refunds processed is 95,000. In recent years, the number of special refunds has been lower due to slower growth in residential homestead property taxes.

Annual refunds processed compares calendar year 2009 (previous) to 2011 (current).

For additional information, visit the Revenue Department (<http://www.revenue.state.mn.us/Pages/default.aspx>) website and search 'property tax refund'.

Budget Activity: Prop. Tax Refund - Special
Current, Base and Governor's Recommended Expenditures - Rev
(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$5,477			\$5,477
Current Law Expenditures (FY 2014-15)	\$8,250			\$8,250
Governor's Recommended Expenditures (FY2014-15)	\$8,250			\$8,250
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

**Budget Activity: Prop. Tax Refund - Special
Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			Total Funds
	General Funds	Other State Funds	Federal Funds	
APPROPRIATION	\$8,250			\$8,250
SOURCES OF FUNDS	\$8,250			\$8,250
EXPENDITURES	\$8,250			\$8,250
PAYROLL EXPENSE				
OTHER FINANCIAL TRANSACTIONS	\$2			\$2
GRANTS, AIDS AND SUBSIDIES	\$8,248			\$8,248
USES OF FUNDS	\$8,250			\$8,250

Tax Aids and Credits

Refunds – Sustainable Forest Incentive Payment

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Sustainable Forest Incentive Payment supports the following statewide outcome(s).

A clean, healthy environment with sustainable uses of natural resources.

Context:

Property is generally valued and taxed based on its highest and best use. Consequently, property taxes represent a significant annual cost that can discourage long-term forest management investments.

Funding Source: State General Fund.

Strategies:

Provide aid payments to enrolled owners of forested land to encourage sustainable forest management.

An owner of forested land who meets all of the qualifications for enrollment in the Sustainable Forest Incentive Act, and records a covenant with the county recorder's office pledging not to develop the land, is eligible for a payment-per-acre in taxable income for those enrolled acres. The annual statewide payment-per-acre rate is \$7.00 up to a maximum total payment of \$100,000 per landowner.

Results:

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

Performance Measures	Previous	Current	Trend
Acres of forest land enrolled	799,000	916,000	Increasing

Performance Measures Notes:

Acres of forest land enrolled compares calendar year 2009 (previous) to 2011 (current).

For additional information, visit the Revenue Department (<http://www.revenue.state.mn.us/Pages/default.aspx>) website and search 'sustainable forest'.

Budget Activity: Sust. Forest Incentive Paymnt
Current, Base and Governor's Recommended Expenditures - Rev

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$6,590			\$6,590
Current Law Expenditures (FY 2014-15)	\$7,440			\$7,440
Governor's Recommended Expenditures (FY2014-15)	\$7,440			\$7,440
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Sust. Forest Incentive Paymnt**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			Total Funds
	General Funds	Other State Funds	Federal Funds	
APPROPRIATION	\$7,440			\$7,440
SOURCES OF FUNDS	\$7,440			\$7,440
EXPENDITURES	\$7,440			\$7,440
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$7,440			\$7,440
USES OF FUNDS	\$7,440			\$7,440

Tax Aids and Credits

Aids - Local Government Aid to Cities

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Local Government Aid to Cities supports the following statewide outcome(s).

Strong and stable families and communities.

Context:

Cities across the state have varying service needs and revenue raising capacities. State payments to local governments exist in various forms to enhance local government revenue, assist in basic service delivery, and reduce property tax burdens on homeowners and/or businesses.

Funding Source: State General Fund.

Strategies:

Provide general support aid and property tax relief to municipal governments.

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

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

Results:

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

Performance Measures	Previous	Current	Trend
Percentage of cities receiving LGA	93%	85%	Decreasing
LGA percentage of city spending	13.0%	12.6%	Decreasing

Performance Measures Notes:

Percentage of cities receiving LGA compares payable year 2008 (previous) to 2010 (current).

In 2008, 795 out of 854 cities received LGA. In 2010, 727 out of 854 cities received LGA. The decrease was due to legislatively approved reductions in LGA.

LGA percentage of city spending is based on State Auditor city finance reports for 2008 and 2010 and computes LGA as a percentage of total current expenditures.

For additional information, visit the Revenue Department (<http://www.revenue.state.mn.us/Pages/default.aspx>) website and search 'LGA'.

Budget Activity: Local Government Aid to Cities
Current, Base and Governor's Recommended Expenditures - Rev
(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$850,579			\$850,579
Current Law Expenditures (FY 2014-15)	\$853,933			\$853,933
Governor's Recommended Expenditures (FY2014-15)	\$933,933			\$933,933
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$80,000			\$80,000
% Change from FY 2014-15 Current Law to Governor's Rec	9%			9%

Budget Activity: Local Government Aid to Cities**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			Total Funds
	General Funds	Other State Funds	Federal Funds	
APPROPRIATION	\$933,933			\$933,933
SOURCES OF FUNDS	\$933,933			\$933,933
EXPENDITURES	\$933,933			\$933,933
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$933,933			\$933,933
USES OF FUNDS	\$933,933			\$933,933

Tax Aids and Credits

Aids - County Program Aid

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

County Program Aid supports the following statewide outcome(s).

Strong and stable families and communities.

Context:

Counties across the state have varying service needs and revenue raising capacities. State payments to local governments exist in various forms to enhance local government revenue, assist in basic service delivery, and reduce property tax burdens on homeowners and/or businesses.

Funding Source: State General Fund.

Strategies:

Provide general purpose aid to counties in recognition of their revenue needs and tax base to better equalize revenue capacity.

County Program Aid (CPA) is a general purpose aid to counties that can be used for any lawful expenditure. It is also intended to be used for property tax relief by reducing the amount of revenue collected locally, through property tax or other means. Prior to 2004, counties received aid through a number of different programs. Beginning in 2004, the aid programs were combined into one general aid program.

The CPA appropriation is divided into two main pots: (1) need aid and (2) tax base equalization aid. The need aid is distributed proportionately based on a county's measure of crime rate, poverty, and age-adjusted population. The tax base equalization aid is distributed based on a county's population and local tax base. In general, the formula attempts to target aid to those counties with the highest need and lowest tax base.

Results:

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

Performance Measures	Previous	Current	Trend
Percentage of counties receiving CPA – Need Aid	100%	100%	Stable
Percentage of counties receiving CPA – Tax Base Equalization Aid	93%	93%	Stable
CPA percentage of county spending	3.4%	3.4%	Stable

Performance Measures Notes:

Percentage of counties receiving CPA compares payable year 2008 (previous) to 2010 (current).

In 2008 and 2010, 87 out of 87 counties received need aid and 81 out of 87 received tax base equalization aid.

CPA percentage of county spending is based on State Auditor county finance reports for 2008 and 2010 and computes CPA as a percentage of total current expenditures.

For additional information, visit the Revenue Department (<http://www.revenue.state.mn.us/Pages/default.aspx>) website and search 'CPA'.

Budget Activity: County Program Aid**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$322,212			\$322,212
Current Law Expenditures (FY 2014-15)	\$331,067			\$331,067
Governor's Recommended Expenditures (FY2014-15)	\$371,067			\$371,067
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$40,000			\$40,000
% Change from FY 2014-15 Current Law to Governor's Rec	12%			12%

Budget Activity: County Program Aid**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			Total Funds
	General Funds	Other State Funds	Federal Funds	
APPROPRIATION	\$372,495			\$372,495
SOURCES OF FUNDS	\$372,495			\$372,495
TRANSFERS OUT	\$1,428			\$1,428
EXPENDITURES	\$371,067			\$371,067
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$371,067			\$371,067
USES OF FUNDS	\$372,495			\$372,495

Tax Aids and Credits

Aids - Disparity Reduction Aid

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Disparity Reduction Aid supports the following statewide outcome(s).

Efficient and accountable government services.

Context:

Disparity Reduction Aid (DRA) is a legacy aid that was created by the 1988 Legislature to provide relief for high tax rate areas as part of the conversion from mill rates and assessed values to net tax capacities. While initially paid to all qualifying local jurisdictions, the city amounts were cancelled (and shifted to Local Government Aid) beginning with aids paid in 1994. In addition, the amounts originally computed for special taxing districts were rolled into county DRA beginning with aids paid in 1995.

Funding Source: State General Fund.

Strategies:

Provide property tax relief for areas with high tax rates in 1988.

The underlying formula for distributing DRA each year is still based on tax base calculations originating in 1988, whether or not the unique taxing areas (UTA) continue to have high tax rates, or tax rates higher than other jurisdictions.

Results:

Unique taxing areas (UTA's) with high tax rates in 1988 receive state assistance to help reduce property tax rates.

Performance Measures	Previous	Current	Trend
Percentage of UTA's with a local tax rate above 90% that receive DRA	26%	32%	Stable

Performance Measures Notes:

A unique taxing area (UTA) is a geographic area subject to the same set of local tax rates levied by the same taxing districts. There are over 6,000 UTAs in Minnesota.

Currently 32 percent of UTA's with a local tax rate above 90 percent of net tax capacity receive DRA. This is due to aid distributions being based on the original 1988 calculations. UTA's with a local tax rate below the 90% threshold are not eligible to receive DRA in the current year. If a UTA's tax rate increases to above 90% but was not originally certified to receive DRA, the UTA will not receive DRA.

21 percent of all UTA's received DRA in 2002 compared to 17 percent in 2012. The change is due to fluctuations in local tax rates and eligibility for DRA.

Percentage of UTA's receiving DRA compares payable year 2002 (previous) to 2012 (current).

For additional information, visit the Revenue Department (<http://www.revenue.state.mn.us/Pages/default.aspx>) website and search 'DRA'.

Budget Activity: Disparity Reduction Aid**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$37,878			\$37,878
Current Law Expenditures (FY 2014-15)	\$36,787			\$36,787
Governor's Recommended Expenditures (FY2014-15)	\$36,787			\$36,787
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Disparity Reduction Aid**Sources and Uses**

(Dollars in Thousands)

Biennium FY14-FY15				
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$36,787			\$36,787
SOURCES OF FUNDS	\$36,787			\$36,787
EXPENDITURES	\$36,787			\$36,787
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$36,787			\$36,787
USES OF FUNDS	\$36,787			\$36,787

Tax Aids and Credits

Aids - Casino Aid to Counties

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Casino Aid to Counties supports the following statewide outcome(s).

A thriving economy that encourages business growth and employment opportunities.

Context:

Increased service demands from tax-exempt property can lead to financial strain for local governments. State payments to local governments exist in various forms to enhance local government revenue, assist in basic service delivery, and reduce property tax burdens on homeowners and/or businesses.

Funding Source: State General Fund.

Strategies:

Provide a state aid 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.

County casino aid provides state tax revenue sharing with counties containing an Indian reservation where the tribe operates a casino and has an agreement with the state to collect taxes. The aid is equal to ten percent of the state share of the taxes collected from the Indian reservation under a tax agreement, up to a maximum of \$1.1 million per year. If the total payment exceeds \$1.1 million, reductions will be made first to counties that do not have a per capita income less than 80 percent of the same state level or have 30 percent or more of total market value of real property that is tax exempt.

Results:

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

Performance Measures	Previous	Current	Trend
Number of Counties Receiving Casino Aid	12	12	Stable

Performance Measures Notes:

Number of counties receiving casino aid compares calendar year 2009 (previous) to 2011 (current).

Budget Activity: Casino Aid to Counties**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$1,548			\$1,548
Current Law Expenditures (FY 2014-15)	\$1,739			\$1,739
Governor's Recommended Expenditures (FY2014-15)	\$1,739			\$1,739
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Casino Aid to Counties**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$1,739			\$1,739
SOURCES OF FUNDS	\$1,739			\$1,739
EXPENDITURES	\$1,739			\$1,739
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$1,739			\$1,739
USES OF FUNDS	\$1,739			\$1,739

Tax Aids and Credits

Aids - Utility Value Transition Aid

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Utility Value Transition Aid supports the following statewide outcome(s).

Efficient and accountable government services.

Context:

Sudden, significant changes to tax base can lead to financial strain for local units of government.

A 2007 rule change pertaining to the assessment of public utility property reduced the tax base of some jurisdictions. Utility Valuation Transition Aid (UVTA) was created to help compensate cities and towns for reductions in their tax base due to the assessment rule change. The aid was first paid in calendar year 2009 to 43 cities and townships with tax base reductions greater than four percent. The aid will continue for each qualifying municipality until the current valuation of public utility property exceeds its 2007 valuation under the old utility assessment rules.

Funding Source: State General Fund.

Strategies:

Compensate cities and towns with tax base reductions greater than four percent due to the implementation of a new rule pertaining to the assessment of utility property.

Results:

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

Performance Measures	Previous	Current	Trend
Number of eligible cities and towns where the current utility tax base remains lower than the old rule utility tax base	43	7	Improving

Performance Measures Notes:

Number of eligible cities and towns compares assessment year 2007 (previous) to 2011 (current).

For additional information, visit the Revenue Department (<http://www.revenue.state.mn.us/Pages/default.aspx>) website and search 'UVTA'.

Budget Activity: Utility Value Transition Aid**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$2,487			\$2,487
Current Law Expenditures (FY 2014-15)	\$873			\$873
Governor's Recommended Expenditures (FY2014-15)	\$873			\$873
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Utility Value Transition Aid**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$873			\$873
SOURCES OF FUNDS	\$873			\$873
EXPENDITURES	\$873			\$873
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$873			\$873
USES OF FUNDS	\$873			\$873

Tax Aids and Credits

Aids - State Taconite Aid

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

State Taconite Aid supports the following statewide outcome(s).

A thriving economy that encourages business growth and employment opportunities.

Context:

Sudden, significant changes to tax base can lead to financial strain for local units of government. Taconite production decreased 30 percent in 2001 primarily due to the closure of the LTV Steel Mining Company plant in Hoyt Lakes. This decrease had a significant impact on the local tax base.

Funding Source: State General Fund.

Strategies:

Provide additional revenue to compensate for reduced taconite production occurring in 2001.

Beginning in 2001, state aid was provided to the production tax fund to be distributed as if the aid were 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 for the local governments.

Performance Measures	Previous	Current	Trend
Taconite Production Percentage of Base Year 2000 Production	70%	87%	Improving

Performance Measures Notes:

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 8.5 percent of total production tax distributions in 2011.

Base year 2000 production is for the calendar year.

Taconite production percentage compares calendar year 2001 (previous) to calendar year 2011 (current).

Budget Activity: State Taconite Aid**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$9,065			\$9,065
Current Law Expenditures (FY 2014-15)	\$9,986			\$9,986
Governor's Recommended Expenditures (FY2014-15)	\$9,986			\$9,986
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: State Taconite Aid**Sources and Uses**

(Dollars in Thousands)

Biennium FY14-FY15				
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$17,427			\$17,427
SOURCES OF FUNDS	\$17,427			\$17,427
TRANSFERS OUT	\$7,441			\$7,441
EXPENDITURES	\$9,986			\$9,986
PAYROLL EXPENSE				
OPERATING EXPENSES	\$9,986			\$9,986
USES OF FUNDS	\$17,427			\$17,427

Tax Aids and Credits

Aids - Payment in Lieu of Taxes

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Payment in Lieu of Taxes (PILT) supports the following statewide outcome(s).

Efficient and accountable government services.

Context:

Increased service demands from tax-exempt property can lead to financial strain for local governments. State payments to local governments exist in various forms to enhance local government revenue, assist in basic service delivery, and reduce property tax burdens on homeowners and/or businesses.

Funding Source: State General Fund.

Strategies:

Provide compensation for the property taxes lost to local government when the DNR acquires natural resource land for the state.

The state makes payments in lieu of taxes primarily to counties for certain Department of Natural Resources (DNR) lands, county-administered other natural resource land, land utilization project land, and commissioner-administered natural land.

Results:

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

Performance Measures	Previous	Current	Trend
Acres of Natural Resources Land in PILT (millions)	8.41	8.42	Stable

Performance Measures Notes:

Acres of natural resources land compares calendar year 2009 (previous) to 2011 (current).

For additional information, visit the Revenue Department (<http://www.revenue.state.mn.us/Pages/default.aspx>) website and search 'PILT'.

Budget Activity: Payment in Lieu of Taxes**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$51,489			\$51,489
Current Law Expenditures (FY 2014-15)	\$51,927			\$51,927
Governor's Recommended Expenditures (FY2014-15)	\$51,927			\$51,927
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Payment in Lieu of Taxes**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			Total Funds
	General Funds	Other State Funds	Federal Funds	
TRANSFERS IN	\$51,927			\$51,927
SOURCES OF FUNDS	\$51,927			\$51,927
EXPENDITURES	\$51,927			\$51,927
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$51,927			\$51,927
USES OF FUNDS	\$51,927			\$51,927

Tax Aids and Credits

Credits - Market Value Agricultural Land Credit

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Market Value Agricultural Land Credit supports the following statewide outcome(s).

Strong and stable families and communities.

Context:

For some taxpayers, property taxes are a significant cost to owning agricultural land. Property tax refunds, credits and reimbursements exist in various forms to reduce property tax burdens on homeowners and/or businesses.

Funding Source: State General Fund.

Strategies:

Provide a credit to reduce the tax for owners of property classified as an agricultural homestead.

The agricultural market value land credit was designed to reduce the tax on agricultural homestead land beyond the house, garage and immediately surrounding one acre of land (or HGA). The credit is based on a percentage of land market value, with a maximum credit of \$345 per homestead which reduces to \$230 for agricultural land of \$345,000 or more.

Credit reimbursements from the state to local governments have been reduced in eight of the ten years between 2002 and 2011.

Results:

Property taxes are more affordable for agricultural homesteads across the state.

Performance Measures	Previous	Current	Trend
Average market value agricultural land credit amount	\$244	\$244	Stable

Performance Measures Notes:

Approximately 96,000 homesteads receive the credit.

Average credit amount compares payable year 2011 (previous) to 2012 (current).

For additional information, visit the Revenue Department (<http://www.revenue.state.mn.us/Pages/default.aspx>) website and search 'mvcredits'.

Budget Activity: Market Value Ag. Land Credit
Current, Base and Governor's Recommended Expenditures - Rev
(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$47,733	\$302		\$48,035
Current Law Expenditures (FY 2014-15)	\$45,465	\$288		\$45,753
Governor's Recommended Expenditures (FY2014-15)	\$45,465	\$288		\$45,753
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0	\$0		\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%	0%		0%

Budget Activity: Market Value Ag. Land Credit**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			
	General Funds	Other State Funds	Federal Funds	Total Funds
TRANSFERS IN		\$288		\$288
APPROPRIATION	\$45,465	\$0		\$45,465
SOURCES OF FUNDS	\$45,465	\$288		\$45,753
EXPENDITURES	\$45,465	\$288		\$45,753
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$45,465	\$288		\$45,753
USES OF FUNDS	\$45,465	\$288		\$45,753

Tax Aids and Credits

Credits - Prior Year Credit Adjustments

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Prior Year Credit Adjustments supports the following statewide outcome(s).

Efficient and accountable government services.

Context:

Prior Year Credit Adjustments are paid to account for abatements, court orders, omissions, and other adjustments to credits. Adjustments for the Agricultural Preserve, Homestead Disaster, Local Option Disaster, and Disparity Reduction Credits are currently included. The Homestead Market Value Credit was to be included prior to its repeal.

Funding Source: State General Fund.

Strategies:

Payments are made for accounting corrections.

Results:

The correct amount of credits is paid.

Performance Measures	Previous	Current	Trend
Adjustment amounts (\$ millions)	\$0.71m	\$0.73m	Stable
Prior year credit adjustment percentage of total credits	0.022%	0.022%	Stable

Performance Measures Notes:

Adjustment amount compares payable year 2010 (previous) to 2012 (current).

Adjustments will drop in future years due to the repeal of homestead market value credit.

Budget Activity: Prior Year Credit Adjustments
Current, Base and Governor's Recommended Expenditures - Rev
(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$1,466			\$1,466
Current Law Expenditures (FY 2014-15)	\$12			\$12
Governor's Recommended Expenditures (FY2014-15)	\$12			\$12
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Prior Year Credit Adjustments**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$12			\$12
SOURCES OF FUNDS	\$12			\$12
EXPENDITURES	\$12			\$12
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$12			\$12
USES OF FUNDS	\$12			\$12

Tax Aids and Credits

Credits - Disparity Reduction Credit

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Disparity Reduction Credit supports the following statewide outcome(s).

A thriving economy that encourages business growth and employment opportunities.

Context:

Property taxes tend to be lower in North Dakota, putting some Minnesota businesses in bordering communities at a competitive disadvantage. Property tax refunds, credits and reimbursements exist in various forms to reduce property tax burdens on homeowners and/or businesses.

Funding Source: State General Fund.

Strategies:

Provide property tax relief for businesses in certain border cities.

The Disparity Reduction Credit reduces property tax burden for commercial/industrial, public utility and apartment property to 2.3 percent of taxable market value. Eligibility requirements for receiving the credit are defined in statute. The credit provides property tax relief to the border cities of Breckenridge, Dilworth, East Grand Forks, and Moorhead.

Results:

Benefiting business property taxes are lower due to the program.

Performance Measures	Previous	Current	Trend
Average property tax reduction due to credit	\$4,693	\$5,197	Increasing

Performance Measures Notes:

Approximately 1,300 parcels receive the credit annually.

Average credit amount compares payable year 2011 (previous) to 2012 (current).

Budget Activity: Disparity Reduction Credit**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$13,292			\$13,292
Current Law Expenditures (FY 2014-15)	\$13,980			\$13,980
Governor's Recommended Expenditures (FY2014-15)	\$13,980			\$13,980
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Disparity Reduction Credit**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$13,980			\$13,980
SOURCES OF FUNDS	\$13,980			\$13,980
EXPENDITURES	\$13,980			\$13,980
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$13,980			\$13,980
USES OF FUNDS	\$13,980			\$13,980

Tax Aids and Credits

Credits - Supplemental Taconite Homestead Credit

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Supplemental Taconite Homestead Credit supports the following statewide outcome(s).

Strong and stable families and communities.

Context:

For some taxpayers, property taxes are a significant cost to owning a home. Property tax refunds, credits and reimbursements exist in various forms to reduce property tax burdens on homeowners and/or businesses.

Funding Source: State General Fund.

Strategies:

Provide credits that are equivalent to the regular taconite credits to certain areas that are adjacent to the taconite relief area but face similar issues.

The supplemental taconite homestead credit was created by the 1980 Legislature. The credit is equal to either 57 percent or 66 percent of the homestead tax depending on the area of the taconite taxing district in which it is located. The maximum amount of this credit is \$289.80 for homesteads receiving the 57 percent credit and \$315.10 for those receiving the 66 percent credit.

Results:

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

Performance Measures	Previous	Current	Trend
Average property tax reduction due to credit	\$275	\$281	Stable

Performance Measures Notes:

86% of homesteads receiving the credit get the maximum amount.

The effective tax rate (ETR) for a property is equal to the net property tax divided by its market value. The ETR can be interpreted 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 0.65 percent for taxes payable in 2012. Without the supplemental taconite homestead credit, the ETR for homesteads would have been 0.82 percent (assuming all other factors held constant). The average ETR for homesteads statewide was 1.28 percent for taxes payable in 2012.

Average property tax reduction compares payable year 2011 (previous) to 2012 (current).

Budget Activity: Supp Taconite Homestead Credit
Current, Base and Governor's Recommended Expenditures - Rev
(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$11,066			\$11,066
Current Law Expenditures (FY 2014-15)	\$10,769			\$10,769
Governor's Recommended Expenditures (FY2014-15)	\$10,769			\$10,769
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Supp Taconite Homestead Credit**Sources and Uses**

(Dollars in Thousands)

Biennium FY14-FY15				
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$10,769			\$10,769
SOURCES OF FUNDS	\$10,769			\$10,769
EXPENDITURES	\$10,769			\$10,769
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$10,769			\$10,769
USES OF FUNDS	\$10,769			\$10,769

Tax Aids and Credits

Pension Aids - Police Aid

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Police Aid supports the following statewide outcome(s).

People in Minnesota are safe.

Context:

For some local governments, pension obligations may account for a significant amount of local expenditures.

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

Funding Source: State General Fund, however the amount paid out through police aid is equal to revenue deposited into the general fund primarily from the auto insurance premiums tax.

Strategies:

The program is designed to provide pension aid to local government jurisdictions. Police State aid subsidizes the employer contributions of local units of government to the Public Employee Retirement Association. Annual aid distributions to police departments are based on the number of months worked by each licensed police officer employed by the department.

Results:

Police Aid helps increase affordability of local peace officer pensions.

Performance Measures	Previous	Current	Trend
Number of jurisdictions receiving	423	411	Stable

Performance Measures Notes:

Compares payable year 2009 (previous) to 2011 (current).

Budget Activity: Police Aid**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$111,251			\$111,251
Current Law Expenditures (FY 2014-15)	\$115,759			\$115,759
Governor's Recommended Expenditures (FY2014-15)	\$115,759			\$115,759
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Police Aid**Sources and Uses**

(Dollars in Thousands)

Biennium FY14-FY15				
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$127,335			\$127,335
SOURCES OF FUNDS	\$127,335			\$127,335
TRANSFERS OUT	\$11,576			\$11,576
EXPENDITURES	\$115,759			\$115,759
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$115,759			\$115,759
USES OF FUNDS	\$127,335			\$127,335

Tax Aids and Credits

Pension Aids - Fire Aid

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Fire Aid supports the following statewide outcome(s).

People in Minnesota are safe.

Context:

For some local governments, pension obligations may account for a significant amount of local expenditures.

Fire Aid was established in 1885 and helps support retirement pensions of local firefighters.

Funding Source: State General Fund, but the amount paid out through fire aid is equal to revenue deposited into the general fund primarily from the fire insurance premiums tax ("fire, lightning, sprinkler leakage and extended coverage premiums").

Strategies:

The purpose of state fire aid is to subsidize (1) the service pensions paid to retired firefighters, (2) the disability benefits paid to disabled firefighters, and (3) the survivor benefits paid to the surviving spouses and children of deceased firefighters.

Fire aid is the state contribution funding source for non-PERA volunteer and paid-on-call firefighter pension plans. Municipalities are also required to make a minimum contribution. An additional amount of fire aid is also allocated from the annual appropriation for amortization aid.

Results:

Fire Aid helps increase affordability of fire service.

Performance Measures	Previous	Current	Trend
Number of fire relief associations receiving fire aid	715	710	Stable

Performance Measures Notes:

Compares payable year 2009 (previous) to 2011 (current).

Budget Activity: Fire Aid**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$45,016			\$45,016
Current Law Expenditures (FY 2014-15)	\$45,724			\$45,724
Governor's Recommended Expenditures (FY2014-15)	\$45,724			\$45,724
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Fire Aid**Sources and Uses**

(Dollars in Thousands)

Biennium FY14-FY15				
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$45,724			\$45,724
SOURCES OF FUNDS	\$45,724			\$45,724
EXPENDITURES	\$45,724			\$45,724
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$45,724			\$45,724
USES OF FUNDS	\$45,724			\$45,724

Tax Aids and Credits

Pension Aids - PERA Aid

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

PERA Aid supports the following statewide outcome(s).

Efficient and accountable government services.

Context:

PERA aid is paid to any county, city, town or special taxing district with an account or accounts in the Public Employees Retirement Association (PERA). It is intended to offset the cost of the increase to the PERA employer contribution rates that were effective beginning in fiscal year 1998.

Funding Source: State General Fund.

Strategies:

Provide a state aid to cities, counties, towns and other non-school jurisdictions to offset a 1998 employer contribution rate increase for the Public Employees Retirement Association.

The aid is equal to 0.7 percent of the jurisdiction's fiscal year 1997 PERA payroll. The amounts paid have remained the same from year to year, but could potentially decrease in the future if the current PERA payroll drops significantly below the fiscal year 1997 level.

The aid is scheduled to terminate on June 30, 2020.

Results:

State assistance helps increase affordability of local government employee pensions.

Performance Measures	Previous	Current	Trend
Number of jurisdictions receiving aid	1,130	1,121	Stable

Performance Measures Notes:

Compares payable year 2009 (previous) to 2011 (current).

Budget Activity: PERA Aid**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$28,645			\$28,645
Current Law Expenditures (FY 2014-15)	\$28,634			\$28,634
Governor's Recommended Expenditures (FY2014-15)	\$28,634			\$28,634
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: PERA Aid**Sources and Uses**

(Dollars in Thousands)

Biennium FY14-FY15				
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$28,634			\$28,634
SOURCES OF FUNDS	\$28,634			\$28,634
EXPENDITURES	\$28,634			\$28,634
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$28,634			\$28,634
USES OF FUNDS	\$28,634			\$28,634

Tax Aids and Credits

Pension Aids - Insurance Surcharge Aid

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Insurance Surcharge Aid supports the following statewide outcome(s).

People in Minnesota are safe.

Context:

For some local governments, pension obligations may account for a significant amount of local expenditures.

Insurance Surcharge Aid was established in 1934 and helps support retirement pensions of local fire fighters.

Funding Source: State General Fund, but the amount paid out through insurance surcharge aid is equal to revenue deposited into the general fund from a two percent surcharge on insurance premiums on fire, lighting, and sprinkler leakage coverage in first class cities.

Strategies:

The program is designed to provide pension aid to firefighters' relief associations in cities of the first class. Insurance surcharge aid is paid by the state to firefighters' relief associations in cities of the first class. Annual distributions are based on the total amount of the two percent surcharge on insurance premiums collected within the city.

Results:

Insurance Surcharge Aid helps increase affordability of fire service.

Performance Measures	Previous	Current	Trend
Number of jurisdictions receiving	3	4	Stable

Performance Measures Notes:

Compares payable year 2010 (previous) to 2012 (current).

Budget Activity: Insurance Surcharge Aid**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$6,038			\$6,038
Current Law Expenditures (FY 2014-15)	\$6,796			\$6,796
Governor's Recommended Expenditures (FY2014-15)	\$6,796			\$6,796
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Insurance Surcharge Aid**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$6,796			\$6,796
SOURCES OF FUNDS	\$6,796			\$6,796
EXPENDITURES	\$6,796			\$6,796
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$6,796			\$6,796
USES OF FUNDS	\$6,796			\$6,796

Tax Aids and Credits

Pension Aids - Amortization Aids

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Amortization Aids supports the following statewide outcome(s).

People in Minnesota are safe.

Context:

For some local governments, pension obligations may account for a significant amount of local expenditures.

An annual appropriation was established in 1980 to fund amortization aids to police or salaried firefighters' pension associations that have an unfunded actuarial accrued liability. Certain aid reductions to the Minneapolis association are made annually, depending in part on investment returns. Some amortization aid is also redirected to teachers' retirement funds.

Funding Source: State General Fund.

Strategies:

Support retirement pensions of local peace officers and fire fighters.

Results:

State assistance helps increase affordability of local government employee pensions.

Performance Measures	Previous	Current	Trend
Number of jurisdictions receiving	15	4	Decreasing

Performance Measures Notes:

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

Compares payable year 2009 (previous) to 2011 (current).

Budget Activity: Amortization Aids**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$8,162			\$8,162
Current Law Expenditures (FY 2014-15)	\$9,660			\$9,660
Governor's Recommended Expenditures (FY2014-15)	\$9,660			\$9,660
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Amortization Aids**Sources and Uses**

(Dollars in Thousands)

Biennium FY14-FY15				
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$9,660			\$9,660
SOURCES OF FUNDS	\$9,660			\$9,660
EXPENDITURES	\$9,660			\$9,660
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$9,660			\$9,660
USES OF FUNDS	\$9,660			\$9,660

Tax Aids and Credits

Pension Aids - Firefighter Supplemental Benefits Reimbursement

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Firefighter Supplemental Benefits Reimbursement supports the following statewide outcome(s).

People in Minnesota are safe.

Context:

For some jurisdictions, pension obligations may account for a significant amount of local expenditures.

The Firefighter Supplemental Benefits Reimbursement was established in 1984 to help support retirement pensions of local fire fighters.

Funding Source: State General Fund.

Strategies:

The reimbursement payments are designed to provide pension aid to fire associations. Payments are made to volunteer firefighter relief associations to reimburse them for supplemental benefits paid in the previous year for lump sum distributions paid as retirement benefits, disability benefits, or survivor benefits. The supplemental benefit reimbursement is limited to ten percent of the lump sum distributions, not to exceed \$1,000. There is a provision for a 20 percent supplemental benefit for survivors, not to exceed \$2,000.

Results:

The program provides additional benefit to local fire fighters and general support to local jurisdictions.

Performance Measures	Previous	Current	Trend
Number of jurisdictions receiving	354	350	Stable

Performance Measures Notes:

Compares payable year 2009 (previous) to 2011 (current).

Budget Activity: Firefighter Supp. Ben. Reim.**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$1,341			\$1,341
Current Law Expenditures (FY 2014-15)	\$1,340			\$1,340
Governor's Recommended Expenditures (FY2014-15)	\$1,340			\$1,340
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Firefighter Supp. Ben. Reim.**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$1,340			\$1,340
SOURCES OF FUNDS	\$1,340			\$1,340
EXPENDITURES	\$1,340			\$1,340
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$1,340			\$1,340
USES OF FUNDS	\$1,340			\$1,340

Tax Aids and Credits

Other Local Government Payments - Senior Property Tax Deferral Reimbursement

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Senior Property Tax Deferral Reimbursement supports the following statewide outcome(s).

Strong and stable families and communities.

Context:

For some taxpayers, property taxes account for a relatively high share of income.

The Senior Citizens Property Tax Deferral Program is a voluntary program which allows eligible senior citizens to postpone paying – or defer – a portion of their homestead property taxes and special assessments. Passed in 1997 and effective for taxes payable in 1999 and following years, the state reimburses counties for the amount of property taxes deferred each year.

Funding Source: State General Fund.

Strategies:

Provide a state reimbursement to counties for property tax deferrals granted to qualified homeowners age 65 or older who have owned and occupied their home for at least 15 years and have household income less than \$60,000.

Qualifying homeowners can defer the portion of property taxes above three percent of their income. The state reimburses counties annually for the full amount of property taxes deferred. A homestead may remain eligible for deferral until a qualifying homeowner no longer resides in the property, at which point the payment of deferred taxes and interest becomes payable to the state.

Results:

Senior citizens are able to afford the property tax costs of staying in their homes by deferring the amount above three percent of their income.

Performance Measures	Previous	Current	Trend
Number of senior citizen taxpayers enrolled	170	288	Increasing

Performance Measures Notes:

Number of taxpayers enrolled compares calendar year 2009 (previous) to 2011 (current).

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

The average amount of property taxes deferred for 2011 was approximately \$3,800.

For additional information, visit the Revenue Department (<http://www.revenue.state.mn.us/Pages/default.aspx>) website and search 'senior deferral'.

Budget Activity: Senior Prop Tax Deferral Reim.
Current, Base and Governor's Recommended Expenditures - Rev
(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$2,592			\$2,592
Current Law Expenditures (FY 2014-15)	\$3,830			\$3,830
Governor's Recommended Expenditures (FY2014-15)	\$3,830			\$3,830
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Senior Prop Tax Deferral Reim.**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$3,830			\$3,830
SOURCES OF FUNDS	\$3,830			\$3,830
EXPENDITURES	\$3,830			\$3,830
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$3,830			\$3,830
USES OF FUNDS	\$3,830			\$3,830

Tax Aids and Credits

Other Local Government Payments - Performance Measurement Reimbursement

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Performance Measurement Reimbursement supports the following statewide outcome(s).

Efficient and accountable government services.

Context:

Transparency in government finances is important for establishing the trust and understanding of taxpayers.

The Performance Measurement program was created by the 2010 legislature to assist residents, taxpayers and elected officials in determining the effectiveness of cities and counties in providing services through a set of ten performance measures (e.g. police response time, hours to snow plow complete system, citizen's rating of water quality). Participation by cities and counties is voluntary.

Funding Source: State General Fund.

Strategies:

Provide an incentive to local governments to develop performance measures through reimbursement payments of up to \$25,000 and an exemption from general levy limits.

Cities and counties submit to the state auditor annual status reports confirming their progress towards adopting and implementing a system for measuring local performance and reporting results to residents. Participating jurisdictions are eligible for a \$0.14 per capita reimbursement and exemption from levy limits (if in effect).

Results:

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

Performance Measures	Previous	Current	Trend
Percentage of counties participating	44%	29%	Worsening
Percentage of cities participating	13%	7%	Worsening

Performance Measures Notes:

Annual participation compares calendar year 2011 (previous) to 2012 (current).

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.

Budget Activity: Performance Measurement Reim.
Current, Base and Governor's Recommended Expenditures - Rev
(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$1,092			\$1,092
Current Law Expenditures (FY 2014-15)	\$970			\$970
Governor's Recommended Expenditures (FY2014-15)	\$970			\$970
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Performance Measurement Reim.**Sources and Uses**

(Dollars in Thousands)

Biennium FY14-FY15				
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$970			\$970
SOURCES OF FUNDS	\$970			\$970
EXPENDITURES	\$970			\$970
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$970			\$970
USES OF FUNDS	\$970			\$970

Tax Aids and Credits

Other Local Government Payments - Mahnomen Property Tax Reimbursement

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Mahnomen Property Tax Reimbursement supports the following statewide outcome(s).

Strong and stable families and communities.

Context:

Sudden, significant changes to tax base can lead to financial strain for local units of government.

Beginning with assessment year 2007, the Shooting Star Casino land was placed into tax-exempt trust status. Annual payments are made by the state to Mahnomen County (\$450,000), the city of Mahnomen (\$80,000), and Mahnomen School District #432 (\$70,000) to compensate for property taxes not collected on the tax exempt land. The payment was first made in calendar year 2006 and became permanent in 2008.

Funding Source: State General Fund.

Strategies:

Provide payments for property tax revenue loss due to the placement of the Shooting Star Casino land into trust status.

Results:

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

Performance Measures	Previous	Current	Trend
City tax base percentage of pre-exemption tax base	52%	46%	Stable

Performance Measures Notes:

City tax base percentage compares assessment year 2007 (previous) to assessment year 2011 (current) for the city of Mahnomen. 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.

Budget Activity: Mahnomen Pr Tax Reimbursement
Current, Base and Governor's Recommended Expenditures - Rev

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$1,200			\$1,200
Current Law Expenditures (FY 2014-15)	\$1,200			\$1,200
Governor's Recommended Expenditures (FY2014-15)	\$1,200			\$1,200
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Mahnomen Pr Tax Reimbursement**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			Total Funds
	General Funds	Other State Funds	Federal Funds	
APPROPRIATION	\$1,200			\$1,200
SOURCES OF FUNDS	\$1,200			\$1,200
EXPENDITURES	\$1,200			\$1,200
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$1,200			\$1,200
USES OF FUNDS	\$1,200			\$1,200

Tax Aids and Credits

Other Local Government Payments - Taconite Aid Reimbursement

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Taconite Aid Reimbursement supports the following statewide outcome(s).

Efficient and accountable government services.

Context:

The Taconite Aid Reimbursement is paid to school district #317 in Itasca County to compensate the district for the "mining occupation tax" tax reduction received before the law was changed in 1978.

Funding Source: State General Fund.

Strategies:

Provide property tax relief to a school district no longer receiving the taconite occupation tax reduction. The school district receives a reimbursement equal to the amount the district received in 1980 so this payment has remained constant at \$561,050 over the years.

Results:

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

Performance Measures	Previous	Current	Trend
Number of school districts receiving	1	1	Stable

Performance Measures Notes:

Number of school districts compares calendar year 1980 (previous) to 2012 (current).

In FY 2011, the reimbursement payment accounted for approximately five percent of total school district revenues.

Budget Activity: Taconite Aid Reimbursement
Current, Base and Governor's Recommended Expenditures - Rev

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$561			\$561
Current Law Expenditures (FY 2014-15)	\$1,122			\$1,122
Governor's Recommended Expenditures (FY2014-15)	\$1,122			\$1,122
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Taconite Aid Reimbursement**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			Total Funds
	General Funds	Other State Funds	Federal Funds	
APPROPRIATION	\$1,122			\$1,122
SOURCES OF FUNDS	\$1,122			\$1,122
EXPENDITURES	\$1,122			\$1,122
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$1,122			\$1,122
USES OF FUNDS	\$1,122			\$1,122

Tax Aids and Credits

Other Local Government Payments - Border City Reimbursement

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Border City Reimbursement supports the following statewide outcome(s).

A thriving economy that encourages business growth and employment opportunities.

Context:

Property taxes tend to be lower in North Dakota, putting some Minnesota businesses in bordering communities at a competitive disadvantage. Property tax refunds, credits and reimbursements exist in various forms to reduce property tax burdens on homeowners and/or businesses.

Funding Source: State General Fund.

Strategies:

Provide property tax relief for businesses in certain border cities.

The Border City Reimbursement reduces property tax burden for commercial/industrial, public utility and apartment property. The reimbursement provides additional property tax relief to the eligible border cities of Breckenridge, Dilworth, East Grand Forks, and Moorhead.

Payments to businesses are at the discretion of cities.

Results:

Benefiting business property taxes are lower due to the program.

Cities are not required to demonstrate need when requesting state reimbursement.

Performance Measures	Previous	Current	Trend
Number of jurisdictions receiving reimbursement	2	2	Stable

Performance Measures Notes:

Number of cities receiving reimbursement compares payable year 2009 (previous) to 2011 (current).

Budget Activity: Border City Reimbursement**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$41			\$41
Current Law Expenditures (FY 2014-15)	\$46			\$46
Governor's Recommended Expenditures (FY2014-15)	\$46			\$46
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Border City Reimbursement**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$46			\$46
SOURCES OF FUNDS	\$46			\$46
EXPENDITURES	\$46			\$46
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$46			\$46
USES OF FUNDS	\$46			\$46

Tax Aids and Credits

Other Local Government Payments - Disaster Credits

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Disaster Credits supports the following statewide outcome(s).

Strong and stable families and communities.

A thriving economy that encourages business growth and employment opportunities.

Context:

Damage caused by natural disasters and other events can lead to financial strain for households and businesses.

The disaster credit reduces the property tax of the homestead in the payable year following the damage suffered within a declared disaster or emergency area. The property is reassessed after the damage, and the difference between the original and reassessed value is multiplied by the prevailing local tax rate to obtain the credit amount. The state reimburses local governments for the credit. The credit program first became effective in 1984.

A county board may grant an abatement of net tax for taxes payable in the year in which the damage occurred if 50 percent of the homestead dwelling or other building was destroyed. The county may also grant a credit for taxes payable in the year following the destruction 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.

Funding Source: State General Fund.

Strategies:

Provide property tax relief for property damaged in a declared disaster or emergency area.

Results:

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

Performance Measures	Previous	Current	Trend
Average annual number of parcels receiving credits	370	2,222	Increasing

Performance Measures Notes:

Average number of parcels receiving credits compares payable year 2009-2010 (previous) to 2011-2012 (current).

The amount of payment is dependent on the number and severity of disasters. In 2011, the June tornado in Wadena and September flooding in Southern Minnesota resulted in approximately 3,400 parcels receiving disaster credits.

For additional information, visit the Revenue Department (<http://www.revenue.state.mn.us/Pages/default.aspx>) website and search 'disaster'.

Budget Activity: Disaster Credits**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$2,723			\$2,723
Current Law Expenditures (FY 2014-15)	\$1,173			\$1,173
Governor's Recommended Expenditures (FY2014-15)	\$1,173			\$1,173
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Disaster Credits**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			Total Funds
	General Funds	Other State Funds	Federal Funds	
APPROPRIATION	\$1,173			\$1,173
SOURCES OF FUNDS	\$1,173			\$1,173
EXPENDITURES	\$1,173			\$1,173
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$1,173			\$1,173
USES OF FUNDS	\$1,173			\$1,173

Tax Aids and Credits

Other Local Government Payments - Miscellaneous Payments

Website: <http://www.revenue.state.mn.us>

Statewide Outcome(s):

Miscellaneous Payments supports the following statewide outcome(s).

Strong and stable families and communities.

Context:

Unforeseen events may occur that strain local government finances.

Occasionally payments are authorized by law to local units of government 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.

Funding Source: State General Fund.

Strategies:

Provide one-time support payments to local units of government.

Results:

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

Performance Measures	Previous	Current	Trend
-	-	-	-

Performance Measures Notes:

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

Revenue Tax Refund Interest

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

Statewide Outcome(s):

Tax Refund Interest supports the following statewide outcome(s).

Efficient and accountable government services.

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 for 2012 and 2013 is three percent. The interest rate is announced prior to the start of each calendar year and is calculated based on the prime rate charged by banks.

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.

Strategies:

Pay refunds in a timely fashion to minimize any interest payments, without risking accuracy.

Results:

Performance Measures	Previous	Current	Trend
Tax Refund Interest Paid	\$15.8 million	\$24.0 million	Increasing

Performance Measures Notes:

The measure above compares tax refund interest paid in FY 2011 compared to FY 2012.

Budget Activity: Tax Refund Interest**Current, Base and Governor's Recommended Expenditures - Rev**

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$40,047			\$40,047
Current Law Expenditures (FY 2014-15)	\$30,000			\$30,000
Governor's Recommended Expenditures (FY2014-15)	\$30,000			\$30,000
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Tax Refund Interest**Sources and Uses**

(Dollars in Thousands)

Biennium FY14-FY15				
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$30,000			\$30,000
SOURCES OF FUNDS	\$30,000			\$30,000
EXPENDITURES	\$30,000			\$30,000
PAYROLL EXPENSE				
OTHER FINANCIAL TRANSACTIONS	\$30,000			\$30,000
USES OF FUNDS	\$30,000			\$30,000

Revenue

Political Contribution Refund Program

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

Statewide Outcome(s):

Political Contribution Refund (PCR) Program supports the following statewide outcome(s).

Efficient and accountable government services.

Context:

The PCR program was enacted in 1990. The PCR program is currently suspended through fiscal year 2013. When the program resumes in FY 2014, political contributions made by Minnesotans to qualifying political candidates and political party units are eligible for a state refund of up to a total of \$50 per person (of \$100 per couple) in any calendar year. The refund program is available 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. In essence, the contributor is donating state general fund money to a political candidate or party.

Strategies:

To encourage more participation in the political process and to make candidates less dependent on large dollar contributions the state reimburses donors who contribute to political candidates and political party units.

Results:

Performance Measures	Previous	Current	Trend
Number of Political Contribution Refunds	148,310	146,360	Stable

Performance Measures Notes:

The number of refunds is a comparison when the program was active. The heading "Previous" is Fiscal Years 2006-2007 biennium compared to Current, which is the FY 2008-2009 biennium.

Budget Activity: Political Contribution Refund
Current, Base and Governor's Recommended Expenditures - Rev
(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)	\$0			\$0
Current Law Expenditures (FY 2014-15)	\$12,000			\$12,000
Governor's Recommended Expenditures (FY2014-15)	\$12,000			\$12,000
\$ Change from FY 2014-15 Current Law to Governor's Rec	\$0			\$0
% Change from FY 2014-15 Current Law to Governor's Rec	0%			0%

Budget Activity: Political Contribution Refund**Sources and Uses**

(Dollars in Thousands)

	Biennium FY14-FY15			
	General Funds	Other State Funds	Federal Funds	Total Funds
APPROPRIATION	\$12,000			\$12,000
SOURCES OF FUNDS	\$12,000			\$12,000
EXPENDITURES	\$12,000			\$12,000
PAYROLL EXPENSE				
GRANTS, AIDS AND SUBSIDIES	\$12,000			\$12,000
USES OF FUNDS	\$12,000			\$12,000