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Tax Aids, Credits and Refunds

Tax Aids, Credits and Refunds Agency Profile

www.revenue.state.mn.us/

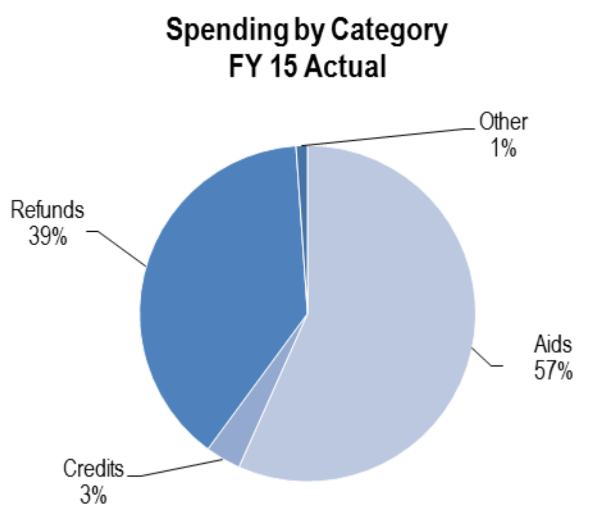
AT A GLANCE

- In 2015 the Department of Revenue paid:
- $912 million in aids to local governments
- $625 million in property tax refunds to about 850,000 individuals
- $54 million in credits to reduce individuals' and businesses' property taxes
- $18 million in other programs

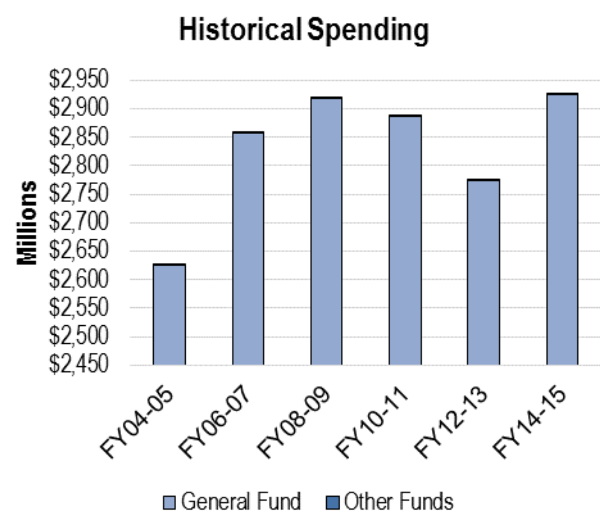
PURPOSE

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

BUDGET



Source: BPAS



Source: Consolidated Fund Statement

The Department of Revenue administers three dozen Property Tax Aid, Credit and Refund programs that make payments to individual taxpayers and local governments. In 2015, we disbursed $1.6 billion in general fund dollars through four types of programs:

- aids paid to local government to help them fund local services
- credits that reduce the amount of property taxes individuals pay
- refunds that provide individuals direct relief for taxes already paid
- other programs such as the senior citizen property tax deferral program and tax refund interest payments.

STRATEGIES

Property Tax Aid, Credit and Refund programs:

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

(Dollars in Thousands)

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecasted Base FY18	Forecasted Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
1000 - General	1,314,126	1,607,460	1,641,056	1,686,960	1,707,824	1,734,152	1,717,484	1,824,592
2000 - Restrict Misc Special Revenue	463	543	612	338	61	187	61	187
2001 - Other Misc Special Revenue	224	281	12,823	321	338	340	338	340
2360 - Health Care Access	353	169	432	196	204	214	204	214
2710 - Highway Users Tax Distribution	5	13	28	20	20	20	20	20
2720 - State Airports	0	0	0	1	1	1	1	1
2800 - Environmental	0	0	0	1	1	1	1	1
2801 - Remediation Fund	0	0	0	0	0	0	0	0
Total	**1,315,171**	**1,608,466**	**1,654,952**	**1,687,837**	**1,708,449**	**1,734,915**	**1,718,109**	**1,825,355**
Biennial Change				419,152		100,575		200,675
Biennial % Change				14		3		6
Governor's Change from Base								100,100
Governor's % Change from Base								3

Expenditures by Program

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecasted Base FY18	Forecasted Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Program: Refunds	481,569	624,919	632,858	669,662	679,860	699,560	679,480	705,020
Program: Local Aids	649,742	784,004	815,854	804,055	805,220	805,438	815,260	855,618
Program: Credits	36,055	54,189	54,888	56,605	55,459	55,838	55,459	90,638
Program: Pension-Related Aids	123,638	128,028	132,410	136,241	140,480	144,762	140,480	144,762
Program: Other Local Govt Payments	5,604	2,527	8,570	12,028	14,305	13,781	14,305	13,781
Program: Other Taxes and Refunds	18,546	14,796	10,371	9,228	13,126	15,536	13,126	15,536
Program: Rev Collect & Local Govt Aid	17	4	0	19	0	0	0	0
Total	**1,315,171**	**1,608,466**	**1,654,952**	**1,687,837**	**1,708,449**	**1,734,915**	**1,718,109**	**1,825,355**

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecasted Base FY18	Forecasted Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Operating Expenses	5,248	5,154	4,932	4,689	4,388	4,279	4,388	4,279
Other Financial Transactions	14,908	11,522	9,461	21,779	14,109	21,443	14,109	21,443
Grants, Aids and Subsidies	1,295,016	1,591,790	1,640,559	1,661,369	1,689,952	1,709,193	1,699,612	1,799,633
Total	**1,315,171**	**1,608,466**	**1,654,952**	**1,687,837**	**1,708,449**	**1,734,915**	**1,718,109**	**1,825,355**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	613,721	735,664	754,281	755,375	755,269	755,403	765,269	805,403
Open Appropriation	683,146	853,044	864,071	912,915	932,014	957,982	931,674	998,592
Net Transfers	19,084	20,018	23,907	19,963	21,798	22,024	21,798	22,024
Net Loan Activity	(1,525)	(1,266)	(1,191)	(1,293)	(1,256)	(1,256)	(1,256)	(1,426)
Cancellations	300	0	12	0	0	0	0	0
Expenditures	**1,314,126**	**1,607,460**	**1,641,056**	**1,686,960**	**1,707,824**	**1,734,152**	**1,717,484**	**1,824,592**
Biennial Change in Expenditures				406,430		113,959		214,059
Biennial % Change in Expenditures				14		3		6
Gov's Exp Change from Base								100,100
Gov's Exp % Change from Base								3

2000 - Restrict Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	1,653	1,612	1,038	404	194	414	194	414
Receipts	5,231	5,554	6,058	6,170	6,170	6,170	6,170	6,170
Net Transfers	(5,448)	(5,585)	(6,080)	(6,042)	(5,889)	(5,960)	(5,889)	(5,960)
Expenditures	**463**	**543**	**612**	**338**	**61**	**187**	**61**	**187**
Balance Forward Out	974	1,038	404	194	414	437	414	437
Biennial Change in Expenditures				(55)		(702)		(702)
Biennial % Change in Expenditures				(5)		(74)		(74)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2001 - Other Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	26	26	26	30	30	30	30	30
Net Transfers	224	281	12,826	321	338	340	338	340
Expenditures	**224**	**281**	**12,823**	**321**	**338**	**340**	**338**	**340**
Balance Forward Out	26	26	30	30	30	30	30	30
Biennial Change in Expenditures				12,639		(12,466)		(12,466)
Biennial % Change in Expenditures				2,505		(95)		(95)
Gov's Exp Change from Base								0

(Dollars in Thousands)

2001 - Other Misc Special Revenue

Gov's Exp % Change from Base								0

2360 - Health Care Access

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	353	169	432	196	204	214	204	214
Expenditures	**353**	**169**	**432**	**196**	**204**	**214**	**204**	**214**
Biennial Change in Expenditures				106		(210)		(210)
Biennial % Change in Expenditures				20		(33)		(33)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2710 - Highway Users Tax Distribution

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	21,722	22,007	22,542	22,864	23,036	23,338	31,164	35,999
Net Transfers	(21,717)	(21,994)	(22,514)	(22,844)	(23,016)	(23,318)	(31,144)	(35,979)
Expenditures	**5**	**13**	**28**	**20**	**20**	**20**	**20**	**20**
Biennial Change in Expenditures				30		(8)		(8)
Biennial % Change in Expenditures				168		(17)		(17)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2720 - State Airports

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	0	0	0	1	1	1	1	1
Expenditures	0	0	0	**1**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures						100		100
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2800 - Environmental

(Dollars in Thousands)

2800 - Environmental

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	0	0	0	1	1	1	1	1
Receipts	109	109	109	0	0	0	0	0
Cancellations	109	109	109	0	0	0	0	0
Expenditures	**0**	**0**	**0**	**1**	**1**	**1**	**1**	**1**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures				26,199		100		100
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2801 - Remediation Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	1	0	0	0	0	0	0
Open Appropriation	0	0	0	0	0	0	0	0
Receipts	0	(1)	0	0	0	0	0	0
Expenditures	**0**	**0**	**0**	0	0	0	0	0
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				(46)		(100)		(100)

FY18-19 Biennial Budget Change Item

Change Item Title: Expand the Working Family Credit to the Middle Class

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	276	428	428	428
Revenues	(46,100)	(46,900)	(48,100)	(49,100)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	46,376	47,328	48,528	49,528
FTEs	**3.58**	**6**	**6**	**6**

Recommendation:

The Governor recommends expanding the Working Family Credit by providing access to the maximum amount of the credit at lower income levels, providing access to 21-24-year-olds, and increasing the amount of the credit for over 260,000 taxpayers who already receive it. This proposal expands the Working Family Credit to 106,000 new taxpayers.

The average family would save an additional $124 per year. A single taxpayer with two children would receive a maximum credit of $2,063 in the income range of $13,810-$25,850. The credit would phase down for individual incomes above $25,850, reaching $0 at $48,000.

Rationale/Background:

Many low- and middle-income families haven't seen their wages rise while their cost of living has increased. This credit, which also exists at the federal level, helps working families deal with the many financial constraints they face. The program is an important source of financial stability for low- and moderate-income working families with children. A growing body of research shows that the credit benefits families at virtually every stage of life. For example, it:

- Improves infant and maternal health,
- Reduces poverty,
- Improves academic performance and employment outcomes – children in families receiving the federal credit do better in school, are more likely to attend college, and earn more as adults,
- Boosts employment, which reduces the number of households receiving other forms of assistance, and
- Helps businesses – working families are likely to put these funds back into the Minnesota economy.

Proposal:

This proposal changes the Working Family Credit calculation to give more taxpayers the maximum credit, increases the credit for many receiving it, and extends the credit to 21 through 24-year-olds for the first time. This is an expansion of the existing state credit, which is modeled on the federal Earned Income Tax Credit.

Under this proposal, 106,000 new households would be eligible for the Working Family Credit, and over 260,000 of the 345,000 taxpayers currently receiving the credit would see an increase. No one would receive a lower credit. Those helped by this proposal would see an average tax reduction of $124.

Equity and Inclusion:

Expanding the Working Family Credit could play a role in narrowing Minnesota's stark racial income disparities. People of color were about 18% of the state's population in 2013, but they made up 30% of Minnesota households eligible for the Earned Income Tax Credit.

Results:

Type of Measure	*Impact*
Tax Progressivity	Increase

Statutory Change(s):

Minnesota Statutes, section 290.0671

Change Item Title: Child and Dependent Care Credit Expansion

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	499	673	673	673
Revenues	(27,600)	(30,700)	(33,900)	(37,100)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	28,099	31,373	34,573	37,773
FTEs	**7.08**	**8**	**8**	**8**

Recommendation:

The Governor recommends expanding the Minnesota Child and Dependent Care Credit to a total of 94,000 families by moving the income cap for eligibility from $39,400 to $89,000 for families with one child, and to $101,000 for families with two children. The Minnesota credit would remain refundable, unlike the federal credit. This is effective starting in tax year 2017.

74,000 families would save an additional $372 per year. The credit would start to phase down at incomes above $77,000 and reach $0 for those with two children and income above $101,000. The maximum state credit for those with two children earning over $43,000 would be $1,200.

Rationale/Background:

Child care costs have risen dramatically; in Minnesota the average cost for one child at a care center is $904 per month, or $10,850 per year. The credit helps provide families with economic security. Too many parents are forced to leave the workforce because it makes more financial sense to care for their children than keep their job. To make child care more affordable for working families, this proposal would:

- Raise the income cap on the state credit (currently $39,400) to $89,000 for families with one child, and to $101,000 for families with two children,
- Expand the credit to 61,000 new families. In all, 95,000 households would qualify,
- Provide an average credit increase of $379 to 75,000 families,
- Increase the maximum credit to $2,100, from the current $1,440 maximum,
- For those earning $43,000-$77,000, provide up to $1,200 for two dependents, or $600 credit for one dependent, and
- Conform to the federal credit up to $77,000. Beyond that level, the credit would phase down while remaining refundable and keeping Minnesota exceptions for newborns and daycare providers.

Child care is one of the largest costs to working parents in Minnesota, usually second only to housing. Expanding the Minnesota credit helps relieve those large costs for families, making it possible for more parents to go to work. Currently 70% of mothers work outside the home, down from 77% just five years ago. This proposal both increases and simplifies the credit, making it more understandable and accessible.

Proposal:

This proposal expands the existing Minnesota Child and Dependent Care Credit to 61,000 new families by moving the income cap for eligibility from $39,400 to $89,000 for families with one child, and to $101,000 for families with two children. The Minnesota credit would remain refundable, unlike the federal credit, and be indexed to inflation. This is effective starting in tax year 2017. It keeps the credit refundable and retains Minnesota exceptions for newborns and daycare providers for taxpayers currently receiving it.

Currently no taxpayers earning over $39,400 receive the credit, limiting it to 33,000 families. Expanding the credit to cover middle class Minnesotans will help families that are not eligible for other state child care programs pay the increasing cost of child care.

Equity and Inclusion:

The prohibitive cost of child care leads many low- and middle-income parents to stay at home to take care of their children instead of staying in their job. This proposal would help those families afford childcare, providing more economic security for those that need it most.

Results:

Type of Measure	***Impact***
Transparency, Understandability, Simplicity, and Accountability	Increase
Tax Progressivity	Increase

Statutory Change(s):

Minnesota Statutes, section 290.067

Change Item Title: Credit for Past Military Service

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	(1,300)	(1,300)	(1,400)	(1,500)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,300	1,300	1,400	1,500
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends increasing the phaseout floor for this income tax credit from $30,000 to $50,000 and raising the maximum credit amount from $750 to $1,000, while maintaining the 10 percent phaseout rate. About 3,500 taxpayers would be impacted.

Rationale/Background:
Current Minnesota law allows for a nonrefundable credit for taxpayers who are separated from military service and meet one of the following conditions:

- Served in the military for at least 20 years
- Have a service-related disability rated as 100% total and permanent disability
- Eligible for a military pension.

Under current law, this credit reaches a small population of only 2,000 taxpayers per year. This proposal would increase that number to 3,500 while keeping the credit targeted to those who need it the most. Increasing the maximum credit would also benefit those that are currently claiming it.

Proposal:
This proposal increases the phase-out floor for the credit for past military service from $30,000 to $50,000, and raises the maximum credit amount from $750 to $1,000, while maintaining the 10% phase-out rate.

Equity and Inclusion:
This proposal provides meaningful tax relief for low-income veterans and especially veterans with disabilities.

Results:

Type of Measure	*Impact*
Tax Progressivity	Increase

Statutory Change(s):
Minnesota Statutes, section 290.0677, subd. 1a

Change Item Title: Buffer Compensation Program

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	11	4,234	4,086	4,086
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	11	4,234	4,086	4,086
FTEs	**0.05**	**2.97**	**2.19**	**2.19**

Recommendation:
The Governor recommends creating a compensation program for land owners required to convert tillable land to riparian buffers to comply with state water quality practices.

Rationale/Background:
Laws enacted during the 2015 legislative session require riparian buffers to be established on public waters and drainage systems. Certain landowners possessing land abutting public waters must have buffers in place by November 1, 2017. For land on public drainage systems, the deadline is November 1, 2018.

Proposal:
This proposal creates a payment program for landowners required to convert tillable land to riparian buffers. Landowners are eligible to enroll in the program if all of the following conditions are met:

- Land is classified as 2a
- A buffer is required to be installed on the property, and the buffer is identified on the buffer protection map established and maintained by the Minnesota Department of Natural Resources
- The buffer is installed in calendar years 2015 to 2018
- No delinquent property taxes on the land
- A application is submitted to the Minnesota Department of Revenue on or before April 1, 2019

Landowners enrolled in the program must annually certify that they continue to meet the requirements and conditions for continued enrollment by April 1.

Eligible landowners would receive an annual payment of $40 per acre for each tillable acre converted to a riparian buffer. Payments would be made for five years, with the first payments issued in 2018.

Landowners may be terminated from the program if there are delinquent taxes on the land, the land is not compliant with buffer requirements, the taxpayer does not submit a certification form on time, or the taxpayer voluntarily withdraws from the program.

Equity and Inclusion:
This proposal has a narrow focus and would not increase inequities.

Results:

Name of Measure	***Impact***
Efficiency and Compliance	Increase

Statutory Change(s):
Minnesota Statutes, Chapter 103F

Change Item Title: School Building Bond Agricultural Credit

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	34,800	46,320	53,950
Revenues	0	1,350	1,470	1,570
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	33,450	44,850	52,380
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends creating a School Building Bond Agricultural Property Tax Credit. This would be equal to 40% of the tax on attributable to school district debt levies on qualifying properties.

Rationale/Background:
Farmers currently face high property taxes during economically difficult times, while some rural schools are having trouble raising money through referendums because the increase in property taxes falls so heavily on agricultural land. This proposal would address the issue by reducing the property tax burden that falls on farmers, making it easier for schools to raise the money they need to provide quality education facilities for their students.

Proposal:
Provide a property tax credit for all class 2a, 2b, and 2c property, other than the house, garage, and surrounding 1 acre of land of an agricultural homestead. The credit amount will equal 40% of the property's eligible net tax capacity multiplied by the school debt tax rate. The school debt tax rate will be determined for each school district based on the portion of the school district levy that is for debt service.

Equity and Inclusion:
This proposal would reduce property taxes on agricultural land and also provide more resources for children in school, potentially decreasing future inequities.

Results:

Name of Measure	*Impact*
Competitiveness for Business	Increase

Statutory Change(s):
Minnesota Statutes 273.1387

Change Item Title: Siding Production Facility

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	(1,400)	(2,800)	(1,400)	0
Legacy Funds				
Expenditures	0	0	0	0
Revenues	(80)	(160)	(80)	0
Net Fiscal Impact = (Expenditures – Revenues)	(1,480)	(2,960)	(1,480)	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends providing a sales and use tax exemption on building materials and supplies used to expand an existing wood products facility to convert it into a siding production facility that can produce at least 400 million square feet of siding per year. The exemption applies to purchases by a contractor, subcontractor, or builder, as well as the owner. The tax must be paid at the time of purchase and the owner of the facility may apply for the refund of the tax.

Rationale/Background:
Sales of building materials and supplies are generally taxable. This proposal provides an exemption for building materials and supplies used and equipment incorporated into the conversion of a former wood products facility to a siding production facility that can produce at least 400 million square feet of siding per year. The project will provide economic development to an important part of the state, helping create more commercial activity in the area. The sales or use tax must first be paid and then refunded.

Proposal:
This proposal provides a sales and use tax exemption on building materials and supplies used to build a siding production facility that can produce at least 400 million square feet of siding per year. The exemption also includes equipment incorporated into the facility.

Equity and Inclusion:
This proposal has a narrow focus and would not increase inequities.

Results:

Name of Measure	*Impact*
Competitiveness for Business	Increase
Efficiency and Compliance	Increase

Statutory Change(s):
Minnesota Statutes, section 290A.71

Change Item Title: Minnesota State High School League Exemption

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	(820)	(840)	(860)	(880)
Legacy Funds				
Expenditures	0	0	0	0
Revenues	(50)	(50)	(50)	(50)
Net Fiscal Impact = (Expenditures – Revenues)	870	890	910	930
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends restoring the exemption on admissions from sales tax to postseason games, events, and activities sponsored by the Minnesota State High School League (MSHSL) to fund its scholarship program. The savings from this exemption must be used to promote high school extracurricular activities.

Rationale/Background:

Admissions to games, events, and activities sponsored by the Minnesota State High School League (MSHSL) were exempt from sales and use tax from July 1, 2006- June 30, 2015 (under Minnesota Statutes, Chapter 128C). The original enactment provided for an annual fund transfer of the sales tax savings to a nonprofit charitable foundation that promoted high school extracurricular activities (Minnesota Laws 2006, Chapter 257).

The MSHSL provides educational opportunities for students through interscholastic athletics and fine arts programs, and provides leadership and support for member schools. The tax relief granted by this proposal would allow MSHSL to better serve students across the state.

Proposal:

The proposal would provide an exemption from sales and use tax for admissions to postseason games, events, and activities sponsored by the MSHSL. The savings from this exemption must be used to promote high school extracurricular activities.

Equity and Inclusion:

This proposal has a narrow focus and would not increase inequities.

Results:

Efficiency and Compliance	Maintain
Stability and Predictability	Maintain

Statutory Change(s):

Minnesota Statutes, section 128C.24

Change Item Title: Senior Property Tax Deferral Enhancement

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	170	250	250
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	170	250	250
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends amending the Senior Citizen Property Tax Deferral Program to lower the owner/occupancy requirements from 15 years to 5 years and to move the application date deadline from July 1 to October 1. This would allow more Minnesotans to participate in the Senior Citizen Property Tax Deferral Program and make it more affordable for them to stay in their homes.

Rationale/Background:

This proposal would help seniors to pay their property taxes. The changes would expand eligibility so more seniors can qualify for property tax deferrals, and simplify the filing process to make it easier to pay.

Owner/Occupancy Requirement

Currently, the Senior Citizen Property Tax Deferral Program requires participants to own and occupy their homesteaded property for 15 years or longer. Reducing the length of time requirement to 5 years will allow more seniors to enroll in this program.

Living patterns for seniors are changing as fewer occupy the same home for over 15 years. It is difficult to estimate how many may take advantage of this change because applicants typically learn of the 15-year requirement when they apply for the program. As a result, many of them terminate the application process because they do not meet this requirement.

Filing Requirement

The current July 1 filing requirement presents a challenge for seniors. Taxpayers are often introduced to this program when they are struggling to pay their second-half property taxes, due October 15. As a result, the July 1 application deadline has passed by the time they contact the department and try to get into the program for the following year. Taxpayers applying for this program are often on a fixed income and trying to maintain a lifestyle that allows them to remain in their homes. When their application is denied, their property taxes may be delinquent and they are faced with penalties and interest.

Proposal:

This proposal would amend the Senior Citizen Property Tax Deferral Program to:

- Lower the owner/occupancy requirement from 15 years to 5 years.
- Move the application deadline from July 1 to November 1.

Homeowners and counties will continue to be notified of program acceptance status by December 1.

Equity and Inclusion:

This proposal would expand the deferral program so that more seniors having trouble paying their property taxes will qualify. Seniors on a fixed income are mostly likely to utilize this program and would see the most benefit from these changes.

Results:

Name of Measure	*Impact*
Transparency, Understandability, Simplicity, and Accountability	Increase
Efficiency and Compliance	Increase

Statutory Change(s):
Minnesota Statutes, sections 290B.04, subd.1, and 290B.03, subd.1 (3)

FY18-19 Biennial Budget Change Item

Change Item Title: Expand Sales Tax Exemption for Charities

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	22	22	22	22
Revenues	(5,900)	(6,600)	(6,800)	(7,000)
Other Funds				
Expenditures	0	0	0	0
Revenues	(400)	(400)	(400)	(400)
Net Fiscal Impact = (Expenditures – Revenues)	6,322	7,022	7,222	7,422
FTEs	**.25**	**.25**	**.25**	**.25**

Recommendation:
The Governor recommends expanding the sales tax exemption for purchases by nonprofit charitable organizations to include sales to all federally recognized 501(c)(3) organizations with a state sales tax identification number, effective January 1, 2018.

Rationale/Background:
It is commonly believed that if an organization is exempt from one tax type, it is exempt for all tax types. But in Minnesota, each tax type has a different standard to determine which organizations are exempt. Minnesota income tax laws follow federal 501(c)(3) laws, but Minnesota sales and use tax laws do not. The differences between federal and state laws add complexity and confusion for taxpayers.

Minnesota law limits the nonprofit exemption to organizations operated exclusively for charitable, religious, and education functions, and to purchases used primarily in performance of these allowed functions. However, federal law may also grant exempt status to 5013(c)(3) nonprofit organizations that engage in any of the following purposes:

- Scientific
- Literary
- Testing for public safety
- Fostering national or international amateur sports competition
- Preventing cruelty to children or animals

Proposal:
Expand the sales tax exemption for charities to include sales to all federally recognized 501(c)(3) organizations with a state sales tax identification number.

Equity and Inclusion:
The Minnesota tax system is very complex and difficult to understand for ordinary citizens. This proposal would make state tax laws more accessible and easily understood for all taxpayers, while providing a tax benefit to many charities whose mission is to help eliminate the disparities faced by many different diverse groups.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, and Accountability	Increase
Efficiency and Compliance	Increase

Statutory Change(s):
Minnesota Statutes, section 297A.70, subd.4

Change Item Title: Estate Tax Recapture Related to Eminent Domain

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	(50)	(50)	(50)	(50)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	50	50	50	50
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends changing the estate tax law so that where farmland is acquired by government units through eminent domain, an heir would not have to pay the recapture tax for inherited farmland subject to the estate tax.

Rationale/Background:
Under current law if a taxpayer has claimed the Qualified Farm Property Deduction from the Minnesota Estate Tax, they must retain ownership and maintain tillable farmland for three years after the decedent's death. The Recapture Tax applies if the heir sells or transfers any interest in the property for any reason to someone who is not a family member during that three-year period. However, eminent domain should not trigger the Recapture Tax because the heir does not control the property transfer.

By removing the Recapture Tax on farm properties acquired by governmental units, this proposal:

- Provides a fair solution to a situation that was not anticipated when the tax was enacted.
- Addresses a situation for which current law does not provide any leeway.

Proposal:
This proposal would change the law so that an heir would not have to pay the Recapture Tax when a qualifying farm property is acquired by a governmental unit through eminent domain or negotiated settlement. Like the Recapture Tax, this change would apply to estates of decedents who died after June 30, 2011

Equity and Inclusion:
This proposal has a narrow focus and would not increase inequities.

Results:

Name of Measure	*Impact*
Transparency, Understandability, Simplicity, and Accountability	Increase
Efficiency and Compliance	Increase
Stability and Predictability	Increase

Statutory Change(s):
Minnesota Statutes, section 291.03 (by adding a new subdivision)

Change Item Title: Increase Local Government Aid and County Program Aid

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	29,250	29,250	29,250
Revenues	0	570	570	570
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	28,680	28,680	28,680
New FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends increasing Local Government Aid (LGA) by $20 million per year and County Program Aid (CPA) by $10 million per year. This proposal would be effective for aids payable in calendar year 2018.

Rationale/Background:
Local Government Aid and County Program Aid are important tools in the state-local partnership. They help local governments pay for vital needs such as local roads and public safety, and also help keep local property taxes low. LGA funding is currently below the level of aid paid out in 2002, before adjusting for inflation. After 2002 LGA was routinely cut for years, during which time local governments increased their property taxes. CPA funding is also below actual aid paid out in 2002, before adjusting for inflation.

Proposal:
This proposal would increase the appropriation for LGA by $20 million per year and for CPA by $10 million per year.

Equity and Inclusion:
This proposal would help cities provide for vital needs such as local roads and public safety, which can be vital for lower-income taxpayers. This proposal will lower the pressure on local property taxes, a regressive tax that can be burdensome for low-income taxpayers because it is not based on the ability to pay, unlike like income tax, for example.

Results:

Name of Measure	***Impact***
Competitiveness for Business	Increase (Businesses could see a decrease in local property taxes as a result of an LGA increase)

Statutory Change(s):
Minnesota Statutes, section 477A.03, subd. 2a

Tax Aids, Credits and Refunds

FY18-19 Biennial Budget Change Item

Change Item Title: Property Tax Exemption for Soccer Stadium

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	110
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	110
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends providing an exemption from property tax for the proposed soccer stadium in St. Paul.

Rationale/Background:

Major League Soccer (MLS) chose Minnesota as an expansion city beginning in 2017. Providing a property tax exemption would make this stadium consistent with other major league stadiums in Minnesota.

The site is currently exempt from property tax under an exemption for government use. Under current law, the soccer stadium would be taxable because the government use exemption would no longer apply to the site.

The above estimate is based on current law which would not provide an exemption for the soccer stadium. Accordingly, the estimate shows an increase in state-paid homeowner refunds by about $110,000 starting in fiscal year 2021.

Proposal:

This proposal provides an exemption from property tax for the proposed soccer stadium in St. Paul. This exemption from local, county, and state property taxes would apply to any properties with a primary purpose of providing a stadium for professional soccer. The exemption includes all property leased for stadium-related purposes, including the operation of the stadium and related parking facilities.

Results:

Name of Measure	***Change***
Efficiency and Compliance	Maintain
Stability and Predictability	Maintain

Change Item Title: Riparian Protection Aid

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	10,000	10,000	10,000	10,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	10,000	10,000	10,000	10,000
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends appropriating $10 million in aid starting in fiscal year 2018 and ongoing to help counties and watershed districts enforce and implement riparian protection and water quality practices.

Rationale/Background:
During the 2015 legislative session laws were enacted requiring riparian buffer land on public waters and drainage systems. Landowners with land on public waters are required to have buffers in place by November 1, 2017. The deadline is November 1, 2018 for land on public drainage systems.

Proposal:
Each county's aid is based on the sum of the total number of class 2a acres in the county, the countywide number of centerline miles of public watercourses on the buffer protection map managed by the Minnesota Department of Natural Resources, and the countywide number of miles of public drainage system on the buffer protection map; divided by the sum of the statewide totals of these factors. The result is multiplied by $10,000,000.

The maximum aid to a county is $200,000 and the minimum aid is $50,000. Aid to watershed districts with affirmed jurisdiction is calculated in proportion to a watershed district's area contained within a county. For areas where neither the county nor the watershed district has jurisdiction, the aid will be given to the Board of Water and Soil Resources.

Equity and Inclusion:
This proposal has a narrow focus and would not increase inequities.

Results:

Name of Measure	***Impact***
Efficiency and Compliance	Increase

Statutory Change(s):
Minnesota Statutes, section 477A.21

FY18-19 Biennial Budget Change Item

Change Item Title: Madelia Rebuild Sales Tax Exemption

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	(170)	0	0	0
Legacy Funds				
Expenditures	0	0	0	0
Revenues	(10)	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	180	0	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The bill provides an exemption from the sales and use tax for building materials, equipment, and supplies used to construct or replace property in Madelia that was affected by the fire on February 3, 2016.

Rationale/Background:
Nearly a dozen main street businesses were affected by the fire that took place in Madelia in early February 2016. The damaged and destroyed buildings included a hair salon, restaurant, upholstery shop, insurance office, dentist's office, and others. Madelia is a town of just 2,200.

Proposal:
The bill provides an exemption from the sales and use tax for building materials, equipment, and supplies used to construct or replace property in Madelia that was affected by the fire on February 3, 2016.

Any building materials and supplies used in, and equipment incorporated into, the construction or replacement of real property affected by the fire in Madelia is exempt. Taxpayers must pay tax on the purchases and then send a claim in for a refund of the tax.

Equity and Inclusion:
This proposal is a targeted approach to help one community in its efforts to rebuild after a significant fire.

Results:

Name of Measure	*Impact*
Competitiveness for Business	Increase

Change Item Title: Debt Service Equalization Increase

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	5,866	13,696	18,004	21,269
Revenues	0	790	100	(420)
Property Tax Refund Interaction	0	(1,060)	(140)	560
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	5,866	11,846	17,764	22,249
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends increasing the state share of school debt service revenue from 3.0% in FY 2017 to 5.2% in FY 2021. This would be accomplished by lowering the threshold for Tier 2 debt service equalization from 26.24% of Adjusted Net Tax Capacity (ANTC) for FY 2017 to 22.34% of ANTC for FY 2018, and to 19% of ANTC for FY 2019 and later.

Debt equalization revenue helps ensure that school districts, regardless of property wealth, can provide adequate education facilities for their students by helping to offset property owners' relatively high tax burden in areas with low- to-moderate tax bases. This additional aid will help fund school facilities in locations around Minnesota.

Rationale/Background:

All Minnesota students need a world class education, no matter where they live. However, in school districts without high-value land, the burden of paying for modern schools can fall disproportionately on just a few businesses, farms, or homeowners. The Governor has proposed a $59 million over four years to help these districts.

Debt service equalization began in FY 1993, phasing in over three years. In FY 1995 – the first year this aid was fully phased in – the state share was 11.3% of the revenue. The state share gradually declined over the next several years as tax base increased with inflation and the debt service equalization formula was not adjusted to account for the inflation.

The formula was restructured for FY 2003 by adding a second tier of equalization, which temporarily stabilized the state share. But the state share declined from 6.1% in FY 2003 to 1.1% in FY 2010, again due primarily to inflation of the tax base without offsetting adjustments in the equalization formula. From FY 2011 to FY 2015, the state share increased to 3% due to declining property values. Indexing of the equalizing factors for FY 2017 has stabilized the state share around 3%. Under this proposal, the state share will grow to 5.2% by FY 2021, close to the FY 2003 level.

Proposal:

This proposal lowers the threshold for Tier 2 equalization aid from 26.24% of ANTC to 22.34% for FY 2018, and to 19% for FY 2019 and later. It provides additional funding to increase the number of districts receiving debt service aid from 40 to 65, and increase the amount of aid for 38 of the 40 districts currently receiving aid.

Equity and Inclusion:

The debt service equalization proposal will provide tax relief to all taxpayers of school districts with high debt service tax rates (over 19% of ANTC) and below average tax base per pupil. These are districts with below average tax base per pupil due to the lack of high-value property tax base to support their students.

Statutory Change(s):

Minnesota Statutes, section 123B.53, subd. 4

Change Item Title: Indian Child Welfare Act Aid

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	9,760	9,760	9,760
Revenues	0	190	190	190
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	9,570	9,570	9,570
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends creating a new state aid payment to counties and tribes for costs related to out-of-home placements of children under the Indian Child Welfare Act (ICWA). This proposal provides that counties and tribes are partially reimbursed for the non-federal share of the cost of out-of-home placement of children under the Indian Child Welfare Act.

Rationale/Background:
ICWA sets priorities for state courts and social services to follow when dealing with American Indian children. From the moment an American Indian child is taken out of a home, ICWA keeps in place strict procedures to ensure the child is placed in the most appropriate home possible. This proposal provides funds so that counties and some tribes are better able to pay the costs of out-of-home placement of children under ICWA.

Proposal:
The aid payment of $10 million annually would be proportionately distributed based on the non-federal share of costs incurred by a county's social service agency or correctional agency for out-of-home placement, based on a three-year average. These costs will be reported to and certified by the Department of Human Services and the Department of Corrections, and the aid payments to counties will be made by the Department of Revenue.

This proposal also provides an annual aid payment to Indian tribes equal to the greater amount of $200,000 or 5% of the average federal reimbursement of out-of-home placement costs, if those services are not provided by the county.

Equity and Inclusion:
This proposal will assist counties and tribes in helping American Indian children stay with their families. Congress passed ICWA in 1978 in response to the alarmingly high number of children being removed from their homes by both public and private agencies. ICWA is intended to "protect the best interests of Indian children and to promote the stability and security of Indian tribes and families."

Results:

Type of Measure	*Impact*
Number of Indian children living with parents	Increase

Statutory Change(s):
Minnesota Statutes, section 477A.0126

FY18-19 Biennial Budget Change Item

Change Item Title: Sustainable Forest Incentive Act Updates

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	156	4,512	4,631	4,831
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	156	4,512	4,631	4,831
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends revising the Sustainable Forest Incentive Act (SFIA) to update eligibility and certification requirements, among other changes, to align current land use practices with the purposes of the act. This proposal also includes an administrative cost for the Department of Natural Resources.

Rationale/Background:

Under current law, property owners receive $7 for each acre of qualifying forest land enrolled in SFIA. In return, they agree not to develop the land and to follow a forest management plan while they are in the program. All enrolled land must remain in SFIA for at least eight years. This proposal revises the Sustainable Forest Incentive Act in response to the 2014 report from the Office of the Legislative Auditor. The revisions are intended to provide greater accountability and oversight, and to align current land use practices with the purposes of the act.

Proposal:

This proposal modifies the existing SFIA program by adding to the act's purpose provision to emphasize economic and ecological benefits. This change would modify the law to account for instances where land is improved with a paved trail under easement, lease, or license.

This proposal updates and changes SFIA eligibility requirements, certifications, covenant length, calculation of the incentive payment, withdrawal procedures, transfers of ownership, definitions to forest land and claimants, and other minor changes.

Results:

Name of Measure	*Impact*
Efficiency and Compliance	Increase

Statutory Change(s):

Minnesota Statutes, Chapter 290C

Change Item Title: Closing Corporate Tax Loopholes

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	44,956	37,956	40,256	42,356
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(44,956)	(37,956)	(40,256)	(42,356)
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends a set of reforms for corporate taxes to end advantageous tax breaks for certain types of businesses, level the playing field for certain business transactions, and simplify corporate taxes by clarifying current laws. This package includes 10 proposals – 8 that raise revenue, 1 that reduces penalty revenue, and 1 that provides a tax cut.

Rationale/Background:
Some corporations take advantage of special loopholes in our tax code to avoid paying their fair share. To level the playing field for working Minnesotans and small businesses, the Governor's proposal would eliminate unfair business tax avoidance and evasion strategies.

As the economy and business practices change, it can be difficult for taxes to keep pace with how corporations structure their businesses. This proposal reforms part of the tax code to ensure it is keeping pace to changes in the economy. These proposals reform some taxes to end advantageous tax breaks for certain types of businesses, level the playing field for certain business transactions, and simplify taxes by clarifying current laws. These proposals are effective for tax year 2017 and after.

Proposal:
1. *Accelerate Gain on Sale of Business*
   The proposal makes sure nonresident and former resident taxpayers report all their gains from the sale of a pass-through business, regardless of how they report the gain. Under current law, initial installment payments are properly reported as Minnesota income. However in later years when the taxpayer no longer has Minnesota nexus, the gains realized on the subsequent installment payments are not reported as Minnesota income. Under this proposal, nonresident and former resident taxpayers can either report all their gains in a single year, or agree to continue filing Minnesota tax returns and recognize future installment sale gains in the year that they are recognized federally.

2. *Preventing Tax Evasion*
   Restrict transactions or organizational structures that are structured to avoid tax and do not serve a business purpose. This proposal includes a penalty for using transactions or organizational structures that do not serve a business purpose.

3. *Closing a loophole in the Definition of Financial Institution*
   Expand the definition of "financial institution" beyond corporations to include all entities, including partnerships and limited liability companies (LLCs) performing the activities of a financial institution. This proposal removes the advantage of transferring loans and interest income to an affiliated partnership or LLC that is not treated as a financial institution. It reflects a more consistent way to report and pay taxes for partnerships or LLCs.

4. *Aligning to Federal Treatment for Foreign Income*
   Eliminates a tax deduction on certain foreign income under Subpart F. In Minnesota, Subpart F income has been treated as a dividend that is eligible for an 80% Dividend-Received Deduction, so only the remaining 20% is subject to tax. There is no such practice under federal law. This proposal would disallow Subpart F income from receiving the Dividend Received Deduction for state purposes as well.

5. *Eliminating the Dividend Received Deduction on Debt Financed Stock*
   Exclude dividends received from debt-financed stock when calculating the Dividend Received Deduction. This proposal removes an unintended additional benefit to corporations which receive dividends from debt-financed stock. Including these dividends when calculating the deduction may allow taxpayers to report a net loss when actually net income was realized.

6. *Treating Mutual Fund Manager Income Fairly*
   Require all entities providing mutual fund management to apportion their income in a consistent manner based on where the mutual fund shareholders are located. If a mutual fund is managed by a corporation then the corporation apportions its income based on where the shareholders of the mutual fund are located. But if another type of entity, such as a partnership or limited liability company, manages a mutual fund then its income is apportioned based on where the mutual fund is located. Taxpayers have set up organizational structures to exploit this inconsistency.

7. *Eliminating the ability for Insurance Companies to Shelter Income*
   Include non-admitted insurance companies in the combined unitary business return. This proposal addresses a gap which businesses have been using to shift income previously subject to corporate tax to a qualifying insurance company member that is not subject to the tax.

8. *Increasing Insurance Tax Fairness*
   Match the premium tax rate for nonadmitted surplus line policies purchased directly to the rate for those policies purchased through a broker. There is no difference between a surplus lines policy that is purchased directly or through a nonadmitted surplus lines agent, yet the tax on directly-procured policies (2%) is lower than the tax assessed on policies purchased through an agent (3%). The taxpayers that benefit the most from this difference are large corporations with in-house insurance divisions available for direct procurement. In Minnesota this proposal would mean that approximately 35 taxpayers that directly procure would pay 3% instead of 2%. About 1,600 are currently subject to the 3% rate.

9. *Establish a Base Year Percentage for the Research Credit*
   Would allow taxpayers to use a 16% base year percentage for calculating their Research and Development Credit when the records are no longer available for the base years. This proposal intends to allow the credit even where a taxpayer cannot produce documentation to substantiate the base year activities for increasing research activities. Currently, when the base year records are not available the credit can be disallowed because of lack of documentation.

10. *Fiduciary Tax-Automatic Filing Extension*
    Extend the Minnesota Fiduciary Tax filing due date when a federal extension to file has been granted. Currently the Minnesota due date is not automatically extended when the fiduciary receives a federal extension. However, the Minnesota fiduciary return is based on the income reported for federal purposes. As a result, the Minnesota fiduciary may be due before the completed federal return is available. This gap between the state and federal dates causes fiduciaries with a balance due to be assessed late-filing penalties even when they are granted a federal filing extension.

Equity and Inclusion:

These proposals as a whole would simplify corporate taxes and make them more straightforward. It would also eliminate unintended preferential tax treatments for a select few taxpayers that are able to afford and take advantage of them, and help level the playing field for all taxpayers.

Results:

Name of Measure	*Impact*
Transparency, Understandability, Simplicity, and Accountability	Increase
Efficiency and Compliance	Increase
Competitiveness for Business	Increase

Statutory Change(s):

Minnesota Statutes, sections 290.17, subd. 4(a); 290.191, subd. 5(a) and 5(k); 290.01 and 290.21, subd. 4(c), 289A.19, subd. 7; and 297I.05, subd. 7(b)

Change Item Title: Modernize and Expand Railroad Property Taxation

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	291	175	(2,705)	(2,705)
Revenues	0	11,870	21,250	21,870
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	291	(11,695)	(23,955)	(24,575)
FTEs	**2.21**	**1.74**	**1.74**	**1.74**

Recommendation:
The Governor recommends modifying the assessment process for railroad property to ensure assessments are based on market value as is the case for other commercial properties, including similar state-assessed properties and expand the taxable property of railroads to include property like rolling stock. The total commercial/industrial (C/I) levy would increase the same amount of tax generated by the newly eligible railroad property, keeping taxes flat for other businesses paying the state general levy. The increased levy base for local taxes would result in lower property taxes for homeowners.

Rationale/Background:
Railroads are assessed by the State Assessed Property Section of the Minnesota Department of Revenue Property Tax Division. They cannot be locally assessed because they cross many jurisdictions. Assessments are completed annually for all railroads operating in Minnesota. They are guided by Minnesota Rule 8106 and are completed using unitary valuation.

Minnesota law directs the department to use generally accepted appraisal principles and practices to determine the value of a railroad, but Minnesota Rule 8106 prescribes a rigid and outdated methodology. The law also limits the operating property included in the valuation.

A November 2011 study recommended changes to Minnesota Rule 8106. This study included a survey of other states about how they value railroad property for tax purposes. This proposal incorporates information gained from that study. Most of the changes in this proposal, including the taxation of rolling stock, have precedents in other states.

Current laws do not provide for an accurate determination of the market value of railroad operating property. This proposal would allow the commissioner to use modern, generally accepted appraisal practices to estimate market value for railroads, update obsolete language, and reduce the burden of resources spent on dealing with appeals stemming from outdated appraisal methodology.

Proposal:
This change would modernize railroad property taxes and make them more consistent with how other properties are valued for tax purposes. The proposal modifies the assessment process for railroad property to ensure assessments are based on market value as is the case for other commercial properties, including similar state-assessed properties, and expands the taxable property of railroads to include property like rolling stock. This proposal would:

- Align our procedures with generally accepted appraisal practices and with procedures in other states,
- Eliminate obsolete calculations in valuing railroad property,
- Make Minnesota's property tax system more consistent across the C/I levy, and
- Provide local property tax relief to homeowners.

The increased levy base for local taxes would result in lower property taxes for homeowners and other businesses. The proposal would also increase the C/I levy to be consistent with the new levy base.

The Department of Revenue would incur administrative costs of $291,000 in the first year for programming the Integrated Tax System, and ongoing costs of $175,000 in future years for program administration and procedure development.

The proposed policy changes would be effective for the 2018 assessment (for taxes payable in 2019) to allow for forms and instructions to be updated. Any technical changes would take effect the date following final enactment.

Equity and Inclusion:
This proposal has no direct impact on diversity and inclusion efforts.

Results:

Name of Measure	***Impact***
Transparency, Understandability, Simplicity, and Accountability	Increase
Horizontal Equity	Increase

Statutory Change(s):
Minnesota Statutes, Chapter 273 and sections 270.80-270.87 and 272.02, subd. 9(b)

FY18-19 Biennial Budget Change Item

Change Item Title: Gross Proceeds Tax on Non-Ferrous Mining

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	6,100
Revenues	0	0	6,100	16,500
Net Fiscal Impact = (Expenditures – Revenues)	0	0	(6,100)	(10,400)
FTEs	0	0	0	0

Recommendation:

The Governor recommends replacing the current net proceeds tax on non-ferrous mining with a gross proceeds tax of 2.75%. The gross proceeds tax would be collected and distributed to local units of government and other entities in the same way as the current net proceeds tax.

Rationale/Background:

Non-ferrous minerals include base metals such as copper, nickel, lead, zinc and titanium; precious metals such as gold, silver and platinum; and energy resources such as coal, oil, gas and uranium. While not currently mined in Minnesota, if any of these materials were mined, the companies extracting them would be subject to the net proceeds tax. This tax is paid in lieu of property tax, similar to how ferrous mining companies (for example, iron ore and taconite) pay the production tax in lieu of property tax.

The current tax is determined by calculating net proceeds, which are the gross proceeds from non-ferrous mining minus expenses necessary to convert raw ores to marketable quality, which does not include costs such as transportation, stockpiling or marketing. This creates a situation where non-ferrous mining companies, particularly in the early years of operating a new mine, might not have any net proceeds. This result causes disparate treatment of this type of mining compared to ferrous mining companies that pay a production tax regardless of their profitability, or to homeowners who pay property taxes regardless of their income.

This proposal would replace the current net proceeds tax on non-ferrous mining with a gross proceeds tax of 2.75%. The gross proceeds tax would be collected and distributed in the same way as the current net proceeds tax. The rate of 2.75% is intended to provide parity with the tax burden on ferrous mines.

To align the net proceeds tax with the property tax, this proposal replaces it with a gross proceeds tax. The gross proceeds tax would be due after the first year of production because there would be no allowable expenses to deduct.

Proposal:

This proposal would replace the net proceeds tax on non-ferrous mining with a gross proceeds tax. This tax would be imposed on the gross value of minerals sold by a non-ferrous mining company.

Equity and Inclusion:

This proposal would help level the playing field for all taxpayers.

Results:

Name of Measure	*Impact*
Transparency, Understandability, Simplicity, and Accountability	Increase
Horizontal Equity	Increase

Statutory Change(s):

Minnesota Statutes, section 298.015

Change Item Title: Tobacco Products Tax Changes

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	398	371	429	316
Revenues	803	1,572	1,823	1,742
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(405)	(1,201)	(1,394)	(1,426)
FTEs	2.02	3.78	4.16	3.16

Recommendation:

The Governor recommends enacting this set of proposals to reduce tobacco tax evasion by some taxpayers, create fairness among those who sell similar tobacco products, and improve public health by reducing access to cheap tobacco (particularly among youth).

This recommendation would reduce contraband tobacco products in Minnesota by:

- Standardizing the taxation of vapor products by creating a vapor products manufacturing license to change the current point of taxation.
- Establishing a process whereby the Department of Revenue can revoke a retailer's cigarette or tobacco license.
- Beginning with moist snuff, require tax stamps be placed on other tobacco products similar to the cigarette tax stamp.
- Expanding invoice retention requirements for cigarette and tobacco products, and establish civil penalties for violation of those requirements.
- Increasing the license fees for cigarette and tobacco distributors and subjobbers, effective for tax years beginning after December 31, 2017.
- Providing the Department of Revenue greater authority to refuse to issue or renew a distributor or subjobber license.

Rationale/Background:

A 2014 study by the Minnesota Department of Health found that 19.3% of Minnesota high school students had used conventional tobacco products (cigarettes, cigars, smokeless tobacco, etc.) in the past 30 days. While this is a significant decline from 2011 (25.8%), the study shows that tobacco use among high school students is still too high, and remains very reactive to prices.

From 2011 to 2014, cigarette use among high school students declined from 18.1% to 10.6%, a 7.5% drop. That drop was less pronounced for other tobacco products, which are not stamped and easier to smuggle into the state, resulting in much lower prices. By reducing the amount of contraband tobacco, the state can help further reduce tobacco use by young Minnesotans.

In contrast to conventional tobacco products, the use of vapor products has increased drastically. A 2012 national survey found that only 3% of high school students had smoked e-cigarettes in the past 30 days. But in Minnesota that number jumped to 13% in 2014 – and the state Department of Health found that 28% of high school students had tried e-cigarettes. Part of the reason these vapor products are so accessible to a younger audience is their very affordable price. Under current law, some businesses are able to pay the excise tax on nicotine, not the final vapor product, dramatically reducing their tax liability. The FDA issued regulations on vapor products in May 2016, but Minnesota law needs updating to reflect this new regulatory framework as well as the role of in-state manufacturers of vapor products.

Tobacco Smuggling
From 2014 to 2016 the Department of Revenue conducted three of its largest seizures of contraband tobacco products. The seized cigars, moist snuff, and loose tobacco – worth over $172,000 – were found in trucks, trailers and storage units, often originating from out-of-state. These seizures likely represent just a fraction of the total smuggling activity occurring in Minnesota; they occurred mostly by chance during routine traffic stops or unrelated investigations by law enforcement.

These seizures show that tobacco smuggling is not only well organized and lucrative, it can also be relatively easy. This proposal addresses these issues by making needed changes to outdated laws and increasing oversight. This proposal will help ensure that businesses which abide by tax laws are not hurt by those bringing contraband into Minnesota.

Vapor
New federal regulations from the Food and Drug Administration could dramatically alter the way certain vapor products are manufactured. FDA finalized a rule, effective August 8, 2016, to regulate all tobacco products. These rules deem all vapor products to be tobacco products.

One of the provisions of these new rules is that manufacturers of vapor products will have to obtain FDA approval for each of the products they sell, which includes submitting detailed ingredient lists. This approval process is anticipated to dramatically curtail the number of vapor retailers acting as manufacturers. Instead, business will likely shift towards several larger Minnesota distributors that also act as manufacturers. This proposal, like the FDA regulations, responds to the in-state manufacturers also acting as distributors or retailers that do not exist throughout the rest of the tobacco industry.

This proposal recognizes that the vapor and e-cigarette industries are unique from the rest of the tobacco industry. The taxing structure this proposal creates will be more consistent for all taxpayers and will provide clear guidance to the industry, as well as the Department of Revenue.

Proposal:
Under current law many tobacco retailers and distributors circumvent established regulations set up to prevent bad actors by taking advantage of holes in our laws. These eight parts taken together will reduce the number of tobacco smugglers in Minnesota and the amount of contraband tobacco in the state and update Minnesota's laws for vapor products.

1. *Vapor Products Taxation*
   This proposal would standardize how vapor products are taxed in Minnesota. Many vapor products are currently taxed at the 95% other tobacco product rate on only the nicotine solution itself, rather than on the sale of the final consumable product. Meanwhile vapor products that are in a consumable form when brought into the state are taxed at the same 95% rate but on a much higher value. This results in a significant tax discrepancy for two very similar products – with artificially low tobacco taxes on vapor products when the final (often flavored) solution is mixed in Minnesota, as is most often the case for vapor shops. This proposal would end that inequity by creating a vapor products manufacturing license so that the tax applies to the final product, no matter where the solution is mixed.

2. *Retail License Revocation Process*
   Under current law, retail licenses can only be revoked by the licensing authority that issued them (cities and counties). This proposal establishes a process for the Department of Revenue to initiate the revocation of a retailer's cigarette or tobacco license. The proposal provides the department with new tools to take action against retailers that are breaking state tax laws, including those who purchase contraband product from an unlicensed distributor . It will ensure that retailers who sell contraband are penalized to keep them from undermining retailers that are following the law.

3. *Tax Stamps for Moist Snuff*
   Smuggling of untaxed tobacco into Minnesota from lower-tax rate states has been and continues to be a problem. Current law makes compliance efforts very difficult. The most effective solution is to require tax stamps on other tobacco products, similar to the stamps already required on packages of cigarettes. Tax stamps would make it easy to tell if Minnesota tax has been paid on other tobacco products and determine where they came from in order to compare inventory to invoices at a retail location or a distributor location.

4. *Aggregation of Tobacco Offenses*
   This proposal would allow the state to aggregate tobacco offenses across city/county lines. Many retailers own and operate stores in multiple jurisdictions. When the department conducts small retail seizures at these locations, each one has to be prosecuted separately in the appropriate jurisdiction as lower-level crimes. Allowing the state to aggregate these offenses would result in stiffer penalties for multiple violations, which could help improve compliance.

5. *Consolidation of Venues for Tobacco Offenses*
   This proposal would complement the aggregation of offenses by allowing the state to consolidate venues when the same retailer commits tobacco offenses in multiple jurisdictions. The state could charge these offenders with a higher-level crime in one county instead of charging lower level offenses in each of the separate jurisdictions. This authority already exists in in other areas, such as state identity theft and gambling laws. Some statutes authorize aggregation and consolidation within the same subdivision, while others do so in separate subdivisions.

6. *Increased License Fees*
   License fees for cigarette distributors and subjobbers have not increased since 1990 and no longer cover the costs of processing the applications for these licenses. Because the fees are so low, many individuals acquire one as a legal defense against claims by the Department of Revenue that the license holder was selling or in possession of untaxed contraband product.

   This proposal increases cigarette distributor license fees from $300 to $500, and tobacco distributor license fees from $75 to $500, to accurately reflect the costs of processing these licenses and create a deterrent for bad actors. Subjobber license fees would similarly increase –from $24 to $100 for cigarette subjobbers and from $20 to $100 for tobacco subjobbers. (Subjobbers purchase cigarette and tobacco products from a distributor and sell the products to someone other than the final consumer.)

   Licenses must be renewed every two years. Increasing license fees will make it more difficult for under-financed and unscrupulous vendors to obtain a distributor or subjobber license. The increased fee will help reduce the amount of illegitimate tobacco products being brought into the state.

7. *Increasing Invoice Requirements and Penalties*
   Department of Revenue audit staff use invoices to verify cigarette and tobacco product has been purchased from a licensed distributor and that tax has been paid. Tobacco products, unlike cigarettes, do not have a tax stamp to show if tax has been paid. As a result, invoices are the only way for the department to verify if taxes have been paid on tobacco products. This proposal would extend the time requirements for keeping invoices and increase penalties to ensure the department can find and seize untaxed tobacco, and to ensure a level playing field for those who are paying tax.

   This proposal would require retailers and subjobbers to preserve invoices for at least one year or for as long as the product is available for sale, whichever is greater. Violators would be subject to penalties for violations. The proposal also adds a penalty – $2,000 or 150% of the tax due on the product – to any retailer or subjobber that sells untaxed cigarette or tobacco products or holds untaxed products in their inventory.

   These tools will enhance the Department of Revenue's ability to verify if cigarette and tobacco products were purchased from a licensed distributor, and if the tax has been paid, particularly in the case of tobacco products. The tiered penalties will provide a strong incentive for retailers and subjobbers to comply with the new provisions and purchase taxed product from a licensed distributor or subjobber. This will reduce the amount of untaxed product available for sale.

8. *Distributor and Subjobber License Refusal*
   This proposal provides consistent rules for when the Department of Revenue can revoke, suspend, refuse to renew, and issue a license to a distributor or subjobber. Current law authorizes the department to revoke or suspend a license for any violation of cigarette and tobacco tax laws or any other act relevant to the sale of cigarette and tobacco products. But the department can refuse to renew or issue a license only in very specific circumstances – when the licensee owes $500 or more in tax, had a cigarette or tobacco license revoked in the past two years, or has not filed

tax returns. This incongruity limits the department's ability to penalize a distributor or subjobber that has violated the cigarette and tobacco tax laws.

Equity and Inclusion:

This proposal should reduce the amount of untaxed cigarette and tobacco products sold in Minnesota, making it more difficult to obtain the cheaper contraband product. This proposal will reduce the availability of contraband tobacco and unregulated vapor products available to children.

Results:

Name of Measure	*Target*
Transparency, Understandability, Simplicity, and Accountability	Increase
Efficiency and Compliance	Increase

Statutory Change(s):

Minnesota Statutes, sections 270C.722; 270C.728; 297F.01, subd. 16; 297F.03, subd. 5; 297F.185; 461.12, subd. 8; 297F.04, subd. 1; 297F.13, subd. 4; 297F.19; 297F.21, subd. 1;297F.03, subd. 5 and subd. 6; and create 297F.186

Change Item Title: Sales Tax Clarifications

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	$1,300	$3,150	$3,410	$3,580
Legacy Funds				
Expenditures	0	0	0	0
Revenues	$110	$210	$220	$210
Net Fiscal Impact = (Expenditures – Revenues)	($1,410)	($3,360)	($3,630)	($3,790)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a small set of clarifications to the sales tax to make it clear when and how the sales tax applies to different specific transactions. This includes the following proposals:

- *Equal Treatment of Digital Products:* Creates a fair and consistent sales tax treatment of digital products that are also available in tangible form.
- *Computer Installation Labor:* Imposes the sales tax on all labor and services related to the sale and installation of prewritten computer software.
- *Burial Containers:* Expands the sales tax exemption for burial containers to include all caskets and alternative containers used for the viewing, transportation, or burial of a deceased human being.

Rationale/Background:

As our economy changes so does the way that different transactions are made, and greater definition is needed to make clear when to and when not to apply the sales tax. Together these proposals will help clarify our sales tax laws, make the system easier to understand, and reduce confusion for taxpayers. The proposals will also address specific problems created by gaps in the sales tax or sales tax exemptions.

1. *Equal Treatment of Digital Products*
   When digital products became taxable in 2013, the law was written to tax only specified digital products and does not include all products that are taxable in their tangible form. This causes a non-parallel affect in the law that produces inequities between similar products and can be unclear for businesses and taxpayers.

   The Department of Revenue receives many questions from businesses and spends a lot of time trying to determine if an item is a digital product and if that digital product is then taxable. There is also confusion among taxpayers as to why something is taxable when it is sold as tangible personal property, but not when it is sold as a digital product. Examples include finished artwork, still photographs, copies of blueprints, and legal research documents.

   With changing technology, more and more tangible products are being sold in a digital form. The solution is to create a simple rule that makes digital products taxable if they have a tangible counterpart that is taxable.

2. *Computer Installation Labor*
   Currently, terminology, timing of the service delivery, and the timing of the billing make it difficult for businesses that are selling or purchasing these services because these sales include both non-taxable and taxable labor. Keeping track of what is taxable and what is not taxable is complicated and can be confusing.

   This proposal ensures fairness by making the sales tax treatment of these services more consistent; currently the taxability of these services depends on how and when these services are billed and whether they are part of one contract. It is very difficult to separately state all of the items that go into the purchase of module-based computer software programs. This difficulty stems from the fact that the different labor components of the purchase of the software – whether performed by the seller or a third party – often happen simultaneously or overlap each other.

3. *Burial Containers*
   Minnesota law currently exempts caskets, vaults, alternative containers, coverings, and linings for human burial. Over time, more taxpayers are renting and leasing caskets, rather than purchasing them, because the deceased will be cremated after the viewing/visitation.When the casket is being rented, it is not being used for human burial, and is therefore not exempt from sales tax.

Proposal:

1. *Equal Treatment of Digital Products:*Create a fair and consistent sales tax treatment of tangible products that are also available in digital form.

2. *Computer Installation Labor:* Impose the sales tax on all labor and services related to the sale and installation of prewritten computer software.

3. *Burial Containers:* Expand the sales tax exemption for burial containers to include all caskets and alternative containers used for the viewing, transportation, or burial of a deceased human being.

Equity and Inclusion:

The Minnesota's sales tax laws are complex and difficult to understand for ordinary citizens. This proposal would make Minnesota's tax laws more accessible and easily understood for all taxpayers.

Results:

Type of Measure	***Impact***
Transparency, Understandability, Simplicity, and Accountability	Increase
Efficiency and Compliance	Increase

Statutory Change(s):

Minnesota Statutes, sections 297A.61, subd. 3 and (g)3; 297.61; and 297A.67, subd. 10.

Change Item Title: Construction and Demolition Waste Management Tax Rate

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	130	140	150	150
Other Funds				
Expenditures	0	0	0	0
Revenues	290	330	340	350
Net Fiscal Impact = (Expenditures – Revenues)	(420)	(470)	(490)	(500)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends an update to the Construction and Demolition Waste Management Tax Conversion rate. This proposal deletes the outdated conversion rate of $2.00 per ton used in the taxation of construction and demolition waste. It would allow the commissioner of revenue to determine and publish a conversion rate schedule each year between cubic yards and tons.

Rationale/Background:

This proposal would update the Construction and Demolition Waste Management Tax Conversion rate. It currently uses an outdated rate of $2 per ton which has remained the same since 1997. The current conversion rate between cubic yards and tons (taxed at $2 per ton) does not reflect the current volume-to-weight ratio of construction and demolition waste.

This change will authorize the Minnesota Department of Revenue update conversion rates to ensure that the waste generators pay the same tax, whether they are billed by the container capacity or by the ton. This proposal would not change the current 60 cent per cubic yard rate for construction and demolition waste.

The conversion rate allows Solid Waste Management taxpayers to pay the tax due based on volume or weight. The conversion rate for volume is used to approximate the tax that would be calculated based on weight.

This proposal would:

- Provide a more accurate tax on construction and demolition waste.
- Ensure taxpayers pay approximately the same tax whether measured by volume or weight
- Make demolition waste consistent with industrial waste.
- Make the tax on solid waste simpler and easier to understand

Proposal:

This proposal would delete the outdated conversion rate of $2 per ton used for construction and demolition waste. It would also authorize the Department of Revenue to worth with the Minnesota Pollution Control Agency to determine and update the conversion rate for construction and demolition waste as needed. This proposal makes this conversion rate in line with industrial waste. It would be effective July 1, 2017.

Equity and Inclusion:

This proposal would eliminate an unintended preferential treatment for taxpayers who dispose of construction and demolition waste by ton. It would help level the playing field for solid waste management taxpayers.

Results:

Name of Measure	***Impact***
Transparency, Understandability, Simplicity, and Accountability	Increase

Statutory Change(s):

Minnesota Statutes, section 297H.04, subd. 2(c)(1)

Change Item Title: Compressed Natural Gas Definition and Gasoline Equivalent Fix

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Highway Users Tax Distribution Fund				
Expenditures	0	0	0	0
Revenues	(140)	(170)	(180)	(200)
Net Fiscal Impact = (Expenditures – Revenues)	140	170	180	200
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends aligning the energy content calculation of compressed natural gas with the industry standard and making a corresponding change to the tax rate.

Rationale/Background:

Current Minnesota law considers the energy content of compressed natural gas (CNG) to be 1000 British Thermal Units (BTUs) per cubic foot, while the industry standard is 900 BTUs per cubic foot. To calculate fuel tax on CNG, Minnesota currently uses a conversion factor of 114.9 cubic feet of CNG for every one gallon of gasoline, while the International Fuel Tax Agreement (IFTA) conversion factor is 126.67 cubic feet. Changing state law to be consistent with IFTA standards will make it more consistent and easier for taxpayers to file tax returns by eliminating the need to use one conversion factor in Minnesota and another elsewhere.

This recommendation:

- Provides a simpler, easier to understand tax for businesses
- Will not affect the state's General Fund, but will reduce revenue in the Highway Users Tax Distribution Fund by $120,000-$140,000 annually
- Is requested by the industry
- Aligns Minnesota's definition of the energy content of CNG with the industry standard

Proposal:

This proposal would align the energy content of CNG with the industry standard (900 BTUs per cubic foot). The proposal also would adopt the industry standard conversion rate for tax purposes (126.67 cubic feet of CNG per gallon of gasoline), and reduce the fuel tax rate for CNG to keep it aligned with the current gasoline tax rate. (The tax rate would change from $2.174/1000 cubic feet to $1.974/1000 cubic feet of CNG.)

Equity and Inclusion:

This proposal has a narrow focus and would not increase inequities.

Results:

Name of Measure	*Impact*
Transparency, Understandability, Simplicity, and Accountability	Increase
Stability and Predictability	Increase

Statutory Change(s):

Minnesota Statutes, section 296A.01, subd.12, and 296A.08, subd. 2

Change Item Title: Motor Vehicle Lease Revenue Realignment

Fiscal Impact ($000s)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
General Fund					
Expenditures	0	0	0	0	0
Revenues	5,100	5,400	5,700	5,900	6,000
Other Funds					
County State Aid Highway Fund	(2,550)	(2,700)	(2,850)	(2,950)	(3,000)
Transit Assistance	(2,550)	(2,700)	(2,850)	(2,950)	(3,000)
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0	0
FTEs	**0**	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends realigning the allocation of funds for revenue generated from sales tax on motor vehicle leases. The purpose is to provide clarification that the legacy funds receive 0.375 percent of sales tax generated by these sales and that the transportation accounts receive 6.5 percent of the sales tax generated by these sales.

Rationale/Background:
Current statute requires “net revenues” from motor vehicle leases to be deposited in the County State-Aid Highway Fund and the Greater Minnesota Transit Account. However, the state Constitution requires that 3/8 of every cent must go to the Legacy Funds. Therefore, 0.375% of the revenue is transferred into the Legacy Funds and 6.875% is transferred into the County State-Aid Highway Fund and the Greater Minnesota Transit Account.

While these transfers are required by statute, the result is a total transfer of 7.25% of the revenue from motor vehicle lease purchases. Because the sales tax rate is 6.875% on each transaction, there is an imbalance between the amount collected and the amount transferred into designated funds.

Realignment is necessary to clarify that Legacy Fund money should not be included in “net revenues” because by law the receipts from the 0.375% rate must go to the Legacy Funds. Therefore, any calculation of the “net revenue” and the resulting amount to be allocated to the County State Aid Highway Fund and the Greater Minnesota Transit Account should be based solely on the receipts from the tax imposed under the 6.5% rate.

Proposal:
This proposal realigns the allocation of funds for revenue generated from sales tax on motor vehicle leases. The purpose is to provide clarification that the legacy funds receive 0.375% of sales tax generated by these sales. The proposal would also allow allocations to the County State Aid Highway Fund and the Greater Minnesota Transit Account based only on gross receipts from sales tax imposed at the 6.5% rate.

Equity and Inclusion:
This proposal has a narrow focus and would not increase inequities.

Results:

Name of Measure	*Impact*
Transparency, Understandability, Simplicity, and Accountability	Increase

Statutory Change(s):
Minnesota Statutes, section 297A.815, subd. 3

Change Item Title: Home Office Deduction Calculation

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	(380)	(490)	(520)	(540)
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	(380)	(490)	(520)	(540)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a consistent treatment of the home office deduction for the purposes of the Property Tax Refund.

Rationale/Background:

For income tax purposes, taxpayers may claim a business deduction for certain expenses if they use a portion of their home regularly and exclusively for business. This deduction is commonly referred to as the “home office deduction.” The deduction is limited to the business's profit before the deduction is taken. If a business is not profitable, the deduction is not used in calculating current year adjusted gross income (AGI) but is carried forward for future tax years.

Since 1975, taxpayers who claim this deduction have been required to calculate their Property Tax Refund by allocating their property taxes between the part of their home they use as their homestead and the part they use for their business. The current requirement to allocate property taxes is triggered if the home office deduction includes depreciation and is used in the calculating adjusted gross income (AGI). This causes an unequal treatment for similarly situated taxpayers (taxpayers who use a portion of their home regularly and exclusively for business).

This proposal matches the IRS tax treatment of the home office deduction for purposes of the Property Tax Refund. This proposal would:

- Continue to match the federal home office deduction while ensuring that all taxpayers who claim the deduction are treated the same when they file for a state Property Tax Refund.
- Require all taxpayers who claim the home office deduction to allocate their property taxes between the portion of their home used as a homestead and the portion used for business.

Proposal:

This proposal would require all taxpayers who claim the home office deduction to continue to allocate their property taxes when filing for a property tax refund. This proposal will ensure equal treatment of all taxpayers who claim the deduction and file for a property tax refund.

Under this proposal taxpayers will be treated equally for purposes of the Property Tax Refund no matter which method they used to calculate the deduction:

1. **Traditional method –** This method, in use since the 1970s, requires taxpayers to determine their costs to maintain a home office. The deduction for property taxes is based on the percentage of the home used for business. For example, if a home office takes up 25% of the home, 25% of the property taxes can be included in the home office deduction.
2. **Simplified method –** This method, first allowed for tax year 2013, allows taxpayers to deduct $5 per square foot (rather than allocating their costs) for the business part of the home.

Like the IRS, Minnesota recognizes both methods of calculating the home office deduction on income tax returns. But under current law, each method affects the state Property Tax Refund differently:

1. **Traditional method –** Taxpayers who used this method are required to allocate property taxes between business and homestead use when filing for a Property Tax Refund. For example, if they used 25% of their home for business, the refund is based on 75% of their property taxes payable. This allocation has been required since the 1970s.
2. **Simplified method –**Taxpayers who used this method are not required to allocate property taxes when filing for a Property Tax Refund. For example, if they used 25% of their home for business, the refund is based on 100% of their property taxes payable.

The proposal will instead require all taxpayers who claim the home office deduction to continue to allocate their property taxes when filing for a property tax refund.

Equity and Inclusion:

This proposal has a narrow focus and would not increase inequities.

Results:

Name of Measure	***Impact***
Transparency, Understandability, Simplicity, and Accountability	Increase

Statutory Change(s):

Minnesota Statutes, section 290A.03, subd. 13.

Change Item Title: Agricultural Homestead Credit Modifications

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	(140)	(150)
Revenues	0	0	(5)	(5)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	(135)	(145)
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends making changes the calculation of the credit for fractional agricultural homesteads based on the market value of homestead land. This proposal clarifies the application of agricultural homestead market value credit to base the credit for fractional agricultural homesteads on the market value of homestead land. The proposal also clarifies that the percentage of homestead would be split evenly among any number of owners of the property. This proposal is effective for property taxes payable in 2018 and thereafter.

Rationale/Background:
Under current law, for agricultural homestead chains with both homestead and non-homestead value, the agricultural homestead market value credit is to be calculated on the total market value of all homestead and non-homestead agricultural land in a homestead chain and then prorated to each owner occupant's percentage of ownership. The agricultural homestead credit is administered in a number of ways resulting in unequal treatment of taxpayers depending on where they live in the state.

This proposal provides the most reasonable and orderly response to the various applications of law across the state. The recommendation will provide:

1. Uniform application of state-paid agricultural homestead credits – and uniform treatment of property owners
2. Better ability to know the impact of credits for purposes of state budget forecasting

Proposal:
Amend Minnesota Statutes § 273.1384 to calculate the credit for these fractional agricultural homesteads based on the market value of homestead land. The proposal also clarifies that the percentage of homestead would be split evenly among any number of owners of the property.

Equity and Inclusion:
This proposal has a narrow focus and would not increase inequities.

Results:

Type of Measure	*Impact*
Transparency, Understandability, Simplicity, and Accountability	Increase

Statutory Change(s):
Minnesota Statutes § 273.1384

Change Item Title: Super Bowl Exemption

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	(920)	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	(50)	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	970	0	0	0
FTEs	0	0	0	0

Request:
The Governor recommends expanding the existing sales and use tax exemption for the Super Bowl to include: 1) admissions to related events, and 2) nonresidential parking services. This would also provide a reimbursement from the Minnesota Sports Facilities Authority for sales taxes paid on certain products and services.

Rationale/Background:
This proposal supports the Super Bowl events to be held in Minnesota in 2018.

Proposal:
The sales and use tax exemption for admissions would be expanded to include admissions to related events sponsored by the NFL, NFL affiliates, or the Minnesota Super Bowl Host Committee. Related events sponsored by the NFL or its affiliates include but are not limited to preparatory advance visits, NFL Experience, NFL Tailgate, NFL On Location, and NFL House. Affiliates do not include NFL teams.

The sale of nonresidential parking by the NFL for attendance at the Super Bowl and for related events sponsored by the NFL, NFL affiliates, or the Minnesota Super Bowl Host Committee would be exempt. Purchases of nonresidential parking services by the Super Bowl Host Committee would be considered purchases made exempt for resale.

The bill provides for a reimbursement by the Minnesota Sports Facilities Authority for taxes paid on purchases of tangible personal property, nonresidential parking services, and lodging by the Minnesota Super Bowl Host Committee, the NFL or its affiliates, or their employees or independent contractors. Taxes eligible for reimbursement include the state sales tax and any local tax administered by the Department of Revenue for purchases made after July 1, 2016 and before March 1, 2018. The reimbursement amount is limited to $1.6 million and would be paid from the operating reserve or capital reserve fund.

Equity and Inclusion:
This proposal has a narrow focus and would not increase inequities.

Results:

Type of Measure	*Impact*
Competitiveness for Business	Increase

Statutory Change(s):

Minnesota Statutes 297a.68, subdivision 9

Change Item Title: Angel Tax Credit

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	(10,000)	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	10,000	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends $10 million in FY2019 for the Angel Tax Credit Program in calendar year 2018. This is a one-time appropriation. The Governor further recommends policy changes to better serve targeted businesses in Minnesota and extending the program's sunset clause to December 31, 2018.

These funds provide a tax credit to investors or investment funds that put money into early stage companies focused on high technology, a new proprietary technology, or a new proprietary product, process, or service in specified fields. The program was funded at $15 million in calendar years 2015 and 2016 and $10 million in calendar year 2017.

Rationale/Background:

The Angel Tax Credit program is Minnesota's primary economic development tool for assisting early stage businesses and is part of the Department of Employment and Economic Development's (DEED) commitment to fostering innovation in the state. Minnesota has earned its reputation as one of the best states for business by encouraging the growth and economic competitiveness of businesses of all sizes. As high-tech startups look outside the confines of traditional hubs like Silicon Valley, Minnesota has the opportunity to provide incentives that will encourage job growth and technical expertise here in the state. The Angel Tax Credit program has resulted in over $350 million in private investment in Minnesota startups, leveraged by the state's issuance of $84 million in tax credits to angel investors. The program spurs economic growth and builds on Minnesota's existing ecosystem of high tech, high innovation companies.

The program is also an important tool for wealth creation in communities across the state. Since its inception, DEED has sought to broaden the base of individuals, communities, and businesses that benefit from the program. DEED believes it is critical that all qualifying businesses in Minnesota have access to the benefits of the program. The policy changes included in this proposal will increase utilization of the program among targeted group businesses, including those owned by people color, women-owned businesses, veteran-owned businesses, businesses owned by people with disabilities, and/or businesses in Greater Minnesota.

Proposal:

The Governor recommends $10 million in FY2019 for the Angel Tax Credit program. The program exhausts available funding every year; when credits are exhausted, some investors stop investing for the year and start-up business face barriers to obtain the equity financing they need to continue their growth.

Better Serving All Minnesotans
The Governor the program be modified to better serve targeted group businesses. These modifications include:

- *Lower minimum investment thresholds for investors of targeted business:* This proposal reduces the minimum investment for individuals from $10,000 to $5,000 to increase the pool of potential investors in targeted businesses. Targeted businesses typically raise smaller amounts from each investor than non-targeted businesses.

- *Eliminate restrictions on friends and families:* This proposal eliminates the exclusion of friends and certain family members from being eligible for the credit to increase the pool of potential investors in targeted businesses. Friends and family members are usually the first investors in a business and an especially important source of investment dollars for targeted group businesses.

Extending the Sunset Clause
The Governor recommends that the program's sunset clause be extended until December 31, 2018. Under current law, the program will end December 31, 2017.

Equity and Inclusion:

The policy changes in this proposal specifically target businesses owned by people color, women-owned businesses, veteran-owned businesses, businesses owned by people with disabilities, and/or businesses in Greater Minnesota by reserving credits for investments in these business and modifying certain program requirements to better enable them to access and benefit from the program.

Results:

	CY 2012	CY 2013	CY 2014	CY 2015
Number of businesses receiving investments	117	128	109	114
Number of Greater MN/minority/women businesses receiving investment**	n/a	n/a	n/a	33
Number of investors making investments	465	452	487	542
Number of funds making investments	17	20	25	23
Investment generated	$46.2M	$50.7M	$59.7M	$71.2M
Investment generated for Greater MN/minority/women businesses**	n/a	n/a	n/a	$19.3M
Dollars funded	$11.4M	$12.4M	$13.9M	$14.8M
Dollars funded for Greater MN/minority/women businesses**	n/a	n/a	n/a	$4.4M

Statutory Change:

Minn. Stat. 116J.8737

Change Item Title: Repeal Provider Tax Sunset

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	11,501	30,736
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	60	147
Revenues	0	0	239,359	747,630
Net Fiscal Impact = (Expenditures – Revenues)	0	0	(227,798)	(717,747)
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends repealing the sunset on the two percent taxes on hospitals, ambulatory surgical centers, providers and wholesale drug distributors contained in Minnesota Statutes Chapter 295.52. This proposal increases General Fund expenditures by $42 million and has a net impact to the Health Care Access Fund by $987 million in the FY2020-21 biennium. This proposal raises $239 million and $748 million of revenue in fiscal years 2020 and 2021 respectively.

Rationale/Background:

Minnesota levies a two percent tax on revenue from patient services at hospitals, surgical centers and health care providers. This two percent tax also applies to the revenue of wholesale drug distributers as well as on amounts paid for resale prescription drugs in the state purchased from sources other than a wholesale drug distributer. Provider tax revenue is deposited into the Health Care Access Fund and which funds health care coverage through the MinnesotaCare and MA programs support public health activities administered by the Minnesota Department of Health. The provider tax represents approximately 80 percent of revenue in the Health Care Access Fund in FY 2018-19. Under current law, the provider taxes sunset on December 31, 2019. Repealing the sunset of the provider tax provides greater funding stability for the state's initiatives to promote access to health care, improve the quality of care, and contain health care costs.

In 2003, the state legislature removed an exemption on taxing health care provider revenue for services provided to recipients of MA and MinnesotaCare and increased provider payment rates by two percent for services subject to this tax. The November 2016 MA and MinnesotaCare forecast accounted for the provider tax sunset by removing the value of the two percent rate increase effective Januray 1, 2020. Repealing the provider tax sunset reinstates the two percent rate increase in MA and MinnesotaCare, resulting in a net cost to the state of just over $42 million in FY2020-21.

The current tax rate is 2%, although each year the rate must be reduced if the Commissioner of Management and Budget determines that projected revenue to the Health Care Access Fund is greater than 125% of expenditures and transfers, and the cash balance in the fund is adequate.

Proposal:

This proposal repeals the sunset of the two percent provider taxes contained in Minnesota Statutes Chapter 295.52

Transportation

FY18-19 Biennial Budget Change Item

Change Item Title: NexTen for Transportation

Fiscal Impact ($000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	40	180	180	180
Revenues	(1,450)	(5,160)	(6,430)	(7,050)
Special Revenue Fund				
Expenditures	57,000	57,000	57,000	57,000
Revenues	57,000	57,000	57,000	57,000
Highway User Tax Distribution				
Revenues	346,452	597,925	623,746	671,637
Expenditures	234	222	222	222
Transfers Out	346,218	597,703	623,524	671,415
Trunk Highway Fund				
Expenditures	199,135	344,589	359,817	388,063
Transfer In	199,135	344,589	359,817	388,063
County State Aid Fund				
Expenditures	110,048	190,431	198,846	214,456
Transfer In	110,048	190,431	198,846	214,456
Municipal State Aid Fund				
Expenditures	28,907	50,021	52,231	56,332
Transfer In	28,907	50,021	52,231	56,332
Net Fiscal Impact = (Expenditures – Revenues)	1,490	5,340	6,610	7,230
New FTEs (MnDOT)	**146**	**245**	**249**	**260**
New FTEs (DOR)	**3**	**3**	**3**	**3**
***HUTD Transfers out include transportation funds only**				

Request:

The Governor recommends the state commit to a major investment plan for transportation to fund the estimated $6 billion dollar gap that exists between funding needs and revenues in the next 10 years. The Governor proposes filling the $6 billion gap in road and bridge funding by:

- Initiating a 6.5% gross receipts tax on gas
- Increasing registration fees (increase additional tax rate from 1.25% to 1.5% and base tax from $10 to $20; phased-in over 4 years)
- Authorizing $2 billion in trunk highway bonds over the next 10 years
- Leveraging MnDOT efficiencies (up to 15% of new revenue)

The gross receipts tax and registration tax increases will fund roads and bridges at the state, county and municipal levels.

The Governor recommends funding Department of Revenue's cost for administering the NexTen Transportation proposal. These costs include $234,000 in FY 2018 and $222,000 in subsequent years for initiating and implementing the 6.5% gross receipts tax on gas.

Other Components:
In addition to the new funding above, the Governor recommends:

- Implementing $10 surcharges on both motor vehicle registrations and motor vehicle title transfers. These surcharges would raise an estimated $57 million per year, and would be deposited in the Special Revenue Fund to fund transportation needs not eligible for trunk highway funds:
  - Greater Minnesota transit - $10 million annual base increase
  - Bike and pedestrian infrastructure, including Safe Routes to Schools administration – $2.5 million annual base increase
  - Americans with Disabilities (ADA) projects for local roads - $4 million annual base increase
  - Aid for Cities with Populations under 5,000 - $19 million annually
  - Aid for Large Cities - $19 million annually
  - Aid for Tribal Roads - $2.5 million annually

General fund revenues are reduced by $6.61 million FY18-19 biennium due to increased petroleum refunds and income tax interactions with the registration tax. General fund appropriations increase by $220,000 for the biennium for increased aid under M.S. 270C.19 due to the increase in gas tax.

The sale of $2 billion in trunk highway bonds is authorized over the next ten years. Debt service for these bonds is estimated to be $22.2 million for the FY2018-19 biennium. This estimate increases to $136.5 million for the FY2020-21 biennium. These estimates were provided by the Department of Minnesota Management and Budget.

For the FY2020-21 biennium, when the revenues are completely phased in, the increased revenue from the gross receipts and registration fees will increase expenditures for each transportation fund by about 25%. To illustrate the impact to taxpayers: the increases in the gross receipts, registration taxes and surcharge will cost the average Minnesotan $16 per month, or 52 cents per day, and the gross receipts tax on gasoline is projected to add an additional 16.3 cents to the price of a gallon of gasoline. However, this proposal includes additional long-term sustainable funding and includes dedicated funds.

Rationale/Background:
Minnesota cannot preserve and improve quality and performance of the state's transportation systems under current investment levels and current infrastructure lifecycle replacement practice. The consequences of underinvesting in the state's transportation system will include a deterioration in service, increase in congestion, failing infrastructure and diminished ability to remain economically competitive. This is because transportation systems facilitate the efficient movement of people and goods and create the opportunity for economic development, enhanced productivity, job formation and sustainable growth. Without additional investment, the transportation system will not be able to expand to accommodate expected population and job growth. In addition, alternatives to driving alone must play a larger role in satisfying growing transportation demand - roads, transit and other transportation modes must work together as one system.

<u>Road and Bridge funding components</u>
Inflation has overtaken revenue growth for transportation. In 2012 the Transportation Finance Advisory Committee (TFAC) determined additional funding was needed for transportation. The department faces a $6 billion gap in revenue over the next ten years above current fund balance projections, to fund activities such as state road construction and operations and maintenance. $4 billion is needed for preservation and modernization, and $2 billion is needed for strategic expansion.

Without additional revenue, there will be:

- Increased deterioration of pavement and bridges on state system
  - In FY2015, 5 percent of highway pavement is considered in poor condition (rough driving surface); it is estimated to be 11 percent in 20 years
  - In FY2015, 3 percent of bridge deck pavement is considered in poor condition; it is estimated to be 8-10% in 20 years
- Very little expansion to address population and economic growth
- Reductions in products and service delivery

In addition, more operations and maintenance dollars are recommended, calculated as 10 percent of new trunk highway fund revenues. This additional funding will be spent on snow plowing, fixing pot holes and guard rails, etc. These are needed due to declining asset conditions, increased snow and ice requirements, and the need for more timely maintenance.

While the Department has always worked to be good stewards of public funds, the department has taken a more targeted approach to identify and quantify efficiencies as well as find new areas for greater efficiencies. When the Department identifies savings on current projects, we release the programmed funds to advance additional projects (examples include the 494/694 project in Plymouth and Highway 371 north of Nisswa). Under this proposal, the Department commits to finding 15 percent efficiencies of new revenues.

Special Revenue Fund - Transit
Greater Minnesota Transit has a statutory goal to meet 90 percent of the transit need by 2025. In 2015, public transit systems met 88 percent of the need, based on the demographic models developed for the recent Greater Minnesota Investment Plan. That model predicts Greater Minnesota public transit demand will increase 45 percent from 2015 to 2025, primarily due to the rapid increase in people reaching age 65.This gap of operating funds includes those needed by local service providers to deliver more service, acquire and replace buses, provide bus maintenance and storage facilities. A small portion will be used by MnDOT to administer the larger program and keep up with inflation.

Special Revenue Fund – Bike and pedestrian infrastructure, including Safe Routes to Schools
There is a need to increase access to safe options for active transportation – walking and bicycling. Statewide Bicycle System and Pedestrian System plans are in progress to identify specific future needs. Since 2005 MnDOT has received Safe Routes to School applications requesting $120 million and has awarded approximately $20 million in grants, illustrating the gap between current need and investment. These grants to schools, in partnership with cities and counties, implement infrastructure projects that improve safety or access for children walking or bicycling to school.

Proposal:

Road and Bridge funding components
New revenues, bonding and MnDOT efficiencies would be identified to help close the funding gap in the next ten years. The goal is an integrated transportation system that optimizes the movement of people and goods across the state. With new funding, we can:

- Improve asset management - preserve and modernize the existing system
- Expand MnPASS and bus rapid transit lanes
- Complete strategic expansion on key corridors throughout the state
- Complete Main Street improvements

The benefits for taxpayers will include:

- Reduced wear and tear on their cars
- Fewer stops at the fuel pump
- Fewer accidents
- More time doing what they need to do

MnDOT has identified pavement and bridge needs as well as mobility projects that are not currently being addressed through its 10-year work plan. These unmet needs and projects will be given priority. These funds will provide for capital costs of construction as well as project development and engineering activities, allowing the department to utilize this funding in the most efficient manner.

Internally MnDOT will narrow the transportation funding gap by saving or avoiding costs through efficiencies, innovation and improved program and project management and thereby stretch public dollars further. Efficiencies will also be realized in the long-term asset management of the transportation system with increased benefits and savings when the right investment is made at the right time.

MnDOT proposes to utilize the increased operating appropriations for our highest-priority products and services. Some of these include:

- Snow and Ice - Keeping the roads clear of snow and ice
- System Roadway Structures Maintenance – remove potholes (Pavement repair)

- Bridges and Structures Inspection and Maintenance

Special Revenue Fund – Transit
In Greater Minnesota, MnDOT's highest priorities will be to establish service in locations without any existing public transit. Currently, many counties do not have county-wide service. Assuming all eligible locations are served by public transit, MnDOT's top priorities for service expansion include:

- Expand service hours in the morning and night to serve more trips
- Expand multi-county services to link more communities
- Provide service on more days of the week
- Expand service frequencies and coverage

Special Revenue Fund – Bike and pedestrian infrastructure, including Safe Routes to Schools
Provide safe routes infrastructure to increase access to safe options for active transportation in communities across Minnesota. Safe routes for bicyclists and pedestrians are the most effective way to increase walking and bicycling. Safe bicycle and pedestrian access to schools for Minnesota children has numerous benefits including reducing congestion around schools, reducing school transportation costs, and providing an opportunity for physical activity which decreases obesity, improves health and supports academic achievement.

IT Related Proposals:

N/A

Results:

Road and Bridge funding components
MnDOT would plan to rehabilitate the system for the 21st century by:

- Improving 1,700 center lane additional miles of pavement
- Repairing or replacing an additional 235 bridges, such as Robert St bridge over Mississippi River in St Paul
- Accelerate progress toward state goal of zero highway deaths with targeted installation of rumble strips, median barriers, lighting and other safety improvements .The Minnesota Toward Zero Death program has helped decrease traffic fatalities on Minnesota roads by 40.5% - saving an estimated 2,046 lives since 2003
- Keep roadside infrastructure in a state of good repair.

In addition, MnDOT has operating performance measures that will be impacted by this proposal. All are anticipated to decline without additional funding; and this would reduce the decline. They include:

- Snow Plowing Performance – meet clearance targets
- Smooth Roads – percent of pavement patching addressed
- Percent of projects let in the year scheduled

Special Revenue Fund – Transit
The additional funding allows the State to meets 90% of projected need for Greater Minnesota transit by 2025 by increasing transit service by nearly 500,000 service hours.

Special Revenue Fund – Bike and pedestrian infrastructure, including Safe Routes to Schools
Additional bicycle infrastructure investments would focus on local bicycle networks via local planning assistance with partners. Expanding the State Bikeways Systems (e.g. Mississippi River Trail) and investing in local network connection projects would also be prioritized.

Additional pedestrian infrastructure investments will improve the condition of existing infrastructure (sidewalks, pedestrian bridges, traffic signals, etc.), and fill gaps in the sidewalk network.

Increasing the Safe Routes to Schools investment would provide safer walking and biking to school options for thousands of school students.

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

www.revenue.state.mn.us/

AT A GLANCE

For 2014:
- 485,000 homeowners received refunds
- The average refund was $838

PURPOSE & CONTEXT

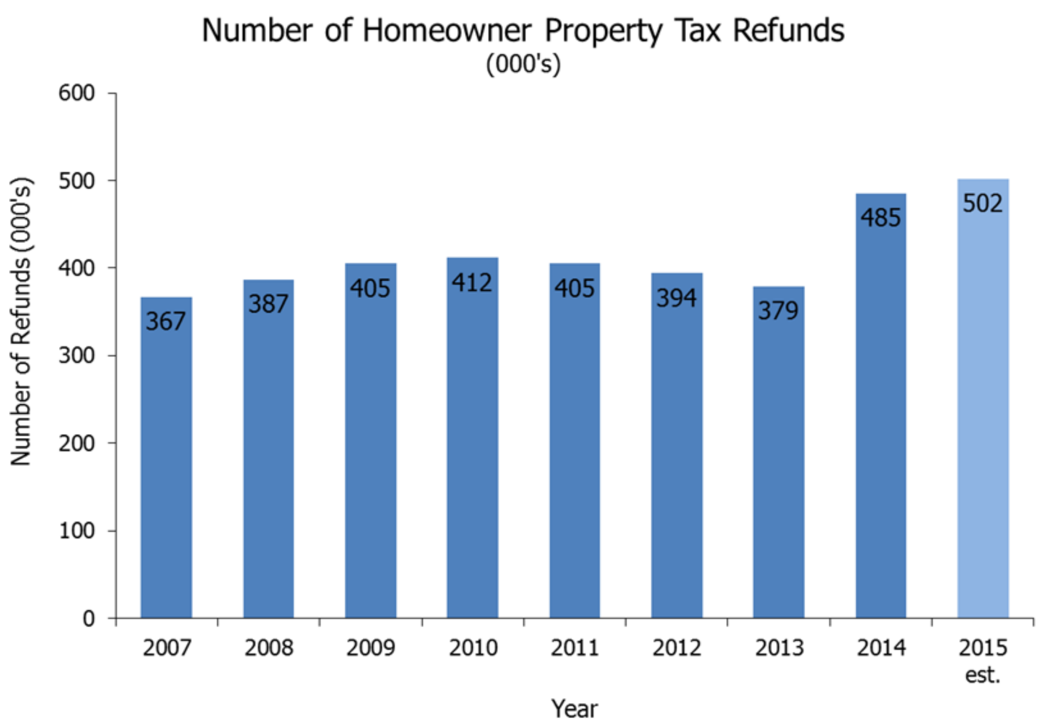
Property taxes account for a high share of household income for some taxpayers. The homestead credit refund for homeowners program is designed to provide relief to households that pay high property taxes relative to their household income.

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS



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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Suits index - homeowner property taxes before PTR	-0.176	-0.202	2010 – 2012
Quality	Suits index - homeowner property taxes after PTR	-0.133	-0.161	2010 – 2012
Results	Reduction in regressivity due to PTR	24%	20%	2010 – 2012

Performance Measure Notes:

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

The Suits index compares the 2013 Tax Incidence Study based on calendar year 2010 property taxes and refunds (previous) with the most recently available 2015 Tax Incidence Study based on calendar year 2012 property taxes and refunds (current).

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

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

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

Legal Citation: M.S. 290A.04 Subd. 2 establishes the Homestead Credit Refund program. It was amended by: Laws 2013, Chapter 143, Article 1; and Laws 2014, Chapter 308, Article 1, Section 16. www.revisor.mn.gov/statutes/?id=290A.

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	287,212	393,467	401,851	436,200	441,100	458,500	440,720	455,960
Total	**287,212**	**393,467**	**401,851**	**436,200**	**441,100**	**458,500**	**440,720**	**455,960**
Biennial Change				157,373		61,549		58,629
Biennial % Change				23		7		7
Governor's Change from Base								(2,920)
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Other Financial Transactions	11	69	184	12,400	4,318	11,242	4,318	11,242
Grants, Aids and Subsidies	287,201	393,397	401,668	423,800	436,782	447,258	436,402	444,718
Total	**287,212**	**393,467**	**401,851**	**436,200**	**441,100**	**458,500**	**440,720**	**455,960**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	287,212	393,467	401,851	436,200	441,100	458,500	440,720	455,960
Expenditures	**287,212**	**393,467**	**401,851**	**436,200**	**441,100**	**458,500**	**440,720**	**455,960**
Biennial Change in Expenditures				157,373		61,549		58,629
Biennial % Change in Expenditures				23		7		7
Gov's Exp Change from Base								(2,920)
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Renter Property Tax Refund

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

AT A GLANCE

For 2014:

- 349,000 renters received refunds
- The average refund was $646.

PURPOSE & CONTEXT

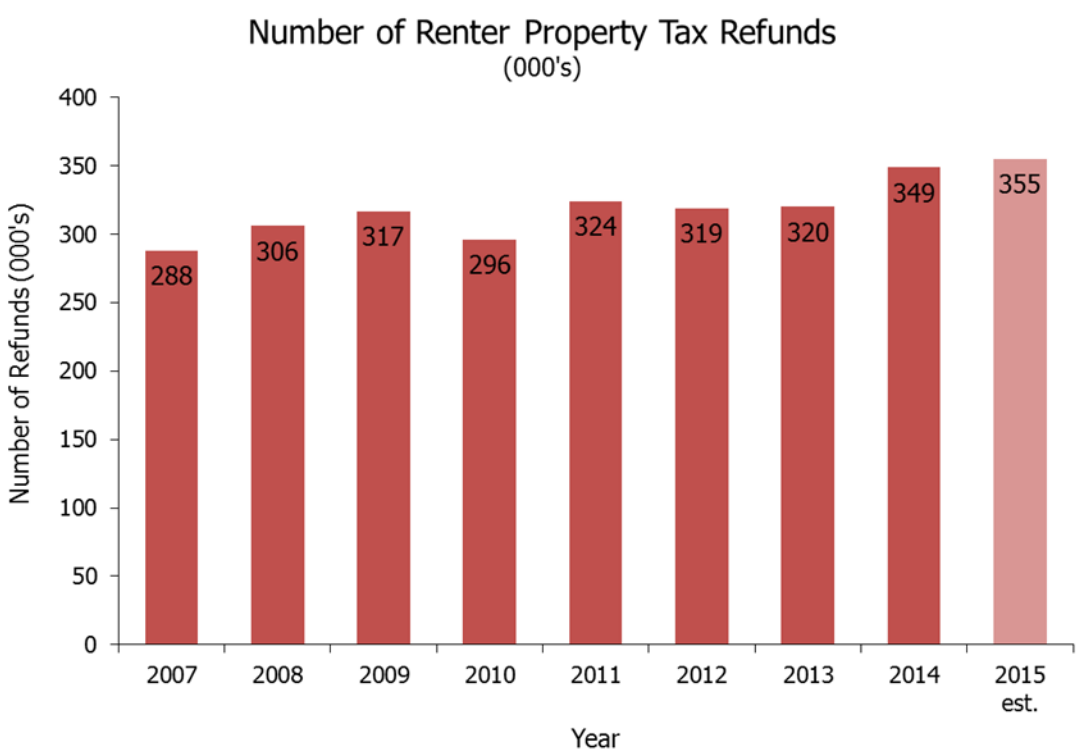
Property taxes account for a high share of income for some taxpayers. The renter property tax refund program is designed to provide relief to renters that pay high property taxes relative to their income.

Funding source: State General Fund

SERVICES PROVIDED

The program provides property tax relief to renters based on an income definition of ability to pay. If property tax exceeds a threshold percentage of income, the refund equals a percentage of the tax over the threshold, up to a maximum amount. Property tax for renters is defined as 17% of rent paid.

RESULTS



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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Suits index – renter property taxes before PTR	-0.277	-0.282	2010 – 2012
Quality	Suits index – renter property taxes after PTR	-0.148	-0.118	2010 – 2012
Results	Reduction in regressivity due to PTR	47%	58%	2010 – 2012

Performance Measure Notes:

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

The Suits index compares the 2013 Tax Incidence Study based on calendar year 2010 property taxes and refunds (previous) with the most recently available 2015 Tax Incidence Study based on calendar year 2012 property taxes and refunds (current).

Rental housing property taxes become less regressive after the property tax refund. The 47% reduction in regressivity in the 2010 base year is lower due to a one-time unallotment that reduced renter property tax refunds.

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

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search ‘property tax refund’.

Use **Legal Citation:** M.S. 290A.04 Subd. 2a establishes the Renter Property Tax Refund program. It was amended by: Laws 2013, Chapter 143, Article 1; and Laws 2014, Chapter 308, Article 1, Section 16. www.revisor.mn.gov/statutes/?id=290A

(Dollars in Thousands)

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
1000 - General	188,274	224,435	219,850	221,400	226,300	230,200	226,300	230,200
Total	**188,274**	**224,435**	**219,850**	**221,400**	**226,300**	**230,200**	**226,300**	**230,200**
Biennial Change				28,541		15,250		15,250
Biennial % Change				7		3		3
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Operating Expenses	122	143	128	150	173	197	173	197
Other Financial Transactions	23	90	150	150	157	159	157	159
Grants, Aids and Subsidies	188,129	224,202	219,572	221,100	225,970	229,844	225,970	229,844
Total	**188,274**	**224,435**	**219,850**	**221,400**	**226,300**	**230,200**	**226,300**	**230,200**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	188,274	224,435	219,850	221,400	226,300	230,200	226,300	230,200
Expenditures	**188,274**	**224,435**	**219,850**	**221,400**	**226,300**	**230,200**	**226,300**	**230,200**
Biennial Change in Expenditures				28,541		15,250		15,250
Biennial % Change in Expenditures				7		3		3
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Special Property Tax Refund

www.revenue.state.mn.us/

AT A GLANCE

In 2015:

- 59,000 homeowners received a special refund
- The average refund was $88

PURPOSE & CONTEXT

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

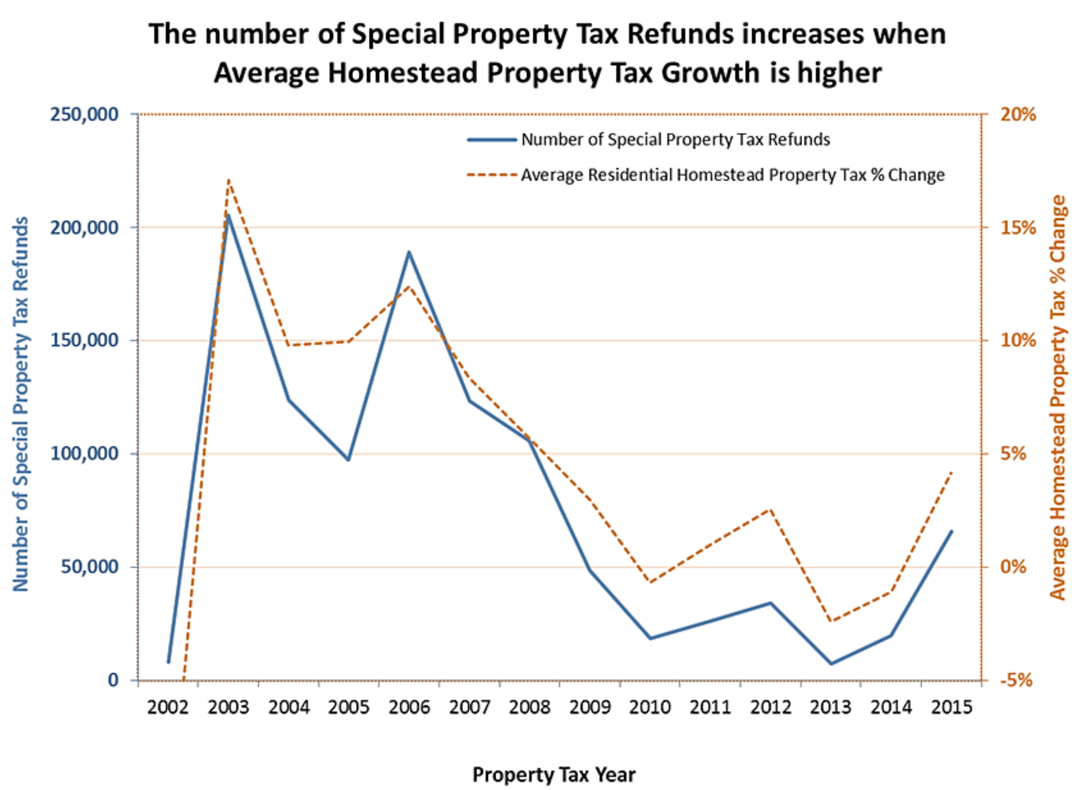
Funding Source: State General Fund

SERVICES PROVIDED

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

RESULTS

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



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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Annual special refunds processed	7,000	66,000	2013 - 2015

Performance Measure Notes:

Results from year to year can be highly variable. Since 2006, the average annual number of special refunds processed is 55,000. The average refund has ranged from $38 to $132. In recent years, the number of special refunds has been lower due to slower growth in residential homestead property taxes.

Annual refunds processed compares taxes payable year 2013 (previous) to 2015 (current).

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search ‘property tax refund’.

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	881	1,741	5,844	6,532	6,770	5,000	6,770	5,000
Total	**881**	**1,741**	**5,844**	**6,532**	**6,770**	**5,000**	**6,770**	**5,000**
Biennial Change				9,754		(606)		(606)
Biennial % Change				372		(5)		(5)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Other Financial Transactions	0	1	6	10	7	5	7	5
Grants, Aids and Subsidies	880	1,740	5,837	6,522	6,763	4,995	6,763	4,995
Total	**881**	**1,741**	**5,844**	**6,532**	**6,770**	**5,000**	**6,770**	**5,000**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	881	1,741	5,844	6,532	6,770	5,000	6,770	5,000
Expenditures	**881**	**1,741**	**5,844**	**6,532**	**6,770**	**5,000**	**6,770**	**5,000**
Biennial Change in Expenditures				9,754		(606)		(606)
Biennial % Change in Expenditures				372		(5)		(5)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

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

www.revenue.state.mn.us/

AT A GLANCE

In 2015:

- 2,400 forest land owners received an incentive payment
- The average incentive payment was $2,205

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Acres of forest land enrolled	743,000	756,000	2013 – 2015

Performance Measure Notes:

Acres of forest land enrolled compares calendar year 2013 (previous) to 2015 (current).

The average incentive payment decreased from $2,242 in 2013 to $2,205 in 2015.

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

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY18**	**FY19**
1000 - General	5,202	5,276	5,312	5,530	5,690	5,860	5,690	10,060
Total	**5,202**	**5,276**	**5,312**	**5,530**	**5,690**	**5,860**	**5,690**	**10,060**
Biennial Change				364		708		4,908
Biennial % Change				3		7		45
Governor's Change from Base								4,200
Governor's % Change from Base								36

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Other Financial Transactions	0	0	0	1	1	1	1	1
Grants, Aids and Subsidies	5,202	5,276	5,312	5,529	5,689	5,859	5,689	10,059
Total	**5,202**	**5,276**	**5,312**	**5,530**	**5,690**	**5,860**	**5,690**	**10,060**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	5,202	5,276	5,312	5,530	5,690	5,860	5,690	10,060
Expenditures	**5,202**	**5,276**	**5,312**	**5,530**	**5,690**	**5,860**	**5,690**	**10,060**
Biennial Change in Expenditures				364		708		4,908
Biennial % Change in Expenditures				3		7		45
Gov's Exp Change from Base								4,200
Gov's Exp % Change from Base								36

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	0	0	0	0	0	0	0	3,800
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3,800**
Biennial Change								
Biennial % Change								
Governor's Change from Base								

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	0	0	0	0	0	0	0	3,800
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3,800**
Total Agency Expenditures	0	0	0	0	0	0	0	3,800
Expenditures Less Internal Billing	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3,800**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	0	0	0	0	0	0	0	3,800
Expenditures	0	0	0	0	0	0	0	**3,800**
Biennial Change in Expenditures								3,800
Gov's Exp Change from Base								3,800

AT A GLANCE

In 2016:
- 768 cities out of 852 receive Local Government Aid
- Payments were increased $2.5 million from the previous year

PURPOSE & CONTEXT

Cities across the state have varying service needs and revenue sources. Local Government Aid payments to cities provide general support for services and reduce property tax burdens on homeowners and businesses.

Funding source: State General Fund

SERVICES PROVIDED

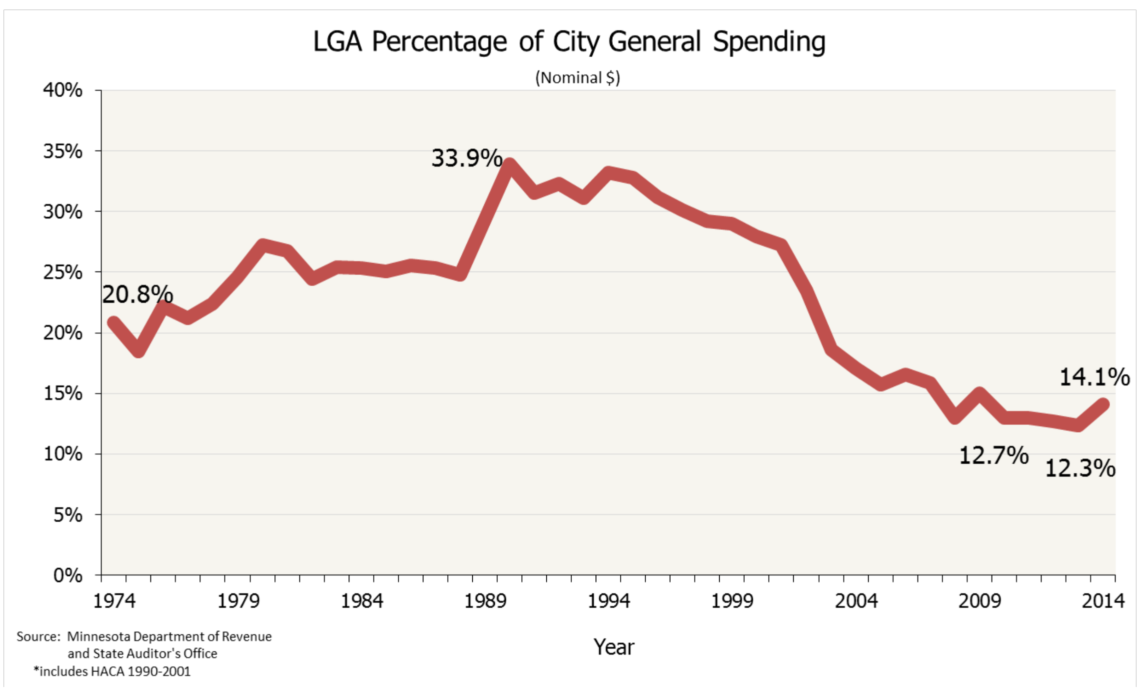
Local Government Aid (LGA) is a general purpose aid to cities that can be used for any lawful purpose. It is also used for property tax relief by reducing the amount of revenue that is collected locally.

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of cities receiving LGA	85%	90%	2012 – 2014
Quantity	LGA percentage of city spending	12.7%	14.1%	2012 – 2014



Performance Measure Notes:

Percentage of cities receiving LGA compares payable year 2012 (previous) to 2014 (current).

LGA percentage of city spending is based on State Auditor city finance reports for 2012 and 2014 and computes LGA as a percentage of total current expenditures. 2014 is the most recent auditor data available.

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

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

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

(Dollars in Thousands)

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
1000 - General	427,439	507,516	516,888	519,398	519,398	519,398	519,398	539,398
Total	**427,439**	**507,516**	**516,888**	**519,398**	**519,398**	**519,398**	**519,398**	**539,398**
Biennial Change				101,330		2,510		22,510
Biennial % Change				11		0		2
Governor's Change from Base								20,000
Governor's % Change from Base								2

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	427,439	507,516	516,888	519,398	519,398	519,398	519,398	539,398
Total	**427,439**	**507,516**	**516,888**	**519,398**	**519,398**	**519,398**	**519,398**	**539,398**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	427,439	507,516	516,898	519,398	519,398	519,398	519,398	539,398
Cancellations	0	0	10	0	0	0	0	0
Expenditures	**427,439**	**507,516**	**516,888**	**519,398**	**519,398**	**519,398**	**519,398**	**539,398**
Biennial Change in Expenditures				101,330		2,510		22,510
Biennial % Change in Expenditures				11		0		2
Gov's Exp Change from Base								20,000
Gov's Exp % Change from Base								2

Program: Tax Aids, Credits, and Refunds
Activity: County Program Aid

www.revenue.state.mn.us/

AT A GLANCE

In 2016:
- All 87 counties received County Program Aid
- Payments were decreased $1.5 million from the previous year

PURPOSE & CONTEXT

Counties across the state have varying services needs and revenue sources. County Program Aid payments provide general support for services and reduce property tax burdens for homeowners and businesses.

Funding source: State General Fund

SERVICES PROVIDED

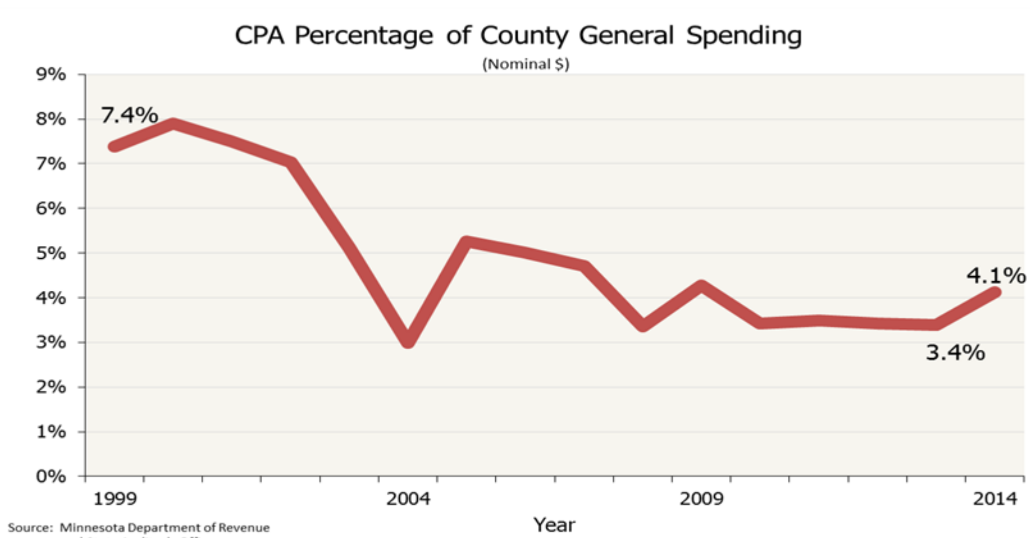
County Program Aid (CPA) is a general purpose aid to counties that can be used for any lawful purpose. It is also used for property tax relief by reducing the amount of revenue collected locally.

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of counties receiving CPA - Need Aid	100%	100%	2012 – 2014
Quantity	Percentage of counties receiving CPA - Tax Base Equalization Aid	91%	82%	2012 – 2014
Results	CPA percentage of county spending	3.4%	4.1%	2012 – 2014



Performance Measure Notes:

Percentage of counties receiving CPA compares payable year 2012 (previous) to 2014 (current).

CPA percentage of county spending is based on State Auditor county finance reports for 2012 and 2014 and computes CPA as a percentage of total current expenditures. 2014 is the most recent auditor data available.

The CPA appropriation was decreased by $1.5 million in 2016. This will not change the percentage of counties receiving aid.

Prior to 2004, the previous county aid programs were Family Preservation Aid, County Criminal Justice Aid, Homestead and Agricultural Credit Aid (HACA), and Attached Machinery Aid.

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

Legal Citation: M.S. Chapter 477A establishes the County Program Aid program. It was amended by: Laws 2013, Chapter 143, Article 2, Section 19; Laws 2014, Chapter 150, Article 4, Section 6; and Laws 2014, Chapter 308, Article 1, Section 13. www.revisor.mn.gov/statutes/?id=477A.

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	165,570	206,235	209,969	208,563	208,457	208,591	208,457	218,591
Total	**165,570**	**206,235**	**209,969**	**208,563**	**208,457**	**208,591**	**208,457**	**218,591**
Biennial Change				46,727		(1,484)		8,516
Biennial % Change				13		0		2
Governor's Change from Base								10,000
Governor's % Change from Base								2

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	165,570	206,235	209,969	208,563	208,457	208,591	208,457	218,591
Total	**165,570**	**206,235**	**209,969**	**208,563**	**208,457**	**208,591**	**208,457**	**218,591**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	166,284	206,949	210,683	209,277	209,171	209,305	209,171	219,305
Net Transfers	(714)	(714)	(714)	(714)	(714)	(714)	(714)	(714)
Expenditures	**165,570**	**206,235**	**209,969**	**208,563**	**208,457**	**208,591**	**208,457**	**218,591**
Biennial Change in Expenditures				46,727		(1,484)		8,516
Biennial % Change in Expenditures				13		0		2
Gov's Exp Change from Base								10,000
Gov's Exp % Change from Base								2

Program: Tax Aids, Credits, and Refunds
Activity: Disparity Reduction Aid

www.revenue.state.mn.us/

AT A GLANCE

In 2016:

- 15% of 6,178 taxing areas received Disparity Reduction Aid
- The average aid payment was $19,277

PURPOSE & CONTEXT

Tax reform in 1988 caused higher tax rates in some areas. Disparity Reduction Aid (DRA) provides aid to areas that received this aid in 1989 and continue to have a tax rate above 90% today.

Funding source: State General Fund

SERVICES PROVIDED

Disparity Reduction Aid was first paid in 1989 and continues to provide aid to some counties, school districts, and townships. Taxing areas that had a combined local tax rate above 90% of their net tax capacity in 1989 received DRA.

Today, a taxing area can only receive DRA if it received DRA in 1989, and still has a tax rate above 90%.

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of taxing areas receiving DRA	930	937	2014 – 2016
Quantity	Number of taxing areas with a tax rate above 90%	2,927	2,921	2014 – 2016
Quantity	Percentage of taxing areas with a tax rate above 90% that receive DRA	32%	32%	2014 – 2016

Performance Measures Notes:

The percentage of taxing areas receiving DRA compares payable year 2014 (previous) to 2016 (current).

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

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

Fifteen percent of all taxing areas received DRA in both 2014 and 2016. The average aid payment decreased from $19,375 in 2014 to $19,277 in 2016.

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

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	18,600	18,034	18,072	18,063	18,062	18,062	18,062	18,062
Total	**18,600**	**18,034**	**18,072**	**18,063**	**18,062**	**18,062**	**18,062**	**18,062**
Biennial Change				(499)		(11)		(11)
Biennial % Change				(1)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	18,600	18,034	18,072	18,063	18,062	18,062	18,062	18,062
Total	**18,600**	**18,034**	**18,072**	**18,063**	**18,062**	**18,062**	**18,062**	**18,062**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	18,600	18,034	18,072	18,063	18,062	18,062	18,062	18,062
Expenditures	**18,600**	**18,034**	**18,072**	**18,063**	**18,062**	**18,062**	**18,062**	**18,062**
Biennial Change in Expenditures				(499)		(11)		(11)
Biennial % Change in Expenditures				(1)		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Casino Aid to Counties

www.revenue.state.mn.us/

AT A GLANCE

In 2016:
- 15 counties received Casino Aid
- The average aid payment was $102,000

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

County Casino Aid is equal to 5% of taxes collected from the Indian reservation under a tax agreement

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of Counties Receiving Casino Aid	12	15	2014 – 2016

Performance Measures Notes:

Number of counties receiving casino aid compares calendar year 2014 (previous) to 2016 (current).

The average aid payment decreased from $105,000 in 2014 to $102,000 in 2016.

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	1,260	1,272	1,572	1,532	1,532	1,532	1,572	1,712
Total	**1,260**	**1,272**	**1,572**	**1,532**	**1,532**	**1,532**	**1,572**	**1,712**
Biennial Change				573		(40)		180
Biennial % Change				23		(1)		6
Governor's Change from Base								220
Governor's % Change from Base								7

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	1,260	1,272	1,572	1,532	1,532	1,532	1,572	1,712
Total	**1,260**	**1,272**	**1,572**	**1,532**	**1,532**	**1,532**	**1,572**	**1,712**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	1,260	1,272	1,572	1,532	1,532	1,532	1,572	1,712
Expenditures	**1,260**	**1,272**	**1,572**	**1,532**	**1,532**	**1,532**	**1,572**	**1,712**
Biennial Change in Expenditures				573		(40)		180
Biennial % Change in Expenditures				23		(1)		6
Gov's Exp Change from Base								220
Gov's Exp % Change from Base								7

Program: Tax Aids, Credits, and Refunds
Activity: Utility Transition Aid

www.revenue.state.mn.us/

AT A GLANCE

In 2016:

- 4 cities and towns receive Utility Valuation Transition Aid
- The average aid payment is $93

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

Utility Valuation Transition Aid was first paid in calendar year 2009 to 43 cities and towns with tax base reductions greater than 4% due to a 2007 utility valuation rule change. The aid will continue for each qualifying municipality until the current value of utility property exceeds its 2007 value under the old rule.

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of eligible cities and towns where the current utility tax base remains lower than the 2007 amount.	3	4	2014 – 2016

Performance Measures Notes:

Number of eligible cities and towns compares aid payable year 2014 (previous) to 2016 (current).

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

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

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY18**	**FY19**
1000 - General	779	3	350	1	1	5	1	5
Total	**779**	**3**	**350**	**1**	**1**	**5**	**1**	**5**
Biennial Change				(431)		(345)		(345)
Biennial % Change				(55)		(98)		(98)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	779	3	350	1	1	5	1	5
Total	**779**	**3**	**350**	**1**	**1**	**5**	**1**	**5**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	779	3	350	1	1	5	1	5
Expenditures	**779**	**3**	**350**	**1**	**1**	**5**	**1**	**5**
Biennial Change in Expenditures				(431)		(345)		(345)
Biennial % Change in Expenditures				(55)		(98)		(98)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: State Taconite Aid

www.revenue.state.mn.us/

AT A GLANCE

In 2015:
- The state general fund paid 22 cents per ton ($8.7 million) to the taconite production distribution fund

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

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

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Taconite Production as a Percentage of Base Year 2000 Production	70%	86%	2000 – 2014

Performance Measures Notes:

Base year 2000 production is for the calendar year.

Taconite production percentage compares calendar year 2000 (previous) to calendar year 2014 (current).

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

The state taconite aid contribution accounted for 7.8% of total production tax distributions in 2015.

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	5,126	5,011	4,804	4,539	4,215	4,082	4,215	4,082
Total	**5,126**	**5,011**	**4,804**	**4,539**	**4,215**	**4,082**	**4,215**	**4,082**
Biennial Change				(794)		(1,046)		(1,046)
Biennial % Change				(8)		(11)		(11)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Operating Expenses	5,126	5,011	4,804	4,539	4,215	4,082	4,215	4,082
Total	**5,126**	**5,011**	**4,804**	**4,539**	**4,215**	**4,082**	**4,215**	**4,082**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	8,571	8,695	8,467	7,829	7,118	7,071	7,118	7,071
Net Transfers	(3,445)	(3,684)	(3,664)	(3,291)	(2,904)	(2,989)	(2,904)	(2,989)
Expenditures	**5,126**	**5,011**	**4,804**	**4,539**	**4,215**	**4,082**	**4,215**	**4,082**
Biennial Change in Expenditures				(794)		(1,046)		(1,046)
Biennial % Change in Expenditures				(8)		(11)		(11)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

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

www.revenue.state.mn.us/

AT A GLANCE

In 2015:
- 8.5 million acres of natural resources land were enrolled in Payment in Lieu of Taxes (PILT) program
- All 87 counties received a PILT payment, with 16 counties receiving payments of at least $500,000

PURPOSE & CONTEXT

Loss of tax base when land becomes exempt can lead to financial strain for local governments. PILT payments provide compensation to local governments for the property taxes lost when the Department of Natural Resources acquires land for the state.

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Acres of Natural Resources Land in PILT	8.50 million	8.52 million	2013 – 2015

Performance Measures Notes:

Acres of natural resources land compares calendar year 2013 (previous) to 2015 (current)

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

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	30,970	31,437	31,707	31,832	33,450	33,692	33,450	33,692
Total	**30,970**	**31,437**	**31,707**	**31,832**	**33,450**	**33,692**	**33,450**	**33,692**
Biennial Change				1,132		3,603		3,603
Biennial % Change				2		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	30,970	31,437	31,707	31,832	33,450	33,692	33,450	33,692
Total	**30,970**	**31,437**	**31,707**	**31,832**	**33,450**	**33,692**	**33,450**	**33,692**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY18**	**FY19**
Net Transfers	30,970	31,437	31,707	31,832	33,450	33,692	33,450	33,692
Expenditures	**30,970**	**31,437**	**31,707**	**31,832**	**33,450**	**33,692**	**33,450**	**33,692**
Biennial Change in Expenditures				1,132		3,603		3,603
Biennial % Change in Expenditures				2		6		6
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Township Aid

www.revenue.state.mn.us/

AT A GLANCE

In 2016:

- 1,782 townships received Township Aid
- The average aid amount was $5,612

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

Township Aid is a general purpose aid to townships that can be used for any lawful purpose. It is also used for property tax relief by reducing the amount of revenue collected locally. Aid payments are determined through a formula that considers the size of the township, its population, and the share of its property value that is farms and cabins.

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Township Aid percentage of township spending	0%	4.0%	2012 – 2014

Performance Measures Notes:

Township Aid percentage of township spending is based on State Auditor township finance reports for 2012 and 2014 and computes Township Aid as a percentage of total current expenditures. 2014 is the most recent auditor data available and was the first year of Township Aid.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search ‘township aid’.

Legal Citation: 2013 Laws, Chapter 143, Article 2, Sections 13 and 20, amending M.S. 477A. https://www.revisor.mn.gov/laws/?year=2013&type=0&doctype=Chapter&id=143.

(Dollars in Thousands)

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
1000 - General	0	9,996	9,997	10,000	10,000	10,000	10,000	10,000
Total	**0**	**9,996**	**9,997**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change				10,001		3		3
Biennial % Change				100		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	0	9,996	9,997	10,000	10,000	10,000	10,000	10,000
Total	**0**	**9,996**	**9,997**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Total Agency Expenditures	0	9,996	9,997	10,000	10,000	10,000	10,000	10,000
Expenditures Less Internal Billing	**0**	**9,996**	**9,997**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	0	9,996	9,997	10,000	10,000	10,000	10,000	10,000
Expenditures	0	**9,996**	**9,997**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change in Expenditures				10,001		3		3
Biennial % Change in Expenditures				100		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Aquatic Invasive Species Aid
www.revenue.state.mn.us/

AT A GLANCE

In 2016:

- There were 669 Minnesota waters infested with invasive species
- 83 Minnesota counties received this aid

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

Created in 2014, Aquatic Invasive Species Prevention Aid is distributed to counties based on their share of the statewide total for watercraft trailer launches and watercraft trailer parking spaces.

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of Minnesota waters infested	596	669	2014 – 2016

Performance Measures Notes:

Number of infested waters compares calendar year 2014 (previous) to 2016 (current), as of January 1.

For additional information, visit the Revenue Department website (www.revenue.state.mn.us) and search ‘invasive species’.

Legal Citation: M.S. 477A.19 establishes the Aquatic Invasive Species Prevention Aid program. www.revisor.mn.gov/statutes/?id=477A.19.

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	0	4,500	10,000	10,000	10,000	10,000	10,000	10,000
Total	**0**	**4,500**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change				15,500		0		0
Biennial % Change				344		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	0	4,500	10,000	10,000	10,000	10,000	10,000	10,000
Total	**0**	**4,500**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Total Agency Expenditures	0	4,500	10,000	10,000	10,000	10,000	10,000	10,000
Expenditures Less Internal Billing	**0**	**4,500**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	0	4,500	10,000	10,000	10,000	10,000	10,000	10,000
Expenditures	0	**4,500**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**	**10,000**
Biennial Change in Expenditures				15,500		0		0
Biennial % Change in Expenditures				344		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

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

www.revenue.state.mn.us/

AT A GLANCE

In 2016:

- 3 cities and towns received Production Property Transition Aid
- The average aid payment is $42,000

PURPOSE & CONTEXT

Property tax law changes can sometimes reduce the amount of tax base available to local governments. Production Property Transition Aid provides temporary aid for cities and towns that lost tax base due to a change in the method to value certain production facilities.

Funding source: State General Fund.

SERVICES PROVIDED

Production Property Transition Aid provides transitional aid for cities and towns with tax base reductions greater than 5% due to a change in the way ethanol, dairy, brewery, wine and distillery properties are valued for property tax purposes. The aid was first paid in 2016 and phases out over five years.

RESULTS

Local tax rates in jurisdictions receiving aid are lower than they would be without the aid.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of cities and towns receiving aid	N/A	3	2016

Performance Measures Notes:

Number of eligible cities and towns shows aid payable year 2016, which was the first year of the program.

The total amount of aid paid in 2016 was $127,000. This amount will decrease each year until 2021, when the aid expires.

Legal Citation: M.S 477A.18 establishes Production Property Transition Aid. https://www.revisor.mn.gov/statutes/?id=477A.18.

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	0	0	0	127	105	76	105	76
Total	**0**	**0**	**0**	**127**	**105**	**76**	**105**	**76**
Biennial Change				127		54		54
Biennial % Change						43		43
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Grants, Aids and Subsidies	0	0	0	127	105	76	105	76
Total	**0**	**0**	**0**	**127**	**105**	**76**	**105**	**76**
Total Agency Expenditures	0	0	0	127	105	76	105	76
Expenditures Less Internal Billing	**0**	**0**	**0**	**127**	**105**	**76**	**105**	**76**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	0	0	0	127	105	76	105	76
Expenditures	0	0	0	**127**	**105**	**76**	**105**	**76**
Biennial Change in Expenditures				127		54		54
Biennial % Change in Expenditures						43		43
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	0	0	0	0	0	0	10,000	10,000
Total	**0**	**0**	**0**	**0**	**0**	**0**	**10,000**	**10,000**
Biennial Change								
Biennial % Change								
Governor's Change from Base								

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	0	0	0	0	0	0	10,000	10,000
Total	**0**	**0**	**0**	**0**	**0**	**0**	**10,000**	**10,000**
Total Agency Expenditures	0	0	0	0	0	0	10,000	10,000
Expenditures Less Internal Billing	**0**	**0**	**0**	**0**	**0**	**0**	**10,000**	**10,000**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY18**	**FY19**
Direct Appropriation	0	0	0	0	0	0	10,000	10,000
Expenditures	0	0	0	0	0	0	**10,000**	**10,000**
Biennial Change in Expenditures								20,000
Gov's Exp Change from Base								20,000

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	0	0	0	0	0	0	0	10,000
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**10,000**
Biennial Change								
Biennial % Change								
Governor's Change from Base								

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	0	0	0	0	0	0	0	10,000
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**10,000**
Total Agency Expenditures	0	0	0	0	0	0	0	10,000
Expenditures Less Internal Billing	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**10,000**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	0	0	0	0	0	0	0	10,000
Expenditures	0	0	0	0	0	0	0	**10,000**
Biennial Change in Expenditures								10,000
Gov's Exp Change from Base								10,000

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

www.revenue.state.mn.us/

AT A GLANCE

In 2016:
- 95,000 farm homesteads received the credit
- The average market value agricultural land credit amount was $405
- Changes to the program increased the average credit beginning in 2014

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

The credit makes homesteaded farm land more affordable.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Average market value agricultural land credit amount	$427	$405	2014 – 2016
Quantity	Effective tax rate without credit	0.42%	0.42%	2014 – 2016
Quantity	Effective tax rate with credit	0.37%	0.37%	2014 – 2016

Performance Measures Notes:

Approximately 93,000 homesteads received the credit in 2014. The number has increased slightly to 95,000 in 2016.

Average credit amount compares payable year 2014 (previous) to 2016 (current).

Effective tax rate compares property tax as a percent of market value on all agricultural homestead land before and after the credit. The average effective tax rate for all property statewide was 1.45% for taxes payable 2016.

New laws in 2014 provided a one-time supplemental credit in 2014 and changed the maximum credit from $230 to $490 and changed the calculation beginning in 2015. These changes increased the average credit amount beginning in 2014.

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

Legal Citation: M.S 273.1384 establishes Agricultural Homestead Market Value Credit. www.revisor.mn.gov/statutes/?id=273.1384.

(Dollars in Thousands)

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
1000 - General	23,166	39,334	38,731	38,511	37,187	37,155	37,187	37,155
Total	**23,166**	**39,334**	**38,731**	**38,511**	**37,187**	**37,155**	**37,187**	**37,155**
Biennial Change				14,742		(2,900)		(2,900)
Biennial % Change				24		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	23,166	39,334	38,731	38,511	37,187	37,155	37,187	37,155
Total	**23,166**	**39,334**	**38,731**	**38,511**	**37,187**	**37,155**	**37,187**	**37,155**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	23,166	39,334	38,731	38,511	37,187	37,155	37,187	37,155
Expenditures	**23,166**	**39,334**	**38,731**	**38,511**	**37,187**	**37,155**	**37,187**	**37,155**
Biennial Change in Expenditures				14,742		(2,900)		(2,900)
Biennial % Change in Expenditures				24		(4)		(4)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Prior Year Credit Adjustments

www.revenue.state.mn.us/

AT A GLANCE

In 2016:

- Prior year credit adjustments were 0.11% of the total credits

PURPOSE & CONTEXT

Each year adjustments must be made for accounting corrections. Prior Year Credit Adjustments are paid to local governments to account for abatements, court orders, omissions, and other adjustments to credits.

Funding source: State General Fund

SERVICES PROVIDED.

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Adjustment amounts	$11,007	$74,411	2014 – 2016
Quantity	Prior year credit adjustments percentage of total credits	0.02%	0.11%	2014 – 2016

Performance Measures Notes:

Adjustment amount compares payable year 2014 (previous) to 2016 (current).

(Dollars in Thousands)

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
1000 - General	60	122	11	74	0	0	0	0
Total	**60**	**122**	**11**	**74**	**0**	**0**	**0**	**0**
Biennial Change				(97)		(85)		(85)
Biennial % Change				(53)		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	60	122	11	74	0	0	0	0
Total	**60**	**122**	**11**	**74**	**0**	**0**	**0**	**0**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	60	122	11	75	1	1	1	1
Expenditures	**60**	**122**	**11**	**74**	0	0	0	0
Biennial Change in Expenditures				(97)		(85)		(85)
Biennial % Change in Expenditures				(53)		(100)		(100)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Disparity Reduction Credit

www.revenue.state.mn.us/

AT A GLANCE

In 2016:
- The average property tax decrease due to the Disparity Reduction Credit was $5,986
- Approximately 2,000 parcels received the credit

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

The Disparity Reduction Credit reduces property taxes for:

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

The credit reduced property taxes to 1.6% of the property's market value in 2016. The Disparity Reduction Credit assisted businesses in the border cities of Breckenridge, Dilworth, East Grand Forks, Ortonville, and Moorhead in 2016

RESULTS

The Disparity Reduction Credit increases business competitiveness in border areas.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Average property tax reduction due to credit	$6,448	$5,986	2014 – 2016

Performance Measures Notes:

The average credit amount compares payable year 2014 (previous) to 2016 (current).

In 2015, the tax rate threshold decreased from 1.9% to 1.6% of market value. Businesses in the City of Ortonville also became eligible to receive the credit in 2015. These changes have increased the total credits.

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	6,862	8,619	9,905	11,825	11,977	12,333	11,977	12,333
Total	**6,862**	**8,619**	**9,905**	**11,825**	**11,977**	**12,333**	**11,977**	**12,333**
Biennial Change				6,248		2,580		2,580
Biennial % Change				40		12		12
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Grants, Aids and Subsidies	6,862	8,619	9,905	11,825	11,977	12,333	11,977	12,333
Total	**6,862**	**8,619**	**9,905**	**11,825**	**11,977**	**12,333**	**11,977**	**12,333**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	6,862	8,619	9,905	11,825	11,977	12,333	11,977	12,333
Expenditures	**6,862**	**8,619**	**9,905**	**11,825**	**11,977**	**12,333**	**11,977**	**12,333**
Biennial Change in Expenditures				6,248		2,580		2,580
Biennial % Change in Expenditures				40		12		12
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

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

www.revenue.state.mn.us/

AT A GLANCE

In 2016:
- The average property tax decrease from the Supplemental Taconite Homestead Credit was $282
- 19,000 homesteads received the credit

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Average property tax reduction due to credit	$281	$282	2014 – 2016

Performance Measures Notes:

Average property tax reduction compares payable year 2014 (previous) to 2016 (current).

88% of homesteads received maximum credit amount.

The effective tax rate (ETR) for a property equals the net property tax divided by its market value. The ETR can be viewed as a measure of how much property tax is paid per $1,000 in market value.

The ETR for homesteads receiving the Supplemental Taconite Homestead Credit was 0.76% for taxes payable in 2016. Without the credit, the ETR for homesteads would have been 0.92%. The average ETR for homesteads statewide was 1.28% for taxes payable in 2016.

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	5,279	5,290	5,302	5,294	5,347	5,400	5,347	5,400
Total	**5,279**	**5,290**	**5,302**	**5,294**	**5,347**	**5,400**	**5,347**	**5,400**
Biennial Change				27		151		151
Biennial % Change				0		1		1
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	5,279	5,290	5,302	5,294	5,347	5,400	5,347	5,400
Total	**5,279**	**5,290**	**5,302**	**5,294**	**5,347**	**5,400**	**5,347**	**5,400**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	5,279	5,290	5,302	5,294	5,347	5,400	5,347	5,400
Expenditures	**5,279**	**5,290**	**5,302**	**5,294**	**5,347**	**5,400**	**5,347**	**5,400**
Biennial Change in Expenditures				27		151		151
Biennial % Change in Expenditures				0		1		1
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Agricultural Preservation Credit

www.revenue.state.mn.us/

AT A GLANCE

In 2015:

- 3,556 credits were paid to agricultural land owners in the Twin Cities metropolitan area

PURPOSE & CONTEXT

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

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

SERVICES PROVIDED

The Agricultural Preservation Credit, established in 1980, encourages agricultural use retention on land within the seven-county Twin Cities metropolitan area. The program establishes a valuation for taxation that is based on the land's agricultural use, irrespective of other market pressures.

Lands in the program are protected from tax levy increases by limiting annual tax capacity rate increases to 105% of the statewide average local tax rate for townships. Unlike valuation deferments under the Green Acres law, land in this program is not required to repay any taxes or special assessments when exiting the program.

A $5 fee on all mortgage registrations and deed transfers within the seven-county Twin Cities metropolitan area is split between each county's Agricultural Preserve Fund and the State Conservation Fund. If insufficient funds exist in the county fund to pay the credit, the balance is paid from the State Conservation Fund. If insufficient funds exist in the State Conservation Fund, the balance is paid from the State General Fund.

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of acres enrolled	209,337	209,395	2013 – 2015
Quantity	Average Credit	$237	$295	2013 – 2015

Performance Measures Notes:

Number of acres enrolled and average credit compare calendar year 2013 (previous) to 2015 (current).

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

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	0	0	0	242	549	423	549	423
2000 - Restrict Misc Special Revenue	463	543	612	338	61	187	61	187
2001 - Other Misc Special Revenue	224	281	326	321	338	340	338	340
Total	**687**	**823**	**939**	**901**	**948**	**950**	**948**	**950**
Biennial Change				329		58		58
Biennial % Change				22		3		3
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	687	823	939	901	948	950	948	950
Total	**687**	**823**	**939**	**901**	**948**	**950**	**948**	**950**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Open Appropriation	0	0	0	376	853	658	853	658
Net Transfers				(134)	(304)	(235)	(304)	(235)
Expenditures	0	0	0	**242**	**549**	**423**	**549**	**423**
Biennial Change in Expenditures				242		730		730
Biennial % Change in Expenditures						302		302
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2000 - Restrict Misc Special Revenue

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Balance Forward In	1,636	1,587	1,001	355	130	335	130	335
Receipts	0	238	293	300	300	300	300	300
Net Transfers	(224)	(281)	(326)	(187)	(34)	(105)	(34)	(105)
Expenditures	**463**	**543**	**612**	**338**	**61**	**187**	**61**	**187**
Balance Forward Out	949	1,001	355	130	335	343	335	343
Biennial Change in Expenditures				(55)		(702)		(702)
Biennial % Change in Expenditures				(5)		(74)		(74)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2001 - Other Misc Special Revenue

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Balance Forward In	26	26	26	26	26	26	26	26
Net Transfers	224	281	326	321	338	340	338	340
Expenditures	**224**	**281**	**326**	**321**	**338**	**340**	**338**	**340**
Balance Forward Out	26	26	26	26	26	26	26	26
Biennial Change in Expenditures				143		31		31
Biennial % Change in Expenditures				28		5		5
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	0	0	0	0	0	0	0	34,800
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**34,800**
Biennial Change								
Biennial % Change								
Governor's Change from Base								

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	0	0	0	0	0	0	0	34,800
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**34,800**
Total Agency Expenditures	0	0	0	0	0	0	0	34,800
Expenditures Less Internal Billing	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**34,800**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	0	0	0	0	0	0	0	34,800
Expenditures	0	0	0	0	0	0	0	**34,800**
Biennial Change in Expenditures								34,800
Gov's Exp Change from Base								34,800

Program: Tax Aids, Credits, and Refunds
Activity: Police Aid

www.revenue.state.mn.us/

AT A GLANCE

In 2015:
- 404 local jurisdictions received Police Aid

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

Police Aid was established in 1971 to help support retirement pensions of local police officers. Annual aid distributions to public safety departments are based on the number of months worked by each licensed officer employed by the department. The amount of aid is equal to the revenues from the auto insurance premiums tax. In fiscal year 2015 the total aid amount was $60.5 million.

RESULTS

Police Aid helps increase affordability of local peace officer pensions.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	408	404	2013 – 2015
Quantity	Aid as a percentage of employer pension cost	68%	66%	2013 – 2015

Performance Measures Notes:

Number of jurisdictions receiving aid compares payable year 2013 (previous) to 2015 (current).

Aid as a percentage of employer pension cost measures how much of a department's pension obligations are paid through state Police Aid. In 2015, Police Aid paid for an average of 66% of a police department's pension obligations.

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

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

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(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	60,514	63,289	66,088	69,655	72,750	75,929	72,750	75,929
Total	**60,514**	**63,289**	**66,088**	**69,655**	**72,750**	**75,929**	**72,750**	**75,929**
Biennial Change				11,940		12,936		12,936
Biennial % Change				10		10		10
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	60,514	63,289	66,088	69,655	72,750	75,929	72,750	75,929
Total	**60,514**	**63,289**	**66,088**	**69,655**	**72,750**	**75,929**	**72,750**	**75,929**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Open Appropriation	66,240	69,291	72,555	76,365	79,460	82,639	79,460	82,639
Net Transfers	(5,726)	(6,001)	(6,467)	(6,710)	(6,710)	(6,710)	(6,710)	(6,710)
Expenditures	**60,514**	**63,289**	**66,088**	**69,655**	**72,750**	**75,929**	**72,750**	**75,929**
Biennial Change in Expenditures				11,940		12,936		12,936
Biennial % Change in Expenditures				10		10		10
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Fire Aid

www.revenue.state.mn.us/

AT A GLANCE

In 2015:

- 766 fire relief associations received state Fire Aid

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

State fire aid helps fund:

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

RESULTS

Fire Aid helps increase affordability of fire service.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of fire relief associations receiving fire aid	766	766	2013 – 2015

Performance Measures Notes:

Number of fire relief associations receiving fire aid compares payable year 2013 (previous) to 2015 (current).

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

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	25,391	26,680	28,315	28,658	29,646	30,652	29,646	30,652
Total	**25,391**	**26,680**	**28,315**	**28,658**	**29,646**	**30,652**	**29,646**	**30,652**
Biennial Change				4,901		3,325		3,325
Biennial % Change				9		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	25,391	26,680	28,315	28,658	29,646	30,652	29,646	30,652
Total	**25,391**	**26,680**	**28,315**	**28,658**	**29,646**	**30,652**	**29,646**	**30,652**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	25,391	26,680	28,315	28,658	29,646	30,652	29,646	30,652
Expenditures	**25,391**	**26,680**	**28,315**	**28,658**	**29,646**	**30,652**	**29,646**	**30,652**
Biennial Change in Expenditures				4,901		3,325		3,325
Biennial % Change in Expenditures				9		6		6
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Insurance Surcharge Aid

www.revenue.state.mn.us/

AT A GLANCE

In 2015:

- 4 firefighter relief associations received Insurance Surcharge Aid

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

Insurance Surcharge Aid helps pay the employer's pension costs for firefighters' relief associations in first class cities. The aid amount is based on revenue from a 2% surcharge on insurance premiums for fire, lightning, and sprinkler leakage coverage within each city.

RESULTS

Insurance Surcharge Aid helps increase affordability of fire service.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	4	4	2013 – 2015

Performance Measures Notes:

Number of jurisdictions receiving aid compares payable year 2013 (previous) to 2015 (current).

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY18**	**FY19**
1000 - General	3,667	3,967	4,065	4,002	4,142	4,287	4,142	4,287
Total	**3,667**	**3,967**	**4,065**	**4,002**	**4,142**	**4,287**	**4,142**	**4,287**
Biennial Change				433		362		362
Biennial % Change				6		4		4
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	3,667	3,967	4,065	4,002	4,142	4,287	4,142	4,287
Total	**3,667**	**3,967**	**4,065**	**4,002**	**4,142**	**4,287**	**4,142**	**4,287**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	3,667	3,967	0	4,002	4,142	4,287	4,142	4,287
Net Transfers			4,065					
Expenditures	**3,667**	**3,967**	**4,065**	**4,002**	**4,142**	**4,287**	**4,142**	**4,287**
Biennial Change in Expenditures				433		362		362
Biennial % Change in Expenditures				6		4		4
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: PERA Aid

www.revenue.state.mn.us/

AT A GLANCE

In 2015:

- 1,113 jurisdictions received Public Employees Retirement Association Aid

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

The aid will end on June 30, 2020.

RESULTS

State assistance helps increase affordability of local government employee pensions.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	1,114	1,113	2013 – 2015

Performance Measures Notes:

Number of jurisdictions receiving aid compares payable year 2013 (previous) to 2015 (current).

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	14,187	14,146	14,090	14,069	14,021	13,972	14,021	13,972
Total	**14,187**	**14,146**	**14,090**	**14,069**	**14,021**	**13,972**	**14,021**	**13,972**
Biennial Change				(173)		(166)		(166)
Biennial % Change				(1)		(1)		(1)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	14,187	14,146	14,090	14,069	14,021	13,972	14,021	13,972
Total	**14,187**	**14,146**	**14,090**	**14,069**	**14,021**	**13,972**	**14,021**	**13,972**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Open Appropriation	14,187	14,146	14,090	14,068	14,020	13,972	14,020	13,972
Expenditures	**14,187**	**14,146**	**14,090**	**14,069**	**14,021**	**13,972**	**14,021**	**13,972**
Biennial Change in Expenditures				(173)		(166)		(166)
Biennial % Change in Expenditures				(1)		(1)		(1)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Amortization Aid

www.revenue.state.mn.us/

AT A GLANCE

In 2015:
- 3 jurisdictions received Amortization Aid

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

Amortization Aid helps increase affordability of local government employee pensions.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	4	3	2013 – 2015

Performance Measures Notes:

Number of jurisdictions receiving aid compares calendar year 2013 (previous) to 2015 (current).

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

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Total	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**
Biennial Change				1		1		1
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Total	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Expenditures	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**	**4,823**
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures				0		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Firefighter Supplemental Benefits Reimbursement

www.revenue.state.mn.us/

AT A GLANCE

In 2015:

- 329 firefighter relief associations received Firefighter Supplemental Benefits Reimbursement payments

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

The Firefighter Supplemental Benefits Reimbursement was established in 1988 to help support retirement pensions for local firefighters. Payments are made to volunteer firefighter relief associations to reimburse them for benefits paid in the previous year. The payment is for retirement benefits, disability benefits, or survivor benefits.

The reimbursement cannot be more than 10% of the distributions paid and cannot be more than $1,000. The supplemental benefit for survivors cannot be more than 20% and cannot be more than $2,000.

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving aid	357	329	2013 – 2015

Performance Measures Notes:

Number of jurisdictions receiving aid compares calendar year 2013 (previous) to 2015 (current).

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	558	625	531	534	599	599	599	599
Total	**558**	**625**	**531**	**534**	**599**	**599**	**599**	**599**
Biennial Change				(118)		133		133
Biennial % Change				(10)		12		12
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	558	625	531	534	599	599	599	599
Total	**558**	**625**	**531**	**534**	**599**	**599**	**599**	**599**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	558	625	531	534	599	599	599	599
Expenditures	**558**	**625**	**531**	**534**	**599**	**599**	**599**	**599**
Biennial Change in Expenditures				(118)		133		133
Biennial % Change in Expenditures				(10)		12		12
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Police-Fire Retirement Supplemental Aid

www.revenue.state.mn.us/

AT A GLANCE

In 2015:

- 752 entities received Police-Fire Retirement Supplemental Aid

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of entities receiving aid	695	752	2013 – 2015

Performance Measures Notes:

Number of entities receiving aid compares payable year 2013 (previous) to 2015 (current); independent firefighter associations did not begin receiving aid until 2014.

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

(Dollars in Thousands)

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
1000 - General	14,498	14,498	14,498	14,500	14,500	14,500	14,500	14,500
Total	**14,498**	**14,498**	**14,498**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**
Biennial Change				2		2		2
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	14,498	14,498	14,498	14,500	14,500	14,500	14,500	14,500
Total	**14,498**	**14,498**	**14,498**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	15,498	15,498	15,500	15,500	15,500	15,500	15,500	15,500
Net Transfers	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Cancellations	0	0	2	0	0	0	0	0
Expenditures	**14,498**	**14,498**	**14,498**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**
Biennial Change in Expenditures				2		2		2
Biennial % Change in Expenditures				0		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

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

www.revenue.state.mn.us/

AT A GLANCE

In 2015:
- 309 taxpayers were enrolled in the program
- The average amount of property taxes deferred was $3,800

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

Qualified homeowners must be age 65 or older who have owned and lived in their home for at least 15 years and have household income less than $60,000. They can postpone the portion of property taxes above 3% of their income.

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of senior citizen taxpayers enrolled	344	309	2013 – 2015
Quantity	Average amount of property taxes deferred	$4,250	$3,800	2013 – 2015

Performance Measures Notes:

Number of taxpayers enrolled compares calendar year 2013 (previous) to 2015 (current).

Participation in the senior property tax deferral program has decreased the last two years.

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

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

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	1,525	1,266	1,191	1,293	1,256	1,256	1,256	1,426
Net Loan Activity	(1,525)	(1,266)	(1,191)	(1,293)	(1,256)	(1,256)	(1,256)	(1,426)

AT A GLANCE

In 2016:

- 22% of counties and 3% of cities participated in the Performance Measurement program.

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

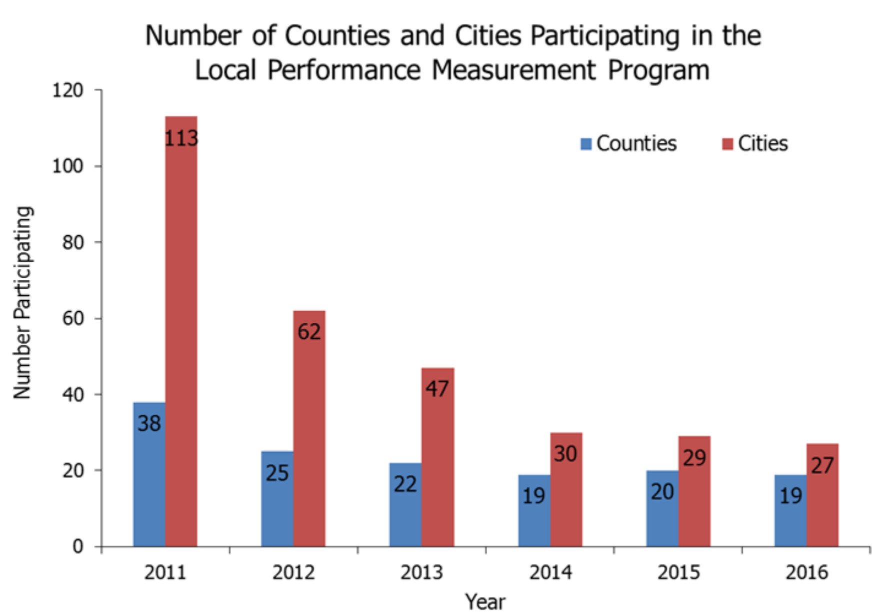
The Performance Measurement program was created in 2010 to determine the effectiveness of counties and cities in providing services. Participants use a set of 10 performance measures (for example police response time, hours to snow plow streets, citizen's rating of water quality). Participation by counties and cities is voluntary.

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of counties participating	22%	22%	2014 – 2016
Quantity	Percentage of cities participating	4%	3%	2014 – 2016



Performance Measures Notes:

Annual participation compares calendar year 2014 (previous) to 2016 (current).

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

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY18**	**FY19**
1000 - General	419	385	397	387	390	392	390	392
Total	**419**	**385**	**397**	**387**	**390**	**392**	**390**	**392**
Biennial Change				(20)		(2)		(2)
Biennial % Change				(2)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Grants, Aids and Subsidies	419	385	397	387	390	392	390	392
Total	**419**	**385**	**397**	**387**	**390**	**392**	**390**	**392**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	419	385	397	387	390	392	390	392
Expenditures	**419**	**385**	**397**	**387**	**390**	**392**	**390**	**392**
Biennial Change in Expenditures				(20)		(2)		(2)
Biennial % Change in Expenditures				(2)		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

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

www.revenue.state.mn.us/

AT A GLANCE

In 2015:

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

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

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

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

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	City tax base percentage of pre-exemption tax base	48%	53%	2013 – 2015
Quantity	County tax base percentage of pre-exemption tax base	161%	173%	2013 – 2015
Quantity	School district tax base percentage of pre-exemption tax base	150%	162%	2013 – 2015

Performance Measures Notes:

City tax base percentage compares assessment year 2013 (previous) to assessment year 2015 (current) for the City of Mahnomen, Mahnomen County, and Mahnomen School District #432. The pre-exemption tax base is assessment year 2006.

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

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Total	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Total	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Expenditures	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**	**1,200**
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Taconite Aid Reimbursement

www.revenue.state.mn.us/

AT A GLANCE

In 2015:
- 1 school district received Taconite Aid Reimbursement

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Payment's percentage of total school district revenues	5.2%	4.6%	2013 – 2015

Performance Measures Notes:

Payment's percentage of total school district revenue compares calendar year 2013 (previous) to 2015 (current).

In FY 2015, the reimbursement payment accounted for 4.6% of total school district revenues.

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	561	561	561	561	561	561	561	561
Total	**561**	**561**	**561**	**561**	**561**	**561**	**561**	**561**
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	561	561	561	561	561	561	561	561
Total	**561**	**561**	**561**	**561**	**561**	**561**	**561**	**561**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	561	561	561	561	561	561	561	561
Expenditures	**561**	**561**	**561**	**561**	**561**	**561**	**561**	**561**
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Border City Reimbursement

www.revenue.state.mn.us/

AT A GLANCE

In 2015:
- 1 jurisdiction received a Border City Reimbursement payment

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

The Border City Reimbursement reduces property taxes for:

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

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

RESULTS

Border City Reimbursement increases business competitiveness in border areas.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of jurisdictions receiving reimbursement	2	1	2013 – 2015

Performance Measures Notes:

Number of jurisdictions receiving reimbursement compares payable year 2013 (previous) to 2015 (current).

The two jurisdictions receiving reimbursement payments in 2013 were Wilkin County and the City of Breckenridge. The City of Breckenridge was the only city to receive a payment in 2015.

Legal Citation: M.S. 469.1735 establishes the Border City Reimbursement. www.revisor.mn.gov/statutes/?id=469.1735.

(Dollars in Thousands)

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
1000 - General	22	40	17	18	18	18	18	18
Total	**22**	**40**	**17**	**18**	**18**	**18**	**18**	**18**
Biennial Change				(26)		1		1
Biennial % Change				(43)		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	22	40	17	18	18	18	18	18
Total	**22**	**40**	**17**	**18**	**18**	**18**	**18**	**18**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	22	40	17	18	18	18	18	18
Expenditures	**22**	**40**	**17**	**18**	**18**	**18**	**18**	**18**
Biennial Change in Expenditures				(26)		1		1
Biennial % Change in Expenditures				(43)		2		2
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Disaster Credits

www.revenue.state.mn.us/

AT A GLANCE

In 2015 and 2016:
- 121 parcels received Disaster Credits

PURPOSE & CONTEXT

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

Funding Source: State General Fund

SERVICES PROVIDED

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

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

The state legislature periodically authorizes tax base replacement aid for cities that experience a tax base reduction greater than 5% due to damage caused by a natural disaster.

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of parcels receiving credits	1,737	121	2013/2014 – 2015/2016

Performance Measures Notes:

The number of parcels receiving credits compares payable years 2013 and 2014 (previous) to 2015 and 2016 (current). The amount of payment is dependent on the number and severity of disasters. For fiscal years 2015 and 2016 there were few or no disasters.

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

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

(Dollars in Thousands)

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
1000 - General	3,401	341	23	67	288	226	288	226
Total	**3,401**	**341**	**23**	**67**	**288**	**226**	**288**	**226**
Biennial Change				(3,653)		423		423
Biennial % Change				(98)		469		469
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	3,401	341	23	67	288	226	288	226
Total	**3,401**	**341**	**23**	**67**	**288**	**226**	**288**	**226**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	2,000	0	0	0	0	0	0	0
Open Appropriation	1,401	341	23	67	288	226	288	226
Expenditures	**3,401**	**341**	**23**	**67**	**288**	**226**	**288**	**226**
Biennial Change in Expenditures				(3,653)		423		423
Biennial % Change in Expenditures				(98)		469		469
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Miscellaneous Payments

www.revenue.state.mn.us/

AT A GLANCE

Between 2011 and 2016:

- 5 local governments received one-time relief payments

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

Occasionally payments are authorized by law to local governments experiencing an extraordinary or unusual circumstance and where other financial assistance is unavailable. Examples include:

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

The payments are made outside of existing aid distribution formulas.

RESULTS

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

Performance Measures Notes:

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

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	1,300	0	0	0	0	0	0	0
Open Appropriation	0	20	20	20	20	20	20	20
Net Transfers	(1,000)	(20)	(20)	(20)	(20)	(20)	(20)	(20)
Cancellations	300	0	0	0	0	0	0	0

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

www.revenue.state.mn.us/

AT A GLANCE

This program became effective beginning in 2015. No aid has been paid to date..

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

To date, no qualifying bonds have been issued, so this aid has not been paid.

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

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	0	0	0	0	1,300	2,400	1,300	2,400
Total	**0**	**0**	**0**	**0**	**1,300**	**2,400**	**1,300**	**2,400**
Biennial Change				0		3,700		3,700
Biennial % Change				0				
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	0	0	0	0	1,300	2,400	1,300	2,400
Total	**0**	**0**	**0**	**0**	**1,300**	**2,400**	**1,300**	**2,400**
Total Agency Expenditures	0	0	0	0	1,300	2,400	1,300	2,400
Expenditures Less Internal Billing	**0**	**0**	**0**	0	**1,300**	**2,400**	**1,300**	**2,400**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	0	0	0	0	1,300	2,400	1,300	2,400
Expenditures	0	0	0	0	**1,300**	**2,400**	**1,300**	**2,400**
Biennial Change in Expenditures				0		3,700		3,700
Biennial % Change in Expenditures				0				
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

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

www.revenue.state.mn.us/

AT A GLANCE

This program is effective beginning in 2016. No aid has been paid to date.

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

The state will make annual payments to the city of Minneapolis equal to 40% of the annual levy for payments for the city's library referendum bonds, beginning in 2016.

RESULTS

To date, this aid has not been paid.

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

(Dollars in Thousands)

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
1000 - General	0	0	0	3,720	4,120	4,120	4,120	4,120
Total	**0**	**0**	**0**	**3,720**	**4,120**	**4,120**	**4,120**	**4,120**
Biennial Change				3,720		4,520		4,520
Biennial % Change						122		122
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Grants, Aids and Subsidies	0	0	0	3,720	4,120	4,120	4,120	4,120
Total	**0**	**0**	**0**	**3,720**	**4,120**	**4,120**	**4,120**	**4,120**
Total Agency Expenditures	0	0	0	3,720	4,120	4,120	4,120	4,120
Expenditures Less Internal Billing	**0**	**0**	**0**	**3,720**	**4,120**	**4,120**	**4,120**	**4,120**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	0	0	0	3,720	4,120	4,120	4,120	4,120
Expenditures	0	0	0	**3,720**	**4,120**	**4,120**	**4,120**	**4,120**
Biennial Change in Expenditures				3,720		4,520		4,520
Biennial % Change in Expenditures						122		122
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Bloomington Fiscal Disparities Loan Repayment

www.revenue.state.mn.us

AT A GLANCE

In 2016:

- The state paid $4.5 million of Bloomington's loan obligation

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

The Bloomington Fiscal Disparities Loan Repayment program decreases property taxes for properties in the city of Bloomington.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percent of additional tax base in Bloomington due to the state payment	3.0%	2.8%	2015 – 2016
Quantity	State aid payment as a percent of the city's total property taxes paid	1.9%	1.7%	2015 – 2016

Performance Measures Notes:

Percent of additional tax base available to the city of Bloomington due to the state repayment of its obligation and state aid payment as a percent of the city's total property taxes paid compare taxes payable year 2015 (previous) to 2016 (current).

Legal Citation: M.S 473.08, subdivision 3a, establishes the Bloomington Fiscal Disparities Loan Repayment program. (www.revisor.mn.gov/statutes/?id=273.1398)

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY18**	**FY19**
1000 - General	0	0	4,820	4,522	4,858	4,864	4,858	4,864
Total	**0**	**0**	**4,820**	**4,522**	**4,858**	**4,864**	**4,858**	**4,864**
Biennial Change				9,342		380		380
Biennial % Change						4		4
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	0	0	4,820	4,522	4,858	4,864	4,858	4,864
Total	**0**	**0**	**4,820**	**4,522**	**4,858**	**4,864**	**4,858**	**4,864**
Total Agency Expenditures	0	0	4,820	4,522	4,858	4,864	4,858	4,864
Expenditures Less Internal Billing	**0**	**0**	**4,820**	**4,522**	**4,858**	**4,864**	**4,858**	**4,864**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	0	0	4,820	4,522	4,858	4,864	4,858	4,864
Expenditures	0	0	**4,820**	**4,522**	**4,858**	**4,864**	**4,858**	**4,864**
Biennial Change in Expenditures				9,342		380		380
Biennial % Change in Expenditures						4		4
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Volunteer Retention Stipend

www.revenue.state.mn.us/

AT A GLANCE

In 2016:
- 3,107 of volunteers received a stipend

PURPOSE & CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

The Volunteer Retention Stipend provides money to retain volunteers.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of volunteers receiving stipend	3,104	3,107	2015 - 2016
Quantity	Number of departments receiving stipend	191	192	2015 - 2016

Performance Measures Notes:

The number of departments and volunteers receiving the stipend compares aids payable year 2015 (previous) to 2016 (current).

The amount of aid paid to volunteers was $1,553,500 in 2016.

Legal Citation: M.S. 69.022 establishes the Volunteer Retention Stipend. https://www.revisor.mn.gov/statutes/?id=69

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	0	0	1,552	1,553	1,570	0	1,570	0
Total	**0**	**0**	**1,552**	**1,553**	**1,570**	**0**	**1,570**	**0**
Biennial Change				3,105		(1,535)		(1,535)
Biennial % Change						(49)		(49)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Grants, Aids and Subsidies	0	0	1,552	1,553	1,570	0	1,570	0
Total	**0**	**0**	**1,552**	**1,553**	**1,570**	**0**	**1,570**	**0**
Total Agency Expenditures	0	0	1,552	1,553	1,570	0	1,570	0
Expenditures Less Internal Billing	**0**	**0**	**1,552**	**1,553**	**1,570**	**0**	**1,570**	**0**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	0	0	1,552	1,553	1,570	0	1,570	0
Expenditures	0	0	**1,552**	**1,553**	**1,570**	0	**1,570**	0
Biennial Change in Expenditures				3,105		(1,535)		(1,535)
Biennial % Change in Expenditures						(49)		(49)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Political Contribution Refund

www.revenue.state.mn.us/

AT A GLANCE

In FY16:

- $1.2 million in refunds were issued for political contributions made on or by June 30, 2015
- This program is suspended for contributions made from July 1, 2015 – June 30, 2017.

PURPOSE & CONTEXT

The Political Contribution Refund program was enacted in 1990. The program provides funds to qualifying political candidates and parties through contributions by Minnesotans who request the refund.

Taxpayers who make qualifying contributions may receive a state refund up to a total of $50 per person (or $100 per couple) in any calendar year.

SERVICES PROVIDED

The program provides resources to political parties and to legislative and statewide candidates who agree to limit their spending by signing a Public Subsidy Agreement.

Candidates and parties document their contributions on special forms which they submit to the Department of Revenue. The department sends a refund to donors who apply for a refund of contributions they made to Minnesota political parties or candidates for the following Minnesota offices:

- Legislature (State House or Senate)
- Governor, Lieutenant Governor, or Attorney General
- Secretary of State
- State Auditor

Taxpayers may request only one refund for each calendar year in which they made contributions. Their request may include contributions to more than one candidate or party.

RESULTS

Taxpayers who donate money to a qualifying party or candidate may receive a refund of up to $50 for their contribution. The program was suspended from 2009 – 2013, and is suspended once again for any contributions made between July 1, 2015 and June 30, 2017.

To qualify for a refund of political contributions made during 2015, taxpayers must have applied by April 18, 2016.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Political Contribution Refunds Paid	$0	$3,407,721	2013-2015

Performance Measure Notes:

Compares refunds paid in FY 13 (previous) to FY15 (current). Note that the forecast amounts are $1,200,000 for FY 16 and $0 for FY 17 due to the suspension of the program.

Legal Citation: M.S. 290.06, subdivision 23, establishes the Political Contribution Refund program. It was amended (suspended) by Laws 2015, Chapter 77, Section 82. www.revisor.mn.gov/statutes/?id=290.06.

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	3,673	3,434	1,251	10	3,500	5,500	3,500	5,500
Total	**3,673**	**3,434**	**1,251**	**10**	**3,500**	**5,500**	**3,500**	**5,500**
Biennial Change				(5,846)		7,739		7,739
Biennial % Change				(82)		614		614
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Other Financial Transactions	0	0	0	0	0	0	0	0
Grants, Aids and Subsidies	3,673	3,434	1,251	10	3,500	5,500	3,500	5,500
Total	**3,673**	**3,434**	**1,251**	**10**	**3,500**	**5,500**	**3,500**	**5,500**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	3,673	3,434	1,251	10	3,500	5,500	3,500	5,500
Expenditures	**3,673**	**3,434**	**1,251**	**10**	**3,500**	**5,500**	**3,500**	**5,500**
Biennial Change in Expenditures				(5,846)		7,739		7,739
Biennial % Change in Expenditures				(82)		614		614
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

Program: Tax Aids, Credits, and Refunds
Activity: Tax Refund Interest

www.revenue.state.mn.us/

AT A GLANCE

In FY 15:

- $11.1 million in tax refund interest was paid to taxpayers who did not receive refunds within the statutory time frame

The interest rate has been 3% since 2010

PURPOSE & CONTEXT

The Department of Revenue must pay interest to taxpayers on certain tax refunds if they are not paid within the time frame set by statute. The interest rate has been 3% since 2010; it is the same rate taxpayers owe on underpayments.

The department calculates the interest rate based on the prime rate charged by banks and announces the rate prior to each calendar year.

SERVICES PROVIDED

Interest can accrue on tax refunds for various reasons, such as disputes that are resolved in court cases, tax audits, and administrative appeals. The Department of Revenue works to minimize interest accruals, which can fluctuate greatly from year to year depending on resolution of court cases and appeals.

The date interest starts to accrue on a tax refund is specified in statute, as shown below.

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

RESULTS

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

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Tax Refund Interest Paid	$14,302,977	$11,146,897	2013-2015

Performance Measure Notes:

Compares tax refund interest paid in FY13 (previous) to FY15 (current).

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

(Dollars in Thousands)

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
1000 - General	14,516	11,180	8,660	9,000	9,400	9,800	9,400	9,800
2360 - Health Care Access	353	169	432	196	204	214	204	214
2710 - Highway Users Tax Distribution	5	13	28	20	20	20	20	20
Total	**14,873**	**11,362**	**9,121**	**9,216**	**9,624**	**10,034**	**9,624**	**10,034**
Biennial Change				(7,899)		1,321		1,321
Biennial % Change				(30)		7		7
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecast Base FY18	Forecast Base FY19	Governor's Recommendation FY18	Governor's Recommendation FY19
Other Financial Transactions	14,873	11,362	9,121	9,216	9,624	10,034	9,624	10,034
Total	**14,873**	**11,362**	**9,121**	**9,216**	**9,624**	**10,034**	**9,624**	**10,034**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	14,516	11,180	8,660	9,000	9,400	9,800	9,400	9,800
Expenditures	**14,516**	**11,180**	**8,660**	**9,000**	**9,400**	**9,800**	**9,400**	**9,800**
Biennial Change in Expenditures				(8,035)		1,540		1,540
Biennial % Change in Expenditures				(31)		9		9
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2360 - Health Care Access

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	353	169	432	196	204	214	204	214
Expenditures	**353**	**169**	**432**	**196**	**204**	**214**	**204**	**214**
Biennial Change in Expenditures				106		(210)		(210)
Biennial % Change in Expenditures				20		(33)		(33)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

2710 - Highway Users Tax Distribution

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Open Appropriation	5	13	28	20	20	20	20	20
Expenditures	**5**	**13**	**28**	**20**	**20**	**20**	**20**	**20**
Biennial Change in Expenditures				30		(8)		(8)
Biennial % Change in Expenditures				168		(17)		(17)
Gov's Exp Change from Base								0
Gov's Exp % Change from Base								0

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

The following programs are discontinued, but either incurred expenditures in FY 2012, FY 2013, and/or FY 2014, or are expected to incur expenditures in FY 2017:

Discontinued State Programs	***Dollars in Thousands***			
	FY 2012	***FY 2013***	***FY 2014***	***FY 2017 (est)***
Market Value Homestead Credit	$153,961	$22,028	$17	$19
Bovine Tuberculosis Credit	$420	$34	-	-
Wetlands Reimbursement	$5	-	-	-
Total:	**$154,386**	**$22,062**	**$17**	**$19**

(Dollars in Thousands)

Expenditures By Fund

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	17	4	0	19	0	0	0	0
Total	**17**	**4**	**0**	**19**	**0**	**0**	**0**	**0**
Biennial Change				(2)		(19)		(19)
Biennial % Change				(10)		(100)		(100)

Expenditures by Category

	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Grants, Aids and Subsidies	17	4	0	19	0	0	0	0
Total	**17**	**4**	**0**	**19**	**0**	**0**	**0**	**0**
Total Agency Expenditures	17	4	0	19	0	0	0	0
Expenditures Less Internal Billing	**17**	**4**	**0**	**19**	**0**	**0**	**0**	**0**
Full-Time Equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(Dollars in Thousands)

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY18**	**FY19**
Open Appropriation	17	4	0	19	0	0	0	0
Expenditures	**17**	**4**	**0**	**19**	0	0	0	0
Biennial Change in Expenditures				(2)		(19)		(19)
Biennial % Change in Expenditures				(10)		(100)		(100)