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Tax Aids, Credits and Refunds (Minnesota Department of Revenue)

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AT A GLANCE

In 2023 the Department of Revenue paid:

- \$1.072 billion in aids to local governments
- \$841 million in property tax refunds to about 866,000 individuals
- \$145 million in credits to reduce individuals’ and businesses’ property taxes
- \$25 million in other programs

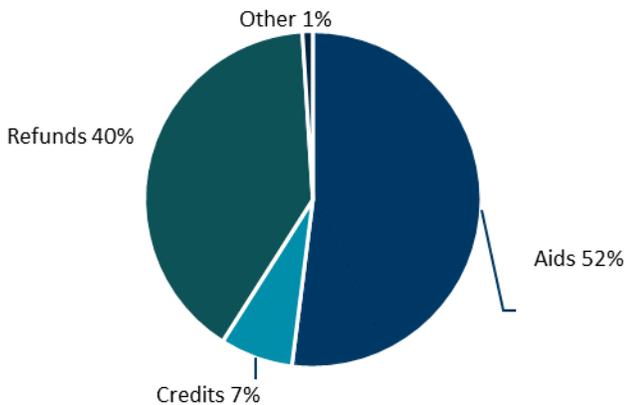
PURPOSE

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

Property Tax Aid, Credit and Refund programs provide direct property tax relief to individual taxpayers and funding to local governments, including cities and counties.

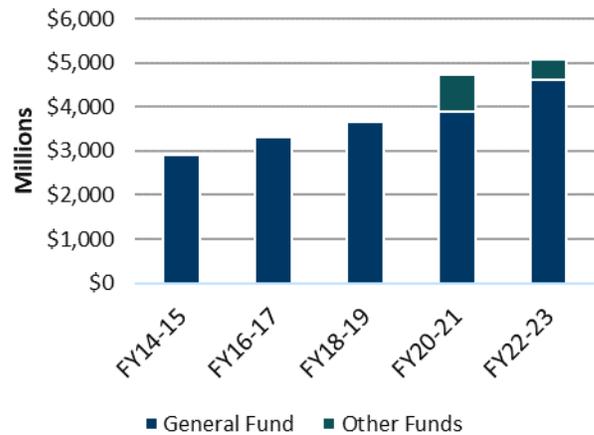
BUDGET

**Spending by Program
FY 2023 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Source: Consolidated Fund Statement

The Department of Revenue administers 42 Property Tax Aid, Credit and Refund programs that make payments to individual taxpayers and local governments. In 2023, we disbursed more than \$2.0 billion in general fund dollars through four types of programs:

- Aids paid to local government to help them fund local services
- Credits that reduce the amount of property taxes individuals pay
- Refunds that provide individuals direct relief for taxes already paid
- Other programs such as property tax deferral for senior citizens and tax refund interest payments.

STRATEGIES

Property Tax Aid, Credit and Refund programs:

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

Tax Aids, Credits and Refunds

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	2,047,480	2,563,916	2,812,515	2,720,534	2,317,313	2,406,078	2,317,313	2,396,028
2000 - Restrict Misc Special Revenue	196	215	6,036	53,240	52,869	65,659	52,869	52,559
2001 - Other Misc Special Revenue	18,051	80	109	28,372	17,638	22,554	17,638	22,554
2310 - Housing Assistance				48,314	127,300	127,300	127,300	127,300
2360 - Health Care Access	1,270	1,850	800	1,080	930	560	930	560
2710 - Highway Users Tax Distribution	39	72	78	50	71	71	71	71
2800 - Environmental				1	1	1	1	1
3000 - Federal	376,364		11					
3010 - Coronavirus Relief	66,695							
6000 - Miscellaneous Agency	30,349	41,822	39,508					
Total	2,540,445	2,607,956	2,859,056	2,851,591	2,516,122	2,622,223	2,516,122	2,599,073
Biennial Change				562,246		(572,302)		(595,452)
Biennial % Change				11		(10)		(10)
Governor's Change from Base								(23,150)
Governor's % Change from Base								(0)
<u>Expenditures by Program</u>								
Refunds	808,353	840,801	1,209,063	1,080,840	821,940	832,880	821,940	827,830
Local Aids	937,516	925,221	978,236	1,344,529	1,252,923	1,332,022	1,252,923	1,313,922
Credits	118,248	126,765	142,282	163,163	174,557	182,666	174,557	182,666
Pension-Related Aids	141,702	149,960	161,608	182,980	191,138	199,508	191,138	199,508
Other Local Government Payments	39,997	2,904	303,361	2,682	2,843	2,796	2,843	2,796
Other Taxes and Refunds	494,629	562,306	64,506	77,397	72,721	72,351	72,721	72,351
Total	2,540,445	2,607,956	2,859,056	2,851,591	2,516,122	2,622,223	2,516,122	2,599,073
<u>Expenditures by Category</u>								
Operating Expenses	4,169	4,032	3,957	3,827	3,626	3,661	3,626	3,661
Grants, Aids and Subsidies	2,490,373	2,543,960	2,793,270	2,778,251	2,443,758	2,550,194	2,443,758	2,527,044
Other Financial Transaction	45,902	59,965	61,830	69,513	68,738	68,368	68,738	68,368
Total	2,540,445	2,607,956	2,859,056	2,851,591	2,516,122	2,622,223	2,516,122	2,599,073

Tax Aids, Credits and Refunds

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In		500,000		4,000				
Direct Appropriation	1,418,712	882,872	1,245,671	1,220,268	1,056,545	1,117,757	1,056,545	1,112,757
Open Appropriation	1,109,442	1,162,234	1,551,511	1,469,828	1,232,123	1,259,361	1,232,123	1,254,311
Transfers In	36,358	36,567	39,736	48,400	49,210	50,360	49,210	50,360
Transfers Out	15,134	16,033	18,353	19,945	18,320	18,926	18,320	18,926
Net Loan Activity	(1,743)	(1,649)	(1,752)	(2,017)	(2,245)	(2,474)	(2,245)	(2,474)
Cancellations	155	75	299					
Balance Forward Out	500,000		4,000					
Expenditures	2,047,480	2,563,916	2,812,515	2,720,534	2,317,313	2,406,078	2,317,313	2,396,028
Biennial Change in Expenditures				921,653		(809,658)		(819,708)
Biennial % Change in Expenditures				20		(15)		(15)
Governor's Change from Base								(10,050)
Governor's % Change from Base								(0)

2000 - Restrict Misc Special Revenue

Balance Forward In	601	729	644	3,178	5,846	14,538	5,846	14,538
Receipts	9,626	9,831	24,551	66,220	71,820	77,220	71,820	64,120
Transfers In			1,232					
Transfers Out	9,302	9,700	17,215	10,312	10,259	10,253	10,259	10,253
Balance Forward Out	729	644	3,177	5,846	14,538	15,846	14,538	15,846
Expenditures	196	215	6,036	53,240	52,869	65,659	52,869	52,559
Biennial Change in Expenditures				58,864		59,252		46,152
Biennial % Change in Expenditures				14,305		100		78
Governor's Change from Base								(13,100)
Governor's % Change from Base								(11)

2001 - Other Misc Special Revenue

Balance Forward In	71	110	110	3,149	26	26	26	26
Transfers In	18,090	80	3,148	25,249	17,638	22,554	17,638	22,554
Balance Forward Out	110	110	3,149	26	26	26	26	26
Expenditures	18,051	80	109	28,372	17,638	22,554	17,638	22,554
Biennial Change in Expenditures				10,349		11,711		11,711
Biennial % Change in Expenditures				57		41		41

Tax Aids, Credits and Refunds

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
Governor's Change from Base								0
Governor's % Change from Base								0

2310 - Housing Assistance

Balance Forward In				79,856	157,242	160,442	157,242	160,442
Receipts			79,856	125,700	130,500	135,225	130,500	135,225
Balance Forward Out			79,856	157,242	160,442	168,367	160,442	168,367
Expenditures				48,314	127,300	127,300	127,300	127,300
Biennial Change in Expenditures				48,314		206,286		206,286
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

2360 - Health Care Access

Open Appropriation	1,270	1,850	800	1,080	930	560	930	560
Expenditures	1,270	1,850	800	1,080	930	560	930	560
Biennial Change in Expenditures				(1,241)		(390)		(390)
Biennial % Change in Expenditures				(40)		(21)		(21)
Governor's Change from Base								0
Governor's % Change from Base								0

2710 - Highway Users Tax Distribution

Open Appropriation	21,436	21,592	21,692	22,591	24,240	24,419	24,240	24,419
Transfers Out	21,397	21,520	21,614	22,541	24,169	24,348	24,169	24,348
Expenditures	39	72	78	50	71	71	71	71
Biennial Change in Expenditures				17		14		14
Biennial % Change in Expenditures				15		11		11
Governor's Change from Base								0
Governor's % Change from Base								0

2800 - Environmental

Open Appropriation				1	1	1	1	1
Receipts	342							

Tax Aids, Credits and Refunds

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
Balance Forward Out	342							
Expenditures				1	1	1	1	1
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

3000 - Federal

Balance Forward In	188,466	309	309	14				
Receipts	188,182		(284)	(14)				
Balance Forward Out	284	309	14					
Expenditures	376,364		11					
Biennial Change in Expenditures				(376,353)		(11)		(11)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

3010 - Coronavirus Relief

Direct Appropriation	66,885							
Cancellations	190							
Expenditures	66,695							
Biennial Change in Expenditures				(66,695)		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

6000 - Miscellaneous Agency

Balance Forward In	290	262	361					
Receipts	36,525	49,637	40,379					
Transfers Out	6,205	7,742	1,232					
Balance Forward Out	261	334						
Expenditures	30,349	41,822	39,508					
Biennial Change in Expenditures				(32,663)		(39,508)		(39,508)

Tax Aids, Credits and Refunds

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
Biennial % Change in Expenditures				(45)				
Governor's Change from Base								0
Governor's % Change from Base								

6002 - Taxes Clearing Agency

Balance Forward In			14					
Receipts		14	(14)	0	0	0	0	0
Balance Forward Out		14						

Tax Aids, Credits and Refunds

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Direct				
Fund: 1000 - General				
FY2025 Appropriations	1,220,268	1,220,268	1,220,268	2,440,536
Base Adjustments				
All Other One-Time Appropriations		(23,940)	(23,940)	(47,880)
Forecast Open Appropriation Adjustment		(140,137)	(79,579)	(219,716)
November Forecast Adjustment		354	1,008	1,362
Forecast Base	1,220,268	1,056,545	1,117,757	2,174,302
Change Items				
Reduce Aquatic Invasive Species Prevention Aid			(5,000)	(5,000)
Total Governor's Recommendations	1,220,268	1,056,545	1,112,757	2,169,302
Open				
Fund: 1000 - General				
FY2025 Appropriations	1,418,149	1,418,149	1,418,149	2,836,298
Base Adjustments				
Biennial Appropriations		580	580	1,160
Forecast Open Appropriation Adjustment	(195)	(241,318)	(217,907)	(459,225)
November Forecast Adjustment	51,874	54,712	58,539	113,251
Forecast Base	1,469,828	1,232,123	1,259,361	2,491,484
Change Items				
Clarifying Definition of Attachments and Appurtenances			40	40
Personal Property Exemption for Low-Income Housing Tenants			10	10
Reduce Sustainable Forest Incentive Payments			(5,240)	(5,240)
Reduce Aquatic Invasive Species Prevention Aid			140	140
Total Governor's Recommendations	1,469,828	1,232,123	1,254,311	2,486,434
Fund: 2360 - Health Care Access				
FY2025 Appropriations	1,800	1,800	1,800	3,600
Base Adjustments				
November Forecast Adjustment	(720)	(870)	(1,240)	(2,110)
Forecast Base	1,080	930	560	1,490
Total Governor's Recommendations	1,080	930	560	1,490
Fund: 2710 - Highway Users Tax Distribution				
FY2025 Appropriations	22,696	22,696	22,696	45,392
Base Adjustments				
Forecast Open Appropriation Adjustment		1,514	1,768	3,282
November Forecast Adjustment	(105)	30	(45)	(15)
Forecast Base	22,591	24,240	24,419	48,659

Tax Aids, Credits and Refunds

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Total Governor's Recommendations	22,591	24,240	24,419	48,659
Fund: 2800 - Environmental				
FY2025 Appropriations	1	1	1	2
Forecast Base	1	1	1	2
Total Governor's Recommendations	1	1	1	2
<i>Dedicated</i>				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	53,240	52,869	65,659	118,528
Forecast Base	53,240	52,869	65,659	118,528
Change Items				
Repeal Local Government Cannabis Aid			(13,100)	(13,100)
Total Governor's Recommendations	53,240	52,869	52,559	105,428
Fund: 2001 - Other Misc Special Revenue				
Planned Spending	28,372	17,638	22,554	40,192
Forecast Base	28,372	17,638	22,554	40,192
Total Governor's Recommendations	28,372	17,638	22,554	40,192
Fund: 2310 - Housing Assistance				
Planned Spending	48,314	127,300	127,300	254,600
Forecast Base	48,314	127,300	127,300	254,600
Total Governor's Recommendations	48,314	127,300	127,300	254,600
<i>Revenue Change Summary</i>				
<i>Dedicated</i>				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	66,220	71,820	77,220	149,040
Change Items				
Repeal Local Government Cannabis Aid			(13,100)	(13,100)
Total Governor's Recommendations	66,220	71,820	64,120	135,940
Fund: 2310 - Housing Assistance				
Forecast Revenues	125,700	130,500	135,225	265,725
Total Governor's Recommendations	125,700	130,500	135,225	265,725
Fund: 3000 - Federal				
Forecast Revenues	(14)			

Tax Aids, Credits and Refunds

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Total Governor's Recommendations	(14)			
Fund: 6002 - Taxes Clearing Agency				
Forecast Revenues	0			
Total Governor's Recommendations	0			
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	29,117,623	29,765,929	30,913,084	60,679,013
Change Items				
Lower Statewide Sales Tax Rate and Expand to Professional Services		72,700	112,500	185,200
Expand Research and Development Credit		(25,700)	(19,800)	(45,500)
Personal Property Exemption for Low-Income Housing Tenants			30	30
New Corporate Franchise Tax Division Pass-through Audit Unit			1,141	1,141
Repeal Local Government Cannabis Aid			13,100	13,100
Reduce Aquatic Invasive Species Prevention Aid			(50)	(50)
Sustainable Aviation Fuel Policy and Funding Package		(5,300)	(5,300)	(10,600)
Support State Parks and Recreation Areas		182	182	364
Total Governor's Recommendations	29,117,623	29,807,811	31,014,887	60,822,698
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	26,038	26,038	26,038	52,076
Total Governor's Recommendations	26,038	26,038	26,038	52,076
Fund: 2107 - State Pks & Trls Lott In Lieu				
Forecast Revenues	8,350	8,611	8,808	17,419
Total Governor's Recommendations	8,350	8,611	8,808	17,419
Fund: 2109 - Local Trls Grants Lott In Lieu				
Forecast Revenues	1,113	1,148	1,174	2,322
Total Governor's Recommendations	1,113	1,148	1,174	2,322
Fund: 2110 - Zoos Lottery In Lieu				
Forecast Revenues	742	765	783	1,548
Total Governor's Recommendations	742	765	783	1,548
Fund: 2121 - Rgnl Pks and Trls Lott In Lieu				
Forecast Revenues	683	704	720	1,424
Total Governor's Recommendations	683	704	720	1,424

Tax Aids, Credits and Refunds

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Fund: 2122 - Underserved Comms Lott In Lieu				
Forecast Revenues	683	704	720	1,424
Total Governor's Recommendations	683	704	720	1,424
Fund: 2209 - Heritage Enhancement				
Forecast Revenues	17,627	18,179	18,594	36,773
Total Governor's Recommendations	17,627	18,179	18,594	36,773
Fund: 2300 - Outdoor Heritage				
Forecast Revenues	146,148	151,348	156,483	307,831
Change Items				
Lower Statewide Sales Tax Rate and Expand to Professional Services		2,574	4,026	6,600
Support State Parks and Recreation Areas		4	4	8
Total Governor's Recommendations	146,148	153,926	160,513	314,439
Fund: 2301 - Arts & Cultural Heritage				
Forecast Revenues	87,467	90,580	93,653	184,233
Change Items				
Lower Statewide Sales Tax Rate and Expand to Professional Services		1,541	2,410	3,951
Support State Parks and Recreation Areas		2	2	4
Total Governor's Recommendations	87,467	92,123	96,065	188,188
Fund: 2302 - Clean Water				
Forecast Revenues	146,148	151,348	156,483	307,831
Change Items				
Lower Statewide Sales Tax Rate and Expand to Professional Services		2,574	4,026	6,600
Support State Parks and Recreation Areas		4	4	8
Total Governor's Recommendations	146,148	153,926	160,513	314,439
Fund: 2303 - Parks and Trails				
Forecast Revenues	63,109	65,355	67,572	132,927
Change Items				
Lower Statewide Sales Tax Rate and Expand to Professional Services		1,111	1,738	2,849
Support State Parks and Recreation Areas		1	1	2
Total Governor's Recommendations	63,109	66,467	69,311	135,778
Fund: 2350 - Petroleum Tank Release Cleanup				
Forecast Revenues	20,996	27,996	27,996	55,992
Total Governor's Recommendations	20,996	27,996	27,996	55,992

Tax Aids, Credits and Refunds

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Fund: 2360 - Health Care Access				
Forecast Revenues	936,120	976,950	1,035,230	2,012,180
Total Governor's Recommendations	936,120	976,950	1,035,230	2,012,180
Fund: 2710 - Highway Users Tax Distribution				
Forecast Revenues	1,134,954	1,205,962	1,221,821	2,427,783
Total Governor's Recommendations	1,134,954	1,205,962	1,221,821	2,427,783
Fund: 2720 - State Airports				
Forecast Revenues	21,500	21,500	21,500	43,000
Change Items				
Aeronautics Revenue Restructure		1,050	1,050	2,100
Total Governor's Recommendations	21,500	22,550	22,550	45,100
Fund: 2800 - Environmental				
Forecast Revenues	86,178	88,289	90,560	178,849
Total Governor's Recommendations	86,178	88,289	90,560	178,849

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Lower Statewide Sales Tax Rate and Expand to Professional Services

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	0	0	0
Revenues	72,700	112,500	116,100	119,700
Other Funds				
Expenditures	0	0	0	0
Revenues – Natural Resources and Arts Funds	7,800	12,200	12,400	12,900
Net Fiscal Impact = (Expenditures – Revenues)	80,500	124,700	128,500	132,600
FTEs	0	0	0	0

Recommendation:

The Governor recommends decreasing the state general sales tax rate from 6.500% to 6.425%. The Governor also recommends broadening the tax base by extending sales taxes on legal, accounting, brokerage and trust services, and some bank service charges for consumers while business to business sales remain exempt. Combined, these changes would raise an additional \$205.200 million of revenue in the FY 2026-27 biennium and \$261.100 million in the FY 2028-29 biennium.

Rationale/Background:

This proposal creates a fairer tax system. Under current law, a sales tax of 6.5% is imposed on gross receipts from most retail sales except certain products and services and the revenue is dedicated to the state's general fund. This proposal cuts the sales tax rate and broadens the base to right-size the sales tax to a more service-oriented economy, create a more stable revenue source, and increase fairness for consumers and businesses.

Proposal:

The proposal would reduce the general fund rate to 6.425% from the current 6.5% and make currently exempt services of legal, accounting, brokerage, bank charges, trust services, and safe deposit box rental taxable for consumers while business to business sales remain exempt. Tax preparation fees for filers who receive the child tax credit or working family credit, legal fees charged by legal aid and fees related to pension funds management will still be exempt. Bank charges include fees such as account maintenance, brokerage fees, and loan servicing fees and do not include overdraft, late and origination fees. The recommendation is effective for sales and purchases made after September 30, 2025.

Results:

Future Tax Incidence Studies completed by the Tax Research department at the Department of Revenue will assess more specific details of the proposal's impact.

Statutory Change(s):

Minnesota Statutes 297A.62, subd. 1
Minnesota Statutes 297A.61, subd. 3
Minnesota Statutes 297A.65
Minnesota Statutes 297F.25, subd. 1

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Expand Research and Development Credit

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	0	0	0
Revenues	(25,700)	(19,800)	(19,800)	(19,800)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	25,700	19,800	19,800	19,800
FTEs	0	0	0	0

Recommendation:

The Governor recommends expanding the Minnesota Credit for Increasing Research Activities (R&D tax credit) to allow businesses to more fully monetize their Minnesota investment. The proposal will allow companies claiming the Research and Development tax credit to receive a refund of up to 25% of any amount of credit not offset against tax. The proposal is effective beginning with expenditures after December 31, 2024.

Rationale/Background:

The current R&D credit benefits businesses making an investment in research and development within Minnesota by providing a nonrefundable credit against tax based on expenditures. The R&D credit goal is to stimulate innovation that encourages greater economic growth and living standards. High-tech businesses that invest in innovative research in areas like engineering, computer science, and chemistry related to the development of new or improved components benefit from this tax expenditure. Expenditures that qualify for the credit include wages, costs of supplies, computer costs, contract costs paid to others for doing research, and certain contributions to nonprofit organizations engaged in research and development in Minnesota.

The credit is based on the excess of current-year research expenditures over a calculated base amount. The credit is allowed to corporations and pass-through businesses. Historically, most of the credit is claimed by C corporations and wages account for the majority of expenses. Any credit that exceeds tax liability can be carried forward up to fifteen years.

The objective of the credit is to create or retain jobs, increase research activity, and attract or retain business in Minnesota. In 2024, the R&D credit is estimated to be \$33.5M for pass-through entities and \$111.3M for corporations.

Minnesota businesses have identified increased access to the R&D credit as a priority area. If a business does not have enough tax liability to offset with the tax credit, then they must carry forward the credit to a future year. They are not able to offset R&D expenditures in the current year. Refunding a portion of any unused credit would free up capital for a business to further invest in Minnesota.

Many states and the federal government provide some version of an R&D credit. About seven states allow some portion of the credit to be refunded if the credit exceeds the business' tax liability for the year.

Proposal:

The proposal would allow a percentage of any unused R&D credit from the current year to be refunded. Any remaining credit would continue to be carried forward to a subsequent year.

The proposal also builds on recommendations for the credit from the February 2017 Evaluation Report¹ from the Office of the Legislative Auditor. Regular reporting on the impact of the credit to meet its objectives will help increase transparency and monitor the effectiveness of the credit.

As a part of this effort, a report on the history and growth of the credit in Minnesota and an evaluation of the effectiveness and economic impact of the credit is included in the proposal. The report must include a comparison of how competitive the Minnesota credit is when compared to other states and any recommendations for improvement. Additionally, the report must include input and insight from the business community on how the credit has impacted business operations and product development.

The Department of Revenue assumes it will contract with an independent consultant to complete the report, including the evaluation and recommendations. Revenue assumes it will work with the consultant to provide information on the administration of the credit as well as data on utilization, and that the consultant will utilize the metrics that are incorporated by the legislature to measure the effectiveness of the credit (see pages 32 and 50 of the OLA report from 2017 - Minnesota Research Tax Credit¹).

Revenue assumes a cost of \$100,000 to contract with a consultant. Revenue assumes the consultant will need to meet and confer with Revenue to facilitate the writing of the report, as well as review data and information provided by Revenue. Existing Revenue staff will conduct this work and meet with the consultant. These costs are carried in the Department of Revenue budget book.

Impact on Children and Families:

- N/A

Equity and Inclusion:

- N/A

Tribal Consultation:

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

- Yes
- No

Results:

Part A: Performance Measures

The objective of the Research and Development credit is to create or retain jobs, increase research activity, and attract or retain business in Minnesota. This proposal includes a mandatory report to assess the credit’s effectiveness in achieving these objectives. This report will provide insight into the competitiveness of the Minnesota credit as compared to other states as well as input from the business community on the credit’s effectiveness. The refundability of the credit will allow more taxpayers to offset investments in Minnesota research and development in the same year that they are made.

¹ <https://www.auditor.leg.state.mn.us/ped/pedrep/researchcredit.pdf>

Measure	Measure type	Measure data source	Most recent data	Projected change
# of jobs created by companies that utilize the credit	Quantity			
# of businesses utilizing the credit	Quantity			
\$ of refundable credit	Quantity			
\$ of non-refundable credit	Quantity		In 2024, the R&D credit is estimated to be \$33.5M for pass-through entities and \$111.3M for corporations.	Increase
% of businesses that claim the credit that carry forward the credit	Result			
% of businesses that claim the credit receiving a refund	Result			

Part B: Use of Evidence

The Minnesota Research Tax Credit² findings and recommendations have informed this proposal. DOR plans to work with an evaluator to evaluate the changes to the tax credit.

- No formal evaluation planned at this time
- Not yet determined
- Needs Assessment
- Process or Implementation Evaluation
- Summative Impact Evaluation (Randomized Control Trial (RCT) or Quasi-Experimental Design)
- Summative Evaluation other than an Impact Evaluation
- Other (please describe or link):

Statutory Change(s):

M.S. 290.068 Subd. 3

² <https://www.auditor.leg.state.mn.us/ped/pedrep/researchcredit.pdf>

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Administering the 2025 Tax Bill

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	472	550	500	500
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	472	550	500	500
FTEs	1.5	3.0	3.0	3.0

Recommendation:

The Governor recommends providing the Department of Revenue with funding to administer the 2025 Tax Bill. The Department of Revenue would incur \$472 thousand in FY 2026 and \$550 thousand in FY 2027 to implement these changes.

Rationale/Background:

The cost of implementing new tax provisions strongly depends on the nature of the tax law changes. The Department of Revenue can leverage existing systems and processes to implement some changes with little additional effort while others – particularly complex law changes and new tax types, for example – require additional resources.

The Department of Revenue's goal is to ensure that all taxpayers with obligations or benefits under Minnesota's tax code have the information and resources they need to follow the law. With growing numbers of taxpayers and additional tax laws, the department will not be able to meet taxpayer demands without additional resources.

Proposal:

Expansion of Research and Development Credit

As a part of this effort, a report on the history and growth of the Research and Development credit in Minnesota and an evaluation of the effectiveness and economic impact of the credit is included in the proposal. The report must include a comparison of how competitive the Minnesota credit is when compared to other states and any recommendations for improvement. Additionally, the report must include input and insight from the business community on how the credit has impacted business operations and product development.

The Department of Revenue assumes it will contract with an independent consultant to complete the report, including the evaluation and recommendations. Revenue assumes it will work with the consultant to provide information on the administration of the credit as well as data on utilization, and that the consultant will utilize the metrics that are incorporated by the legislature to measure the effectiveness of the credit (see pages 32 and 50 of the OLA report from 2017 - Minnesota Research Tax Credit).

Revenue assumes a cost of \$100 thousand to contract with a consultant in FY2026-27. Revenue assumes the consultant will need to meet and confer with Revenue to facilitate the writing of the report, as well as review data and information provided by Revenue. Existing Revenue staff will conduct this work and meet with the consultant.

Lower Statewide Sales Tax Rate and Expand to Professional Services

The Department of Revenue requires \$422 thousand in FY 2026 and \$500 thousand in FY 2027 and ongoing to administer these tax changes. These costs include 3 new sales and use tax auditors, with each new auditor focusing on one of the new taxable service areas. This will allow Revenue to maintain current audit levels with the proposed expansion of taxable services. Revenue will also incur \$172 thousand in FY 2026 for mailing costs to send a letter to all registered businesses for sales tax to advise them of the changes.

Dollars in Thousands

Net Impact by Fund	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
General Fund		472	550	1,022	500	500	1,000

Fund	Component Description	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
1000	Contract with Consultant		50	50	100	0	0	0
1000	Mailing Costs		172	0	172	0	0	0
1000	Compensation		250	500	850	500	500	1,000

Results:

Implementation of this proposal will enable the Department of Revenue to continue to efficiently administer Minnesota’s tax laws and serve as a resource for all Minnesota taxpayers as changes are adopted to the state’s tax code as a result of the Governor’s tax bill.

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Repeal K-12 Education Credit Assignment

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures- MDE	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The governor recommends repealing the option to assign a refund in advance of claiming the K-12 Education Credit on the tax return. Repealing the assignment of refund of the K-12 Education Credit would remove the requirement for the Department of Education to certify services and vendors for the assignment. It will not impact the larger K-12 Education Credit.

Rationale/Background:

Currently, the K-12 Education Credit allows a taxpayer a refundable income tax credit equal to 75% of eligible education expenses for a qualifying child in kindergarten through 12th grade. The maximum credit is \$1,500 for each child. Eligible expenses include fees for instruction outside the regular school day or school year, expenses for textbooks or instructional materials, and transportation costs paid to others. The maximum credit phases out starting at adjusted gross income of \$73,760 with a full phase out at \$79,760.

The tax credit can be claimed when the taxpayer files a return, based on educational expenditures they made in the prior year. Taxpayers may also elect to assign the anticipated refund in order to obtain a loan to pay for services during the year up front. In exchange for the assignment of a future refund, the nonprofit or financial institution agrees to pay the qualified educational expenses during the year. When the taxpayer files their return and claims the K-12 Education Credit for the expenses, the refund is paid to the nonprofit or financial institution holding the assignment.

Only a small percentage of taxpayers eligible for the K-12 Credit elect to assign their refund in exchange for payment of educational services. In 2023, 285 taxpayers filed an assignment out of approximately 43,600 returns that claimed this credit – less than 1 percent of eligible taxpayers.

The statute requires the Minnesota Department of Education (MDE) to certify the vendors and educational services that qualify for the assignment of refund for the K-12 Credit. The Department of Revenue is also responsible for reviewing a credit claim on the return for accuracy.

The Governor recommends repealing the assignment of refund portion of the credit for the reasons detailed below:

- The assignment option of the credit is a lending agreement between a private party and the taxpayer. The Department of Revenue is not part of those conversations. While there are program requirements that Revenue enforces, and these requirements are outlined on tax forms, Revenue's website, and other

resources, we know this information may not always be read by the taxpayer, and we do not have control over verbal conversations private parties have with taxpayers.

- A small number of taxpayers select the assignment option. The benefits of receiving the credit early are diminished by the potential confusion for the taxpayer when it is time to file their tax return. The administrative complexity and costs to implement the program for such a small number of participants is also a factor.
- The complexities of administering the credit between two agencies who utilize differing criteria to verify educational services causes confusion for the taxpayer. MDE may approve a vendor's educational services for the assignment initially, but when the K-12 credit is claimed for those services, Revenue is responsible for verifying the services meet the requirements of the credit. This leaves the taxpayer unsure of who to contact if it is deemed the services do not meet the requirements for the credit or if they have questions about the assignment of refund process.
- Finally, the structure of the assignment program makes strict financial controls more difficult. The educational vendor receives payment from the lender at the outset for services so it can be difficult to recoup payment if requirements for services are not met.

Proposal:

The recommendation would repeal the option to assign a refund in advance of claiming the K-12 Education Credit on a taxpayer's return. Repealing the assignment of refund option for the K-12 Education Credit will remove the requirement for the Department of Education to review and approve qualifying educational services.

Impact on Children and Families:

With the rising cost of school supplies, the K -12 refundable credit helps families provide the necessary resources to children attending K -12 schools. The benefit helps make tutoring, extracurricular enrichment, and other programs more accessible to families. Access to extracurricular activities, tutors, school supplies, and computer software and hardware help set children up for success for life after high school.

However, the assignment of refund portion of the credit is not widely utilized among taxpayers claiming the credit. By repealing the assignment of refund portion, the small number of taxpayers electing the assignment would no longer be able to receive their anticipated credit amount up front to pay for educational services or supplies throughout the year.

Equity and Inclusion:

By repealing the assignment of refund option for the K-12 Education Credit, this proposal seeks to mitigate potential confusion for taxpayers claiming the credit. By removing the assignment option from the K-12 Education Credit, the Department of Revenue seeks to improve taxpayer's abilities to make financial choices for themselves and their families that best suit their needs, while not expecting them to navigate the complexities of the loan and repayment portions of the K-12 Education assignment option.

Tribal Consultation:

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

- Yes
- No

Results:

The goal of this recommendation is to reduce complexity for taxpayers and ensure tighter controls of the K-12 Education Credit.

Statutory Change(s):

Repeal:

- M. S. 290.0679
- M. S. 13.4967, Subd. 2a
- M. S. 270C.445, Subd. 3(19)(iii)

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Clarifying Definition of Attachments and Appurtenances

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	40	40	40
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	40	40	40
FTEs	0	0	0	0

Recommendation:

The Governor recommends updating the definition of attachments and appurtenances to distribution line property owned by utility cooperatives to resolve the ongoing confusion. The last update to the definition was in 1939. This update would result in an increase to homestead credit refunds of \$40 thousand per year beginning in FY 2027.

Rationale/Background:

Rural electric cooperative associations are not-for-profit, member owned electric utility service corporations that provide service solely to its members. They are subject to an annual property tax of \$10 per 100 members, or fraction thereof, of such association. That tax is in lieu of all personal property taxes, state, county, or local, upon distribution lines and the attachments and appurtenances.

The law assessing electric cooperatives in Minnesota was enacted in 1939. There have been no changes to the statute since then. Technology and the delivery of energy has evolved since this statute was originally enacted making it difficult for taxpayers to understand and the department to administer.

The statute does not define or identify what items of personal property are an attachment and appurtenance to a distribution line. Without an update to the definition, we will continue to see appeals and litigation.

Proposal:

This recommendation is to update the definition of attachments and appurtenances to “that part of the association’s distribution system, not including substations, or transmission or generation equipment located in rural areas.” This update makes the law clear for taxpayers on what is defined as an attachment and appurtenance for calculating tax.

The net effect of this proposal is lower property taxes paid by utility cooperatives, with a resulting shift of taxes onto other property types. Higher residential property taxes would result in additional homestead credit refund payments of approximately \$40 thousand per year beginning in FY 2027.

Impact on Children and Families:

This proposal does not have a direct impact on children and families in Minnesota.

Equity and Inclusion:

This proposal does not have a direct impact on equity and inclusion efforts.

Tribal Consultation:

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

- Yes
- No

Results:

Part A: Performance Measures:

This proposal’s intended outcome is to provide clarity and improved user experience through updating the definition of attachments and appurtenances in statute. This clarity will benefit rural electric cooperatives who have expressed frustration over the ambiguity this definition allows for. There are no measurable results beyond the potential to reduce litigation risk over this confusion. The department has worked extensively to produce a favorable change for both the rural electric cooperatives and the agency, and they are in full support of this change.

Part B: Use of Evidence:

The Department of Revenue has not previously conducted a formal program evaluation that has informed the contents of this proposal as a formal evaluation of statute language change isn’t necessary. There are no plans to conduct a formal evaluation of this proposal at this time.

Part C: Evidence-Based Practices:

This proposal is for operational improvements which cannot be studied through a randomized control trial or quasi-experimental design study.

Statutory Change(s):

M. S. 273.41

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Personal Property Exemption for Low-Income Housing Tenants

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	10	60	60
Revenues	0	30	1,160	1,210
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	(20)	(1,100)	(1,150)
FTEs	0	0	0	0

Recommendation:

The Governor recommends exempting low-income housing tenants from personal property tax when the low-income housing units are classified as exempt from real property taxes, in response to a recent Supreme Court decision. This proposal would ensure that these low-income housing tenants would not be burdened with a new obligation to pay personal property taxes on top of their rent and other expenses. Since these tenants would be exempted from local property taxes, they would be ineligible to receive a renter's tax credit. Additionally, those local property taxes would be shifted onto other property types, resulting in higher homestead credit refunds.

Rationale/Background:

This proposal exempts low-income housing tenants from personal property tax when the low-income housing units are classified as exempt from real property taxes.

A recent Supreme Court case found that the property of an institution of purely public charity (IPPC) used to provide low-income housing is exempt from real property tax. Prior to this ruling, the residential portion of property owned by a qualifying IPPC was typically classified 4d(1) Low-Income Housing and taxes were paid by the exempt entity. Areas used exclusively by the IPPC were exempt. During this case, the issue of potential tax implications of the ruling to the lessees of exempt low-income housing was raised. The court did not consider this issue in its ruling and said it is action for the legislature to take.

Currently, the law requires assessors to create personal property tax accounts for lessees of most otherwise exempt properties. Therefore, the residents of exempt low-income residential properties are now liable for personal property tax on the unit they rent or lease. An example includes certain properties providing senior housing. Due to this requirement, a significant portion of the legislatively approved property exemption would only be shifted to the lessees as the taxes would be levied on those lessees instead of the property owner.

The current law will inhibit low-income families from continuing to receive the benefit that charitable organizations receiving a real property tax exemption provide. This proposal will alleviate the burden that current law places on these tenants.

Proposal:

This proposal would exempt only low-income tenants renting or leasing housing where the real property is exempt from property taxes. Currently, if no law change was made, low-income tenants would be paying more in personal property tax than they would have if the real property was taxable.

The proposal would be effective for assessment year 2025 and thereafter. Once effective, the department will need to update training materials and resources outlining the treatment of leased exempt property to ensure updated administrative practices. This change will support simplifying a complex area of property tax law as well as ensure the burden of personal property tax liability does not fall on these tenants unintentionally.

The net effect of this proposal is that local property taxes will shift onto other property types, resulting in higher state payments for homestead credit refunds. Offsetting this increase is a reduction in renters refundable income tax credit, which results in higher individual income tax revenue.

Impact on Children and Families:

This proposal will benefit Minnesota’s children and families residing in exempt low-income residential housing properties and reduce the undue burden of paying a personal property tax on top of their rent.

Exempting the tenant from personal property taxes will make the tenant ineligible to receive a renters’ property tax refund. However, the exemption for personal property tax outweighs the tenant receiving a renters’ property tax refund because the personal property tax would be more than what the renter would receive in a refund.

Equity and Inclusion:

This proposal would prevent low-income Minnesotans from having a property tax burden placed on them in addition to the rental costs they are already paying. The owning entity is receiving a benefit of a property tax exemption. Therefore, the same benefit of the exemption should be passed to the tenants of these organizations. This proposal seeks to ensure equitable treatment for the tenants of these organizations by exempting the lessees of an obligation to pay personal property taxes.

Tribal Consultation:

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

- Yes
- No

Results:

This proposal is in response to a recent Supreme Court case that found the property of an institution of purely public charity (IPPC) used to provide low-income housing is exempt. This proposal’s intended impact is to exempt the low-income tenants renting or leasing housing where the real property is exempt from a property tax burden. Without this change, these tenants would face the burden of a personal property tax obligation on top of their current rent and other expenses. If successful, this proposal will alleviate them from this burden.

Statutory Change(s):

M. S. 273.19

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Landlord Penalty for Failure to Submit a Certificate of Rent Paid

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	0	0	0
Revenues- Penalty Impact	0	0	60	60
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	(60)	(60)
FTEs	0	0	0	0

Recommendation:

The Governor recommends statutory changes to the penalty provisions for failing to timely file Certificates of Rent Paid (CRP) to tenants and the commissioner of Revenue. These changes would support taxpayers eligible for the Renter's Property Tax Refund to file their claims and receive refunds in a timely manner. These changes also allow for easier credit filing and processing by the department and encourages owners and managing agents to provide Certificates of Rent Paid to their tenants. These penalties are expected to raise \$60 thousand of revenue per year beginning in FY 2028.

Rationale/Background:

As of 2024, the Renter's Property Tax Refund is an income tax credit included on the Minnesota Form M1, Individual Income Tax. It is expected that over 152,000 more credits will be claimed compared to prior years. Since taxpayers will claim the refund on their individual income tax, it's important to have timely filing of the CRP to ensure tax refunds are not unnecessarily delayed waiting for information to be submitted by the managing agent.

Currently, Minnesota law requires owners and managing agents to provide a CRP to each tenant, with a penalty for each CRP they fail to provide. The penalty for failing to provide a Certificate of Rent Paid to a tenant is currently \$100. Minnesota law also requires owners and managing agents to send CRPs to Revenue on request, but there is no penalty for failing to do so.

Proposal:

This recommendation would:

- Create a \$50 penalty for each CRP not submitted to the Commissioner of Revenue by the filing deadline.
- Reduce the penalty for failing to provide a CRP to a tenant from \$100 to \$50. This aligns both penalties and makes the penalty amount the same as other failure to file information return penalties under current law.
- Provide rights to request an abatement for tenant and managing agent.
- Strengthen voluntary compliance for timely filing of a CRP by imposing a penalty for late filing.
- Reduce the burden for taxpayers having to respond to requests by the department for more information on rent paid.

While this would technically impact all owners and managing agents, only those who do not comply with the law would be subject to fines.

Penalty Impact

Revenue assumes a total of 477,000 renters would file a claim for the income tax credit and need a Certificate of Rent Paid. We assume 5% (23,850) of the 477,000 required CRPs will not be initially submitted to Revenue, with 5% of this population (1,193) ultimately being assessed a \$50 penalty in FY28 for not producing a CRP to Revenue after having received a formal request. This will take effect for rent paid in 2026 and will be ongoing.

Revenue assumes 1,193 owners will receive a \$50 penalty for not submitting a CRP beginning in FY28 and ongoing. The penalty will be paid into the general fund in accordance with Minnesota Statutes, section 290.62. Assuming 1,193 owners will be assessed the penalty annually, the annual impact is \$59,650. No penalties are currently being assessed for owners and managing agents not submitting Certificate of Rent Paid to tenants, so no impact is expected due to reduction in that penalty.

Fund	FY26	FY27	FY28	FY29
General Fund			(\$59,650)	(\$59,650)
Total Revenue Impact			(\$59,650)	(\$59,650)

Impact on Children and Families:

The changes proposed help strengthen a program that improves access to resources that target low-income renters and their children. The recommendation builds on and aligns with innovations of other public and private organizations, and Tribal nations to increase equity and bridge the opportunity gap for children, youth, and families through improved access to resources, opportunity, and services within their community. Working to ensure all renters receive their CRPs in a timely and consistent fashion will improve their ability to claim the Renter’s Property Tax Refund.

Equity and Inclusion:

This recommendation would have a positive impact on low-income communities who rent their homes. It will lead to more owners and managing agents complying with Revenue’s requirements to provide CRPs to tenants. The department often receives correspondence from taxpayers who cannot get a CRP from their owner or managing agent or otherwise have difficulty doing so.

This recommendation is important as it is more difficult for Revenue to process Renter’s Property Tax Refund claims if owners and managing agents do not submit CRPs to the department. By enforcing a penalty on those who do not submit CRPs, they are encouraged to send the information to Revenue and make return processing easier for those claiming the credit.

Tribal Consultation:

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

- Yes
- No

Although this proposal does not directly impact Minnesota Tribal governments, there may be impacted Tribal members who previously qualified for the Renter’s Property Tax refund who would now be required to claim it by filing an individual income tax return. This change should be made clear and educational materials will be provided to Tribes to ensure awareness of this shift.

Results:

This recommendation makes statutory changes regarding the submission of CRPs to tenants and the commissioner of Revenue. It supports compliance in encouraging owners and managing agents to voluntarily submit CRPs to both their tenants and the Commissioner. Education and outreach regarding the implementation

of the penalty when failing to submit the CRP to the Commissioner will be important in supporting compliance. The success of this proposal in supporting compliance will only be able to be assessed after it becomes effective, and penalties are assessed for any CRPs not submitted. Once this data is captured, it can be analyzed to determine if this proposal and the educational efforts completed were effective in encouraging owners and managing agents to submit CRPs to their tenants and the Commissioner.

Statutory Changes:

M.S. 289A.60

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: New Corporate Franchise Tax Division Pass-through Audit Unit

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	692	1,432	1,432	1,432
Revenues	0	1,141	3,168	4,224
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	692	291	(1,736)	(2,792)
FTEs	6.5	13	13	13

Recommendation:

The Governor recommends \$692 thousand in FY 2026 and \$1.432 million in FY 2027 in continuing funding to enhance the Department of Revenue's capacity to audit and support compliance among the growing number of small and large businesses using complex structures and tax arrangements to pass income and tax benefits to individual taxpayers. This proposal would add an additional 13 FTEs to enhance the auditing of these pass-through entities. Auditing plays a crucial role in ensuring transparency, accountability, and efficiency in our tax system and supports voluntary compliance.

This proposal would require an investment in FY 2026 and FY 2027, but in FY 2028 and ongoing there would be a positive fiscal impact to the general fund. By adding another audit unit, the State of Minnesota can significantly enhance its oversight capabilities, leading to better compliance and increased public trust.

Rationale/Background:

The number of complex pass-through entities continues to grow—evidenced by a staggering 600% increase nationally in large partnerships from 2002 to 2019—so too does the potential for tax non-compliance. These intricate arrangements often involve multiple layers of partnerships, making them difficult to navigate without specialized expertise. A recent report from the U.S. Government Accountability Office highlights the rising trend of businesses organizing as partnerships, prompting the Internal Revenue Service to intensify its focus on these entities. (Tax Enforcement: IRS Audit Processes Can Be Strengthened to Address a Growing Number of Large, Complex Partnerships | U.S. GAO¹) The complexity of these tax provisions increases the likelihood that there will be challenges for them to be fully compliant with Minnesota tax laws.

The Department of Revenue recognizes the need to enhance our auditing processes to effectively audit pass-through entities, such as S corporations and partnerships, which do not pay corporate income tax but instead pass their income to individual or corporate owners for taxation. Currently, there are three units dedicated to auditing these pass-through businesses, but current capacity restricts the frequency of these audits, especially compared to the cyclical reviews of large corporations.

Proposal:

To address these issues, the Governor recommends establishing an additional unit dedicated to complex pass-through audits. This unit would tackle the intricacies of large partnerships, conduct indirect audits of cash-based businesses, and thoroughly review Research and Development tax credits, among other critical projects. Without

¹ <https://www.gao.gov/products/gao-23-106020>

enhancing Revenue’s capacity to manage these sophisticated audits, there is risk allowing high-income groups to misuse these provisions in their tax arrangements.

This is in alignment with the Governor’s priority for Fiscal Accountability, Customer Experience, and Measurable Results as the extra audit unit would provide:

- Enhanced Oversight – adding more auditors means Revenue can more thoroughly review leads and conduct more audits, which can help educate our customers, identify fraudulent activities, and increase voluntary compliance.
- Increased Efficiency and Effectiveness – with more auditors, the state can ensure that all Revenue’s customers report, pay, and receive the right amount; no more, no less.
- Accountability – auditing more pass-through entities ensures that Revenue is holding all taxpayers accountable for their filings, fostering a culture of responsibility and integrity.
- Building Public Trust – audits play a crucial role in promoting public trust by providing assurances about the tax reporting of all taxpayers.
- Promoting Fairness – by ensuring more high-income partnership and S corporation business returns are reviewed, Revenue is increasing fairness in the tax system.

The establishment of this new unit dedicated to pass-through entities represents a critical step in enhancing our compliance efforts and managing the complexities of modern tax structures. By investing in this initiative, the Department of Revenue will be better positioned to meet the challenges of an evolving business landscape and ensure equitable tax compliance for all taxpayers.

This initiative represents a new program rather than a change to an existing one, aimed specifically at addressing the complexities and compliance challenges posed by pass-through entities. The proposal will fund the establishment of a new unit comprised of 13 FTEs: 1 Revenue Tax Supervisor 4, 2 Revenue Tax Specialist Principals, and 10 Revenue Tax Specialist Seniors. By establishing this new unit, Revenue will directly tackle the growing complexities associated with pass-through entities and increase our ability to audit effectively. This proactive measure aims to ensure compliance and safeguard revenue, particularly from higher-income groups that may exploit these intricate structures.

Funding for the first year would only be 50% of the total cost due to staggered hiring. Each subsequent year would have 100% of funding. Once positions are approved and funded, it typically takes 4 to 6 months to hire. The agency has a rigorous training program that requires field auditors to be in training for the first 6 months. After training, auditors begin shadowing on audits with more experienced staff and begin developing their own audit inventory. Roughly 75% of their field audits are completed within one year. It is expected that the state will begin to see additional revenue from these positions approximately one or two years after hiring.

Dollars in Thousands

Net Impact by Fund	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
General Fund	692	291	983	(1,736)	(2,792)	(4,528)
Total All Funds	692	291	983	(1,736)	(2,792)	(4,528)

Fund	Component Description	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
1000	[Exp.] Compensation	692	1,432	2,124	1,432	1,432	2,864
1000	[Rev.] Corporate Tax Revenue	0	1,141	1,141	3,168	4,224	7,392

Impact on Children and Families:

This proposal does not have a direct impact on children and families in Minnesota.

Equity and Inclusion:

This proposal does not have a direct impact on equity and inclusion efforts.

Tribal Consultation:

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

Yes
 No

Results:

Part A: Performance Measures

Revenue is seeing significant changes in complex tax structures resulting in increasing volumes of taxpayers using pass-through entities to reduce tax obligations. Over the past ten years, the agency has seen consistent increases in both the number of open taxpayer accounts and number of returns filed for these tax types. Increasing the number of auditors in Revenue is a strategic investment that supports voluntary compliance and improves public trust. By continuing to ensure that all taxpayers are held to the same standards, Revenue can build a stronger, more transparent, and accountable government. **The goal of this proposal is to have adequate staffing to ensure appropriate audit coverage of emerging tax areas.**

As noted in the background, the growth of pass-through entities has outpaced current Revenue department capacity and additional staff are needed to successfully conduct audits to improve taxpayer system fairness and accountability.

Measure	Measure type	Measure data source	Most recent data	Projected change
Number of audit staff	Quantity	Human resources hiring information	Current staffing of 3 units	13 additional FTE in 1 additional unit for a total of 4 units
Percentage of audits of pass-through entities completed within a year	Quantity	Auditor records	75%	Maintain 75% or increase
Increased high-income partnership and S corporation business returns reviewed	Quantity	Audit Leads	N/A	

Part B: Use of Evidence

Prior evaluation of field auditor efficiency has found that roughly 75% of new hire field audits are completed within one year, which supports the overall goal of the new FTEs to increase the number, efficiency, and effectiveness of audits as capacity to complete audits will be increased.

Statutory Change(s):

No statutory change is required for this proposal.

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Short Line Railroad Infrastructure Modernization Credit Transfer

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends making changes to the transfer of the Short Line Railroad Infrastructure Modernization credit to allow the railroad taxpayer to transfer the credit after the expenditures have been made for the year, but prior to filing a tax return and claiming the credit for the year. This change allows the railroad to transfer, or sell, the credit immediately, rather than having to wait until the tax year closes.

Rationale/Background:

The May 2023 tax bill enacted the Short Line Railroad Infrastructure Modernization Credit. The credit allows short line railroad companies to claim a credit against income tax for 50% of reconstruction or replacement expenditures incurred during the tax year. As passed, the taxpayer can transfer any unused portion of the credit to another entity once the taxpayer files their return for the tax year. The Department of Revenue then issues a credit certificate to the transferee entity.

Class II and Class III Railroads would be impacted by this proposed change. There are currently 15 railroads that fall within these two classes in Minnesota. If this proposed change is made to the credit, it will more closely mirror how transfer components of other tax credits administered by Revenue function.

Proposal:

This recommendation makes changes to the transfer component of the Short Line Railroad Infrastructure Modernization credit to allow the railroad taxpayer to transfer the credit after the expenditures have been made for the year, but prior to filing a tax return and claiming the credit for the year. This change allows the railroad to transfer, or sell, the credit immediately, rather than having to wait until the tax year closes. This will allow railroads to secure financing with the tax credit. The transfer must be completed by written agreement between the parties and notification sent to the Department of Revenue. The department then issues a credit certificate to the transferee entity.

The credit's administration is shared between the Department of Transportation and the Department of Revenue. The Department of Transportation estimates up to \$10,000 annually of administrative costs in order to process applications and approve credit certificates. These administrative costs will be absorbed by the agency. Revenue will be required to update instructions, outreach materials and the website in order to ensure impacted railroads understand the new transfer policies and procedures. This change would be effective prospectively, beginning in tax year 2025.

Impact on Children and Families:

This proposal has no direct impact on Minnesota’s children and families.

Equity and Inclusion:

This proposal has no direct impact on equity and inclusion efforts in Minnesota.

Tribal Consultation:

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

- Yes
- No

Results:

This proposal is a technical change to the functions of the transfer component of the Short Line Railroad Infrastructure Modernization credit. It does not have qualitative or quantitative measures of success. However, it was brought to the department’s attention by impacted stakeholder groups. It was described as beneficial to qualifying short line railroads. This change would support the benefits intended to be provided to these groups by the original credit language and would meet a unique need of theirs.

Statutory Change(s):

M.S. 290.0695

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Reduce Sustainable Forest Incentive Payments

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	(5,240)	(5,510)	(5,780)
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	(5,240)	(5,510)	(5,780)
FTEs	0	0	0	0

Recommendation:

The Governor recommends reducing the Sustainable Forest Incentive Act per-acre payments to landowners by 30% beginning for 2026 payments. This results in a reduction of \$5.240 million in FY 2026-27 and \$11.290 million in FY 2028-29. This reduction item is intended to address cost growth in the state's budget.

Rationale/Background:

SFIA provides annual incentive payments to property owners to encourage sustainable use of forest lands. Property owners receive a payment for each acre of qualifying forest land they enroll 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 8, 20, or 50 years depending on their recorded covenant (agreement) lengths.

Proposal:

This recommendation would reduce total SFIA per-acre payments to landowners by 30% annually beginning for 2026 payments. This would result in a reduction of incentive payments totaling \$5.240 million in FY 2026-27 and \$11.290 million in FY 2028-29. In doing so, the Minnesota Department of Revenue seeks to address cost growth in the state's budget.

Results:

The goal of this recommendation is to reduce general fund spending.

Statutory Change(s):

Minnesota Statutes 290C.07

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Repeal Local Government Cannabis Aid

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	0	0	0
Revenues	0	13,100	14,100	18,300
Other Funds				
Expenditures	0	(13,100)	(14,100)	(18,300)
Revenues	0	(13,100)	(14,100)	(18,300)
Net Fiscal Impact = (Expenditures – Revenues)	0	(13,100)	(14,100)	(18,300)
FTEs	0	0	0	0

Recommendation:

The Governor recommends repealing the 20% of the cannabis gross receipts tax revenue designated for local government cannabis aid. This results in additional general fund revenue of \$13.100 million in FY 2026-27 and \$32.400 million in FY 2028-29. This is intended to prioritize protecting key statewide initiatives and address cost growth in the state's budget.

Rationale/Background:

Local Government Cannabis Aid was created by the 2023 Minnesota Legislature. The aid is funded through a 10% gross receipts tax on retail sales of cannabis products in Minnesota.

Of the revenues generated from the cannabis gross receipts tax, 80% is deposited into the general fund and 20% is deposited into the Local Government Cannabis Aid account in the special revenue fund. On June 30 each year, 50% of the cannabis aid account balance is available to counties and 50% to cities. This recommendation reduces this aid amount available to cities and counties in order to more readily maintain aid amounts for local governments from other state sources.

Proposal:

This recommendation repeals the designated 20% of the revenue generated by the cannabis gross receipts tax designated for local government cannabis aid. This would generate additional general fund revenues of \$13.100 million in FY 2026-27 and \$32.400 million in FY 2028-29. This recommendation aligns with efforts to prioritize other key statewide initiatives and address cost growth in the state budget.

Results:

The goal of this proposal is to increase general fund revenue by directing all cannabis gross receipts taxes to the general fund.

Statutory Change(s):

Repeal Minnesota Statutes 477A.32

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Reduce Aquatic Invasive Species Prevention Aid

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	(4,860)	(4,860)	(4,860)
Revenues	0	(50)	(50)	(50)
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	(4,810)	(4,810)	(4,810)
FTEs	0	0	0	0

Recommendation:

The Governor recommends reducing the Aquatic Invasive Species Prevention Aid from \$10 million to \$5 million starting in FY 2027. After accounting for property tax and income tax interactions, this results in a reduction of \$4.810 million in FY 2026-27 and \$9.620 million in FY 2028-29. This reduction is intended to align with strategic decisions to minimize impacts on people served while addressing responsible reductions to the state's budget.

This is a 50 percent reduction to this program.

Rationale/Background:

Aquatic Invasive Species Prevention Aid (AISPA) is a specific purpose aid distributed at the county level. The proceeds from this aid must be used solely to prevent or limit the spread of nonnative, aquatic species at water access points within the county. The aid is allocated to all counties in the state as follows: 50 percent based on each county's share of watercraft trailer launches and 50 percent based on each county's share of watercraft trailer parking spaces.

Proposal:

This recommendation reduces the Aquatic Invasive Species Prevention Aid from \$10 million to \$5 million starting in FY 2027. The recommendation is a 50 percent reduction to this program. This reduction aligns with the intention to address cost growth in the state's budget and minimize impacts on people served. Reducing this aid to counties results in higher homestead credit refunds due to higher expected local property taxes as well as lower income taxes due to higher deductions for taxpayers who itemize.

Result:

The result of this recommendation is lower general fund spending.

Statutory Change(s):

Minnesota Statute 477A.19

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Aeronautics Revenue Restructure

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
State Airports Fund				
Expenditures	2,650	2,650	2,650	2,650
Revenues (MnDOT)	600	600	600	600
Revenues (Dept. of Revenue)	1,050	1,050	1,050	1,050
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,000	1,000	1,000	1,000
FTEs	0	0	0	0

Recommendation:

The Governor recommends setting an airline flight property tax levy at \$8.05 million, increasing aircraft registration rates by 15%, and adjusting the air ambulance, antique, and classic aircraft registration exemptions. The airline flight property tax is collected annually by Department of Revenue and deposited into the State Airports Fund.

The Governor also recommends an appropriation increase from the State Airports Fund to the Minnesota Department of Transportation (MnDOT) of \$2.65 million annually.

Rationale/Background:

Recent economic changes, including inflation and rising material costs, have strained current funding allocations, making it increasingly difficult to maintain Minnesota's airports. Inflation has significantly reduced the purchasing power of aviation funds.¹ Material costs have surged due to supply chain disruptions and increased demand. Airports Council International reports that many Minnesota airports, including Rochester, Bemidji, Duluth, Range, Brainerd Lakes, Thief River Falls, Falls International, and St. Cloud face funding constraints due to regulatory burdens, inflation, and increased costs².

Current funding levels are insufficient to meet the growing needs and expectations of Minnesota communities. The 2022 Minnesota State Aviation System Plan (MnSASP) evaluated airport needs based on classification-specific targets that define the facilities, services, and administrative items each airport must provide to fulfill its role in the state aviation system. Excluding MAC airports, which also have substantial funding needs, \$1.15 billion is needed by 2030 to maintain and expand the system of non-MAC airports. MnDOT proposes restructuring aviation revenues to provide more airport development grants for Minnesota's 133 public-use airports.

Proposal:

This proposal contains three elements: decoupling the airline flight property tax levy from legislative appropriations and forecasted State Airports Fund revenues and instead setting a fixed levy that is 15% higher than the current levy, increasing aircraft registration rates by 15% and adjusting exemptions, and increasing appropriations from the State Airports Fund.

¹ See Figure 1 in Results for additional information on impact of inflation over time compared to appropriation increases.

² <https://airportscouncil.org/wp-content/uploads/2023/05/2023AirportInfrastructureNeedsOnePage-Minnesota.pdf>

Airline Flight Property Tax Decoupling and Increase

Each year, MnDOT certifies the Airline Flight Property Tax levy based on legislative appropriations and forecasted State Airports Fund revenues. It is currently forecast to be \$7 million per year in FY26 and later. This tax applies to flight property owned, leased, loaned, or used by airlines in Minnesota, including aircraft, flight equipment, and related computers and software. Currently, this tax is coupled to the State Airports Fund appropriation. Meaning, if additional revenue accrues from other revenues sources in the fund, the property tax levy adjusts, resulting in no net change to the State Airports Fund. Decoupling the tax from State Airports Fund revenues would create a more stable and predictable revenue stream. This change provides reliable funding for aeronautics in Minnesota, enabling better planning and investment in airport infrastructure and services.

The Governor recommends a fixed airline flight property tax levy, effectively decoupling the airline flight property tax from other revenues, such that MnDOT would no longer annually certify the tax levy, but rather the levy would be set at \$8.05 million. This tax levy represents a 15% increase in airline flight property tax and is estimated to increase revenues by \$1.05 million per year. This will be collected annually by Department of Revenue and deposited into the State Airports Fund.

Aircraft Registration Rates Increase and Exemptions Adjustment

The Governor recommends an increase in aircraft registration rates by 15% consistent with the proposed airline flight property tax increase. Registration rates were most recently adjusted in 2014. A 15% increase is about half of the rate of inflation from 2014 to present.

Few states offer registration exemptions for aircraft used for air ambulance services. The Governor recommends removing the air ambulance exemption from Minnesota aircraft registration but setting an aircraft registration fee cap at \$1,000 for air ambulances.

Today, classic and antique aircraft pay a one-time \$25 registration fee. The Governor recommends combining exemptions for classic and antique aircraft and shifting from a one-time registration fee to an annual fee of \$25.

These changes are estimated to increase revenues by \$600,000 per year.

Appropriation Increase

The Governor recommends an appropriation increase of \$2.65 million annually from the State Airports Fund, reflecting expenditure of the new revenues as well as \$1 million per year of fund balance. These funds would be used to support airport development projects and related activities such as Airport Capital Development Grants, Civil Air Patrol, and MnDOT's Office of Aeronautics operations.

Impact on Children and Families:

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

Equity and Inclusion:

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

Tribal Consultation:

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

- Yes
- No

Results:

The proposed revenue restructures will add approximately \$1.6 million each year into the State Airports Fund. This equates to about 10 additional airport capital development grants per fiscal year. The following table depicts the related performance measures and anticipated outcomes if the proposal is successful.

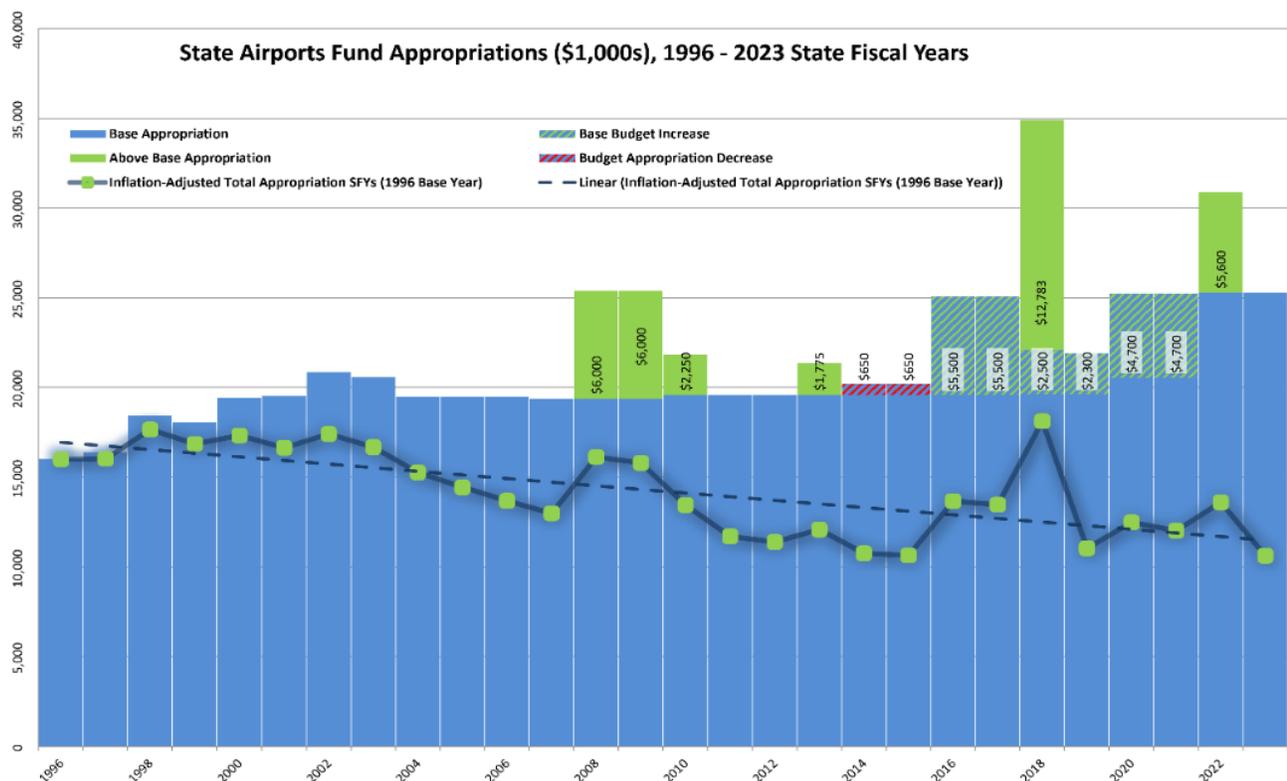
Measure	Measure type	Measure data source	Most recent data	Projected change
Amount of Airport Capital Development Grants	Quantity	State Fiscal Year Capital Development Grants ¹ (Published Annually)	Airport Capital Development Grants average \$150,000	About 10 additional airport capital development grants each year
Statewide Airport Pavement Condition Index (PCI)	Quality	Minnesota Statewide Pavement Condition Report ² (0-100 score)	Runway: 79 Taxiway: 77 Taxilane: 73 Apron: 73	100% of Minnesota airports meet Minnesota State Aviation System Plan (MnSASP) PCI targets

¹ https://edocs-public.dot.state.mn.us/edocs_public/DMResultSet/download?docId=38635285

² http://airview.mn.i2bglobal.com/Default_state.aspx

This proposal contributes to the MnSASP objective of Transportation Safety by funding proven pavement preservation strategies to reduce fatalities and serious injuries in aviation. Additionally, it enhances the quality of Minnesota’s state aviation system, in turn providing a better customer/traveler experience, providing facilities to accommodate aviation demand, and strengthening Minnesota’s economy.

From 1996 to 2023, the value of MnDOT Aeronautics’ inflation-adjusted total appropriation decreased from \$16 million to \$10 million, despite the allocation increasing from \$16 million to \$25 million.



As a data point on the rising cost of airport projects, the Metropolitan Airports Commission (MAC) recently requested an additional \$133 million for Terminal 1 improvements, a 33% increase attributed to cost increases since the project's original bid³. Increases like this are being felt at airports across the entire 133 airport system. Additionally, the MAC's most recent Capital Improvement Plan (CIP) anticipates \$140 million in projects at their general aviation airports⁴.

Statutory Change(s):

Changes proposed to Minn. Stat. 360.531, 360.55, and 360.653 for aircraft registration

Changes proposed to Minn. Stat. 270.075 for airline flight property tax

³ https://metroairports.org/sites/default/files/2024-04/UPDATED_PN%20PFC%2019-15_v4%20%282024.04.07%29_0.pdf

⁴ <https://metroairports.org/sites/default/files/2023-10/2024-2030%20AOEE%20Document.pdf>

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Sustainable Aviation Fuel Policy and Funding Package

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	5,300	5,300	2,100	2,100
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	5,300	5,300	2,100	2,100
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$5.3 million in FY 2026 and in FY 2027, and \$2.1 million in each fiscal year thereafter from the general fund to expand an existing tax credit to support Sustainable Aviation Fuel (SAF) production in Minnesota.

Rationale/Background:

Passage of the Sustainable Aviation Fuel (SAF) Tax Credit in the 2023 legislative session was a historic state investment in a cross-cutting climate solution to produce cleaner aviation fuels that supports Minnesota’s rural economy, the creation of family sustaining jobs, and decarbonization of the transportation sector. Despite Minnesota’s nation leading SAF tax credit, there are no producers in the state making SAF to meet Minnesota’s demand for low carbon aviation fuel. A recently formed private-public partner, the MN SAF Hub, is bringing together businesses, universities, non-profits, government, and investors to Minnesota to accelerate and scale SAF production in the state. SAF producers and investors are considering operations in Minnesota, and while the SAF tax credit and construction sales tax exemption are notable incentives, the state of Minnesota can implement additional policy and funding measures to secure the state’s first SAF production facility.

Proposal:

This recommendation is a funding and policy package that includes the following: establishment of a supplemental tax credit rate for ultra-low carbon SAF, a statutory clarification on the eligibility of CO₂ as a SAF feedstock, a technical correction allowing the carryforward of unallocated FY25 funds, and additional funding for the existing SAF tax credit.

Supplemental Tax Credit Rate for SAF with Carbon Intensity (CI) Reduction Beyond 50%

In both state and federal programs, SAF is defined as a fuel that achieves at least a 50% lifecycle greenhouse gas reduction, or CI reduction, compared to petroleum jet fuel. The federal Inflation Reduction Act SAF tax credit as well as Washington state’s SAF tax credit contains an additional provision providing an enhanced tax credit for fuels with a CI reduction beyond 50%. These additional provisions are designed to accelerate innovation, drive down greenhouse gas emissions, and incentive production of ultra-low carbon SAF.

The Governor recommends an enhanced tax credit of \$0.02 per gallon of SAF for each additional 1% CI reduction beyond 50%, capped at \$0.50 per gallon. This is additive to the existing \$1.50 per gallon tax credit for SAF produced or blended in Minnesota. The maximum tax credit for SAF blended or produced in Minnesota is \$2.00 per gallon. This proposal does not impact the existing SAF tax credit appropriation limits and is budget neutral.

Technical Correction - SAF Feedstock Definition

This recommendation provides a technical correction to the definition of SAF in Minnesota Statutes 41A.30 to better reflect the diversity of feedstocks used in SAF production. New technologies can utilize CO₂ as a feedstock for SAF production. Possible sources of the CO₂ include gaseous carbon oxides captured at cement plants or other industrial processes, fermentation by-products released from ethanol plants, and direct air capture. The current definition in statute does not account for CO₂ feedstocks. The timing is critical to update the definition of SAF in statute to provide regulatory certainty to SAF producers.

This recommendation clarifies the eligibility of SAF products for the SAF tax credit certification that is administered by the MDA. This recommendation provides certainty for businesses and financial institutions that are considering locating in Minnesota and will help Minnesota keep its competitive advantage in the SAF industry.

Technical Correction - Carryforward of Unallocated FY25 SAF Tax Credit Funds

The SAF tax credit passed in 2023 made \$7.4 million in FY 2025 and \$2.1 million in each FY 2026 and FY 2027 available for issuing tax credit certificates to eligible taxpayers. Minnesota Statutes 41A.30 subdivision 5 paragraph (b) allows any unallocated funds to be available through FY 2030. The legislative intent of this language was to allow any unallocated funds to be carried forward and made available in the next fiscal year. After consultation with Minnesota Management and Budget, the MDA was informed that current statute language does not allow unspent funds in FY25, FY26, and FY27 to be carried forward into the immediately preceding fiscal year.

The MDA and stakeholders anticipate the first claims for SAF production or blending in Minnesota will occur in late 2025, well into the state's fiscal year 2026. Based on current statute language this means the \$7.4 million in FY 2025 funding will not carry forward to FY 2026 and will not be available until FY 2028. The previously described error in drafting allocation limits in statute hobbles the state's SAF policy efforts to incent and accelerate SAF production and blending. It is critical to fix the statutory language during the 2025 legislative session and allow immediate carryforward of unallocated tax credit funding.

Increased SAF Tax Credit Funding

This recommendation seeks to right-size the SAF tax credit allocation limits to better align with the demand for low carbon aviation fuel in Minnesota. The MN SAF Hub's ultimate ambition is for Minnesota to produce 1 billion gallons of SAF annually to decarbonize air travel and support the state's clean tech economy. The existing SAF tax credit allows up to \$2.1 million in each FY 2026 and FY 2027 for tax credit certificates to eligible taxpayers as defined in Minnesota Statutes 41a.30. This recommendation is for an additional \$5.3 million in each FY 2026 and FY 2027, and \$2.1 million each year thereafter for the duration of the program (FY 2035). This increase will encourage private investment in the nascent SAF industry in Minnesota. Agriculture, environment, academic, and industry stakeholders agree that Minnesota is an ideal location to establish a SAF processing and production hub. Stakeholders also agree that additional funding for the SAF tax credit is needed to support and accelerate this energy transition.

Impact on Children and Families:

The MDA does not anticipate this recommendation having a direct impact on children and families, however SAF is a lower carbon alternative to petroleum jet fuel that reduces climate pollution and particulate air emissions.

Equity and Inclusion:

The MDA anticipates this recommendation could result in new investment for rural Minnesota communities that grow and process SAF feedstocks and expand access to family sustaining jobs in the clean technology, renewable energy, and biofuels sector.

Tribal Consultation:

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

- Yes
- No

IT Costs:

This is not an IT related proposal.

Results:

Part A: Performance Measures

The overall goal of this proposal is to expand existing and develop new funding and policy incentives to support Sustainable Aviation Fuel (SAF) production in Minnesota. The primary outcomes are to increase production and use of SAF in Minnesota. Sustainable aviation fuel reduces carbon emissions. A tax credit for SAF will increase uptake, supply, and utilization. Additional information on SAF can be found at <https://www.mnsafhub.org/faq>.

Measure	Measure type	Measure data source	Most recent data	Projected change
Statutory production goals for SAF	Result	Outcome of working group	As of 2024, there are no SAF production goals in statute	The working group will provide a recommendation to the legislature on specific SAF production goals to incorporate into statute
Minnesota SAF production	Quantity	SAF production facility in Minnesota	0 as of 2024	1 by 2027
Cumulative gallons of SAF produced or blended in Minnesota	Quantity	Usage at Minneapolis St. Paul International Airport	5,000 gallons in 2024	11 million gallons by 2028
Continuous Living Cover grown as SAF feedstock	Quantity	Forever Green planting and market data	5,000 acres in 2024	1 million acres by 2035

Part B: Use of Evidence

The Department of Agriculture has not previously conducted a formal program evaluation that has informed the contents of this proposal. There are no plans to conduct a formal evaluation of this proposal at this time.

Part C: Evidence-Based Practices

The Department of Agriculture has not identified any evidence-based practices that will be supported by the proposal

Statutory Change(s):

41A.30

Tax Aids, Credits and Refunds

FY 2026-27 Biennial Budget Change Item

Change Item Title: Support State Parks and Recreation Areas

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Revenues (Sales Taxes)	182	182	182	182
State Park Account				
Expenditures*	0	0	0	0
Revenues	2,794	2,794	2,794	2,794
State Parks and Trails License Plate Account (see DPS- Transportation budget book)				
Expenditures	425	425	425	425
Revenues	425	425	425	425
Legacy Funds				
Revenues (Sales Taxes)	11	11	11	11
Net Fiscal Impact = (Expenditures – Revenues)	(2,987)	(2,987)	(2,987)	(2,987)
FTEs	0	0	0	0

*The associated spending increase of \$2.3 million annually is shown on our “Operating Adjustment” request.

Recommendation:

The Governor recommends increasing revenues from vehicle permits and state park license plates by \$3.4 million annually beginning in FY 2026 to maintain visitor services at Minnesota state parks and recreation areas. A majority of the increased revenues deposited into the State Park Account (\$2.3 million annually) will allow the Minnesota Department of Natural Resources (DNR) to continue to provide the interpretive programming, facility and grounds maintenance, visitor safety services, and resource protection that visitors currently enjoy at state parks and recreation areas (Please see our “Operating Adjustment” proposal). The remaining revenues deposited to the State Park Account will help reduce the structural deficit in that account. This proposal also generates approximately \$182 thousand of general fund revenues and \$11 thousand of Legacy fund revenues annually from sales tax.

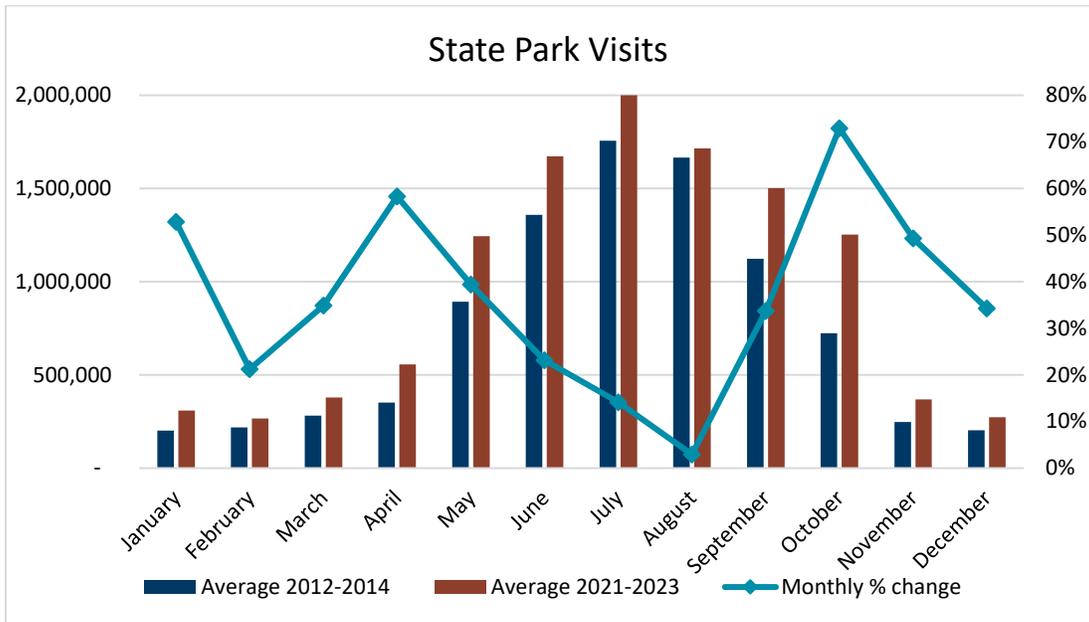
Rationale/Background:

Minnesota state parks and recreation areas advance a key agency priority of connecting people to the outdoors. Time spent outdoors is known to improve people’s quality of life through health and wellness benefits. Minnesota state parks and recreation areas serve 11.2 million visitors each year, a number that is continually growing. Of these visitors, about 1.1 million are overnight visitors. These state parks and recreation areas are a cornerstone of Minnesota’s \$11.7 billion outdoor recreation economy, which contributes 2.6% in value to the State GDP (U.S. Bureau of Economic Analysis, 2022). In addition to meeting basic visitor service and operational needs, state parks and recreation areas also offer services and amenities to attract the next generation of outdoor recreation enthusiasts such as the popular I Can! programs.

The State Park Account in the Natural Resources Fund is instrumental in providing the resources necessary to operate and maintain state parks and recreation areas. Revenue into this account comes from state park vehicle permit fees and visitor service fees, such as camping and lodging reservations, facility rentals and special-use permits. Significant funding to support state park and recreation area operations has also historically been provided from the General Fund.

There has been a decade-long trend of increased visitation to state parks and recreation areas. Visitation remains at historically high levels, even following a record peak in 2020 and 2021. For example, state park permit sales were 61 percent higher in FY 2024 than they were in FY 2012. The new, sustained high level of use has put significant operational and maintenance pressures on state parks and recreation areas as park staff work to maintain the quality-of-service Minnesotans expect and steward the natural resources that parks protect.

As can be seen from the following graph, visits to state parks and recreation areas are up in all seasons, with the largest percentage increases in use in the spring and fall months. For example, visits in May, September and October are at levels similar to June averages from a decade ago. People are visiting and relying on state parks and recreation areas year-round and more than ever.



Proposal:

This proposal provides additional revenues beginning in FY 2026 for sustaining current operations and maintenance at state park and recreation areas. This proposal is funded by increasing the daily and annual vehicle permit and license plate fees as indicated in the table below. The increases in fees would go into effect July 1, 2025 and would provide approximately \$2.8 million in additional revenue to the State Park Account and \$425 thousand to the State Parks and Trails License Plate Account.

State Park Vehicle Permit Category	Current Fee	Proposed Fee	Number of Permits Sold (3-year average FY2022-24 unless otherwise specified)
Specialty License Plate	\$60	\$70	(FY 2024) 42,440
Annual Permit	\$35	\$45	220,836
Annual 2 nd Vehicle Permit	\$26	\$35	4,434
Annual Disability Permits	\$12	\$20	3,812
Annual Motorcycle Permit	\$30	\$40	1,400
Total Annual Permits			230,482
Daily Permits	\$7	\$10	228,507
Group Daily Permits	\$5	\$8	3,046
Total Daily Permits			231,553

The funds will be used to help sustain current operations and maintenance with a focus on direct and on-the-ground benefits to visitors (for more information on the use of State Parks Account revenues, please see DNR's "Operating Adjustment" proposal). This includes important services to meet public health and safety needs -- such as restroom and shower cleaning, campsite security, vegetation clearing, and mowing high-use hiking trails--and ongoing work to connect people to the outdoors and protect natural and cultural resources. Without this funding, DNR's ability to maintain basic services across state parks and recreation areas will be reduced. New revenues into the State Park Account will also help address the account's structural deficit.

Impact on Children and Families:

This proposal will help ensure that the DNR can continue to serve the many children and families who visit state parks and recreation areas each year. Public health research into outdoor recreation participation has demonstrated associated health and wellness benefits for children, including increased ability to focus and learn as well as positive impacts on mental and physical health. This proposal supports the state park and recreation area system so that these known health and wellness benefits are available to children and families from all backgrounds throughout Minnesota.

This proposal is also aligned with the Minnesota Children's Outdoor Bill of Rights, which envisions a state where all Minnesota children and families are inspired to engage with the natural world in ways that support physical activity, mental well-being, creativity and appreciation for nature. Two of the rights specifically identified in the Children's Outdoor Bill of Rights are allowing every Minnesota child to 1) explore and play outdoors in a safe, welcoming and culturally affirming place and 2) to camp under the stars and safely build a campfire.

Equity and Inclusion:

Studies show that there are barriers to participation in outdoor recreation activities for people of color. This funding supports existing programs that help make the outdoors more accessible to new users and work to eliminate known barriers to participation. Of note, the DNR has a Library Pass Program that allows people to borrow a park vehicle permit from their local library, removing the cost of the vehicle permit as a barrier to visiting state parks and recreation areas.

Tribal Consultation:

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

- Yes
- No

While this proposal does not have a known substantial direct effect on one or more of Minnesota Tribal governments, the DNR has been holding meetings with interested Tribal Nations and commits to ongoing conversations and any necessary follow up.

IT Costs:

None

Results:

This proposal will result in direct benefits to visitors of state parks and recreation areas. The DNR will be able to measure visitation numbers, as well as the delivery of visitor services. For example, measures include the availability of clean restrooms and showers, the availability of well-maintained campsites and day-use areas, the completion of basic maintenance for health and safety and the availability of staff to support visitor needs and security.

This proposal will also result in continuing natural and cultural resource management. Natural or cultural areas that are under greater pressure from increased use or climate change will receive priority attention, which can be measured as acres protected/enhanced and/or the number and location of outdoor spaces that are specifically designed to enhance resiliency to climate change.

Finally, this proposal will allow DNR to continue to maintain current services, which will benefit visitors, local communities and economic development, which are measured through DNR's visitor and economic impact surveys.

Statutory Change(s):

M.S. 85.052, 85.055 and 168.1295

Program: Refunds

Activity: Homestead Credit Refund

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

AT A GLANCE

For refunds based on taxes paid in 2022:

- Approximately 548,000 homeowners received refunds
- The average refund was \$1,108

PURPOSE AND CONTEXT

Property taxes account for a high share of income for some taxpayers. The Homestead Credit Refund provides relief to homeowners who pay high property taxes relative to their income.

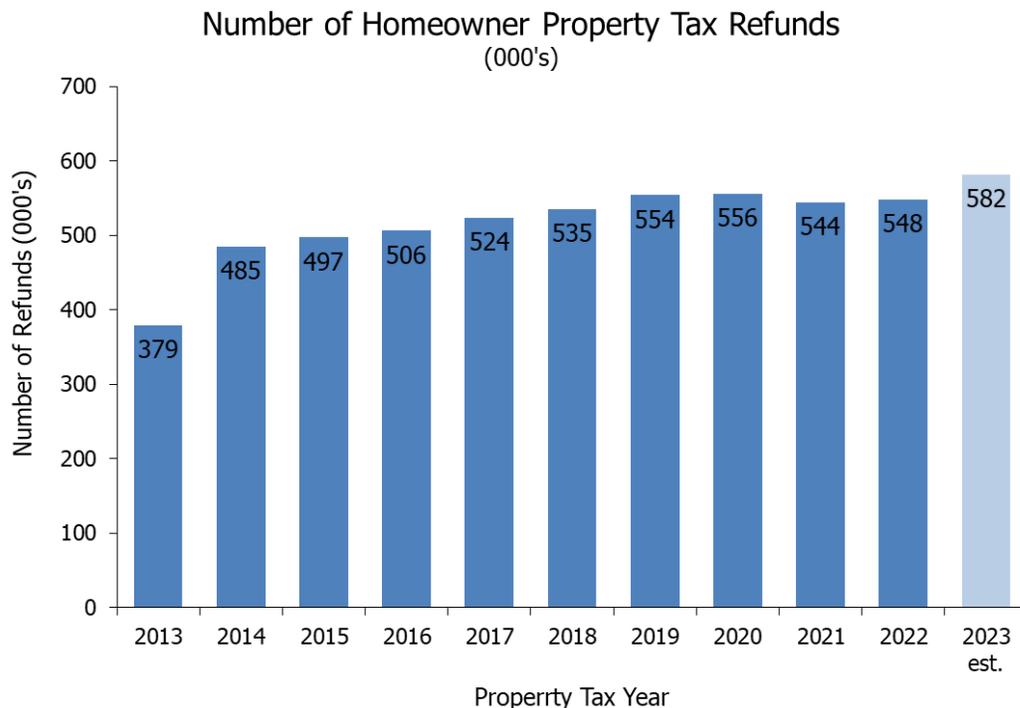
Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

Property taxes are more affordable for qualifying homeowners. The chart below shows the number of homeowner refunds varies from year to year.



Property taxes are less regressive for homeowners with lower incomes because of the Property Tax Refund (PTR).

Measure name	Measure type	Measure data source	Historical trend	Most recent data
<i>Suits index - homeowner property taxes before PTR</i>	<i>Results</i>	<i>Tax Incidence Study</i>	<i>Since 2006, the Suits index for homeowner property taxes before PTR has ranged from -0.165 to -0.314.</i>	<i>-0.314 in 2021</i>
<i>Suits index - homeowner property taxes after PTR</i>	<i>Results</i>	<i>Tax Incidence Study</i>	<i>Since 2006, the Suits index for homeowner property taxes after PTR has ranged from -0.106 to -0.271.</i>	<i>-0.271 in 2021</i>
<i>Reduction in regressivity due to PTR</i>	<i>Results</i>	<i>Tax Incidence Study</i>	<i>Since 2006, the reduction in regressivity due to the PTR has ranged from 14% to 36%.</i>	<i>14% in 2021</i>

Performance Measurement Notes:

The Suits index data is from the most recently available 2024 Tax Incidence Study based on calendar year 2021 property taxes and refunds.

The Suits index measures if taxes are progressive or regressive. For a progressive tax, the effective tax rate rises as income rises. For a regressive tax, the effective tax rate falls as income rises. A proportional tax has a Suits index equal to zero; a progressive tax has a positive index number in the range between 0 and +1; a regressive tax has a negative value between 0 and -1.

A 2023 law change increased the amount of refunds paid to homeowners by increasing the average refund paid.

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

M.S. 290A.04 Subd. 2 (www.revisor.mn.gov/statutes/cite/290A.04) establishes the Homestead Credit Refund program.

Homestead Credit Refund

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	571,271	593,632	843,982	776,900	798,100	810,300	798,100	810,490
Total	571,271	593,632	843,982	776,900	798,100	810,300	798,100	810,490
Biennial Change				455,979		(12,482)		(12,292)
Biennial % Change				39		(1)		(1)
Governor's Change from Base								190
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	571,162	593,485	843,636	776,609	797,809	810,009	797,809	810,199
Other Financial Transaction	109	147	346	291	291	291	291	291
Total	571,271	593,632	843,982	776,900	798,100	810,300	798,100	810,490

Homestead Credit Refund

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	571,271	593,632	843,982	776,900	798,100	810,300	798,100	810,490
Expenditures	571,271	593,632	843,982	776,900	798,100	810,300	798,100	810,490
Biennial Change in Expenditures				455,979		(12,482)		(12,292)
Biennial % Change in Expenditures				39		(1)		(1)
Governor's Change from Base								190
Governor's % Change from Base								0

Program: Refunds

Activity: Renters Property Tax Refund

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

AT A GLANCE

For refunds based on taxes paid in 2022:

- Approximately 311,000 renters received refunds
- The average refund was \$731

PURPOSE AND CONTEXT

Property taxes account for a high share of income for some taxpayers. The Renter’s Property Tax Refund provides relief for those who – through their rent – pay high property taxes relative to their income.

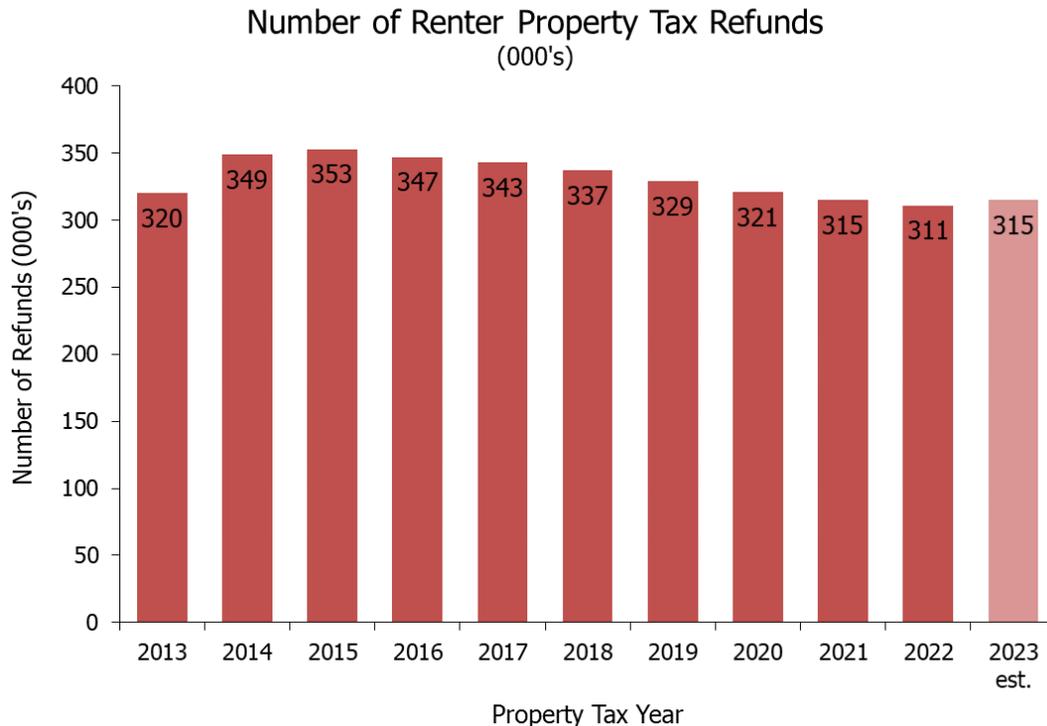
Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

Property taxes are more affordable for qualifying renters. The chart below shows the number of renter refunds varies from year to year.



Property taxes are less regressive for renters with lower incomes due to the Property Tax Refund (PTR).

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Suits index - renter property taxes before PTR	Results	Tax Incidence Study	Since 2006, the Suits index for renter property taxes before PTR has ranged from -0.277 to -0.391.	-0.340 in 2021
Suits index - renter property taxes after PTR	Results	Tax Incidence Study	Since 2006, the Suits index for renter property taxes after PTR has ranged from -0.102 to -0.209.	-0.209 in 2021
Reduction in regressivity due to PTR	Results	Tax Incidence Study	Since 2006, the reduction in regressivity due to the PTR has ranged from 39% to 65%.	39% in 2021

Performance Measurement Notes

The Suits index data is from the most recently available 2024 Tax Incidence Study based on calendar year 2021 property taxes and refunds.

The Suits index measures if taxes are progressive or regressive. For a progressive tax, the effective tax rate rises as income rises. For a regressive tax, the effective tax rate falls as income rises. A proportional tax has a Suits index equal to zero; a progressive tax has a positive index number in the range between 0 and +1; a regressive tax has a negative value between 0 and -1.

A 2023 law change converted the renters property tax refund to an income tax credit.

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

M.S. 290A.04 Subd. 2a (www.revisor.mn.gov/statutes/cite/290A.04) establishes the Renter’s Property Tax Refund program.

Renters Property Tax Refund

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<i>Expenditures by Fund</i>								
1000 - General	220,814	226,453	303,528	276,000				
Total	220,814	226,453	303,528	276,000				
Biennial Change				132,261		(579,528)		(579,528)
Biennial % Change				30		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

Expenditures by Category

Operating Expenses	74	67	110	113				
Grants, Aids and Subsidies	220,666	226,270	303,296	275,788				
Other Financial Transaction	74	116	123	99				
Total	220,814	226,453	303,528	276,000				

Renters Property Tax Refund

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Open Appropriation	220,814	226,453	303,528	276,000	0	0	0	0
Expenditures	220,814	226,453	303,528	276,000				
Biennial Change in Expenditures				132,261		(579,528)		(579,528)
Biennial % Change in Expenditures				30		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

Program: Refunds

Activity: Special Property Tax Refund

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

AT A GLANCE

In 2023:

- Approximately 257,000 homeowners received a special refund
- The average refund was \$184

PURPOSE AND CONTEXT

Large increases in property taxes can lead to financial strain for some taxpayers. The Special Property Tax Refund provides relief for homeowners who have a large increase in property taxes due to economic conditions, property tax policy changes, or other factors.

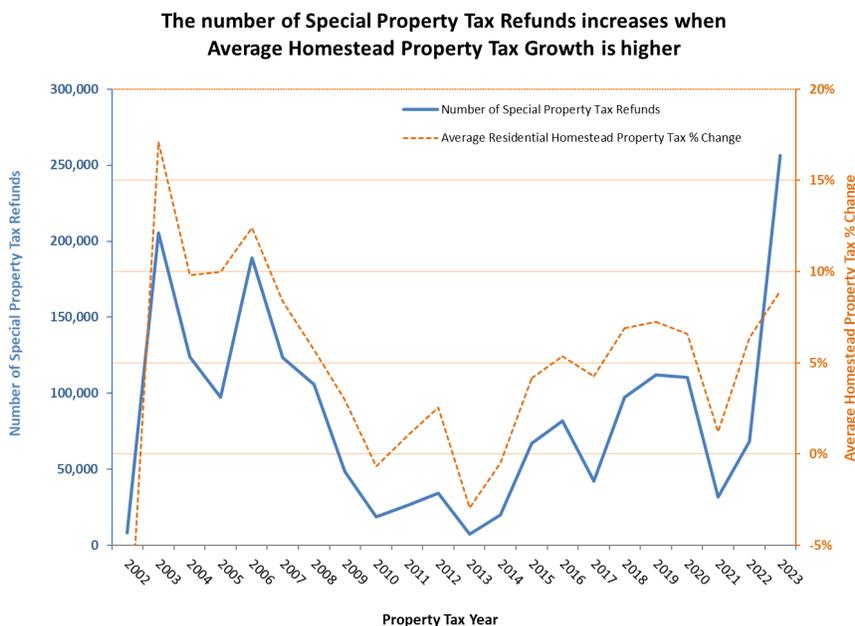
Funding source: State General Fund

SERVICES PROVIDED

The special refund provides relief to homesteads that experience a one-year increase in property tax of at least 12% and \$100. The refund amount is 60% of the increase above 12%, up to a maximum of \$1,000. For 2023 only, the one-year increase to qualify for the refund was lowered to 6% and the maximum refund was increased to \$2,500.

RESULTS

Property taxes are more predictable and affordable for households by reducing significant annual increases. The chart below shows the number of refunds increases when average homestead property tax growth is higher.



Measure name	Measure type	Measure data source	Historical trend	Most recent data
Annual special refunds processed	Quantity	Actual special refunds processed	Since 2010, the average annual number of special refunds processed is 70,000.	257,000 in 2023
Average special refund	Quantity	Actual special refunds processed	Since 2010, the average refund has ranged from \$84 to \$184.	\$184 in 2023

Performance Measurement Notes:

Measures are in taxes payable years.

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

M.S. 290A.04 Subd. 2h (www.revisor.mn.gov/statutes/cite/290A.04) establishes the Special Property Tax program.

Special Property Tax Refund

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	3,148	7,072	47,092	12,560	7,200	5,100	7,200	5,100
Total	3,148	7,072	47,092	12,560	7,200	5,100	7,200	5,100
Biennial Change				49,431		(47,352)		(47,352)
Biennial % Change				484		(79)		(79)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Grants, Aids and Subsidies	3,146	7,070	47,064	12,541	7,181	5,081	7,181	5,081
Other Financial Transaction	2	2	27	19	19	19	19	19
Total	3,148	7,072	47,092	12,560	7,200	5,100	7,200	5,100

Special Property Tax Refund

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	3,148	7,072	47,092	12,560	7,200	5,100	7,200	5,100
Expenditures	3,148	7,072	47,092	12,560	7,200	5,100	7,200	5,100
Biennial Change in Expenditures				49,431		(47,352)		(47,352)
Biennial % Change in Expenditures				484		(79)		(79)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Refunds

Activity: Sustainable Forest Incentive Payment

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

AT A GLANCE

In 2023:

- 3,070 landowners received an incentive payment
- The average incentive payment was \$4,708

PURPOSE AND CONTEXT

Property taxes can be a significant cost to owning forest land, which can discourage long-term investments in forest management. The Sustainable Forest Incentive Act provides payments to owners of forest land to encourage sustainable forest management rather than developing the land.

Funding source: State General Fund

SERVICES PROVIDED

A landowner who meets all the qualifications of the Sustainable Forest Incentive Act is eligible for a payment. Land is enrolled for eight, twenty, or fifty years, with higher per-acre payment rates for longer enrollments. The annual payments are adjusted each year based on statewide average market values and tax rates.

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Total acreage	Quantity	Sustainable Forest Incentive Act payment data	Since 2014, when 938,000 acres were enrolled, the total acreage in the program has been increasing.	1.11 million in 2023

Performance Measurement Notes:

Measures are in payment years.

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

M.S. 290C (www.revisor.mn.gov/statutes/cite/290C) establishes the Sustainable Forest Incentive.

Sustainable Forest Incentive Payments

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	13,120	13,643	14,462	15,380	16,640	17,480	16,640	12,240
Total	13,120	13,643	14,462	15,380	16,640	17,480	16,640	12,240
Biennial Change				3,078		4,278		(962)
Biennial % Change				12		14		(3)
Governor's Change from Base								(5,240)
Governor's % Change from Base								(15)
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	13,119	13,643	14,462	15,375	16,635	17,475	16,635	12,235
Other Financial Transaction	1	0		5	5	5	5	5
Total	13,120	13,643	14,462	15,380	16,640	17,480	16,640	12,240

Sustainable Forest Incentive Payments

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	13,120	13,643	14,462	15,380	16,640	17,480	16,640	12,240
Expenditures	13,120	13,643	14,462	15,380	16,640	17,480	16,640	12,240
Biennial Change in Expenditures				3,078		4,278		(962)
Biennial % Change in Expenditures				12		14		(3)
Governor's Change from Base								(5,240)
Governor's % Change from Base								(15)

Program: Local Aids

Activity: Local Government Aid (City Aid)

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

AT A GLANCE

In 2024:

- 761 cities out of 855 receive Local Government Aid

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

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

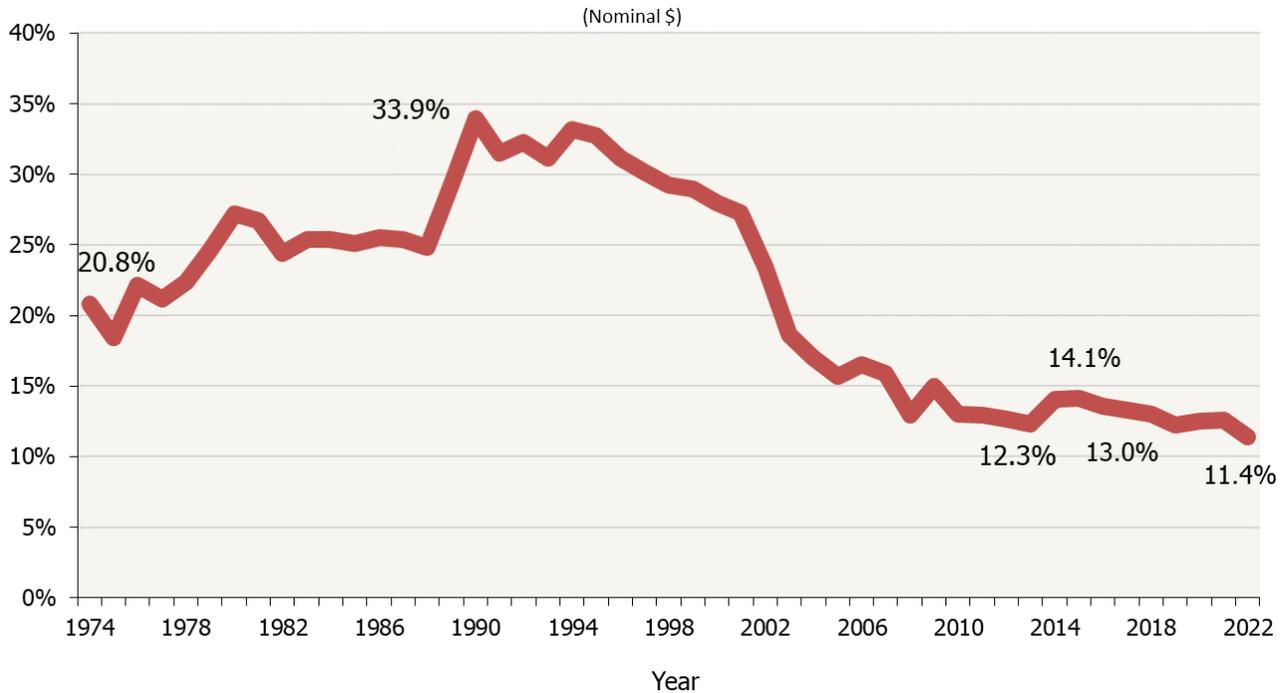
The formula attempts to target aid to those cities with the lowest property values and highest need.

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Percentage of cities receiving LGA	Quantity	LGA Certifications	The percentage of cities receiving LGA has ranged between 86% to 90% over the last 10 years.	89% in 2024
LGA percentage of city spending	Quantity	Office of the State Auditor city finance reports	The LGA percentage of city spending has declined in recent years. See chart below.	11.4% in 2022

LGA Percentage of City General Spending



Performance Measure Notes:

Percentage of cities receiving LGA is based on payable year 2024.

LGA percentage of city spending is based on State Auditor city finance reports for 2022 and computes LGA as a percentage of total current expenditures. The most recent auditor data available is for 2022.

A 2023 law change increased the LGA appropriation by \$80 million and modified the formula for aids payable 2024 and thereafter.

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

M.S. Chapter 477A (www.revisor.mn.gov/statutes/cite/477A) establishes the Local Government Aid program.

Local Government Aid (City Aid)

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	564,247	569,904	564,102	704,984	583,812	644,398	583,812	644,398
Total	564,247	569,904	564,102	704,984	583,812	644,398	583,812	644,398
Biennial Change				134,934		(40,876)		(40,876)
Biennial % Change				12		(3)		(3)
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	564,247	569,904	564,102	704,984	583,812	644,398	583,812	644,398
Total	564,247	569,904	564,102	704,984	583,812	644,398	583,812	644,398

Local Government Aid (City Aid)

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation	564,398	564,398	564,398	704,984	583,812	644,398	583,812	644,398
Open Appropriation		5,516						
Cancellations	151	9	296					
Expenditures	564,247	569,904	564,102	704,984	583,812	644,398	583,812	644,398
Biennial Change in Expenditures				134,934		(40,876)		(40,876)
Biennial % Change in Expenditures				12		(3)		(3)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: County Program Aid

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

AT A GLANCE

In 2024:

- All 87 counties received County Program Aid

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

The CPA appropriation is divided into two pots:

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

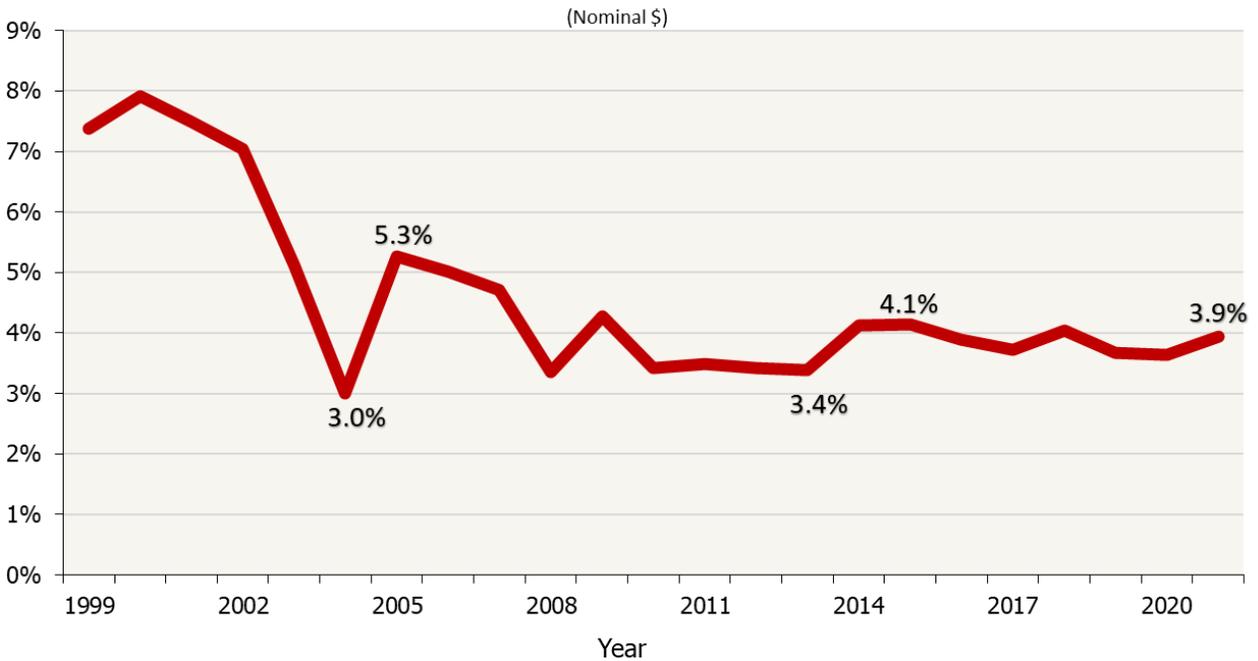
The formula provides aid to those counties with the highest need and lowest property values.

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Percentage of counties receiving CPA – Need Aid	Quantity	CPA Certifications	The percentage of counties receiving need aid has always been 100%.	100% in 2024
Percentage of counties receiving CPA – Tax Base Equalization Aid	Quantity	CPA Certifications	The percentage of counties receiving tax base equalization aid has been as low as 69%. It has been 100% since a 2017 law change.	100% in 2024
CPA percentage of county spending	Quantity	Office of the State Auditor	CPA as a percentage of county spending has ranged from 3.4% to 4.1% over the last 10 years. See chart below.	3.9% in 2021

CPA Percentage of County General Spending



Performance Measure Notes:

Percentage of counties receiving aid is based on aids payable years.

CPA percentage of county spending is based on State Auditor county finance reports for 2021 and computes CPA as a percentage of total current expenditures. The most recent auditor data available is for 2021.

A 2023 law change increased the CPA appropriation by \$80 million for aids payable 2024 and thereafter.

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

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

M.S. Chapter 477A (www.revisor.mn.gov/statutes/cite/477A) establishes County Program Aid.

County Program Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	263,971	264,012	264,374	344,154	340,982	340,962	340,982	340,962
Total	263,971	264,012	264,374	344,154	340,982	340,962	340,982	340,962
Biennial Change				80,545		73,416		73,416
Biennial % Change				15		12		12
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	263,971	264,012	264,374	344,154	340,982	340,962	340,982	340,962
Total	263,971	264,012	264,374	344,154	340,982	340,962	340,982	340,962

County Program Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation	264,685	264,726	265,088	344,868	341,696	341,676	341,696	341,676
Transfers Out	714	714	714	714	714	714	714	714
Expenditures	263,971	264,012	264,374	344,154	340,982	340,962	340,982	340,962
Biennial Change in Expenditures				80,545		73,416		73,416
Biennial % Change in Expenditures				15		12		12
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Disparity Reduction Aid

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

AT A GLANCE

In 2024:

- 13% of taxing areas received Disparity Reduction Aid
- The average aid payment was \$22,144

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

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

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of taxing areas receiving DRA	Quantity	PRISM data	The number of taxing areas receiving DRA has ranged from 803 to 1,004 over the last 10 years.	803 in 2024
Number of taxing areas with a tax rate above 90%	Quantity	PRISM data	The number of taxing areas with tax rates above 90% has ranged from 1,763 to 3,225 over the last 10 years	1,763 in 2024
Percentage of taxing areas with a tax rate above 90% that receive DRA	Quantity	PRISM data	The percentage of taxing areas with a tax rate above 90% receiving DRA has ranged from 31% to 46% over the last 10 years.	46% in 2024

Performance Measure Notes:

Measures are in taxes payable years.

PRISM stands for the Property Record Information System of Minnesota.

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

Only 46% of areas with tax rates above 90% receive DRA because aid distributions are based on the original 1989 calculations. If an area did not have a tax rate above 90% in 1989, they cannot receive DRA.

M.S. Chapter 273.1398 (www.revisor.mn.gov/statutes/cite/273.1398) establishes Disparity Reduction Aid.

Disparity Reduction Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	18,118	18,159	17,775	17,355	17,327	17,327	17,327	17,327
Total	18,118	18,159	17,775	17,355	17,327	17,327	17,327	17,327
Biennial Change				(1,148)		(476)		(476)
Biennial % Change				(3)		(1)		(1)
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	18,118	18,159	17,775	17,355	17,327	17,327	17,327	17,327
Total	18,118	18,159	17,775	17,355	17,327	17,327	17,327	17,327

Disparity Reduction Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	18,118	18,159	17,775	17,355	17,327	17,327	17,327	17,327
Expenditures	18,118	18,159	17,775	17,355	17,327	17,327	17,327	17,327
Biennial Change in Expenditures				(1,148)		(476)		(476)
Biennial % Change in Expenditures				(3)		(1)		(1)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Casino Aid to Counties

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

AT A GLANCE

In 2024:

- 13 counties received Casino Aid
- The average aid payment was \$99,000

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of Counties Receiving Casino Aid	Quantity	Payment Certifications	The same 13 counties have received payments since 2020.	13 in 2024

Performance Measure Notes:

The average aid payment increased from \$91,000 in 2022 to \$99,000 in 2024.

M.S. Chapter 270C.19 (www.revisor.mn.gov/statutes/cite/270C.19) establishes Casino Aid.

Casino Aid to Counties

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	1,171	1,304	1,287	1,307	1,307	1,317	1,307	1,317
Total	1,171	1,304	1,287	1,307	1,307	1,317	1,307	1,317
Biennial Change				119		30		30
Biennial % Change				5		1		1
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	1,171	1,304	1,287	1,307	1,307	1,317	1,307	1,317
Total	1,171	1,304	1,287	1,307	1,307	1,317	1,307	1,317

Casino Aid to Counties

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	1,171	1,304	1,287	1,307	1,307	1,317	1,307	1,317
Expenditures	1,171	1,304	1,287	1,307	1,307	1,317	1,307	1,317
Biennial Change in Expenditures				119		30		30
Biennial % Change in Expenditures				5		1		1
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: State Taconite Aid

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

AT A GLANCE

In 2024:

- The state paid 22 cents per taxable ton of iron ore concentrates produced (\$7.8 million) to the taconite production tax fund

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

State Taconite Aid supplements mining-related revenue to increase the balance of the Production Tax fund. This fund distributes Production Tax revenues to local governments, development agencies, and for property tax relief to taxpayers within the Taconite Assistance Area.

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

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Taconite Production as a Percentage of Base Year 2000 Production	Quantity	Mining Tax Guide	Taconite production as a percentage of base year 2000 production has ranged from 62% to 88%.	78% in 2023

Performance Measure Notes:

Base year 2000 production is for the calendar year.

The State Taconite Aid contribution accounted for 6.3% total Production Tax distributions in 2024.

M.S. Chapter 298.285 (www.revisor.mn.gov/statutes/cite/298.285) establishes State Taconite Aid.

State Taconite Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	4,096	3,965	3,847	3,714	3,626	3,661	3,626	3,661
Total	4,096	3,965	3,847	3,714	3,626	3,661	3,626	3,661
Biennial Change				(500)		(274)		(274)
Biennial % Change				(6)		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Operating Expenses	4,096	3,965	3,847	3,714	3,626	3,661	3,626	3,661
Total	4,096	3,965	3,847	3,714	3,626	3,661	3,626	3,661

State Taconite Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	7,783	7,578	7,571	7,591	7,503	7,538	7,503	7,538
Transfers Out	3,688	3,613	3,724	3,877	3,877	3,877	3,877	3,877
Expenditures	4,096	3,965	3,847	3,714	3,626	3,661	3,626	3,661
Biennial Change in Expenditures				(500)		(274)		(274)
Biennial % Change in Expenditures				(6)		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Payment in Lieu of Taxes (PILT)

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

AT A GLANCE

In 2024:

- 8.6 million acres of natural resources land were enrolled in Payment in Lieu of Taxes (PILT) program
- All 87 counties received a PILT payment, with 23 counties receiving payments of at least \$500,000

PURPOSE AND CONTEXT

When land becomes tax-exempt, the resulting loss of property tax base can lead to financial strain for local governments. PILT payments compensate local governments for the property taxes lost when the Department of Natural Resources acquires land for the state.

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Acres of Natural Resources Land in PILT	Quantity	PILT Payment File	The number of acres in PILT has ranged from 8.41 million to 8.55 million over the last 10 years.	8.55 million in 2024

Performance Measure Notes:

Measures are in calendar years.

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

M.S. Chapter 477A.11-477A.145 (www.revisor.mn.gov/statutes/cite/477A.11) establishes Payment in Lieu of Taxes.

Payment in Lieu of Taxes (PILT)

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	36,358	36,567	39,736	48,400	49,210	50,360	49,210	50,360
Total	36,358	36,567	39,736	48,400	49,210	50,360	49,210	50,360
Biennial Change				15,210		11,434		11,434
Biennial % Change				21		13		13
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	36,358	36,567	39,736	48,400	49,210	50,360	49,210	50,360
Total	36,358	36,567	39,736	48,400	49,210	50,360	49,210	50,360

Payment in Lieu of Taxes (PILT)

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Transfers In	36,358	36,567	39,736	48,400	49,210	50,360	49,210	50,360
Expenditures	36,358	36,567	39,736	48,400	49,210	50,360	49,210	50,360
Biennial Change in Expenditures				15,210		11,434		11,434
Biennial % Change in Expenditures				21		13		13
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Township Aid

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

AT A GLANCE

In 2024:

- 1,778 townships received Township Aid
- The average aid amount was \$5,227

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

Township Aid is a general-purpose aid that townships can use for any lawful purpose. It is also used for property tax relief by reducing the amount of revenue collected locally.

Aid payments are determined through a formula that considers the size of the township, its population, and the share of its property value that is farms and cabins.

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Aid percentage of township expenses	Quantity	Office of the State Auditor town finance reports	The aid percentage of township expenses varies from year to year but ranges from 3% to 4%.	3.0% in 2022

Performance Measurement Notes:

Aid percentage (of township expenses) is based on State Auditor township finance reports for 2022 and computes Township Aid as a percentage of total current expenditures. The most recent auditor data available is from 2022.

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

M.S. Chapter 477A (www.revisor.mn.gov/statutes/cite/477A) establishes the Township Aid program.

Township Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	10,000	10,000	9,610	9,293	9,354	10,000	9,354	10,000
Total	10,000	10,000	9,610	9,293	9,354	10,000	9,354	10,000
Biennial Change				(1,097)		451		451
Biennial % Change				(5)		2		2
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	10,000	10,000	9,610	9,293	9,354	10,000	9,354	10,000
Total	10,000	10,000	9,610	9,293	9,354	10,000	9,354	10,000

Township Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation	10,000	10,000	9,612	9,293	9,354	10,000	9,354	10,000
Cancellations			2					
Expenditures	10,000	10,000	9,610	9,293	9,354	10,000	9,354	10,000
Biennial Change in Expenditures				(1,097)		451		451
Biennial % Change in Expenditures				(5)		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Aquatic Invasive Species Prevention Aid

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

AT A GLANCE

In 2024:

- There were 1,100 Minnesota waters infested with invasive species
- 83 Minnesota counties received Aquatic Invasive Species Prevention Aid

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

Aquatic Invasive Species Prevention Aid, created in 2014, helps counties cover the costs of protecting their waters from invasive species.

The aid amount is based on a county’s share of the statewide total number of watercraft trailer launches and watercraft trailer parking spaces.

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of infested waters	Result	Department of Natural Resources infested waters list	The number of infested waters is increasing, but more slowly than in the past. In 2014, when the aid began, there were 536 identified infested waters.	1,100 in 2024

Performance Measurement Notes:

Number of infested waters is based on data as of January 1, 2024.

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

M.S. 477A.19 (www.revisor.mn.gov/statutes/cite/477A.19) establishes the Aquatic Invasive Species Prevention Aid program.

Aquatic Invasive Species Prevention Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	10,000	10,000	10,000	10,000	10,000	10,000	10,000	5,000
Total	10,000	10,000	10,000	10,000	10,000	10,000	10,000	5,000
Biennial Change				0		0		(5,000)
Biennial % Change				0		0		(25)
Governor's Change from Base								(5,000)
Governor's % Change from Base								(25)
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	10,000	10,000	10,000	10,000	10,000	10,000	10,000	5,000
Total	10,000	10,000	10,000	10,000	10,000	10,000	10,000	5,000

Aquatic Invasive Species Prevention Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation	10,000	10,000	10,000	10,000	10,000	10,000	10,000	5,000
Expenditures	10,000	10,000	10,000	10,000	10,000	10,000	10,000	5,000
Biennial Change in Expenditures				0		0		(5,000)
Biennial % Change in Expenditures				0		0		(25)
Governor's Change from Base								(5,000)
Governor's % Change from Base								(25)

Program: Local Aids

Activity: Small Cities Assistance

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

AT A GLANCE

In 2024:

- The state paid \$13.9 million in small cities assistance

PURPOSE AND CONTEXT

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

Funding source: Small Cities Assistance Account

SERVICES PROVIDED

The funding is for the construction and maintenance of roads located within the city and can include land acquisition, environmental analysis, design, engineering, construction, reconstruction, and maintenance. The aid is formula based, so that cities do not apply or compete for funds. Until 2024, Small Cities Assistance did not have a standing appropriation and was not funded every year. The program has permanent funding beginning in 2024.

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of cities eligible for small cities assistance	Quantity	Aid certification	In 2019, the most recent year it was funded, 705 cities were eligible for small cities assistance.	700 in 2024
Amount of state aid paid in small cities assistance	Quantity	Payment files	Small cities assistance has not been funded every year. The most recent year it was funded was 2019 with \$18 million.	\$13.9 million in 2024

Performance Measure Notes:

Measures are in aids payable years.

M.S. 162.145 (www.revisor.mn.gov/statutes/cite/162.145) establishes the Small Cities Assistance program.

Small Cities Assistance

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
2001 - Other Misc Special Revenue	17,962			28,253	17,518	22,434	17,518	22,434
Total	17,962			28,253	17,518	22,434	17,518	22,434
Biennial Change				10,291		11,699		11,699
Biennial % Change								
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	17,962			28,253	17,518	22,434	17,518	22,434
Total	17,962			28,253	17,518	22,434	17,518	22,434

Small Cities Assistance

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
2001 - Other Misc Special Revenue								
Balance Forward In	45	84	84	3,123				
Transfers In	18,000		3,039	25,130	17,518	22,434	17,518	22,434
Balance Forward Out	84	84	3,123					
Expenditures	17,962			28,253	17,518	22,434	17,518	22,434
Biennial Change in Expenditures				10,291		11,699		11,699
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Riparian Protection Aid

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

AT A GLANCE

In 2024:

- 14 watershed districts and 75 counties received Riparian Protection Aid

PURPOSE AND CONTEXT

Riparian buffers – strips of vegetated land adjacent to streams, rivers, lakes, or wetlands – are used to protect and restore water quality and healthy aquatic life. State law requires riparian buffers along the shoreline of most lakes, rivers, and streams.

Riparian Protection Aid, created in 2017, provides funds to help watershed districts and counties oversee riparian protection and water quality practices.

Funding source: State General Fund

SERVICES PROVIDED

Riparian Protection Aid is distributed to watershed districts and counties based on their share of acres of agricultural land and miles of shoreline that require buffers.

If watershed districts and counties choose not to oversee the riparian protection and water quality practices required by law, their share of aid goes to the Board of Water and Soil Resources.

RESULTS

Riparian Protection Aid provides funds to oversee riparian protection and water quality practices.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Watershed Districts receiving aid	Quantity	Aid Certification	The number of watershed districts receiving aid has been 14 since the aid began.	14 in 2024
Counties receiving aid	Quantity	Aid Certification	The number of counties receiving aid has ranged from 72 to 75 since the aid began.	75 in 2024

Performance Measure Notes:

Measures are in aids payable years.

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

M.S. Chapter 477A.21 (www.revisor.mn.gov/statutes/cite/477A.21) establishes Riparian Protection Aid.

Riparian Protection Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	7,255	7,256	7,255	7,256	7,255	7,255	7,255	7,255
Total	7,255	7,256	7,255	7,256	7,255	7,255	7,255	7,255
Biennial Change				1		(1)		(1)
Biennial % Change				0		(0)		(0)
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	7,255	7,256	7,255	7,256	7,255	7,255	7,255	7,255
Total	7,255	7,256	7,255	7,256	7,255	7,255	7,255	7,255

Riparian Protection Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Transfers Out	745	744	745	744	745	745	745	745
Expenditures	7,255	7,256	7,255	7,256	7,255	7,255	7,255	7,255
Biennial Change in Expenditures				1		(1)		(1)
Biennial % Change in Expenditures				0		(0)		(0)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Indian Family Out-of-Home Placement Aid

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

AT A GLANCE

In 2024:

- 3 tribes received Indian Family Out-of-Home Placement Aid
- 57 counties received Indian Family Out-of-Home Placement Aid

PURPOSE AND CONTEXT

Payments made to provide foster care for children under the Indian Child Welfare Act can be a large expense for some tribes and local governments. Indian Family Out-of-Home Placement Aid reduces the cost incurred by local social service agencies to provide foster care.

Funding source: State General Fund

SERVICES PROVIDED

Indian Family Out-of-Home Placement Aid partially reimburses counties and tribes for the costs incurred to provide foster care for children under the Indian Child Welfare Act (ICWA).

Aid payments to counties are based on foster care payments made in the preceding calendar year. Aid payments to tribes are the greater of \$200,000 or 5% of the reimbursement amount received from the federal government for out-of-home placement costs for the previous calendar year.

RESULTS

Indian Family Out-of-Home Placement Aid reduces the cost to tribes and local governments of providing ICWA foster care.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Aid percentage of county expenses on ICWA foster care	Quantity	ICWA foster care expense data from the Department of Human Services	The aid percentage of county expenses was lowest in 2021 (20%) and highest in 2024.	26% in 2024

Performance Measurement Notes:

Aid percentage (of county expenses on ICWA foster care) is based on payable year 2024. This aid was first available in 2018.

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

If a county is out of compliance with the Indian Child Welfare Act or the Minnesota Indian Family Preservation Act for two consecutive years, the county's aid amount is reduced by 50 percent. This first impacted aid amounts for aids payable in 2021.

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

M.S. 477A.0126 (www.revisor.mn.gov/statutes/cite/477A.0126) establishes the Reimbursement for Certain Out-of-Home Placements program.

Indian Family Out-of-Home Placement Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	4,337	4,054	5,000	5,000	5,000	5,000	5,000	5,000
Total	4,337	4,054	5,000	5,000	5,000	5,000	5,000	5,000
Biennial Change				1,609		0		0
Biennial % Change				19		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	4,337	4,054	5,000	5,000	5,000	5,000	5,000	5,000
Total	4,337	4,054	5,000	5,000	5,000	5,000	5,000	5,000

Indian Family Out-of-Home Placement Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation	4,337	4,054	5,000	5,000	5,000	5,000	5,000	5,000
Expenditures	4,337	4,054	5,000	5,000	5,000	5,000	5,000	5,000
Biennial Change in Expenditures				1,609		0		0
Biennial % Change in Expenditures				19		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Local Homeless Prevention Aid

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

AT A GLANCE

Between 2022 and 2024:

- On average 8,790 students in Minnesota experienced homelessness

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

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

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Three-year average of students experiencing homelessness	Quantity	Minnesota Department of Education Student Data	The three-year average of students experiencing homelessness has ranged from 7,501 to 8,790 since 2021.	8,790 in 2022-2024

Performance Measure Notes:

Measures reflect a three-year average using calendar years.

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

M.S. Chapter 477A.30 (www.revisor.mn.gov/statutes/cite/477A.30) establishes Homeless Prevention Aid.

Local Homeless Prevention Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General			20,000	20,000	20,000	20,000	20,000	20,000
Total			20,000	20,000	20,000	20,000	20,000	20,000
Biennial Change				40,000		0		0
Biennial % Change						0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies			20,000	20,000	20,000	20,000	20,000	20,000
Total			20,000	20,000	20,000	20,000	20,000	20,000

Local Homeless Prevention Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation			20,000	20,000	20,000	20,000	20,000	20,000
Expenditures			20,000	20,000	20,000	20,000	20,000	20,000
Biennial Change in Expenditures				40,000		0		0
Biennial % Change in Expenditures						0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Soil and Water Conservation District Aid

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

AT A GLANCE

In 2024:

- There were 91,042 miles of public water

PURPOSE AND CONTEXT

Soil and water conservation districts’ goals are to conserve soil, water, and related natural resources on private land. Soil and Water Conservation District Aid helps fund soil and water conservation districts.

Funding source: State General Fund

SERVICES PROVIDED

Soil and Water Conservation District Aid, created in 2023, provides aid to soil and water conservation districts in Minnesota.

The aid is distributed to soil and water conservation districts in three ways:

- 80% is distributed equally among districts
- 10% is distributed proportionally based on nonpublic land
- 10% is distributed proportionally based on transformed population.

RESULTS

Soil and Water Conservation District Aid provides funds to administer water district operations.

<i>Measure name</i>	<i>Measure type</i>	<i>Measure data source</i>	<i>Historical trend</i>	<i>Most recent data</i>
Number of public water miles	Quantity	Minnesota Board of Water and Soil Resources	This aid began in 2023.	91,042 in 2024

Performance Measure Notes:

Measures are in calendar years.

M.S. Chapter 477A.23 (www.revisor.mn.gov/statutes/cite/477A.23) establishes Soil and Water Conservation District Aid.

Soil And Water Conservation District Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<i>Expenditures by Fund</i>								
1000 - General			15,000	15,000	12,000	12,000	12,000	12,000
Total			15,000	15,000	12,000	12,000	12,000	12,000
Biennial Change				30,000		(6,000)		(6,000)
Biennial % Change						(20)		(20)
Governor's Change from Base								0
Governor's % Change from Base								0
<i>Expenditures by Category</i>								
Grants, Aids and Subsidies			15,000	15,000	12,000	12,000	12,000	12,000
Total			15,000	15,000	12,000	12,000	12,000	12,000

Soil And Water Conservation District Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation			15,000	15,000	12,000	12,000	12,000	12,000
Expenditures			15,000	15,000	12,000	12,000	12,000	12,000
Biennial Change in Expenditures				30,000		(6,000)		(6,000)
Biennial % Change in Expenditures						(20)		(20)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Electric Generation Transition Aid

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

AT A GLANCE

In 2024:

- 6 jurisdictions receive Electric Generation Transition Aid

PURPOSE AND CONTEXT

Electric generating plant retirements reduce the amount of tax base available to local governments, leading to financial strain. Electric Generation Transition Aid provides temporary aid to local governments that lose tax base due to a plant closure.

Funding source: State General Fund

SERVICES PROVIDED

Electric Generation Transition Aid was first paid in 2024 to counties, cities, townships, and school districts with tax base reductions from electric generating plant retirements. The aid will continue for a maximum of 20 years, reduced 5% each year, or until a jurisdiction returns to previous assessment levels.

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of jurisdictions receiving aid	Quantity	Aid Certification	This aid began in 2024.	6 in 2024

Performance Measure Notes:

Measures are in aids payable years.

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

M.S. Chapter 477A.24 (www.revisor.mn.gov/statutes/cite/477A.24) establishes Electric Generation Transition Aid.

Electric Generation Transition Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General				2,125	2,133	1,119	2,133	1,119
Total				2,125	2,133	1,119	2,133	1,119
Biennial Change				2,125		1,127		1,127
Biennial % Change								
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies				2,125	2,133	1,119	2,133	1,119
Total				2,125	2,133	1,119	2,133	1,119

Electric Generation Transition Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation				2,125	2,133	1,119	2,133	1,119
Expenditures				2,125	2,133	1,119	2,133	1,119
Biennial Change in Expenditures				2,125		1,127		1,127
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Statewide Local Housing Aid

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

AT A GLANCE

In 2022:

- There were 573,323 cost-burdened households in Minnesota
- 26% of all households in Minnesota were cost-burdened

PURPOSE AND CONTEXT

Housing costs can be a challenge for families in Minnesota. Statewide Local Housing Aid helps counties, cities, and Tribal nations develop and preserve affordable housing to keep families from losing housing and to help those experiencing homelessness find housing.

Funding source: State General Fund

SERVICES PROVIDED

Statewide Local Housing Aid was first paid in 2023 to counties, non-metro cities with populations above 10,000, and Tribal nations.

Aid for counties is distributed two ways: 52.2% is distributed equally among counties and 47.8% is distributed proportionally based on the number of cost-burdened households. Aid for cities is distributed proportionally based on the number of cost-burdened households. Aid for Tribal nations is equally distributed.

RESULTS

Statewide Local Housing Aid helps local governments develop and preserve affordable housing.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of cost-burdened households in Minnesota	Quantity	Census Data	This aid began in 2023.	573,323 in 2022
Percentage of cost-burdened households in Minnesota	Quantity	Census Data	This aid began in 2023.	26% in 2022

Performance Measure Notes:

Measures are in calendar years.

A cost-burdened household is one that spends more than 30% of their income on gross rent or homeownership costs.

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

M.S. Chapter 477A.36 (www.revisor.mn.gov/statutes/cite/477A.36) establishes Statewide Local Housing Aid.

Statewide Local Housing Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<i>Expenditures by Fund</i>								
1000 - General			20,250	20,250	10,000	10,000	10,000	10,000
Total			20,250	20,250	10,000	10,000	10,000	10,000
Biennial Change				40,500		(20,500)		(20,500)
Biennial % Change						(51)		(51)
Governor's Change from Base								0
Governor's % Change from Base								0
<i>Expenditures by Category</i>								
Grants, Aids and Subsidies			20,250	20,250	10,000	10,000	10,000	10,000
Total			20,250	20,250	10,000	10,000	10,000	10,000

Statewide Local Housing Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation			22,500	22,500	10,000	10,000	10,000	10,000
Transfers Out			2,250	2,250				
Expenditures			20,250	20,250	10,000	10,000	10,000	10,000
Biennial Change in Expenditures				40,500		(20,500)		(20,500)
Biennial % Change in Expenditures						(51)		(51)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Tribal Nation Aid

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

AT A GLANCE

In 2024:

- 10 Tribal nations received Tribal Nation Aid

PURPOSE AND CONTEXT

Tribal nations across the state have varying service needs and revenue sources. Tribal Nation Aid payments provide general support for services in their communities.

Funding source: State General Fund

SERVICES PROVIDED

Tribal Nation Aid was first paid in 2024 to 10 of the 11 federally recognized Indian Tribes. Aid is paid to Tribal nations choosing to receive aid.

Half of the aid is distributed equally among Tribal nations. The other half is distributed proportionally based on enrolled members.

RESULTS

Tribal nations across the state are more able to provide services for their communities.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of tribes receiving aid	Quantity	Aid Certification	This aid began in 2024.	10 in 2024

Performance Measure Notes:

Measures are in aids payable years.

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

M.S. Chapter 477A.40 (www.revisor.mn.gov/statutes/cite/477A.40) establishes Tribal Nation Aid.

Tribal Nation Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General				35,000	35,000	35,000	35,000	35,000
Total				35,000	35,000	35,000	35,000	35,000
Biennial Change				35,000		35,000		35,000
Biennial % Change								
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies				35,000	35,000	35,000	35,000	35,000
Total				35,000	35,000	35,000	35,000	35,000

Tribal Nation Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation				35,000	35,000	35,000	35,000	35,000
Expenditures				35,000	35,000	35,000	35,000	35,000
Biennial Change in Expenditures				35,000		35,000		35,000
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Local Government Cannabis Aid

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

AT A GLANCE

In 2024:

- There were no licensed cannabis businesses in the state

PURPOSE AND CONTEXT

Legalized adult-use cannabis can create additional costs for local governments. Local Government Cannabis Aid helps counties and cities cover regulatory and law enforcement costs associated with legalized cannabis.

Funding source: Local Government Cannabis Aid Account, with revenue from a gross receipts tax on cannabis products.

SERVICES PROVIDED

Local Government Cannabis Aid was first paid in 2024 to counties and cities.

Aid for counties is distributed two ways: 20% is distributed equally and 80% is distributed proportionally based on the number of licensed cannabis businesses. Aid for cities is distributed proportionally based on the number of licensed cannabis businesses.

RESULTS

Local governments are better able to cover costs associated with legalized adult-use cannabis.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of licensed cannabis businesses	Quantity	Aid Certification	Licensed cannabis businesses have not yet opened.	0 in 2024

Performance Measure Notes:

Measures are in aids payable years.

M.S. Chapter 477A.32 (www.revisor.mn.gov/statutes/cite/477A.32) establishes Local Government Cannabis Aid.

Local Cannabis Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
2000 - Restrict Misc Special Revenue				184	310	13,100	310	0
Total				184	310	13,100	310	0
Biennial Change				184		13,226		126
Biennial % Change								
Governor's Change from Base							(13,100)	
Governor's % Change from Base								(98)
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies				184	310	13,100	310	0
Total				184	310	13,100	310	0

Local Cannabis Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
2000 - Restrict Misc Special Revenue								
Balance Forward In				2,326	5,242	13,632	5,242	13,632
Receipts			2,326	3,100	8,700	14,100	8,700	1,000
Balance Forward Out			2,326	5,242	13,632	14,632	13,632	14,632
Expenditures				184	310	13,100	310	0
Biennial Change in Expenditures				184		13,226		126
Biennial % Change in Expenditures								
Governor's Change from Base								(13,100)
Governor's % Change from Base								(98)

Program: Local Aids

Activity: Local Affordable Housing Aid

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

AT A GLANCE

In 2022:

- There were 332,554 cost-burdened households in the seven-county metropolitan area
- 27% of all households in the seven-county metropolitan area were cost-burdened

PURPOSE AND CONTEXT

Housing costs can be a challenge for families in Minnesota. Local Affordable Housing Aid helps counties and cities in the seven-county metropolitan area develop and preserve affordable housing to keep families from losing housing and to help those experiencing homelessness find housing.

Funding source: Housing Assistance Fund, with dedicated revenues from a new metropolitan sales tax.

SERVICES PROVIDED

Local Affordable Housing Aid was first paid in 2024 to metropolitan counties and cities with populations above 10,000.

Aid for counties is distributed in two ways: 21% is distributed equally among counties and 79% is distributed proportionally based on the number of cost-burdened households. Aid for cities is distributed proportionally based on the number of cost-burdened households.

RESULTS

Local Affordable Housing Aid helps local governments develop and preserve affordable housing.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of cost-burdened households in the metro area	Quantity	Census Data	This aid began in 2024.	332,554 in 2022
Percentage of cost-burdened of households in the metro area	Quantity	Census Data	This aid began in 2024.	27% in 2022

Performance Measure Notes:

Measures are in calendar years.

A cost-burdened household is one that spends more than 30% of their income on gross rent or homeownership costs.

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

M.S. Chapter 477A.35 (www.revisor.mn.gov/statutes/cite/477A.35) establishes Local Affordable Housing Aid.

Local Affordable Housing Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
2310 - Housing Assistance				48,314	127,300	127,300	127,300	127,300
Total				48,314	127,300	127,300	127,300	127,300
Biennial Change				48,314		206,286		206,286
Biennial % Change								
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies				48,314	127,300	127,300	127,300	127,300
Total				48,314	127,300	127,300	127,300	127,300

Local Affordable Housing Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
2310 - Housing Assistance								
Balance Forward In				79,856	157,242	160,442	157,242	160,442
Receipts			79,856	125,700	130,500	135,225	130,500	135,225
Balance Forward Out			79,856	157,242	160,442	168,367	160,442	168,367
Expenditures				48,314	127,300	127,300	127,300	127,300
Biennial Change in Expenditures				48,314		206,286		206,286
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Class 4d Transition Aid

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

AT A GLANCE

In 2025:

- 33 cities will receive Class 4d Transition Aid

PURPOSE AND CONTEXT

Property tax law changes reduce the amount of tax base available to local governments, leading to financial strain. Class 4d Transition Aid provides temporary aid to cities that lost tax base due to a change in the law for low-income rental housing.

Funding source: State General Fund.

SERVICES PROVIDED

Class 4d Transition Aid will first be paid in 2025 to cities with tax base reductions greater than 2% due to a 2023 law change. The aid will be paid for two years.

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of cities receiving aid	Quantity	Aid Certification	This aid begins in 2025.	33 in 2025

Performance Measure Notes:

Measures are in aids payable years.

M.S. Laws 2023 Chapter 64, Article 5, section 32 (www.revisor.mn.gov/laws/2023/0/Session+Law/Chapter/64) establishes Class 4d Transition Aid.

Class 4d Transition Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General					789	789	789	789
Total					789	789	789	789
Biennial Change				0		1,578		1,578
Biennial % Change								
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies					789	789	789	789
Total					789	789	789	789

Class 4d Transition Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation					789	789	789	789
Expenditures					789	789	789	789
Biennial Change in Expenditures				0		1,578		1,578
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Local Aids

Activity: Emergency Ambulance Service Aid

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

AT A GLANCE

In 2024:

- 178 ambulance service providers will receive Emergency Ambulance Service Aid

PURPOSE AND CONTEXT

Ambulance service providers respond to calls for emergency medical services. Emergency Ambulance Service Aid helps ambulance service providers fund capital and operational expenses.

Funding source: State General Fund

SERVICES PROVIDED

Emergency Ambulance Service Aid will be paid to ambulance service providers in 2024. The amount of aid providers receive is dependent on their location, number of responses, and the density of their service area. This is a one-time aid.

RESULTS

Ambulance service providers across the state are better able to deliver emergency medical services.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of ambulance service providers receiving aid	Quantity	Aid Certification	This aid begins in 2024.	178 in 2024

Performance Measure Notes:

Measures are in aids payable years.

Minnesota Laws 2024 Chapter 122, Article 4, section 1

(www.revisor.mn.gov/laws/2024/0/Session+Law/Chapter/122) establishes Emergency Ambulance Service Aid.

Emergency Ambulance Serv Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General				23,940				
Total				23,940				
Biennial Change				23,940		(23,940)		(23,940)
Biennial % Change								
Governor's Change from Base								0
Governor's % Change from Base								
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies				23,940				
Total				23,940				

Emergency Ambulance Serv Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
1000 - General								
Direct Appropriation				23,940	0	0	0	0
Expenditures				23,940				
Biennial Change in Expenditures				23,940		(23,940)		(23,940)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

Program: Credits

Activity: Agricultural Homestead Market Value Credit

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

AT A GLANCE

In 2023:

- 90,000 farm homesteads received the credit
- The average market value agricultural land credit amount was \$411

PURPOSE AND CONTEXT

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

Funding source: State General Fund.

SERVICES PROVIDED

The Agricultural Market Value Credit reduces the tax on agricultural homestead land beyond the house, garage, and immediately surrounding acre of land. The credit is based on a percentage of land market value, with a maximum credit of \$490 per homestead.

RESULTS

The credit makes it more affordable to own homesteaded farmland.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Average market value agricultural credit amount	Quantity	PRISM data	The average credit has ranged from \$401 to \$433 over the last 10 years.	\$411 in 2023
Effective tax rate without credit	Quantity	PRISM data	The effective tax rate without the credit has ranged from 0.37% to 0.42% in the last 10 years.	0.37% in 2023
Effective tax rate with credit	Quantity	PRISM data	The credit consistently lowers the effective tax rate by 0.04%-0.05%. The effective tax rate with the credit has ranged from 0.33% to 0.38% in the last 10 years.	0.33% in 2023

Performance Measurement Notes:

Measures are in taxes payable years.

PRISM stands for the Property Record Information System of Minnesota.

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 1.25% for taxes payable 2023.

For more information, visit the Revenue website (www.revenue.state.mn.us) and search “agricultural homestead market value credit.”

M.S. 273.1384 (www.revisor.mn.gov/statutes/cite/273.1384) establishes the Agricultural Homestead Market Value Credit.

Agricultural Homestead Market Value Credit

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	36,140	36,386	36,987	37,327	35,980	35,952	35,980	35,952
Total	36,140	36,386	36,987	37,327	35,980	35,952	35,980	35,952
Biennial Change				1,788		(2,382)		(2,382)
Biennial % Change				2		(3)		(3)
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	36,140	36,386	36,987	37,327	35,980	35,952	35,980	35,952
Total	36,140	36,386	36,987	37,327	35,980	35,952	35,980	35,952

**Agricultural Homestead Market Value
Credit**

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	36,140	36,386	36,987	37,327	35,980	35,952	35,980	35,952
Expenditures	36,140	36,386	36,987	37,327	35,980	35,952	35,980	35,952
Biennial Change in Expenditures				1,788		(2,382)		(2,382)
Biennial % Change in Expenditures				2		(3)		(3)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Credits

Activity: Prior Year Credit Adjustment

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

AT A GLANCE

In 2023:

- Prior year credit adjustments were 0.21% of the total credits

PURPOSE AND CONTEXT

Each year the Department of Revenue adjusts credit payments for accounting corrections. The state pays Prior Year Credit Adjustments to local governments to account for abatements, court orders, omissions, and other adjustments to credits.

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

Prior Year Credit Adjustments ensure local governments receive the correct amount of credit payments.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Adjustment amounts	Quantity	PRISM data	Adjustment amounts have ranged from \$10,000 to \$321,000 over the last 10 years.	\$321,000 in 2023
Prior year credit adjustments percentage of total credits	Quantity	PRISM data	Adjustments as a share of total credits has ranged from 0.01% to 0.43% over the last 10 years.	0.21% in 2023

Performance Measurement Notes:

Measures are in taxes payable years.

PRISM stands for the Property Record Information System of Minnesota.

Prior Year Credit Adjustments are established by:

M.S. Chapter 273.119 (www.revisor.mn.gov/statutes/cite/273.119),

M.S. Chapter 273.1234 (www.revisor.mn.gov/statutes/cite/273.1234),

M.S. Chapter 273.1235 (www.revisor.mn.gov/statutes/cite/273.1235),

M.S. Chapter 273.1384 (www.revisor.mn.gov/statutes/cite/273.1384),

M.S. Chapter 273.1387 (www.revisor.mn.gov/statutes/cite/273.1387), and

M.S. Chapter 273.1398 (www.revisor.mn.gov/statutes/cite/273.1398)

Prior Year Credit Adjustment

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	96	56	213	526	53		53	
Total	96	56	213	526	53		53	
Biennial Change				588	(686)		(686)	
Biennial % Change				389	(93)		(93)	
Governor's Change from Base							0	
Governor's % Change from Base								
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	96	56	213	526	53		53	
Total	96	56	213	526	53		53	

Prior Year Credit Adjustment

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	96	56	213	526	53	0	53	0
Expenditures	96	56	213	526	53		53	
Biennial Change in Expenditures				588		(686)		(686)
Biennial % Change in Expenditures				389		(93)		(93)
Governor's Change from Base								0
Governor's % Change from Base								

Program: Credits

Activity: Border City Disparity Reduction Credit

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

AT A GLANCE

In 2023:

- The average property tax decrease due to the Border City Disparity Reduction Credit was \$6,423
- Approximately 2,100 parcels received the credit

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

The Border City Disparity Reduction Credit reduces property taxes for:

- commercial/industrial property
- public utility property
- apartment property

The credit reduces property taxes to 1.6% of a property’s market value. It helps businesses in the border cities of Breckenridge, Dilworth, East Grand Forks, Ortonville, and Moorhead.

RESULTS

The credit increases business competitiveness in border areas.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Average property tax reduction due to credit	Quantity	PRISM data	The average credit has ranged from \$5,789 to \$6,998 over the last 10 years.	\$6,423 in 2023

Performance Measurement Notes:

Measures are in taxes payable years.

PRISM stands for the Property Record Information System of Minnesota.

M.S. 273.1398 (www.revisor.mn.gov/statutes/cite/273.1398) establishes the Disparity Reduction Credit.

Border City Disparity Reduction Credit

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	14,084	14,516	13,295	12,579	13,762	13,788	13,762	13,788
Total	14,084	14,516	13,295	12,579	13,762	13,788	13,762	13,788
Biennial Change				(2,726)		1,676		1,676
Biennial % Change				(10)		6		6
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	14,084	14,516	13,295	12,579	13,762	13,788	13,762	13,788
Total	14,084	14,516	13,295	12,579	13,762	13,788	13,762	13,788

Border City Disparity Reduction Credit

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	14,084	14,516	13,295	12,579	13,762	13,788	13,762	13,788
Expenditures	14,084	14,516	13,295	12,579	13,762	13,788	13,762	13,788
Biennial Change in Expenditures				(2,726)		1,676		1,676
Biennial % Change in Expenditures				(10)		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Credits

Activity: Supplemental Taconite Homestead Credit

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

AT A GLANCE

In 2023:

- The average property tax decrease from the Supplemental Taconite Homestead Credit was \$278
- Approximately 20,000 homesteads received the credit

PURPOSE AND CONTEXT

Property taxes increase the cost of owning a home. The Supplemental Taconite Homestead Credit reduces the property taxes for homesteads in the Taconite Tax Relief Area.

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

Property taxes are more affordable for residential homesteads in the Taconite Tax Relief Area.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Average property tax reduction due to credit	Quantity	PRISM data	The average credit has ranged from \$260 to \$285 over the last 10 years.	\$278 in 2023

Performance Measurement Notes:

Measures are in taxes payable years.

PRISM stands for the Property Record Information System of Minnesota.

90% of eligible 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 0.74% for taxes payable in 2023. Without the credit, the ETR for those homesteads would have been 0.84%. The average ETR for homesteads statewide was 1.13% for taxes payable in 2023.

M.S. 273.1391 (www.revisor.mn.gov/statutes/cite/273.1391) establishes the Supplemental Taconite Homestead Credit.

Supplemental Taconite Homestead Credit

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<i>Expenditures by Fund</i>								
1000 - General	5,408	5,464	5,477	5,484	5,539	5,594	5,539	5,594
Total	5,408	5,464	5,477	5,484	5,539	5,594	5,539	5,594
Biennial Change				90		172		172
Biennial % Change				1		2		2
Governor's Change from Base								0
Governor's % Change from Base								0
<i>Expenditures by Category</i>								
Grants, Aids and Subsidies	5,408	5,464	5,477	5,484	5,539	5,594	5,539	5,594
Total	5,408	5,464	5,477	5,484	5,539	5,594	5,539	5,594

Supplemental Taconite Homestead Credit

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	5,408	5,464	5,477	5,484	5,539	5,594	5,539	5,594
Expenditures	5,408	5,464	5,477	5,484	5,539	5,594	5,539	5,594
Biennial Change in Expenditures				90		172		172
Biennial % Change in Expenditures				1		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Credits

Activity: Agricultural Preservation Credit

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

AT A GLANCE

In 2023:

- 2,967 parcels in the Twin Cities metropolitan area received the Agricultural Preservation Credit

PURPOSE AND CONTEXT

For some taxpayers, property taxes are a significant cost to owning agricultural land. The Agricultural Preservation Credit reduces the tax on homesteaded farm property that is increasing in value due to development pressure.

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

SERVICES PROVIDED

The Metropolitan Agricultural Preserves Act, established in 1980, encourages agricultural use of land within the seven-county Twin Cities metropolitan area. Valuation for property taxes is based on the land’s agricultural use, irrespective of other market pressures. Unlike valuation deferrals under the Green Acres law, landowners are not required to repay any taxes or special assessments when exiting the program. In addition, landowners receive a credit based on the difference between the local tax rate and the statewide average local tax rate for townships, but no less than \$1.50 per acre.

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

RESULTS

The credit makes it more affordable to keep land in agricultural production despite development pressure.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Total acreage	Quantity	PRISM data	Since 2015, when 209,000 acres were enrolled, the total acreage in the program has been decreasing.	193,000 in 2023
Average credit	Quantity	PRISM data	The average credit amount has ranged from \$107 in 2006 to \$318 in 2016.	\$114 in 2023

Performance Measurement Notes:

Total acreage and average credit are based on payable year 2023.

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

M.S. 473H.10 (www.revisor.mn.gov/statutes/cite/473H.10) establishes the Agricultural Preservation Credit.

Agricultural Preservation Credit

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	53				150	150	150	150
2000 - Restrict Misc Special Revenue	196	215	218	290	140	140	140	140
2001 - Other Misc Special Revenue	90	80	109	119	120	120	120	120
Total	339	296	327	409	410	410	410	410
Biennial Change				102		84		84
Biennial % Change				16		11		11
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	339	296	327	409	410	410	410	410
Total	339	296	327	409	410	410	410	410

Agricultural Preservation Credit

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
1000 - General								
Open Appropriation	53				204	210	204	210
Transfers Out					54	60	54	60
Expenditures	53				150	150	150	150
Biennial Change in Expenditures				(53)		300		300
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

2000 - Restrict Misc Special Revenue

Balance Forward In	588	723	640	503	602	904	602	904
Receipts	420	213	190	508	508	508	508	508
Transfers Out	90	80	109	119	66	60	66	60
Balance Forward Out	723	640	503	602	904	1,212	904	1,212
Expenditures	196	215	218	290	140	140	140	140
Biennial Change in Expenditures				97		(228)		(228)
Biennial % Change in Expenditures				24		(45)		(45)
Governor's Change from Base								0
Governor's % Change from Base								0

2001 - Other Misc Special Revenue

Balance Forward In	26	26	26	26	26	26	26	26
Transfers In	90	80	109	119	120	120	120	120
Balance Forward Out	26	26	26	26	26	26	26	26
Expenditures	90	80	109	119	120	120	120	120
Biennial Change in Expenditures				58		12		12
Biennial % Change in Expenditures				34		5		5
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Credits

Activity: School Building Bond Agricultural Credit

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

AT A GLANCE

In 2023:

- The credit paid for 7.3% of school debt service levies statewide
- Approximately 542,000 parcels received the credit

PURPOSE AND CONTEXT

In some school districts, owners of agricultural land can pay a large portion of school building bond levies. The School Building Bond Agricultural Credit reduces the tax for owners of agricultural land.

Funding source: State General Fund

SERVICES PROVIDED

The School Building Bond Agricultural Credit reduces school property taxes on agricultural, rural vacant, and managed forest land. The credit applies to all school debt levies, whether or not they are voter-approved.

The county calculates a school debt tax rate for each school district. The school debt tax rate is the school debt service levy divided by the total net tax capacity of all taxable property in the school district.

For taxes payable 2018, the first year of the credit, the credit equaled 40% of the qualifying property’s net tax capacity – excluding the house, garage, and surrounding one acre of land of an agricultural homestead – multiplied by the school debt tax rate. The credit is subtracted from the gross taxes on a property to determine the net property taxes.

The credit’s percentage of the property’s net tax capacity multiplied by the school debt tax rate has increased since the credit began. The percentage was 70% in taxes payable 2023.

RESULTS

The credit provides tax relief for owners of agricultural land, who can pay a large share of school debt service levies.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
School capital referendum passage rate - statewide	Results	Election results from Minnesota Secretary of State	The school capital referendum passage rate has ranged from 50.0% to 94.4% since the credit began in 2018.	53.1% in 2023

Measure name	Measure type	Measure data source	Historical trend	Most recent data
School capital referendum passage rate – non-metro	Results	Election results from Minnesota Secretary of State	The non-metro school capital referendum passage rate has ranged from 43.6% to 64.6% since the credit began in 2018.	43.6% in 2023
Share of school debt service levies paid for by credit	Quantity	PRISM data and school levies	The share of school debt service levies paid for by the credit has increased each year. The share was 3.9% when the credit began in 2018.	7.3% in 2023

Performance Measurement Notes:

Measures are in taxes payable years.

PRISM stands for the Property Record Information System of Minnesota.

The credit was created, in part, because school districts with a large share of agricultural land had more difficulty passing capital referendums than districts with little agricultural land. The passage rate for non-metro school districts, which have more agricultural land than metro districts, has varied since the credit began in 2018.

M.S. 273.1387 (www.revisor.mn.gov/statutes/cite/273.1387) establishes the School Building Bond Agricultural Credit.

School Building Bond Agricultural Credit

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	62,182	70,047	85,982	106,838	118,813	126,922	118,813	126,922
Total	62,182	70,047	85,982	106,838	118,813	126,922	118,813	126,922
Biennial Change				60,591		52,915		52,915
Biennial % Change				46		27		27
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	62,182	70,047	85,982	106,838	118,813	126,922	118,813	126,922
Total	62,182	70,047	85,982	106,838	118,813	126,922	118,813	126,922

School Building Bond Agricultural Credit

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	62,182	70,047	85,982	106,838	118,813	126,922	118,813	126,922
Expenditures	62,182	70,047	85,982	106,838	118,813	126,922	118,813	126,922
Biennial Change in Expenditures				60,591		52,915		52,915
Biennial % Change in Expenditures				46		27		27
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids

Activity: Police State Aid

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

AT A GLANCE

In 2023:

- 390 local police departments received Police State Aid

PURPOSE AND CONTEXT

State and local governments have historically shared responsibility for public safety pensions. Police State Aid provides pension aid to local governments that employ police officers.

Funding source: State General Fund

SERVICES PROVIDED

Police State Aid was established in 1971 to help support retirement pensions of police officers.

The aid is funded by a tax on auto insurance premiums. Annual aid distributions to public safety departments are based on the number of months worked by each licensed officer employed by the department.

RESULTS

Police State Aid helps increase the affordability of local police officer pensions.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of police departments receiving aid	Quantity	Police State Aid Certifications	The number of police departments receiving the aid has decreased slightly as departments disband.	390 in 2023
Aid percentage of employer pension costs	Quantity	Employer pension obligations as certified by the Public Employees Retirement Association	The aid percentage of employer pension costs varies from year to year but is typically around 60%.	58% in 2023

Performance Measurement Notes:

Number of jurisdictions receiving aid is based on payable year 2023.

Aid percentage (of employer pension costs) measures how much of a department’s pension obligations are paid through Police State Aid. In 2023, Police State Aid paid for an average of 58% of a police department’s pension obligations.

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

M.S. Chapter 477C (www.revisor.mn.gov/statutes/cite/477C) establishes the Police State Aid program.

Police State Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<i>Expenditures by Fund</i>								
1000 - General	82,181	86,799	92,897	107,610	112,980	118,630	112,980	118,630
Total	82,181	86,799	92,897	107,610	112,980	118,630	112,980	118,630
Biennial Change				31,527		31,103		31,103
Biennial % Change				19		16		16
Governor's Change from Base								0
Governor's % Change from Base								0
<i>Expenditures by Category</i>								
Grants, Aids and Subsidies	82,181	86,799	92,897	107,610	112,980	118,630	112,980	118,630
Total	82,181	86,799	92,897	107,610	112,980	118,630	112,980	118,630

Police State Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	91,169	96,761	102,817	118,970	124,910	131,160	124,910	131,160
Transfers Out	8,987	9,962	9,920	11,360	11,930	12,530	11,930	12,530
Expenditures	82,181	86,799	92,897	107,610	112,980	118,630	112,980	118,630
Biennial Change in Expenditures				31,527		31,103		31,103
Biennial % Change in Expenditures				19		16		16
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids

Activity: Fire State Aid

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

AT A GLANCE

In 2023:

- 755 fire relief associations received state Fire State Aid

PURPOSE AND CONTEXT

State and local governments have historically shared responsibility for public safety pensions. Fire State Aid provides pension aid to fire relief associations.

Funding source: State General Fund

SERVICES PROVIDED

Fire State Aid was established in 1885 to help support retirement pensions of firefighters.

The total aid amount is equal to the revenues from the state fire insurance premiums tax. Annual aid distributions are based on population and property values within each department’s coverage area.

RESULTS

Fire State Aid helps increase the affordability of firefighter pensions.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of fire relief associations receiving aid	Quantity	Fire State Aid Certifications	The number of fire relief associations receiving the aid has decreased slightly as associations disband.	755 in 2023

Performance Measurement Notes:

Number of fire relief associations receiving aid is based on payable year 2023.

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

M.S. Chapter 477B (www.revisor.mn.gov/statutes/cite/477B) establishes the Fire State Aid program.

Fire State Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	34,191	36,931	41,751	48,200	50,670	53,160	50,670	53,160
Total	34,191	36,931	41,751	48,200	50,670	53,160	50,670	53,160
Biennial Change				18,829		13,879		13,879
Biennial % Change				26		15		15
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	34,191	36,931	41,751	48,200	50,670	53,160	50,670	53,160
Total	34,191	36,931	41,751	48,200	50,670	53,160	50,670	53,160

Fire State Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	34,191	36,931	41,751	48,200	50,670	53,160	50,670	53,160
Expenditures	34,191	36,931	41,751	48,200	50,670	53,160	50,670	53,160
Biennial Change in Expenditures				18,829		13,879		13,879
Biennial % Change in Expenditures				26		15		15
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids

Activity: Fire Insurance Surcharge Aid

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

AT A GLANCE

In 2023:

- 4 firefighter relief associations received Fire Insurance Surcharge Aid

PURPOSE AND CONTEXT

State and local governments have historically shared responsibility for public safety pensions. Fire Insurance Surcharge Aid provides pension aid to fire relief associations.

Funding source: State General Fund

SERVICES PROVIDED

Fire Insurance Surcharge Aid helps support retirement pensions of firefighters in the cities of Minneapolis, St. Paul, Duluth, and Rochester.

The aid amount is equal to the revenues from a 2% surcharge on insurance premiums for fire, lightning, and sprinkler leakage coverage within each city.

RESULTS

Fire Insurance Surcharge Aid helps increase the affordability of firefighter pensions.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of jurisdictions receiving aid	Quantity	Actual Fire Insurance Surcharge Aid certifications	Prior to 2012 only Minneapolis, St. Paul, and Duluth received the aid.	4 in 2023

Performance Measurement Notes:

Number of jurisdictions receiving aid is based on payable year 2023.

M.S. 2971.10 (www.revisor.mn.gov/statutes/cite/2971.10) establishes the Fire Insurance Surcharge Aid program.

Fire Insurance Surcharge Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	5,404	6,200	7,121	7,330	7,550	7,780	7,550	7,780
Total	5,404	6,200	7,121	7,330	7,550	7,780	7,550	7,780
Biennial Change				2,847		879		879
Biennial % Change				25		6		6
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	5,404	6,200	7,121	7,330	7,550	7,780	7,550	7,780
Total	5,404	6,200	7,121	7,330	7,550	7,780	7,550	7,780

Fire Insurance Surcharge Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	5,404	6,200	7,121	7,330	7,550	7,780	7,550	7,780
Expenditures	5,404	6,200	7,121	7,330	7,550	7,780	7,550	7,780
Biennial Change in Expenditures				2,847		879		879
Biennial % Change in Expenditures				25		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids

Activity: Police/Fire Amortization Aid

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

AT A GLANCE

In 2023:

- 3 entities received Police/Fire Amortization Aid

PURPOSE AND CONTEXT

State and local governments have historically shared responsibility for public safety pensions. Police/Fire Amortization Aid supports retirement pensions of local police officers, firefighters, and teachers.

Funding source: State General Fund

SERVICES PROVIDED

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

Aid payments are determined by a combination of fixed amounts and fixed percentages set in statute.

The number of entities receiving aid has decreased over time as local pensions merge with the statewide pension systems or as local pensions become fully funded and no longer qualify for aid. Also, some of the amortization aid provisions ended in 2010.

RESULTS

Police/Fire Amortization Aid helps increase the affordability of local government employee pensions.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of entities receiving aid	Quantity	Police/Fire Amortization Aid Certifications	Since 2015 only 3 entities have received the aid.	3 in 2023

Performance Measurement Notes:

Number of entities receiving aid is based on payable year 2023.

M.S. 423A.02 (www.revisor.mn.gov/statutes/cite/423A.02) establishes the Police/Fire Amortization Aid program.

Police/Fire Amortization Aids

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<i>Expenditures by Fund</i>								
1000 - General	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Total	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Biennial Change				0		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<i>Expenditures by Category</i>								
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

Police/Fire Amortization Aids

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Cancellations	0	0	0					
Expenditures	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids

Activity: Firefighter Supplemental Benefits Reimbursement

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

AT A GLANCE

In 2023:

- 350 fire relief associations received Firefighter Supplemental Benefits Reimbursement payments

PURPOSE AND CONTEXT

State and local governments have historically shared responsibility for public safety pensions. The Firefighter Supplemental Benefits Reimbursement provides pension aid to fire relief associations.

Funding source: State General Fund

SERVICES PROVIDED

The Firefighter Supplemental Benefits Reimbursement was established in 1988 to help support retirement pensions of firefighters.

The state reimburses volunteer fire relief associations for supplemental benefits paid in the previous year. The payment helps fund retirement benefits, disability benefits, and survivor benefits.

For each qualifying firefighter, the supplemental benefit equals 10% of the lump-sum retirement distribution, but not more than \$1,000. For each qualifying survivor, the supplemental benefit equals 20% of the lump-sum survivor benefit, but not more than \$2,000.

RESULTS

Firefighter Supplemental Benefits Reimbursement helps increase the affordability of firefighter pensions.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of fire relief associations receiving aid	Quantity	Actual Firefighter Supplemental Benefits Reimbursement payments	The number of fire relief associations receiving a reimbursement varies from year to year but is typically between 300 and 350.	350 in 2023

Performance Measurement Notes:

Number of fire relief associations receiving aid is based on payable year 2023.

M.S. 424A.10 (www.revisor.mn.gov/statutes/cite/424A.10) establishes the Firefighter Supplemental Benefits Reimbursement program.

Firefighter Supplemental Benefits Reimbursement

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	607	707	517	517	615	615	615	615
Total	607	707	517	517	615	615	615	615
Biennial Change				(281)		196		196
Biennial % Change				(21)		19		19
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	607	707	517	517	615	615	615	615
Total	607	707	517	517	615	615	615	615

Firefighter Supplemental Benefits Reimbursement

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	607	707	517	517	615	615	615	615
Expenditures	607	707	517	517	615	615	615	615
Biennial Change in Expenditures				(281)		196		196
Biennial % Change in Expenditures				(21)		19		19
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Pension-Related Aids

Activity: Police/Fire Retirement Supplemental State Aid

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

AT A GLANCE

In 2023:

- 733 fire relief associations received Police/Fire Retirement Supplemental State Aid

PURPOSE AND CONTEXT

State and local governments have historically shared responsibility for public safety pensions. Police/Fire Retirement Supplemental State Aid provides pension aid to fire relief associations and police retirement plans.

Funding source: State General Fund

SERVICES PROVIDED

Police/Fire Retirement Supplemental Aid was established in 2013 to help support retirement pensions of police officers and firefighters. Independent fire relief associations did not begin receiving aid until 2014.

The total aid amount is equal to an appropriation set in statute. Annual aid distributions to the Public Employees Retirement Association (PERA) police and fire retirement fund, the State Patrol retirement fund, and volunteer fire relief associations are based on percentages set in statute.

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

RESULTS

Police/Fire Retirement Supplemental State Aid helps increase the affordability of police officer and firefighter pensions.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of fire relief associations receiving aid	Quantity	Police/Fire Retirement Supplemental State Aid Certifications	The number of fire relief associations receiving the aid has decreased slightly as associations disband.	733 in 2023

Performance Measurement Notes:

Number of fire relief associations receiving aid is based on payable year 2023.

M.S. 423A.022 (www.revisor.mn.gov/statutes/cite/423A.022) establishes the Police/Fire Retirement Supplemental Aid program.

Police/Fire Retirement Supplemental State Aid

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<i>Expenditures by Fund</i>								
1000 - General	14,496	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Total	14,496	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Biennial Change				4		0		0
Biennial % Change				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<i>Expenditures by Category</i>								
Grants, Aids and Subsidies	14,496	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Total	14,496	14,500	14,500	14,500	14,500	14,500	14,500	14,500

Police/Fire Retirement Supplemental State Aid

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation	15,500	15,500	15,500	15,500	15,500	15,500	15,500	15,500
Transfers Out	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Cancellations	4							
Expenditures	14,496	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Biennial Change in Expenditures				4		0		0
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments

Activity: Senior Property Tax Deferral Reimbursement

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

AT A GLANCE

In 2023:

- 405 taxpayers were enrolled in the program
- The average amount of property taxes deferred was \$4,200

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

Qualified homeowners must be age 65 or older, have owned and lived in their home for at least 5 years, and have household income less than \$96,000. 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.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of senior citizen taxpayers enrolled	Quantity	Minnesota Department of Revenue Data	The number of taxpayers enrolled has increased over the last 15 years from 170 to 405.	405 in 2023
Average amount of property taxes deferred	Quantity	Minnesota Department of Revenue Data	The average amount of property taxes deferred has ranged from \$3,800 to \$4,800 over the last 10 years.	\$4,200 in 2023

Performance Measure Notes:

Measures are in calendar years.

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

M.S. Chapter 290B (www.revisor.mn.gov/statutes/cite/290B) establishes the Senior Citizens’ Property Tax Deferral program.

**Senior Property Tax Deferral
Reimbursement**

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	1,743	1,649	1,752	2,017	2,245	2,474	2,245	2,474
Net Loan Activity	(1,743)	(1,649)	(1,752)	(2,017)	(2,245)	(2,474)	(2,245)	(2,474)

Program: Other Local Government Payments

Activity: Performance Measurement Reimbursement

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

AT A GLANCE

In 2024:

- 30% of counties and 4% of cities participated in the Performance Measurement program

PURPOSE AND CONTEXT

The Performance Measurement reimbursement helps local governments develop performance measures. This type of transparency in government finances is important to establish the trust and understanding of taxpayers.

Funding source: State General Fund

SERVICES PROVIDED

The Performance Measurement program was created in 2010 to determine how effectively counties and cities provide services. Counties and cities in the program:

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

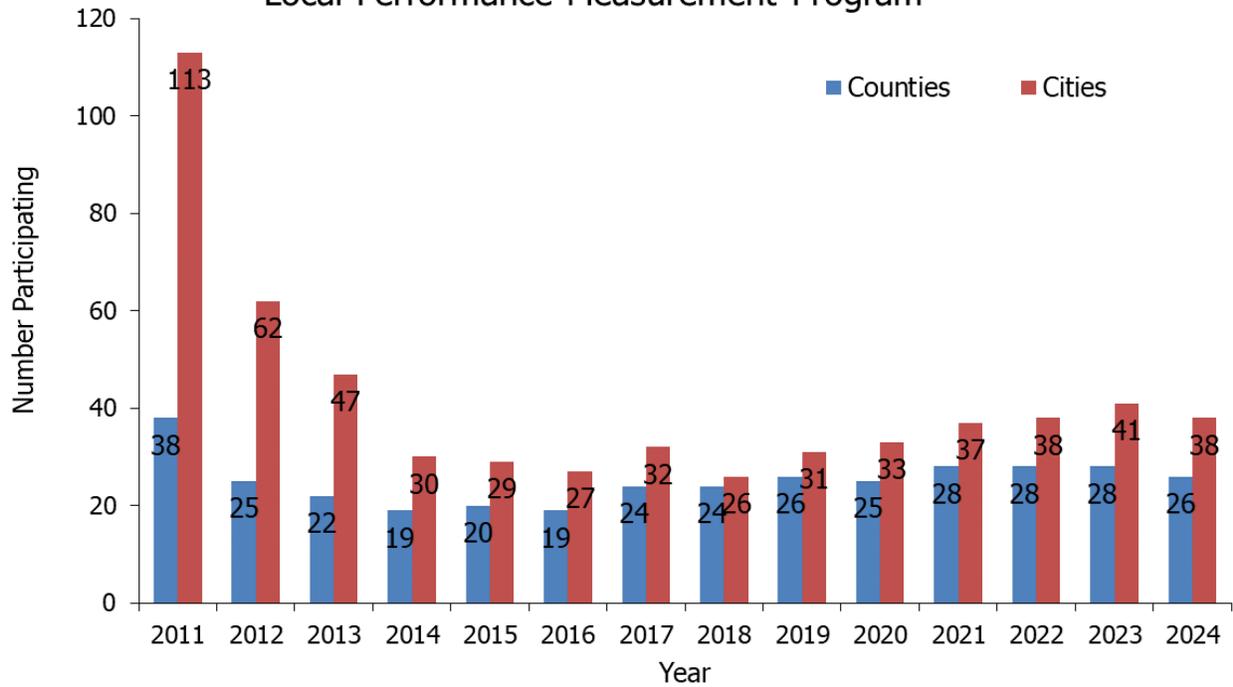
This program is voluntary. The state reimburses participants 14 cents per capita (up to \$25,000) to help cover their costs. They are also exempt from property tax levy limits for the following year (if levy limits are in effect).

RESULTS

Taxpayers receive helpful information about the cost and quality of services provided by local governments.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Percentage of counties participating	Quantity	Office of the State Auditor Certification Memo	The percentage of counties participating has ranged from 22% to 32% over the last 10 years.	30% in 2024
Percentage of cities participating	Quantity	Office of the State Auditor Certification Memo	The percentage of cities participating has ranged from 3% to 5% over the last 10 years.	4% in 2024

Number of Counties and Cities Participating in the Local Performance Measurement Program



Performance Measure Notes:

Measures are in calendar years.

The decrease in participation from 2011 to 2012 reflects additional requirements for implementing local performance measures in the second year. Many local jurisdictions elected to explore the program in 2011 but decided against full implementation in 2012.

M.S. Chapter 6.91 (www.revisor.mn.gov/statutes/cite/6.91) establishes Performance Measurement Reimbursement payments.

Performance Measurement Reimbursement

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<i>Expenditures by Fund</i>								
1000 - General	497	514	527	526	528	530	528	530
Total	497	514	527	526	528	530	528	530
Biennial Change				42		5		5
Biennial % Change				4		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
<i>Expenditures by Category</i>								
Grants, Aids and Subsidies	497	514	527	526	528	530	528	530
Total	497	514	527	526	528	530	528	530

Performance Measurement Reimbursement

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	497	514	527	526	528	530	528	530
Expenditures	497	514	527	526	528	530	528	530
Biennial Change in Expenditures				42		5		5
Biennial % Change in Expenditures				4		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments

Activity: Mahnomen Property Tax Reimbursement

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

AT A GLANCE

In 2024:

- 3 local governments in Mahnomen County received combined payments totaling \$1.36 million

PURPOSE AND CONTEXT

When land becomes tax-exempt, the resulting loss of property tax base can lead to financial strain for local governments. Mahnomen Property Tax Reimbursement provides payments for the loss of tax base when the Shooting Star Casino became tax exempt.

Funding source: State General Fund

SERVICES PROVIDED

The Shooting Star Casino was placed into tax-exempt trust status, starting in 2007.

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

- Mahnomen County (\$1,010,000)
- City of Mahnomen (\$210,000)
- Mahnomen School District #432 (\$140,000)

The payment was first made in 2006, became permanent in 2008, and was increased in 2013 and 2024.

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
City tax base percentage of pre-exemption tax base	Quantity	Adjusted Net Tax Capacity (ANTC) report	The city tax base percentage was 52% of its pre-exemption level when the exemption began in 2007.	86% in 2023
County tax base percentage of pre-exemption tax base	Quantity	Adjusted Net Tax Capacity (ANTC) report	The county tax base percentage was 95% of its pre-exemption level when the exemption began in 2007.	331% in 2023

Measure name	Measure type	Measure data source	Historical trend	Most recent data
School district tax base percentage of pre-exemption tax base	Quantity	Adjusted Net Tax Capacity (ANTC) report	The school district tax base percentage was 86% of its pre-exemption level when the exemption began in 2007.	321% in 2023

Performance Measurement Notes:

The pre-exemption tax base is assessment year 2006 for the City of Mahnomen, Mahnomen County, and Mahnomen School District #432.

The total tax base for the city of Mahnomen decreased to 52% of its pre-exemption tax base when the exemption began in assessment year 2007. In recent years, the city tax base percentage has grown to 86% of pre-exemption levels. The homestead exclusion reduced the taxable value of homesteads and the tax base of local taxing jurisdictions statewide.

A 2023 law change increased the total payments from \$1.20 million to \$1.36 million.

M.S. 477A.31 (www.revisor.mn.gov/statutes/cite/477A.31) establishes the Mahnomen Property Tax Reimbursement.

Mahnomen Property Tax Reimbursement

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<i>Expenditures by Fund</i>								
1000 - General	1,200	1,200	1,200	1,360	1,360	1,360	1,360	1,360
Total	1,200	1,200	1,200	1,360	1,360	1,360	1,360	1,360
Biennial Change				160		160		160
Biennial % Change				7		6		6
Governor's Change from Base								0
Governor's % Change from Base								0
<i>Expenditures by Category</i>								
Grants, Aids and Subsidies	1,200	1,200	1,200	1,360	1,360	1,360	1,360	1,360
Total	1,200	1,200	1,200	1,360	1,360	1,360	1,360	1,360

Mahnomen Property Tax Reimbursement

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation	1,200	1,200	1,200	1,360	1,360	1,360	1,360	1,360
Expenditures	1,200	1,200	1,200	1,360	1,360	1,360	1,360	1,360
Biennial Change in Expenditures				160		160		160
Biennial % Change in Expenditures				7		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments

Activity: Taconite Aid Reimbursement

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

AT A GLANCE

In 2023:

- 1 school district received Taconite Aid Reimbursement

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

RESULTS

The fiscal impacts of a 1978 Occupation Tax law change are reduced for the school district.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Payment’s percentage of total school district revenues	Quantity	School Consolidated Financial Report	The payment’s percentage of total school district revenues has ranged from 3.3% to 5.2% over the last 10 years.	3.4% in 2023

Performance Measurement Notes:

Measures are in school fiscal years.

M.S. 477A.15 (<https://www.revisor.mn.gov/statutes/cite/477A.15>) establishes Taconite Aid Reimbursement.

Taconite Aid Reimbursement

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
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
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	561	561	561	561	561	561	561	561
Total	561	561	561	561	561	561	561	561

Taconite Aid Reimbursement

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
1000 - General								
Open Appropriation	561	561	561	561	561	561	561	561
Expenditures	561	561	561	561	561	561	561	561
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments

Activity: Border City Reimbursement

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

AT A GLANCE

In 2023:

- 2 jurisdictions received a Border City Reimbursement payment

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

The Border City Reimbursement reduces property taxes for:

- commercial/industrial property
- public utility property
- apartment property

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

RESULTS

Border City Reimbursement increases business competitiveness in border areas.

<i>Measure name</i>	<i>Measure type</i>	<i>Measure data source</i>	<i>Historical trend</i>	<i>Most recent data</i>
Number of jurisdictions receiving reimbursements	Quantity	Program applications	Two cities (Breckenridge and East Grand Forks) have received reimbursements since 2018.	2 in 2023

Performance Measurement Notes:

Measures are in taxes payable years.

M.S. 469.1735 (www.revisor.mn.gov/statutes/cite/469.1735) establishes the Border City Reimbursement program.

Border City Reimbursement

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	32	83	85	85	119	119	119	119
Total	32	83	85	85	119	119	119	119
Biennial Change				55		68		68
Biennial % Change				48		40		40
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	32	83	85	85	119	119	119	119
Total	32	83	85	85	119	119	119	119

Border City Reimbursement

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	32	83	85	85	119	119	119	119
Expenditures	32	83	85	85	119	119	119	119
Biennial Change in Expenditures				55		68		68
Biennial % Change in Expenditures				48		40		40
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Governments Payments

Activity: Disaster Credits

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

AT A GLANCE

In 2022 and 2023:

- 707 parcels received Disaster Credits

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

In addition, a county may:

- Grant an abatement of property tax in the year in which the damage occurred if 50% of the homestead was destroyed.
- Grant a credit for taxes payable in the year following the damage for homestead property that does not qualify for the Disaster Credit and non-homestead property.

The state reimburses the local governments for abatements and credits for property located in a declared disaster or emergency area.

RESULTS

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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Number of parcels receiving credits	Quantity	PRISM data	The number of parcels receiving credits has ranged from 105 to 1,737 over the last 10 years.	707 in 2022/2023

Performance Measure Notes:

Measures are in taxes payable years.

PRISM stands for the Property Record Information System of Minnesota.

The amount of payment is dependent on the number and severity of disasters. In payable years 2014, 2016, and 2018, no parcels received the credit.

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

M.S. Chapter 273.1231-273.1235 (www.revisor.mn.gov/statutes/cite/273.1231) establishes Disaster Credits.

Disaster Credits

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	1,939	375	438	150	275	226	275	226
Total	1,939	375	438	150	275	226	275	226
Biennial Change				(1,725)		(87)		(87)
Biennial % Change				(75)		(15)		(15)
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	1,939	375	438	150	275	226	275	226
Total	1,939	375	438	150	275	226	275	226

Disaster Credits

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	1,939	375	438	150	275	226	275	226
Expenditures	1,939	375	438	150	275	226	275	226
Biennial Change in Expenditures				(1,725)		(87)		(87)
Biennial % Change in Expenditures				(75)		(15)		(15)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Local Government Payments**Activity: Miscellaneous Payments**<http://www.revenue.state.mn.us/>**AT A GLANCE**

From 2020 to 2024:

- 30 local governments and 11 tribal nations received temporary relief payments
- 87 counties, 856 cities/townships, and 11 tribal nations received Public Safety Aid in 2023

PURPOSE AND CONTEXT

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

Funding source: State General Fund

SERVICES PROVIDED

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

- \$2,400,000 to the county of Wadena between 2018 and 2021 for health care costs
- \$3,000,000 to the county of Beltrami in 2020 for out-of-home placement costs
- \$500,000 to the county of Otter Tail in 2020 for debt service on state leased building
- \$500,000 to the county of Mahnommen in 2020 for health center and costs of child welfare services
- \$275,000 to the city of Lilydale in 2020 for state highway construction bond payments
- \$129,000 to the city of Austin in 2020 to reimburse the city for state pension aids
- \$38,400 to the city of Flensburg in 2020 for repayment of Local Government Aid penalties
- \$5,000 to the city of Mazeppa and county of Wabasha in 2020 for fire damage tax abatements
- \$5,400,000 to the city of Virginia in 2022 for state highway construction utility relocation
- \$250,000 to the city of Floodwood in 2022 to pay for a city-wide street and infrastructure project
- \$643,729 to the city of Merlose in 2022 to be used to remediate the effects of fires in the city
- \$120,000 to the city of Alexandria in 2022 to be used to remediate the effects of fires in the city
- \$29,354,688 to 13 counties in 2022 for grants to pay for refunding the overpayment of property taxes
- \$300,000,000 to local governments and tribal nations in 2023 to fund public safety
- \$46,060 to the city of Echo in 2023 for repayment of Local Government Aid penalties
- \$79,476 to the city of Morton in 2023 for repayment of Local Government Aid penalties
- \$300,000 to the city of Northfield in 2024 to pay for manufactured home park infrastructure costs
- \$250,000 to the city of Spring Grove in 2024 to be used to remediate the effects of fires in the city
- \$45,574 to Stearns County in 2024 for taxes attributable to the exemption of certain hospital property
- \$11,000,000 to tribal nations to fund emergency response activities in response to COVID-19

The payments are made outside of existing aid distribution formulas.

RESULTS

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

Performance Measurement Notes:

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

Laws 2017 First Special Session, Chapter 1, Article 4, Section 32; Laws 2019 First Special Session, Chapter 6, Article 5, Section 10; Laws 2020, Chapter 77, Article 1, Section 10; Laws 2021 First Special Session Chapter 14, Article 7, Sections 6-7; Laws 2021 First Special Session Chapter 14, Article 11, Section 46, Subd. 1-2; Laws 2023 Chapter 64, Article 4, Sections 27-28, 31-32, 34.

Miscellaneous Payments

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	35,768	171	300,550					
Total	35,768	171	300,550					
Biennial Change				264,610		(300,550)		(300,550)
Biennial % Change				736				
Governor's Change from Base								0
Governor's % Change from Base								
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	35,768	171	300,550					
Total	35,768	171	300,550					

Miscellaneous Payments

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Direct Appropriation	35,768	172	300,550					
Cancellations		0						
Expenditures	35,768	171	300,550					
Biennial Change in Expenditures				264,610		(300,550)		(300,550)
Biennial % Change in Expenditures				736				
Governor's Change from Base								0
Governor's % Change from Base								

Program: Other Taxes and Refunds

Activity: Other Taxes and Refunds

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

AT A GLANCE

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

PURPOSE AND CONTEXT

The Department of Revenue collects certain taxes on behalf of other state agencies. Those include revenue for the Highway User Tax Distribution, Restricted Miscellaneous Special Revenue, State Airports, Environmental, and Remediation funds. That revenue is then transferred to the appropriate agencies.

SERVICES PROVIDED

For some of these funds collected and transferred by the Department of Revenue, the agency provides interest on refunds to taxpayers when necessary.

RESULTS

Measure Name	Measure Type	Measure data source	Historical trend	Most recent data
Amount of interest on refunds on taxes for the state airport fund	Quantity	Minnesota Department of Revenue Data	The department has paid a nominal amount of interest in recent years.	\$12 in FY24
Amount of interest on refunds on taxes for the environmental fund	Quantity	Minnesota Department of Revenue Data	The department has paid no interest in recent years.	\$0 in FY24

Other Taxes and Refunds

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
2000 - Restrict Misc Special Revenue			5,817	52,766	52,419	52,419	52,419	52,419
2800 - Environmental				1	1	1	1	1
6000 - Miscellaneous Agency	30,349	41,822	39,508					
Total	30,349	41,822	45,325	52,767	52,420	52,420	52,420	52,420
Biennial Change				25,921		6,748		6,748
Biennial % Change				36		7		7
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Other Financial Transaction	30,349	41,822	45,325	52,767	52,420	52,420	52,420	52,420
Total	30,349	41,822	45,325	52,767	52,420	52,420	52,420	52,420

Other Taxes and Refunds

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
2000 - Restrict Misc Special Revenue								
Balance Forward In	12	6	5	349	2	2	2	2
Receipts	9,206	9,618	22,035	62,612	62,612	62,612	62,612	62,612
Transfers In			1,232					
Transfers Out	9,213	9,620	17,106	10,193	10,193	10,193	10,193	10,193
Balance Forward Out	6	5	349	2	2	2	2	2
Expenditures			5,817	52,766	52,419	52,419	52,419	52,419
Biennial Change in Expenditures				58,583		46,255		46,255
Biennial % Change in Expenditures						79		79
Governor's Change from Base								0
Governor's % Change from Base								0
2710 - Highway Users Tax Distribution								
Open Appropriation	21,397	21,520	21,614	22,541	24,169	24,348	24,169	24,348
Transfers Out	21,397	21,520	21,614	22,541	24,169	24,348	24,169	24,348
2800 - Environmental								
Open Appropriation				1	1	1	1	1
Receipts	342							
Balance Forward Out	342							
Expenditures				1	1	1	1	1
Biennial Change in Expenditures				1		1		1
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0
6000 - Miscellaneous Agency								
Balance Forward In	290	262	361					
Receipts	36,525	49,637	40,379					
Transfers Out	6,205	7,742	1,232					
Balance Forward Out	261	334						
Expenditures	30,349	41,822	39,508					
Biennial Change in Expenditures				(32,663)		(39,508)		(39,508)
Biennial % Change in Expenditures				(45)				

Other Taxes and Refunds

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
Governor's Change from Base								0
Governor's % Change from Base								

Program: Other Taxes and Refunds
Activity: Political Contribution Refund

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

AT A GLANCE

In CY 2023:

- This program provided \$2.1 million in refunds for political contributions.

PURPOSE AND CONTEXT

The Political Contribution Refund program was enacted in 1990. Individuals who make qualifying contributions to qualified candidates may receive a state refund up to a total of \$50 per person (or \$100 per couple) in any calendar year.

The program provides funds to qualifying political candidates and parties through contributions by Minnesotans who request the refund. Only contributions to candidates that have signed an agreement with the Minnesota Campaign Finance and Public Disclosure Board to observe the state campaign spending limit law are eligible for the political contribution refund.

Funding source: State General Fund.

SERVICES PROVIDED

The program provides refunds to individuals who make qualified contributions to candidates who agree to limit their spending by signing a Public Subsidy Agreement.

Candidates and parties provide contributors documentation about their contribution on forms. Contributors submit those forms and documentation to the Department of Revenue. The department sends a refund to contributors who apply for a refund of contributions they made to qualified Minnesota political parties or candidates for the following Minnesota offices:

- Legislature (State House or Senate)
- Governor, Lieutenant Governor, or Attorney General
- Secretary of State
- State Auditor

RESULTS

Individuals who contribute money to a qualifying party or candidate may receive a refund of up to \$50 for their contribution. The program was suspended for FY 2009-2013 and FY 2016-2017. It was in effect for FY 2014-2015.

To qualify for a refund of political contributions made during 2024, taxpayers must apply by April 15, 2025.

Measure Name	Measure Type	Measure data source	Historical trend	Most recent data
Political Contribution Refunds Paid	Quantity	Minnesota Department of Revenue Data	The amount of refunds paid has decreased in recent years.	\$2,064,734 in CY2022
Total Political Contribution Refunds	Quantity	Minnesota Department of Revenue Data	The number of refunds paid has decreased in recent years.	29,916 in CY2023

Performance Measure Notes:

Compares refunds paid in FY 2022 (previous) to FY 2023 (current).

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

Political Contribution Refunds

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<u>Expenditures by Fund</u>								
1000 - General	2,468	2,598	3,145	4,300	4,300	4,300	4,300	4,300
Total	2,468	2,598	3,145	4,300	4,300	4,300	4,300	4,300
Biennial Change				2,379		1,155		1,155
Biennial % Change				47		16		16
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	2,460	2,598	3,145	4,298	4,298	4,298	4,298	4,298
Other Financial Transaction	8	0	0	2	2	2	2	2
Total	2,468	2,598	3,145	4,300	4,300	4,300	4,300	4,300

Political Contribution Refunds

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Open Appropriation	2,468	2,598	3,145	4,300	4,300	4,300	4,300	4,300
Expenditures	2,468	2,598	3,145	4,300	4,300	4,300	4,300	4,300
Biennial Change in Expenditures				2,379		1,155		1,155
Biennial % Change in Expenditures				47		16		16
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Taxes and Refunds

Activity: Tax Refund Interest

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

AT A GLANCE

In Fiscal Year 2023:

- Almost \$17 million in tax refund interest was paid to taxpayers who did not receive refunds within the statutory time frame. The interest rate was 3% in 2022 and 5% in 2023.

PURPOSE AND CONTEXT

The Department of Revenue must pay interest to taxpayers on certain tax refunds if they are not paid within the time frame set by statute. The interest rate was 3% in 2021 – 2022, 5% in 2023; and 8% in 2024; 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: <ul style="list-style-type: none"> • 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.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Tax Refund Interest Paid	Quantity	Minnesota Department of Revenue Data	The amount of tax refund interest has decreased in recent years.	\$16.019 million in FY 2023

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

Tax Refund Interest

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
<i>Expenditures by Fund</i>								
1000 - General	14,058	16,019	15,131	15,200	15,000	15,000	15,000	15,000
2360 - Health Care Access	1,270	1,850	800	1,080	930	560	930	560
2710 - Highway Users Tax Distribution	39	72	78	50	71	71	71	71
Total	15,368	17,941	16,009	16,330	16,001	15,631	16,001	15,631
Biennial Change				(970)		(707)		(707)
Biennial % Change				(3)		(2)		(2)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Grants, Aids and Subsidies	9							
Other Financial Transaction	15,359	17,941	16,009	16,330	16,001	15,631	16,001	15,631
Total	15,368	17,941	16,009	16,330	16,001	15,631	16,001	15,631

Tax Refund Interest

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Open Appropriation	14,058	16,019	15,131	15,200	15,000	15,000	15,000	15,000
Expenditures	14,058	16,019	15,131	15,200	15,000	15,000	15,000	15,000
Biennial Change in Expenditures				254		(331)		(331)
Biennial % Change in Expenditures				1		(1)		(1)
Governor's Change from Base								0
Governor's % Change from Base								0

2360 - Health Care Access

Open Appropriation	1,270	1,850	800	1,080	930	560	930	560
Expenditures	1,270	1,850	800	1,080	930	560	930	560
Biennial Change in Expenditures				(1,241)		(390)		(390)
Biennial % Change in Expenditures				(40)		(21)		(21)
Governor's Change from Base								0
Governor's % Change from Base								0

2710 - Highway Users Tax Distribution

Open Appropriation	39	72	78	50	71	71	71	71
Expenditures	39	72	78	50	71	71	71	71
Biennial Change in Expenditures				17		14		14
Biennial % Change in Expenditures				15		11		11
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Other Taxes and Refunds**Activity: Electric-Asst Bicycle Rebates**<https://www.revenue.state.mn.us/>**AT A GLANCE**

- 1,170 Certificates issued to individuals
- 965 Certificates Redeemed, 82% redemption rate
- 786 Reimbursements paid to retailers

PURPOSE AND CONTEXT

The Electric-Assisted Bicycle Rebate (e-Bike Rebate) is designed to reduce the cost for Minnesota residents to buy a new e-bike at eligible retailers starting in July 2024.

The e-Bike Rebate provides a discount of up to \$1,500 on a qualifying e-bike. The discount is 50-75% of a buyer's qualifying expenses, depending on their income. The rebate value cannot exceed the price of the e-bike.

Individuals (buyers) and retailers must apply to the Minnesota Department of Revenue to take part in the program. Total rebates are limited to \$2 million per year in 2024 and 2025.

SERVICES PROVIDED**Individuals**

Individuals apply for the e-Bike Rebate using an online portal. For 2024, the portal opened in July and Revenue issued rebate certificates to approved individuals shortly after. Not everyone who applies will get a rebate certificate, but the application portal will reopen again in 2025.

To be eligible, the individual must be at least 15 years old when applying, a MN resident, and not have been claimed as a dependent in tax year 2023.

When an individual receives their rebate certificate, they must use it at an approved retailer within two months, or it will expire. The certificate is worth 50-75% of a qualifying purchase, up to \$1500. The percentage is based on income.

If there is money left in the program after October 1, Revenue will issue more rebate certificates - up to the \$2 million limit - to individuals who applied and did not get a certificate.

Retailers

To be eligible, a retailer must have been engaged in the business of retail sales of e-bikes for at least 6 months before applying through the online retailer portal.

When a retailer receives a rebate certificate from a buyer, at the time of sale, they are required to

- Apply the discount listed on the certificate to the qualifying e-bike purchase
- Access our system and assign the rebate certificate to their business (required for reimbursement)

Retailers must access our system to request reimbursement within one month of the sale.

RESULTS

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Applications Received	Quantity	Tracked within the Salesforce application	N/A - New Program	14,500 in 2024
Certificates Issues	Quantity	Tracked within the Salesforce application	N/A - New Program	1,170 certificates worth \$1,755,000 in 2024
Certificates Redeemed	Quantity	Tracked within the Salesforce application	N/A - New Program	965 certificates worth \$1,394,788 in 2024
Retailers Approved	Quantity	Tracked within the Salesforce application	N/A - New Program	243 in 2024
Retailer Reimbursements	Quantity	Tracked within the Salesforce application	N/A - New Program	786 reimbursements worth \$1,109,670 in 2024

Legal Citation: M.S. 289A.51, subdivision 2, establishes the electric-assisted bicycle rebate program (<https://www.revisor.mn.gov/statutes/cite/289A.51>).

Electric-Asst Bicycle Rebates

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General				4,000				
Total				4,000				
Biennial Change				4,000		(4,000)		(4,000)
Biennial % Change								
Governor's Change from Base								0
Governor's % Change from Base								
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies				4,000				
Total				4,000				

Electric-Asst Bicycle Rebates

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Balance Forward In				4,000				
Direct Appropriation			4,000					
Balance Forward Out			4,000					
Expenditures				4,000				
Biennial Change in Expenditures				4,000		(4,000)		(4,000)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

Program: Other Taxes and Refunds**Activity: Discontinued Programs**<https://www.revenue.state.mn.us/>**Production Property Transition Aid****PURPOSE AND CONTEXT**

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

RESULTS

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

PERA Pension Aid**PURPOSE AND CONTEXT**

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

RESULTS

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

Minneapolis Debt Service Aid**PURPOSE AND CONTEXT**

Regional infrastructure projects often need state assistance to be affordable. This program provides state aid to Minneapolis to pay part of the city's library referendum bonds.

RESULTS

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

Utility Valuation Transition Aid**PURPOSE AND CONTEXT**

Property tax law changes reduce the amount of tax base available to local governments, leading to financial strain. Utility Valuation Transition Aid provides temporary aid to cities and towns that lost tax base due to a change in the rule for valuing utility property.

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.

COVID Aid Payments

PURPOSE AND CONTEXT

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

RESULTS

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

Discontinued Programs

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
<u>Expenditures by Fund</u>								
1000 - General	3,385	499,945	16					
3000 - Federal	376,364		11					
3010 - Coronavirus Relief	66,695							
Total	446,444	499,945	27					
Biennial Change				(946,362)		(27)		(27)
Biennial % Change				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
<u>Expenditures by Category</u>								
Grants, Aids and Subsidies	446,444	500,009	27					
Other Financial Transaction		(65)						
Total	446,444	499,945	27					

Discontinued Programs

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
1000 - General								
Balance Forward In		500,000						
Direct Appropriation	500,000							
Open Appropriation	3,385	9	16					
Cancellations		65						
Balance Forward Out	500,000							
Expenditures	3,385	499,945	16					
Biennial Change in Expenditures				(503,313)		(16)		(16)
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
3000 - Federal								
Balance Forward In	188,466	309	309	14				
Receipts	188,182		(284)	(14)				
Balance Forward Out	284	309	14					
Expenditures	376,364		11					
Biennial Change in Expenditures				(376,353)		(11)		(11)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								
3010 - Coronavirus Relief								
Direct Appropriation	66,885							
Cancellations	190							
Expenditures	66,695							
Biennial Change in Expenditures				(66,695)		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								