
Disparity Reduction Aid (DRA) is a state-paid aid that provides property tax relief by directly reducing local property tax levies.

Disparity reduction aid is a formula-determined state aid to reduce property taxes in areas where property tax rates have been historically high. The aid directly reduces the levies of counties, towns, and school districts, so that the tax relief is dollar-for-dollar. Aid amounts are determined for each unique taxing area within a jurisdiction.

A “unique taxing area” (UTA) is a geographic area consisting of properties that are all contained within the same set of taxing jurisdictions. In other words, all properties in a UTA pay taxes to the same county, city or town, school district, and special taxing district(s), and therefore have the same overall property tax rate. Properties in an adjacent UTA will have a different total tax rate by virtue of being in a different county, city or town, school district, and/or special taxing district.

Each UTA is initially eligible for aid equal to the amount of aid it was entitled to receive in the previous year, and the aid allocated to each taxing jurisdiction levying taxes within the UTA is equal to the amount of aid it was entitled to receive in the previous year. When the county auditor reduces the tax rates of all taxing jurisdictions within a UTA by the amount of DRA, if the total tax rate within the UTA becomes less than 90 percent of net tax capacity,¹ the DRA is reduced proportionally so that the total tax rate is 90 percent of net tax capacity.

Origin of the aid

The 1988 Legislature made a number of significant changes to the state’s property tax system involving virtually all existing property tax aid and credit programs and how different types of property were taxed. Disparity reduction aid amounts were determined by calculating the amount of aid each UTA would need to reduce the total tax rate for the UTA to 100 percent of tax capacity for taxes payable in 1989. For the most part, the aid amounts determined under that legislation have been carried along from year-to-year, although there have been a number of reductions based on consolidations of DRA amounts into other aid programs, such as local government aid (for cities).

Because the aid amounts are applied only to tax rates within a UTA, it can cause the tax rate of a taxing jurisdiction to vary from one UTA to another. For example, rather than a county having the same tax rate throughout the county, the county tax rate will be different in each UTA that receives DRA.²

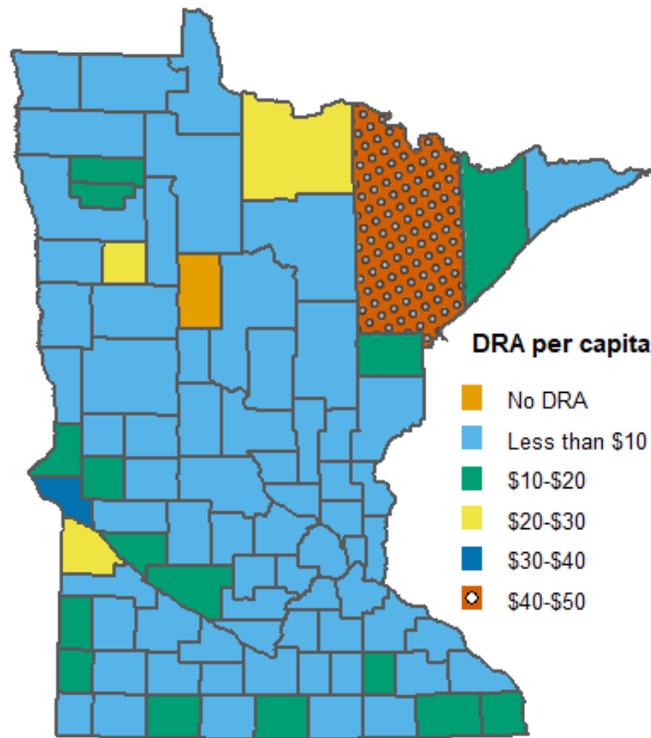
¹ For more information on net tax capacity and other property tax related terms, see the House Research publication, [Property Tax 101: Basic Terms and Concepts](#).

² This feature of DRA was subject to an immediate challenge in the Minnesota Tax Court under the state constitution’s uniformity clause (which requires taxes to be uniform on the same class of subjects) and the equal protection clause of the 14th amendment to the U.S. Constitution (the petitioner raised several procedural claims under the state constitution as well). Applying a rational basis standard to the constitutional claim, the Tax Court held that the law did not violate the state or federal constitutions (see *Blume v. County of Ramsey*, WL 28940 (1989)).

Impacts of DRA on property tax rates

In 2023, all counties except Hubbard County received some amount of DRA. However, more than half of the total amount of \$17,781,964 went to St. Louis County. All other counties received less than \$1,000,000. The map below shows that most counties receive less than \$10 per capita in DRA. The table below shows the impact of DRA on property tax rates.

2023 Total Disparity Reduction Aid, per Capita by County



Based on 2023 DRA amounts

2023 Property Tax Rate Reductions from DRA

Tax rate reduction*	Number of UTAs
No reduction	5,416
0.01% - 0.50%	320
0.51% - 1.00%	102
1.01% - 2.00%	141
2.01% - 5.00%	135
> 5.00%	105

*percentage point reduction



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