



April 6, 2022

Chair Marquart and members of the House Tax Committee,

On behalf of the 837 members of the League of Minnesota Cities, we appreciate the opportunity to share written testimony regarding the League's positions on provisions contained in the HF3669 delete-all amendment, A22-0407, the 2022 House omnibus tax bill.

**Construction sales tax refund:** In Article 3, section 11, we strongly support the provision that would provide a sales tax refund process for construction materials purchased by contractors and used in public facilities and public infrastructure. The provision is temporary and is effective retroactively from 7/1/2021 through 12/31/2022. We would urge you to make provision permanent.

**Local Government Aid:** Article 5 includes the LGA formula update recommendations of the League of Minnesota Cities, the Coalition of Greater Minnesota Cities, Metro Cities and the Minnesota Association of Small Cities. These changes are the result of months of research on the formula need definition conducted with non-partisan House and Senate staff on the existing formula factors and the newly available decennial Census data and American Community Survey. We strongly support this update and the appropriation increase to the formula.

**Affordable housing aid:** The League strongly supports the inclusion of local affordable housing aid in Article 5, Section 16 of the bill. The establishment of new flexible state aid of \$8 million annually to cities to address locally identified housing needs will further strengthen the state-local partnership when it comes to affordable and workforce housing efforts and bolster local innovation to address a myriad of housing issues.

**Local Government Aid payment acceleration:** The League supports Article 10, Sections 1 and 26 would use future state budget surpluses to accelerate the payments of LGA. During budget deficits in the early 1980s, the distribution schedule was shifted to the current backloaded structure where payments are made to cities in July and December. This provision will use future surpluses to accelerate a portion of the July LGA payment to March 15.

**Penalty Forgiveness:** We appreciate the provisions in Article 5, Sections 21 and 22 that will allow the cities of Morton and Echo to receive the balance of their 2021 LGA and Small Cities Assistance Aid. The League works closely with the Office of the State Auditor each fall to identify and work with cities that have not complied with the financial reporting requirement.

**Tax Increment Financing:** We support the policy and technical tax increment financing provisions included in Article 6 of the bill. We want to thank the Office of the State Auditor for

facilitating discussions with cities, counties, school districts and TIF experts earlier this year to address some technical but important ambiguities in state statute.

**Local Sales Tax Process:** We thank the chair for considering our input on the local sales tax process in Sections 1-3 of Article 7 including the clarification in Section 3 on the date on which a local sales tax referendum must be conducted. We do not have specific positions on any of the local sales tax authorizations but the League appreciates the chair and Ms. Cerkvenik for working with us to make the hearing process as smooth as possible for our member cities.

**Direct Property Tax Relief:** Finally, the League generally supports the homestead credit refund and renters refund programs as well as the targeting program and the changes in Article 8 and Article 10, sections 7 and 8. Although Local Government Aid is a key program to assure cities across the state can adequately provide services to residents, these programs assure that the tax burdens defined by the classification system, changes in market values and city, county and school levy decisions do not overly burden individual taxpayers and importantly, these programs achieve targeted relief without creating property tax shifts to other types of property.

Thank you,



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