



May 17, 2022

Dear Chairs Marquart and Nelson, and Members of the Taxes Conference Committee:

Metro Cities, representing the shared interests of cities across the metropolitan region, appreciates the opportunity to comment on House and Senate provisions in HF 3669.

Metro Cities supports the formula updates and appropriation increase for local government aid (LGA) in Article 5 of the House language. Modified factors were rigorously considered and found to best measure city spending needs statistically. Up-to-date factors is crucial to a functional and credible program.

Metro Cities supports addressing the construction sales tax exemption and appreciates the temporary exemption in Article 3 of the House language. Metro Cities supports a permanent exemption and would encourage the committee to consider making the provision permanent.

Metro Cities supports state property tax relief programs and supports modifications to the targeted property tax refund program and threshold changes to the tax deferral program in Article 10 of the House language and Article 4 of the Senate language. Metro Cities does not have a position on program structure but supports increasing the renters' credit in Article 8 of the House language.

Metro Cities supports language in Article 5 of the House language to establish an aid to local governments for affordable housing. State support for housing needs is crucial.

Metro Cities supports language in Article 6 of the House language and Article 8 of the Senate language to clarify tax increment financing statutes. Further, Metro Cities supports the repeal of the sunset for the historic tax credit in Article 2 of the House language and Article 2 of the Senate language.

Metro Cities opposes the 4d Class Rate reduction in Article 4 of the Senate language. Cities with higher levels of existing affordable housing could see a shift in taxes onto low-income populations. Metro Cities appreciates the transition aid included in Article 4 of the Senate language that recognizes effects on local taxes. However, underlying tax shifts will remain after the aid expires. The provision also does not recognize the policy change enacted in the 2021 tax law which removed the annual inflator and reset the first tier to its 2014 level of \$100,000, a significant change. Generally, Metro Cities opposes shifting responsibility for state policy objectives onto local property taxpayers.

Thank you for your consideration of Metro Cities' comments on HF 3669.

Sincerely,

A handwritten signature in blue ink, appearing to read "Patricia Nauman".

Patricia Nauman
Executive Director

