

**PROPERTY TAX  
Township Aid Increased and  
Formula Modified**

March 5, 2024

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>		<b>X</b>

Department of Revenue  
Analysis of H.F. 3864 (Lislegard) / S.F. 3757 (Hauschild) as introduced

**Fund Impact**

	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>
	(000's)			
Township Aid Distribution	\$0	\$0	(\$2,500)	(\$2,500)
Property Tax Refund Interaction	\$0	\$0	\$70	\$70
Income Tax Interaction	\$0	\$0	\$20	\$20
<b>General Fund Total</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,410)</b>	<b>(\$2,410)</b>

Effective beginning with aids payable in 2025.

**EXPLANATION OF THE BILL**

Under current law, \$10 million is appropriated annually from the general fund to be distributed to townships according to the product of: (1) each township’s agricultural property factor, (2) its town area factor, (3) its population factor, and (4) a fixed constant of 0.0045.

Under the proposal, the Township Aid appropriation would be increased to \$11.5 million, and the formula would be modified by replacing the fixed constant of 0.0045 as follows:

- 1) The “town aid factor” is defined as the product of: (1) each township’s agricultural property factor, (2) its town area factor, and (3) its population factor.
- 2) The aid amount for each township is equal to its share of the statewide sum of all “town aid factors” multiplied by \$11.5 million.

**REVENUE ANALYSIS DETAIL**

- Under current law, there is no requirement that the entire \$10 million Township Aid appropriation be distributed if the formula yields a total of less than \$10 million.
- \$9.3 million of Township Aid will be distributed in 2024, and \$9.0 million is estimated to be distributed in 2025 (according to the 2024 February Forecast).
- Under the proposal, the entire \$11.5 million appropriation would be distributed in 2025, increasing total aid by \$2.5 million (relative to the 2024 February Forecast).
- It is assumed that the increase in Township Aid would reduce property tax levies by a portion of the increase. Lower levies would decrease property taxes on all property.
  - Lower levies would result in lower homeowner property tax refunds, reducing costs to the state general fund by an estimated \$70,000 in FY 2026 and FY 2027.
  - Lower levies would result in lower income tax deductions, increasing revenues to the state general fund by an estimated \$20,000 in FY 2026 and FY 2027.
- Tax year impact is allocated to the following fiscal year.

## PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Increase	The total Township Aid distribution would not change from year to year.
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

*The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.*

Source: Minnesota Department of Revenue  
Property Tax Division – Research Unit  
<https://www.revenue.state.mn.us/revenue-analyses>

hf3864(sf3757) Township Aid Increased\_pt\_1/jtb