

## Disparity Reduction Aid

*DRA is a formula-determined aid that provides property tax relief by directly reducing levies*

Disparity Reduction Aid (DRA) 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. The formula for determining aid amounts is based on characteristics of unique taxing areas—geographic areas containing properties that are subject to levies of the same taxing jurisdictions.

*DRA is used to reduce total taxes in unique taxing areas*

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 the same 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.

*DRA payments were originally determined to be the amount needed to reduce each UTA’s tax rate to 100% of its tax capacity*

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).

*Current DRA payments are equal to the amount received in the previous year*

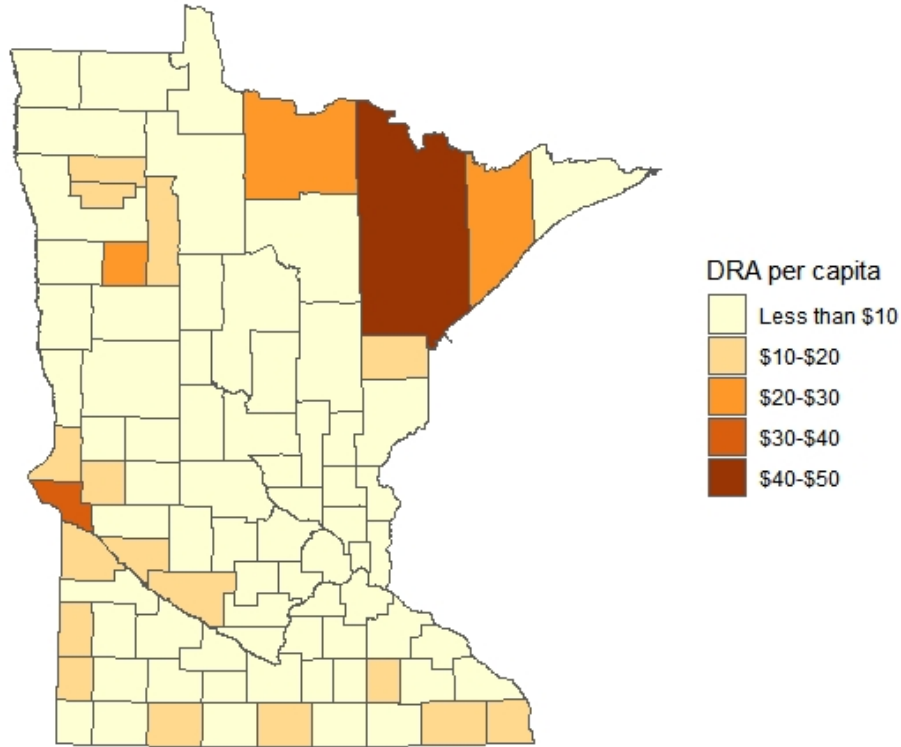
Each UTA is initially eligible for aid equal to the amount of aid it was entitled to receive in the previous year, and the aid allocated to each taxing jurisdiction levying taxes within the UTA is equal to the amount of aid it was entitled to receive in the previous year. When the county auditor reduces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

*DRA can cause the tax rate within a jurisdiction to vary from one UTA to another*

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. [Note: 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)).]

### Total Disparity Reduction Aid, per capita by County



based on 2017 DRA amounts

### 2017 Property Tax Rate Reductions from DRA

Tax rate reduction*	Number of UTAs
No Reduction	5,304
0.1% - 0.5%	228
0.5% - 1.0%	148
1.0% - 2.0%	137
2.0% - 5.0%	203
> 5.0%	171

\*percentage point reduction

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