

Levy limits restrict the amount of property taxes certain local governments may impose for general fund expenditures. Levy limits are currently not in force.

The general levy limits under [Minnesota Statutes, sections 275.70](#) to 275.74, restrict the amount of property taxes that can be imposed for general fund expenditures by cities with a population of 2,500 or more and counties of any size. Levy limits are currently not in force; they were last effective for taxes payable in 2014.¹

Levy limits have historically been used to lower the growth in property taxes and to help ensure that cities and counties use increased state aid payments to reduce property taxes, rather than to increase spending. Because of this, general-purpose state aids have been included in calculating the limit. When a local government’s state aid increases, its maximum allowed levy decreases. Conversely, if a local government’s state aid decreases, its allowed levy increases. If a local government receives no state aid, the limit applies only to its property tax levy.

Although the purpose of levy limits is to limit growth in property taxes, some opponents argue that they may increase taxes by encouraging cities and counties to annually levy up to the maximum allowed.

Use of Levy Limits Over Time

The legislature has generally imposed levy limits as part of property tax reforms, or when changes to state aid may have led to higher property taxes or higher local spending. Most recently, levy limits were imposed from 2009 to 2011 to limit rising property taxes that might have been attributed to aid decreases and freezes. They were reimposed for one year in 2014 when the aid appropriations were increased.

Taxes Payable Year	Limits In Place?	Motivating Event
1972-1992	Yes	Enactment of 1971 property tax reform
1993-1997	No	Truth-in-Taxation notices replace levy limits
1998-2000	Yes	Property tax reform, “compression” of class rates
2001	No	Allowed to expire
2002-2003	Yes	2001 property tax reform
2004	Yes	State aid reductions in 2003 and 2004
2005-2008	No	Allowed to expire
2009-2011	Yes	Previous county and city levy increases
2012-2013	No	Allowed to expire
2014	Yes	State aid increases
2015-present	No	Allowed to expire

¹ While general levy limits have been imposed under [Minnesota Statutes, sections 275.70](#) to 275.74, the limits imposed in 2014 were imposed under a temporary, uncodified law. See [Laws 2013](#), article 4, section 48.

State Aid Impacts on Levy Limits

As noted above, state general-purpose aids have been used to calculate levy limits. The aids that have been included in the calculation have been taconite aid and county program aid for counties, and local government aid for cities.

Allowed Growth in Levies

Different methods have been used to calculate the allowed annual growth in levies when levy limits are in place. Factors such as inflation, growth in households, and growth in commercial and industrial property have been used to calculate allowed annual growth in levies. The 2014 levy limit allowed a flat three percent growth rate.

Exceptions to Levy Limits

When levy limits have been in place, the legislature has allowed counties and cities to levy “special levies” in excess of their levy limit. The allowed uses of these “special levies” have been outlined by the legislature and often change when levy limits are reimposed. Allowed spending in excess of levy limits has historically included purposes such as:

- Debt for capital purchases
- Funding required for state and federal matching grants
- Preparation for and recovery from natural disasters
- Certain abatements
- Increases in public employee pension plans
- Required jail operations costs
- Operation of lake improvement districts
- Repayment of a state or federal loan related to highway or capital projects
- For an animal humane society
- Increased costs related to reductions in federal health and human service program grants
- Inspections and other related city costs in cities with high foreclosure rates
- For Minneapolis to cover costs related to the I-35W bridge collapse
- Increases in police, fire, and sheriff personnel salaries and benefits
- To recoup unallotted state aid and unreimbursed property tax credits

Overriding Levy Limits Through Referenda

When levy limits are in effect, a local government may certify a levy higher than its levy limit if approved by the voters at a referendum. A vote to exceed the limit may be for any amount, and the tax is spread on net tax capacity. Unless approved by a referendum, the final levy may not exceed the limited amount plus the amounts levied for authorized special levies.



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