



MN House Fiscal Analysis

**A Fiscal Overview of Taxes, Property
Tax, Aids and Credits**

January 2025

House Fiscal Analysts

Cynthia Templin

- Tax Revenue

Cynthia.Templin@house.mn.gov

Katrina Heimark

- Property Tax, Aids, and Credits

Katrina.Heimark@house.mn.gov



MN HOUSE
FISCAL ANALYSIS

House Fiscal Analysis - Our Role

Nonpartisan Department

Finance Committee

Spreadsheets also known as tracking sheets

Fiscal notes, revenue estimates and other estimates

Budget analysis & accounting system inquiries

Budget: Basic Terms

STATE FISCAL YEAR (FY): July 1 to June 30

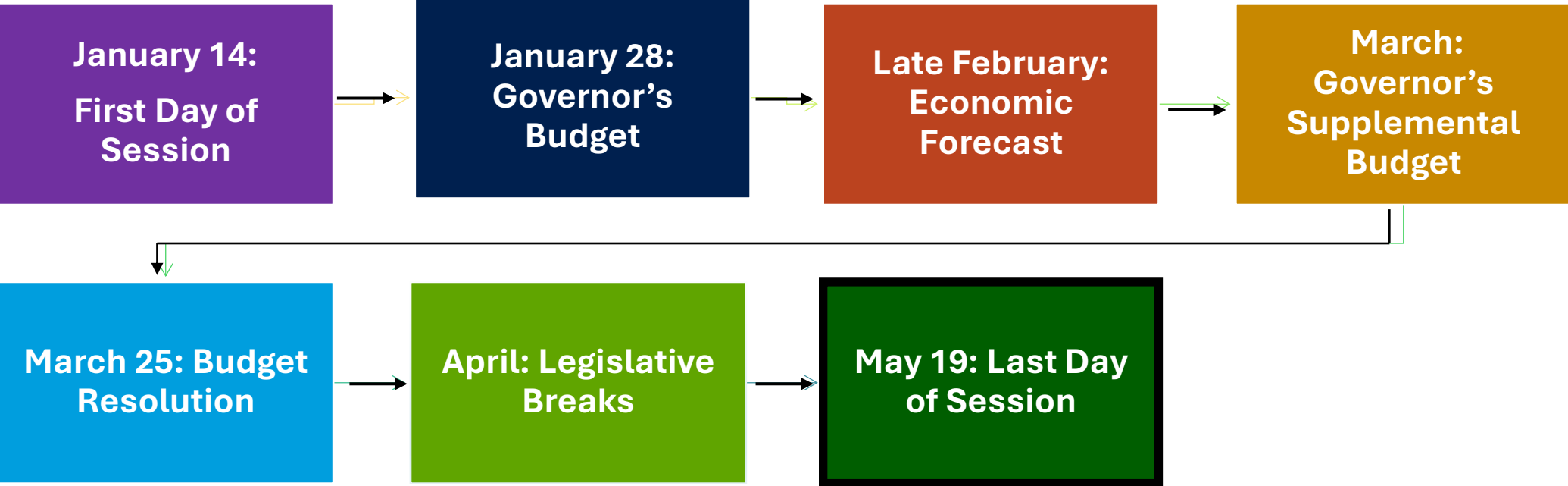
TAX YEAR (TY): January 1 to December 31

CURRENT BIENNIUM: FY 2026-2027

TAILS OR PLANNING ESTIMATES: FY 2028-2029

GENERAL FUND: Largest fund in state treasury, into which receipts are deposited. Receipts in this fund are not dedicated to a specific purpose.

2025 Legislative Session Timeline



The image features several green geometric shapes on the left side: a large dark green parallelogram pointing downwards, a smaller dark green triangle pointing upwards, and a light green triangle pointing downwards. The text 'Tax Revenue' is positioned to the right of these shapes.

Tax Revenue

Presentation on Revenue Collections

An overview of state tax revenue receipts collected:

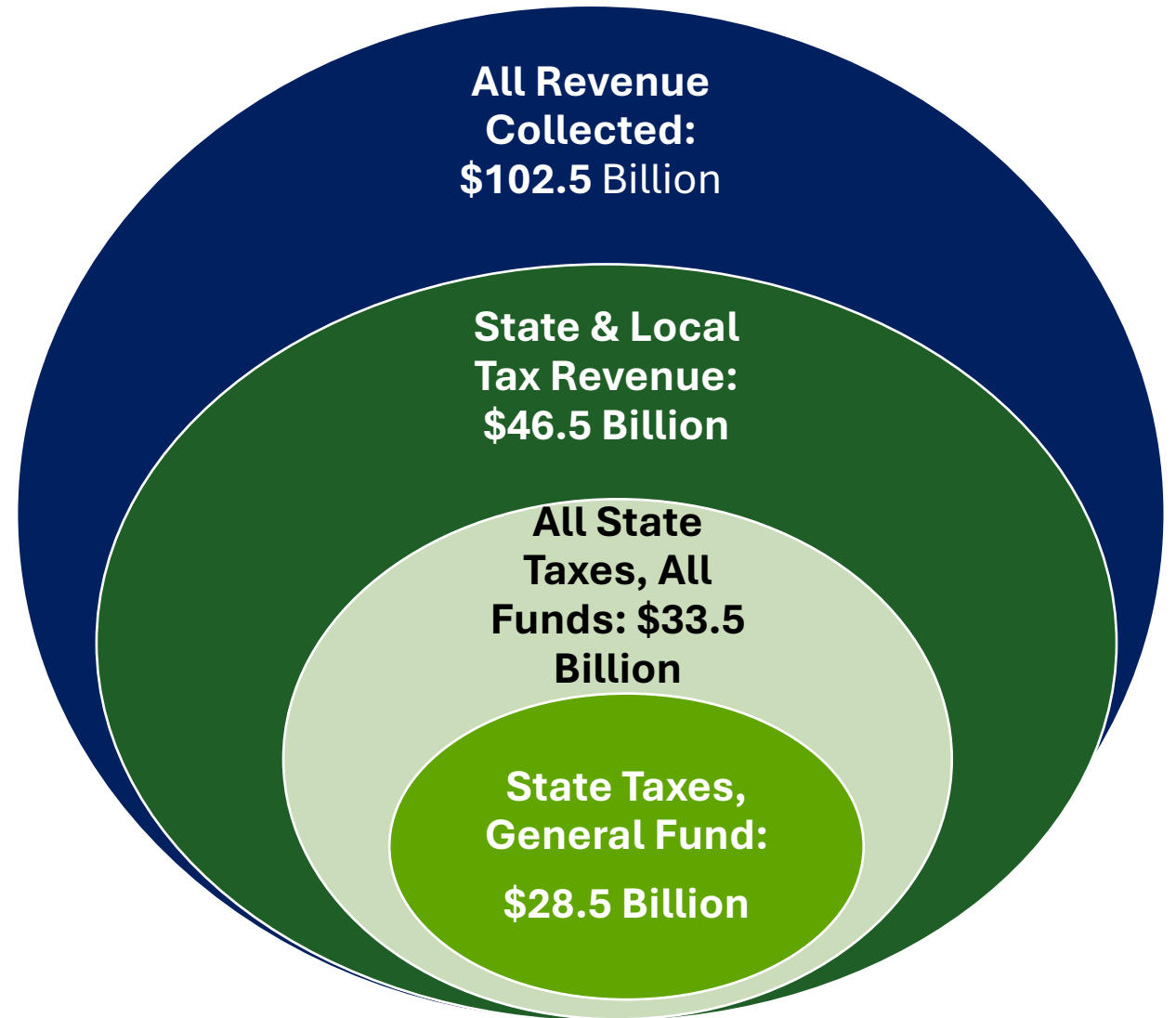
- The revenue available for Minnesota public services;
- How much is collected and where collections are deposited; and
- Trends in State & Local Tax Collections.

The Revenue Available for Minnesota Public Services



Revenue to Pay for Public Services

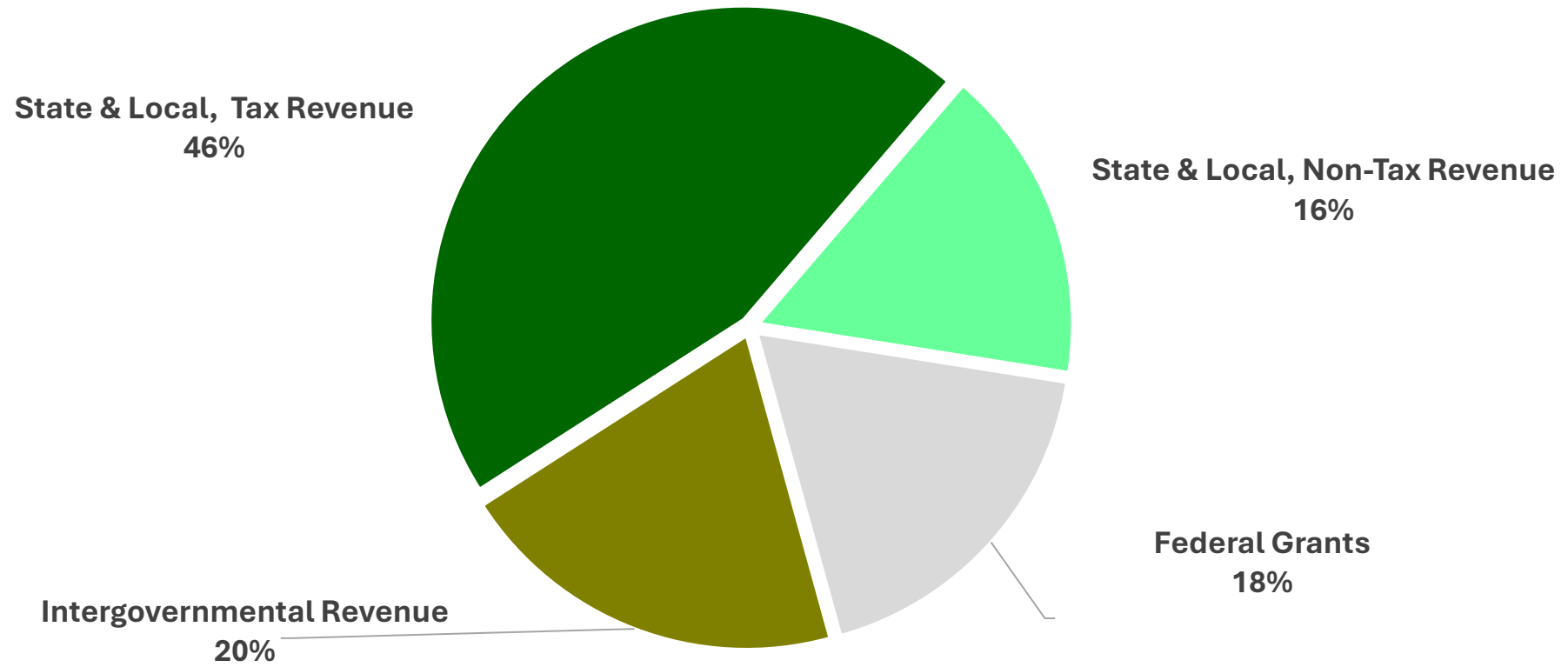
FY 2024 (Actual)



All Revenue

Total - All Revenue Collected, FY 2024 (Actual): \$ 102.5 billion

Based on MMB November 2024 Forecast, Price of Government Data



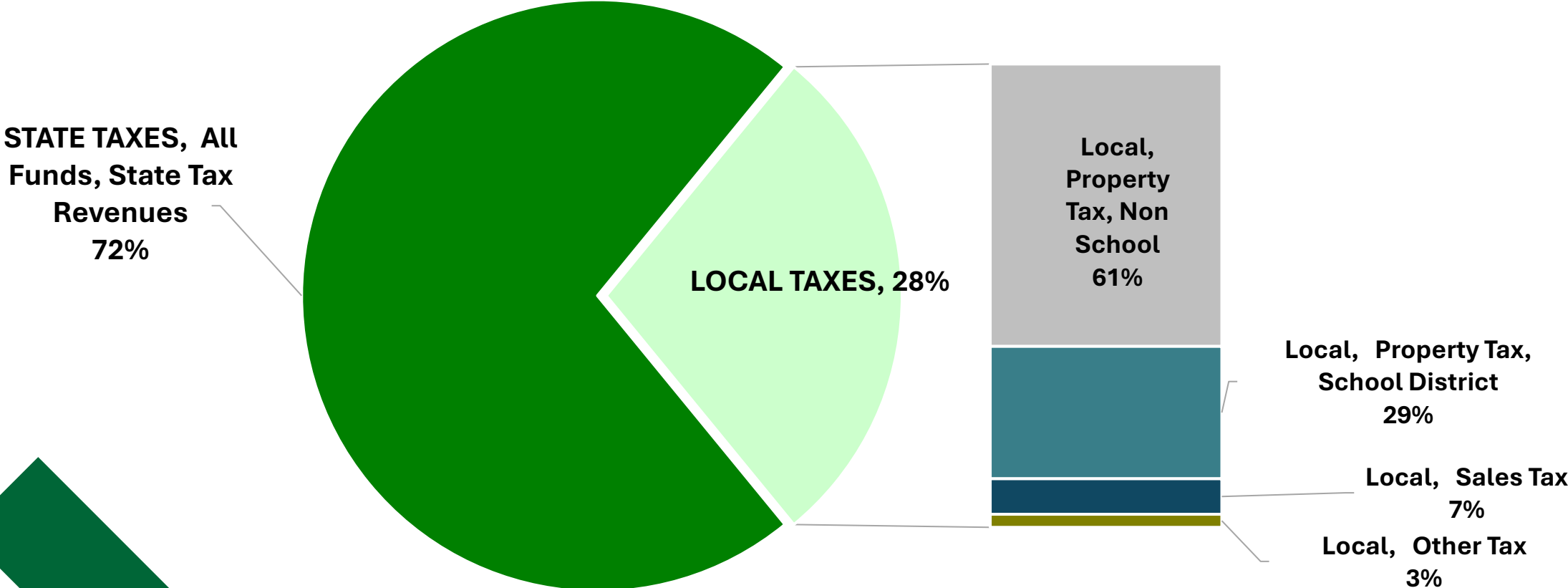
**How much tax revenue is collected
by state and local government?**



State and Local Taxes Collections

**Total State & Local Tax Collected, FY 2024 (Actual):
\$46.5 Billion**

Based on MMB, November 2024, Price of Government Data



State Tax Collections

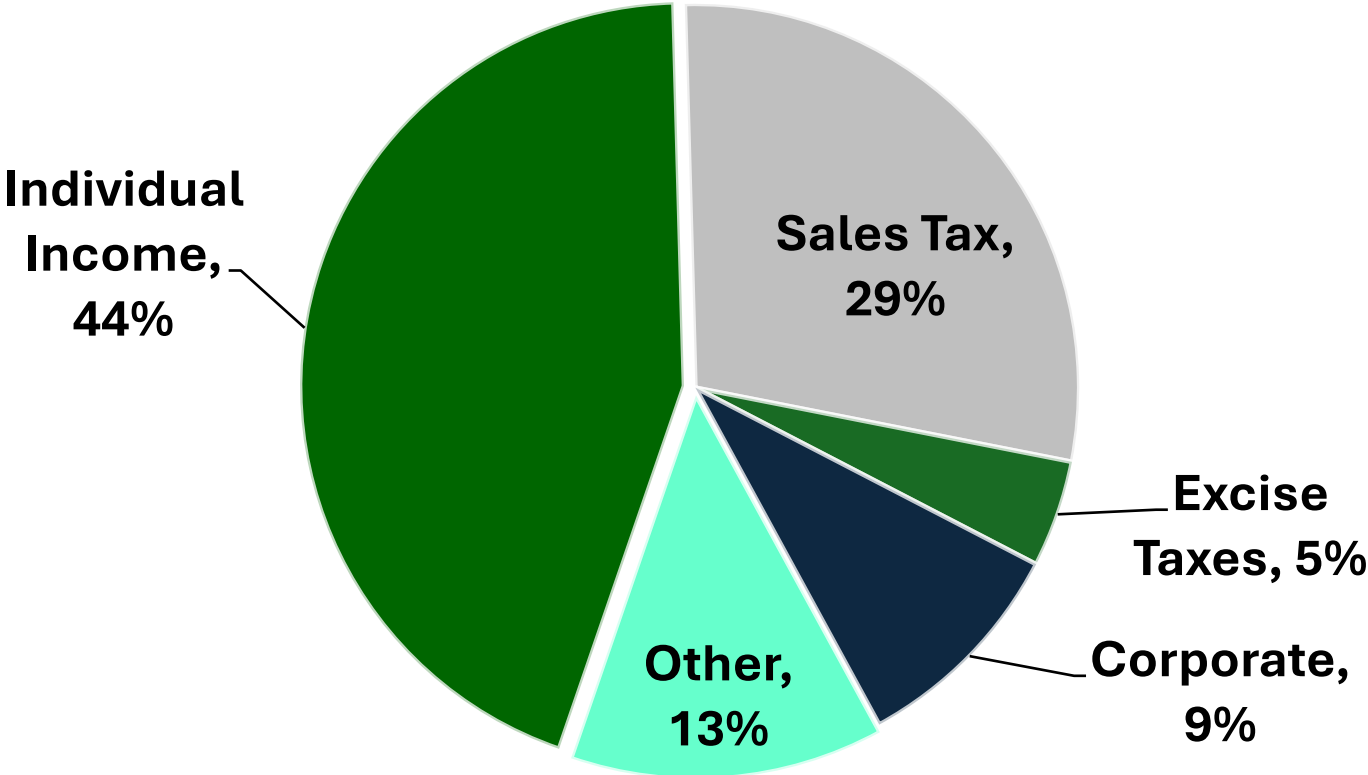
All Funds

- General Fund
- Highway User Tax Distribution Fund
- Health Care Access Fund
- Transit Assistance Fund
- Natural Resources Fund
- Game & Fish Fund
- Outdoor Heritage Fund
- Clean Water Fund
- Parks & Trails Fund
- Housing Assistance Fund
- Workforce Development Fund
- Trunk Highway Fund
- State Airports Fund
- Other funds

State Taxes (All Funds)

FY 2024 = \$33.5 Billion

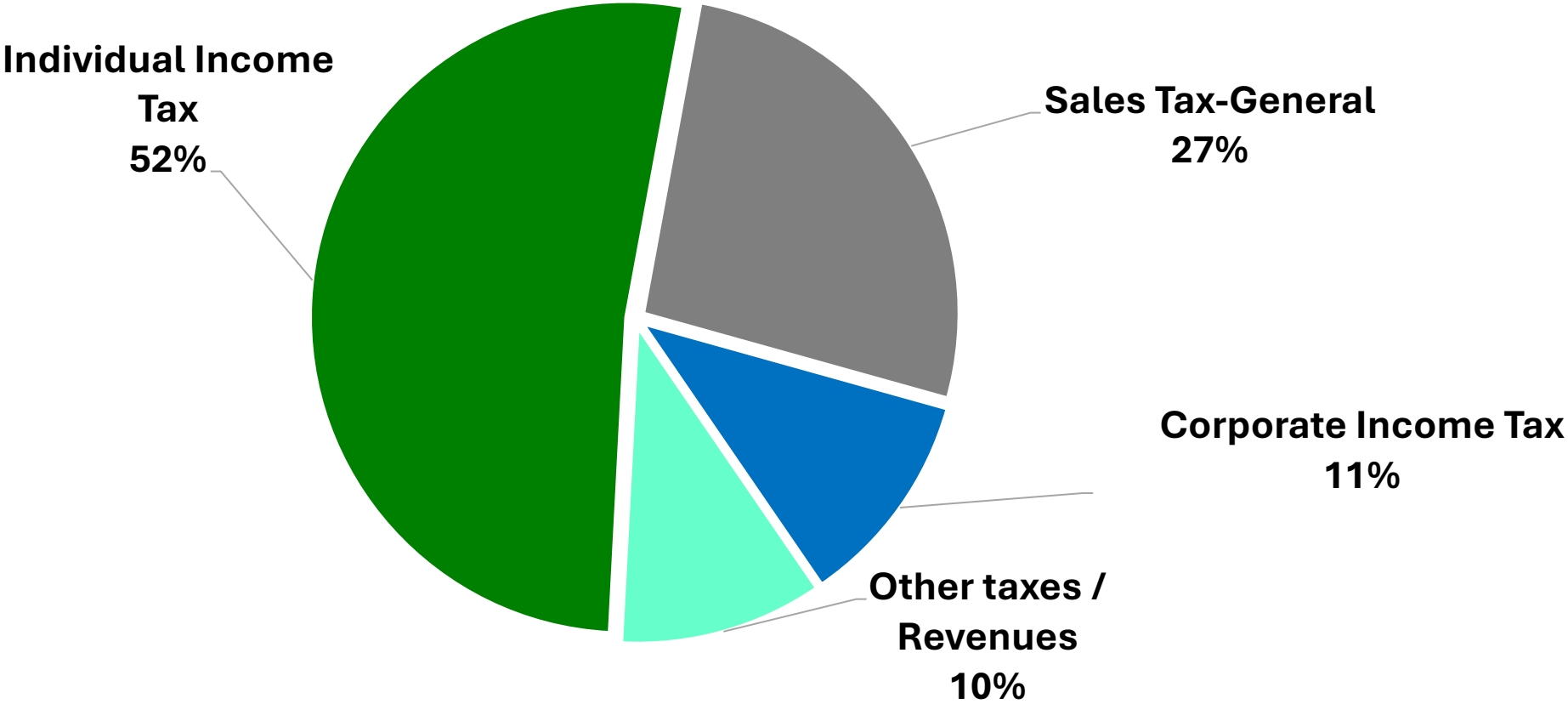
source: MMB, November 2024 Forecast, Price of Government



State Tax Collections – General Fund

State Taxes (General Fund), FY 2024 = \$28.5 Million

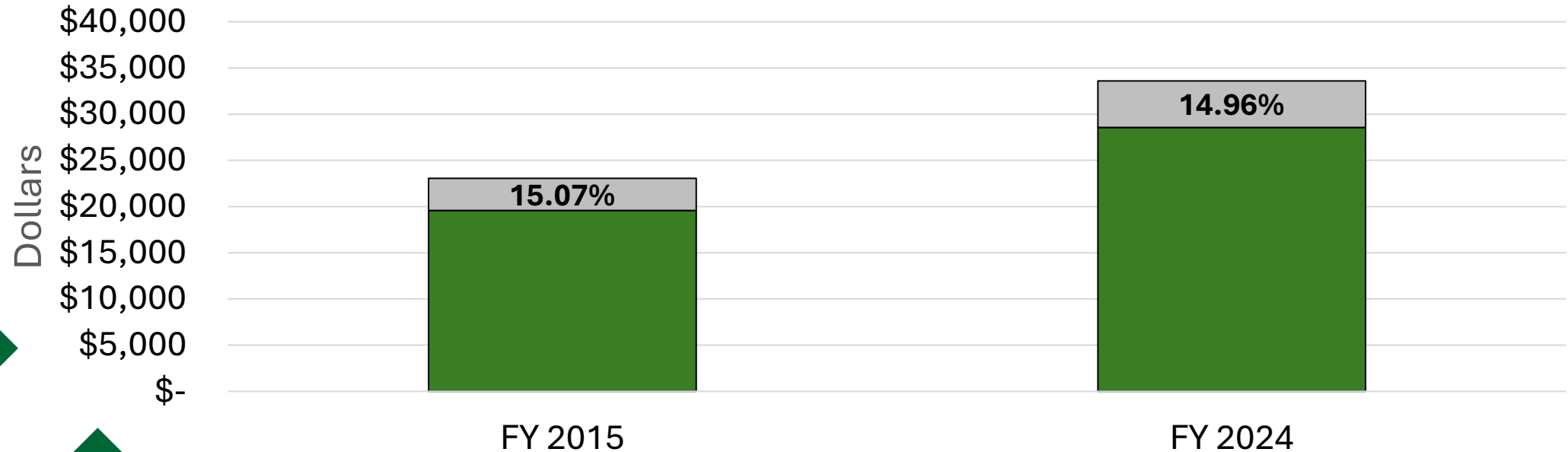
Source: MMB, November 2024 General Fund Balance Analysis



All Funds - General Fund = Dedicated Funds

State Tax Revenue: Dedicated vs. Non Dedicated Tax Collections from FY 2015 to FY 2024

Source: MMB Consolidated Fund Balance, November 2024

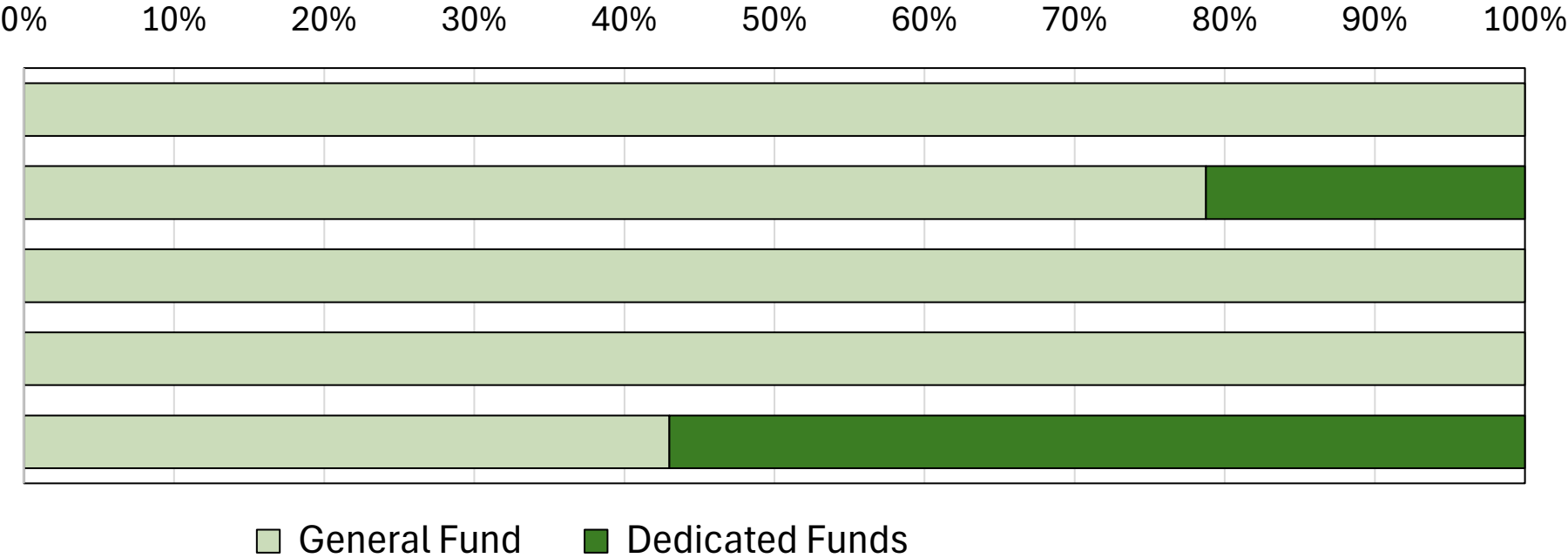


- Total - Dedicated Funds - Restricted Tax Revenue
- Total - Non Restricted Tax Revenue (General Fund)

State Tax Revenue, Fund Distribution

FY 2024: State Tax Revenue - All Funds

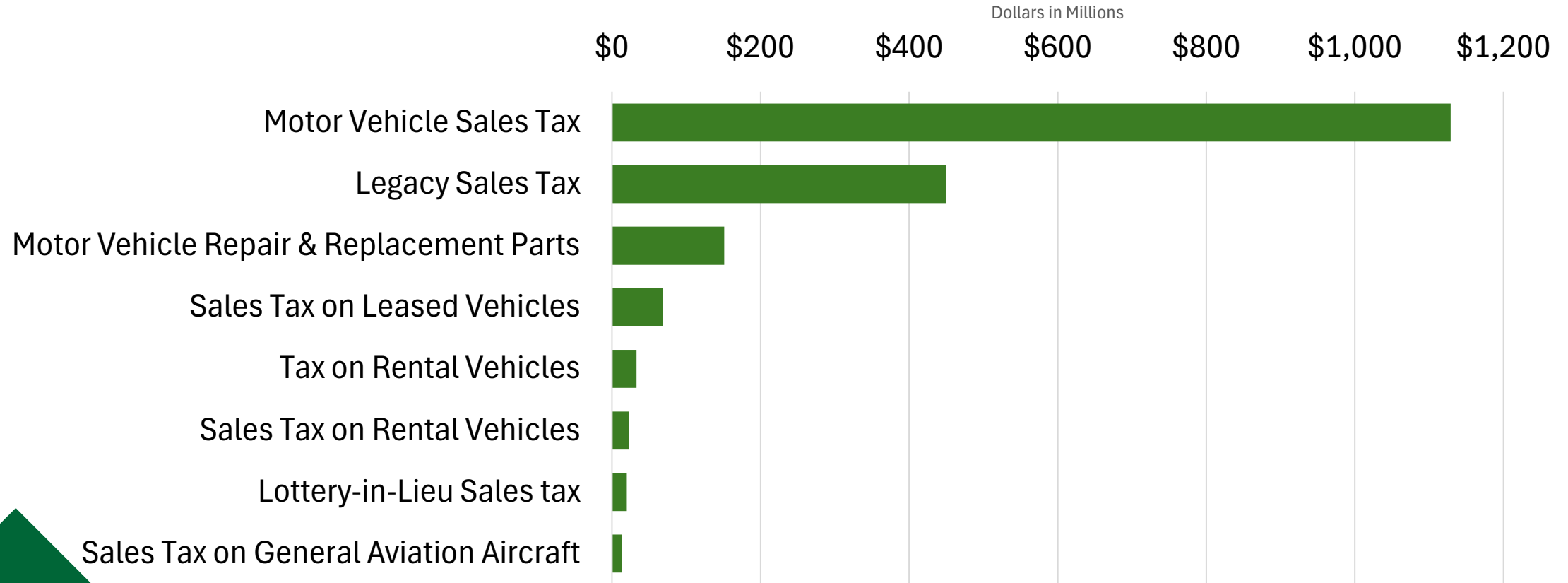
Source: MMB, November 2024 Forecast, Fund Balance Analysis & Price of Government Data



Dedicated Tax Receipts for State Sales Taxes

FY 2024 Total: \$1.9 Billion

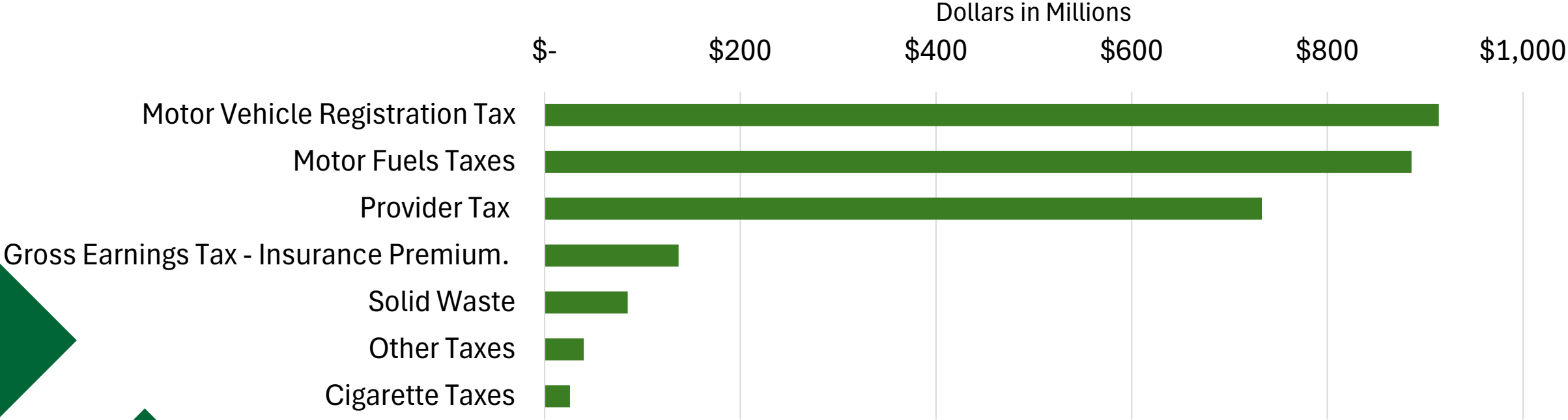
Source: MMB, November 2024 Forecast and Consolidated Fund Balance



Dedicated State Tax Receipts from Other Taxes

FY 2024 Total: \$2.8 Billion

Source: MMB, November 2024 Forecast, Price of Government & Consolidated Fund Balance



Trends in State & Local Tax Collections



Year-over-year changes

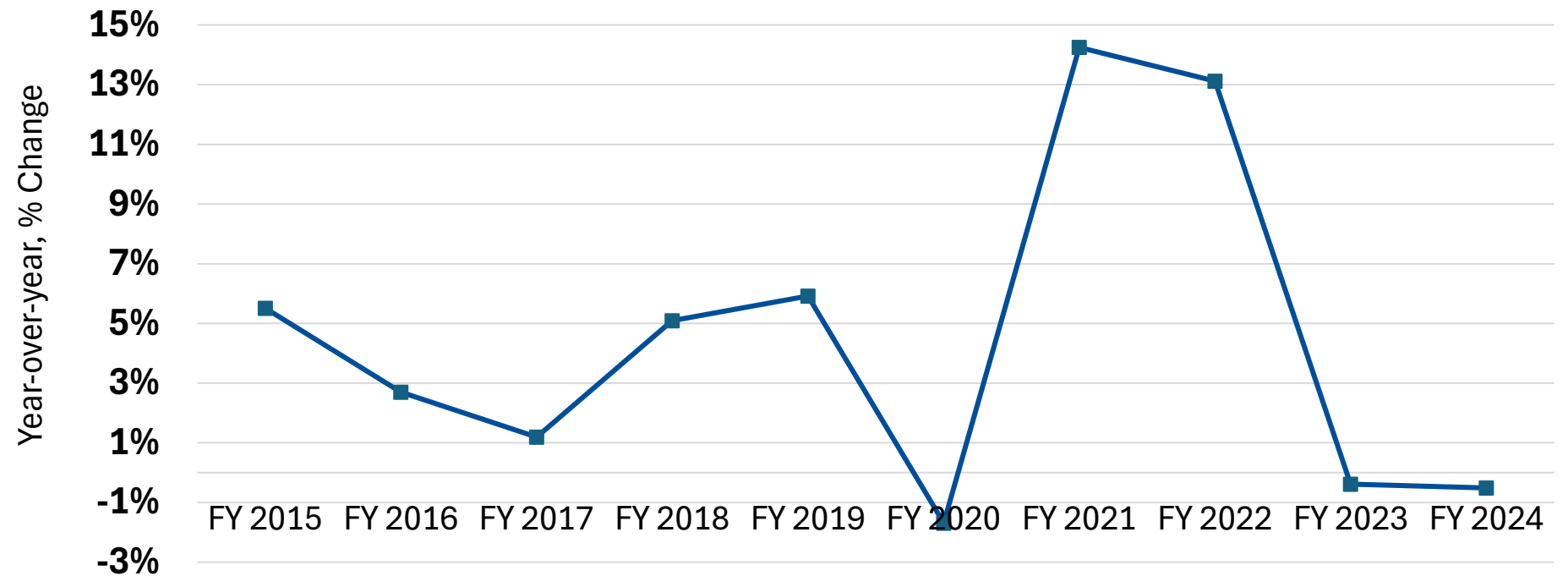
State Taxes Include:

General Fund Taxes

All Other Taxes

State Tax Revenue (All Funds): Actual FY 2015 to FY 2024

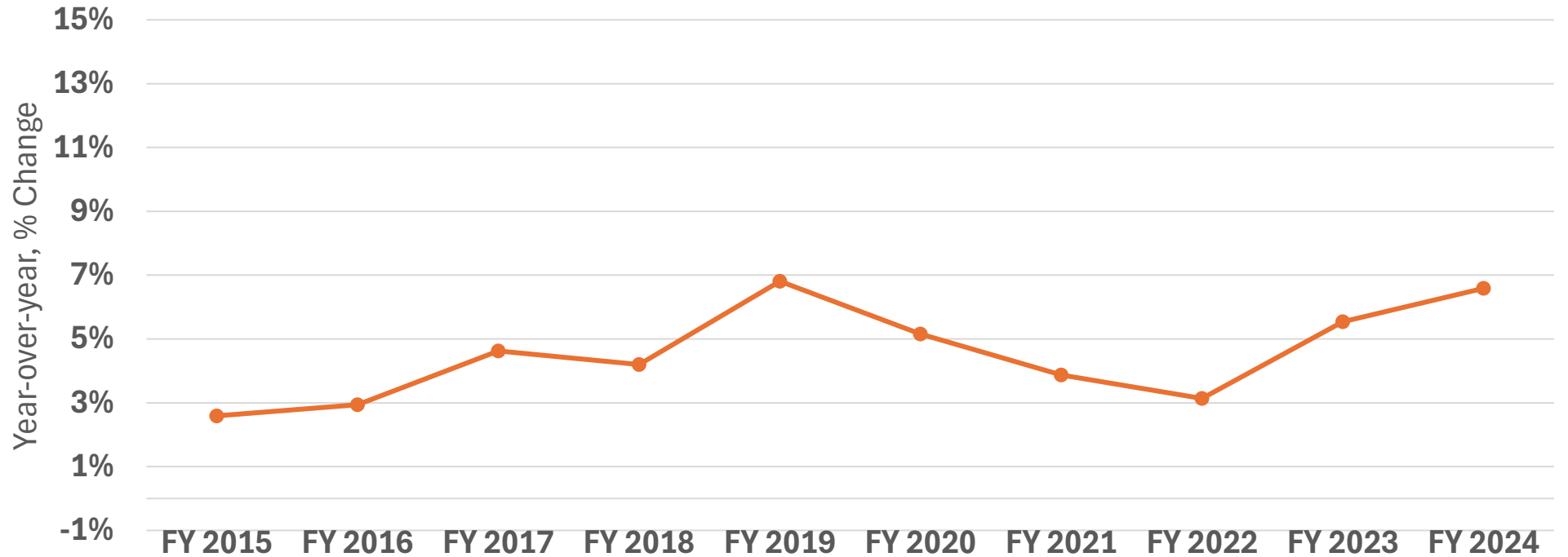
Source: MMB November 2024, Price of Government Data



Year-over-year changes

Local Tax Revenue: Actual FY 2015 to FY 2024

Source: MMB November 2024, Price of Government Data



Local Tax Revenue

Property Tax

Sales Tax

Other Taxes

Year-over-year changes

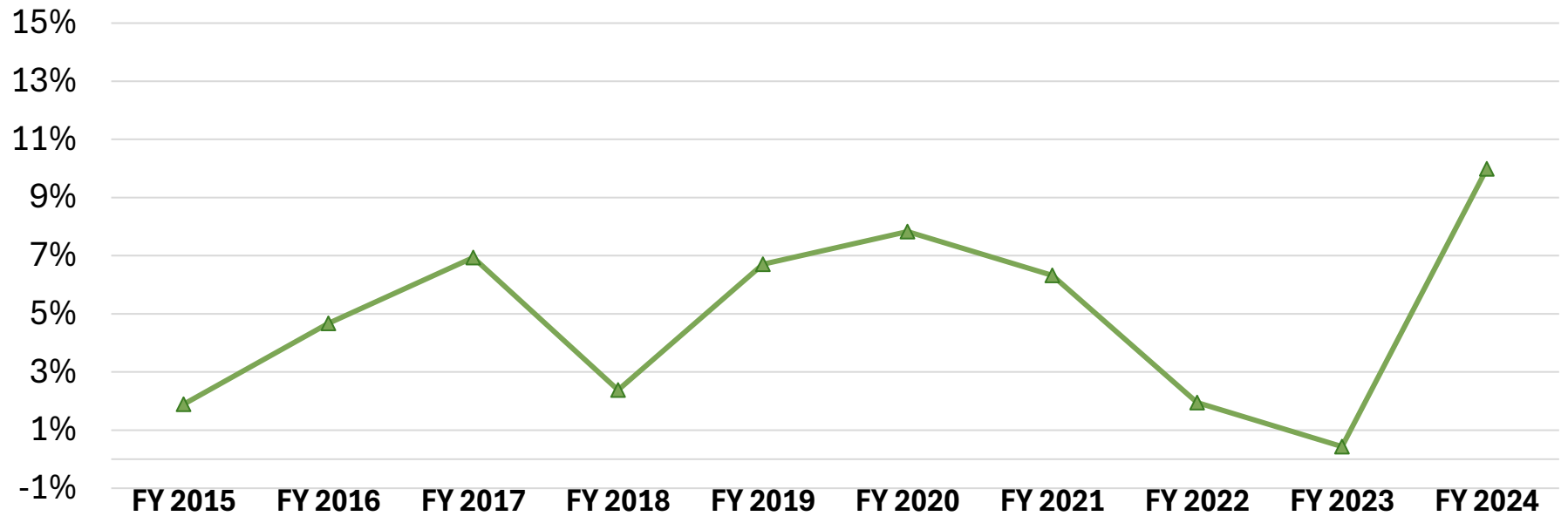
School District Tax Revenue

Property Tax

Taconite Production Tax

School District Taxes: Actual FY 2015 to FY 2024

Source: MMB November 2024, Price of Government Data



Year-over-year changes

Intergovernmental Revenue

Federal Grants

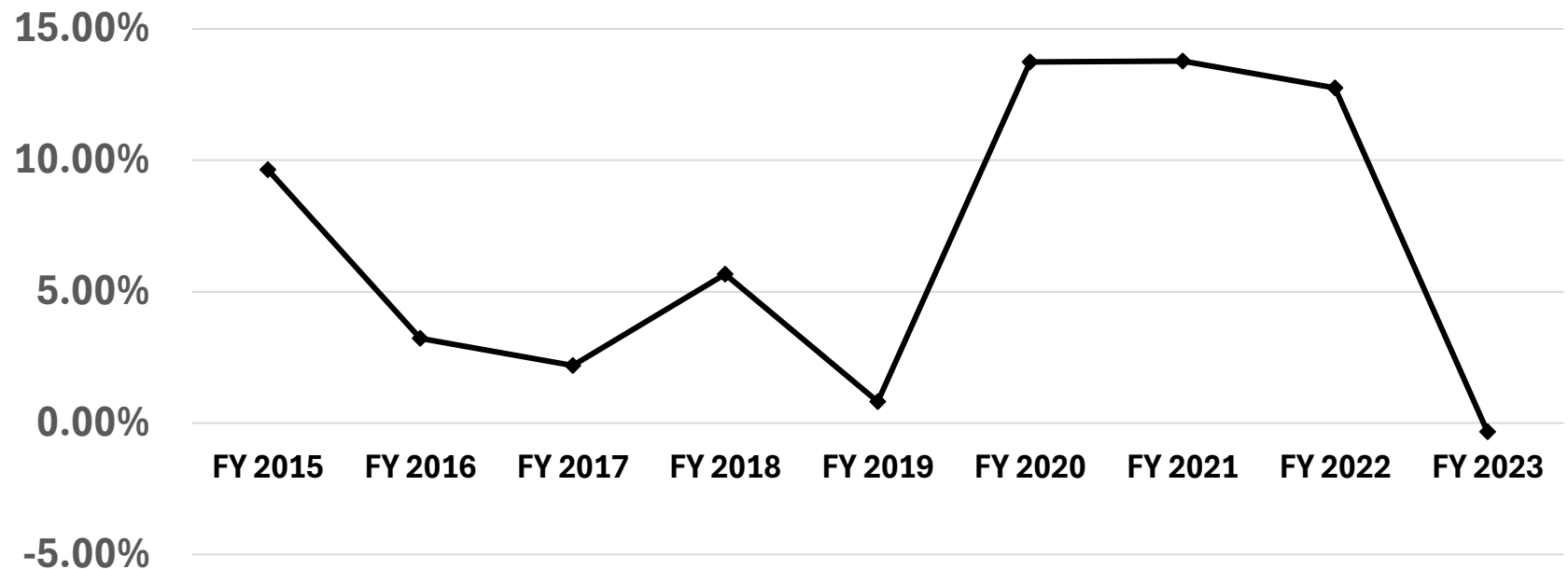
Federal Aid

State Aid

Local Aid

Intergovernmental Tax Revenue: Actual FY 2015 to 2024

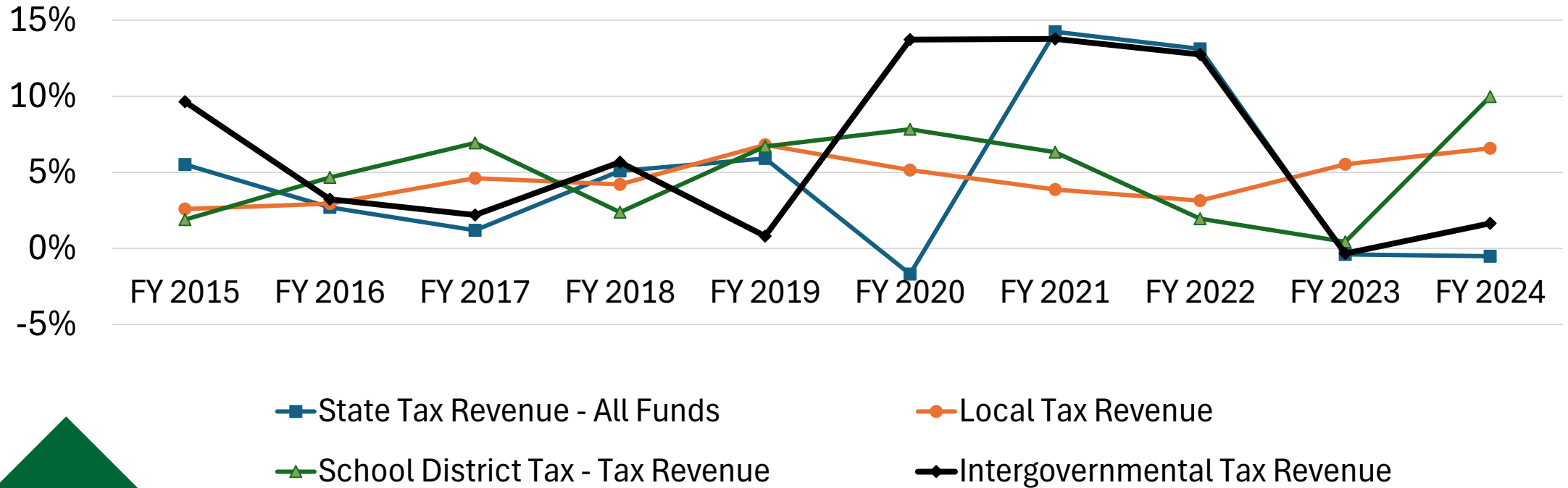
Source: MMB November 2024, Price of Government Data



Year-over-year changes

State Taxes + Local Taxes + School District Taxes + Intergovernmental Revenue: Actual FY 2015 to FY 2024

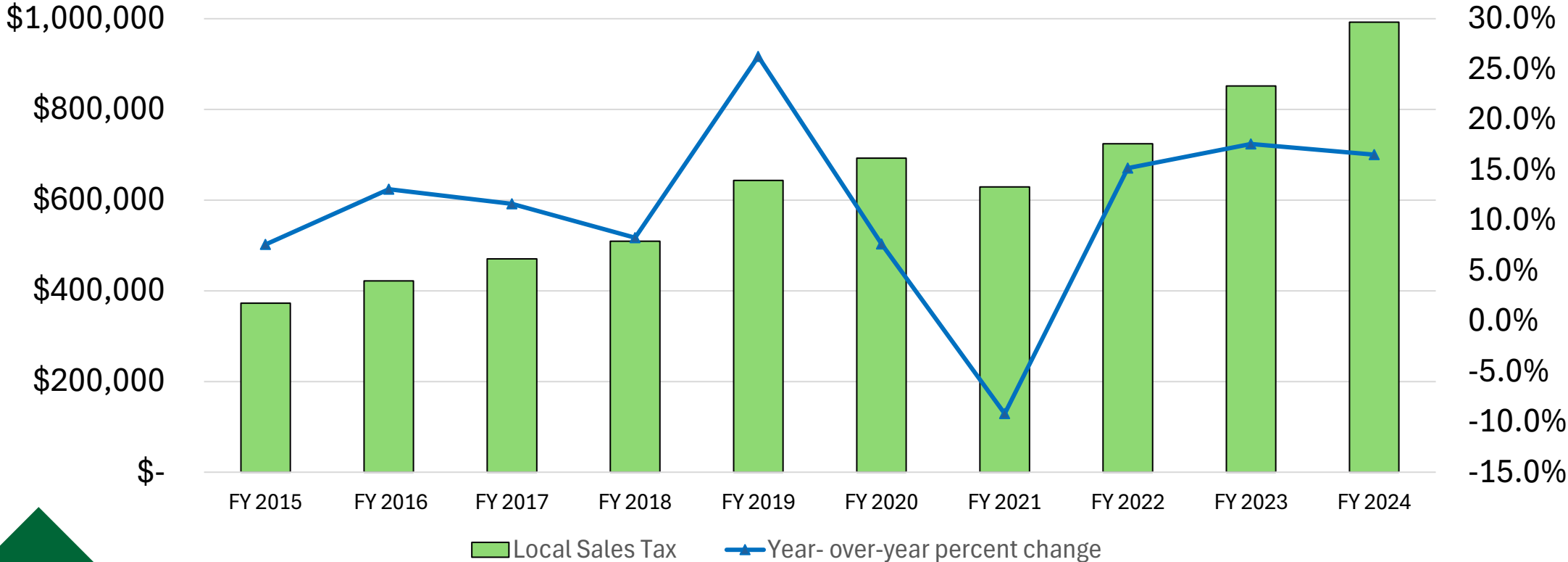
Source: MMB November 2024, Price of Government Data



Trends in Local Sales Tax Collections

Local Sales Tax Collections: Actual FY 2015 to FY 2024

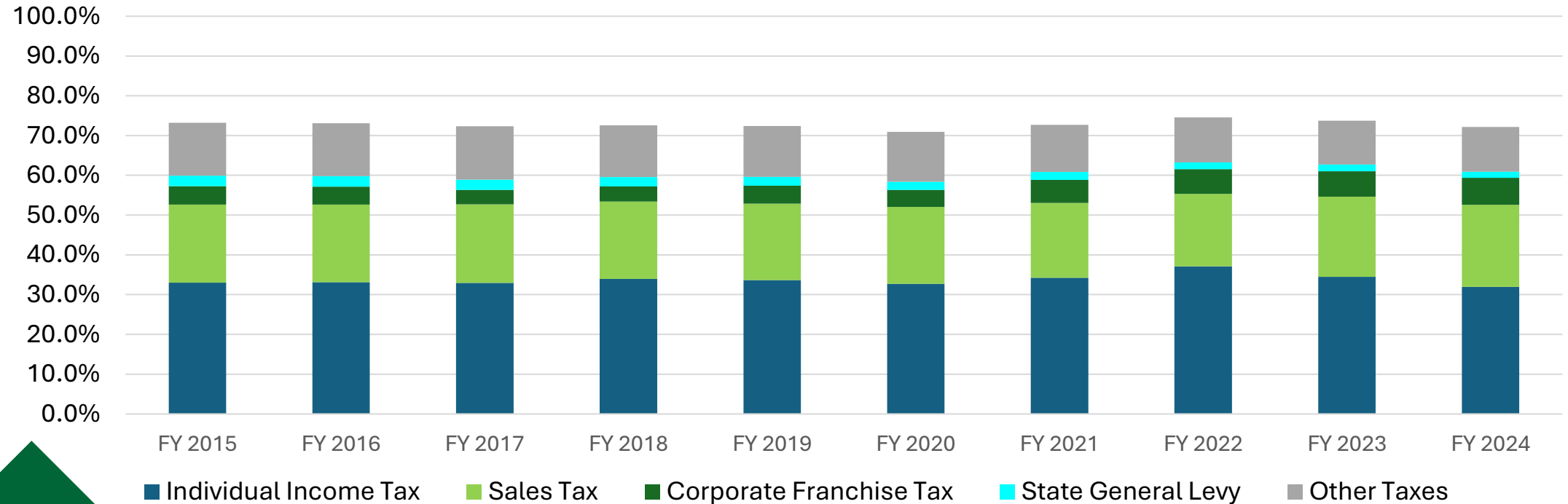
Source: MMB November 2024, Price of Government Data




Year-over-year changes

State Tax Revenue as a Percent of Total State & Local Tax Revenue, Actual FY 2015 to FY 2024

Source: MMB, November 2024 Forecast, Price of Government and
General Fund Balance Data



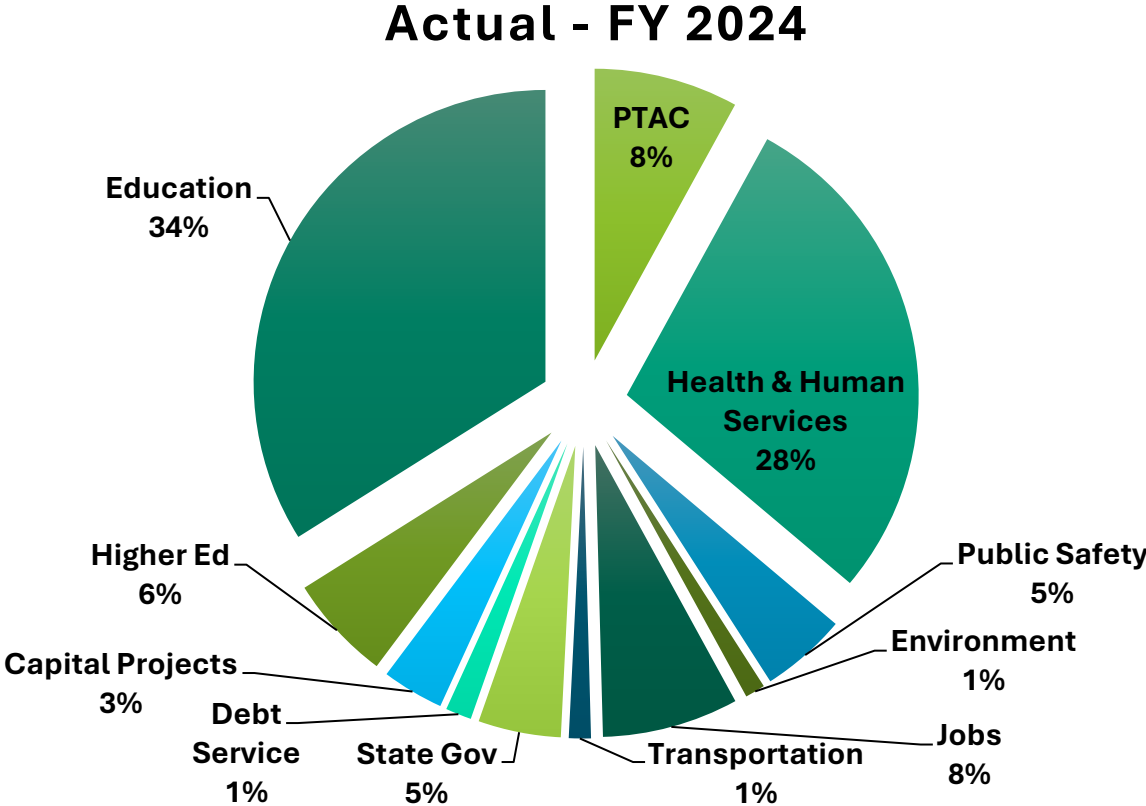


Property Tax, Aids, and Credits

Property Tax, Aids, and Credits (PTAC)

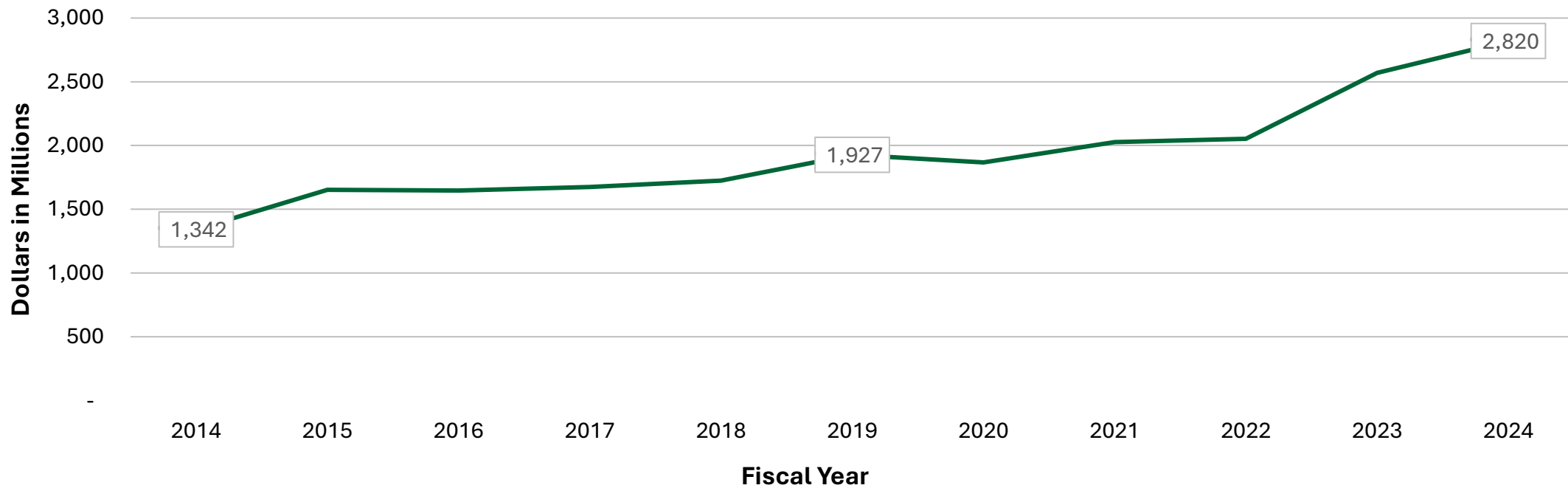
- The “expenditures” side of the tax committee
- PTAC is the third largest spender of general fund dollars, after Education and Health and Human Services.

General Fund Spending – All Categories



Data Source: MMB - November 2024 Forecast

PTAC General Fund Spending Over Time

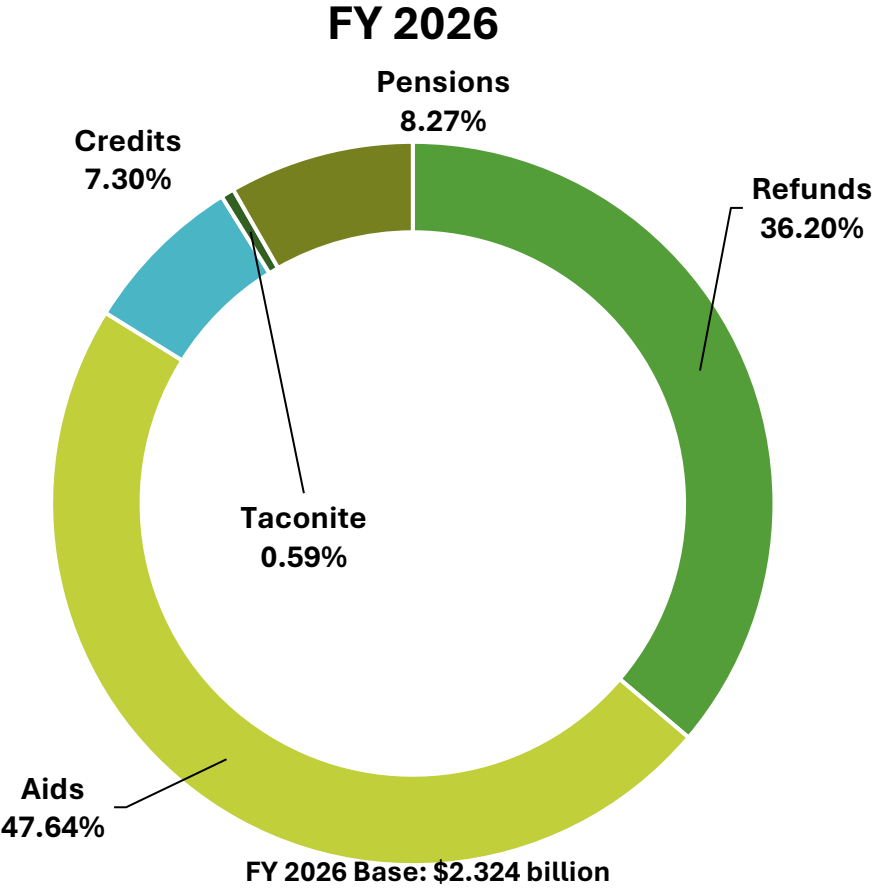
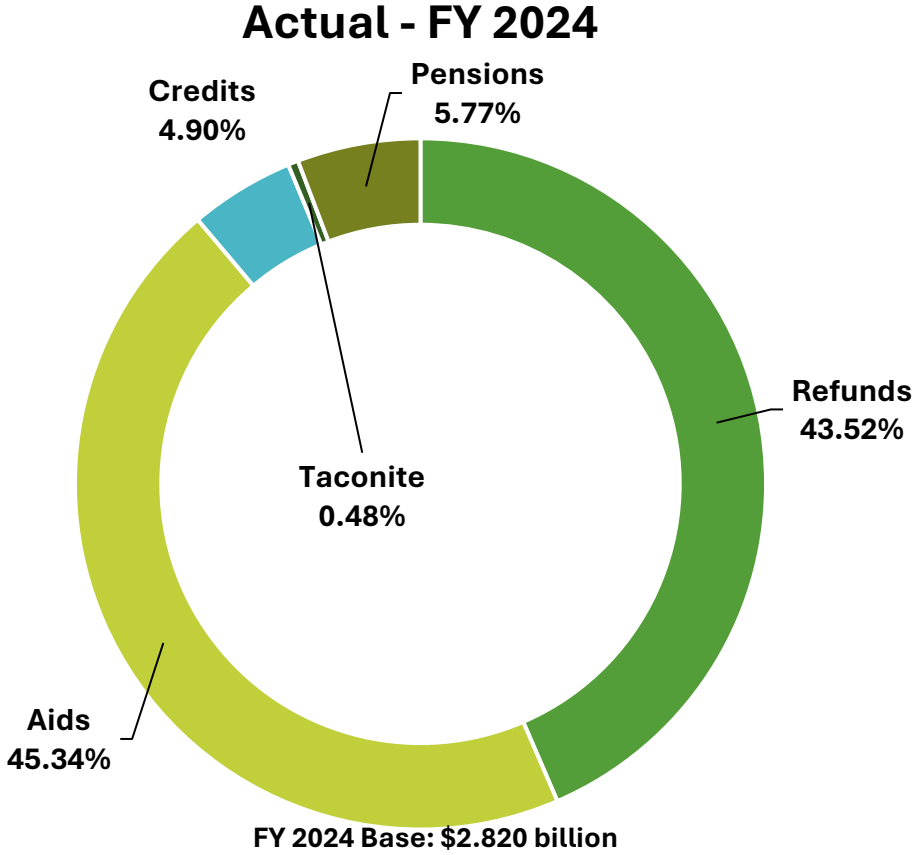


Data Source: MMB - November 2024 General Fund Spending

PTAC Expenditure Categories

- **Property Tax Relief (Credits and Refunds)**
- **Local Aids**
- **Miscellaneous Aids and Credits**

PTAC Expenditures by Category



Data Source: MMB - November 2024 Forecast

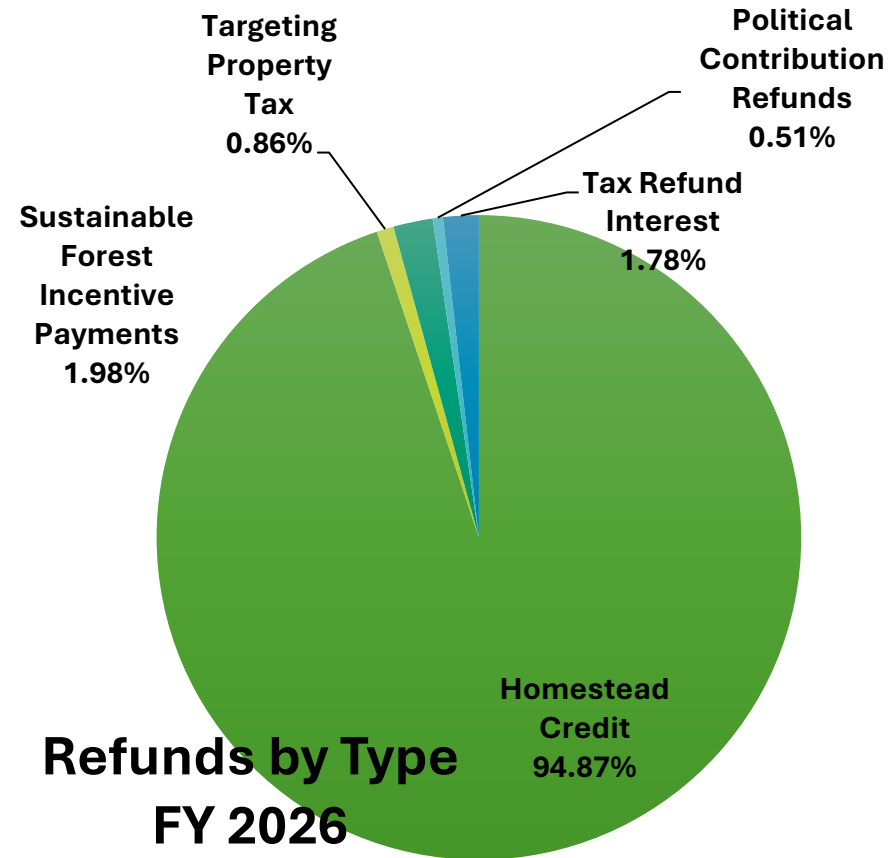
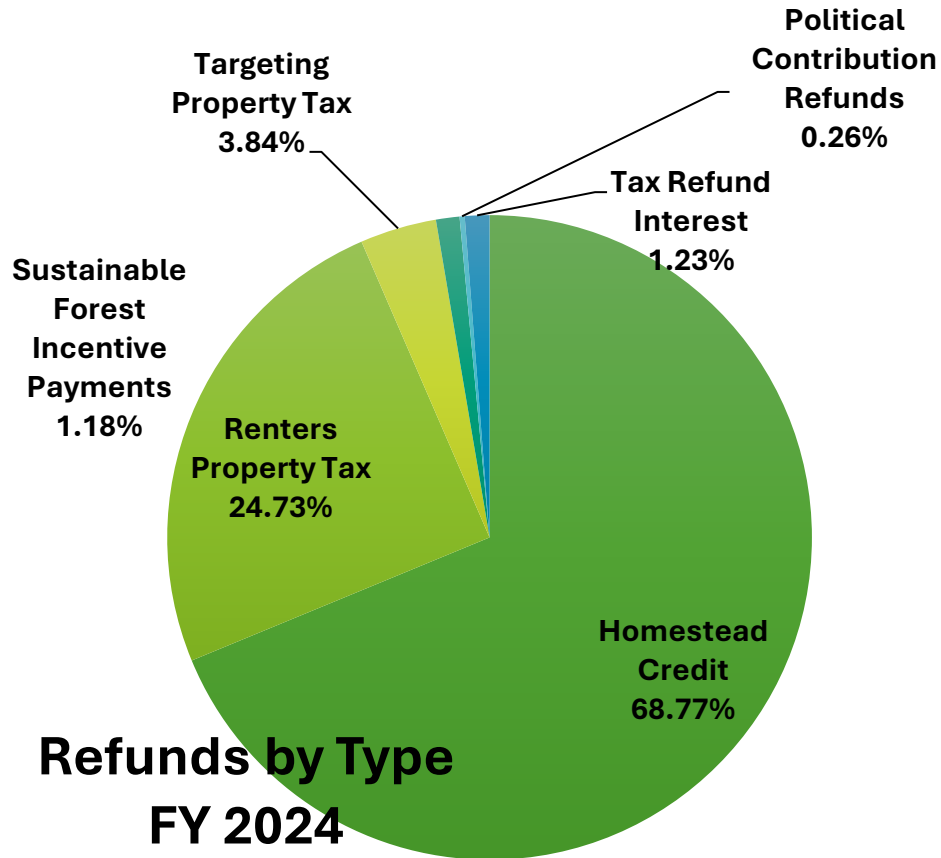


Property Tax Relief

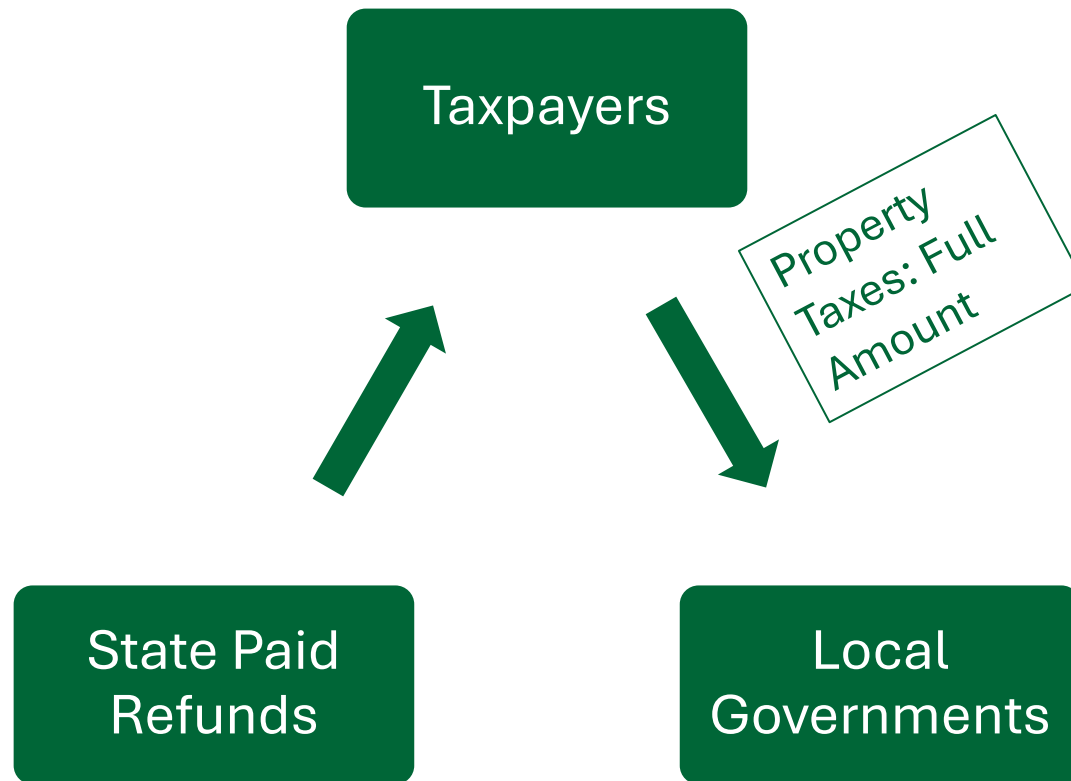
Property Tax Relief: Refunds

- **Several property owners are eligible for refunds, based on different characteristics.**
- **There are multiple refund programs, also those beyond property tax relief.**
 - Homestead Credit Refund
 - Targeting Property Tax Refund
 - Renters Property Tax Refund (no longer a program after FY 2024)
 - Sustainable Forest Incentive Payments
 - Political Contribution Refunds
- **Refunds made up 43.5% of the FY 2024 PTAC base and are projected to make up 36.2% of the FY 2026 base.** This decrease is due to the phase out of the Renters Property Tax Refund.

Refunds by Category



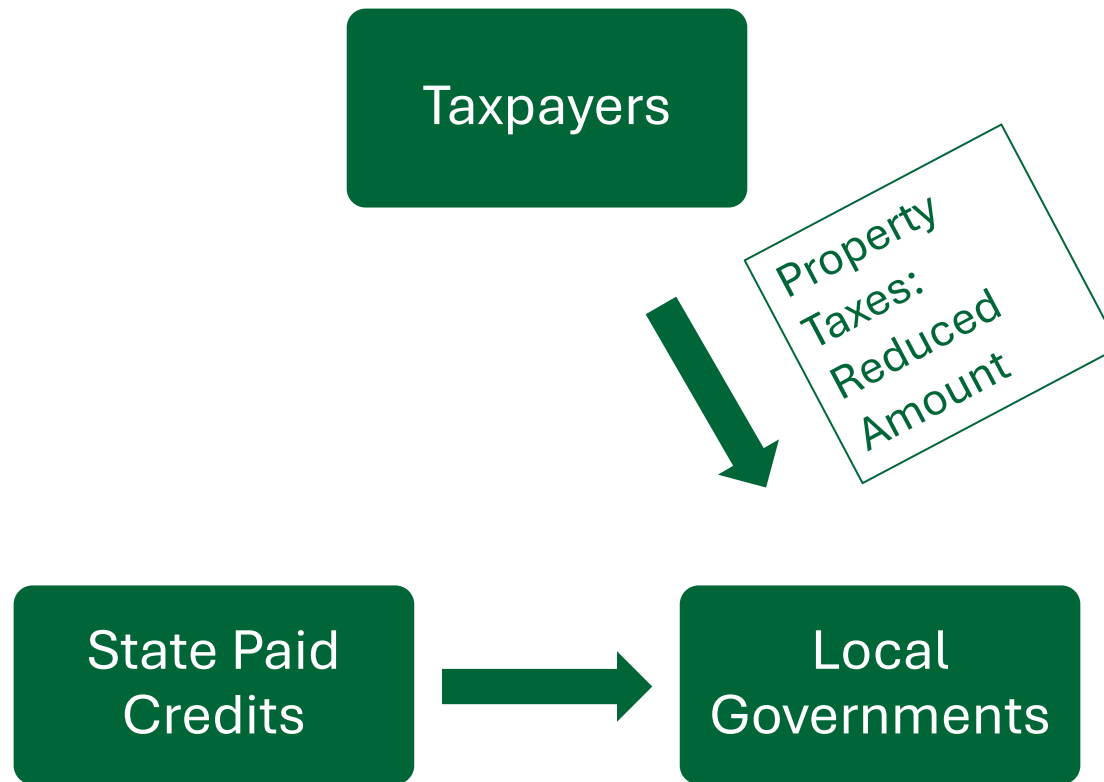
Fiscal Impacts of Policy Options: Refunds



Property Tax Relief: Credits

- **Several property owners are eligible for credits, based on different characteristics.**
- **There are multiple credit programs. A few examples:**
 - Border City Disparity Credit
 - Agriculture Market Value Homestead Credit
 - Agricultural Preservation Credit
 - School Building Bond Agricultural Credit
 - Disaster Credit
- **Credits make up 4.9% of the FY 2024 PTAC base and are projected to make up 7.3% of the FY 2026 base.**

Fiscal Impacts of Policy Options: Credits



Fiscal Impacts of Policy Options: Shifts

- Other policy options (such as exclusions) may have no impact on the general fund.
- However, these options may transfer the burden of property tax payments onto other properties or taxpayers.
 - This especially happens when there are no refunds or credits.
 - These transfers are also known as shifts.
- Shifts can change the tax burden in several ways:
 - Across property tax categories (shifting more of the total levy onto different property classes).
 - To other taxpayers (shifting more of the total levy onto fewer/more property owners).
 - Or both.

Shifts: An Example

Example: Disabled Veterans Market Value Exclusion

- Homestead taxable market value exclusion of up to \$300,000.
 - This is neither a refund nor a credit.
- This exclusion reduces the total property taxes local governments can collect, which shifts the tax burden onto other properties.
- The shift will be felt more strongly in jurisdictions with more qualified properties, as more value is shifted onto fewer properties.
 - In this example, approximately \$44 million from 20,500 parcels was shifted in FY 2024 onto other properties and taxpayers statewide.



Local Government Aids

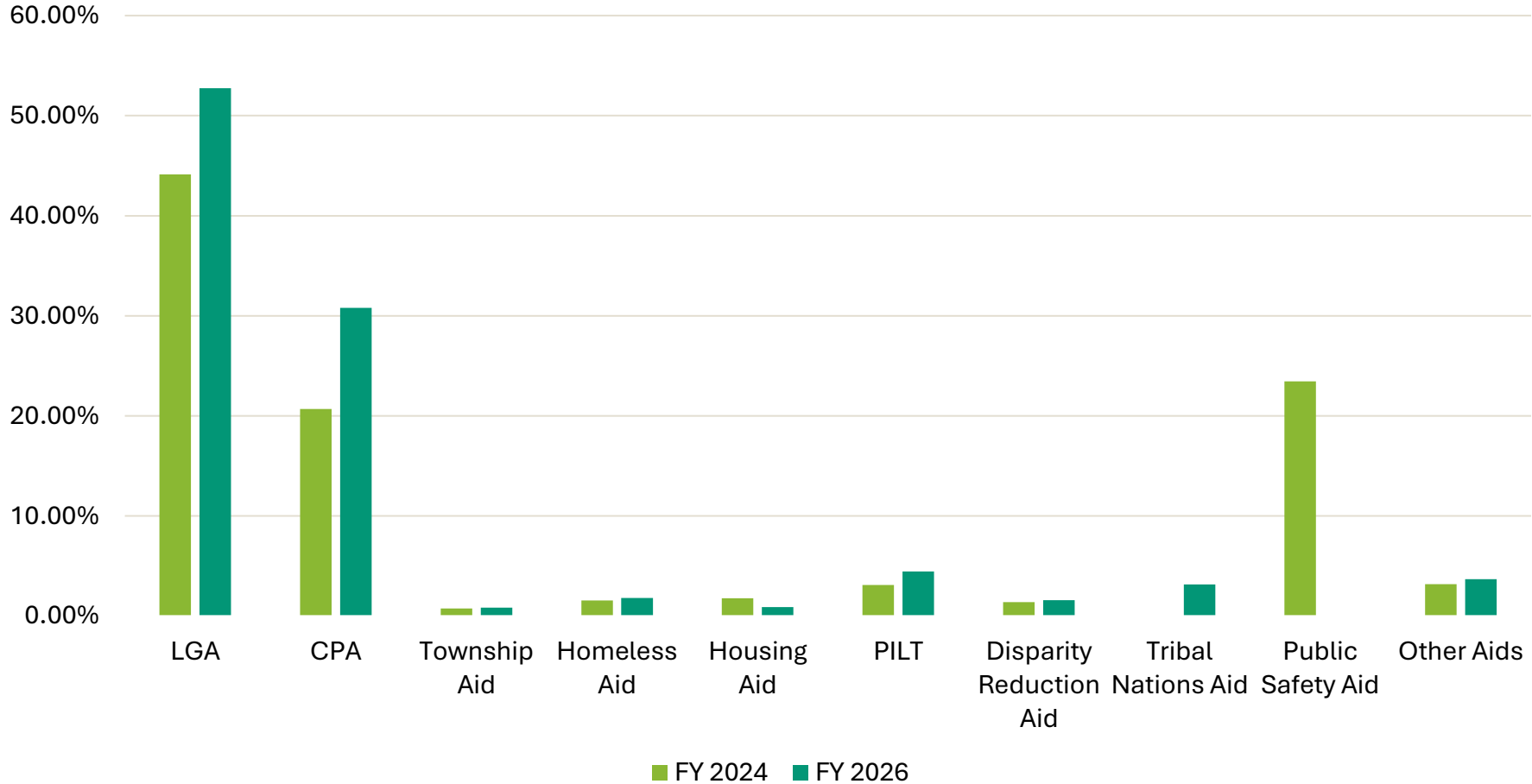
General Fund Aids

PTAC: Local Aids

- **Several programs exist**
- **The longest-standing aids or those which receive the largest amount of annual funding are:**
 - Local Government Aid
 - County Program Aid
 - Township Aid
- **More recent programs have included:**
 - One-time Public Safety Aid (\$300 million in FY 2024)
 - Tribal Nation Aid (\$35 million annual appropriation, starting in FY 2025)

Local Aids make up 45.3% of the FY 2024 PTAC base and are projected to make up 47.6% of the FY 2026 base.

Major Local Aids by Fiscal Year

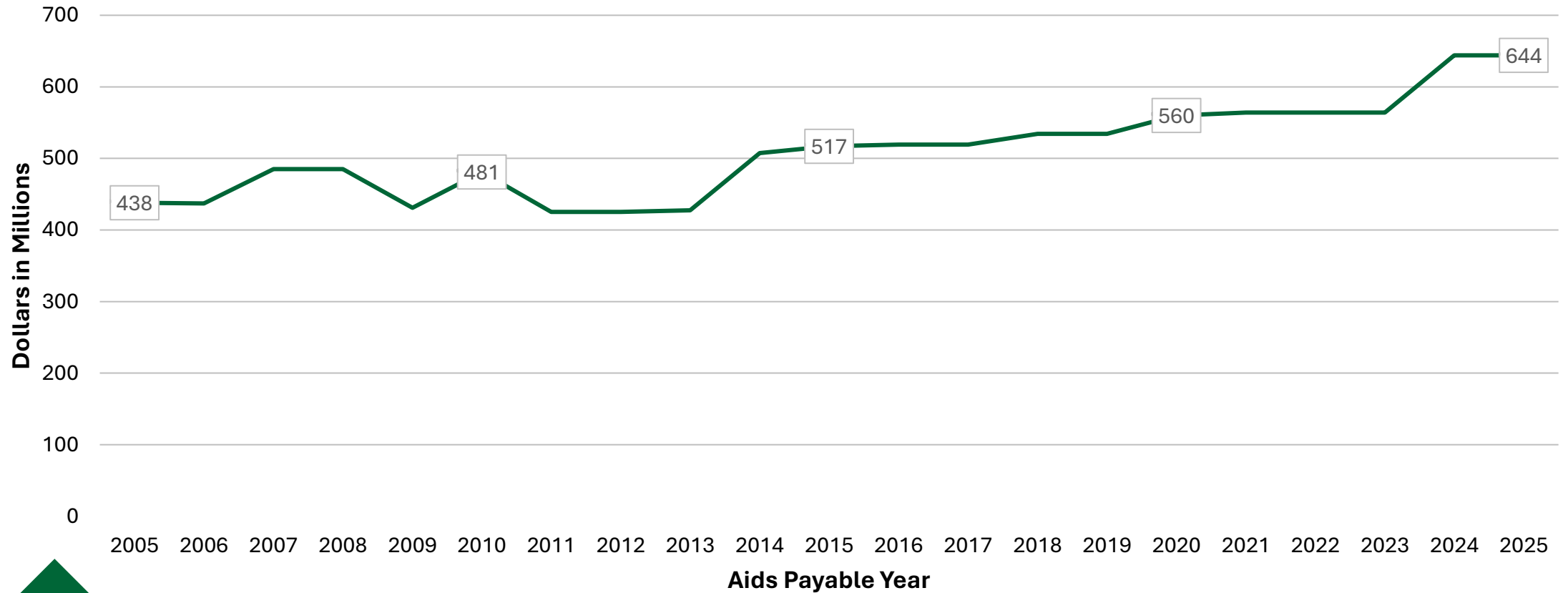


Local Aids by Category

Local Government Aid

- **Local Government Aid totaled \$644.4 million in Aids Payable 2024 (FY 2025). It is distributed to 761 out of the 855 cities across Minnesota using a need-based formula.**
 - For large cities, Minneapolis (\$81.5 million) and St Paul (\$81.6 million) received the highest amounts of aid.
 - For medium cities, Virginia (\$6.2 million) and International Falls (\$4.5 million) received the highest amounts of aid.
 - For small cities, Sandstone (\$1.2 million) and Wells (\$995,728) received the highest amounts of aid.

Local Government Aid – Historic Expenditures

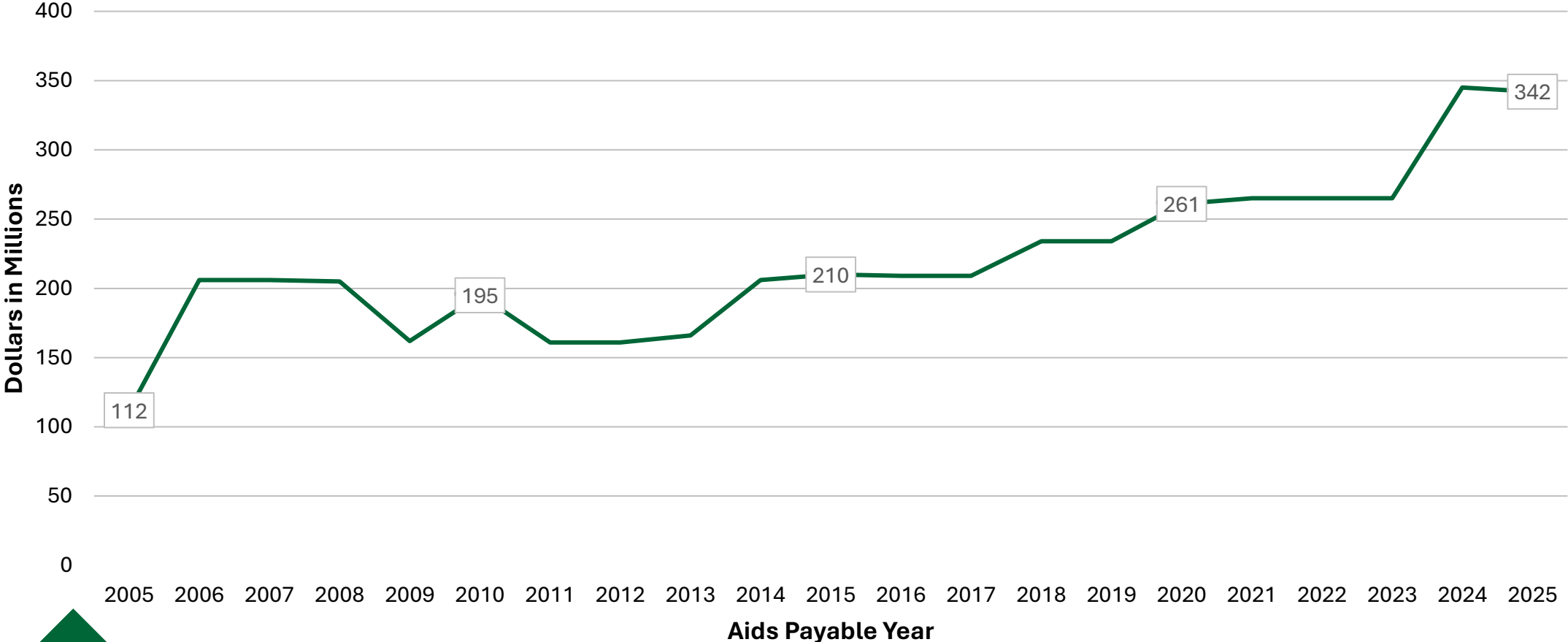


Data Source: DOR – Property Tax Data

County Program Aid

- County Program Aid totaled **\$344.15 million** in Aids Payable 2024 (FY 2025). It is distributed to all counties in Minnesota using a need-based formula.
- Counties receive payments ranging from \$98,932 (Lake of the Woods) to \$38.9 million (Hennepin).

County Program Aid – Historic Expenditures



Data Source: DOR – Property Tax Data

Township Aid

- Township aid has been relatively stable at around \$10 million annually, since it was enacted in 2013.
- Township aid totaled **\$9.29 million** in Aids Payable 2024 (FY 2025). All 1,778 towns in Minnesota receive this aid.
- Aid payments range from \$45 to Rhineheart Township in Polk County to \$18,467 to Prior Township in Big Stone County.

Local Homeless Prevention Aid

- **Annual appropriation of \$20 million**
 - \$17.6 million to counties
 - \$2.4 million to Tribes
- This aid is to be used for the funding of new or existing family homeless prevention and assistance projects or programs.

Statewide Local Housing Aid

- Annual appropriation of \$10 million
- **For FY 2024 and FY 2025, the annual appropriation is increased to \$22.5 million**
 - \$15.3 million to all counties, with \$2.25 million of the total transferred to Minnesota Housing Finance Agency
 - \$4.5 million to 37 cities not located in a metropolitan county and with a population over 10,000
 - \$2.7 million to Tribes
- This aid is designed to help local governments develop and preserve affordable housing and to help those experiencing homelessness find housing.



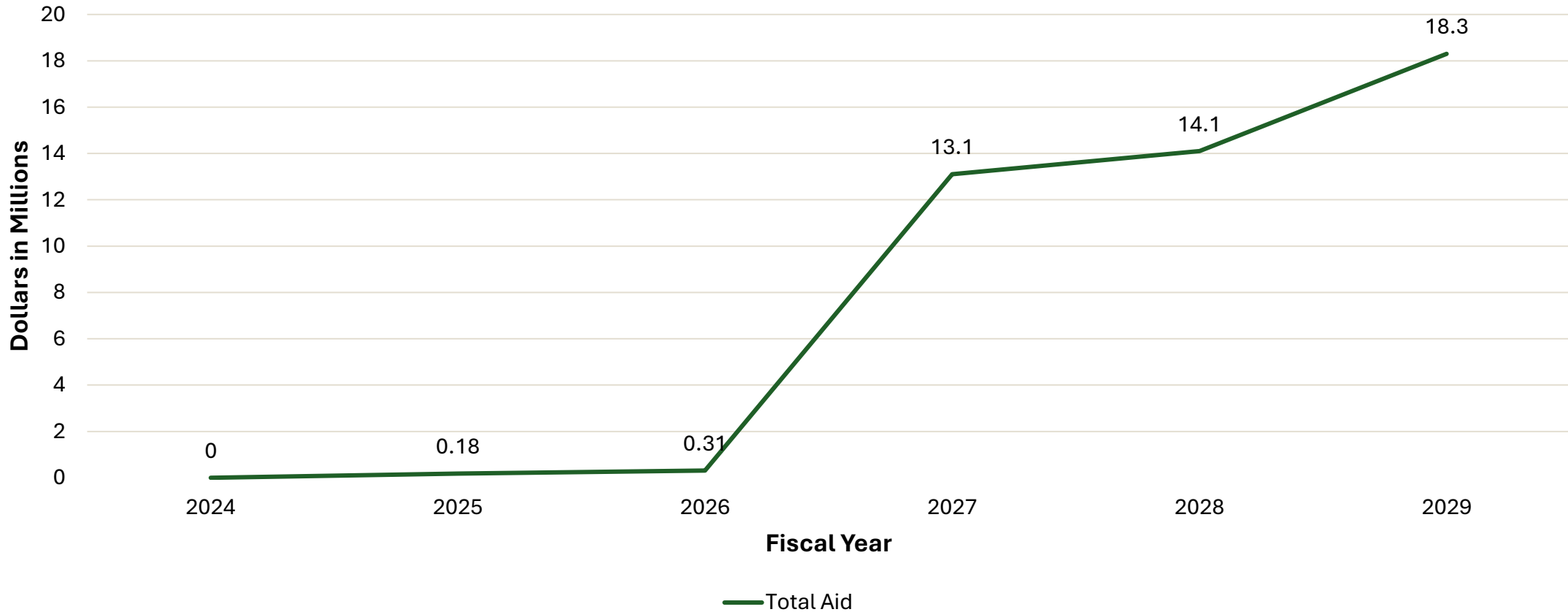
Local Government Aids

Non-General Fund Aids

Local Government Cannabis Aid

- This aid is funded through a 10 percent gross receipts tax on retail sales of cannabis products.
- 20 percent of the total Cannabis Tax revenue is deposited into the Local Government Cannabis Aid account for distribution to counties (50%) and cities (50%).
- This aid is available to cities with licensed cannabis businesses and all Minnesota counties.
- This aid can be used for any purpose at the discretion of local governments.

Projected Local Government Cannabis Aid Payments

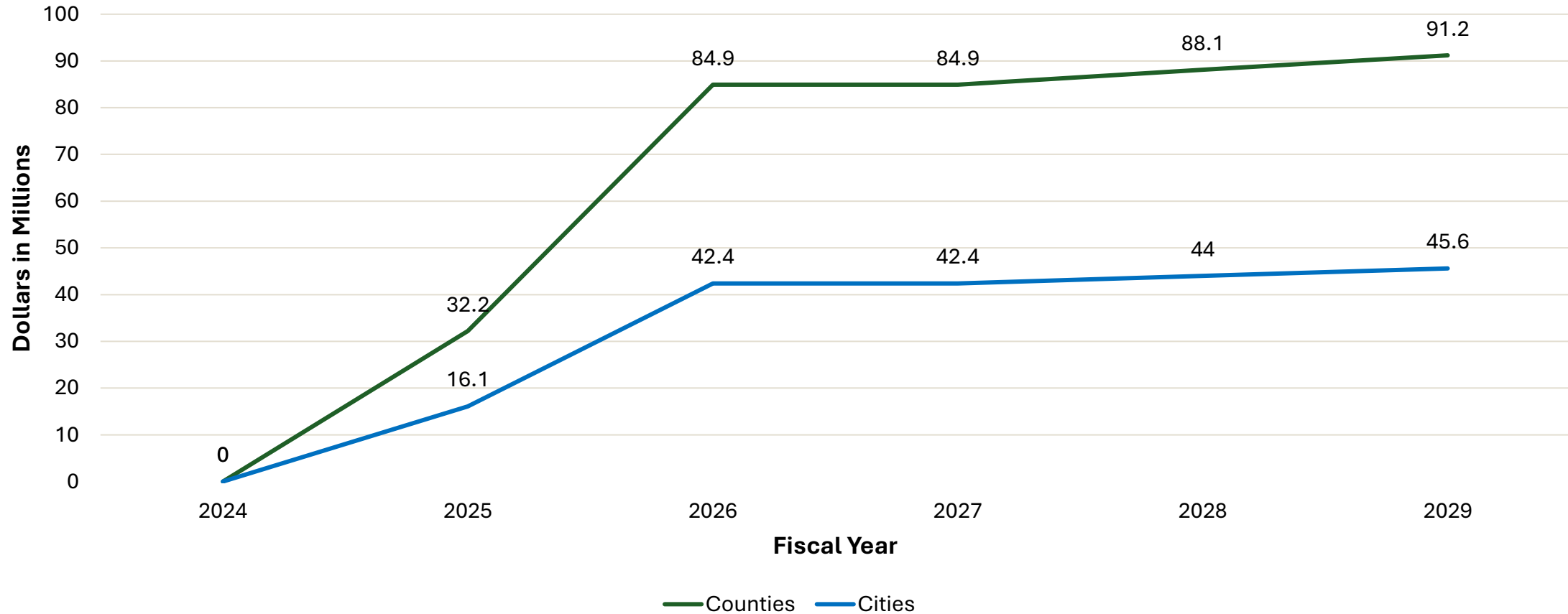


Data Source: MMB – November 2024 Forecast

Local Affordable Housing Aid

- This aid is funded by a 0.25 percent metro sales tax.
- Proceeds from this tax are distributed:
 - 25% to metro city aid account
 - 50% to metro county aid account
 - 25% to MHFA in the state rent assistance account
- The metro counties and cities with population over 10,000 are eligible to receive aid from the metro city and county accounts.
- This aid is designed to help local metro governments develop and preserve affordable housing and to help those experiencing homelessness find housing.

Projected Local Affordable Housing Aid Payments



Data Source: MMB – November 2024 Forecast



PTAC and Revenue

Revenue-Generating PTAC Categories

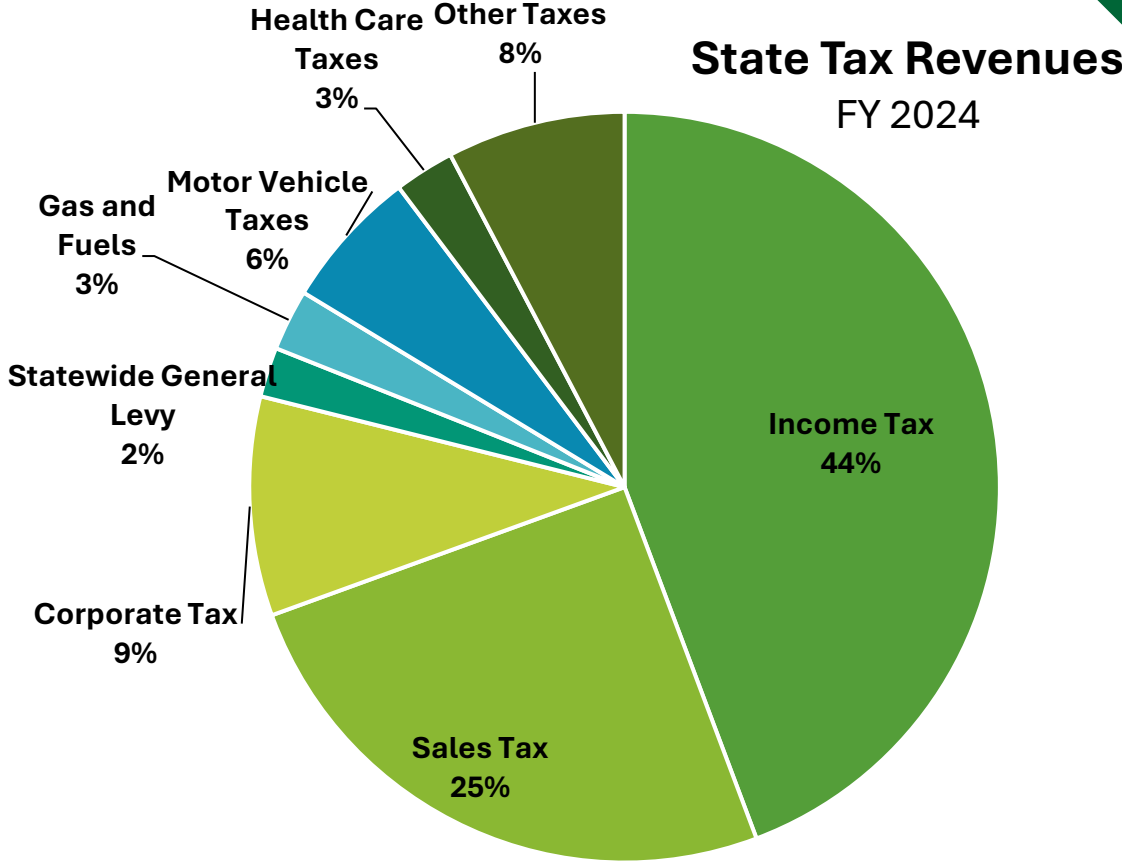
- **State General Levy (Commercial-Industrial Property Taxes)**
 - Generates state (general fund) revenue
- **Local Sales Taxes**
 - Generates local revenue, no state impact
- **Tax Increment Finance (TIF)**
 - Generates local revenue, no state impact
- **Minerals Taxes**
 - Generates state revenue, distributed to non-general fund accounts

State General Levy

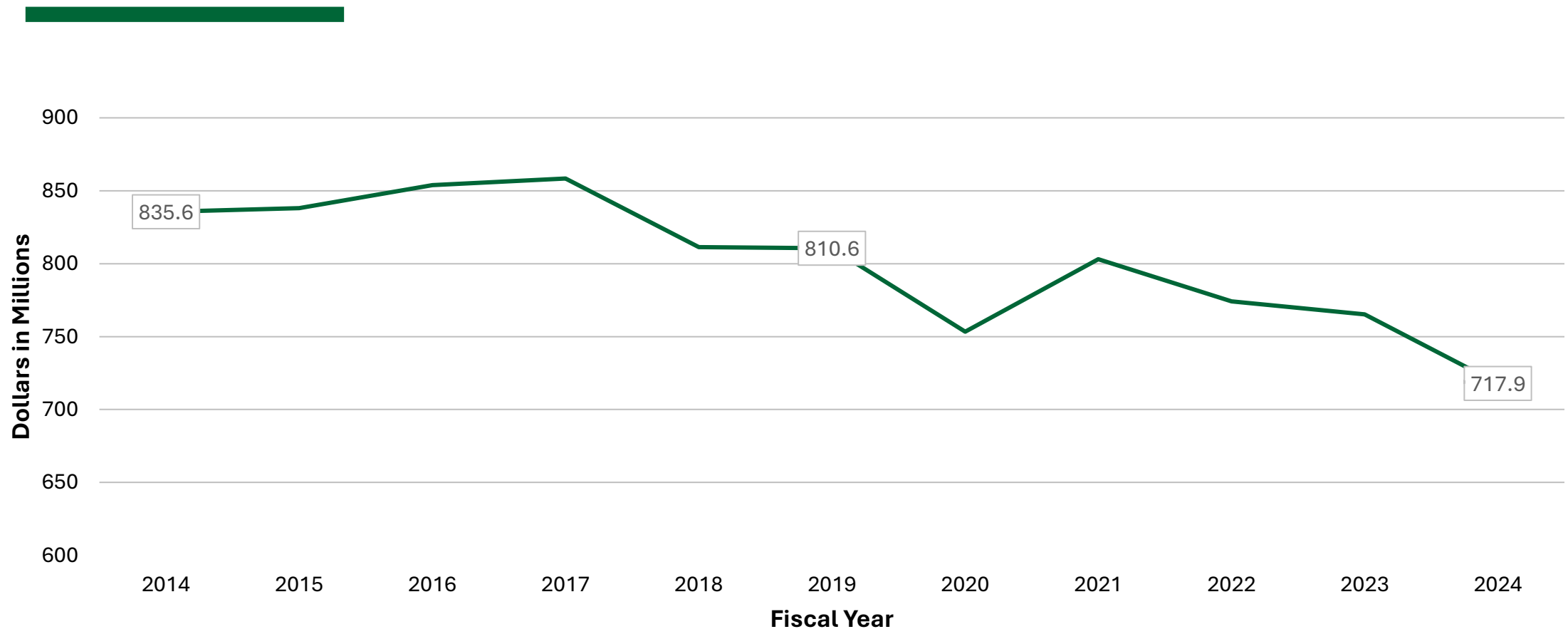
Commercial-Industrial
Property Taxes

Generated \$717.9
million in revenue in
FY 2024.

This is 2.14% of the total
general fund revenues.



State General Levy: Historic Data



Data Source: MMB – November 2024 Price of Government



Thank you!

Cynthia Templin - Tax Revenue

Cynthia.Templin@house.mn.gov

Katrina Heimark – Property Tax, Aids, and Credits

Katrina.Heimark@house.mn.gov