

Overview of Tax Aids and Credits Budget FYs 2010-2011

Presentation to the House Property Tax and
Local Sales Tax Division
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Tax Aids & Credits Budget Overview

Purpose:

To become familiar with Tax Aids and Credits spending

- Within the overall budget context
- On the Tax Aids and Credits spreadsheet
- Using the Catalog of Budget Activities

Today's focus will be on FYs 2010-2011

Overall Budget Background

- The November 2008 Forecast projects a \$4.85 billion General Fund Deficit for FY 2010-11
 - This deficit is 13.2% of the projected \$36.7 billion in General Fund spending.

Statewide General Fund

Recap of November 2008 Forecast

	FY 2010-11
State General Fund	<u>(\$ in Millions)</u>
Beginning Balance	\$ 0
Revenues	31,866
Spending	<u>(36,713)</u>
State GF Budget Shortfall	(\$ 4,847)

Overall Budget Background

House Committee on Taxes & Property Tax Division

The House Committee on Taxes has the dual responsibility of overseeing state revenues and certain state appropriations from the general fund that support state aids and credits.

The Property Tax and Local Sales Tax Division will review the Tax Aids and Credits budget and make recommendations to the overall Tax Committee.

Most spending on Tax Aids and Credits seeks to mitigate the impact of local property taxes.

Overall Budget Background

What portion of spending is the Tax Aids and Credits budget?

Projected FY 2010-11 spending for Tax Aids &
Credits totals **\$3.42 billion**

or about 9.4% of the \$36.7 billion General Fund
budget

**General Fund Spending
November 2008 Forecast
Conversion to House Committee Structure**

	Nov-08	% of Total
	<u>FY 2010-11</u>	<u>FY 2010-11</u>
Education	13,720,697	38.0%
Early Childhood Learning	418,358	1.2%
Higher Education & Workforce Dev	3,280,498	9.1%
Taxes	3,418,955	9.4%
Health Care & Human Services	10,520,170	29.1%
Housing & Public Health	269,026	0.7%
Environment & Natural Resources	303,446	0.8%
Agriculture & Veterans	220,168	0.6%
Energy	54,546	0.2%
Minnesota Heritage	117,752	0.3%
Transportation	211,650	0.6%
Public Safety	1,884,868	5.2%
State Government	655,449	1.8%
Debt Service	1,021,935	2.8%
Dedicated Expenditures/Other	82,826	0.2%
Cancellations	<u>-20,000</u>	<u>-0.1%</u>
Total Expenditures & Transfers	36,713,344	100.0%

Tax Aids & Credits

Spreadsheet Detail

- Currently, thirty-one budget activities are reflected on the expenditures portion of the House Tax Aids and Credits spreadsheet. These programs are administered in whole or in part by the Department of Revenue.
- Categories of expenditure are Tax Refunds, Local Aids, Property Tax Credits, Pension Aids and Other Appropriations.

Tax Aids & Credits

Categories of Expenditure

- ***Property tax refunds*** are direct payments from the state to certain homeowners and renters to offset their property tax liabilities.
- ***Property tax aids*** are state payments to local taxing jurisdictions intended to replace property tax levy income.
- ***Property tax credits*** reduce property tax liabilities for individual taxpayers; local taxing jurisdictions receive state payment for these credits.

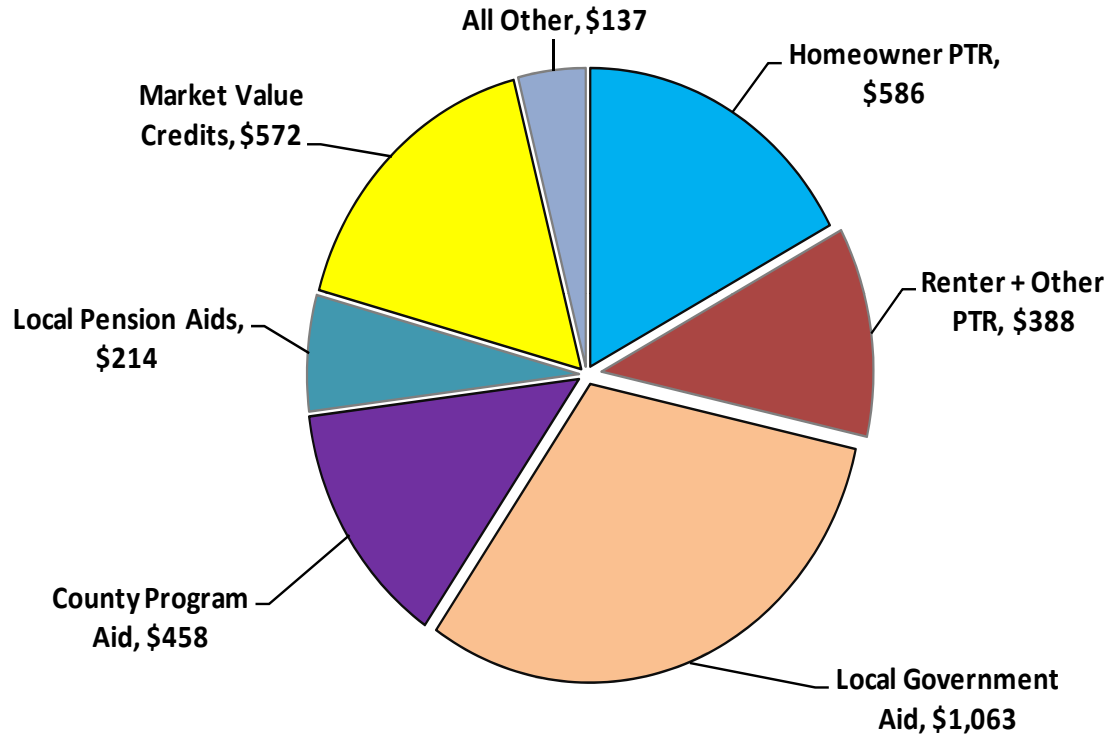
In all cases, whether using a tax refund, a tax aid or a tax credit, the effect is that property taxpayers pay less than what the taxes would be otherwise, and the state makes up the difference.

- ***Other expenditures*** are direct appropriations with a tax-related purpose, usually to a state agency or local government, and usually administrative in nature.

Tax Aids & Credits FYs 2010-11

Base: \$3.42 Billion
(All Numbers in Millions)

November 2008
Forecast



<i>Property tax aids represent</i>	<i>50.8%</i>
<i>Property tax credits represent</i>	<i>16.7%</i>
<i>Property tax refunds (PTR) represent</i>	<i>28.5%</i>
<i>All Other represent</i>	<i>4.0%</i>
<i>Total</i>	<i>100.0%</i>

Tax Aids & Credits

Spreadsheet Detail – List of Accounts

Refunds

Homeowners Property Tax Refund
Renters Property Tax Refund
Targeting Refund
Sustainable Forest Land Credits
Political Contribution Refund
Tax Refund Interest

Taconite Tax Relief

Aids & Credits

Taconite Reimbursement
Supplemental Homestead Aid
Taconite Replacement Aid (TRFA)

Property Tax Credits

Market Value Homestead Credit
Agricultural Market Value Credit
Border City Disparity Credit
Disaster Credit
Wetlands Reimbursement Credit
Senior Deferral Reimbursement
*Minnesota Conservation Credit (SR)
Bovine TB Property Tax Credit

Local Aids

Local Government Aid (LGA)
County Program Aid
County Transition Aid
Utility Transition Aid
Public Defender Cost
Local Impact Notes
Disparity Reduction Aid
Tribal Casino Aid

Local Pension Aids

Aid to Police & Fire
Police/Fire Add'l Amortization
Redistributed Amortization Aid
Police/Fire Suppl'tl Amortization
Firefighters Relief Reimbursements
Public Employees Retirement Assoc.

Other Tax Expenditures

Payment-in-Lieu of Taxes (PILT) for
Dept. of Transportation (DOT)
Owned Lands

Catalog of Budget Activities

Tax Aids & Credits

Purpose-

To provide a quick reference for specific budget activity—past expenditures, current appropriations and projected spending—in the area of Tax Aids & Credits, under the purview of the Tax Committee.

Catalog of Budget Activities

Tax Aids & Credits

Sample Catalog Entry:

Property Tax - Regular Homeowners Refund [*Minnesota Statutes*, section 290A.04, subd. 2 and 290A.23]

Dollars in Thousands							
FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Forecast	FY 2010 Projected	FY 2011 Projected	FY 2012 Planning	FY 2013 Planning
\$171,488	\$214,100	\$239,080	\$255,900	\$284,600	\$301,700	\$308,700	\$317,400
% Chg	24.8%	11.7%	7.0%	11.2%	6.0%	2.3%	2.8%

Appropriation Type: Statutory, Open

Fund: General

Description: This budget activity provides property tax relief (in the form of direct payments) to homeowners based on their net property taxes relative to income. Known as the “circuit breaker” program, in calendar year 2007, over 263,000 homeowners received an average refund of \$590.

For additional information on
Tax Aids & Credits, please email
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