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March 28, 2022

Representative Cheryl Youakim, Chair
House Property Tax Division
591 State Office Building
75 Rev. Dr. Martin Luther King Jr. Boulevard
Saint Paul, MN 55155

Chair Youakim and Committee Members:

The Minnesota Inter-County Association (MICA) represents fifteen of Minnesota's larger and faster growing counties, including four suburban and 11 Greater MN counties.

County governments administer a wide array of state-determine programs. To fund the administration of those state mandates, as well as unfunded state program costs and local service expectations, counties rely primarily on intergovernmental transfers and local property tax for revenue. That mix of revenues has been steadily shifting more toward property taxes as state funding has not kept pace with inflation and costs over multiple years.

We appreciate **HF4064 – A-22 Delete Everything Amendment** which recognizes that strategies for moderating property tax levels must involve a mix of state aid to counties and targeted property tax relief, such as the enhancements to the homeowner and renter property tax refund programs proposed in the A-22. Specifically, MICA supports:

- Article 2, Section 10 increasing County Program Aid by \$13.0 million annually beginning with aids payable in 2023.
- Article 2, Section 11 appropriating \$22.0 million annually from the state General Fund for Soil and Water Conservation Districts (SWCD's).
- Article 1, Section 11, expanding the Homestead Market Value Exclusion by setting the exclusion at 40% of the value up to \$80,300 of market value (currently \$76,000) and phasing the exclusion out at the same rate as under current law, with no exclusion above \$437,100 of value. This change will help offset, in the near-term, property tax shifts onto low and moderately valued homes as valuations of single-family homes are rising faster than most other classes of property in many parts of the state.

- Article 1, Section 16 expanding eligibility for the Senior Property Tax Deferral program by increasing the income eligibility threshold from \$60,000 to \$96,000 and reducing from 15 to 5 years to time a senior (65 years of age or older) must have lived in the current property.
- Article 1, Section 13 reducing the statewide statutorily set interest rate on delinquent property taxes and repurchase contracts by eliminating the outdated 10 percent floor on interest calculations under Subdivision 1a. The 10% floor is well above where interest rates have been for many years. This change is overdue and will better align interest charges with the goal of promoting homeownership and retaining affordable housing.

County Program Aid (CPA) is at roughly the same level as it was at twenty years ago, and is at less than half the level it was compared to total county levy. More recently, base appropriation increases for city and county general-purpose aid have been more closely aligned than proposed in the A-22 Amendment. As supplemental budget and tax deliberations proceed, we encourage consideration of a larger and more commensurate increase to CPA.

Finally, Minnesota's property tax system is incredibly complex and becomes more so each year. That complexity diminishes transparency and erodes confidence in tax fairness. We respectfully request policymakers to resist tax base and tax administration changes that add to tax system complexity.

Thank you, Chair Youakim and Division members, for your support for local governments and for your work this session to develop local aid and property tax law change proposals.

Sincerely,



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