



# Coalition of Greater Minnesota Cities CGMC in Brief

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## House Inches Closer to Final LGA Proposal

With millions of dollars at stake for local governments, the House is moving closer to a floor debate on increasing LGA. The Senate tax bill—which includes an amended version of the Unity Proposal—increases LGA by \$70 million in 2009. Meanwhile, the House Tax Committee recently increased the House Property Tax Division's original \$30 million allotment to \$50 million while maintaining some aspects of the Unity Proposal.

To compare the impact on your city under both House and Senate proposals, visit [www.greatermncities.org](http://www.greatermncities.org) and click on the Property Taxes/LGA link. In the Advocacy Documents section, select **Compare LGA in the House and Senate tax bills to the Unity proposal and projected 2009 LGA**.

To compare the impact of the new House formula to the current LGA formula, visit [www.greatermncities.org](http://www.greatermncities.org) and click on the Property Taxes/LGA link. In the Advocacy Documents section, select **Compare the House LGA formula with a \$50 million increase with the current law formula with a \$50 million increase**.

Even though some cities will receive less funding under the House's new formula than they would under the current law formula, the CGMC feels that this short-term drawback will result in long-term stability of LGA funding because more cities and their legislators will support LGA.

The House tax bill will likely go to the floor on Monday and to the Conference Committee next week. With the Senate, House, and Governor deadlocked over a budget resolution, increased LGA funding may be grounds for a veto, or may be packaged with other items that prompt a veto.

## Governor Pushes Levy Limits

In Wednesday's latest round of budget offers, Governor Pawlenty called for a cap on property taxes, claiming the cap would provide property tax relief to homeowners. Conversely, the cap would also limit a city's ability to increase levies, and would particularly penalize CGMC cities that receive LGA. The Governor's push echoes earlier budget negotiation attempts which Democrats rejected.

## House DFL Propose Major Change to Personal Property Tax Relief

In an effort to make the overall Minnesota tax system more progressive, the House tax bill makes major changes in the personal property tax relief programs provided by the state. The proposal, if passed, would give a property tax rebate (called the "Homestead Credit State Refund") to all homeowners with income less than \$200,000 if their property taxes exceed more than 2% of their income. The lower the income in relation to the property taxes the higher the rebate would be.

The changes in the bill are revenue neutral, meaning that not every property tax payer will benefit from the change. The bill removes the state deduction for property taxes from income taxes, and phases out the Market Value Credit. House Tax Chair Ann Lenczewski (DFL-Bloomington) fully admits that the proposal will create winners and losers, but if there can be no new revenue added to property tax relief (refer to last year's vetoed fourth tier income tax increase) priority should be given to people paying the most taxes compared to their income.



## **Mall of America Expansion Critical to End Session**

The House Tax Committee has posted a Property Tax Relief Calculator on its website so that you can see how their bill impacts you. You can access it at [www.greatermncities.org](http://www.greatermncities.org) under the News section on the homepage.

There is much talk about the Mall of America around the Capitol after all four DFL and GOP leaders publicly supported funding the project. Currently, the expansion is in the Senate tax bill with Chair Tom Bakk (DFL-Cook) being one of the mall's biggest supporters. There are no such provisions in the House tax bill with Chair Ann Lenczewski (DFL-Bloomington) being the strongest voice against funding for the mall.

Due to the effect that the current language in the Senate tax bill has on taxable property, LGA may be impacted. A run of the impact is available on [www.greatermncities.org](http://www.greatermncities.org) on the Property Taxes/LGA page. This run assumes that the expansion of the Mall of America would be the same with or without public funding. This is disputed by mall expansion supporters, who say that without public funding, the mall will be considerably smaller and thus provide a smaller tax base, therefore shifting less LGA to Greater Minnesota.

## **JOBZ Program Remains Eliminated in House Omnibus Tax Bill**

The House Omnibus Tax Bill presented this week mimicked the Senate Omnibus Tax Bill JOBZ language by prohibiting any new JOBZ business subsidy agreements from being implemented after June 1, 2008. House Tax Chair Ann Lenczewski (DFL-Bloomington) scaled back her original JOBZ language that would have eliminated any future and current JOBZ tax incentives.

CGMC lobbyist Holly Thompson testified in opposition to the complete elimination of the JOBZ program. Thompson testified that the CGMC Board of Directors recently took a position to support retention of the JOBZ program for the most distressed areas of the state. Representatives from Rice County, Red Wing Port Authority, and DEED also testified against the elimination of JOBZ.

Rep. Dean Simpson (R-Perham) attempted to amend the House tax bill with language that would have retained and extended the JOBZ program with changes recommended by the Office of the Legislative Auditor. The amendment failed on a vote of 8-14. The fate of JOBZ will be decided in the Tax Conference Committee next week. The Governor has said he wants the program retained and extended for another 12 years.

## **Save the Date for the CGMC Summer and Fall Conferences**

**(Reserve your hotel for the  
Summer Conference today!)**

Please save the dates for the CGMC's Summer and Fall Conferences. Both events are a great opportunity to get the low-down on what is happening at the Legislature, share ideas with other city officials, mix with legislators, and enjoy yourself!

This year's Summer Conference is being hosted by Mankato, North Mankato, and New Ulm and will be held **July 30-August 1, 2008**. Visit [www.greatermncities.org](http://www.greatermncities.org) and click on "CGMC Calendar" for more information. (PLEASE NOTE: the CGMC website previously displayed the incorrect dates for the Summer Conference; the correct dates are listed above.) Reservations may be made at:

### [Hilton Garden Inn, Downtown Mankato](#)

20 Civic Center Plaza  
Mankato, MN 56001  
507-344-1111

The Fall Conference will be held in Willmar **November 20-21, 2008**. Please stay tuned for further agenda and registration information for both events.

