



## How to estimate your 2010 levy limit

Revised 7/24/09

- 2010 levy limits will only be in effect for cities over 2,500 population
- The language on levy limits is contained in [Chapter 275](#)
- Slight changes to the levy limit law were made in the 2009 session: [HF1298](#)
- The Dept. of Revenue will be certifying levy limits by Sept. 1, 2009. Cities must indicate to the Dept. using the PT280 form which special levies they are intending to use by Sept. 30, 2009.

**Step 1:** Start with your city's **adjusted levy limit base for pay 2009** (note that starting with the adjusted levy limit from last year means that any unused levy authority is retained going forward for your city). *You can arrive at this figure by adding your maximum allowable levy (the limited piece) for payable 2009 to your certified 2009 LGA, 2009 taconite aid (if applicable), 2009 wind energy production tax (if applicable) and your 2009 utility valuation transition aid (if applicable).* This is your city's **levy limit base**.

**Step 2:** Multiply your **levy limit base** by **1.0083** (note that the levy limit law says the inflationary increase is the lesser of 3.9% OR the change in the implicit price deflator (IPD) for local governments. The most recent data (July 1) on the IPD factor as determined by the Bureau of Economic Analysis shows the change in the deflator at 0.83 percent.

**Step 3:** Multiply the result of Step 2 by 1 plus one-half of the percentage increase, if any, in the number of households in your city over the last year.

**Step 4:** Multiply the result of Step 3 by 1 plus one-half of the percentage increase in the total taxable market value for all kinds of property as a result of new construction of just commercial and industrial property. The result is your **adjusted levy limit base for pay 2010**.

**Step 5:** From your **adjusted levy limit base for 2010**, subtract your 2010 certified LGA (if applicable), your 2010 taconite aid (if applicable), your 2010 wind energy production tax (if applicable), and your 2010 utility valuation transition aid (if applicable). *2010 LGA will be certified by August 1, 2010.*

The result is your **2010 levy limit**.

**See the following pages for detailed information on special levies for pay 2010.** *Special levies are outside (i.e. above and beyond) the limited levy.*

## Special Levies for 2010

There are several special levies allowed beyond this levy limit. Below is a list of the most frequently used “special levies.” Cities may be taking advantage of the special levies marked with an \* for the first time in 2010. For a complete list of special levies, see [MS 275.70, subd 5](#).

- \*Levies to recover LGA unallotted in December 2008
- \*Levies to recover MHVC reimbursement unallotted in December 2008
- \*Levies to recover LGA unallotted in 2009
- \*Levies to recover MVHC reimbursement unallotted in 2009
- \*Levies to recover any additional LGA unallotted from December 2009 payment—*this would trigger new authority to recertify city levy by January 15, 2010*
- \*Levies to recover any additional MVHC reimbursement unallotted from December payment 2009 —*this would trigger new authority to recertify city levy by January 15, 2010*
- Levies for emergency debt certificates
- Levies for bonds and most certificates of indebtedness.
- Voter approved levies.
- Levies to pay for federal or state matching requirements.
- Levies for natural disaster recovery.
- Levies for property tax abatements.
- Levies for increases in PERA employer contributions.
- Levies to repay a federal or state loan for a transportation or capital project.
- Levy increases to fund police and firefighter relief associations.
- Levies related to foreclosure costs
- Levies for police and firefighter wage and benefit costs.

### Example of how to estimate the levy limit

#### Information needed for calculation:

- ✓ Pay 2009 adjusted levy limit base = \$900,000 = levy limit base for pay 2010
- ✓ Percent change in number of households over last year = 2%
- ✓ Percent change in total market value of all property types as a result of new construction of commercial/industrial property= 0%
- ✓ 2010 certified LGA= \$3,250
- ✓ 2010 taconite aid= \$0
- ✓ 2010 wind energy production tax= \$0
- ✓ 2010 utility transition aid = \$0

#### Calculation:

Step 1: \$900,000

Step 2: \$900,000 x 1.0086 = \$907,740

Step 3: \$907,740 x (1+half of 2%) = \$907,740 x 1.01 = \$916,817

Step 4: \$916,817 x (1+0) = \$916,817 x 1 = \$916,817 (adjusted levy limit base for pay 2010)

Step 5: \$916,817 – \$3,250 – 0 – 0 – 0 = \$913,567 (2010 levy limit)

#### For more information about levy limits, contact the following League of Minnesota Cities staff:

**Gary Carlson**  
Director of Intergovernmental Relations  
(651) 281-1255 or (800) 925-1122  
[gcarlson@lmc.org](mailto:gcarlson@lmc.org)

**Jennifer O'Rourke**  
Intergovernmental Relations  
Representative  
(651) 281-1261 or (800) 925-1122  
[jorourke@lmc.org](mailto:jorourke@lmc.org)

**Rachel Walker**  
Policy Analysis Manager  
(651) 281-1236 or (800) 925-1122  
[rwalker@lmc.org](mailto:rwalker@lmc.org)

## FAQ: 2010 Special Levies

**Q: Are there special levies that we should consider for the first time?**

A: Yes. There are several special levies that cities can take advantage of for the first time. These are special levies to allow cities to recoup the amounts of LGA and/or MVHC reimbursement that was unallotted in December 2008 and that will be unallotted in 2009.

**Q: If we used a special levy in 2009, do we have to use it again in 2010?**

A: Technically, the answer is no. However, for many special levies, the Department of Revenue makes adjustments to your levy limit base once you start using it (i.e. your base is reduced). If you opt to stop using one of these special levies, the Department will NOT restore your base. Therefore, it is in the city's best interest to continue to use a special levy that involves a base adjustment once it starts.

**Q: Do we have to use special levies?**

A: No. They are optional, keeping in mind the answer above. If your city is going to use one or more special levies for the first time in 2010, there may be special calculations you need to do in order to estimate your levy limit base (see below).

**Q: If we use special levies for the first time for pay 2010, what information do we need to provide to DOR?**

A: For most of the allowed special levies, the Dept. of Revenue needs baseline data. When you decide to start using a given special levy, the Department will use the information provided by cities on the property tax levy report due to the Department in December of 2008. If you are concerned that your city's report was incomplete or inaccurate for any reason, you need to contact the Department in order to work with them on calculating an accurate baseline.

Cities will need to submit form PT280 by September 30<sup>th</sup> to the Dept. of Revenue. That form indicates which special levies a city intends to use.

**Q: Do we need to submit any forms to the Dept. of Revenue?**

A: Yes. Cities will need to submit form PT280 by September 30<sup>th</sup> to the Dept. of Revenue. That form indicates which special levies a city intends to use.

**Q: Should we use special levies?**

A: It depends. The use of special levies is optional (note the answer above about continuing to use a special levy once you start). Keep in mind that the inflationary increase on the limited levy is just 0.86% (note that this figure will be finalized in early July using the data available at that time and may change slightly). If you are going to see an increase of less than the inflationary increase PLUS the other 2 percentage adjustments for household growth and commercial-industrial growth in a category of spending that could be a special levy, it may be of more benefit to NOT treat that category as a special levy. This way, you retain those dollars in the calculation of your levy limit base.

**Q: Where does the household data come from for calculating levy limits?**

A: The state demographer and Metropolitan Council will certify population and household counts to the Dept. of Revenue by July 15.

**Q: Where does the commercial/industrial new construction data come from?**

A: Data on new construction of C/I property is available from the 2008 Fall Mini Tax Abstract from the Dept. of Revenue. Total taxable market value for all property types in a city will be available on the 2009 Abstract of Tax Lists in July.

**Q: How is new construction within TIF districts or within JOBZ areas handled in the levy limit calculations?**

A: Levy authority is adjusted for a portion of the percentage increase in total taxable market value of all property types as a result of new construction of commercial/industrial property. New construction of C/I property within TIF and JOBZ areas will count in the calculation of this adjustment.

**Select Special Levies Allowed for Taxes Payable 2010 and 2011**

A table listing several of the special levies allowed in the levy limit law is below. For each of these special levies, the table makes note of whether or not cities that are using the special levy for the first time must back out the entire 2009 levy amount for a given special levy in order to calculate the levy limit base. The table also includes additional information on some of the more complex special levies.

<b>Special Levy</b>	<b>If city will use this special levy FOR THE FIRST TIME in 2010, does city need to subtract entire 2009 amount from levy limit base calculation?</b>	<b>Notes</b>
Unallotted 2008 LGA or MVHC	No.	Payable 2010 is the only chance to recover these lost aid/credit amounts.
Unallotted 2009 LGA or MVHC	No.	Payable 2010 is the only chance to recover these lost aid/credit amounts.
Additional unallotments to December 2009 LGA or MVHC (announced after 9/1/09)	No.	Cities have authority to recertify their final levies by Jan. 15 in this circumstance.
Costs attributable to police/fire wages and benefits	YES. The special levy is the entire amount—not just the change.	If you contract with another city or county for police services, you need to ask the provider for documentation as to the portion of contract costs that go to cover wage/benefits. Then, you need to determine the amount of levy you have used/will use to cover that part of the contract cost.

Special Levy	If city will use this special levy <b>FOR THE FIRST TIME in 2010</b> , does city need to subtract entire 2009 amount from levy limit base calculation?	Notes
Levies for bonds and most certificates of indebtedness	YES. Special levy is entire amount—not just change.	
Levies approved via voter referendum	YES. The special levy is the entire amount—not just the change.	
Levies to fund matching requirements for federal or state grants	Yes—the special levy is for the change since 2001 only.	To the extent that matching requirement exceeds requirement in 2001 or it is a new requirement that didn't exist prior to 2002
Levies to pay expenses incurred in preparing or repairing the effects of natural disaster	YES. The special levy is the entire amount—not just the change.	There is also a separate application to DOR Commissioner.
Levies for property tax abatements	YES. The special levy is the entire amount—not just the change.	
Levies for increases in PERA employer contribution rates or for locally administered plans effective after 6/30/01	YES—the special levy is for the change since 2001 only.	Cities cannot use a special levy for PERA rate increases if they are accounting for those rate increases as part of the police/fire wages and benefits special levy and vice versa. No double counting is allowed.
Levies to repay state or federal loan used to fund on transportation or other capital project	YES. The special levy is entire amount—not just change.	
Levies to fund police and firefighter relief associations.	YES. The special levy is entire amount—not just change.	This special levy is only available to: Bloomington fire relief, Fairmont police relief; Minneapolis police and fire relief; Virginia fire relief
Levies to pay costs incurred for securing, maintaining, or demolishing foreclosed or abandoned residential properties	YES.	Requires separate application to DOR commissioner. City must meet threshold: foreclosure rate of at least 1.4% in 2007 OR foreclosure rate in 2007 in city or zip code area of city that is at least 50% higher than average metro foreclosure rate. Foreclosure rate is number of foreclosures in sheriff sales records divided by number of households in 2007.
Levies to cover unreimbursed costs of traffic control agents/ lost traffic citation revenue (35W)	YES.	

## Examples of how to estimate your city's levy limit

### Example 1: City has small debt levy (also had for pay 2009)

Information needed for calculation:

- ✓ 2009 adjusted levy limit base = levy limit base for pay 2010 = \$900,000
- ✓ Percent change in number of households over last year = 2%
- ✓ Percent change in total market value of all property types as a result of new construction of C/I = 0%
- ✓ 2010 certified LGA= \$3,250
- ✓ 2010 taconite aid= \$0
- ✓ 2010 wind energy production tax= \$0
- ✓ 2010 utility transition aid = \$0

#### Calculation:

**Step 1:** \$900,000

**Step 2:** \$900,000 x 1.0086 = \$906,840

**Step 3:** \$907,740 x (1+half of 2%) = \$907,740 x 1.01 = \$916,817

**Step 4:** \$916,817 x (1+0) = \$916,817 x 1 = \$916,817 (adjusted levy limit base for pay 2010)

**Step 5:** \$916,817 – \$3,250 – 0 – 0 – 0 = \$913,567 (2010 levy limit)

### Example 2: City uses police/fire wage and benefit cost special levy (for 1<sup>st</sup> time in pay 2010)

Information needed for calculation:

- ✓ 2009 adjusted levy limit base = pay 2010 levy limit base = \$125,000
- ✓ 2009 levy for police/fire wage and benefit costs = \$35,000  
(treat as if it would have been a special levy)
- ✓ Percent change in number of households over last year = 3%
- ✓ Percent change in total market value of all property types as a result of new construction of C/I = 1%
- ✓ 2010 certified LGA= \$3,250
- ✓ 2010 taconite aid= \$0
- ✓ 2010 wind energy production tax= \$0
- ✓ 2010 utility transition aid = \$0

#### Calculation:

**Step 1:** \$125,000

**Step 2:** \$125,000 - \$35,000 = \$90,000

**Step 3:** \$90,000 x 1.0086 = \$90,774

**Step 4:** \$90,774 x (1+half of 3%) = \$90,774 x 1.015 = \$92,105

**Step 5:** \$92,105 x (1+half of 1%) = \$92,105 x 1.005 = \$92,566 (adjusted levy limit base)

**Step 6:** \$92,566 – \$3,250 – 0 – 0 – 0 = \$89,316 (2010 levy limit)