

CITIZENS LEAGUE REPORT

No. 233

**Statement on Proposed Non-property
Taxes for Minneapolis**

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STATEMENT OF CITIZENS LEAGUE BEFORE MINNEAPOLIS CHARTER
COMMISSION ON PROPOSED NON PROPERTY TAXES FOR MINNEAPOLIS

Summary

The Citizens League has consistently taken the position that additional non-property taxes for local government in the Twin Cities area ought to be imposed on a metropolitan, rather than a municipal, basis, for the reasons outlined below. We recognize the growing urgency felt by the City Council as time goes by with little recourse provided except for increases in the property tax. But we believe a new effort, now, to shape agreement on an area-wide approach for the 1971 legislative session, ought to be undertaken. The decision of the Metropolitan Council to make the local fiscal problem its No. 1 priority for the next legislative session offers new prospects for action in 1971.

Findings and Conclusions

1. *Moving into sales or income taxes on a municipal basis represents a "high-risk" strategy for the City of Minneapolis and for the metropolitan area.*

a) Enactment is by no means certain, as recent proposals for new local taxes in other municipalities have shown. Resistance to new or increased taxes is high. The current proposal involves offering two proposed non-property taxes to the voters in a single election. It will not be clear to those voting which tax would be imposed, or precisely on whom. Failure of the amendment could weaken the City's case before the Legislature.

b) The City could become an island of higher taxes. Other municipalities could, like Minneapolis, move into non-property taxes individually, by adopting home-rule charters and by enacting sales or income taxes locally. But there would be no guarantee that all would do so. A number of suburban municipalities, including some which contain major commercial centers, are well enough financed not to need to do so. A situation could result where the city, which probably needs a tax differential in favor of itself, would be faced with a differential in favor of suburban shopping or residence.

c) If the area does, in fact, develop non-property taxes municipality by municipality, the differences among units in their ability to raise revenue for the support of public services will be widened. Differences among units in levels of public services (or, alternatively, in tax effort) would increase. Pressures to distort the development pattern (through municipal control of land-use regulations), in order to achieve particular tax effects, would intensify. The tax system would be operating further to divide, rather than to unify, the larger community.

2. *It would be desirable, at this point, for the City of Minneapolis to develop an alternative solution carrying lower risks. City officials should:*

a) Further develop the economic analysis -- of the need for facilities and programs, and of its ability to pay -- which must underlie the formula for the distribution of any taxes collected area-wide.

b) Meet with suburban officials to try to compare estimates of need and ability to pay, and determine how far a common approach to distribution may be possible.

c) Through their representatives in the Metropolitan Section of the League of Minnesota Municipalities, participate actively in the development of the area-wide distribution program contemplated for the Twin Cities area by the proposals of the League of Minnesota Municipalities on new local government revenues.

d) Make use of the information on local expenditures being developed by the staff of the Metropolitan Council, and pursue discussions with members of the Metropolitan Council about various formulas for the distribution of a new area-wide levy.

Recommendations

1. We urge the Charter Commission to reject the amendments proposed by the City Council.

2. We urge the Charter Commission to explore the possibilities of agreement on an area-wide approach with an appropriate formula for the distribution of revenues among levels and among units of government.

3. We urge the Commission, in hearings with City officials, to determine whether new approaches to defining the needs of the City are possible; and to establish how far the City has pursued efforts--with the Metropolitan Section of the League of Minnesota Municipalities and the Metropolitan Council--to develop an area-wide approach to revenue collection and distribution.

4. We urge the Commission to request testimony from the Metropolitan Council on the status of its proposals for an area-wide approach to the problem of local finance: source, area of collection, and formula for distribution.