



DECEMBER 2025

# Municipal Revenue Research

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Report to City Council

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# This report provides insight into revenue generating opportunities for the City of Minneapolis

In support of the City's goal to provide high-quality public services, the Minneapolis City Council is exploring opportunities for **sustainable and equitable revenue generation**. This report provides municipal revenue research and analysis that compares Minneapolis' revenue sources with those of peer cities, identifies potential new generation strategies, and estimates the impact and feasibility of a selection of generation strategies.

## Report Sections



The **Executive Summary** highlights key insights and takeaways from the analysis



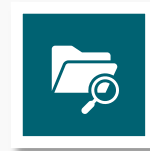
The **Revenue Analysis** provides insight into Minneapolis' current revenue sources and how they compare to peer cities<sup>A</sup>



The **Leading Practices Research** identifies revenue generating strategies from peer cities



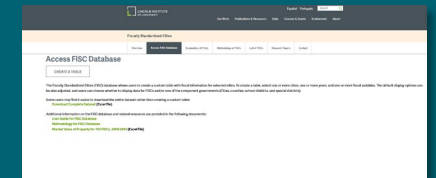
The **Fiscal Policy Review** provides a deeper dive into the impact and feasibility of a selection of revenue generating strategies



The **Appendix** includes sources referenced in the report and a selection of more detailed data and analyses

## Sources

Key sources of revenue data referenced in the report include the [City of Minneapolis' Open Data Portal](#) and the [Lincoln Institute of Land Policy's Fiscally Standardized Cities \(FiSC\) Database](#). The FiSC database is constructed using local government financial data compiled by the Governments Division of the U.S. Census Bureau, allowing for comparability of revenue sources across major U.S. cities. A full list of sources is included in the Appendix.

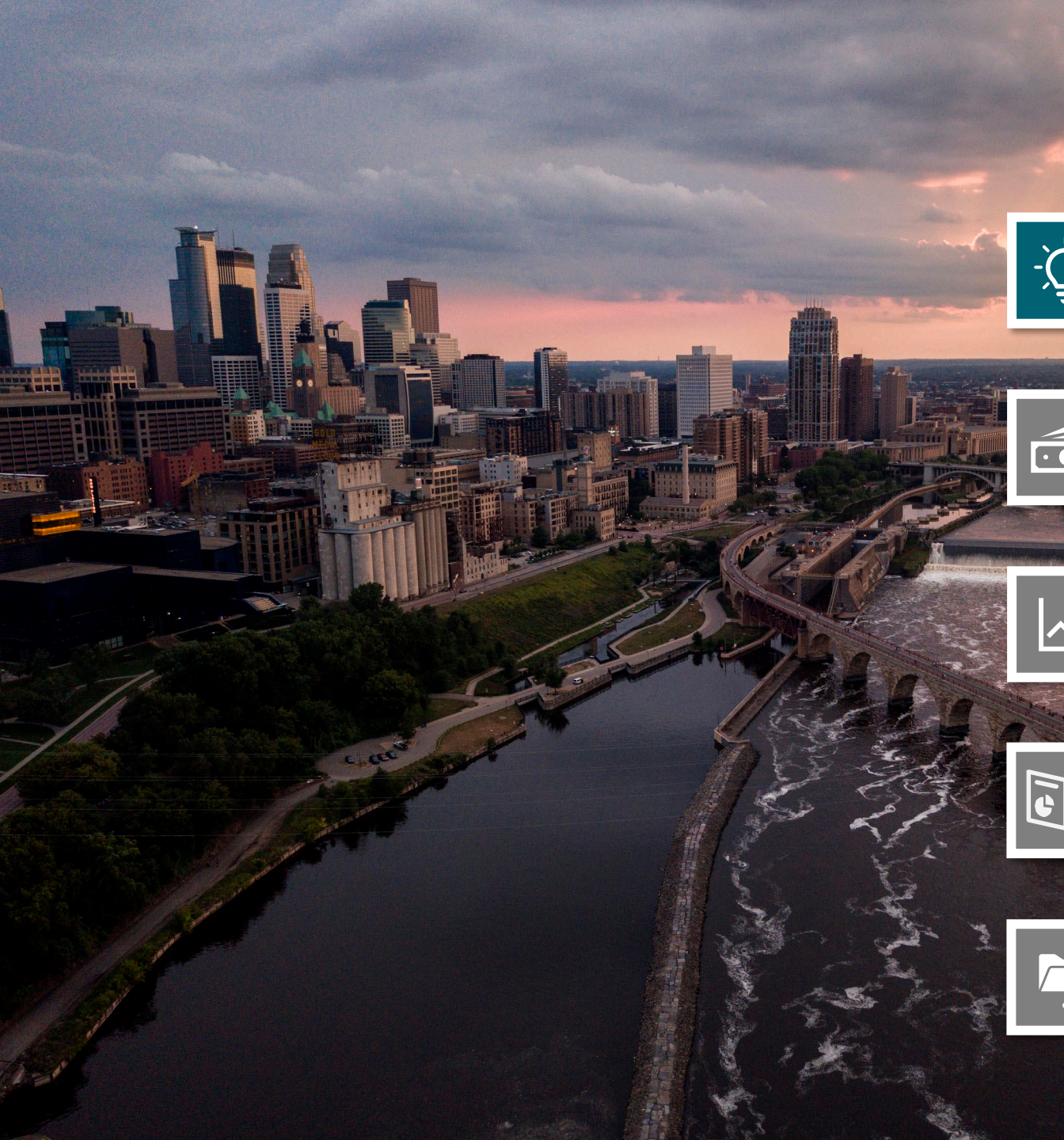


[Lincoln Institute of Land Policy's Fiscally Standardized Cities Database](#)



## Parameters and Notes

- 1. Data availability:** The report uses the most recent data available at the time of development. The data source for Minneapolis' recent revenue breakdown (see page 5) is the 2025-2026 Mayor's Financial Report, which provides actual, budgeted, and planned revenue totals for FY2022 to FY2026. The data source for the comparative analyses in the Revenue Analysis section (see pages 10-16) is the Lincoln Institute of Land Policy's FiSC database. At the time of report development, the most recent FiSC revenue data available was from 2022.
- 2. Comparability of revenue data:** City revenue values differ across data sources due to variations in definitions and categorizations. For example, revenue data included in the City's budget and open data portal excludes revenues from independent boards and transfers. By contrast, the FiSC database includes all major revenue categories and proportionate revenues from overlapping governments, including counties, independent school districts, and special districts.
- 3. Implementation and feasibility of revenue generating strategies:** The analysis in this report provides a high-level examination of the ease of implementation for identified revenue sources based on existing policies and laws at the local and state level. Additional legal review may be required to determine the feasibility of implementing a new revenue source.



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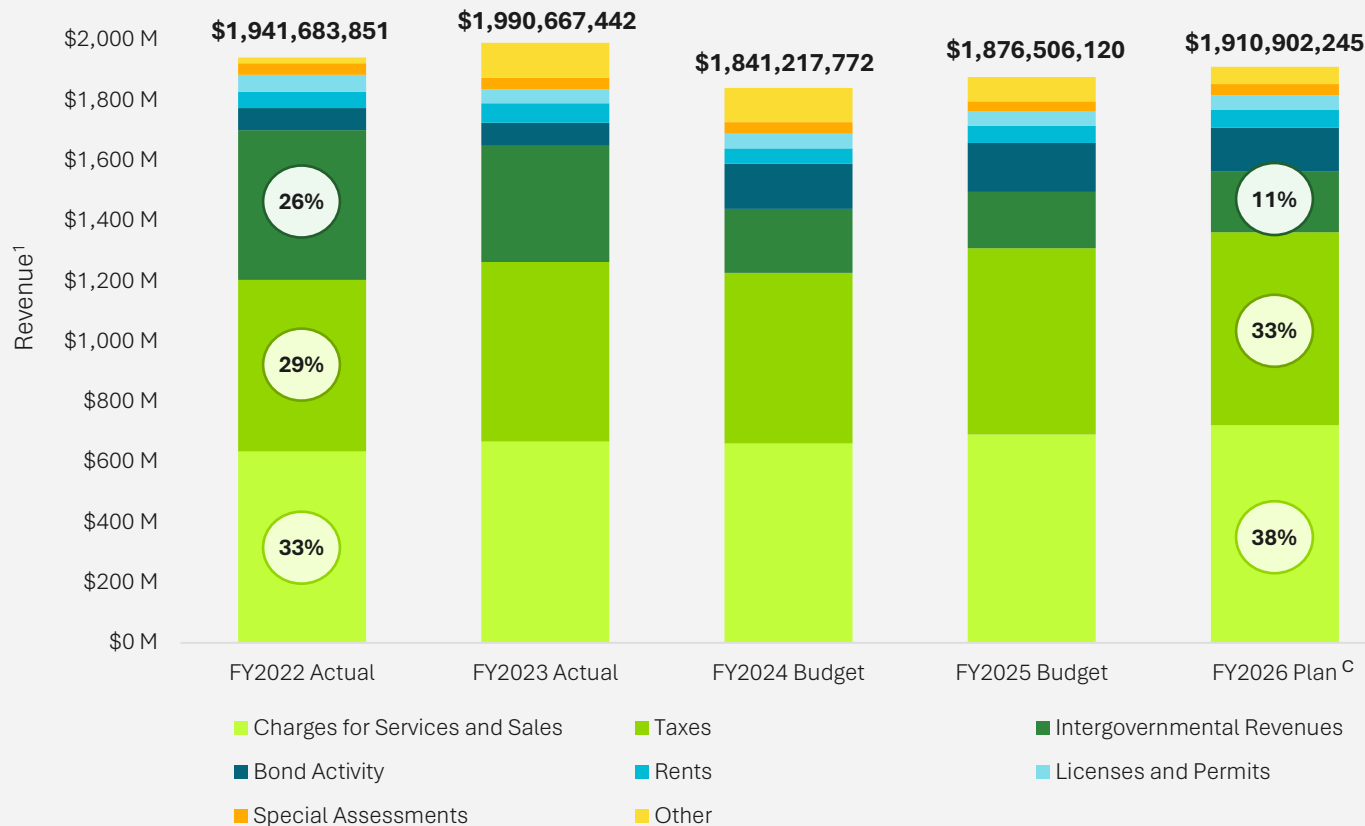
## Summary of Findings

1. Based on a comparative analysis of peer cities, Minneapolis is relatively **more dependent on intergovernmental revenue** as a share of total revenue and **generates less revenue per capita** than most of its selected peers, indicating an opportunity to expand and diversify ‘own source’ revenue.
2. Minneapolis can **increase revenue generation by implementing new strategies and/or adjusting existing sources**. Leading examples of revenue generation strategies identified in peer cities include variations of a real estate transfer tax, individual income tax, excise tax, payment in lieu of taxes, and empty homes tax.
3. Individual income tax, real estate transfer tax, and payments in lieu of taxes demonstrate the **strongest alignment with the City’s stated goals for the new revenue source**, including sustainability, equity, and magnitude of revenue generation.
4. Most new revenue generation strategies will require a **multi-year approval and adoption process, including state authorization**. The City can consider a dual-pronged approach to expanding revenue by simultaneously pursuing longer-term new strategies while assessing opportunities to 1) increase rates or fees of existing revenue sources and/or 2) improve collections of existing revenue sources.

# New sources of revenue can help the City fill federal funding gaps and sustain funding for critical programs

With the recent expiration of federal COVID relief funds, City revenues have become more dependent on service charges and taxes; future federal funding cuts may increase the need to grow ‘own source’ revenues to sustain City programs

**Breakdown of Minneapolis City Revenue by Source, FY2022-26<sup>B</sup>**



- City revenues fluctuated slightly from 2022 to 2026.** With the closeout of COVID relief and recovery funds, intergovernmental revenues have gradually decreased. In the FY2026 planned budget, taxes and charges constitute a larger percentage of revenues compared to previous years.
- Property taxes are the single largest source of income for the City of Minneapolis.** However, this revenue source is at risk, as property values in Minneapolis have declined in recent years. The City raised property tax levies to counteract revenue loss, increasing the burden on property owners.
- Future federal funding cuts could lower City revenues.** The City has approximately 114 active federal grants. Future cuts to grants related to affordable housing, workforce development, etc. could threaten the delivery of City services that depend on federal funding streams.
- At the same time, the cost of delivering City services is on the rise.** Inflation, increased personnel costs, and capital project expenses are expected to drive up City spending in coming years.
- To avoid future property tax increases and counterbalance potential future federal funding cuts and rising service delivery costs, the City seeks to **identify sustainable and equitable new sources of revenue.**











**Note:** B. Revenue totals are not adjusted for inflation and exclude independent boards and transfers. C. FY2026 Budget was not finalized at the time of report development and is expected to be completed in mid-December 2025.

**Source:** 1. [2025-26 Mayor's Recommended Financials](#) (standardized revenue data for 2022-2026)

# Minneapolis' per capita revenue is relatively low compared to peer cities, indicating an opportunity to raise additional revenue via taxes or other generation strategies

The amount of revenue Minneapolis raises per capita from taxes, charges, and other miscellaneous revenue sources is relatively low compared to peer cities

*Ranking of Peer Cities by Per Capita City Revenues, 2022 (2022 dollars)<sup>D</sup>*

City	Per Capita Revenue	Per Capita Tax Revenue	Per Capita Charges Revenue	Misc. Revenue Per Capita
 San Francisco, CA	\$20,308	\$7,980	\$5,120	\$1,124
 New York, NY	\$14,190	\$8,197	\$1,590	\$913
 Denver, CO	\$11,855	\$4,765	\$3,787	\$909
 Seattle, WA	\$11,020	\$5,167	\$2,498	\$462
 Philadelphia, PA	\$9,463	\$3,708	\$1,096	\$310
 Portland, OR	\$8,668	\$4,266	\$1,353	\$260
 Boston, MA	\$8,470	\$4,763	\$616	\$330
 Atlanta, GA	\$8,135	\$4,180	\$1,696	\$201
 <b>Minneapolis, MN</b>	<b>\$7,503</b>	<b>\$2,421</b>	<b>\$2,005</b>	<b>\$247</b>
 Kansas City, MO	\$6,578	\$3,239	\$1,227	\$714

Highest per capita revenue

Lowest per capital revenue













- **Minneapolis' total revenue per capita and tax revenue per capita are relatively low compared to peer cities.** Currently, the City ranks 9<sup>th</sup> among its peers based on per capita revenue. There is potentially room to grow 'own source' revenues as the City seeks to sustain existing and/or fund new programs and services.
- **Minneapolis is dependent on property tax revenue, indicating an opportunity to diversify its tax portfolio.** Minneapolis has a relatively higher percentage (87%) of its tax revenue from property taxes and relies less on sales taxes (4%) and other tax revenues (9%). This revenue breakdown mirrors peer cities in states with laws restricting municipal income taxes (e.g., Boston, Atlanta).<sup>2</sup>
- **Increasing charges could be further explored; however, there may be less flexibility to use these funds for general government operations.** Minneapolis receives a relatively high percentage of total charges revenue from hospitals (45%) and sewer and waste (23%). While charges could be increased, revenues generated from charges and fees are generally restricted and therefore may not be easily redirected for general government use.

**Note:** D. 'Per Capita Revenue' includes revenues from taxes, charges, miscellaneous revenue sources, and intergovernmental revenue. Intergovernmental revenues are not included in the table as a separate column, as the analysis is focused on revenue sources that are within the City's control.

**Source:** 2. [Lincoln Institute of Land Policy Fiscally Standardized Cities \(FISC\) database](#)

# Minneapolis can adopt generation strategies used by peer cities to grow revenue

A scan of revenue generation strategies adopted by peer cities revealed a selection of methods Minneapolis can consider to increase and diversify its revenue

Revenue Generation Strategy	Description	Peer City Revenue Per Capita <sup>E</sup>	Population or Entities Contributing to Revenue
 <b>Real Estate Transfer Tax</b>	Tax imposed on the transfer of property ownership when the legal title or deed to real property moves from one individual or entity to another	\$76 - \$277	Individuals or entities that purchase, sell, or transfer property within the city
 <b>Payment in Lieu of Taxes</b>	Voluntary payment made by a nonprofit entity – e.g., universities, hospitals – to compensate for some or all of the property tax revenue lost due to their tax-exempt status	\$94	Tax-exempt institutions
 <b>Individual Income Tax</b>	Tax levied on the wages, salaries, investments, or other forms of income earned by an individual or household	\$38 - \$1,634	City residents, non-residents
 <b>Empty Homes Tax</b>	Tax imposed on residential or commercial properties that remain unoccupied for a specified period of time – e.g., six months or more	\$52	Property owners
 <b>Asset Monetization</b>	Process of leveraging public assets – e.g., land, buildings, infrastructure – to generate revenue through mechanisms such as leases, public-private partnerships, or user fees	\$2	Residents, businesses, City government
 <b>Business Tax</b>	Tax levied on a business’s income, payroll, profits, or specific activities – e.g., manufacturing or sale of specified products	\$66 - \$461	Businesses
 <b>Special Service District</b>	Charge for providing enhanced services or improvements within a defined geographic area beyond what the city normally provides	\$192	Residents and businesses in the district
 <b>Betterment Levy</b>	Charge on property owners who benefit from an increase in property value due to public infrastructure projects or improvements	\$82	Property owners within a specified area
 <b>Congestion Pricing</b>	Charge for using specified roads and/or entering defined areas during peak traffic periods	\$57	Drivers
 <b>Excise Tax</b>	Tax imposed on specific goods or services – e.g., tobacco, alcohol, fuel – at the time of their purchase. Excise taxes may be paid by businesses or consumers	\$15 - \$64	Consumers or providers of the good or service
 <b>Arts Access Tax</b>	Tax imposed on adult residents within a given jurisdiction to support arts education and cultural programs	\$16	Residents
 <b>Service Fee</b>	Charge for providing a specific service to individuals or businesses – e.g., vehicle registration, building permitting, park entrance	\$11	Consumers of the service

Five strategies were selected for more in-depth research and analysis (included in Section 4) based on alignment with the City’s revenue generation goals (e.g., sustainability, magnitude of revenue generation)

Other identified strategies are explored at a high level in Section 3, but were not selected for additional analysis

**Note:** E. Revenue per capita represents the range of per capita (in 2024 dollars) generated by peer cities that have instituted the relevant strategy. It provides a high-level estimate of potential revenues by dividing the total generated revenue by the population of the city. Full descriptions of the generation strategies can be found in Section 3: Leading Practices Research.

# Real estate transfer tax, payments in lieu of taxes, and income tax are most aligned with the City’s stated goals for a new revenue generation strategy

Strategies with larger revenue generating potential may face higher barriers to implementation

*Strategy Alignment with City Revenue Generation Goals<sup>F</sup>*

		Total Revenue Generating Potential <i>Estimated revenue</i>	Equity <i>Equity of tax burden distribution</i>	Sustainability <i>Dependability of revenue</i>	Ease of Administration <i>Efficiency, cost-effectiveness</i>	Public Acceptability <i>Public support within peer cities</i>	Ease of Implementation <i>Feasibility, legal authority</i>	
Alignment with City Revenue Generation Goals ↑	↔ Real Estate Transfer Tax	Medium	High	Low	High	Medium	Medium	
	🏠 Payment in Lieu of Taxes	Low	Low	Medium	Medium	High	High	
	👔 Individual Income Tax	High	Medium	High	Medium	Low	Low	
	🏠 Empty Homes Tax	Low	Medium	Medium	Medium	Low	Medium	
	Asset Monetization	📄 Outdoor Advertising Tax	Not Rated	Low	Low	Medium	Medium	Medium
		📄 Sale or Lease of Public Assets	Not Rated	Low	Low	Low	High	Medium

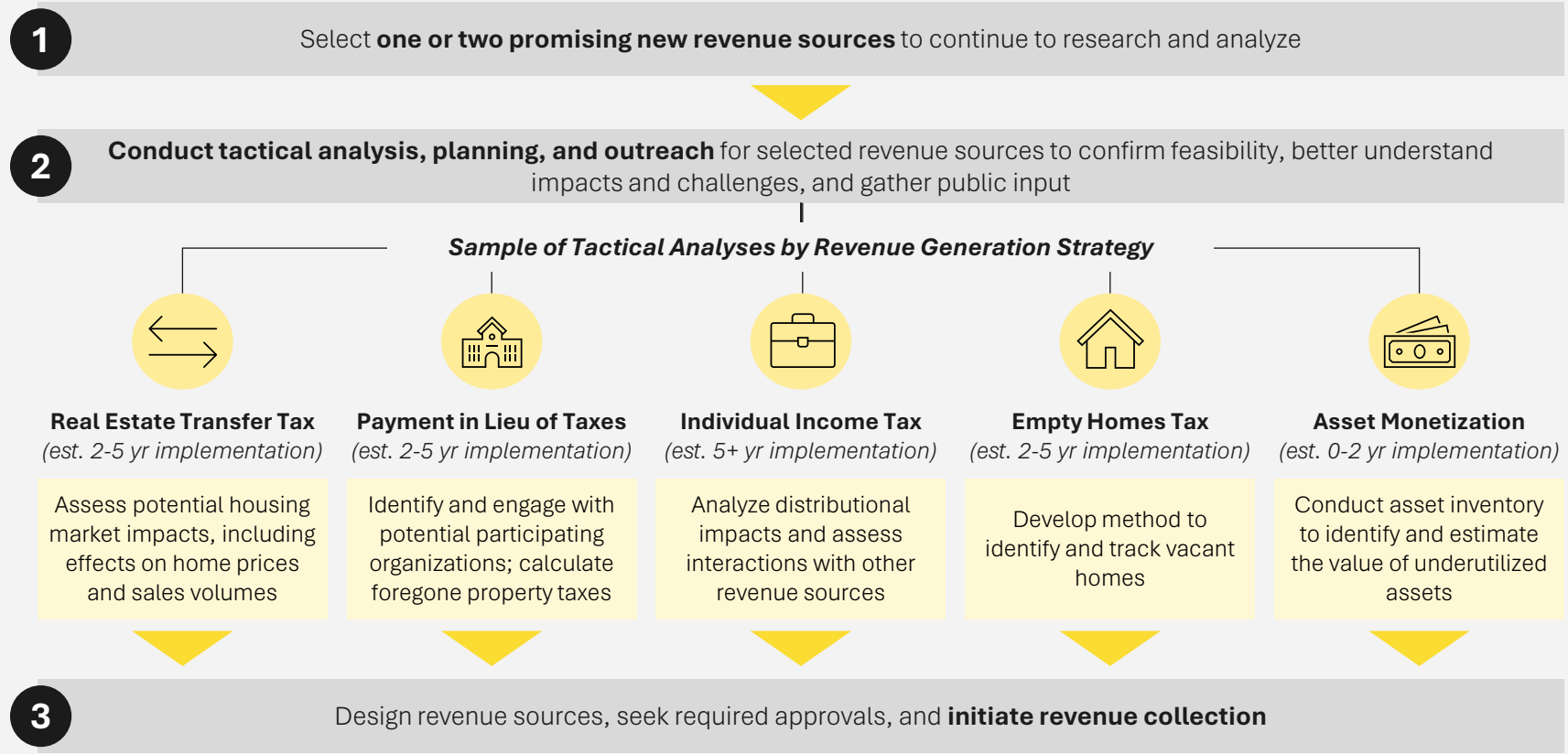
- **Sustainable revenue generation strategies that can be designed to promote equity are often more challenging to implement.** An individual income tax has the greatest revenue generating potential and can be structured progressively, but there are significant policy and legal barriers that lower the attractiveness of this strategy.
- **“Quicker win” strategies offer lower levels of revenue generation.** Strategies like Payment in Lieu of Taxes (PILOT) may be easier to implement in the short term but will likely generate less total revenue than other strategies.
- **A real estate transfer tax may provide a promising middle ground option.** It has the potential to generate higher revenue, can be structured progressively, and has relatively fewer legal barriers than an individual income tax.

**Note:** F. See appendix for definitions of categories and rating rationale. ‘Not Rated’ indicates that there was insufficient information available to estimate revenue generating potential.

# The City can consider a two-pronged approach to expanding revenue – pursuing both new funding sources and optimizing existing revenue streams

The City can advance the adoption of new revenue sources through outreach, analysis, and advocacy. Because most new revenue strategies will require a multi-year approval and adoption process, the City may also benefit from refining existing funding sources in the short term...

## Sample Next Steps to Advance Adoption of New Revenue Source(s)



...which could include strengthening collections and aligning fees with costs

## Sample Next Steps to Optimize Existing Revenue Sources

- 1** Review existing revenue streams to **assess performance**
- 2** Research solutions to **improve collection and compliance**
- 3** Explore methods to **increase existing rates or fees**
- 4** Identify opportunities to **pursue additional state or federal aid**



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# Nine peer cities with a diversity of revenue generation strategies were selected for inclusion in the revenue analysis

Cities were chosen in consultation with Minneapolis City staff using quantitative and qualitative selection criteria



The resulting peer cohort includes a diverse set of cities with varying population sizes, city budgets, median incomes, and revenue generation strategies

### Peer City Selection Criteria

- 1** Cited in prior City of Minneapolis research;
- 2** Have explored or adopted innovative revenue sources;
- 3** Comparable to Minneapolis in budget or population;
- 4** Cited in other studies on municipal revenue generation; and/or
- 5** Demonstrated alignment with City priorities/goals

### Peer Cities Selected for Revenue Benchmarking Analysis

City	Population (2024) <sup>3</sup>	City Budget (FY2025) <sup>4</sup>	Median Household Income (2024) <sup>5</sup>
 San Francisco, CA	827,526	\$15.9 B	\$136,692
 New York, NY	8,478,072	\$112.4 B	\$74,694
 Denver, CO	729,019	\$4.4 B	\$88,213
 Seattle, WA	780,992	\$8.3 B	\$115,409
 Philadelphia, PA	1,573,916	\$6.4 B	\$56,517
 Portland, OR	636,958	\$8.3 B	\$81,119
 Boston, MA	673,822	\$4.6 B	\$86,331
 Atlanta, GA	520,066	\$2.9 B	\$83,251
 <b>Minneapolis, MN</b>	<b>428,572</b>	<b>\$1.9 B</b>	<b>\$74,473</b>
 Kansas City, MO	516,045	\$2.3 B	\$62,175

Sources: 3. U.S. Census, 2024: ACS 1-Year Summary Estimates, "Demographic and Housing Estimate". 4. City FY2025 budgets (see appendix for links to budget sources) 5. U.S. Census, 2024: ACS 1-Year Summary Estimates, "Median Income in the Past 12 Months"

# Minneapolis' per capita revenue and the proportion of its revenue from taxes is relatively low compared to peer cities

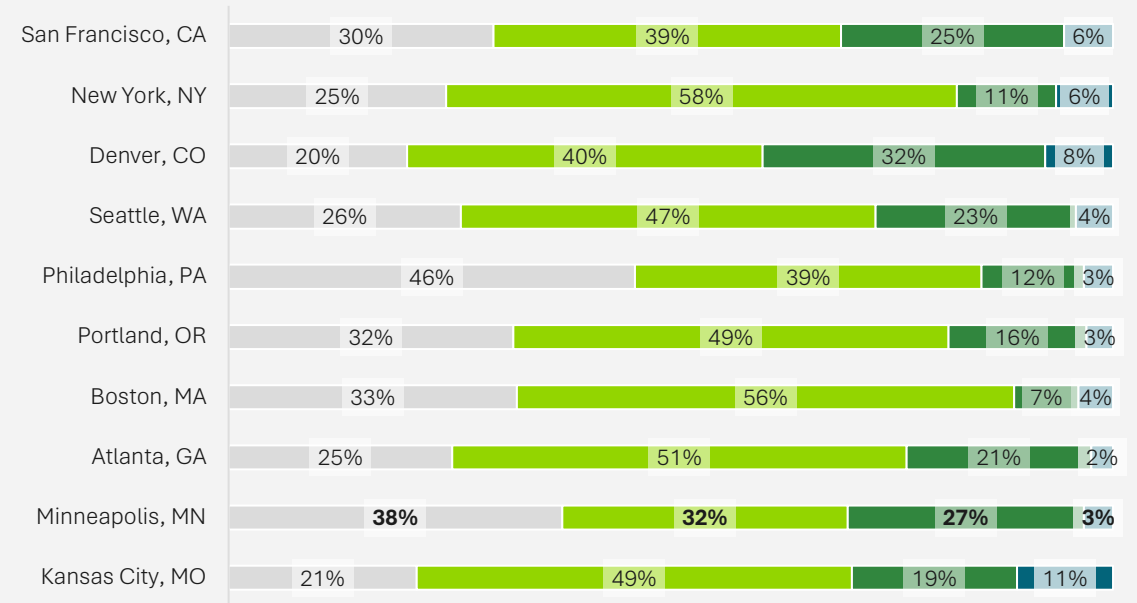
Minneapolis ranks 9<sup>th</sup> amongst its peers based on per capita revenue

**Ranking of Cities by Per Capita City Revenues, 2022** (2022 dollars)<sup>G, 6</sup>

Rank	City	Population	Median Household Income	Revenue <sup>6</sup>	Per Capita Revenue
1	San Francisco, CA	811,253	\$136,692	\$16,474,925,924	\$20,308
2	New York, NY	8,459,000	\$74,694	\$120,032,364,100	\$14,190
3	Denver, CO	711,323	\$88,213	\$8,432,449,636	\$11,855
4	Seattle, WA	731,507	\$115,409	\$8,060,841,387	\$11,020
5	Philadelphia, PA	1,589,480	\$56,517	\$15,040,470,395	\$9,463
6	Portland, OR	643,375	\$81,119	\$5,576,877,440	\$8,668
7	Boston, MA	654,537	\$86,331	\$5,543,764,756	\$8,470
8	Atlanta, GA	492,667	\$83,251	\$4,007,653,905	\$8,135
9	Minneapolis, MN	424,635	\$74,473	\$3,185,998,188	\$7,503
10	Kansas City, MO	508,949	\$62,175	\$3,348,039,565	\$6,578

Minneapolis has a relatively lower percentage (32%) of revenue from taxes compared to peer cities

**Breakdown of City Revenue Sources, 2022**



<b>Intergov't Revenue:</b> e.g., grants, shared taxes, contingent loans and advances	<b>Tax Revenue:</b> e.g., property taxes, income taxes, sales taxes	<b>Charges:</b> e.g., highway charges, sewer charges, parks and rec charges	<b>Misc. General Revenue:</b> e.g., fines and forfeits, special assessments
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There is potentially room to grow 'own source' revenues as the City seeks to sustain existing and/or fund new programs and services

This analysis focuses on Minneapolis' 'own source' revenue – tax revenue, charges, and miscellaneous general revenue – as these revenue sources are within the City's control

**Note:** G. Revenue values vary across data sources due to variations in definitions and categorizations, limiting comparability between the FY2022-26 City's budget data and 2022 FISC data.

**Source:** 6. [Lincoln Institute of Land Policy Fiscally Standardized Cities \(FISC\) database](#)

# Minneapolis is dependent on property tax revenue, indicating an opportunity to diversify its tax portfolio

Minneapolis ranks 10<sup>th</sup> amongst its peers based on per capita tax revenue

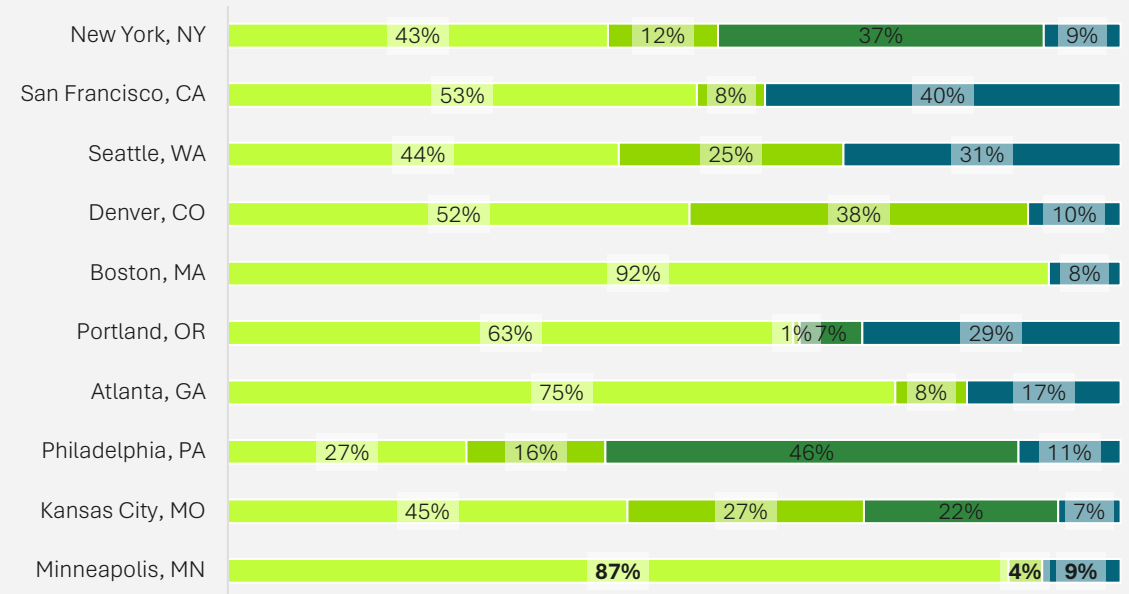
**Ranking of Cities by Per Capita City Tax Revenues, 2022** (2022 dollars)<sup>7</sup>

Rank	City	Population	Tax Revenue	Per Capita Tax Revenue
1	New York, NY	8,459,000	\$69,342,060,370	\$8,197
2	San Francisco, CA	811,253	\$6,473,863,840	\$7,980
3	Seattle, WA	731,507	\$3,779,382,121	\$5,167
4	Denver, CO	711,323	\$3,389,333,170	\$4,765
5	Boston, MA	654,537	\$3,117,592,458	\$4,763
6	Portland, OR	643,375	\$2,744,573,413	\$4,266
7	Atlanta, GA	492,667	\$2,059,284,013	\$4,180
8	Philadelphia, PA	1,589,480	\$5,894,475,316	\$3,708
9	Kansas City, MO	508,949	\$1,648,292,410	\$3,239
10	Minneapolis, MN	424,635	\$1,028,206,943	\$2,421

Cities in states with laws that restrict municipal income taxes (e.g., Minneapolis, Boston, Atlanta) tend to be more reliant on property tax revenue

Minneapolis receives a relatively higher percentage (87%) of its tax revenue from property taxes and relies less on sales taxes (4%) and other tax revenues (9%)

**Breakdown of City Tax Revenue Sources, 2022**



**Property Tax:** Taxes applied to a property as a whole

**Sales Tax:** Taxes applied to sales of a goods and services (w/exceptions)

**Income Tax:** Taxes applied to the gross income of individ. or net income of corps.

**Other Taxes:** e.g., selective sales taxes, licenses, transfer taxes

San Francisco, Seattle, and Portland have relatively high 'other taxes' such as business license taxes. For example, San Francisco and Portland base their business license fees on the amount of revenue generated by a business, resulting in higher revenues.

# Minneapolis has relatively higher property tax rates compared to peer cities and may have less capacity to increase these rates

Minneapolis has the 3<sup>rd</sup> highest residential property tax rate for homes at the median property value and 3<sup>rd</sup> highest commercial property tax rate for commercial properties valued at a million dollars

**Ranking of Cities by Residential and Commercial Property Tax Rates, 2024** (2024 dollars)<sup>8</sup>

Residential Rank	City	Residential Property Tax Rate <sup>H</sup> (2024 median-valued home)	Residential Tax Bill (2024 median-valued home)	Median Property Value (2024 dollars)	Commercial Rank	Commercial Property Tax Rate (2024 \$1 million-valued commercial property)	Tax Bill (2024 \$1-million valued commercial property)
1	Portland, OR	1.68%	\$9,563	\$570,300	2	2.59%	\$31,114
2	Kansas City, MO	1.37%	\$3,330	\$243,200	1	2.75%	\$32,996
3	Minneapolis, MN*	1.25%	\$4,445	\$355,600	3	2.36%	\$28,264
4	Philadelphia, PA*	0.85%	\$2,095	\$246,600	6	1.98%	\$23,720
5	Atlanta, GA	0.84%	\$3,714	\$443,300	7	1.51%	\$18,063
6	San Francisco, CA	0.80%	\$10,844	\$1,348,000	9	1.17%	\$14,057
7	Seattle, WA	0.77%	\$6,898	\$898,600	10	0.78%	\$9,417
8	Denver, CO*	0.52%	\$3,253	\$626,500	4	2.11%	\$25,272
9	Boston, MA	0.49%	\$3,445	\$703,600	5	2.11%	\$25,270
10	New York, NY	0.48%	\$3,544	\$743,000	8	1.42%	\$17,014

Property values are relatively low in Minneapolis compared to peer cities, resulting in a relatively low tax bill despite higher rates

**Residential and Commercial Property Tax Bill, 2024**



Residential Property Tax Bill, Median Valued Home

Commercial Property Tax Bill, \$1-Million Valued Property

**Note:** H. Commercial property tax rates in starred cities (\*) vary by property value.  
**Source:** 8. [Lincoln Institute of Land Policy 50 State Property Tax Comparison for 2024](#)

# Increasing charges for public services can grow revenues, but the use of these funds are generally tied to specific services

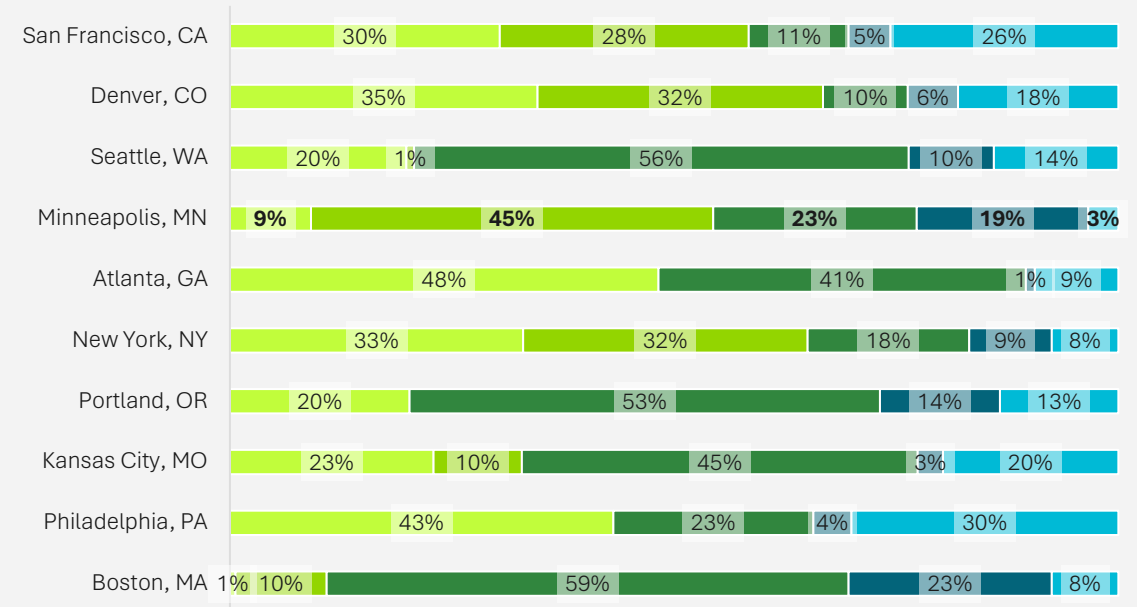
Minneapolis ranks 4<sup>th</sup> amongst its peers based on per capita charges revenue

**Ranking of Cities by Per Capita City Charges Revenues, 2022** (2022 dollars)<sup>9</sup>

Rank	City	Population	Charges Revenue	Per Capita Charges Revenue
1	San Francisco, CA	811,253	\$4,153,307,084	\$5,120
2	Denver, CO	711,323	\$2,694,078,957	\$3,787
3	Seattle, WA	731,507	\$1,827,121,609	\$2,498
4	Minneapolis, MN	424,635	\$851,270,031	\$2,005
5	Atlanta, GA	492,667	\$835,780,005	\$1,696
6	New York, NY	8,459,000	\$13,450,655,900	\$1,590
7	Portland, OR	643,375	\$870,261,194	\$1,353
8	Kansas City, MO	508,949	\$624,684,003	\$1,227
9	Philadelphia, PA	1,589,480	\$1,742,308,502	\$1,096
10	Boston, MA	654,537	\$403,109,702	\$616

Minneapolis receives a relatively high percentage of charges revenue from hospital (45%) and sewer and waste (23%) charges

**Breakdown of City Charges Revenue Sources, 2022**



In a ranking of its peers, Minneapolis has a low sewer rate while San Francisco and Seattle have the highest rates. Some peer cities (Atlanta, Kansas City, and San Francisco) include base sewer monthly payments in addition to a 'per unit' rate.

Revenues generated from charges and fees are generally restricted and often cannot be redirected and used for general program funding.

# Misc. revenues could be further explored as a source of additional revenue; however, they may have lower revenue generation potential than other sources

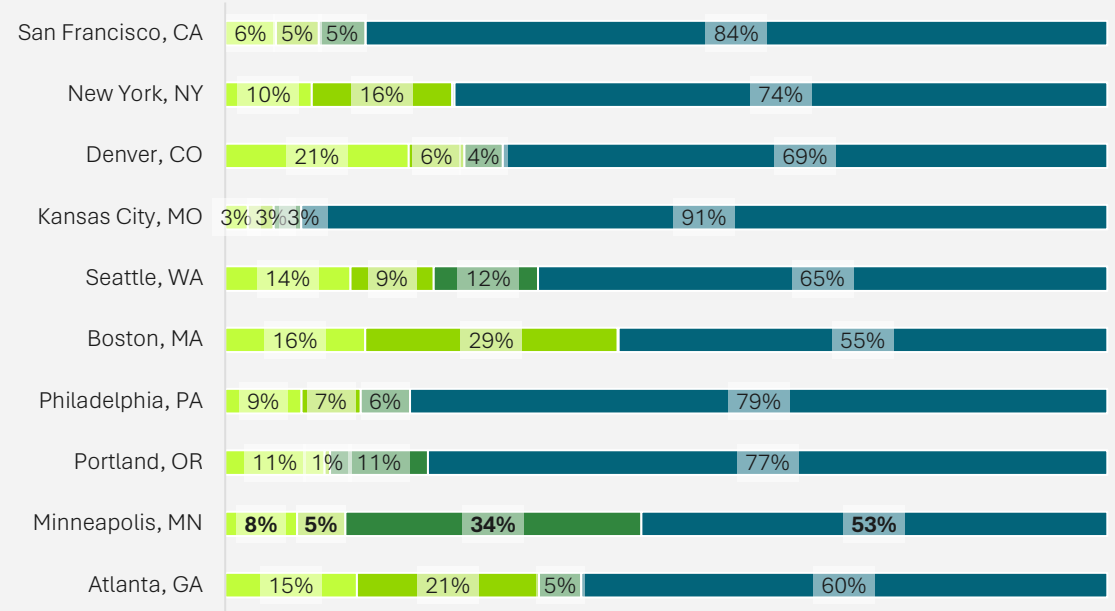
Minneapolis ranks 9<sup>th</sup> amongst its peers based on per capita miscellaneous revenue

**Ranking of Cities by Per Capita Miscellaneous Revenues, 2022** (2022 dollars)<sup>9</sup>

Rank	City	Population	Misc. Revenue	Misc. Revenue Per Capita
1	San Francisco, CA	811,253	\$911,450,858	\$1,124
2	New York, NY	8,459,000	\$7,721,713,560	\$913
3	Denver, CO	711,323	\$646,749,098	\$909
4	Kansas City, MO	508,949	\$363,399,765	\$714
5	Seattle, WA	731,507	\$337,649,001	\$462
6	Boston, MA	654,537	\$215,715,759	\$330
7	Philadelphia, PA	1,589,480	\$492,945,432	\$310
8	Portland, OR	643,375	\$167,419,043	\$260
9	Minneapolis, MN	424,635	\$104,791,425	\$247
10	Atlanta, GA	492,667	\$99,055,627	\$201

Minneapolis receives a relatively high share of total miscellaneous revenue from fines and forfeits (34%) and lower share from special assessments (5%) compared to peer cities

**Breakdown of Misc. Revenue Sources, 2022**



<p><b>Interest Earnings:</b> e.g., interest on all interest-bearing deposits and accounts</p>	<p><b>Special Assessments:</b> e.g., contributions and reimbursements from property owners who benefit from public improvements</p>	<p><b>Fines and Forfeits:</b> e.g., receipts from penalties imposed for violations of law, civil penalties, court fees</p>	<p><b>Other General Revenue:</b> e.g., dividends on investments, premiums on bonds issued</p>
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Source: 9. Lincoln Land Institute, [Lincoln Institute of Land Policy Fiscally Standardized Cities \(FiSC\) database](#)



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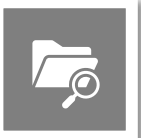
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Appendix 46

# Minneapolis can consider adopting strategies from peer cities to increase revenue generation (1/4)

Peer cities employ a variety of taxes – including excise, income, and transfer taxes – to fund government services, generating up to \$1,634 per capita

### Examples of Taxes Adopted or Explored by Peer Cities

Category	Definition	Examples	Revenue per Capita Range (2024 dollars) <sup>1,10-33</sup>	Implementation Consideration	
Tax	<b>Excise tax</b>	An indirect tax on specific goods, services, and activities (e.g., cigarettes, alcohol).	Seattle’s sweetened beverage tax, Seattle’s commercial parking tax, Boston’s meals tax, Philadelphia’s amusement tax, Portland’s climate protection fund	\$15 (Portland climate protection fund) - \$64 (Seattle commercial parking tax)	Minneapolis has a 3% entertainment tax that applies to admissions, but some peer cities have higher rates (5-10%).
	<b>Individual income tax</b>	An individual income tax (or personal income tax) is levied on the wages, salaries, investments, or other forms of income an individual or household earns.	Philadelphia’s wage tax, Denver’s occupational privilege tax	\$38 (Philadelphia school income tax) - \$1,634 (NYC local income tax)	Minneapolis would need approval from the state legislature to levy a local income tax. Counties, cities, and school districts in 15 states currently use local income taxes, with state authority.
	<b>Business tax</b>	A tax imposed by a local government on the income or gross receipts of businesses operating within its jurisdiction.	Philadelphia’s business income and receipts tax, Seattle’s social housing tax, Seattle’s payroll expense tax, Seattle’s business and occupation tax, NYC’s commercial rent tax, Portland’s clean energy surcharge	\$66 (Seattle social housing tax) - \$461 (Seattle payroll expense tax)	Business taxes could be tailored to focus on larger, higher revenue businesses. For example, Seattle has implemented two taxes that specifically target businesses with large payrolls and high-compensation workers.

**Note:** 1. Revenue per capita figures were limited by peer city data availability and are meant to provide a high-level indication of the potential revenue generation for each category.

**Sources:** 10-33. Revenue per capita case study sources

# Minneapolis can consider adopting strategies from peer cities to increase revenue generation (2/4)

Peer cities employ a variety of taxes – including excise, income, and transfer taxes – to fund government services, generating up to \$1,634 per capita

### Examples of Taxes Adopted or Explored by Peer Cities

Category	Definition	Examples	Revenue per Capita Range (2024 dollars) <sup>J, 10-33</sup>	Implementation Consideration	
Tax	<b>Real estate transfer tax</b>	A charge levied on the transfer of ownership or title to property from one individual or entity to another.	San Francisco’s real estate transfer tax	\$76 (NYC realty transfer tax) - \$277 (San Francisco transfer tax)	Minnesota has a state transfer tax, but Minneapolis does not. This tax can be structured progressively; as of 2024, 17 cities and counties had progressive taxes on high-priced real estate sales.
	<b>Art tax</b>	An annual fee that applies to all residents age 18+ with \$1,000 annual income in households above federal poverty. Funds are used to support art/music programs.	Portland’s art tax	\$16 (Portland art tax)	This may require state – and potentially local voter – approval.
	<b>Payment in lieu of taxes</b>	Voluntary payments made by nonprofits based on an institution's tax-exempt property value. Participants in the program include institutions from the educational, medical, and cultural sectors that own property valued \$15m+.	Boston’s PILOT program	\$94 (Boston PILOT program)	This may not require approval from state the state legislature, as there would not technically be a “new tax.” It would instead encourage tax exempt institutions to contribute a percentage determined by the City.
	<b>Empty homes tax</b>	A tax on holding certain residential units vacant for more than 182 days in a calendar year.	San Francisco’s empty homes tax	\$52 (San Francisco empty homes tax)	This may require state – and potentially local voter – approval.

**Note:** J. Revenue per capita figures were limited by peer city data availability and are meant to provide a high-level indication of the potential revenue generation for each category.

**Sources:** 10-33. Revenue per capita case study sources

# Minneapolis can consider adopting strategies from peer cities to increase revenue generation (3/4)

Peer cities charge fees for the use of city services and infrastructure, generating up to \$57 per capita

### Examples of Charges Adopted or Explored by Peer Cities

Category	Definition	Examples	Revenue per Capita Range (2024 dollars) <sup>K, 10-33</sup>	Implementation Consideration	
Charge	<b>Congestion charge</b>	A fee paid by drivers to enter a designated area, such as a city center or highway stretches, during peak hours.	NYC’s congestion pricing	\$57 (NYC central business district tolling program)	Implementing a congestion charge would likely require significant coordination with and approvals from MnDOT and FHWA.
	<b>Asset monetization</b>	Process of converting non-revenue generating assets into sources of income, e.g., leasing public infrastructure like roads or powerlines.	Philadelphia’s outdoor advertising tax	\$2 (Philadelphia outdoor advertising tax)	Establishing an outdoor advertising tax may require state authority.
	<b>Service fee</b>	A charge for a specific service or good, typically to cover its cost and promote efficiency by connecting the recipient of the service to its payment.	Denver’s parking meter increase	\$11 (Denver parking meter increase)	Parking meter charges are specifically exempt from sales tax in MN, but the city has authority over increasing parking meter rates.

**Note:** K. Revenue per capita figures were limited by peer city data availability and are meant to provide a high-level indication of the potential revenue generation for each category.  
**Sources:** 10-33. Revenue per capita case study sources

# Minneapolis can consider adopting strategies from peer cities to increase revenue generation (4/4)

Peer cities have also adopted special service districts and betterment levies to support public services and infrastructure

*Examples of Miscellaneous Revenue Adopted or Explored by Peer Cities*

Category	Definition	Examples	Revenue per Capita Range (2024 dollars) <sup>L, 10-33</sup>	Implementation Consideration	
Misc. Revenue	<b>Special service district<sup>M</sup></b>	A defined area where special services are rendered and the costs of the services are paid using service charges imposed within that area.	Atlanta’s BeltLine commercial projects	\$192 (over lifetime of Atlanta’s special service district)*	Minneapolis has special service districts, but the use of revenue from this source is limited to the special service district’s improvements.
	<b>Betterment levy<sup>M</sup></b>	A special charge or tax imposed on property owners by a government to recover the cost of public improvements that increase the value of their land.	Portland’s parks local option levy	\$82 (Portland parks local option levy)	Betterment levies provide a source of revenue that is limited to a specific project – e.g., park improvement or infrastructure upgrades.

**Notes:** L. Revenue per capita figures were limited by peer city data availability and are meant to provide a high-level indication of the potential revenue generation for each category. M. Special service districts and betterment levies are only applied to a subsection of city residents who reside/own businesses in a defined area or who will benefit from public improvements. **Sources:** 10-33. Revenue per capita case study sources

# Table of Contents



Executive Summary 03



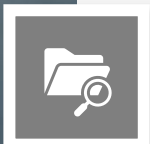
Revenue Analysis 10



Leading Practices Research 17



**Fiscal Policy Review 22**

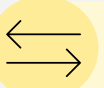



Appendix 46


# Five revenue generating strategies were selected for closer review


Five revenue generating strategies were selected for additional research and analysis


## Revenue Generating Strategies and Selection Rationale

- 
**Real Estate Transfer Tax**

Real estate transfer taxes have been approved by voters in other cities and can be designed using a progressive scale to promote equity
- 
**Payment in Lieu of Taxes**

A PILOT program could encourage tax-exempt institutions to share costs for essential services and is likely to require fewer approvals than a new city tax
- 
**Individual Income Tax**

Income taxes could provide a significant, reliable source of income for the city and can be designed to emphasize equity through a progressive tax structure
- 
**Empty Homes Tax**

An empty home tax could expand upon the City's vacancy fee and encourage affordable housing via increased utilization of existing housing stock
- 
**Asset Monetization**

The City has a variety of real estate holdings and other assets that could be monetized via mechanisms such as leasing agreements and fees for use

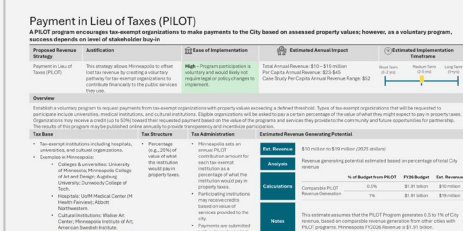
## Other Revenue Generation Strategies

- Business Tax
- Excise Tax
- Art Access Tax
- Congestion Charge
- Service Fees
- Special Service District/Betterment Levy

Selected strategies are evaluated in this section for impact, feasibility, and relevance

## Overview of Deep Dive Analyses

**Payment in Lieu of Taxes (PILOT)**  
A PILOT program encourages tax-exempt organizations to make payments to the City based on assessed property values; however, as a voluntary program, success depends on level of stakeholder buy-in.

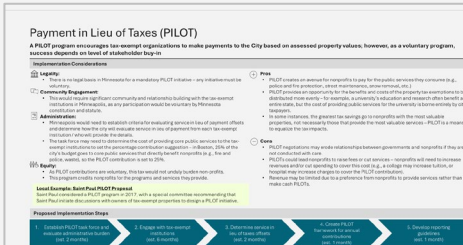


The diagram shows a flow from 'Overview' to 'Tax Base', 'Tax Structure', 'Tax Administration', and 'Estimated Revenue Generating Potential'. It includes a table with columns for 'Analysis', 'Assessment', 'Feasibility', and 'Relevance'.

### Overview

The overview provides a summary of the revenue generating strategy's implementation ease and timeline, revenue base and structure, and estimated revenue generating potential

**Payment in Lieu of Taxes (PILOT)**  
A PILOT program encourages tax-exempt organizations to make payments to the City based on assessed property values; however, as a voluntary program, success depends on level of stakeholder buy-in.

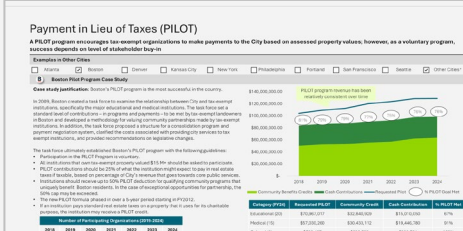


The diagram shows a flow from 'Legality', 'Community Engagement', 'Administration', and 'Equity' to 'Estimated Revenue Generating Potential'. It includes a table with columns for 'Analysis', 'Assessment', 'Feasibility', and 'Relevance'.

### Implementation Considerations

The implementation considerations include potential legal, administrative, community engagement, and equity factors the City can consider when evaluating the revenue generation strategy

**Payment in Lieu of Taxes (PILOT)**  
A PILOT program encourages tax-exempt organizations to make payments to the City based on assessed property values; however, as a voluntary program, success depends on level of stakeholder buy-in.



The chart shows 'Number of Participating Organizations (Left Y-Axis)' and 'Estimated Revenue Generating Potential (Right Y-Axis)' from 2018 to 2024. It includes a table with columns for 'Year', 'Number of Participating Organizations', 'Estimated Revenue Generating Potential', 'Estimated Revenue Generating Potential per Organization', and 'PILOT Rate'.

### Case Study

The case study provides an overview of how the revenue generation strategy has been implemented in a peer city, highlighting the revenue generation strategy design and outcomes

# How to read the revenue generating strategy deep dives...

## Elements included in revenue generating strategy deep dives (1/3)

- 1 Proposed Revenue Strategy:** Name of proposed revenue generating strategy
- 2 Justification:** Summary of how the strategy advances Minneapolis' goals to sustainably and equitably increase City revenue
- 3 Ease of Implementation:** Assessment of relative ease of implementation based on legality, stakeholder engagement, administration costs, and other factors
- 4 Estimated Annual Impact:** Estimated annual revenue generated from this new strategy in Minneapolis, based on case studies

### Payment in Lieu of Taxes (PILOT)

<b>1</b> <b>Proposed Revenue Strategy</b>	<b>2</b> <b>Justification</b>	<b>3</b> <b>Ease of Implementation</b>	<b>4</b> <b>Estimated Annual Impact</b>	<b>5</b> <b>Estimated Implementation Timeframe</b>																														
Payment in Lieu of Taxes (PILOT) <sup>34, 35, 36</sup>	This strategy allows Minneapolis to grow revenues by creating a voluntary pathway for tax-exempt organizations to contribute financially to the public services they use.	<b>High</b> – Program participation is voluntary and would likely not require legal or policy changes to implement.	<b>Est. Total Revenue:</b> \$10 – \$19 million <b>Est. Per Capita Revenue:</b> \$23 - \$45 <b>Peer City Per Capita Revenue Reference:</b> \$52	Short Term (0-2 yrs)   Medium Term (2-5 yrs)   Long Term (5+ yrs)																														
<b>6</b> <b>Overview</b>																																		
PILOT is a voluntary program that requests payments from tax-exempt organizations with property values exceeding a defined threshold. Participating tax-exempt organizations typically benefit from City services and may include medical institutions, universities, and cultural institutions. Participating organizations will be asked to pay a certain percentage of the value of what they might expect to pay in property taxes. Organizations may receive a credit (up to 50%) toward their requested payment based on the value of the programs and services they provide to the community. Program revenue is directed toward the city's general fund. The program results can be published online annually to provide transparency and incentivize participation.																																		
<b>7</b> <b>Taxable Population or Entities</b>	<b>8</b> <b>Payment Structure</b>	<b>9</b> <b>Administration</b>	<b>10</b> <b>Estimated Revenue Generating Potential</b>																															
<ul style="list-style-type: none"> <li>Tax-exempt institutions including hospitals, universities, and cultural organizations.</li> <li>Participation in the PILOT program may be limited due to non-profits' fiscal pressures.</li> </ul>	<ul style="list-style-type: none"> <li>Percentage (e.g., 25%) of the value the institution would pay in property taxes.</li> </ul>	<ul style="list-style-type: none"> <li>Minneapolis sets an annual PILOT contribution amount for each participating tax-exempt institution by determining what the institution would pay in property taxes and applying the appropriate rate. Participating institutions may receive credits based on value of services provided to the City.</li> <li>Payments are submitted to the City and reported on an annual basis.</li> </ul>	<table border="1"> <tr> <td><b>Est. Revenue</b></td> <td colspan="4">\$10 million to \$19 million (2025 dollars)</td> </tr> <tr> <td><b>Analysis</b></td> <td colspan="4">Multiply total City revenue by the percentage of revenue in other cities that is attributable to PILOT programs<sup>37</sup></td> </tr> <tr> <td><b>Calculations</b></td> <td><b>Estimate</b></td> <td><b>FY26 Budget</b></td> <td><b>x</b></td> <td><b>% of Budget from PILOT in Other Cities</b></td> </tr> <tr> <td></td> <td>\$10M</td> <td>= \$1.91 billion</td> <td>x</td> <td>0.5%</td> </tr> <tr> <td></td> <td>\$19M</td> <td>= \$1.91 billion</td> <td>x</td> <td>1.0%</td> </tr> <tr> <td><b>Notes</b></td> <td colspan="4">This estimate assumes that the PILOT Program would generate 0.5 to 1.0% of future City revenue, based on comparable revenue generation from other cities with PILOT programs. Minneapolis' FY2026 Revenue is projected to be \$1.91 billion.</td> </tr> </table>		<b>Est. Revenue</b>	\$10 million to \$19 million (2025 dollars)				<b>Analysis</b>	Multiply total City revenue by the percentage of revenue in other cities that is attributable to PILOT programs <sup>37</sup>				<b>Calculations</b>	<b>Estimate</b>	<b>FY26 Budget</b>	<b>x</b>	<b>% of Budget from PILOT in Other Cities</b>		\$10M	= \$1.91 billion	x	0.5%		\$19M	= \$1.91 billion	x	1.0%	<b>Notes</b>	This estimate assumes that the PILOT Program would generate 0.5 to 1.0% of future City revenue, based on comparable revenue generation from other cities with PILOT programs. Minneapolis' FY2026 Revenue is projected to be \$1.91 billion.			
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- 5 Estimated Implementation Timeframe:** Assessment of timeframe of implementation (short-term, medium-term, long-term)

- 6 Overview:** A summary description of the revenue generating strategy

- 10 Estimated Revenue Generating Potential:** Analysis of how the estimated annual impact is calculated
- 9 Administration:** Description of how the tax or program is administered
- 8 Payment Structure:** Description of how the tax or program can be structured (e.g., flat rate, graduated rate, tier)
- 7 Taxable Population or Entities:** A description of who is impacted by the tax or program

# How to read the revenue generating strategy deep dives...

## Elements included in revenue generating strategy deep dives (2/3)

- 1 Legal Considerations:**  
Legal or policy changes that may be needed to implement this strategy
- 2 Community Engagement:**  
Stakeholder and/or community engagement that may be needed to implement this strategy
- 3 Administration:**  
Administrative requirements that may need to be incorporated in the design of this strategy
- 4 Equity:** Anticipated equity impacts of this strategy

### Payment in Lieu of Taxes (PILOT)

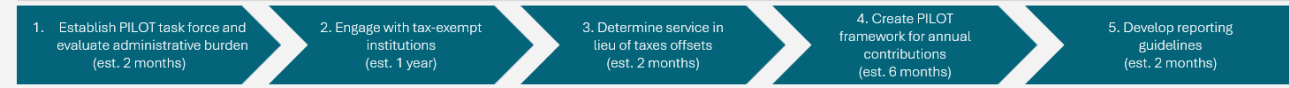
A PILOT program would encourage tax-exempt organizations to contribute to City revenues, but would depend on voluntary participation

#### Implementation Considerations

- 1 Legal Considerations:**
  - There is no legal basis in Minnesota for a mandatory PILOT initiative – any initiative must be voluntary.
- 2 Community Engagement:**
  - A PILOT program would require significant community and relationship building with the tax-exempt institutions in Minneapolis, as any participation would be voluntary.
- 3 Administration:**
  - Minneapolis would need to establish criteria for evaluating service in lieu of payment offsets and determine how the city would evaluate service in lieu of payment from each tax-exempt institutions.
  - A task force would need to determine the cost of providing core public services to the tax-exempt institutions to set the percentage contribution suggestion. In Boston, 25% of the city's budget goes to core public services that directly benefit nonprofits (e.g., fire and police, waste), so the PILOT contribution is set to 25%.
- 4 Equity:**
  - This program credits nonprofits for the programs and services they provide.
- 5 Pros**
  - PILOT creates an avenue for nonprofits to pay for the public services they consume (e.g., police and fire protection, street maintenance, snow removal, etc.).
  - PILOT provides an opportunity for the benefits and costs of the property tax exemptions to be distributed more evenly. For example, a university's education and research often benefit an entire state, but the cost of providing public services for the university is borne entirely by city taxpayers.
- 6 Cons**
  - PILOT could further burden non-profits currently facing funding instability.
  - PILOT negotiations may erode relationships between governments and nonprofits if they are not conducted with care.
  - PILOTs could lead nonprofits to raise fees or cut services. Nonprofits may need to increase revenues and/or cut spending to cover this cost (e.g., a college may increase tuition, or hospital may increase charges to cover the PILOT contribution).
  - Revenue may be limited due to a preference from nonprofits to provide services rather than make cash PILOTs.

**Local Example: Saint Paul PILOT Proposal**  
Saint Paul considered a PILOT program in 2017, with a special committee recommending that Saint Paul initiate discussions with owners of tax-exempt properties to design a PILOT initiative.

#### Potential Implementation Steps



- 5 Pros:** Anticipated positive impacts of implementing the strategy
- 6 Cons:** Anticipated negative impacts of implementing this strategy
- 7 Potential Implementation Steps:** High level steps required to implement the strategy

# How to read the revenue generating strategy deep dives...

## Elements included in revenue generating strategy deep dives (3/3)

**1 Examples in Other Cities:**  
An indication of peer cities that have implemented a comparable strategy

**2 Case Study:** Summary of how the strategy was implemented in a peer city and revenue generated to-date

### Payment in Lieu of Taxes (PILOT)

A PILOT program would encourage tax-exempt organizations to contribute to City revenues, but would depend on voluntary participation

**1** Examples in Other Cities

Atlanta  Boston  Denver  Kansas City  New York  Philadelphia  Portland  San Francisco  Seattle  Other Cities<sup>P</sup>

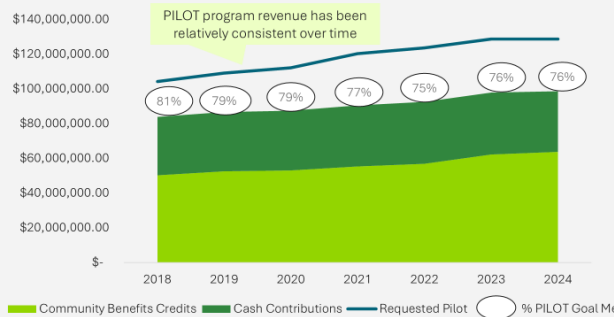
**2** **B Boston Pilot Program Case Study**

**Case study rationale:** Boston's PILOT program is one of the most prominent in the country.

In 2009, Boston created a task force to examine the relationship between City and tax-exempt institutions, specifically the major educational and medical institutions. The task force set a standard level of contributions – in programs and payments – to be met by tax-exempt landowners in Boston and developed a methodology for valuing community partnerships made by tax-exempt institutions. In addition, the task force proposed a structure for a consolidation program and payment negotiation system, clarified the costs associated with providing city services to tax exempt institutions, and provided recommendations on legislative changes.

- The task force ultimately established Boston's PILOT program with the following guidelines:
- Participation in the PILOT Program is voluntary.
  - All institutions that own tax-exempt property valued \$15 M+ should be asked to participate.
  - PILOT contributions should be 25% of what the institution might expect to pay in real estate taxes if taxable, based on percentage of City's revenue that goes towards core public services.
  - Institutions should receive up to 50% PILOT deduction for qualifying community programs that uniquely benefit Boston residents. In the case of exceptional opportunities for partnership, the 50% cap may be exceeded.
  - The new PILOT formula phased in over a 5-year period starting in FY2012.
  - If an institution pays standard real estate taxes on a property that it uses for its charitable purpose, the institution may receive a PILOT credit.

Number of Participating Organizations (2019-2024)						
2018	2019	2020	2021	2022	2023	2024
49	45	38	35	39	40	38



Category (FY24)	Requested PILOT	Community Credit	Cash Contribution	% PILOT Met
Educational (20)	\$70,967,017	\$32,840,929	\$15,010,050	67%
Medical (15)	\$57,030,260	\$30,433,112	\$19,446,780	91%
Cultural (3)	\$793,467	\$396,733	\$396,734	100%
<b>Total (38)</b>	<b>\$128,790,744</b>	<b>\$63,670,774</b>	<b>\$34,853,564</b>	<b>76%</b>

# Real Estate Transfer Tax

A real estate transfer tax could help the City diversify its tax revenues; however, revenues would fluctuate with real estate market shifts

Proposed Revenue Strategy	Justification	Ease of Implementation	Estimated Annual Revenue	Estimated Implementation Timeframe
Real estate transfer tax, occasionally referred to as a “mansion tax” <sup>34</sup>	A real estate transfer tax would diversify the City’s property tax revenues and could be designed to promote equity via progressive fees and community reinvestments.	<b>Medium</b> - Minnesota has a state transfer tax, but Minneapolis does not. This would require legislative action at the state level, as well as local voter approval.	<b>Est. Total Revenue:</b> \$101 million to \$159 million <b>Est. Per Capita Revenue:</b> \$237 to \$370 <b>Peer City Per Capita Revenue Range:</b> \$80 to \$300	Short Term (0-2 yrs)      Medium Term (2-5 yrs)      Long Term (5+ yrs) 

## Overview

A real estate transfer tax is a charge levied on the sale or transfer of real property from one individual or entity to another. Transfer taxes can take the form of a flat rate applied equally to all transfers, a variable rate where higher value transactions incur higher tax rates, or marginal tax brackets which apply top tax rates only to the portion of the transaction’s value that exceeds set levels. Transfer taxes adopted by peer cities differ in terms of tax rates, tax threshold levels, rate structures, tax base, and revenue uses, as each city has unique real estate market dynamics and community priorities. In nearly half of cities with progressive transfer taxes, generated revenue serves as a dedicated funding stream for affordable housing and homelessness reduction.

Taxable Population or Entities	Tax Structure	Tax Administration	Estimated Revenue Generating Potential																											
<ul style="list-style-type: none"> <li>The tax impacts individuals or entities who purchase, sell, or transfer property within the city. The tax may not impact properties under a specified price, depending on the tax rate design.</li> <li>Exemptions exist, for example, for spousal/domestic partner transfers, transfers to or from a revocable trust.</li> <li>Peer cities do not typically specify which party – the buyer or the seller – is responsible for paying the tax. In these cases, tax payment responsibility is negotiated by the buyer and seller.</li> <li>The tax can apply to both residential and commercial properties.</li> </ul>	<ul style="list-style-type: none"> <li>Progressive rate: The real estate transfer tax is a tiered rate based on property value.</li> <li>Flat rate: The real estate transfer tax is a flat rate applied as a percentage of the property value.</li> </ul>	<ul style="list-style-type: none"> <li>The tax is often collected at the point of sale or transfer on property, typically at real estate closing. It is included in the total closing costs, along with other fees.</li> <li>The title or settlement agent collects the funds and sends them to the appropriate agency.</li> <li>The property’s new deed cannot be officially recorded unless the real estate transfer tax is paid.</li> </ul>	<table border="1"> <tr> <td><b>Est. Revenue</b></td> <td>\$101 million to \$159 million (2023 dollars)</td> </tr> <tr> <td><b>Analysis</b></td> <td>Apply tax rates from peer cities – Berkeley and Philadelphia – to Minneapolis' 2023 property sales to estimate revenue generation<sup>35</sup></td> </tr> <tr> <td><b>Calculations</b></td> <td> <table border="1"> <thead> <tr> <th></th> <th>Estimate</th> <th>Tax Rate</th> <th>Sales</th> <th>Tax Rate</th> <th>Sales</th> </tr> </thead> <tbody> <tr> <td>Berkeley Rates:</td> <td>\$101M</td> <td>= ( 1.5% x</td> <td>\$933M )</td> <td>+ ( 2.5% x</td> <td>\$3.51B )</td> </tr> <tr> <td>Philadelphia Rates:</td> <td>\$159M</td> <td>=</td> <td>3.6% x</td> <td>\$4.44B</td> <td></td> </tr> </tbody> </table> </td> </tr> <tr> <td><b>Notes</b></td> <td colspan="2">Berkeley applies a 1.5% tax rate on sales and transfers of properties below the city’s one-third most expensive property and a 2.5% tax on the one-third most expensive property and above, whereas Philadelphia has a flat rate. Estimates include high-value commercial real estate sales that occurred in Minneapolis in 2023, which may not be representative of the potential average revenue generation.</td> </tr> </table>	<b>Est. Revenue</b>	\$101 million to \$159 million (2023 dollars)	<b>Analysis</b>	Apply tax rates from peer cities – Berkeley and Philadelphia – to Minneapolis' 2023 property sales to estimate revenue generation <sup>35</sup>	<b>Calculations</b>	<table border="1"> <thead> <tr> <th></th> <th>Estimate</th> <th>Tax Rate</th> <th>Sales</th> <th>Tax Rate</th> <th>Sales</th> </tr> </thead> <tbody> <tr> <td>Berkeley Rates:</td> <td>\$101M</td> <td>= ( 1.5% x</td> <td>\$933M )</td> <td>+ ( 2.5% x</td> <td>\$3.51B )</td> </tr> <tr> <td>Philadelphia Rates:</td> <td>\$159M</td> <td>=</td> <td>3.6% x</td> <td>\$4.44B</td> <td></td> </tr> </tbody> </table>		Estimate	Tax Rate	Sales	Tax Rate	Sales	Berkeley Rates:	\$101M	= ( 1.5% x	\$933M )	+ ( 2.5% x	\$3.51B )	Philadelphia Rates:	\$159M	=	3.6% x	\$4.44B		<b>Notes</b>	Berkeley applies a 1.5% tax rate on sales and transfers of properties below the city’s one-third most expensive property and a 2.5% tax on the one-third most expensive property and above, whereas Philadelphia has a flat rate. Estimates include high-value commercial real estate sales that occurred in Minneapolis in 2023, which may not be representative of the potential average revenue generation.	
<b>Est. Revenue</b>	\$101 million to \$159 million (2023 dollars)																													
<b>Analysis</b>	Apply tax rates from peer cities – Berkeley and Philadelphia – to Minneapolis' 2023 property sales to estimate revenue generation <sup>35</sup>																													
<b>Calculations</b>	<table border="1"> <thead> <tr> <th></th> <th>Estimate</th> <th>Tax Rate</th> <th>Sales</th> <th>Tax Rate</th> <th>Sales</th> </tr> </thead> <tbody> <tr> <td>Berkeley Rates:</td> <td>\$101M</td> <td>= ( 1.5% x</td> <td>\$933M )</td> <td>+ ( 2.5% x</td> <td>\$3.51B )</td> </tr> <tr> <td>Philadelphia Rates:</td> <td>\$159M</td> <td>=</td> <td>3.6% x</td> <td>\$4.44B</td> <td></td> </tr> </tbody> </table>		Estimate	Tax Rate	Sales	Tax Rate	Sales	Berkeley Rates:	\$101M	= ( 1.5% x	\$933M )	+ ( 2.5% x	\$3.51B )	Philadelphia Rates:	\$159M	=	3.6% x	\$4.44B												
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<b>Notes</b>	Berkeley applies a 1.5% tax rate on sales and transfers of properties below the city’s one-third most expensive property and a 2.5% tax on the one-third most expensive property and above, whereas Philadelphia has a flat rate. Estimates include high-value commercial real estate sales that occurred in Minneapolis in 2023, which may not be representative of the potential average revenue generation.																													

Sources: 34. Institute on Taxation and Economic Policy, [Local Mansion Taxes: Building Stronger Communities with Progressive Taxes on High-Value Real Estate – ITEP](https://opendata.minneapolismn.gov/datasets/cityoflakes::property-sales-2019-to-2023); 35. City of Minneapolis, <https://opendata.minneapolismn.gov/datasets/cityoflakes::property-sales-2019-to-2023>

# Real Estate Transfer Tax

**A real estate transfer tax could help the City diversify its tax revenues; however, revenues would fluctuate with real estate market shifts**

## Implementation Considerations<sup>34,35, 36, 37</sup>

### Legal Considerations:

- A real estate transfer tax would need to be approved by the State legislature. Minnesota generally operates under “Dillon’s Rule,” meaning that cities only have powers that are specifically granted to them by the state legislature. Minnesota has a state deed tax (MN Statute § 287.20-287.32), which grants specific counties the ability to impose additional deed taxes, but does not expressly give cities the ability to levy a real estate transfer tax.
- The state could enact a special law to approve a real estate transfer tax for Minneapolis. Minnesota Constitution Article XII, Section 2 provides that “a special law, unless otherwise provided by general law, shall become effective only after its approval by the affected unit expressed through the voters of the governing body.”

### Community Engagement:

- The City may need to conduct community engagement to demonstrate the value of a real estate transfer tax before it goes to vote.

### Administrative:

- The City administrative burden of implementing a real estate transfer tax may be relatively light, as the tax would be collected at the point of sale for real estate transactions by the title or settlement agent.

### Equity:

- The City can incorporate equity into the design of a transfer tax by applying a progressive tax rate and earmarking revenue for community investment (e.g., affordable housing).

### Pros:

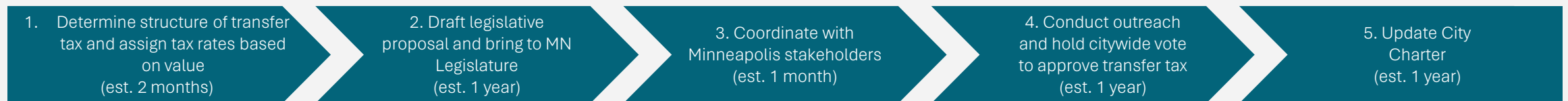
- Real estate transfer taxes are typically easy for voters to understand and often voter-supported. When put to vote, mansion tax measures have succeeded 86% of the time.
- The administrative burden for real estate transfer taxes is relatively low, as the infrastructure around property fees is preexisting.

### Cons:

- The language in the legislation must be precise to prevent unintended – and potentially negative – outcomes. For example, in Los Angeles, Measure ULA (mansion tax) has been critiqued for its “chilling” effect on the sales of multifamily properties. Additionally, research indicates that transfer taxes can create market “notches” at tax threshold points, leading to bunching below the threshold and reduced transactions above it.
- Transfer tax revenues are dependent on real estate market performance, making the level of revenue generated volatile. The lack of consistency in revenue generation may create challenges for the City when planning for funding use.

**Transfer taxes can provide revenue for housing initiatives:** Real estate transfer tax revenue has provided a practical and effective revenue source for affordable housing and homelessness alleviation in a selection of peer cities. For example, in Baltimore, Los Angeles, and Santa Fe, transfer tax revenues are used for housing initiatives.

## Potential Implementation Steps



# Real Estate Transfer Tax

**A real estate transfer tax could help the City diversify its tax revenues; however, revenues would fluctuate with real estate market shifts**

## Examples in Other Cities

- Atlanta
  Boston
  Denver
  Kansas City
  New York
  Philadelphia
  Portland
  San Francisco
  Seattle
  Other Cities<sup>N</sup>

### San Francisco Case Study <sup>38, 39, 40</sup>

**Case study rationale:** San Francisco provides an example of the volatility of revenue generated from transfer taxes, as revenues are directly tied to the performance of the real estate market.

The San Francisco transfer tax is the city's version of California's Documentary Transfer Tax (DTT). The California Revenue and Taxation Code allows for a statewide DTT rate of \$1.10 for every \$1,000 of a property's value. Cities and counties can enact their own additional DTTs. San Francisco's higher, tiered rates are its specific additions to the baseline state tax.

Over the years, San Francisco has voted to increase its transfer tax rates on more expensive transactions. Voters have approved four increases in transfer tax rates since 2008, including the most recent increase approved in 2020:

- In November 2020, voters passed Proposition I, which increased the transfer tax rates for high-value properties.
  - \$10–\$25 million: The rate increased from 2.75% to 5.5%.
  - Over \$25 million: The rate increased from 3.0% to 6.0%.
- These higher rates apply to sales of commercial, residential, and mixed-use properties.

The revenue from transfer taxes is volatile and highly dependent on the performance of the real estate market. In San Francisco, the average annual number of transactions over \$10 million between FY 2014-15 and FY 2018-19 was 143. Since then, the number of these high-priced deals has declined nearly every year. The trend started to reverse in 2024, with the year ending with 74 large taxable transactions, 32% more than the prior year.

For FY 2024, **San Francisco generated \$229,600,000** from its transfer tax, amounting to an average per capita revenue generation of \$277.

**San Francisco Transfer Tax Revenue (2013-2025)**



**Note:** N. Other cities that have a transfer tax include Los Angeles, Santa Fe, Oakland, Berkeley, and Baltimore

**Sources:** 38. City of San Francisco, [2022 Office of the Assessor-Recorder Annual Report](#), 39. City of San Francisco, [2016-17\\_sf\\_assessor\\_annualreport\\_website\\_final.pdf](#); 40. Costar, [News | San Francisco's real estate tax revenue grows for first time in years](#)

# Real Estate Transfer Tax

**A real estate transfer tax could help the City diversify its tax revenues; however, revenues would fluctuate with real estate market shifts**

## Examples in Other Cities

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### Philadelphia Case Study <sup>41, 42</sup>

**Case study rationale:** The Philadelphia case study provides an alternative view of transfer tax revenue generation from a flat fee rate.

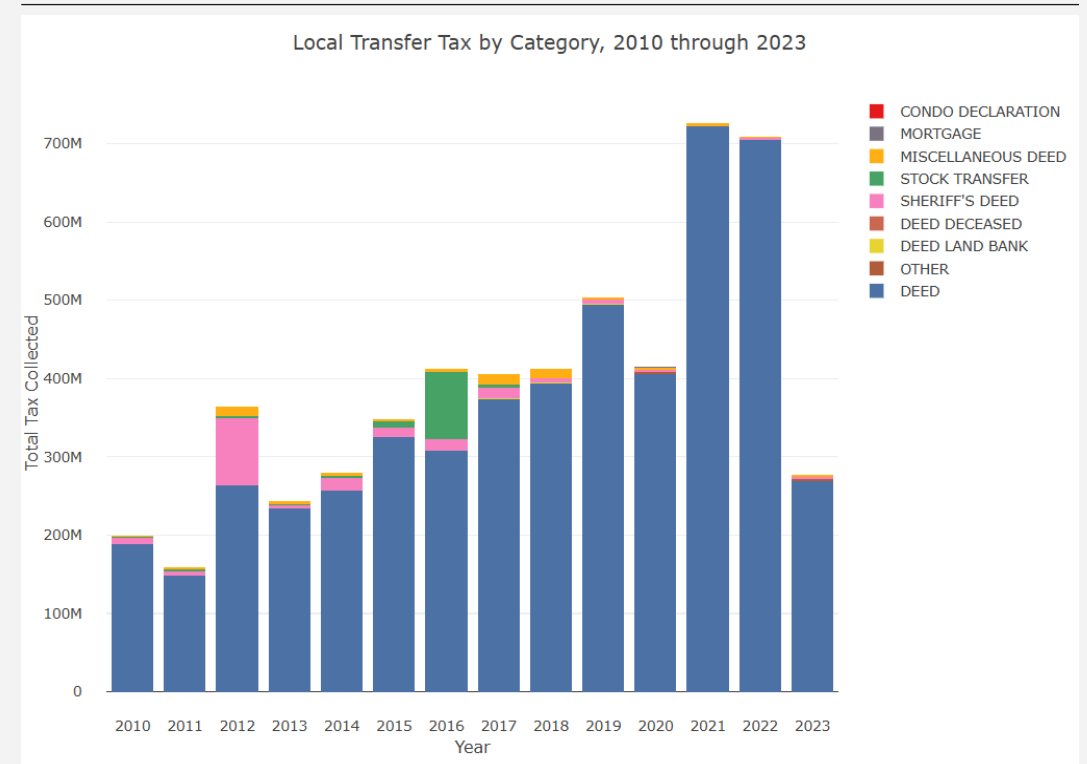
The Realty Transfer Tax applies to the sale or transfer of real estate within Philadelphia. This tax becomes due when a property deed or another document indicating ownership is submitted to the Records Department. Such documents include:

- Deeds
- Long-term leases (30 years or more)
- Easements
- Life estates
- Entity transfers
- Transfers of interest in a real estate company when 75% or more is transferred

Typically, the tax is divided equally between the buyer and seller, although this is not legally mandated and the City has the authority to collect the full tax amount from either party. Payment must be made within 30 days of receipt by the Department of Records.

**The current Realty Transfer Tax rate is 3.578% for the City plus 1% for the Commonwealth, totaling 4.578%.** The tax rate is calculated based on the sale price or assessed value of the property, including any assumed debt. If there is no sale price, the tax is determined using a formula based on the property value assessed by the Office of Property Assessment.

## Philadelphia Realty Transfer Tax Revenue (2010-2023)







**Note:** O. Other cities that have a transfer tax include Los Angeles, Santa Fe, Oakland, Berkeley, and Baltimore

**Sources:** 41. City of Philadelphia [Realty Transfer Tax | Services | City of Philadelphia](#); 42. City of Philadelphia, [The Ebb and Flow of Realty Transfer Tax Revenue in Philadelphia, 2010-2024 | Economy League of Greater Philadelphia](#)

# Payment in Lieu of Taxes (PILOT)

**A PILOT program would encourage tax-exempt organizations to contribute to City revenues, but would depend on voluntary participation**

Proposed Revenue Strategy	Justification	 Ease of Implementation	 Estimated Annual Impact	 Estimated Implementation Timeframe
Payment in Lieu of Taxes (PILOT) <sup>43, 44, 45</sup>	This strategy would allow Minneapolis to grow revenues by creating a voluntary pathway for tax-exempt organizations to contribute financially to the public services they use.	<b>High</b> – Program participation is voluntary and would likely not require legal or policy changes to implement.	<b>Est. Total Revenue:</b> \$10 to \$19 million <b>Est. Per Capita Revenue:</b> \$23 to \$45 <b>Peer City Per Capita Revenue Reference:</b> \$52	Short Term (0-2 yrs)      Medium Term (2-5 yrs)      Long Term (5+ yrs) 

## Overview

PILOT is a voluntary program that requests payments from tax-exempt organizations with property values exceeding a defined threshold. Participating tax-exempt organizations typically benefit from City services and may include medical institutions, universities, and cultural institutions. Participating organizations would be asked to pay a certain percentage of the value of what they might expect to pay in property taxes. Organizations may receive a credit (up to 50%) toward their requested payment based on the value of the programs and services they provide to the community. Program revenue is typically directed toward the city’s general fund. The program results can be published online annually to provide transparency and incentivize participation.

Taxable Population or Entities	Payment Structure	Administration	Estimated Revenue Generating Potential																																
<ul style="list-style-type: none"> <li>Tax-exempt institutions including hospitals, universities, and cultural organizations.</li> </ul> <p>Participation in the PILOT program may be limited in the short-term due to the fiscal pressures currently faced by non-profit organizations.</p>	<ul style="list-style-type: none"> <li>Percentage (e.g., 25%) of the value the institution would pay in property taxes.</li> </ul>	<ul style="list-style-type: none"> <li>The city sets an annual PILOT contribution amount for each participating tax-exempt institution by determining what the institution would pay in property taxes and applying the appropriate rate. Participating institutions may receive credits based on value of services provided to the city.</li> <li>Payments are submitted to the city and reported on an annual basis.</li> </ul>	<table border="1"> <tr> <td><b>Est. Revenue</b></td> <td colspan="3">\$10 million to \$19 million (2025 dollars)</td> </tr> <tr> <td><b>Analysis</b></td> <td colspan="3">Multiply total City revenue by the percentage of revenue in other cities that is attributable to PILOT programs<sup>46</sup></td> </tr> <tr> <td><b>Calculations</b></td> <td colspan="4"> <table border="1"> <thead> <tr> <th>Estimate</th> <th></th> <th>FY26 Budget</th> <th></th> <th>% of Budget from PILOT in Other Cities</th> </tr> </thead> <tbody> <tr> <td>\$10M</td> <td>=</td> <td>\$1.91 billion</td> <td>x</td> <td>0.5%</td> </tr> <tr> <td>\$19M</td> <td>=</td> <td>\$1.91 billion</td> <td>x</td> <td>1.0%</td> </tr> </tbody> </table> </td> </tr> <tr> <td><b>Notes</b></td> <td colspan="3">This estimate assumes that the PILOT Program would generate 0.5 to 1.0% of future City revenue, based on comparable revenue generation from other cities with PILOT programs. Minneapolis' FY2026 Revenue is projected to be \$1.91 billion.</td> </tr> </table>	<b>Est. Revenue</b>	\$10 million to \$19 million (2025 dollars)			<b>Analysis</b>	Multiply total City revenue by the percentage of revenue in other cities that is attributable to PILOT programs <sup>46</sup>			<b>Calculations</b>	<table border="1"> <thead> <tr> <th>Estimate</th> <th></th> <th>FY26 Budget</th> <th></th> <th>% of Budget from PILOT in Other Cities</th> </tr> </thead> <tbody> <tr> <td>\$10M</td> <td>=</td> <td>\$1.91 billion</td> <td>x</td> <td>0.5%</td> </tr> <tr> <td>\$19M</td> <td>=</td> <td>\$1.91 billion</td> <td>x</td> <td>1.0%</td> </tr> </tbody> </table>				Estimate		FY26 Budget		% of Budget from PILOT in Other Cities	\$10M	=	\$1.91 billion	x	0.5%	\$19M	=	\$1.91 billion	x	1.0%	<b>Notes</b>	This estimate assumes that the PILOT Program would generate 0.5 to 1.0% of future City revenue, based on comparable revenue generation from other cities with PILOT programs. Minneapolis' FY2026 Revenue is projected to be \$1.91 billion.		
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**Sources:** 43. Lincoln Institute of Land Policy, [Nonprofits Payment in Lieu of Taxes Policy Brief](#). 44. Citizens League Report, [Saint Paul PILOT/SILOT Project](#); 45. City of Boston, [Boston Payment in Lieu of Tax \(PILOT\) Program](#)  
 46. As identified in Saint Paul PILOT Project Study [https://citizensleague.org/wp-content/uploads/2017/10/PILOT-Final-Report-09\\_05-w-letters.pdf](https://citizensleague.org/wp-content/uploads/2017/10/PILOT-Final-Report-09_05-w-letters.pdf).

# Payment in Lieu of Taxes (PILOT)

## A PILOT program would encourage tax-exempt organizations to contribute to City revenues, but would depend on voluntary participation

### Implementation Considerations

#### Legal Considerations:

- There is no legal basis in Minnesota for a mandatory PILOT initiative – any initiative must be voluntary.

#### Community Engagement:

- A PILOT program would require significant community and relationship building with the tax-exempt institutions in Minneapolis, as any participation would be voluntary.

#### Administration:

- Minneapolis would need to establish criteria for evaluating service in lieu of payment offsets and determine how the city would evaluate service in lieu of payment from each tax-exempt institutions.
- A task force would need to determine the cost of providing core public services to the tax-exempt institutions to set the percentage contribution suggestion. In Boston, 25% of the city’s budget goes to core public services that directly benefit nonprofits (e.g., fire and police, waste), so the PILOT contribution is set to 25%.

#### Equity:

- This program credits nonprofits for the programs and services they provide.

#### Pros:

- PILOT creates an avenue for nonprofits to pay for the public services they consume (e.g., police and fire protection, street maintenance, snow removal, etc.).
- PILOT provides an opportunity for the benefits and costs of the property tax exemptions to be distributed more evenly. For example, a university’s education and research often benefit an entire state, but the cost of providing public services for the university is borne entirely by city taxpayers.

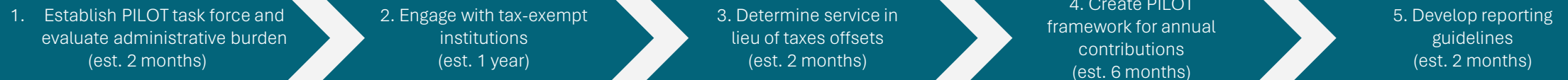
#### Cons:

- PILOT could further burden non-profits currently facing funding instability.
- PILOT negotiations may erode relationships between governments and nonprofits if they are not conducted with care.
- PILOTs could lead nonprofits to raise fees or cut services. Nonprofits may need to increase revenues and/or cut spending to cover this cost (e.g., a college may increase tuition, or hospital may increase charges to cover the PILOT contribution).
- Revenue may be limited due to a preference from nonprofits to provide services rather than make cash PILOTs.

### Local Example: Saint Paul PILOT Proposal

Saint Paul considered a PILOT program in 2017, with a special committee recommending that Saint Paul initiate discussions with owners of tax-exempt properties to design a PILOT initiative.

### Potential Implementation Steps



# Payment in Lieu of Taxes (PILOT)

## A PILOT program would encourage tax-exempt organizations to contribute to City revenues, but would depend on voluntary participation

### Examples in Other Cities

- Atlanta
  Boston
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### **B** Boston Pilot Program Case Study

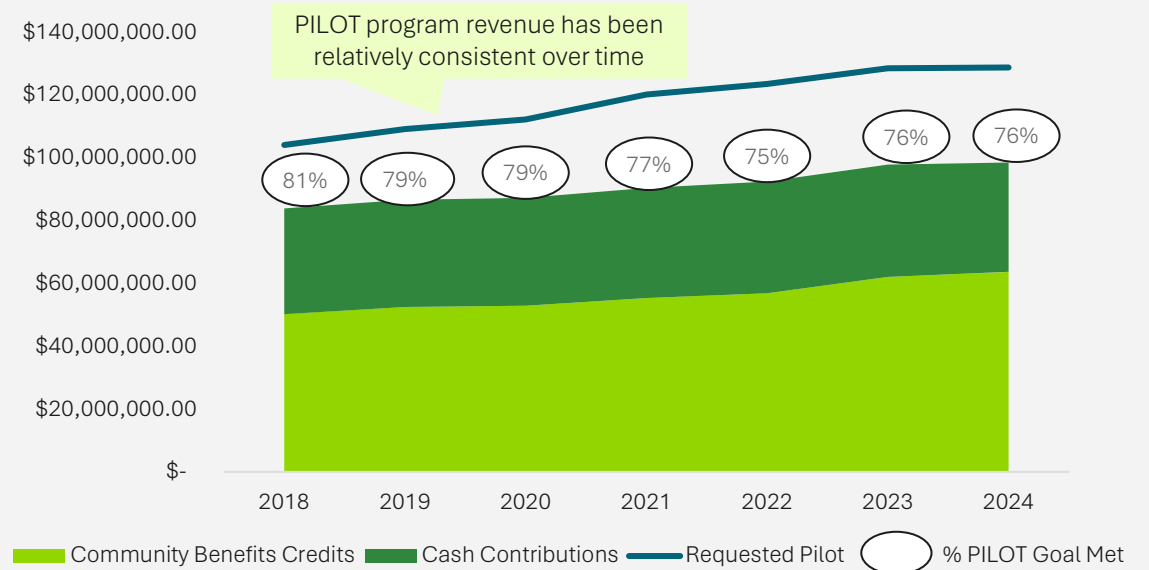
**Case study rationale:** Boston’s PILOT program is one of the most prominent in the country.

In 2009, Boston created a task force to examine the relationship between City and tax-exempt institutions, specifically the major educational and medical institutions. The task force set a standard level of contributions – in programs and payments – to be met by tax-exempt landowners in Boston and developed a methodology for valuing community partnerships made by tax-exempt institutions. In addition, the task force proposed a structure for a consolidation program and payment negotiation system, clarified the costs associated with providing city services to tax exempt institutions, and provided recommendations on legislative changes.

The task force ultimately established Boston’s PILOT program with the following guidelines:

- Participation in the PILOT Program is voluntary.
- All institutions that own tax-exempt property valued \$15 M+ should be asked to participate.
- PILOT contributions should be 25% of what the institution might expect to pay in real estate taxes if taxable, based on percentage of City’s revenue that goes towards core public services.
- Institutions should receive up to 50% PILOT deduction for qualifying community programs that uniquely benefit Boston residents. In the case of exceptional opportunities for partnership, the 50% cap may be exceeded.
- The new PILOT formula phased in over a 5-year period starting in FY2012.
- If an institution pays standard real estate taxes on a property that it uses for its charitable purpose, the institution may receive a PILOT credit.

Number of Participating Organizations (2019-2024)						
2018	2019	2020	2021	2022	2023	2024
49	45	38	35	39	40	38



Category (FY24)	Requested PILOT	Community Credit	Cash Contribution	% PILOT Met
Educational (20)	\$70,967,017	\$32,840,929	\$15,010,050	67%
Medical (15)	\$57,030,260	\$30,433,112	\$19,446,780	91%
Cultural (3)	\$793,467	\$396,733	\$396,734	100%
<b>Total (38)</b>	<b>\$128,790,744</b>	<b>\$63,670,774</b>	<b>\$34,853,564</b>	<b>76%</b>

**Note:** P. Other cities with PILOT programs include New Haven, Providence, Cambridge, Baltimore, Lancaster, and Pittsburgh.

# Individual Income Tax

**A local income tax would help Minneapolis increase and diversify its tax revenue, but would require significant time and effort to implement**

Proposed Revenue Strategy	Justification	Ease of Implementation	Estimated Annual Impact	Estimated Implementation Timeframe
Income Tax <sup>47, 48</sup>	An income tax would help diversify Minneapolis' tax portfolio, increase fiscal autonomy, and offset property tax burden on low- and middle-income households.	<b>Low</b> – Introducing an income tax in Minneapolis would require approval from the state legislature.	<b>Est. Total Revenue:</b> \$291 million to \$410 million <b>Est. Per Capita Revenue:</b> \$679 to \$956 <b>Peer City Per Capita Revenue Range:</b> \$1,595 to \$1,658	

## Overview

An individual income tax (or personal income tax) is levied on the earned, unearned, and pass-through income (e.g., wages, salaries, investments, or other forms of income) an individual or household earns. Minneapolis could align with Minnesota’s state tax law’s definition of income (adjusted gross income) for administrative efficiency. It can also include exemptions for low-income households, for example, to improve progressivity. Based on performance of the income tax over time, the City may consider reducing regressive taxes like sales and property taxes if revenues are no longer needed.

Taxable Population or Entities	Tax Structure	Tax Administration	Estimated Revenue Generating Potential																												
<ul style="list-style-type: none"> <li>Residents, non-residents</li> </ul>	<ul style="list-style-type: none"> <li>Flat rate: City applies a uniform, broad based income tax rate.</li> <li>Graduated (progressive) rate: City applies a graduated rate structure that starts at lower rate and increases by household income bracket.</li> <li>Marginal tax rate: The City applies a marginal tax rate that increases as income increases. The marginal rate is the rate applied to the last dollar of income earned, not the average tax paid on all income.</li> </ul>	To reduce administrative burden and taxpayer confusion, a local personal income tax could align with existing state tax structures (“piggyback collection” method). To do this, Minneapolis would use Minnesota’s definition of income, exemptions, and deductions (state-adjusted gross income). The City would still set its own rate, but the tax base is set by the state, and the administration (e.g., collection and enforcement) would be housed at the state level as well. The local income tax is calculated as a percentage of the state income tax owed, making the tax code simple/predictable.	<table border="1"> <tr> <td><b>Est. Revenue</b></td> <td colspan="3">\$291 million to \$410 million (2024 dollars)</td> </tr> <tr> <td><b>Analysis</b></td> <td colspan="3">Multiply tax rate (flat rate of 1% and graduated rate of 1-2%) by household income of relevant households</td> </tr> <tr> <td><b>Calculations</b></td> <td colspan="3"> <table border="1"> <thead> <tr> <th></th> <th>Estimate</th> <th>Tax Rate</th> <th>Total Household Income (Tax Base)</th> </tr> </thead> <tbody> <tr> <td>Flat Rate (1%):</td> <td>\$291M</td> <td>= 1%</td> <td>x \$29B</td> </tr> <tr> <td>Graduated Rate (1-2%):</td> <td>\$410M</td> <td>= 1-2%</td> <td>x Less than \$200K: \$13B \$200K or more: \$16B</td> </tr> </tbody> </table> </td> </tr> <tr> <td><b>Notes</b></td> <td colspan="3">The estimate for the graduated rate assumes the highest income tax bracket (\$200,000 or greater) pays a 2% income tax rate and all other households pay a 1% income tax rate. To accurately estimate the impact of a graduated tax rate structure, more granular data on individual and household incomes is required.</td> </tr> </table>	<b>Est. Revenue</b>	\$291 million to \$410 million (2024 dollars)			<b>Analysis</b>	Multiply tax rate (flat rate of 1% and graduated rate of 1-2%) by household income of relevant households			<b>Calculations</b>	<table border="1"> <thead> <tr> <th></th> <th>Estimate</th> <th>Tax Rate</th> <th>Total Household Income (Tax Base)</th> </tr> </thead> <tbody> <tr> <td>Flat Rate (1%):</td> <td>\$291M</td> <td>= 1%</td> <td>x \$29B</td> </tr> <tr> <td>Graduated Rate (1-2%):</td> <td>\$410M</td> <td>= 1-2%</td> <td>x Less than \$200K: \$13B \$200K or more: \$16B</td> </tr> </tbody> </table>				Estimate	Tax Rate	Total Household Income (Tax Base)	Flat Rate (1%):	\$291M	= 1%	x \$29B	Graduated Rate (1-2%):	\$410M	= 1-2%	x Less than \$200K: \$13B \$200K or more: \$16B	<b>Notes</b>	The estimate for the graduated rate assumes the highest income tax bracket (\$200,000 or greater) pays a 2% income tax rate and all other households pay a 1% income tax rate. To accurately estimate the impact of a graduated tax rate structure, more granular data on individual and household incomes is required.		
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Sources: 47. Institution of Taxation and Economic Policy, [The \(Mostly Untapped\) Power of Local Income Taxes – ITEP](#); 48. Tax Foundation, [Local-Income-Taxes-A-Primer-2023.pdf](#)

# Individual Income Tax

**A local income tax would help Minneapolis increase and diversify its tax revenue, but would require significant time and effort to implement**

## Implementation Considerations



### Legal Considerations:

- Minnesota Statute 477A.016 currently prohibits a local income tax. The Statute states: “No county, city, town or other taxing authority shall increase a present tax or impose a new tax on sales or income.” As such, Minneapolis may not impose a local income tax without pursuing new legislation at the state level.



### Community Engagement:

- The process of introducing an income tax would require significant investment in public engagement and transparency. The City would need to articulate why the tax is needed, how the revenue would be used, and who would be affected.
- It may also require building a coalition through partnering with other cities and counties in Minneapolis seeking similar authority, public sector unions, advocacy groups, civic organizations, and state legislators.



### Administrative:

- Minneapolis may consider utilizing the state’s income tax system. The state would collect the income tax and remit it to Minneapolis, lowering the administrative burden on the City and compliance costs on taxpayers.
- Administering an income tax also requires ongoing program evaluation and data monitoring to track revenue performance, compliance rates, and economic impact. This information could be utilized by the City to adjust rates or exemptions as needed.



### Equity:

- Minneapolis could increase the progressivity of its tax structure by reducing regressive taxes (e.g., sales tax) once the income tax is implemented.



### Pros:

- An income tax can diversify revenue streams and give Minneapolis more fiscal autonomy.
- Local income taxes can be more progressive than other taxes available to Minneapolis – like sales, tobacco, marijuana, and alcohol taxes, or service and license fees. These other taxes apply to everyone regardless of ability to pay.
- Income taxes are more progressive than property taxes – low-and middle-income households, on average, spend a larger portion of their income on housing costs including property taxes than higher income households.
- The tax base can be expanded to include unearned income, helping lower-income households by shifting the tax based to wealthier residents and taking pressure off the earned income tax.



### Cons:

- Income taxes applied where income is earned may impact remote work dynamics, potentially reducing the number of workers commuting into the city and eroding the tax base.
- There may be some relocation of workers; however, the extent of tax flight is debated.
- Income tax revenue is more sensitive to economic downturns, so it would be important for the City to maintain diverse revenue sources.
- Any income tax levied would add to the tax burden residents already face from federal and state income taxes.

## Potential Implementation Steps



# Individual Income Tax

## A local income tax would help Minneapolis increase and diversify its tax revenue, but would require significant time and effort to implement

### Examples in Other Cities

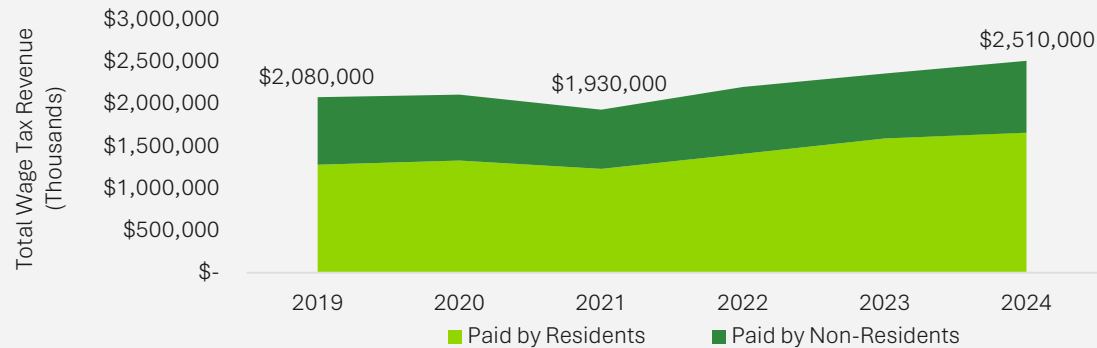
- Atlanta
  Boston
  Denver
  Kansas City
  New York
  Philadelphia
  Portland
  San Francisco
  Seattle
  Other Cities<sup>Q</sup>

#### Philadelphia Wage Tax Case Study <sup>49, 50</sup>

**Case study rationale:** Philadelphia has the longest running U.S. city income tax.

Philadelphia uses a direct collection method for local income taxes. In 1939, Philadelphia became the first major U.S. city to impose a local income tax. The tax is designed to provide a stable revenue source for city operations. The city levies a wage tax on the salaries, wages, commissions, and other compensation paid to individuals for work and services. The tax initially only applied to residents, but now applies to both residents and non-residents working in Philadelphia.

- Residents: Residents pay the wage tax regardless of where they work. In 2025, the tax rate for residents was 3.74%
- Non-residents: Non-residents pay the wage tax only if they work in Philadelphia. In 2025, the tax rate for non-residents was 3.43%
- Employers: Must withhold and remit the tax for qualifying employees
- Revenue generated per capita: \$1,595
- The tax rates are scheduled to gradually decrease over the next five years. The city has reduced the rates to improve competitiveness and reduce burden on workers.



#### New York Personal Income Tax <sup>51, 52</sup>

**Case study rationale:** New York’s income tax is based on a progressive, graduated rate structure.

New York uses the “piggyback” collection method for local income taxes. The tax was introduced in 1966 as part of a broader fiscal reform package to stabilize NYC’s finances. It was initially implemented as a surcharge on the New York State Personal Income Tax.

The NYC personal income tax is administered by the New York State Department of Taxation and Finance. It applies to NYC residents only. The tax is progressive with multiple brackets per income level:

- 3.078% on the first \$12,000 of taxable income
- 3.762% on income over \$12,000 but less than \$25,000
- 3.819% on income over \$25,000 but less than \$90,000
- 3.876% on income over \$90,000
- 2024 Revenue generated per capita: \$1,658




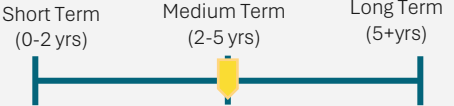


**Notes:** Q. Other cities that have an income tax include Denver and Kansas City

**Sources:** 49. City of Philadelphia, [Payments, Assistance, & Taxes](#); 50. City of Philadelphia, [The Changing Makeup of Philadelphia’s Wage and Earnings Tax | The Pew Charitable Trusts](#); 51. NYS Department of Taxation and Finance, [Instructions for Form IT-201, Full-Year Resident Income Tax Return](#); 52. NYC Comptroller, [2024 Financial Trends and Other Statistical Information](#)

# Empty Homes Tax

## An empty homes tax could supplement and expand upon Minneapolis' existing vacant building registration fee

Proposed Revenue Strategy	Justification	 Ease of Implementation	 Estimated Annual Impact	 Estimated Implementation Timeframe
Empty homes tax aka 'vacancy tax'	An empty home tax may require state and voter approval, and revenues would depend on the number of property owners in Minneapolis who leave their properties vacant for more than 182 days.	<b>Medium</b> – Depending on the level of vacancy data that the city collects, the ease of implementation may be medium to low.	<b>Est. Total Annual Revenue:</b> \$6 to \$12 million <b>Est. Per Capita Annual Revenue:</b> \$15 to \$30 <b>Case Study Per Capita Annual Revenue Range:</b> \$12 to \$47 (estimated)	

### Overview

An empty homes tax, or vacancy tax, is one in which owners of properties that are vacant for more than 182 days, whether consecutive or nonconsecutive, in a calendar year are charged a tax. Periods of vacancy that qualify for one of several vacancy exclusion periods do not count towards the 182 days. These exceptions may include a building permit application period, a rehabilitation period, a disaster period, an owner death period, an owner in care period, or a lease period. Empty homes tax typically applies to residential units, although some cities (like Oakland) also levy the tax on commercial properties.

Taxable Population or Entities	Tax Structure	Tax Administration	Revenue Generating Potential																		
<ul style="list-style-type: none"> <li>Property owners whose units are vacant for more than 182 days in a calendar year. For example:                             <ul style="list-style-type: none"> <li>Second homes not in regular use</li> <li>Inherited properties left empty during probate</li> <li>Accessory dwelling units that sit unoccupied</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Flat rate: Annual flat fee per unit, depending on property type.</li> </ul>	<ul style="list-style-type: none"> <li>Using vacancy data to identify vacant residential units, property owners would receive a written notice from the City of the amount they owe under the Empty Homes Tax.</li> <li>Taxpayers would have a certain number of days from the date on their tax billing statement to pay their Empty Homes Tax or submit a claim of exemption / exclusion.</li> </ul>	<div style="background-color: #006699; color: white; padding: 5px; margin-bottom: 5px;"><b>Est. Revenue</b></div> \$6 million to \$12 million (2024 dollars)																		
			<div style="background-color: #006699; color: white; padding: 5px; margin-bottom: 5px;"><b>Analysis</b></div> Apply single-family and other residential tax rates from Berkeley to 5-10% of Minneapolis' 2024 vacant units (21,675 units) <sup>53</sup>																		
			<div style="background-color: #006699; color: white; padding: 5px; margin-bottom: 5px;"><b>Calculations</b></div> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Taxability Assumption</th> <th>Estimate</th> <th>Tax Rate</th> <th># of Units</th> <th>Tax Rate</th> <th># of Units</th> </tr> </thead> <tbody> <tr> <td>5% of vacant units</td> <td>\$6M</td> <td>= (\$3,000 x 98 ) + (\$6,000 x 986 )</td> <td></td> <td></td> <td></td> </tr> <tr> <td>10% of vacant units</td> <td>\$12M</td> <td>= (\$3,000 x 195 ) + (\$6,000 x 1,972)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Taxability Assumption	Estimate	Tax Rate	# of Units	Tax Rate	# of Units	5% of vacant units	\$6M	= (\$3,000 x 98 ) + (\$6,000 x 986 )				10% of vacant units	\$12M	= (\$3,000 x 195 ) + (\$6,000 x 1,972)			
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			<div style="background-color: #006699; color: white; padding: 5px; margin-bottom: 5px;"><b>Notes</b></div> The tax levied on property owners depends on the unit type and the length of time a unit qualifies as vacant. According to US Census Bureau data, Minneapolis had a 4.9% vacancy rate in 2024. The vacancy rate included units not eligible for the empty homes tax. Of that vacancy rate, 77% are apartments, 9% are single family homes, and 15% are other (condo, duplex, townhouse). This estimate assumes all properties are in their first year of vacancy. <sup>54, 55</sup>																		

Minneapolis has a Vacant Building Registration (VBR) Program, which requires owners of vacant properties to register and pay an annual fee (\$7,228.70). VBR is intended to encourage owners to fix up buildings, and fees can be waived with restoration or rehabilitation agreements. *This is distinct from an empty homes tax, which is not focused on blight.*

**Sources:** 53. Berkeley Property Owners Association, [Understanding Berkeley's Empty Homes Tax: What Property Owners Need to Know - Berkeley Property Owners Association](#). Berkely charges \$3,000 per unit for single-family homes and \$6,000 per year for all other residential unit types for the first year the unit is vacant; 54. HousingLink, [HousingLink - Minneapolis Rental Housing Briefs](#); 55. U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, Gross Vacancy Rates, March 18, 2025

# Empty Homes Tax

## An empty homes tax could supplement and expand upon Minneapolis' existing vacant building registration fee

### Implementation Considerations <sup>56, 57</sup>

#### Legal Considerations:

- An empty homes tax would need to be brought to and approved by the State legislature, as Minnesota generally operates under “Dillon’s Rule.” This means that cities only have powers that are specifically granted to them by the state legislature. Current statute does not expressly give cities the ability to levy an empty homes tax, although Minneapolis does have a blight tax and a vacant buildings registration fee.
- A special law would need to be enacted to approve an empty homes tax. Minnesota Constitution Article XII, Section 2 provides that “a special law, unless otherwise provided by general law, shall become effective only after its approval by the affected unit expressed through the voters of the governing body.”

#### Community Engagement:

- The City would need to conduct community engagement to demonstrate the value of an empty homes tax and dispel misconceptions to encourage local support.

#### Administrative:

- Depending on the level of vacancy data that the City collects on an annual basis, the administration of an empty homes tax may be challenging. If the City can use its existing Vacant Building Registration Program data as a starting point, the administrative burden would likely be lessened.

#### Equity:

- The tax burden would be borne by owners of multifamily properties with multiple vacant units and single-family homeowners with multiple properties.

#### Pros:

- Cities can generate revenue in a more progressive manner by focusing the tax on property owners who own multiple vacant units or homeowners who spend much of their time in a second home.
- An empty homes tax may incentivize property owners to sell units that have been vacant rather than pay tax, returning housing stock to the market.

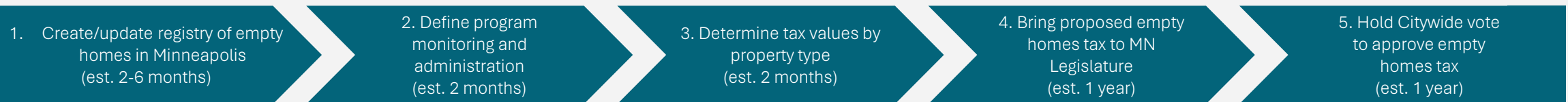
#### Cons:

- Empty homes taxes may face strong opposition from property rights advocates and real estate interests, making them potentially challenging to implement if local voter authority is required and opposition groups are activated.
- Defining vacancy, establishing enforcement mechanisms, and managing expectations may prove challenging for municipalities.

**In addition to Berkeley, two other California cities have passed empty homes taxes into law**  
**San Francisco** voters passed an empty homes tax, which is expected to generate between \$12.2 to \$61.2 million annually, but the tax has been paused as it goes through the courts system. A trial court ruled the tax unconstitutional and halted enforcement, with the city appealing the decision.

**Oakland** also has a vacant property tax (Measure W), which levies a \$6,000 fee annually on vacant single-family units and lots, with condos, duplexes, and ground-floor commercial spaces taxed at \$3,000. The tax applies to units that are in use fewer than 50 days in a calendar year.

### Potential Implementation Steps



# Empty Homes Tax

## An empty homes tax could supplement and expand upon Minneapolis' existing vacant building registration fee

### Examples in Other Cities

- Atlanta
  Boston
  Denver
  Kansas City
  New York
  Philadelphia
  Portland
  San Francisco
  Seattle
  Other Cities<sup>R</sup>

### Berkeley Case Study <sup>58</sup>

**Case study justification:** Berkeley provides an example of a residential-only empty homes tax.

Berkeley voters approved the Empty Homes Tax in November 2022 under Measure M. The Empty Homes Tax is intended to disincentivize prolonged vacancies and housing speculation, thereby increasing the number of housing units available for occupancy, while also raising funds for municipal services. Fund use includes, but is not limited to, constructing, acquiring, and rehabilitating affordable housing.

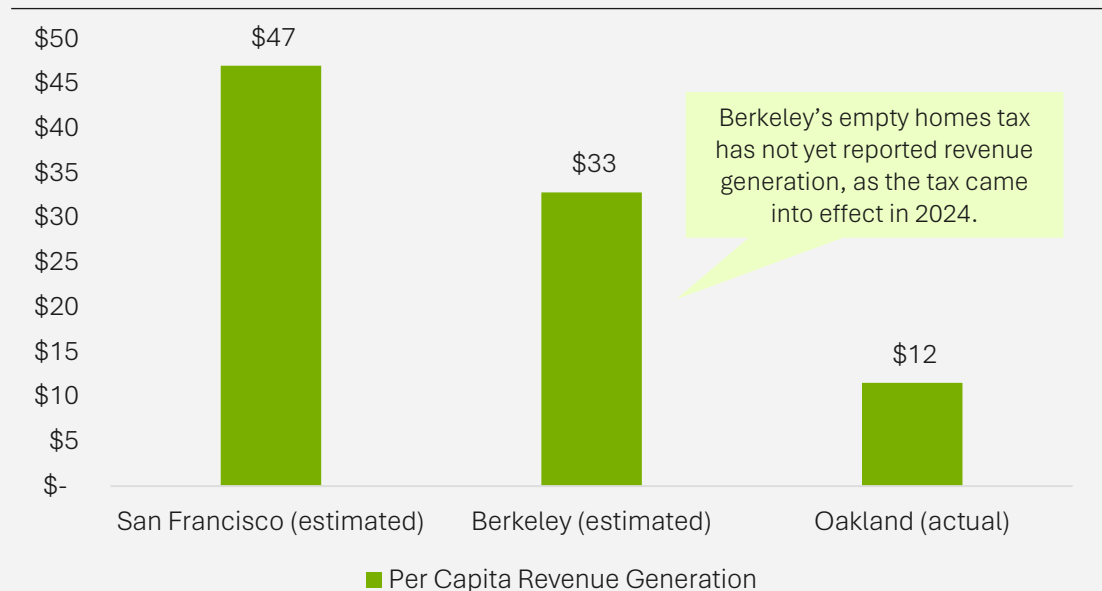
The Empty Homes Tax is an annual tax on each qualifying vacant residential unit. The tax rates differ by unit type and the length of time a unit qualifies as vacant. If a person owns more than one vacant residential unit, each will count as a separate unit.

The Empty Homes Tax became effective on January 1, 2024. Properties subject to the tax include residential units that are vacant for more than 182 days, consecutive or nonconsecutive, in a year.

- Residential Unit: a house, an apartment, a group of rooms, or a single room that is designed as separate living quarters. A residential unit shall not include a unit in a hotel, currently operational nursing home, residential care facility, or other similar facility, or any unit that is fully exempt from property tax.
- Vacant: unoccupied, uninhabited, or unused, for more than 182 days, whether consecutive or nonconsecutive, in a calendar year. The 182-day threshold resets every calendar year. Days of vacancy from the previous calendar year have no impact on the current year.

Berkeley uses the Rent Board and Rental Housing Safety Program vacancy data as the primary source of information to identify vacant residential units, along with other related City of Berkeley and Alameda County data. Vacant units in the Rent Board’s Rent Registry are categorized as “Not Available for Rent.” Empty Homes Tax Program staff may contact owners and perform site visits as part of the process of verifying whether a residential unit is vacant.

### Estimated Revenue Generation Per Capita in California Cities






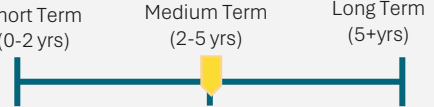
Note: San Francisco’s empty homes tax is currently suspended while it goes through legal proceedings. The revenue provided is from a City estimate pre-implementation. This revenue is the “mid-range” net revenue estimate (\$12.2-\$61.2 million range). Oakland’s empty homes tax has been in effect since 2019 but applies to both commercial and residential properties. The per capita estimate is based on the FY22-23 revenue collection (\$5.13 million).<sup>59</sup>

**Note:** R. Other cities that have an empty homes tax include Berkeley and Oakland

**Sources:** 58. Berkeleyside, [The Berkeley buildings with the most vacant housing units](#); 59. City of Oakland, [CITY COUNCIL AGENDA REPORTS.pdf](#)

# Asset Monetization: Outdoor Advertising Tax

**An outdoor advertising tax could generate additional revenue without imposing a tax on residents; however, specific exemptions should be included to reduce adverse impacts on small businesses and non-profit organizations**

Proposed Revenue Strategy	Justification	 Ease of Implementation	 Estimated Annual Impact	 Estimated Implementation Timeframe
Outdoor Advertising Tax	The City could generate revenue from companies for use of outdoor advertising space, which would have limited impacts on residents.	<b>Medium</b> - Establishing an outdoor advertising tax would require state authority and voter approval to implement.	<ul style="list-style-type: none"> <li>Additional data and information required to estimate impact.</li> </ul>	

## Overview

An outdoor advertising tax is one example of asset monetization employed by cities. Minneapolis can consider imposing a tax on the rental or sale of outdoor advertising space as a strategy to increase revenue without imposing an additional tax on residents. The tax would be administered by the City as a percentage of the purchase or rental price of advertising space and imposed on companies that are – for example – advertising on billboards, benches, bus shelters, and other street furniture. The tax would be collected by the ad space vendor.

Taxable Population or Entities	Tax Structure	Tax Administration	Data Requirements to Estimate Revenue Generating Potential					
<ul style="list-style-type: none"> <li>Renters and purchasers of outdoor advertising space.</li> </ul>	<ul style="list-style-type: none"> <li>Flat rate: Tax is a fixed percentage of the purchase or rental price of advertising space.</li> </ul>	<ul style="list-style-type: none"> <li>The tax would be administered by the City and calculated as a percentage of the rental or purchase price of outdoor advertising space.</li> <li>The tax would be collected by the vendor selling the advertising space and remitted to the City.</li> </ul>	<table border="1"> <tr> <td data-bbox="1352 829 1531 896">Est. Revenue</td> <td data-bbox="1538 819 2415 1323" rowspan="4" style="text-align: center; vertical-align: middle;"> <i>Revenue generating potential not calculated due to insufficient data</i> </td> </tr> <tr> <td data-bbox="1352 901 1531 968">Analysis</td> </tr> <tr> <td data-bbox="1352 972 1531 1125">Calculations</td> </tr> <tr> <td data-bbox="1352 1129 1531 1323">Notes</td> </tr> </table>	Est. Revenue	<i>Revenue generating potential not calculated due to insufficient data</i>	Analysis	Calculations	Notes
Est. Revenue	<i>Revenue generating potential not calculated due to insufficient data</i>							
Analysis								
Calculations								
Notes								

# Asset Monetization: Outdoor Advertising Tax

**An outdoor advertising tax could generate additional revenue without imposing a tax on residents; however, specific exemptions should be included to reduce adverse impacts on small businesses and non-profit organizations**

## Implementation Considerations

### Legal Considerations:

- Minneapolis may need both state legislative approval and voter approval to implement an outdoor advertising tax. The steps required would include passing a local resolution, receiving approval from the state senate and house tax committee, and passing a local referendum and ordinance to impose the tax.

### Community Engagement:

- The City may need to engage the public and impacted stakeholders (e.g., billboard and outdoor media companies) to secure buy-in for a referendum.

### Administrative:

- The City would likely administer the tax directly, which may require increasing tax collection and enforcement capacity.

### Equity:

- This tax is not specifically equity focused and would impact any outdoor advertiser.
- Small, local businesses using outdoor ads may face higher marketing expenses, potentially limiting their visibility.

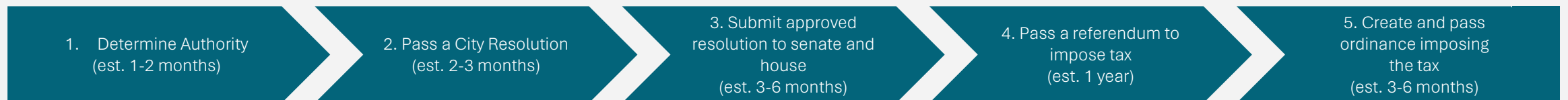
### Pros:

- The introduction of a tax on outdoor advertising could help discourage excessive signage and advertising in the city.
- Revenue generated can be earmarked for public services, infrastructure, or beautification projects without raising property or income taxes.
- The tax targets commercial activity (advertisers and businesses), not residents.
- The tax percentage can be flexibly adjusted.

### Cons:

- Introducing a new local tax requires state legislative and local voter approval.
- Implementing the tax may require new regulations, enforcement mechanisms, and compliance systems.
- There is potential for revenue volatility as revenue depends on advertising demand.
- There is some risk of the city losing advertising business if companies relocate advertisements to jurisdictions without a tax.

## Potential Implementation Steps



# Asset Monetization: Outdoor Advertising Tax

**An outdoor advertising tax could generate additional revenue without imposing a tax on residents; however, specific exemptions should be included to reduce adverse impacts on small businesses and non-profit organizations**

## Examples in Other Cities

- Atlanta
  Boston
  Denver
  Kansas City
  New York
  Philadelphia
  Portland
  San Francisco
  Seattle
  Other Cities<sup>S</sup>



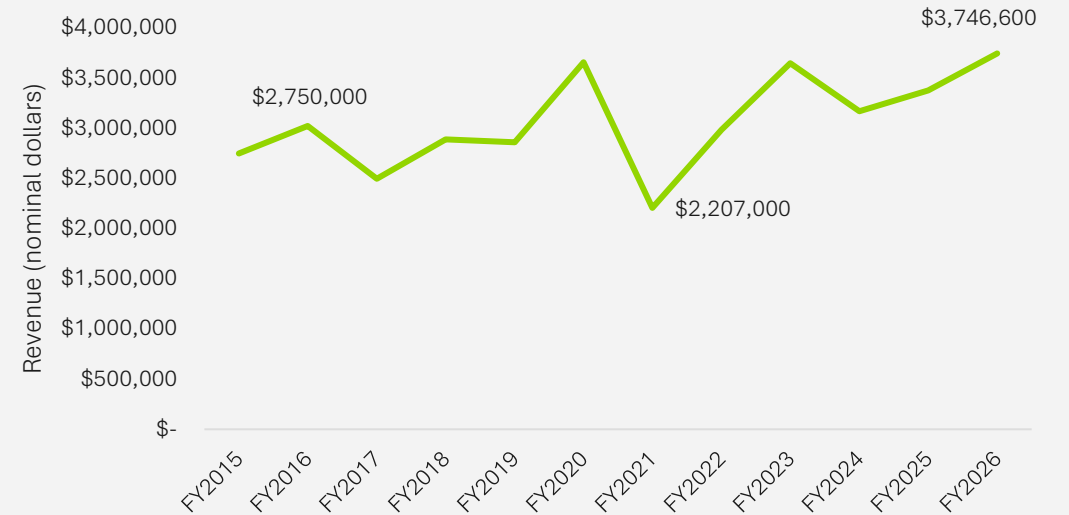
### Philadelphia Outdoor Advertising Tax Case Study<sup>60</sup>

**Case study rationale:** Philadelphia has implemented an outdoor advertising tax aimed at reducing excessive signage and visual clutter for the past two decades.

Introduced in 2005, the Philadelphia Outdoor Advertising Tax applies to those who purchase or rent advertisements on billboards or other outdoor signage. A 7% tax is charged on the rental or purchase price of outdoor advertising. The tax aimed to: (1) generate revenue for the city; and (2) address visual clutter and safety concerns caused by excessive signage.

- Who is impacted: The renter or purchaser of the advertising space pays the tax, and the outdoor advertising company remits it to the City.
- Exemptions: Ads on registered, operational motor vehicles, ads displayed on pedestrians, accessory advertising on newsstands, information required by law on structures; notices that a property is for sale or rent; signs owned and sponsored by community, civic, or charitable organizations; signs identifying a company performing on-site construction; on-site public art.




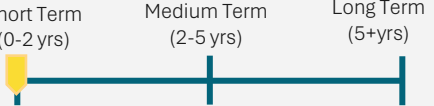
**Philadelphia Outdoor Advertising Tax Revenue, FY2015-26**



**Notes:** S. Other cities that have an outdoor advertising tax include Baltimore and Cincinnati  
**Sources:** 60. City of Philadelphia, [Outdoor Advertising Tax | Services | City of Philadelphia](#)

# Asset Monetization: Sale or Lease of Public Assets

## Minneapolis can consider asset monetization as a strategy to generate revenue from underutilized City assets

Proposed Revenue Strategy	Justification	 Ease of Implementation	 Estimated Annual Impact	 Estimated Implementation Timeframe
Sale or Lease of Public Assets	The City could monetize and generate revenue from currently underutilized assets while limiting additional tax burden on residents.	<b>Medium</b> – Selling or leasing public assets would require approval from City leadership and/or review by the Planning Commission.	<ul style="list-style-type: none"> <li>Additional data and information required to estimate impact.</li> </ul>	

### Overview

The sale or leasing of public assets is a type of asset monetization that involves converting non-revenue generating City assets into sources of income. Minneapolis can conduct an asset inventory to identify underutilized public assets (e.g., land, buildings, infrastructure) and monetize them through sale, leasing, redevelopment, or public-private partnerships. Funding generated from this strategy could be earmarked for funding priorities like affordable housing.

Taxable Population or Entities	Tax Administration	Data Requirements to Estimate Revenue Generating Potential	
<ul style="list-style-type: none"> <li>There is no tax or fee imposed.</li> </ul>	<ul style="list-style-type: none"> <li>The City identifies underutilized City assets and generates revenue from their sale or lease to third parties.</li> </ul>	<div style="background-color: #4a86e8; color: white; padding: 5px; text-align: center;">Est. Revenue</div>	<i>Revenue generating potential not calculated due to insufficient data</i>
		<div style="background-color: #4a86e8; color: white; padding: 5px; text-align: center;">Analysis</div>	
		<div style="background-color: #4a86e8; color: white; padding: 5px; text-align: center;">Calculations</div>	
		<div style="background-color: #4a86e8; color: white; padding: 5px; text-align: center;">Notes</div>	

# Asset Monetization: Sale or Lease of Public Assets

## Minneapolis can consider asset monetization as a strategy to generate revenue from underutilized City assets

### Implementation Considerations



#### Legal Considerations: <sup>61, 62</sup>

- Any lease longer than a year requires approval by the City Council, Community Planning & Economic Department (CPED) or City Engineer, City Attorney, and Finance Officer (short-term leases have streamlined provisions).
- Sale of City property requires an excess property determination, CPED review, and City Planning Commission review in most cases.



#### Community Engagement:

- The City may need to engage communities surrounding assets that would be sold/leased to a third party.



#### Administrative:

- The City may need to set up an organization to centralize and manage city assets for purpose of revenue generation.



#### Equity:

- The City could consider leveraging public land and assets for development of low-income and affordable housing.



#### Pros:

- Selling assets can provide a quick, one-time source of revenue.
- Lending generates sustainable income over time.
- Revenue can be reinvested into priority projects and initiatives.
- In certain circumstances, private operators may manage assets more efficiently, reducing maintenance costs for the City.
- Monetizing underutilized properties can turn dormant properties into productive, revenue-generating spaces.



#### Cons:

- Selling an asset means loss of public ownership.
- Leasing can limit the City's flexibility for how it can utilize a space.
- Selling public assets to the private sector may face some public opposition due to fears of reduced access to public spaces and prioritization of revenue over public interest.
- Short-term benefits of selling an asset may not outweigh long-term benefits of retaining it.
- Public-private partnerships may require strong governance to avoid unfavorable terms.

### Potential Implementation Steps



# Asset Monetization: Sale or Lease of Public Assets

## Minneapolis can consider asset monetization as a strategy to generate revenue underutilized City assets

### Examples in Other Cities

- Atlanta
  Boston
  Denver
  Kansas City
  New York
  Philadelphia
  Portland
  San Francisco
  Seattle
  Other Cities<sup>T</sup>



### Atlanta Sale or Lease of Public Assets Case Study <sup>63, 64, 65, 66</sup>

**Case study rationale:** Atlanta is one of the first U.S. cities to explore creating an urban wealth fund to optimize underutilized City assets for public benefit.

In 2022, Atlanta joined the Putting Assets to Work (PAW) Incubator (10-month program), a national program led by the Government Finance Officers Association (GFOA), Sorenson Impact Center, and Urban3. The goal: unlock hidden revenue in publicly owned land and buildings without raising taxes.

- Key Steps:
  - Conducted a geospatial inventory of city-owned properties using GIS and assessor data
  - Identified underutilized building and land assets suitable for redevelopment. Atlanta identified **\$500-\$700 million** in underutilized public land value.
  - Formed an Urban Wealth Fund (UWF), a unified professional investment fund that is set up to manage public assets for the community’s betterment. The assets are owned by the government with a professional management team in place (public-private management structure). A UWF brings the city’s public assets together under one umbrella. The revenue generated from the UWF is reinvested into community priorities (e.g., housing, infrastructure).
  - In 2023, the city formed the Atlanta Urban Development Corporation, a nonprofit subsidiary of Atlanta Housing. It is tasked with mixed-income, mixed-use development of city-owned land.
- Impacts so far: 35 public land projects in pipeline; delivered or preserved 6,600 affordable units. The mayor’s goal is to create and preserve 20,000 affordable housing units between 2022 and 2030.

**Note:** T. Chicago has an asset monetization program. Other example participating cities in the Putting Assets to Work program include Chattanooga, Cleveland, and Annapolis.

**Sources:** 63. Government Finance Officers Association, [Game-Changing Potential: Urban Wealth Funds and the City of Atlanta](#); 64. Atlanta Urban Development, [AUD-Summary-Deck\\_11.13.24.pdf](#); 65. Smart Cities Dive, [Report: Urban Wealth Funds allow cities to commercially capitalize on their assets for the public’s benefit | Smart Cities Dive](#); 66. Governing, [New Uses of Public Assets Are Helping Atlanta Fill Its Affordable Housing Gap](#)



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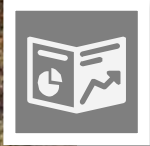
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**Appendix 46**

# Fiscally Standardized Cities (FiSC) Methodology

## Overview

- FiSC data is available for 212 of the largest U.S. Cities across 117 categories of revenues, expenditures, debt, and assets.
- Data is available for years 1977 to 2022.
- FiSC estimates are critical for making meaningful fiscal comparisons at the city level, because the delivery of public services is organized in different ways in different cities. While some city governments provide their residents and businesses with a full array of public services, others share the responsibility with a variety of overlying independent governments. Fiscal comparisons across central city governments alone can thus be misleading.
- The FiSC database accounts for these differences in government structure across cities, making it possible to compare many aspects of local government finances.
- FiSCs are constructed by adding revenues and expenditures of each central city municipal government to a portion of revenues and expenditures of overlying governments, including counties, independent school districts, and special districts.

## Methodology

- Allocations are based on a city's share of county population, the percentage of students in each school district that live in the central city, and the city's share of the estimated population served by each special district.
- The allocations to FiSCs are estimates of the revenues collected from and services provided to central city residents and businesses by these overlying independent governments. The FiSCs provide a comprehensive picture of revenues raised for city residents and businesses and spending on their behalf, whether done by the city government or separate overlying governments.
- County allocations example: County allocations to FiSCs are based on the city's share of the county's population. So, if a city accounts for 20 percent of the county's population, then 20 percent of revenues and expenditures for the county government will be allocated to the FiSC.
- More information on the methodology can be accessed here: [Methodology Used to Create the Fiscally Standardized Cities Database](#)

# Minneapolis Revenue Source Definitions

Revenue Source	Definition
<b>Charges for Services and Sales</b>	<ul style="list-style-type: none"> <li>• Fees for city-provided services such as:                             <ul style="list-style-type: none"> <li>• Water and sewer utilities</li> <li>• Solid waster collection</li> <li>• Permits and licenses (building, business, etc.)</li> </ul> </li> </ul>
<b>Taxes</b>	<ul style="list-style-type: none"> <li>• Property Taxes: The largest single source of revenue, levied on real estate within city limits</li> <li>• Franchise Fees: Charges to utility companies for using public rights of way</li> <li>• Sales and Use Taxes: Includes local option sales taxes and special entertainment or lodging taxes</li> </ul>
<b>Intergovernmental Revenues</b>	<ul style="list-style-type: none"> <li>• Federal Grants: Funding for housing, transportation, and community development</li> <li>• State Aid: Local Government Aid (LG), Municipal State Aid for streets, and other state programs</li> <li>• County and Local grants: Contributions from Hennepin County and other local entities</li> </ul>
<b>Bond Activity</b>	<ul style="list-style-type: none"> <li>• Funds raised through issuing municipal bonds for capital projects</li> </ul>
<b>Rents</b>	<ul style="list-style-type: none"> <li>• Revenues received by the City for leasing or renting City-owned property or equipment to other parties. This can include office space, land, or specialized equipment</li> </ul>
<b>Licenses and Permits</b>	<ul style="list-style-type: none"> <li>• Fees collected for regulatory and administrative approvals. These are typically tied to activities that require city oversight for safety, compliance, or business operations. Common examples include business licenses, building permits, trade permits, rental licenses, animal licenses, special event permits, and alcohol licenses</li> </ul>
<b>Special Assessments</b>	<ul style="list-style-type: none"> <li>• Charges to property owners for improvements like street paving or sidewalk repairs</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• Other non-tax revenues not included in the above categories</li> </ul>

# Strategy Rating Rubric

Category	Rating		
	Low	Medium	High
<b>Total Revenue Generating Potential</b>	\$0-100 million	\$100-200 million	\$200 million or greater
<b>Equity</b>	Revenue source is applied equally to all residents, businesses, or entities	Revenue source can be moderately tiered based on means	Revenue source can be explicitly structured to focus on high-wealth individuals, businesses, or entities
<b>Sustainability</b>	Revenue source provides inconsistent revenue year over year, subject to many fluctuations	Revenue source provides relatively consistent revenue, with some fluctuations	Revenue source provides predictable revenue year over year
<b>Ease of Administration</b>	City would need to set up entirely new structures to collect revenue	City would need to establish some new methods to collect revenue	Revenue could be collected using existing administrative structures
<b>Public Acceptability</b>	Has faced strong opposition from public and/or special interest groups when implemented or considered in peer cities	Has faced moderate opposition from public and special interest groups when implemented or considered in peer cities	Has not generated significant opposition from public or special interest groups when implemented or considered in peer cities
<b>Ease of Implementation</b>	Significant stakeholder engagement required; definitive state and local legislative action required; likely longer term implementation timeline	Moderate stakeholder engagement required; likely state or local legislative action required; likely medium to long term implementation timeline	Moderate to low stakeholder engagement required; potentially no state or local legislative action required; likely short to medium term implementation timeline

*Increasing alignment with City revenue generation goals*



## Strategy Scoring Rationale (1/2)

Strategy	Total Revenue Generating Potential	Equity	Sustainability	Ease of Administration	Public Acceptability	Ease of Implementation
<b>Real Estate Transfer Tax</b>	Medium - \$101 million to \$159 million (2023 \$)	High – A real estate transfer tax is focused on property owners and can be designed to focus on properties exceeding a certain threshold with a higher rate.	Low – A real estate tax may face fluctuations in revenue based on real estate market conditions.	High – Administering a real estate transfer tax would likely be relatively straightforward, as the tax would be collected at the point of sale for real estate transactions by the title or settlement agent.	Medium – A real estate tax has faced some public opposition peer cities. The City would need to communicate the value of a real estate transfer tax before it goes to vote.	Medium - Minnesota has a state transfer tax, but Minneapolis does not. This would require legislative action at the state level, as well as local voter approval.
<b>Payment in Lieu of Taxes (PILOT)</b>	Low - \$10 – \$19 million (2025 \$)	Low – PILOT requests a fixed percentage of a property tax value that is the same across all participating organizations.	Medium - PILOT has had relatively stable participation and revenue across years when implemented in peer cities.	Low – The City may need to set up a new system to operate this program and collect revenue.	High – PILOT did not generate significant public opposition in peer cities, given that it does not increase the tax burden on city residents and participation is optional.	High – Some stakeholder engagement required to secure buy-in from impacted tax-exempt entities; however, implementing this strategy would not require a legal or policy change.
<b>Income Tax</b>	High - \$291 million - \$410 million (2024 \$)	Moderate – An income tax can be designed to have a tiered or graduated rate structure so that more of the tax burden falls on residents in the highest income bracket.	High – An income tax can produce a relatively stable revenue source over time and may be less vulnerable to market fluctuations.	High – The City could leverage Minnesota’s existing income tax collection system to administer a local income tax.	Low – Income taxes often face strong opposition as they increase the overall tax burden on residents if it is not coupled with decreases in other taxes.	Low – Significant stakeholder engagement required to communicate the rationale for the tax. Introducing the tax would require local and state legislative actions which may prolong implementation timeline.

## Strategy Scoring Rationale (2/2)

Strategy	Total Revenue Generating Potential	Equity	Sustainability	Ease of Administration	Public Acceptability	Ease of Implementation
<b>Empty Homes Tax</b>	Low - \$6-12 million (2024 \$)	Medium– An empty home tax or fee is applied equally to vacant properties regardless of property value; however, it may target higher income owners that own a property in the city they do not live in year-round.	Medium – An empty homes tax provides a relatively consistent source revenue with fluctuations based on real estate market conditions.	Medium - Depending on the level of vacancy data that the City collects on an annual basis, the administration of an empty homes tax may be challenging. If the City could use its existing Vacant Building Registration Program data as a starting point, the administrative burden would likely be lessened.	Low – Empty homes taxes often face less public opposition than real estate transfer taxes as they targets property owners holding unoccupied property. However, this strategy is likely to face strong opposition from real estate special interest groups.	Medium - Depending on the level of vacancy data that the City collects, the ease of implementation may be medium to low.
<b>Outdoor Advertising Tax</b>	Value not estimated	Low – An outdoor advertising tax requires all outdoor advertisers to pay a fixed percentage tax.	Low – An outdoor advertising tax provides a relatively consistent but small source of revenue.	Medium – Administering an outdoor advertising tax would be relatively straightforward, as the tax would be collected at the points of sale/lease of advertising space.	Medium – While an outdoor advertising tax may not face much opposition from residents, it may face opposition from small businesses.	Medium – An outdoor advertising tax would require legislative action at the state level, as well as local approval.
<b>Sale or Lease of Public Assets</b>	Value not estimated	Low – Selling or leasing underutilized public assets for additional revenue does not have any direct equity impacts.	Low – Selling public assets from provides the City with a one-time revenue source. The revenue generated from leasing an asset is dependent on the term of the lease.	Low – Identifying and preparing city assets for sale or lease may require centralizing management of these city assets. This may involve needing to set up a new organization to manage this process.	High – Selling or leasing of public assets often faces relatively low public opposition, as this strategy generates revenue without increasing the tax burden of city residents. However, opposition may vary based on the type of asset being leased or sold.	Medium – There is an already an established policy process for approving a City property for sale or lease; however, it would take time to conduct an asset inventory, identify properties to monetize, and receive approval.

# Peer city examples of excise taxes

Category		Levy/charge	Revenue per Capita (2024 dollars)	Taxable Population or Entities	Implementation Considerations
<b>Excise Tax:</b> An indirect tax on specific goods, services, and activities (e.g., cigarettes, alcohol).					
Seattle	Sweetened Beverage Tax	A levy imposed on beverage distributors of drinks that contain added sugar.	\$27	Distributors of sugary drinks	Minnesota has considered similar taxes, but currently taxes soft drinks as part of the state sales tax.
	Commercial Parking Tax	Commercial parking tax is added to the fee drivers pay to park in Seattle's commercial parking lots.	\$64	Individuals who park	Non-residential parking services are subject to general Minnesota sales and use tax.
	Admission Tax	A 5% admission tax is added to the ticket price or other charge that attendees pay to enter entertainment venues or events.	\$32	Ticket buyers	Minneapolis has a 3% entertainment tax, but other cities have higher rates.
Denver	Facilities Admissions Tax	A 10% tax is applied to the price of admission to any entertainment-related event.	\$32	Ticket buyers	Minneapolis has a 3% entertainment tax, but other cities have higher rates.
	Climate Protection Fund	Denver voters approved Referred Measure 2A, which increased the sales tax rate by 0.25% to create the Climate Protection Fund, dedicated to mitigating the causes of climate change.	\$15	Individuals who shop	Minneapolis must obtain state legislative authority for new local sales taxes; some require state legislative and voter approval.
Philadelphia	Beverage Tax	All sweetened beverages including sodas, energy drinks, and sweet teas are taxed at a rate of 1.5 cents per ounce.	\$47	Distributors of sugary drinks	Minnesota has considered similar taxes, but currently taxes soft drinks as part of the state sales tax.
	Amusement Tax	This 5% tax is imposed on the admission fee charged for attending any amusement in Philadelphia.	\$26	Ticket buyers	Minneapolis has a 3% entertainment tax, but other cities have higher rates.
Boston	Meals Tax	A 0.75% tax applied to all prepared food sales.	\$52	Individuals who buy prepared food	Minneapolis has a restaurant tax that applies to the downtown district.

## Peer city examples of individual income taxes

Category		Levy/charge	Revenue per Capita (2024 dollars)	Taxable Population or Entities	Implementation Considerations
<b>Individual Income Tax:</b> An individual income tax (or personal income tax) is levied on the wages, salaries, investments, or other forms of income an individual or household earns.					
NYC	Local Income Tax	Residents of New York City are subject to a local income tax; rates range from 3.078% to 3.876% on a progressive scale.	\$1,634	Residents	<p>Minneapolis may not impose a local income tax without state legislative approval. Minnesota has a state-level income tax, and cities lack the constitutional or statutory authority to impose their own income tax.</p> <p>Counties, cities, and school districts in 15 states currently use local income taxes. Local income taxes make up about one quarter of tax revenue among municipalities that collect them.</p>
Philadelphia	Wage Tax	Local income tax assessed on wages at 3.74% for Philadelphia residents and 3.43% for non-residents. Non-residents who work in Philadelphia must also pay.	\$1,171	Residents and non-residents who work in the city	
	School Income Tax	A 3.74% levy on residents' unearned income (dividends, interest, short term capital gains, rental income).	\$38	Residents	
Denver	Occupational Privilege Tax	A \$9.75 monthly tax is imposed on businesses operating in the City and on individuals who work within Denver.	\$78	Residents, non-residents, and businesses	
Kansas City	KCMO Earnings Tax	Earnings tax of 1% on resident, non-resident, and business earned income to pay for wide variety of city services.	\$613	Residents, non-residents, and businesses	

# Peer city examples of service fees, special service districts, and betterment levies

Category		Levy/charge	Revenue per Capita (2024 dollars)	Taxable Population or Entities	Implementation Considerations
<b>Service Fee:</b> A charge for a specific service or good, typically to cover its cost and promote efficiency by connecting the recipient of the service to its payment.					
Denver	Parking Meter Increase	Beginning in 2022, the City increased parking meter rates from \$1 to \$2 per hour. The incremental increase in revenue associated with this rate change will be dedicated to transportation and mobility programs and projects, such as safety improvements and enhancements to the city’s bicycle, pedestrian, and transit networks.	\$11	Individuals who park	Parking meter charges are specifically exempt from sales tax in Minnesota, but the city has authority over increasing parking meter prices.
<b>Special Service District:</b> A defined area where special services are rendered and the costs of the services are paid from revenues collected from service charges imposed within that area.					
Atlanta	BeltLine Special Service District	Targeted tax applied to commercial, industrial, and multi-family properties within the BeltLine corridor. Charges businesses that benefit from proximity to major public infrastructure investments; helps fund transit, parks, and trails improvements.	\$192	Residents and businesses in the district	Minneapolis has special service districts, but the revenue from this source is limited to the district’s improvements.
<b>Betterment Levy:</b> A special charge or tax imposed on property owners by a government to recover the cost of public improvements that specifically increase the value of their land.					
Portland	Parks Local Option Levy	In November 2020, Portland voters passed the Parks Local Option Levy to provide Portland Parks & Recreation with critical operating funding. Through a property tax of \$0.80 per \$1,000 of Assessed Value, the Parks Levy will raise approximately \$47 million per year for five years. The Parks Levy allows PP&R to deliver the programs that Portlanders love, keeping parks and facilities clean, safe, and welcoming, and to grow and care for Portland’s tree canopy and natural areas.	\$82	Residents	Betterment levies often provide a source of revenue that is limited to a specific improvement or infrastructure upgrade.

# Peer city examples of congestion pricing, transfer taxes, and asset monetization

Category	Levy/charge	Revenue per Capita (2024 dollars)	Taxable Population or Entities	Implementation Considerations	
<b>Congestion Pricing:</b> A fee paid by drivers to enter a designated area, such as a city center or highway stretches, during peak hours.					
NYC	Central Business District Tolling Program	Charges vehicles entering Manhattan below 60th street during peak hours to fund public transit. NYC is the first US city to implement full-scale cordon pricing; rate is set at \$9 for passenger vehicles during peak hours and \$2.25 off-peak.	\$59	Drivers (residents and non-residents)	MnDOT operates dynamic pricing on some highway express lanes in the Minneapolis area, but the city does not have authority to institute congestion pricing without state involvement.
<b>Transfer Tax:</b> A charge levied on the transfer of ownership or title to property from one individual or entity to another.					
San Francisco	Transfer Tax	A tax due when individuals record a document transferring property, like a deed, and when legal entities change control. The transfer tax is progressive and variable, depending on the purchase price and fair market value.	\$277	Property buyers	Minnesota has a state transfer tax, but Minneapolis does not. If the structure is progressive, a real estate transfer tax can focus on wealthier residents. Many cities that have implemented this tax use it to provide funding for affordable housing (LA, Santa Fe). As of 2024, 17 cities and counties have taxes on real estate sales.
Philadelphia	Realty Transfer Tax	This applies to the sale or transfer of real estate located in Philadelphia at a rate of 3.578% for the City.	\$169	Property buyers	
NYC	Progressive Real Estate Transfer Tax	Graduated, one-time transfer tax on residential and commercial properties; applies higher rates to more expensive properties.	\$76	Property buyers	
<b>Asset Monetization:</b> Process of converting non-revenue generating assets into source of income.					
Philadelphia	Outdoor Advertising Tax	An outdoor advertising tax applies to those who purchase or rent advertisements on billboards or other outdoor signage. A 7% tax is charged on the rental or purchase price of outdoor advertising	\$2	Purchasers of outdoor advertising space	Minneapolis does not currently have an outdoor advertising tax.

# Peer city examples of business taxes

Category		Levy/charge	Revenue per Capita (2024 dollars)	Taxable Population or Entities	Implementation Considerations
<b>Business Tax:</b> A tax imposed by a local government on the income or gross receipts of businesses operating within its jurisdiction.					
Philadelphia	Business Income and Receipts Tax	Imposes a dual tax burden on businesses – taxes both gross receipts (\$1.41 per \$1,000) and net income at 5.71%. This requires businesses to pay on revenue before expenses and on profits.	\$385	Businesses	Minneapolis does not have authority to implement its own corporate income tax without state authorization.
Seattle	Social Housing Tax	The tax is imposed on businesses at a tax rate of 5% on compensation that exceeds \$1 million paid in Seattle to an employee. Passed by voters in 2025, it is expected to generate \$53M annually.	\$68	Businesses with large payroll	These taxes specifically focus on high-compensation workers in Seattle. They are focused on payroll rather than business revenue.
	Payroll Expense Tax	Companies with \$8.84M+ in Seattle payroll and at least one employee earning \$189,371+ annually face taxes from 0.746% to 2.557% based on compensation tiers and company size. The tax focuses on high-compensation tech workers.	\$461	Businesses with large payroll	
	Business and Occupation Tax	A business license tax that is applied to the gross revenue that businesses earn; businesses earning below \$100,000 annually are exempt.	\$452	Businesses with over \$100K in earnings	Minneapolis does not have authority to implement its own corporate income tax without state authorization.
NYC	Commercial Rent Tax	Applies a 6% tax (3.9% effective tax rate based on a granted 35% base rent reduction) to commercial tenants’ base rent in Manhattan below 96th street.	\$108	Businesses who rent in NYC	Minneapolis could consider increasing its property taxes for commercial tenants or implementing a tax on commercial renters.
Portland	Clean Energy Surcharge	Applies a 1% tax on retail gross revenue from large retailers with \$1B+ total gross revenue and \$500,000+ in Portland sales.	\$304	Large businesses	Minneapolis does not have authority to implement its own corporate income tax without state authorization.

## Peer city examples of other taxes or charges

Category		Levy/charge	Revenue per Capita (2024 dollars)	Taxable Population or Entities	Implementation Considerations
<b>Other Taxes/Charges</b>					
Portland	Art Tax	A \$35 per person annual fee that applies to all Portland residents age 18+ with \$1,000 annual income in households above federal poverty levels. Funds are used to support art/music programs at Portland schools and provide grants to nonprofit arts organizations.	\$16	Residents	This would require state – and potentially local voter – approval.
Boston	Payment In Lieu of Taxes	PILOT contributions help to offset the burden placed on Boston taxpayers to fund City services for all property owners. PILOT guidelines call for voluntary payments based on an institution's tax-exempt property value. Participants in the program include institutions from the educational, medical, and cultural sectors that own property valued more than \$15 million.	\$94	Tax-exempt institutions (e.g., education, medical, cultural)	This may not require state authority, as there would not technically be a “new tax.” Rather, it would encourage tax exempt institutions to contribute a percentage determined by the city.
San Francisco	Empty Homes Tax	A tax on keeping certain residential units vacant for more than 182 days in a calendar year. The SF Superior Court issued a ruling against the EHT in 2024, and tax collection has since been paused while it works through the CA courts. However, a similar tax is in effect in Berkeley and Oakland.	\$52	Property owners who spend more than half of the year not residing in their property	This may require state – and potentially local voter – approval.

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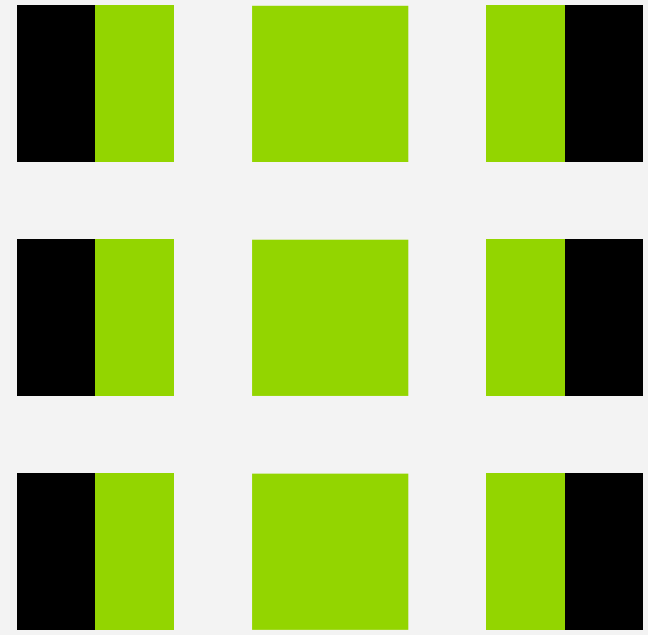
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