

HOUSE RESEARCH

Bill Summary

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Authors: Dorman and others

Subject: Increasing maximum market value eligible for ag homestead classification

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Overview

This bill provides for the maximum market value of agricultural land and buildings eligible for first-tier homestead classification to increase based on the statewide average growth in agricultural value per acre. The base year for the index is assessment year 1999 and the base level is \$600,000. Effective for assessment year 2006 and thereafter, for taxes payable in 2007 and thereafter.

Section

- 1** **First tier valuation limit; agricultural homestead property.** Provides for the indexing of the limit for first-tier agricultural homestead classification. For each assessment year, the limit is \$600,000 times the ratio of the previous assessment year's statewide average agricultural value per acre to the same measure for assessment year 1999. The limit is rounded to the nearest \$10,000. The limit is certified annually by the commissioner of Revenue. The estimated limit for pay 2007 under this provision is \$970,000.
- 2** **Class 2, Agricultural homestead.** Increases the maximum market value of agricultural land and buildings eligible for the homestead class rate of 0.55 percent based on the index in section 1. The value in excess of that amount has a class rate of 1 percent. As in current law, the house, garage, and one acre of land (HGA) is not included in this amount, but rather is treated in the same manner as residential homesteads and receives a 1.0 percent class rate.

History. The \$600,000 market value tier was enacted in 1999. Prior to 1999, the maximum amount of agricultural property that was eligible to receive homestead treatment was based

Section

on acreage (320 acres), regardless of the value.

Effective for assessment year 2006 and thereafter, for taxes payable in 2007 and thereafter.