

# House Research Simulation Report: Property Tax

**Simulation #3B2**

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## DESCRIPTION

**BASELINE: Final Pay 2002**

**ALTERNATIVE: Preliminary Pay 2003**

This report compares actual property taxes payable in 2002 to taxes payable in 2003; it incorporates a few very minor corrections to simulation 3B1. The pay 2002 data is final. The market values for the pay 2003 simulation are final values reported by county assessors to the Dept. of Revenue; the levies were reported to the Dept. of Revenue by county auditors. The pay 2003 data should be regarded as preliminary since a few of the data items may still change before final levies and tax rates are reported; however, these results are very close to final and likely will not be changed until everything is finalized in the summer of 2003. Note that in this report newly constructed residential homestead property is shown separately from existing residential homesteads.

## KEY POINTS

- **Statewide, property taxes are \$442 million, or 9.6%, higher than in 2002.** The overall tax increase is 8.5% in Greater Minnesota and 10.2% in the Metro area.
- **Statewide property tax impacts by property type vary from -4% to +33%.** Property types experiencing the largest increases are low-income apartments (32.5%) and single-unit residential nonhomesteads (28.1%). Property types experiencing the largest reductions are electric generation machinery (-3.5%) and two-three unit residential nonhomesteads (-1.4%).
- **Statewide, property taxes on commercial-industrial (C/I) property show only a 3.4% increase from pay 2002 to pay 2003.** There are four reasons for the relatively small tax increase on C/I property: (i) relatively small growth in C/I market values due to economic factors; (ii) higher growth in taxable value of other types of property due to the increase in the limited market value limit; (iii) the one-year lag in the fiscal disparities program, causing a portion of the 2001 class rate compression effect to be delayed until 2003; and (iv) moderate growth in the state levy for pay 2003.

**The simulations are estimates only.** House Research strives to make property tax simulations accurate, but simulations are only approximations of reality. Generally the results are most accurate on a statewide level, and tend to be less accurate as the area under scrutiny gets smaller.

**ASSUMPTIONS:****BASELINE:            Final Pay 2002**

- **Market values** (limited market values) are actual values reported by county assessors on the abstracts of assessment.
- **Levies** are actual levies reported by county auditors on the abstracts of tax lists.
- **The state levy** was set at \$585.3 million, which is the amount reported on the abstract of tax lists.

**ALTERNATIVE:        Preliminary Pay 2003**

- **Market values** (limited market values) are actual values reported by county assessors on the abstracts of assessment.
- **Levies** are actual levies reported by county auditors to the Dept. of Revenue.
- **The state levy** is \$594.9 million, as certified by the Dept. of Revenue.
- **Tax increment financing net tax capacities** are derived from the abstracts of assessment; generally these figures will undergo some changes before the final figures are certified on the abstract of tax lists.
- **Fiscal disparities** contribution and distribution net tax capacities are from the abstracts of assessment, with some adjustments applied based on Dept. of Revenue data.

**SIMULATION PARAMETERS**

	Baseline	Alternative
<b>Residential Homestead:</b>		
<\$500,000	1.0%	1.0%
>\$500,000	1.25	1.25
<b>Residential Non-homestead:</b>		
Single unit:		
<\$500,000	1.0	1.0
>\$500,000	1.25	1.25
2-3 unit and undeveloped land	1.5	1.25
<b>Apartments:</b>		
Regular	1.8	1.5
Low-income	0.9	1.0
<b>Commercial-Industrial-Public Utility:</b>		
<\$150,000	1.5	1.5
>\$150,000	2.0	2.0
Electric generation machinery	2.0	2.0
<b>Seasonal Recreational Commercial:</b>		
Homestead resorts (1c)	1.0	1.0
Seasonal resorts (4c):		
<\$500,000	1.0	1.0
>\$500,000	1.25	1.25
<b>Seasonal Recreational Residential:</b>		
<\$500,000	1.0	1.0
>\$500,000	1.25	1.25
<b>Disabled homestead</b>	0.45	0.45
<b>Agricultural land &amp; buildings:</b>		
<b>Homestead:</b>		
<\$600,000	0.55	0.55
>\$600,000	1.0	1.0
<b>Nonhomestead</b>	1.0	1.0
<b>Credits:</b>		
<b>Homestead:</b>		
Rate	0.4%	0.4%
Maximum	\$304	\$304
Phase-out rate	0.09%	0.09%
<b>Agricultural:</b>		
Rate	0.2%	0.3%
Maximum	\$230	\$345
Phase-out rate		0.05%

House Research Department