

House Research Simulation Report: Property Tax

Simulation #3B3

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DESCRIPTION

BASELINE: Final Pay 2001

ALTERNATIVE: Preliminary Pay 2003

This report compares actual property taxes payable in 2001 to taxes payable in 2003. The report is provided in order to give a two-year perspective on the effects of the major property tax modifications made in 2001, especially since some of those effects were not fully realized until 2003. 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. Note that in this report newly constructed residential homestead property is shown separately from existing residential homesteads.

KEY POINTS

- **Statewide, property taxes in 2003 are \$9 million (0.2%) lower than in 2001.** A \$451 million reduction in property taxes for 2002 was followed by a \$442 million increase in 2003. The two-year effect is a 1.7% reduction in greater Minnesota and a 0.6% increase in the Metro area.
- **Effective tax rates are lower for all types of property between 2001 and 2003,** in many cases substantially lower. The effective tax rate for regular apartments drops from 3.09% to 2.00% over the two-year time span, a 35% reduction. For residential homesteads, the drop is from 1.4% to 1.15% (an 18% drop); for commercial/industrial, the drop is from 4.2% to 3.56% (a 15% drop).
- **Statewide property tax impacts by property type vary from -41% to +38%.** Property types experiencing the largest increases are low-income apartments (37.8%) and seasonal recreational (10.8%). Property types experiencing the largest reductions are regular apartments (-11.9%) and electric generation machinery (-40.7%).

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 2001**

- **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.

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
Residential Homestead:		
<\$76,000	1.0%	1.0%
\$76,000 - \$500,000	1.65	1.0
>\$500,000	1.65	1.25
Residential Non-homestead:		
Single unit:		
<\$76,000	1.2	1.0
\$76,000 - \$500,000	1.65	1.0
>\$500,000	1.65	1.25
2-3 unit and undeveloped land	1.65	1.25
Apartments:		
Regular	2.4	1.5
Low-income	1.0	1.0
Commercial-Industrial-Public Utility:		
<\$150,000	2.4	1.5
>\$150,000	3.4	2.0
Electric generation machinery	3.4	2.0
Seasonal Recreational Commercial:		
Homestead resorts (1c)	1.0	1.0
Seasonal resorts (4c):		
<\$500,000	1.65	1.0
>\$500,000	1.65	1.25
Seasonal Recreational Residential:		
<\$500,000	1.0	1.0
>\$500,000	1.25	1.25
Disabled homestead <\$32,000	0.45	0.45
Agricultural land & buildings:		
Homestead:		
<\$115,000	0.35	0.55
\$115,000 - \$600,000	0.8	0.55
>\$600,000	1.2	1.0
Nonhomestead	1.2	1.0

House Research Department