

House Research Simulation Report: Property Tax

Simulation #3G1

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DESCRIPTION

BASELINE: Final Pay 2002

ALTERNATIVE: Final Pay 2003

This report compares actual property taxes payable in 2002 to actual taxes payable in 2003. The data for both years is final. Note that in this report newly constructed residential homestead property is listed as a separate category from existing residential homesteads.

KEY POINTS

- **Statewide, property taxes are \$431 million, or 9.4%, higher than in 2002.** The overall tax increase is 8.3% in Greater Minnesota and 10% in the Metro area.
- **Statewide property tax impacts by property type vary from -3% to +32%.** Property types experiencing the largest increases are low-income apartments (32.2%) and single-unit residential nonhomesteads (27.8%). Property types experiencing the largest reductions are electric generation machinery (-3.4%) and two-three unit residential nonhomesteads (-1.7%).
- **Statewide, property taxes on commercial-industrial (C/I) property show only a 3.1% 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: Final 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 on the abstracts of tax lists.
- **The state levy** is \$592.2 million, which is the amount reported on the abstract of tax lists.

SIMULATION PARAMETERS

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

House Research Department