

# House Research Simulation Report: Property Tax

**Simulation #4A1**

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## DESCRIPTION

**BASELINE: Final Pay 2003**

**ALTERNATIVE: Prelim Pay 2004: TNT Levies including new referendum approvals**

This report compares proposed property taxes for taxes payable in 2004 to actual property taxes payable in 2003. The 2004 taxes are based on proposed levies certified by each taxing jurisdiction to fulfill the requirements of the truth-in-taxation (TNT) process. For the most part, the simulation also incorporates the results of referendum elections held this fall, (generally, fall referendum results are not incorporated into TNT levies). Final levies may be less than the proposed levies shown in this simulation, but cannot be higher. The market values used are actual for taxes payable in 2004, as reported by county assessors to the Dept. of Revenue. The breakout of market value between value on existing structures and new construction amounts is based on estimates of new construction made during the 2003 legislative session.

## KEY POINTS

- **Statewide, property taxes would increase by \$355 million, or 7.1%**, if proposed levies were enacted, according to the simulation. Approximately \$132 million of the \$355 million increase is borne by new construction - property appearing on the tax rolls for the first time in 2004. The overall tax increases are 9.6% in Greater Minnesota and 5.8% in the Metro area.
- **Statewide property tax impacts by property type vary from -3.4% to +16.6%**. Impacts on the largest property types are 7.7% on existing residential homesteads, -3.4% on existing regular apartments, 0.6% on existing commercial-industrial property, and 4.8% on existing agricultural property.

**The simulations are estimates only.** House Research strives to make property tax simulations accurate, but simulations are only approximations of reality. They depend upon judgments about how much local government officials will decide to levy, which are highly speculative. Generally the results are most accurate on a statewide level, and tend to be less accurate as the jurisdiction under scrutiny gets smaller.

**ASSUMPTIONS:****BASELINE:            Final Pay 2003**

- **Property values** (limited market values) are actual values reported by county assessors on the abstracts of assessment.
- **Local government levies** are levies reported by county auditors on the abstracts of tax lists.

**ALTERNATIVE:        Prelim Pay 2004: TNT levies including new referendum approvals**

- **Market values** (limited market values) are actual values reported by county assessors on the abstracts of assessment. The breakdown of market value amounts between valuation changes on existing properties and new construction is based on new construction estimates prepared during the 2003 legislative session. The simulation will be updated with actual new construction data when it becomes available.
- **Levies** are preliminary levies (also called truth-in-taxation, or TNT levies) reported by county auditors to the Dept. of Revenue. In the case of school districts, TNT levies have been augmented with information about referendum levies that have been approved after TNT levies were certified. In the aggregate, final certified levies will be less than TNT levies, although they may not be for any specific jurisdiction.
- **The state levy** is \$624.5 million, which is the certified level set 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 final figures are determined.
- **Fiscal disparities** contribution and distribution net tax capacities are preliminary, based on data from the abstracts of assessment, with some adjustments applied based on Dept. of Revenue data. Fiscal disparities distribution tax amounts are preliminary.

**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	1.25	1.25
<b>Apartments:</b>		
Regular	1.5	1.25
Low-income	1.0	1.25
<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	0.3%	0.3%
Maximum	\$345	\$345
Phase-out rate	0.05%	0.05%

House Research Department