

House Research Simulation Report: Property Tax

Simulation #4C1

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DESCRIPTION

BASELINE: Final Pay 2003

ALTERNATIVE: Prelim Pay 2004: Certified Levies

This report compares property taxes payable in 2004 to property taxes payable in 2003. The data for taxes payable in 2003 is final. The valuation data for taxes payable in 2004 is final. Net taxes for pay 2004 are based on final certified levies; the report is considered preliminary because there may be some slight differences in how taxes are spread, and in credit amounts, when the abstract of tax lists becomes available in mid-summer of 2004. The breakout of market value between value on existing structures and new construction amounts is based on data reported by the counties to the Dept. of Revenue.

KEY POINTS

- **Statewide, property taxes are increasing by \$332 million, or 6.6%**, according to the simulation. Approximately \$129 million of the \$332 million increase is borne by new construction - property appearing on the tax rolls for the first time in 2004. The overall tax increases are 8.7% in Greater Minnesota and 5.5% in the Metro area.
- **Statewide property tax changes by property type vary from -11.5% to +16.6%** (although those two extremes were registered by property classes that had atypical changes in market value from pay 2003 to pay 2004). Tax changes on the largest property types are 7.2% on existing residential homesteads, -4.2% on existing apartments, 0.5% on existing commercial-industrial property, and 4.1% on existing agricultural property.
- **The overall county levy increase was \$94.1 million**, which compares to an overall aid reduction between certified pay '03 and pay '04 of \$125.2 million. **The overall city levy increase was \$89.5 million**, compared to an overall aid reduction of \$178.1 million.

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: Certified Levies

- **Market values** (taxable market values) are actual values reported by county assessors on the abstracts of assessment. A number of counties revised their abstracts of assessment after the initial submission; this simulation is based on the revised abstracts. The breakdown of market value amounts between valuation changes on existing properties and new construction is based on new construction amounts reported on the fall mini-abstract of assessment.
- **Levies** are final levies reported by county auditors to the Dept. of Revenue.
- **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.

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	1.25	1.25
Apartments:		
Regular	1.5	1.25
Low-income	1.0	1.25
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	0.3%	0.3%
Maximum	\$345	\$345
Phase-out rate	0.05%	0.05%

House Research Department