

# House Research Simulation Report: Property Tax

**Simulation #4C3**

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## DESCRIPTION

**BASELINE: Final Pay 2003**

**ALTERNATIVE: Final Pay 2004**

This report compares property taxes payable in 2004 to property taxes payable in 2003. The data for both years is final data reported by the counties to the Dept. of Revenue.

## KEY POINTS

- **Statewide, property taxes increased by \$332 million, or 6.6%.** 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 8.8% in Greater Minnesota and 5.5% in the Metro area.
- **Statewide property tax changes by property type vary from -11.1% to +16.5%** (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, -4.3% on existing apartments, 0.4% on existing commercial-industrial property, and 4.8% on existing agricultural property.
- **The overall county levy increase was \$94 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 \$90.7 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** (taxable 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:        Final Pay 2004**

- **Market values** (taxable 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 amounts reported on the fall mini-abstract of assessment.
- **Local government levies** are levies reported by county auditors on the abstracts of tax lists.

**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