

# House Research Simulation Report: Property Tax

**Simulation #5A1**

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## DESCRIPTION

**BASELINE: Final Pay 2004**

**ALTERNATIVE: Proposed Pay 2005: Truth-in-Taxation Levies**

This report compares property taxes payable in 2005 to property taxes payable in 2004, if all jurisdictions adopt their 2005 proposed levies as final levies. The payable 2004 portion of the simulation is final data as reported by the counties to the Dept. of Revenue. The payable 2005 market value data is actual data supplied by the counties. The payable 2005 levies are the proposed levies filed by each local taxing jurisdiction for truth-in-taxation purposes, plus school district referendum levies that passed as of Nov. 2. The state general levy is based on the final rate rather than the preliminary rate.

## KEY POINTS

- **Statewide, property taxes would increase by \$370 million, or 6.9%**, if all local taxing jurisdictions were to adopt their proposed levies. Approximately \$134 million of the \$370 million increase would be borne by new construction - property appearing on the tax rolls for the first time in 2005. The overall tax increases would be 9.6% in Greater Minnesota and 5.5% in the Metro area.
- **On a statewide average basis, property tax impacts by property type vary** from -11% (on public utility electric generation machinery) to +16% (on single-unit residential nonhomestead property). Impacts on the largest property types are 8.4% on existing residential homesteads, 1.4% on existing apartments, -2.2% on existing commercial-industrial property, and 7.6% on 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.

**BASELINE:            Final Pay 2004**

- **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.
- **Property tax credits** are as reported by county auditors on the abstracts of tax lists.

**ALTERNATIVE:        Proposed Pay 2005: Truth-in-Taxation Levies**

- **Market values** are actual values reported by county assessors on the abstracts of assessment.
- **Local government levies** are the levies that were submitted by local taxing jurisdictions to the Dept. of Revenue in compliance with the Truth-in-taxation law. School district truth-in-taxation levies were augmented by adding new referendum levies that passed as of 11/2/04. The state levy was based on the final state tax rate rather than the preliminary rate.
- **Fiscal disparities** net tax capacities were taken from the abstracts of assessment. Distribution levies were provided by the Dept. of Revenue based on information provided by the administrative auditors of each program.
- **Tax increment financing (TIF) net tax capacities** were taken from the abstracts of assessment (note that sometimes the final TIF net tax capacities will differ from the ones reported on the abstracts of assessment).
- **Property tax credits** were modeled by the House Research Dept.

**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>	1.25	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>		
<b>Rate</b>	0.4%	0.4%
<b>Maximum</b>	\$304	\$304
<b>Phase-out rate</b>	0.09%	0.09%
<b>Agricultural:</b>		
<b>Rate</b>	0.3%	0.3%
<b>Maximum</b>	\$345	\$345
<b>Phase-out rate</b>	0.05%	0.05%

House Research Department