

# House Research Simulation Report: Property Tax

**Simulation #5A3**

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## DESCRIPTION

**BASELINE: Final Pay 2004**

**ALTERNATIVE: Actual Pay 2005**

This report compares property taxes payable in 2005 to property taxes payable in 2004. The data for taxes payable in 2004 is final. The valuation data for taxes payable in 2005 is final. Net taxes for pay 2005 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 2005. 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 increased by \$344 million, or 6.4%**, from pay '04 to pay '05. Approximately \$133 million of the \$344 million increase is borne by new construction - property appearing on the tax rolls for the first time in 2005. The overall tax increases are 8.6% in Greater Minnesota and 5.3% in the Metro area.
- **On a statewide average basis, property tax impacts by property type vary** from -12% (on public utility electric generation machinery) to +15% (on single-unit residential nonhomestead property). Impacts on the largest property types are 7.7% on existing residential homesteads, 1% on existing apartments, -2.4% on existing commercial-industrial property, and 6.8% 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:      Actual Pay 2005**

- **Market values** are actual values reported by county assessors on the abstracts of assessment.
- **Levies** are final levies reported by county auditors to the Dept. of Revenue.
- **The state levy** is \$629.3 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.
- **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>		
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