

House Research Simulation Report: Property Tax

Simulation #5A4

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DESCRIPTION

BASELINE: Final Pay 2004

ALTERNATIVE: Final Pay 2005

This report compares property taxes payable in 2005 to property taxes payable in 2004. The data for both years is final data reported by the counties to the Dept. of Revenue. The breakout of market value between existing structures and new construction is based on data reported by the counties to the Dept. of Revenue.

KEY POINTS

- **Statewide, property taxes increased by \$335 million, or 6.3%**, from pay '04 to pay '05. Approximately \$133 million of the \$335 million increase is borne by new construction - property appearing on the tax rolls for the first time in 2005. The overall tax increases are 8.4% in Greater Minnesota and 5.1% 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 7.5% on existing residential homesteads, 0.9% on existing apartments, -2.5% on existing commercial-industrial property, and 6.7% 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: Final Pay 2005

- **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.
- **Levies** are levies reported by county auditors on the abstracts of tax lists.
- **The state levy** is \$625.6 million, which is the amount reported on the abstract of tax lists.
- **Property tax credits** are as reported by county auditors on the abstracts of tax lists.

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:	1.25	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