

House Research Simulation Report: Property Tax

Simulation #6A2

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DESCRIPTION

BASELINE: Final Pay 2005

ALTERNATIVE: Prop Pay 2006: T-N-T Levies + New Refs (corrected)

This report compares property taxes payable in 2006 to property taxes payable in 2005, if all jurisdictions adopt their 2006 proposed levies as final levies. It is identical to simulation 6A1 except that it corrects an error in that simulation affecting tax burdens on hypothetical properties only. The payable 2005 portion of the simulation is final data as reported by the counties to the Dept. of Revenue. The payable 2006 market value data is actual data supplied by the counties. The payable 2006 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. 18. The state general levy is based on the final rates rather than the preliminary rates.

KEY POINTS

- **Statewide, property taxes would increase by \$632 million, or 11.1%**, if all local taxing jurisdictions were to adopt their proposed levies. Approximately \$148 million of the \$632 million increase would be borne by new construction - property appearing on the tax rolls for the first time in 2006. The overall tax increases would be 11.4% in Greater Minnesota and 11% in the Metro area.
- **On a statewide average basis, property tax impacts on existing properties vary** from -1% (on certain public utility property) to +23% (on single-unit residential nonhomestead property). Impacts on the largest property types are 11.6% on residential homesteads, 4.9% on commercial-industrial property, and 12.9% on agricultural property. For apartments, it is difficult to state an average change because for 2006 the class has been split into two categories, "regular" apartments and "low-income" apartments.

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 2005

- **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 2006: T-N-T Levies + New Refs (corrected)

- **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 11/18/05. The state levy is based on the actual state levy amount rather than the preliminary rates.
- **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
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	1.25	1.25
Low-income	1.25	0.75
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):		
<\$500,000	1.0	0.55
\$500,000 - \$2,200,000	1.0	1.0
>\$2,200,000	1.0	1.25
Nonhomestead 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 first \$32,000	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