

House Research Simulation Report: Property Tax

Simulation #6A4

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Steve Hinze, Legislative Analyst (651-296-8956)

DESCRIPTION

BASELINE: Final Pay 2005

ALTERNATIVE: Actual Pay 2006

This report compares property taxes payable in 2006 to property taxes payable in 2005. The valuation data for taxes payable in 2006 is final. Net taxes for pay 2006 are based on final certified levies; the report is not considered "final" 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 2006. 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 are increasing by \$568 million, or 10%**, from pay '05 to pay '06. Approximately \$149 million of the \$568 million increase would be borne by new construction - property appearing on the tax rolls for the first time in 2006. The overall tax increases are 9.8% in Greater Minnesota and 10.1% in the Metro area.
- **On a statewide average basis, property tax impacts on existing properties vary** from -2% (on certain public utility property) to +19% (on single-unit residential nonhomestead property). Impacts on the largest property types are 10.5% on residential homesteads, 4.2% on commercial-industrial property, and 11.7% on agricultural property. For existing apartments, the change and percentage change figures appearing in the printout are misleading 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: Actual Pay 2006

- **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 \$658.7 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
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