

House Research Simulation Report: Property Tax

Simulation #6A5

Date 8/18/2006

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

DESCRIPTION

BASELINE: Final Pay 2005

ALTERNATIVE: Final Pay 2006

This report compares property taxes payable in 2006 to property taxes payable in 2005. 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 \$547 million, or 9.6%**, from pay '05 to pay '06. Approximately \$148 million of the \$547 million increase was borne by new construction - property appearing on the tax rolls for the first time in 2006. The overall tax increases are 9.5% in Greater Minnesota and 9.7% in the Metro area.
- **On a statewide average basis, property tax impacts on existing properties vary** from -2.3% (on certain public utility property) to +18.3% (on single-unit residential nonhomestead property). Impacts on the largest property types are 10.1% on residential homesteads, 3.9% on commercial-industrial property, and 11.4% 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: Final Pay 2006

- **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.
- **The state levy** is \$655.5 million, which is the amount reported on the abstracts 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:		
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