

House Research Simulation Report: Property Tax

Simulation #7A2

Date 1/23/2007

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

DESCRIPTION

BASELINE: Actual Pay 2006

ALTERNATIVE: Prop Pay 2007: Truth-in-Taxation & New Refs (corrected)

This report compares property taxes payable in 2007 to property taxes payable in 2006, if all jurisdictions adopt their 2007 proposed levies as final levies. **It also debuts the appearance of two new “regions” in the simulation report, consisting of all cities and all towns in Greater Minnesota.** They appear as pages 4 and 5 of the report. The data and results are virtually identical to simulation #7A1, except that a few minor corrections have been made in this version. The payable 2006 portion of the simulation is final data as reported by the counties to the Dept. of Revenue. The payable 2007 market value data is actual data supplied by the counties. The payable 2007 levies are the proposed levies filed by each local taxing jurisdiction for truth-in-taxation purposes, plus school district referendum levies that passed at the November general election. The state general levy is based on the final rates rather than the preliminary rates.

KEY POINTS

- **Statewide, property taxes would increase by \$580 million, or 9.3%**, if all local taxing jurisdictions were to adopt their proposed levies. Approximately \$154 million of the \$580 million increase would be borne by new construction - property appearing on the tax rolls for the first time in 2007. The overall tax increases would be 10.3% in Greater Minnesota and 8.8% in the Metro area.
- **On a statewide average basis, property tax impacts on existing properties vary from -2%** (on apartments) to +15% (on single-unit residential nonhomestead property). Impacts on the largest property types are 6.9% on residential homesteads, 6.4% on commercial-industrial property, and 10.9% on agricultural property.

The simulations are estimates only. House Research strives to make property tax simulations accurate, but simulations are only approximations of reality. 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 2006

- **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 2007: Truth-in-Taxation & 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 the November general election. 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	0.75	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	0.55	0.55
\$500,000 - \$2,200,000	1.0	1.0
>\$2,200,000	1.25	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 - \$690,000	1.0	0.55
>\$690,000	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