

House Research Simulation Report: Property Tax

Simulation #7A5

Date 9/27/2007

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

DESCRIPTION

BASELINE: Final Pay 2006

ALTERNATIVE: Final Pay 2007

This report compares property taxes payable in 2007 to property taxes payable in 2006. The statewide and metro/greater Minnesota pages are identical to the predecessor simulation, #7A4, but this simulation corrects some technical errors that occurred on other pages of the report. Note that there are 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 valuation and levy data for both years is final. 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 increased by \$537 million, or 8.6%.** Approximately \$153 million of the \$537 million increase is borne by new construction - property appearing on the tax rolls for the first time in 2007. The overall tax increases are 9.1% in Greater Minnesota and 8.4% in the Metro area.
- **On a statewide average basis, property tax impacts on existing properties vary** from -1.7% (on apartments) to +14.3% (on single-unit residential nonhomestead property). Impacts on the largest property types are 6.3% on residential homesteads, 5.6% on commercial-industrial property, and 9.7% on agricultural property.

The simulations are estimates only. House Research strives to make property tax simulations accurate, but simulations are only approximations of reality. 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.
- **The state levy** is \$655.6 million, which is the levy reported on the abstracts of tax lists.
- **Property tax credits** are as reported by county auditors on the abstracts of tax lists.

ALTERNATIVE: Actual Pay 2007

- **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.
- **The state levy** is \$691.0 million, which is the levy 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	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