

House Research Simulation Report: Property Tax

Simulation #8A2

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

DESCRIPTION

BASELINE: Final Pay 2007

ALTERNATIVE: Actual Pay 2008

This report compares property taxes payable in 2008 to property taxes payable in 2007. The payable 2007 portion of the simulation is final data as reported by the counties to the Dept. of Revenue. The payable 2008 market value data is actual data supplied by the counties. The payable 2008 levies are the certified levies reported by the counties; 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 2008. 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 \$536 million, or 7.9%.** Approximately \$153 million of the \$536 million increase is borne by new construction - property appearing on the tax rolls for the first time in 2008. The overall tax increases are 8.3% in Greater Minnesota and 7.7% in the Metro area.
- **On a statewide average basis, property tax changes on existing property vary** from -0.5% (on public utility property) to 10.9% (on residential nonhomestead property). Increases on the largest property types are 4.6% on residential homesteads, 6.5% on commercial-industrial property, and 9.2% 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 2007

- **Property values** (taxable market values) are actual values reported by county assessors on the abstracts of assessment. (Note that property value in JOBZ zones is not included in the figures shown.)
- **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 2008

- **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 \$734.5 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	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:		
<\$690,000	0.55	0.55
\$690,000 - \$790,000	1.0	0.55
>\$790,000	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