

House Research Simulation Report: Property Tax

Simulation #2A7

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DESCRIPTION

BASELINE: Final Pay 2001

ALTERNATIVE: Final Pay 2002

This report compares property taxes payable in 2001 to property taxes payable in 2002. All data for both years is final data reported by the counties to the Dept. of Revenue.

KEY POINTS

- **Statewide, property taxes are \$451 million (or 9%) lower in pay 2002 than in pay 2001.** Simulation 1W3, based on 2001 end-of-session market value and levy projections, had been predicting a statewide property tax reduction of \$644 million, or 12.8%. The actual reductions are 9.4% in Greater Minnesota and 8.7% in the Metro area.
- **Average statewide property tax impacts by property type range from -38% to +4%.** Types of property with the greatest tax reductions are electric generation attached machinery (38.5%), single-unit residential nonhomestead (15.6%), regular apartments (11%), residential homesteads (12.8%), agricultural nonhomestead (13.5%) and agricultural homesteads (10.8%). Low-income apartments and seasonal recreational properties are at the other end of the spectrum; seasonal recreational properties received a 0.8% reduction overall, while low-income apartments actually saw an increase of 4%. Every class of property received a significant reduction in its effective tax rate.

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.

ASSUMPTIONS:

BASELINE: **Final Pay 2001**

- **Property values** (limited market values) are actual values reported by county assessors on the abstracts of assessment.
- **Levies** are actual levies reported by county auditors on the abstracts of tax lists.
- **Tax increment financing (TIF)** net tax capacities are derived from the abstracts of tax lists; TIF levies are simulated. The simulated statewide total is \$341.3 million versus the actual total of \$341.6 million.

ALTERNATIVE: **Final Pay 2002**

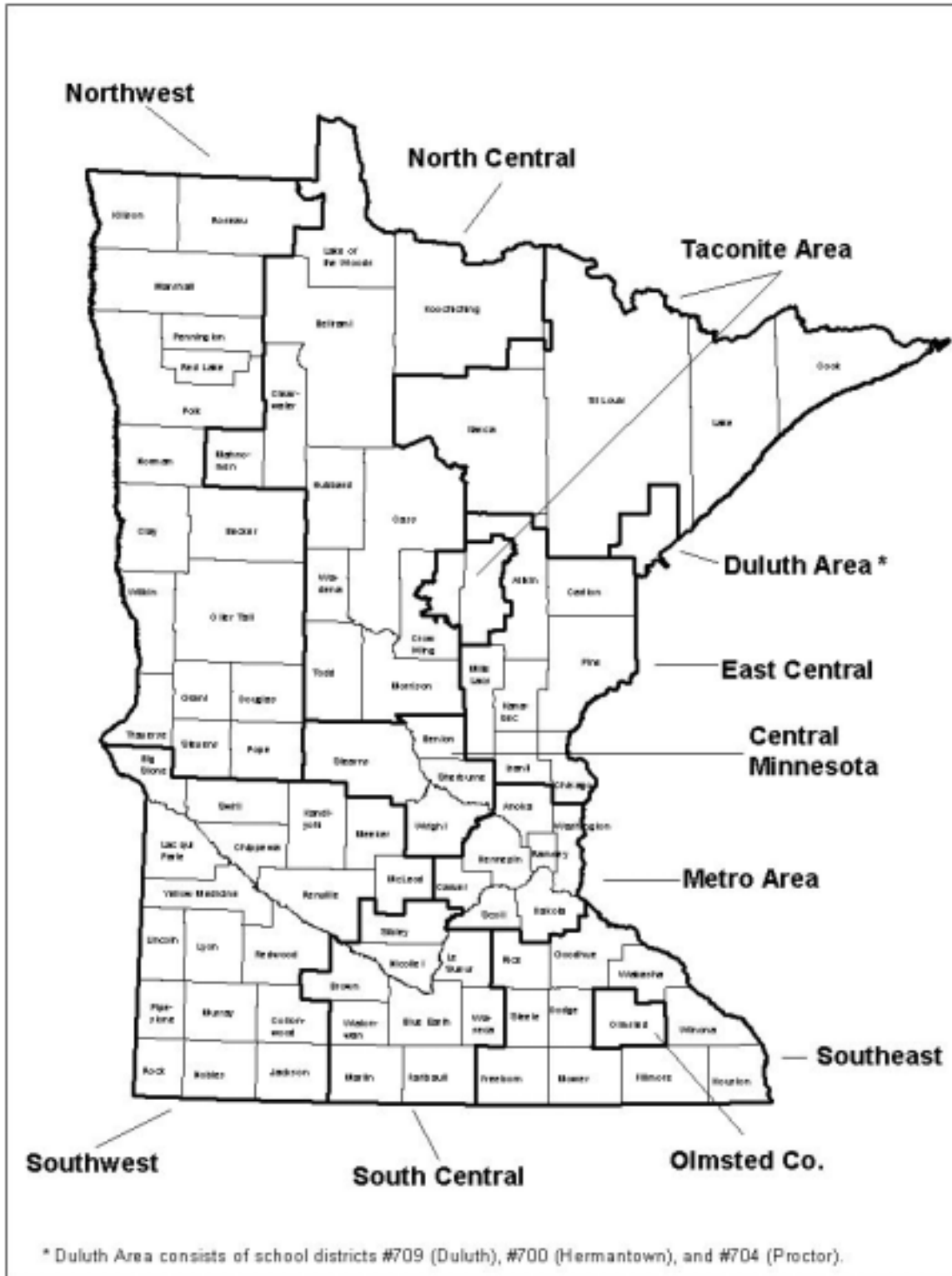
- **Market values** (limited market values) are actual values reported by county assessors on the abstracts of assessment.
- **Levies** are actual levies reported by county auditors on the abstracts of tax lists.
- **The state levy** was set at \$585.3 million, which is the amount reported on the abstract of tax lists.
- **Tax increment financing** net tax capacities are derived from the abstracts of tax lists; TIF levies are simulated. The simulated statewide total is \$247.2 million versus the actual total of \$248.1 million.

SIMULATION PARAMETERS

	Baseline	Alternative
Residential Homestead:		
<\$76,000	1.0%	1.0%
\$76,000 - \$500,000	1.65	1.0
>\$500,000	1.65	1.25
Residential Non-homestead:		
Single unit:		
<\$76,000	1.2	1.0
\$76,000 - \$500,000	1.65	1.0
>\$500,000	1.65	1.25
2-3 unit and undeveloped land	1.65	1.25
Apartments:		
Regular	2.4	1.8
Low-income	1.0	0.9
Small cities	2.15	1.8
Commercial-Industrial-Public Utility:		
<\$150,000	2.4	1.5
>\$150,000	3.4	2.0
Electric generation machinery	3.4	2.0
Seasonal Recreational Commercial:		
Homestead resorts (1c)	1.0	1.0
Seasonal resorts (4c):		
<\$500,000	1.65	1.0
>\$500,000	1.65	1.25
Seasonal Recreational Residential:		
<\$76,000	1.2	1.0
\$76,000 - \$500,000	1.65	1.0
>\$500,000	1.65	1.25
Disabled homestead	0.45	0.45
Agricultural land & buildings:		
Homestead:		
<\$115,000	0.35	0.55
\$115,000 - \$600,000	0.8	0.55
>\$600,000	1.2	1.0
Nonhomestead	1.2	1.0

House Research Department

Property Tax Model Regions (Greater Minnesota)



House Research Graphics

Note: In most regions results are displayed separately for cities and for towns.

Property Tax Model Regions (Metro Area)



House Research Graphics

Notes: **North Hennepin** consists of Hassan Township plus the following cities: Brooklyn Center, Brooklyn Park, Champlin, Corcoran, Crystal, Dayton (Hennepin portion), Greenfield, Hanover (Hennepin portion), Maple Grove, New Hope, Osseo, Robbinsdale, Rockford (Hennepin portion), Rogers, and St. Anthony (Hennepin portion). **Southeast Hennepin** consists of the cities of: Bloomington, Edina, Golden Valley, Hopkins, Richfield, and St. Louis Park. The balance of the County (excluding Minneapolis) is considered **Southeast Hennepin**.