

House Research Simulation Report: Property Tax

Simulation #14A2X

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Steve Hinze, Legislative Analyst (steve.hinze@house.mn)

DESCRIPTION

BASELINE: Final Pay 2013 (including homestead credit refund & PTR)

ALTERNATIVE: Actual Pay 2014 (incl projected homestead credit refund & PTR)

This report compares property taxes payable in 2014 to property taxes payable in 2013, including the effects of the homestead credit refund and the renters' property tax refund. The payable 2013 portion of the simulation is final data as reported by the counties to the Dept. of Revenue, plus actual data for FY '14 homestead credit refund and renter PTR from the Dept. of Revenue. The payable 2014 market value data is from the actual levy data supplied by the counties plus projected data for FY '15 homestead credit refund and renter PTR from the Dept. of Revenue. Compared to the usual simulation reports, this report is limited to statewide analysis only because the homestead credit refund data is not available with geographic breakdown. In addition, some of the usual property type categories were combined because the homestead credit refund and PTR data does not permit a breakdown into finer property types .

KEY POINTS

- **Statewide, property taxes are forecast to decrease by \$10 million, or 0.1%.** This is achieved through an increase of \$124 million on gross property taxes before the homestead credit refund and the renters' property tax refund, and a projected increase of \$133 million in the homestead credit refund and the renters' property tax refund..
- **On a statewide average basis, property tax changes on existing properties vary** from -4.9% (on residential homesteads) to +11.1% (on agricultural property). Changes on the largest property types are -0.1% on residential rental property, +0.3% on commercial-industrial property, +1.7% on public utility property, and -0.5% on seasonal-recreational 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 2013 (including homestead credit refund & PTR)

- **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.
- **Homestead credit refund and renters property tax refund** figures come from Minnesota Management and Budget's General Fund balance analysis from the February, 2014 economic forecast.

ALTERNATIVE: Actual Pay 2014 (incl projected homestead credit refund & PTR)

- **Market values** are actual values reported by county assessors on the abstracts of assessment.
- **Local government levies** are the levies reported by the county auditors to the Dept. of Revenue.
- The **state levy** is based on the actual state levy amount.
- **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 the metro and iron range programs. (Note that the fiscal disparities contribution net tax capacity for the city of Bloomington, and report pages for all areas containing the city of Bloomington, includes the Mall of America TIF tax capacity that is taxed at the areawide rate. That is why the total contribution net tax capacity appears to exceed the total distribution net tax capacity.)
- **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** are determined within the simulation model.
- **Homestead credit refund and renters property tax refund** figures come from Minnesota Management and Budget's General Fund balance analysis from the February, 2014 economic forecast.

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):		
<\$600,000	0.5	0.5
\$600,000- \$2,300,000	1.0	1.0
>\$2,300,000	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 <\$50,000	0.45	0.45
Agricultural land & buildings:		
Homestead:		
<\$1,290,000	0.5	0.5
\$1,290,000 - \$1,500,000	1.0	0.5
>\$1,500,000	1.0	1.0
Non-homestead:		
Agricultural and rural vacant	1.0	1.0
Managed forest land	0.65	0.65

* After subtraction of homestead market value exclusion amount.

House Research Department

STATEWIDE

Tax Burdens by Property Class	Market Value				Net Tax Net of PTR				Effective Tax Rates	
	Baseline	Alternative	Change	Pctg Chng	Baseline	Alternative	Change	Pctg Chng	Base	Alter
Ag & Res Hm: exist	277,349,773	275,429,085	-1,920,687	-0.7	3,312,833	3,151,768	-161,065	-4.9	1.19	1.14
Rental housing: exist	59,371,431	60,858,681	1,487,250	2.5	798,179	797,245	-934	-0.1	1.34	1.31
Seasn'l Rec'rl: exist	25,377,066	24,882,179	-494,887	-2.0	250,877	249,611	-1,266	-0.5	0.99	1.00
Com/Ind: Lo: exist	10,166,157	10,023,246	-142,911	-1.4	304,833	298,569	-6,264	-2.1	3.00	2.98
Com/Ind Hi: exist	60,949,173	60,827,320	-121,853	-0.2	2,419,394	2,433,915	14,521	0.6	3.97	4.00
Publ U: Elec Gen	1,974,715	1,886,445	-88,270	-4.5	49,269	48,477	-791	-1.6	2.49	2.57
Publ U: Other	8,679,084	8,964,261	285,178	3.3	304,339	311,198	6,859	2.3	3.51	3.47
Ag Hmstd Land	64,251,678	79,769,311	15,517,633	24.2	282,224	316,095	33,871	12.0	0.44	0.40
Ag Non-Hmstd	38,679,061	49,346,470	10,667,408	27.6	300,085	330,824	30,740	10.2	0.78	0.67
ResHmstd: NewConst	0	1,886,305	1,886,305	0.0	0	21,559	21,559	0.0	0.00	1.14
All other NewConst	0	2,565,414	2,565,414	0.0	0	53,235	53,235	0.0	0.00	2.08
Total	546,798,137	576,438,718	29,640,581	5.4	8,022,032	8,012,496	-9,536	-0.1	1.47	1.39

Tax Base

Tax Rates

	Market Value				Pctg Chng	Net Tax Cap (Pctg)		Ref Mkt Val	
	Baseline	Alternative	Change	Pctg Chng		Bas	Alter	Bas	Alter
Total Tax Capacity	5,769,291	6,040,743	271,452	4.7	Count	48.25	46.33	0.020	0.035
(-) TIF Tax Capacity	165,879	162,311	-3,568	-2.2	City/Tow	37.16	35.79	0.764	0.740
(-) FD Contrib Tax Cap	376,411	375,046	-1,365	-0.4	School District	25.37	24.73	18.945	18.750
(=) Taxable Tax Capacity	5,227,001	5,503,387	276,385	5.3	Special District	5.44	5.20	0.012	0.012
FD Distrib Tax Cap	376,405	368,803	-7,602	-2.0	Total	116.22	112.05	19.742	19.536

* Homestead credit refund and renter PTR figures for pay '14 are MMB forecast numbers.