

**Mortgage Registry Tax
Exempt Certain Ag Loans**

January 19, 2001

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		

Department of Revenue
Analysis of HF 52 (Rifenberg)/S.F. 290 (Fowler)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
	(000's)			
General Fund	(610)	(680)	(700)	(730)

Effective July 1, 2001.

EXPLANATION OF THE BILL

Current Law: Farm loans provided by commercial banks and businesses are subject to the mortgage registry tax of 23 cents per \$100 of principal debt. Farm loans that are provided by agricultural credit organizations are exempt from the tax.

Proposed Law: Farm loans provided by commercial banks and businesses, the proceeds of which are used to acquire or improve real property for the production of agricultural or forest crops, would be exempt from the mortgage registry tax. This exemption hinges on the mortgagor's signing a statement provided by the county stating that the proceeds of the loan secured by the mortgage will be used for the above purposes.

REVENUE ANALYSIS DETAIL

- The mortgage registry tax bases for this analysis are derived from the November 2000 forecast data divided by .97, which indicates that the estimates are for the 97% state share of total tax receipts.
- U.S. data from the December 2000 issue of the *Federal Reserve Bulletin* show that farm mortgages account for 1.62% of total mortgages. This proportion is adjusted for this analysis by the following 1999 ratio: (MN farm sector gross state product/MN total state product)/(US farm sector gross domestic product/US total gross domestic product). Hence, farm loans account for 3.89% of total Minnesota loans.
- Data from the MN Department of Agriculture indicate that 60% of total farm loans in Minnesota are provided by commercial and business organizations and that the real estate portion of total farm loans in the state is 35%.

January 19, 2001

- The FY 2002 revenue impact includes the adjustment by the factor (11/12) to account for a one-month lag between the proposed law effective date and the actual receipts under the new law.

Number of Taxpayers Affected: No data are available on the number of taxpayers who pay the Minnesota mortgage registry tax.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>