

**Property Tax
Class Rate Reduction for
Land Bordering Public Water**

March 26, 2001

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

Department of Revenue
Analysis of H.F. 697 (Holsten) / S.F. 1259 (Kinkel)

<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 *	(Unknown)	(Unknown)	(Unknown)

*Information is not available on the market value or classification of unimproved land near public waters, but the total value could be substantial.

Effective for taxes payable 2002 and thereafter.

EXPLANATION OF THE BILL

Current Law: Current law provides that unimproved land must be classified according to its current use. If not in use, the land must be classified according to its highest and best use under local zoning ordinance or its potential highest and best use if no zoning ordinance exists. Unimproved land near public waters may be classified as non-commercial seasonal recreational residential land (class 4c), with a class rate of 1.20% on the first \$76,000 of market value and 1.65% on the balance over \$76,000.

Proposed Law: The proposal establishes a new property class 2c for unimproved land, excluding agricultural land, that has at least 200 contiguous feet that borders or is adjacent to public waters, that is located within 400 feet of the ordinary high water elevation of public waters, and has been in the possession of the owner, owner's spouse, parent, or sibling for at least seven years. The proposal sets a class rate of 0.5 percent of market value for the proposed class.

REVENUE ANALYSIS DETAIL

- Information is not available on the market value or classification of unimproved land bordering public waters that meets the requirements of the proposed class, but the value could be substantial.
- The proposal will produce a tax shift from the eligible land to all other property. The property tax shift will increase tax burden on farm and residential homeowners, producing some increase in state-paid property tax refunds, beginning with F.Y. 2003.

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Number of Taxpayers Affected: Unknown

ADMINISTRATIVE/OPERATIONAL IMPACT

See fiscal note.

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

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