MORTGAGE REGISTRY TAX

March 26, 2001

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

Department of Revenue
Analysis of HF 2106 (McElroy)

	Revenue Gain or (Loss)			
	F.Y. 2002	F.Y. 2003	F.Y. 2004	FY2005
	(000's)			
Federal Credit Unions	$1,750	$1,860	$1,940	$2,010
Agricultural Credit Organizations	410	440	460	480
General Fund Total	$2,160	$2,300	$2,400	$2,490

Effective for mortgages recorded after June 30, 2001.

EXPLANATION OF THE BILL

Current Law: For the mortgage registry tax, the mortgagee (lender) is the person liable to pay the tax. Because states are prohibited from taxing the federal government, certain organizations affiliated with the federal government are exempt from paying the tax, including organizations that issue farm loans and federal credit unions.

Proposed Law: The mortgagor (borrower) would be the person liable to pay the tax. Therefore, farm loans issued by agricultural credit organizations and mortgages issued by federal credit unions would be subject to the tax unless the mortgagor was exempt. The mortgagee may undertake to collect and remit the tax on behalf of the mortgagor.

REVENUE ANALYSIS DETAIL

- The mortgage registry tax bases for this analysis are derived from the February 2001 forecast data.
- 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 40% of total farm loans in Minnesota are provided by agricultural credit organizations and that the real estate portion of total farm loans in the state is 35%.
- Data for federal credit unions was obtained from the website for the National Credit Union Administration (NCUA). The data was based on calendar year 2000 activity.

- A comparison of NCUA data for the 66 Minnesota federal credit unions to mortgage registry tax collection data for calendar year 2000 indicates that federal credit unions account for 2.3% of the total statewide collections. This 2.3% figure is applied to the forecasted collections from the February 2001 forecast.
- Estimates are adjusted to reflect the impact of the effective date on collections.
- It is assumed that the out-of-state loans issued by the 66 federal credit unions in Minnesota is offset by the Minnesota loans issued by the non-Minnesota federal credit unions.
- It is assumed that under current law, the number of federally exempt mortgagees affected by the bill (except for agricultural credit organizations and federal credit unions) is small enough to have negligible effect.
- It is also assumed that under the proposed law, the number of federally exempt mortgagors affected by the bill is small enough to have negligible effect.

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

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

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

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