

**PROPERTY TAX
Noncommercial Seasonal
Recreational Residential Classes, HACA**

February 21, 2001

Department of Revenue
Analysis of S.F. 80 (Langseth)

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

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>
		(000's)		
HACA	\$0	(\$8,500)	(\$8,600)	(\$8,600)
Education Hmstd Credit	\$0	(\$600)	(\$700)	(\$700)
Property Tax Refund	<u>\$0</u>	<u>(\$100)</u>	<u>(\$100)</u>	<u>(\$100)</u>
General Fund	\$0	(\$9,200)	(\$9,400)	(\$9,400)

The proposal is effective for taxes and aids payable in 2002 and thereafter.

EXPLANATION OF THE BILL

Current Law: Class rates for noncommercial seasonal recreational residential property are 1.2% for the first \$76,000 of market value and 1.65% over \$76,000.

Proposed Law: The proposed class rates for noncommercial seasonal recreational residential property are 1.0% for the first \$76,000 of market value and 1.65% for the remainder. A change in homestead and agricultural credit aid (HACA) is authorized which reflects the reduction in class rates.

REVENUE ANALYSIS DETAIL

- The proposal was analyzed on the taxes payable 2001 property tax simulation model.
- Additional HACA is approximately \$8.6 million. (\$8.5 million fiscal year basis after 90/10 school aid shift) in pay 2002 and thereafter.
- Provision for HACA increases is made in the bill. However, HACA does not compensate for school equalized levy shifts. Therefore the lower class rates for favored property results in net tax increases for other property types. Increases in residential homestead net taxes result in an increase in education homestead credit of \$700,000. (\$600,000 fiscal year basis after 90/10 school aid shift) in pay 2002 and thereafter.
- Because total homestead net taxes increase, property tax refunds would increase by \$100,000.

Number of Taxpayers Affected: There are about 125,000 owners of noncommercial seasonal recreational residential property.

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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