

**PROPERTY TAX
Apartment Classes and HACA**

February 1, 2001

Department of Revenue
Analysis of S.F. 298 (Knutson)/ H.F. 358 (Wilkin)

	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	(\$28,100)	(\$28,500)	(\$28,500)
Education Hmstd Credit	\$0	(\$1,400)	(\$1,600)	(\$1,600)
Property Tax Refund	<u>\$0</u>	<u>(\$400)</u>	<u>(\$400)</u>	<u>(\$400)</u>
General Fund	\$0	(\$29,900)	(\$30,500)	(\$30,500)

Effective for levies and aids payable in 2002 and thereafter.

EXPLANATION OF THE BILL

Current Law: Non-subsidized apartment class rates are 2.4% for most municipalities and 2.15% for apartments in qualifying small cities.

Proposed Law: The proposed class rate is 2.0% for all apartments. A change in homestead and agricultural credit aid (HACA) is authorized which reflects the class rate reduction.

REVENUE ANALYSIS DETAIL

- The proposal was analyzed on the taxes payable 2001 property tax simulation model.
- Additional HACA is approximately \$28.5 million. (\$28.1 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 result in net tax increases for other property types. Increases in residential homestead net taxes result in an increase in education homestead credit of \$1.6 million. (\$1.4 million fiscal year basis after 90/10 school aid shift) in pay 2002 and thereafter.
- Also, because total homestead net taxes increase, property tax refunds would increase by \$400,000.

Number of Taxpayers Affected: all apartment properties.

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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