

MINNESOTA • REVENUE

PROPERTY TAX Valuation Exclusion for Individual Sewage Treatment Systems

April 14, 2003

Department of Revenue
Analysis of H.F. 1328 (Wagenius) / S.F. 1381 (Sams)

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

Revenue Gain or (Loss)

	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	(Unknown)	(Unknown)	(Unknown)

Effective for taxes payable in 2004 and thereafter.

EXPLANATION OF THE BILL

Owners of residential homestead and residential nonhomestead up to three units may apply for a valuation exclusion from their taxable market value for new or refurbished individual sewage systems, provided that a notice of noncompliance has been issued by a licensed inspector, the owner furnishes documentation to the assessor that the system was replaced or refurbished between January 1, 2003, and December 31, 2007, and a certificate of compliance for the new or refurbished system has been issued. The exclusion equals 50% of the actual costs up to \$7,500 and applies for a period of five years.

REVENUE ANALYSIS DETAIL

- Information is not available on the likely number of cases of noncompliance for individual sewage systems, or of the total cost of improvements to such systems. The number of owners who would apply for this valuation reduction and the total amount of reduction are also unknown, so no estimate can be made of the potential tax shift to other taxpayers.
- The potential cost to the state general fund of increased homeowner property tax refunds cannot be determined.
- Because the formula for the market value credit includes a phaseout for market value over \$76,000, the valuation reduction would increase state payment of market value credit but the amount of increase is unknown.

Number of Taxpayers Affected: All taxpayers in jurisdictions where residential property receives a valuation reduction will be affected.

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

