

MINNESOTA • REVENUE

PROPERTY TAX Value Exclusion for Sewage Treatment System Improvements

March 26, 2004

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

Department of Revenue
Analysis of S.F. 2652 (Pogemiller) / H.F. 2835 (Wagenius)

	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	\$0	(Unknown)	(Unknown)

Effective for taxes payable in 2005 and thereafter.

EXPLANATION OF THE BILL

Owners of residential homestead property, residential nonhomestead property up to three units, or noncommercial cabins and mobile home parks may apply for a market value exclusion on the property for sewage treatment system improvements provided that the following conditions are met:

- 1) A notice of noncompliance has been issued by a licensed compliance inspector with regard to the individual sewage treatment system serving the property;
- 2) The owner of the property furnishes documentation to the satisfaction of the assessor that the property's individual sewage treatment system has been replaced or refurbished between January 1, 2004, and December 31, 2008; and
- 3) A certificate of compliance has been issued for the new or refurbished system.

The exclusion would be equal to 50% of the actual costs incurred, with a maximum exclusion of \$7,500, and would apply for a period of five years. The valuation exclusion would terminate upon sale of the property. The exclusion would be available to owners only in a county that has authorized the valuation exclusion.

REVENUE ANALYSIS DETAIL

- It is not known how many counties would authorize valuation exclusion or the number of property owners who would qualify.
- The proposed exclusion of up to \$7,500 per property for sewage treatment system improvements would cause a tax shift onto all other taxpayers including homeowners and increase homeowner property tax refunds. The impact would be offset to the extent that the owners receiving the exclusion were eligible for the property tax refund.

March 26, 2004

REVENUE ANALYSIS DETAIL (continued)

- Because the formula for market value credit includes a phaseout over \$76,000 of market value, the valuation exclusion would have the effect of increasing state payment of market value credit, but the amount of increase is unknown.

Number of Taxpayers: All taxpayers in counties allowing the valuation exclusion would be affected.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

sf2652(hf2835)-1.doc/nrg