

# MINNESOTA • REVENUE

## PROPERTY TAX Add Class 1c Resorts to LMV

March 29, 2004

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

Department of Revenue  
Analysis of H.F. 3044 (Simpson) / S.F. 2908 (Sams)

	<u>Revenue Gain or (Loss)</u>			
	<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	(\$65)	(\$65)

Effective for taxes payable in 2005 through 2007.

### EXPLANATION OF THE BILL

**Current Law:** The limited market value (LMV) program limits the increase in market value of residential homestead, residential non-homestead, farm homestead, farm non-homestead, timberland, and non-commercial seasonal recreational property. For pay 2004, the increase in market value may not exceed the greater of 12% of the market value in the preceding assessment, or 20% of the difference between the current assessment and the preceding assessment. For each of the payable years through 2007, there is a phase-out schedule for the LMV program. The phase-out schedule increases the 12% factor to 15% in pay 2005 through pay 2007. The phase-out schedule also increases the 20% factor to 25% in pay 2005, 33% in pay 2006, and 50% in pay 2007. The program sunsets in pay 2008.

**Proposed Law:** The bill adds class 1c resort property and any associated 4c commercial seasonal property to the LMV program. For assessment year 2004, the factors are applied to the difference between assessment years 2004 and 2002, a two year difference. For assessment years 2005 and 2006, the limitation for class 1c resort property would be calculated as for other property types.

## **REVENUE ANALYSIS DETAIL**

- The proposal was analyzed on a taxes payable 2004 property tax simulation model.
- Class 1c resort taxable market values would decrease by \$125 million if added to the LMV program.
- Taxes are shifted onto other property types in each jurisdiction. Property taxes on homesteads will rise by \$1 million. Therefore there would be a \$65,000 increase in property tax refunds for homeowners in FY 2006 and FY 2007.

**Number of Taxpayers Affected:** All taxpayers in jurisdictions with class 1c resort property.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

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