

MINNESOTA • REVENUE

PROPERTY TAX Commercial Seasonal Recreational Classification Rates

April 5, 2005

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

Department of Revenue
Analysis of H.F. 1509 (Moe)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
	(000's)			
General Fund	\$0	(\$45)	(\$45)	(\$45)

Effective for taxes payable in 2006 and thereafter.

EXPLANATION OF THE BILL

The bill would change the classification rate for class 1c commercial seasonal recreational property from 1% to 0.55%, and increase the bracket from \$500,000 to \$600,000. A second bracket between \$600,000 and \$1.2 million is created with a classification rate of 1.0%. Any remaining value over \$1.2 million per parcel is reclassified as 4c property with a classification rate of 1.25%. Lakeshore frontage limitations are repealed.

REVENUE ANALYSIS DETAIL

- The proposal was simulated on a taxes payable 2005 property tax model.
- Because of the lower classification rates on 1c commercial seasonal recreational property, taxes would be shifted onto other property types. Some of the shift would be onto homesteads and result in higher property tax refunds. Property tax refunds are estimated to increase \$45,000 per fiscal year.

Number of Taxpayers: Unknown.

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

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