

MINNESOTA • REVENUE

PROPERTY TAX

Ag. Homestead Land Bracket at \$2 million

March 31, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 2592 (Vickerman) / H.F. 3520 (Magnus)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
General Fund	\$0	\$0	(\$470)	(\$470)

(000's)

Effective for taxes levied in 2006, payable in 2007, and thereafter.

EXPLANATION OF THE BILL

Current Law: Class 2a agricultural homestead land up to \$600,000 in market value has a class rate of 0.55%. Agricultural homestead land over \$600,000 in market value has a class rate of 1.0%.

Proposed Law: The bill would change the class 2a farmland tier break from \$600,000 to \$2 million.

REVENUE ANALYSIS DETAIL

- The proposal was analyzed on a taxes payable 2006 property tax simulation model.
- Net taxes will decrease by \$14.7 million on homestead farmland and increase by \$7.3 million on farm homesteads (house, garage, and one acre) and residential homesteads in the first year.
- Net taxes will shift from class 2a farmland property to other property types, including homesteads. Property tax refunds will increase \$470,000 in pay 2007 and pay 2008 due to net tax shifts onto homestead property.

Number of Taxpayers Affected: Primarily owners of large farms.

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