

MINNESOTA • REVENUE

PROPERTY TAX

Ag. Homestead Land Bracket Indexed from 1999 Base Year

April 10, 2006

Department of Revenue

Analysis of S.F. 2592 (Vickerman), As Amended (SCS2592A-2)

	Yes	No
DOR Administrative Costs/Savings		X

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	\$0	(\$340)	(\$400)

Effective assessment year 2006 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 proposal would annually adjust the class 2a farmland tier break by an amount based on the percentage change in statewide average taxable market value of agricultural property per acre of deeded farm land since assessment year 1999, rounded to the nearest \$10,000. Agricultural property is defined for this purpose as class 2 property, excluding timberland, airport land, and the house, garage, and one acre.

REVENUE ANALYSIS DETAIL

- The proposal was analyzed on a taxes payable 2006 property tax simulation model.
- The tier break was estimated to be at \$1,000,000 for pay 2007.
- Net taxes will decrease by \$11.0 million on homestead farmland and increase by \$5.3 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 \$340,000 in pay 2007 and by \$400,000 in 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