

MINNESOTA • REVENUE

PROPERTY TAX Class 4d Extension

March 31, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3578 (Moua) / H.F. 3960 (Simpson)

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
General Fund	\$0	\$0	(\$33)	(\$33)

(000's)

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

EXPLANATION OF THE BILL

Current Law: Class 4a rental housing has a class rate of 1.25%. Class 4d subsidized housing has a class rate of 0.75%.

Proposed Law: The proposal would extend the definition of class 4d subsidized housing by removing a restriction that at least 75% of the units in rental housing property meet listed qualifications. Class 4d would apply to units meeting the requirements. Local units of government are also allowed to set rent and income restrictions.

REVENUE ANALYSIS DETAIL

- The proposal was analyzed on a taxes payable 2006 property tax simulation model.
- Net taxes will decrease by \$2 million on class 4d subsidized rental property and increase by \$500,000 on homesteads in the first year.
- Net taxes will shift from class 4d subsidized property to other property types, including homesteads. Property tax refunds will increase \$33,000 in pay 2007 and pay 2008.

Number of Taxpayers Affected: Primarily owners of property qualifying as class 4d.

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

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