

MINNESOTA • REVENUE

PROPERTY TAX Market Value Homestead Credit Changes

February 26, 2007

Department of Revenue
Analysis of S.F. 404 (Bonoff) / H.F. 647 (Dittrich)

	Yes	No
DOR Administrative Costs/Savings		X

	<u>Fund Impact</u>			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
		(000's)		
Market Value Homestead Credit	\$0	(\$169,600)	(\$224,800)	(\$280,100)
Property Tax Refunds	<u>\$0</u>	<u>\$11,300</u>	<u>\$14,700</u>	<u>\$18,300</u>
General Fund Total	\$0	(\$158,300)	(\$210,100)	(\$261,800)

Effective for taxes payable in 2008 and thereafter.

EXPLANATION OF THE BILL

The bill makes several changes to market value homestead credit computations. The bill would increase the threshold for reduction of the credit from \$76,000 to \$350,000. The reduction factor is changed from 0.09% of market value to 0.304% of market value. The bill would index the residential homestead tiers required for the computation of market value homestead credits. The brackets would be increased by the ratio of the preceding assessment year statewide average residential homestead market value per homestead to the assessment year 2005 statewide average residential homestead market value per homestead. The farm house, garage, and one acre upper homestead bracket is also indexed for the calculation of the credit. The indexed brackets would be rounded to the nearest \$1,000.

REVENUE ANALYSIS DETAIL

- The proposal was simulated on a payable 2007 property tax model.
- The first bracket is estimated to increase from \$76,000 to \$83,000 in the first year. The second bracket would be raised to \$381,000 in the first year.
- The market value homestead credit would increase by \$169.6 million in FY 2009, \$224.8 million in FY 2010, and \$280.1 million in FY 2011.
- Lower taxes on homesteads will result in a decrease in property tax refunds of \$11.3 million in FY 2009, \$14.7 million in FY 2010, and \$18.3 million in FY 2011.

Number of Taxpayers: For taxes payable 2008, homesteads with value over \$76,000 but less than about \$490,000.

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

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