

MINNESOTA • REVENUE

PROPERTY TAX

Agricultural Homestead Changes

February 26, 2007

Department of Revenue

Analysis of S.F. 545 (Langseth) / H.F. 848 (Marquart)

	Yes	No
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
			(000's)	
Market Value Farmland Credit	\$0	(\$9,000)	(\$9,200)	(\$9,200)
Property Tax Refunds	\$0	(\$285)	(\$285)	(\$285)
General Fund Total	\$0	(\$9,285)	(\$9,485)	(\$9,485)

Effective for taxes levied in 2007, payable in 2008, and thereafter.

EXPLANATION OF THE BILL

The bill makes several changes to agricultural homestead provisions. First, the distance limit of four townships for noncontiguous agricultural homestead parcels is stricken. Second, the class rate for farmland in the first tier (indexed annually under current law, \$690,000 for taxes payable in 2007) would be reduced from 0.55% to 0.5%. Third, the \$115,000 market value factor for market value farmland credit computations would be increased to \$150,000. The maximum credit would be increased from \$345 to \$450.

REVENUE ANALYSIS DETAIL

- The proposal was simulated on a payable 2007 property tax model.
- It is assumed that few parcels would be affected by the deletion of the noncontiguous parcel provision.
- Property taxes on agricultural homesteads would decrease 7% under this proposal.
- The classification change would result in property taxes being shifted from farmland to homestead property. As a result, property tax refunds would increase by \$285,000 annually.
- The market value farmland credit would increase by \$9 million in FY 2009 and \$9.2 million in FY 2010 and FY 2011.

Number of Taxpayers: About 100,000 properties would be directly affected.

Source: Minnesota Department of Revenue
Tax Research Division

http://www.taxes.state.mn.us/taxes/legal_policy