MINNESOTA · REVENUE

PROPERTY TAX
Change Class 4d Threshold

March 1, 2007

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 824 (Moua) / H.F. 1030 (Mullery)

	Fund Impact			
	F.Y. 2008	**F.Y. 2009**	**F.Y. 2010**	**F.Y. 2011**
		(000's)		
General Fund	$0	($105)	($105)	($105)

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

EXPLANATION OF THE BILL

Current Law: Class 4a apartments have a class rate of 1.25%. Class 4d subsidized housing has a class rate of 0.75%. In order for a property to be classified as 4d, at least 75% of the rental housing units must qualify under one of the specified low-income rental programs.

Proposed Law: The bill lowers the threshold to qualify for class 4d from 75% to 20% of units.

REVENUE ANALYSIS DETAIL

- The proposal was analyzed on a taxes payable 2007 property tax simulation model.
- It is estimated that about 9,700 more units would qualify for class 4d under the proposal, based on information received from the Minnesota Housing Finance Agency.
- Net taxes would decrease by $6.4 million on class 4d subsidized rental property and increase by $1.6 million on homesteads in the first year.
- Property tax refunds would increase by about $105,000 for taxes payable in 2008 through 2010.

Number of Taxpayers: Owners of qualifying 4d property would be directly affected.

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

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