

MINNESOTA • REVENUE

PROPERTY TAX Market Value Homestead Credit Modification

March 23, 2010

Department of Revenue
Analysis of H.F. 3632 (Scalze)

	Yes	No
DOR Administrative Costs/Savings		X

	Fund Impact			
	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>
			(000's)	
Market Value Homestead Credit	\$0	\$0	\$42,000	\$43,000
Property Tax Refunds	\$0	\$0	<u>(\$3,200)</u>	<u>(\$3,200)</u>
General Fund Total	\$0	\$0	\$38,800	\$39,800

Effective for taxes payable 2011 and thereafter.

EXPLANATION OF THE BILL

The proposal changes factors for the homestead market value credit. The formula is changed to 0.35% of the first \$80,000 of homestead market value, instead of 0.4% of the first \$76,000 under current law. The subtraction factor is changed from 0.09% to 0.1%.

REVENUE ANALYSIS DETAIL

- The proposal was simulated on a taxes payable 2010 computer model.
- The formula changes reduce the homestead market value credit by \$42.0 million in FY 2012 and by \$43.0 million in FY 2013.
- As a result of higher homestead net taxes, property tax refunds (PTR) paid by the state would increase. The PTR increase is estimated to be \$3.2 million in FY 2012 and FY 2013.

Number of Taxpayers: All homestead taxpayers would be affected

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

hf3632_pt_1/lm