

MINNESOTA • REVENUE

April 03, 2013

PROPERTY TAX Agricultural Homestead Modifications

	Yes	No
DOR Administrative Cost/Savings	X	

Department of Revenue
Analysis of S.F. 1499 (Skoe) as introduced

Fund Impact

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
		(000's)		
Property Tax Refunds	\$0	\$540	\$540	\$540

Effective for taxes payable 2014 and thereafter.

EXPLANATION OF THE BILL

The bill modifies several special agricultural homestead qualification provisions. Relative homestead provisions allowing the owner's actively farming spouse, child, grandchild, sibling, or parent to qualify as an agricultural homestead are repealed. An obsolete section related to a 1998 tornado is stricken. A provision allowing actively farming entities other than sole proprietorships to claim homestead status is stricken.

REVENUE ANALYSIS DETAIL

- According to a survey of county assessors, \$4.4 billion of market value is currently deemed actively farming.
- Property taxes would shift from other properties to the classes losing special agricultural homestead status, including homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds would decrease by \$540,000, beginning in FY 2015.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Increase	Fewer special cases for agricultural classification
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division - Research Unit
[www.revenue.state.mn.us/research_stats/
pages/revenue-analyses.aspx](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)

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