MINNESOTA · REVENUE

March 03, 2014

PROPERTY TAX

Minor property tax classifications eliminated

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 1884 (Davine) as proposed to be amended by H1884A1

	Fund Impact			
	FY2014	**FY2015**	**FY2016**	**FY2017**
	(000's)			
Property Tax Refunds	$0	$0	$90	$90

Effective beginning for taxes payable 2015.

EXPLANATION OF THE BILL

The bill repeals several property tax classifications of property. Class 1d migrant housing, class 2c managed forest land, 2d private airports, and 2e unmined commercial aggregate classifications are repealed. In addition, class 4c bed and breakfast, indoor recreation, seasonal restaurants on lakes, resorts on state trails, marinas, and airport hangers on private or public land classifications are eliminated. Also, the aggregate resource preservation statute is repealed, as well as a reference to statewide average estimated market value for class 2c managed forest land.

REVENUE ANALYSIS DETAIL

- The proposal was simulated on a taxes payable 2014 model.
- It is assumed the property currently classified in the proposed repealed classes would be classified according to highest and best use valuation. Most class 2c managed forest land is assumed to become rural vacant land. Some class 4c property would have a higher class rate of 1.5% and be subject to the state general levy.
- Taxes would shift from other properties to those with new higher class rates. An increase of $1.9 million of net tax capacity(NTC) is expected, out of a total statewide NTC of $6.04 billion.
- Net taxes for agricultural and residential homesteads would decrease by an estimated $775,000 due to the shifting noted above.
- Lower agricultural and residential homestead net taxes would reduce property tax refunds. Property tax refunds would decrease by an estimated $90,000 in FY 2016 and FY 2017.

Number of Taxpayers: Property owners in the listed classifications would be directly affected.

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

Transparency, Understandability, Simplicity & Accountability	Increase	Fewer classifications.
Efficiency & Compliance	Increase	Assessors would spend less time assigning classifications.

Equity (Vertical & Horizontal)	Neutral
Stability & Predictability	Neutral
Competitiveness for Businesses	Neutral
Responsiveness to Economic Conditions	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

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