

MINNESOTA • REVENUE

PROPERTY TAX

Ag. market value homestead property tax credit permanently increased

March 17, 2014

	Yes	No
DOR Administrative Cost/Savings	X	

Department of Revenue

Analysis of H.F. 3086 (Marquart) as introduced.

	Fund Impact			
	FY2014	FY2015	FY2016	FY2017
	(000's)			
Supplemental Credit Payment	\$0	(\$15,700)	\$0	\$0
Administration appropriation	\$0	(\$40)	\$0	\$0
Ag Hmstd Market Value Credit	\$0	\$0	(\$15,400)	(\$15,700)
Income Tax Interaction	\$0	\$500	\$500	\$500
General Fund Total	\$0	(\$15,240)	(\$14,900)	(\$15,200)

Effective day following final enactment, beginning with taxes payable in 2014.

EXPLANATION OF THE BILL

The proposal changes the agricultural homestead market value credit.

Under current law, the agricultural homestead market value credit is 0.3% of market value on the first \$115,000, with a decrease of 0.05% of market value on the next \$230,000. The credit for the parcel if the total value is over \$345,000 equals \$230.

Under the proposal, the agricultural homestead market value credit is 0.3% of market value on the first \$115,000, with an additional credit of 0.1% of market value above \$115,000. The maximum credit for the parcel is \$500.

In addition, because tax statements for payable 2014 will have been mailed before the proposal becomes law, a procedure for refunding the supplemental amount is required for the Department of Revenue and county auditors. The supplemental credit is defined as the amount of the excess of the new payable 2014 credit level over the payable 2014 credit as printed on the tax statement. County auditors must certify the supplemental amount to the taxpayer by September 15, 2014, and the commissioner must refund that amount to each taxpayer by October 15, 2014. Tax statements in 2015 must reflect the new credit amounts. \$40,000 is appropriated in FY 2015 to compensate counties for expenses incurred in complying with this proposal.

REVENUE ANALYSIS DETAIL

- The new credit total is estimated to be an increase over current law of \$15.7 million beginning in payable 2015. For FY 2016, the agricultural homestead market value credit is reduced for the 90/10 school levy recognition shift.
- The maximum credit occurs at \$270,000 of market value. Homesteads with land value of less than \$115,000 would see no change in the amount of the credit.

- The number of agricultural homesteads to receive a supplemental credit payment is estimated to be 78,000.
- Lower farm taxes would decrease deductions for income taxes, raising collections. The increase in income tax receipts are estimated to be \$500,000 beginning in FY 2015.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<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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