

PROPERTY TAX
Fractional homestead determination based on ownership percentage in county land records required

February 05, 2019

| | | |
|---------------------------------|------------|-----------|
| | Yes | No |
| DOR Administrative Cost/Savings | X | |

Department of Revenue

Analysis of H.F. 0097 (Hertaus) / S.F. 0516 (Relph) as introduced

| | Fund Impact | | | |
|------------------------------------|--------------------|---------------|---------------|---------------|
| | FY2020 | FY2021 | FY2022 | FY2023 |
| | (000's) | | | |
| Property Tax Refund Interaction | \$0 | unknown | unknown | unknown |
| Market Value Ag Credit Interaction | \$0 | unknown | unknown | unknown |

Effective beginning with taxes payable in 2020.

EXPLANATION OF THE BILL

Under current law, the homestead share of a property for a partial homestead parcel is based on the number of owners. Each owner receives equitable distribution for homestead, homestead market value exclusion, and agricultural homestead market value credit purposes.

The proposal would change how homestead share is determined for partial homesteads. Under the proposal, properties that are receiving a partial homestead due to one of the owners not meeting the requirements for homestead would receive a percentage of homestead based on their ownership interest in the property rather than a percentage based on the number of owners.

REVENUE ANALYSIS DETAIL

- According to a January 2018 survey by the Minnesota Association of Assessing Officers (MAAO), approximately 10% of fractional homesteads have ownership interests that are not equal. (This survey question was answered by 24 counties.)
- The actual ownership interest for partial homestead properties statewide is unknown. Therefore, the share of homestead property that would become non-homestead, and vice versa, under the proposal is unknown.
 - Properties receiving a larger share of homestead under the proposal would have a lower classification rate.
 - Properties receiving a smaller share of homestead under the proposal would have a higher classification rate.
- Property taxes would shift away from properties receiving a larger share of homestead under the proposal and onto all other properties, including other homesteads. Property taxes would also shift onto properties receiving a smaller share of homestead under the proposal and away from all other properties, including other homesteads.
- The shift in taxes onto/away from homesteads would cause property tax refunds paid by the

state to change by an unknown amount beginning in FY 2021.

- The proposal would change the amount of market value eligible for the agricultural homestead market value credit, changing the credit by an unknown amount beginning in FY 2021.

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

| | | |
|---|----------|---|
| <i>Transparency, Understandability, Simplicity & Accountability</i> | Decrease | Decrease in simplicity of classification. |
| <i>Efficiency & Compliance</i> | Decrease | Decrease in administrative simplicity for assessors determining share of ownership. |
| <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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