

PROPERTY TAX

Agricultural homestead rules for certain properties owned by trusts modification

February 05, 2019

**Property Taxes and Local Aids Only --
See Separate Analysis for State Taxes**

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of S.F. 0526 (Relph) as proposed to be amended by SCS0526A-1

Fund Impact

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>
	(000's)			
Property Tax Refund Interaction	\$0	(negligible)	(negligible)	(negligible)
Ag Homestead Market Value Credit	\$0	(negligible)	(negligible)	(negligible)

Effective beginning with taxes payable in 2020.

EXPLANATION OF THE BILL

Under current law, property cannot qualify for special agricultural homestead treatment unless all of the property is under the same ownership. Portions of an agricultural homestead can be disqualified for homestead treatment if some property is owned by an individual (or trust of which the individual is a grantor) and a portion of the property is owned by a trust of which a deceased spouse was the grantor and the individual has limited interest.

The proposal allows property to qualify as a special agricultural homestead when all or a portion of the property is owned by a trust for which a deceased or surviving spouse was the grantor.

REVENUE ANALYSIS DETAIL

- It is assumed that a small number of properties would be directly impacted by the proposal.
- The proposal would cause a shift in property taxes away from properties newly qualifying for special agricultural homestead and onto all other properties, including other homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by a negligible amount beginning in FY 2021.
- The proposal would also increase the market value eligible for the agricultural homestead market value credit, increasing the credit by a negligible amount beginning in FY 2021.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Creates more special agricultural homestead qualifying provisions.
<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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