

PROPERTY TAX

Modifying manufactured homes and manufactured home park classification

March 02, 2021

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 1095 (Hertaus) / S.F. 1237 (Osmek) as introduced

	Fund Impact			
	FY2022	FY2023	FY2024	FY2025
	(000's)			
Property Tax Refund Interaction	\$0	(\$250)	(\$250)	(\$250)

Effective beginning with taxes payable in 2022.

EXPLANATION OF THE BILL

Under current law, unclassified manufactured homes are classified as class 4b(2) with a classification rate of 1.25%. In addition, there are three classifications for manufactured home parks:

- Class 4c(5)(i) manufactured home parks have a class rate of 1.25%,
- Class 4c(5)(ii) manufactured home park cooperatives have a class rate of 0.75% if the park is more than 50% owner-occupied and 1.00% if the park is 50% or less owner-occupied, and
- Class 4c(5)(iii) class I manufactured home parks have a class rate of 1.00%.

Under the proposal, the classification rate for class 4b(2) unclassified manufactured homes would be reduced to 0.75%. Also, all manufactured home parks would be consolidated into a single classification: class 4c(5). The proposed classification would have a classification rate of 0.75%.

REVENUE ANALYSIS DETAIL

- In assessment year 2020, there were:
 - 283 parcels statewide containing class 4b(2) unclassified manufactured homes with a total market value of \$3.1 million,
 - 1,159 parcels statewide containing class 4c(5)(i) manufactured home parks with a total market value of \$452.0 million,
 - 11 parcels statewide containing class 4c(5)(ii) manufactured home park cooperatives with a total market value of \$7.4 million, and
 - 309 parcels statewide containing class 4c(5)(iii) class I manufactured home parks with a total market value of \$329.4 million.
- Under the proposal, class 4b(2) unclassified manufactured homes, class 4c(5)(i) manufactured home parks, class 4c(5)(ii) manufactured home park cooperatives 50% or less owner-occupied, and class 4c(5)(iii) class I manufactured home parks would receive a reduced classification rate. The classification rate for class 4c(5)(ii) manufactured home park cooperatives more than 50% owner-occupied would not change.
- While class 4b(2) unclassified manufactured homes would receive a reduced classification rate

under the proposal, taxes would not shift onto other properties. The value of manufactured homes is not included when determining tax rates, so reducing the classification rate for some manufactured homes does not shift taxes onto other properties.

- The proposal would shift property taxes away from class 4c(5) manufactured home parks with a reduced classification rate under the proposal and onto all other properties, including homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by \$250,000 beginning in fiscal year 2023.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Increase	Increases the simplicity of property 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

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