

March 09, 2021

**PROPERTY TAX  
Modifying class 4d rate**

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue  
Analysis of H.F. 1157 (Howard) as introduced

	<b>Fund Impact</b>			
	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>
	(000's)			
Property Tax Refund Interaction	\$0	(\$2,930)	(\$2,930)	(\$2,930)

Effective beginning with taxes payable in 2022.

**EXPLANATION OF THE BILL**

Under current law, each unit of class 4d qualifying low-income rental housing has a classification rate of 0.75% for the first tier of market value and 0.25% for the remaining market value. The first tier market value limit is adjusted annually by the average statewide change in estimated market value of property classified as 4a apartments and 4d low-income rental housing properties, excluding new construction. The first tier market value limit per unit is \$174,000 for assessment year 2021.

The proposal would remove the tiered classification rates and set the classification rate at 0.25% for all class 4d property.

**REVENUE ANALYSIS DETAIL**

- The estimate is based on the February 2021 forecast.
- In assessment year 2020, there were approximately 3,200 parcels statewide containing class 4d low-income rental housing. The market value for class 4d property in the same year was approximately \$7.1 billion statewide.
- The proposal would shift property taxes away from class 4d properties 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 \$2.93 million beginning in fiscal year 2023.

Source: Minnesota Department of Revenue  
Property Tax Division - Research Unit  
<https://www.revenue.state.mn.us/revenue-analyses>

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	
<i>Efficiency &amp; Compliance</i>	Increase	Increased simplicity, decreased cost for administrators.
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; 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.*