

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 157

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**Version:** As introduced

**Authors:** Morgan and others

**Subject:** Property taxation; making miscellaneous permanent system changes

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### Overview

H.F. 157 modifies many provisions of the property tax system, including:

- Increasing county and city aid programs and indexing aid appropriations for inflation
- Increasing homestead and agricultural market value credits
- Reducing a number of school levies and indexing school aid formulas for changes in property values
- Expanding the homeowner and renter property tax refund programs
- Expanding eligibility for the senior deferral program

### Section

- 1 Equalized debt service levy.** Indexes the equalizing factors in the school debt service aid formulas to make them fixed percentages of the state average adjusted net tax capacity per

**Section**

- pupil, rather than fixed dollar amounts per pupil.
- 2 **Adjusted net tax capacity equalizing factor.** Defines the mechanism for indexing the equalizing factors specified in sections 0, 0, and 0.
- 3 **Referendum market value equalizing factor.** Defines the mechanism for indexing the equalizing factors specified in sections 0 and 0.
- 4 **Operating capital levy.** Indexes the equalizing factor in the operating capital levy formula to make it a fixed percentage of the state average adjusted net tax capacity per pupil, rather than a fixed dollar amount per pupil.
- 5 **Equity levy.** Indexes the equalizing factor in the equity levy/aid formula to make it a fixed percentage of the state average referendum market value per pupil, rather than a fixed dollar amount per pupil.
- 6 **Referendum equalization levy.** Indexes the equalizing factors in the referendum levy/aid formula to make them fixed percentages of the state average referendum market value per pupil, rather than fixed dollar amounts per pupil.
- 7 **Safe schools levy.** Converts the safe schools levy from a "pure" levy (of \$27 per pupil unit) to an equalized levy, with equalization tied to a percentage of the state average adjusted net tax capacity per pupil.
- 8 **Residential homestead market value credit.** Indexes the market value at which the maximum homestead credit is reached, based on the growth in the average value of a residential homestead statewide. Under current law the maximum is reached at a market value of \$76,000. Increasing the market value limit in this manner will also increase the maximum amount of credit that can be received, and increase the amount of credit for all homes with a market value greater than \$76,000 (except for those homes valued at roughly \$450,000 or more, which receive no credit under current law or under the proposal).
- 9 **Agricultural homestead market value credit.** Indexes the market value at which the maximum agricultural credit is reached, based on the growth in the average value of agricultural land per acre statewide. Under current law the maximum is reached at a market value of \$115,000. Increasing the market value limit in this manner will also increase the maximum amount of credit that can be received, and increase the amount of credit for all agricultural homesteads with an agricultural market value greater than \$115,000.
- 10 **Residential homestead market value credit valuation limit.** Defines the mechanism for indexing the market value homestead credit in section 0.
- 11 **Agricultural homestead market value credit valuation limit.** Defines the mechanism for indexing the market value agricultural credit in section 0.
- 12 **Homeowners property tax refund.** Increases the maximum homeowner property tax refund and increases the width of each of the income brackets by approximately six percent, effective for refunds based on taxes payable in 2008, which will be paid in September 2008. The maximum refund increases from \$1,740 to \$1,800, and the maximum income eligible increases from \$92,980 to \$99,000. The brackets and maximums that appear in the statutes are those that were enacted for refunds based on taxes payable in 2002. The brackets and maximums in effect since 2002 have been indexed annually for inflation.
- 13 **Renters property tax refund.** Increases the maximum homeowner property tax refund and increases the width of each of the income brackets by approximately six percent, effective for refunds based on rent paid in 2007, which will be paid in August 2008. The maximum refund increases from \$1,430 to \$1,500, and the maximum income eligible increases from \$50,160 to \$53,360. The brackets and maximums that appear in the statutes are those that were enacted for refunds paid in 2002 based on rent paid in 2001. The brackets and

**Section**

maximums in effect since 2002 have been indexed annually for inflation.

- 14 Program qualifications - senior deferral program.** (1) Allows a married couple to participate in the program if only one of the spouses is at least 65 years of age. (Current law requires both to be age 65 or more.) (2) Increases the maximum income allowed for participation in the program to be the same as the maximum allowed for the property tax refund program. (Under current law the limit is \$60,000, whereas under this proposal it would be increased to \$99,000 in the first year, and then indexed after that.)
- 15 City aid distribution.** Adjusts the maximum amount that a city's LGA can increase in a given year. Currently the maximum allowed increase is equal to ten percent of the city's levy in the previous year. The maximum increase is adjusted to allow the increased appropriation in section 0 to be distributed via the formula without major swings in distribution between years. Effective for aids payable in 2008 and thereafter.
- 16 Cities (appropriation).** Increases the city LGA appropriation to \$.... for aids payable in 2008. Adjusts the city LGA appropriation annually for inflation, beginning with aids payable in 2009.
- 17 Counties (appropriation).** Increases each component of county program aid by \$.... for aids payable in 2008. Adjusts the appropriation for each part annually for inflation, beginning with aids payable in 2009.
- 18 Inflation adjustment.** Defines the inflation adjustment that will be used to adjust both city LGA and county program aid in sections 0 and 0. The inflation is based on the percentage increase in the implicit price deflator for state and local government purchases for the last year but can not exceed 5 percent or be less than 2.5 percent.