

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 486

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Version: As introduced

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Subject: Increasing homestead benefits for certain properties

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Overview

Provides that in the case of property classified as both homestead and non-homestead, homestead benefits are conferred on the greater of the portion actually used as a homestead, or a market value of \$76,000.

Effective for taxes levied in 2007, payable in 2008 and thereafter.

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- 1** **Limitation on homestead treatment.** Provides that in the case of property that is classified as both homestead and non-homestead, the property will receive homestead classification on the **greater** of (1) the market value attributable to the portion that is actually used as a homestead, or (2) \$76,000 market value.

Background: This method of guaranteeing a minimum homestead value in the case of split property types (commonly known as "borrowing") was in law for many years (it was phased out beginning with taxes payable in 2003). The most common example of "borrowing" occurs when there is a retail store with the owner living above it. H.F. 486 guarantees that the property would receive homestead treatment on at least \$76,000 of market value of the property, even if the value attributable to the residential portion of the building is less than \$76,000. This allows some portion of the commercial value of the property to be classified as homestead, meaning that value would: 1) have a class rate of 1.0% instead of 1.5% or 2%, 2) receive market value homestead credit, 3) be exempt from the state general tax, and

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4) have its tax burden included in determining qualification for the regular property tax refund or the special property tax refund ("targeting").

Under current law if a duplex or triplex contains a homestead, homestead benefits are granted to the entire property regardless of its market value, and that situation is unchanged by H.F. 486 (the new language on 1.18 to 1.21 addresses that).

Effective for taxes levied in 2007 and thereafter, payable in 2008, and thereafter.