

Limited Market Value

What is limited market value?

Limited market value (LMV) is a limitation on the amount that a property's market value may grow from one year to the next for purposes of property taxation. It was enacted to help mitigate rising property taxes resulting from rapidly inflating property values.

What property does LMV apply to?

The following classes of property qualify for LMV:

- agricultural homestead and nonhomestead
- residential homestead and nonhomestead
- seasonal recreational residential property (i.e., cabins)
- timberland (beginning with the 2001 assessment)

Is it permanent?

LMV provisions were in effect from 1973 to 1979, and again from 1993 to the present. The 2001 Legislature phased out LMV over a six-year period—from assessment years 2002 to 2007. The 2005 Legislature extended the phaseout an additional two years. Beginning in assessment year 2009 (for taxes payable in 2010), all property will be valued at its estimated full market value for property tax purposes. The table at the bottom of the page shows the phaseout schedule.

Does the assessor continue valuing the property?

The assessor continues to determine the property's fair market value. This value is called the "estimated market value" (EMV). However, property that qualifies for treatment under LMV may not be taxed at the full value of the property if its growth exceeds the limits.

How does it work?

For qualifying property in assessment year 2008 (taxes payable in 2009), the increase in market value cannot exceed the **greater** of:

- 15 percent of the LMV in the preceding assessment year, or
- 50 percent of the difference between the current year's EMV and the previous year's LMV.

How does the phaseout work?

For each year, the maximum valuation increase is determined by calculating the increase allowed under columns (1) and (2), and choosing whichever is higher.

Assessment Year/ Payable Year	(1) Percentage of previous year's LMV	(2) Percentage of difference between previous year's LMV and current year's EMV
2002/2003	10%	15%
2003/2004	12	20
2004/2005	15	25
2005/2006	15	25
2006/2007	15	25
2007/2008	15	33
2008/2009	15	50

Reader note: Limited Market Value was phased out in 2009 and is no longer in effect.

Example calculations

Assessment year 2008/payable year 2009

The LMV of a home is \$100,000 for assessment year 2007. For assessment year 2008, the assessor determines that the EMV of the home is \$120,000. The maximum market value increase for tax purposes is the greater of:

- 15 percent increase over the previous year, which is \$15,000, or
- 50 percent of the \$20,000 difference in value, which is \$10,000.

Therefore, the home's LMV is \$100,000 plus \$15,000, or \$115,000 for assessment year 2008 (for taxes payable in 2009).

How much has LMV grown?

The table below shows the amount of market value that LMV excluded from the tax rolls for tax years 1994 to 2009.

Taxes Payable Year	EMV*	LMV*	Excluded Value*	
			Amount	Percentage
1994	\$124.1	\$123.5	\$0.7	0.5%
1995	132.0	131.0	1.0	0.8
1996	142.1	140.4	1.6	1.1
1997	152.1	150.0	2.0	1.3
1998	163.6	161.1	2.5	1.5
1999	176.6	173.3	3.4	1.9
2000	202.6	197.0	5.6	2.8
2001	226.4	215.8	10.6	4.7
2002	260.4	239.4	21.0	8.1
2003	284.8	253.9	30.9	10.8
2004	319.8	288.0	31.8	9.9
2005	360.4	331.5	28.9	8.0
2006	404.8	377.7	27.1	6.7
2007	450.4	424.2	26.2	5.8
2008	476.4	458.5	17.9	3.8
2009	493.8	484.6	9.3	1.9

* Affected property classes only. All amounts in billions.

How much are the classes of property affected by LMV?

Excluded Value by Property Class for Taxes Payable in 2009			
	Excluded Value under LMV (Billions)	Percentage of Total LMV Exclusion	Percentage Reduction Relative to Property Class
Residential Homestead	\$1.79	19.3%	0.5%
Residential Nonhomestead	0.87	9.3	1.9
Agricultural	4.35	47.0	4.7
Seasonal Rec. Residential	2.26	24.3	7.7
Total	\$9.26	100.0%	1.9%

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