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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1491**

March 1, 2007

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; property; indexing the residential homestead and agricultural
1.3 market value credits; amending Minnesota Statutes 2006, section 273.1384,
1.4 subdivisions 1, 2, by adding subdivisions.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2006, section 273.1384, subdivision 1, is amended to
1.7 read:

1.8 Subdivision 1. **Residential homestead market value credit.** Each county auditor
1.9 shall determine a homestead credit for each class 1a, 1b, and 2a homestead property
1.10 within the county equal to 0.4 percent of the ~~first \$76,000 of~~ market value of the property
1.11 up to the residential homestead market value credit valuation limit under subdivision 1a
1.12 minus .09 percent of the market value in excess of \$76,000 the residential homestead
1.13 market value credit valuation limit under subdivision 1a. The credit amount may not
1.14 be less than zero. In the case of an agricultural or resort homestead, only the market
1.15 value of the house, garage, and immediately surrounding one acre of land is eligible in
1.16 determining the property's homestead credit. In the case of a property that is classified as
1.17 part homestead and part nonhomestead, (i) the credit shall apply only to the homestead
1.18 portion of the property, but (ii) if a portion of a property is classified as nonhomestead
1.19 solely because not all the owners occupy the property, not all the owners have qualifying
1.20 relatives occupying the property, or solely because not all the spouses of owners occupy
1.21 the property, the credit amount shall be initially computed as if that nonhomestead portion
1.22 were also in the homestead class and then prorated to the owner-occupant's percentage
1.23 of ownership. For the purpose of this section, when an owner-occupant's spouse does

2.1 not occupy the property, the percentage of ownership for the owner-occupant spouse is
 2.2 one-half of the couple's ownership percentage.

2.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
 2.4 thereafter.

2.5 Sec. 2. Minnesota Statutes 2006, section 273.1384, is amended by adding a subdivision
 2.6 to read:

2.7 Subd. 1a. **Residential homestead market value credit valuation limit.** (a)
 2.8 Beginning with assessment year 2007, the commissioner of revenue must annually certify
 2.9 the residential homestead market value credit valuation limit as the product of: (1) the
 2.10 ratio of the statewide average taxable market value of a residential homestead in the
 2.11 preceding assessment year to the statewide average taxable market value of a residential
 2.12 homestead for assessment year 2005; and (2) \$76,000. The limit must be rounded to
 2.13 the nearest \$1,000.

2.14 (b) The commissioner must certify the limit by January 2 of each assessment year,
 2.15 except that for assessment year 2007, the commissioner must certify the limit by June
 2.16 1, 2007.

2.17 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
 2.18 thereafter.

2.19 Sec. 3. Minnesota Statutes 2006, section 273.1384, subdivision 2, is amended to read:

2.20 Subd. 2. **Agricultural homestead market value credit.** Property classified as class
 2.21 2a agricultural homestead is eligible for an agricultural credit. The credit is computed
 2.22 using the property's agricultural credit market value, defined for this purpose as the
 2.23 property's class 2a market value excluding the market value of the house, garage, and
 2.24 immediately surrounding one acre of land. The credit is equal to 0.3 percent of the ~~first~~
 2.25 ~~\$115,000~~ of the property's agricultural credit market value up to the agricultural credit
 2.26 market value limit under subdivision 2a, minus .05 percent of the property's agricultural
 2.27 credit market value in excess of ~~\$115,000~~ the agricultural credit market value limit under
 2.28 subdivision 2a, subject to a maximum reduction of \$115. In the case of property that is
 2.29 classified in part as class 2a agricultural homestead and in part as class 2b nonhomestead
 2.30 farm land solely because not all the owners occupy or farm the property, not all the owners
 2.31 have qualifying relatives occupying or farming the property, or solely because not all the
 2.32 spouses of owners occupy the property, the credit must be initially computed as if that

3.1 nonhomestead agricultural land was also classified as class 2a agricultural homestead and
3.2 then prorated to the owner-occupant's percentage of ownership.

3.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
3.4 thereafter.

3.5 Sec. 4. Minnesota Statutes 2006, section 273.1384, is amended by adding a subdivision
3.6 to read:

3.7 **Subd. 2a. Agricultural credit market value limit.** (a) Beginning with assessment
3.8 year 2007, the commissioner of revenue must annually certify the agricultural credit
3.9 market value limit as the product of (1) \$115,000, and (2) the ratio of the statewide
3.10 average taxable market value of agricultural property per acre of deeded farm land in the
3.11 preceding assessment year to the statewide average taxable market value of agricultural
3.12 property per acre of deeded farm land for assessment year 2005. The limit must be
3.13 rounded to the nearest \$5,000.

3.14 (b) For the purposes of this subdivision, "agricultural property" means all class 2
3.15 property under section 273.13, subdivision 23, except for (1) timberland, (2) a landing
3.16 area or public access area of a privately owned public use airport, and (3) property
3.17 consisting of the house, garage, and immediately surrounding one acre of land of an
3.18 agricultural homestead.

3.19 (c) The commissioner must certify the limit by January 2 of each assessment year,
3.20 except that for assessment year 2007 the commissioner must certify the limit by June
3.21 1, 2007.

3.22 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
3.23 thereafter.