

State General Levy

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Property Tax Fact Sheet 8

Fact Sheet

Background

During the 2001 legislative session, Minnesota enacted the first state property levy since taxes payable in 1967. The tax is only on certain properties and is part of a property tax reform law. Revenue from the new tax will be deposited in the state general fund.

Is my property affected by the state general tax?

In general, there are three types of property that must pay the state general tax:

1. Class 3 – commercial, industrial and public utility property exclusive of electric generating machinery.
2. Class 4c(1) - seasonal residential recreational property, including cabins.
3. Class 5(1) - unmined iron ore property.

The above classes are defined in law and can be found in Minnesota Statutes 273.13, subdivisions 24, 25 and 31.

Please note that real, personal and manufactured home property classed as commercial/industrial, public utility, seasonal residential recreational or mineral are subject to the state general tax.

How much is the tax?

There are various factors that will determine how much tax you pay. Some of the factors are the market value and type (class) of property you have and the state tax rate.

Generally speaking, the higher the value of your property, the greater the state tax. However, the taxes on a noncommercial cabin are calculated a little differently than taxes on other affected properties.

The first \$76,000 in market value of a cabin will be taxed differently for state property tax purposes than it is for local property tax purposes. For example, if you have a cabin valued at \$100,000, only 40% of the first \$76,000 of market value would be subject to the new tax and the remaining \$24,000 would be taxed at its full value.

The Minnesota Department of Revenue will calculate the tax rate annually. Each year there will be a different rate, but there is only one rate for the entire state. A preliminary rate, used for proposed truth in taxation notices, will be calculated each year on October 1, and the final rate, used for tax statements, will be set each year on January 1. For taxes payable in 2005, the final tax rate is 51.121%. This rate applies to the net tax capacity of the affected properties. Net tax capacity is a small percentage of a property's market value. The percentage varies by property class.

The rate is determined by dividing the state general levy amount by the amount of statewide commercial/industrial, public utility, seasonal residential recreational, and unmined iron ore property value.

For the first year in 2002, the state general levy amount was \$592 million. Under current law each subsequent year's amount will be increased from the previous year's amount by using the increase in the implicit price deflator for government consumption expenditures and gross investments published by the U.S. Bureau of Economic Analysis. This is basically an index of inflation. For taxes payable in 2005, the state levy amount is \$629,343,632.

What is the tax for?

The state property tax is included in your property tax statement and will be paid to the county treasurer along with your local property taxes. Separate payments are not to be made. The county treasurer forwards the state tax to the Department of Revenue.

Unlike other property taxes, the money raised from the state general tax will **not** go directly to local governments (i.e. counties, cities, school districts, etc.) even though it will be collected with local property taxes. Instead, money raised by the tax will be deposited in the state general fund.