MINNESOTA · REVENUE

MEMO

Date: November 1, 2011

To: All County Auditors, Treasurers and Assessors

From: Property Tax Division

Subject: 2011 Law Change: Homestead Market Value Exclusion

Attachment: Homestead Market Value Exclusion Calculation Examples

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Statute

2011 1st Special Session, Chapter 7, Article 6, Section 3, as codified in M.S. 273.13, subdivision 35, states that prior to determining a property's net tax capacity, property classified as class 1a or 1b, and the portion of property classified as class 2a consisting of the house, garage and surrounding one acre of land, shall be eligible for a market value exclusion.

PLEASE NOTE: This legislation also contained a repeal of the Residential Homestead Market Value Credit, but the Agricultural Homestead Market Value Credit was not changed and should still be administered as in prior years.

Calculation

Calculation of the homestead market value exclusion closely follows the calculation steps previously used to calculate the homestead market value credit. For a homestead valued at $76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of $30,400 at $76,000 of market value. For a homestead valued between $76,000 and $413,800, the exclusion is $30,400 minus nine percent of the valuation over $76,000. For a homestead valued at $413,800 or more, there is no valuation exclusion. (For calculation examples, see the attached document.)

Taxes on residential net tax capacity from the old law to the new law now generally function as follows, (with the impacts of rate changes being ignored for this illustration):

NTC Based Taxes	Old Law	New Law
EMV (Estimated Market Value)	141,100	141,100
- Exclusions	0	24,551
TMV (Taxable Market Value)	141,100	116,559
Class Rate	1.00%	1.00%
NTC (Net Tax Capacity)	1,411.00	1,165.59
Gross Tax (NTC x Tax Rate of 104%)	1,467.44	1,212.21
Credits	245.41	0
NET TAX	**1,222.03**	**1,212.21**

Fractional Homesteads

If a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners occupy the property, the exclusion amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership. When an owner-occupant's spouse does not occupy the property, (and it does not receive a full homestead for the allowable instances when spouses can live apart), the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage. (See a calculation example in the attached document.)

Rounding

The valuation exclusion shall be rounded to the nearest whole dollar, and may not be less than zero. With respect to rounding, however, note that authority remains under M.S. 276.04, subd. 2, to round tax amounts to the nearest even whole dollar.

Hierarchy of Market Value Components

Below is the hierarchy of market value components. The homestead market value exclusion is taken after any valuation exclusions or adjustments in 273.11, (which includes the platted vacant land, "This Old House," "This Old Business," mold, and lead hazard exclusions), making it the last adjustment in determining the taxable market value used to compute net tax capacities.

	Hierarchy of Market Value Components: AY 2011
1.	Market Value Irrespective of Contaminants
2.	Contamination Value
3.	**Estimated Market Value (EMV)** [1 – 2]
4.	Green Acres Deferment
5.	Rural Preserves Deferment
6.	Open Space Deferment
7.	Aggregate Resource Preservation Deferment
8.	Platted Vacant Land Exclusion
9.	"This Old House" Exclusion
10.	"This Old Business" Exclusion
11.	Disabled Veterans Exclusion
12.	Mold Damage Reduction
13.	Lead Hazard Reduction
14.	**MV Prior to Homestead MV Exclusion** [3-4-5-6-7-8-9-10-11-12-13]
15.	Homestead Market Value Exclusion
16.	**Taxable Market Value (TMV)** [14 – 15]

Referendum Market Value

Referendum market value generally equals the taxable market value of all taxable property, excluding property classified as class 2 (ag/rural land), 4c(4) (student housing), or 4c(12) (noncommercial seasonal residential recreational or "cabins"). The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value. However, in regards to this exclusion, in the case of class 1a, 1b or 2a property, the market value used to determine referendum market value is the value prior to the homestead market value exclusion. Note, however, that any class of property, or any portion of a class of property, that is included in the definition of referendum market value and that has a class rate of less than one percent, shall have a referendum market value equal to its market value (either the TMV or the market value prior to the homestead market value exclusion, whichever is appropriate) times its class rate, multiplied by 100.

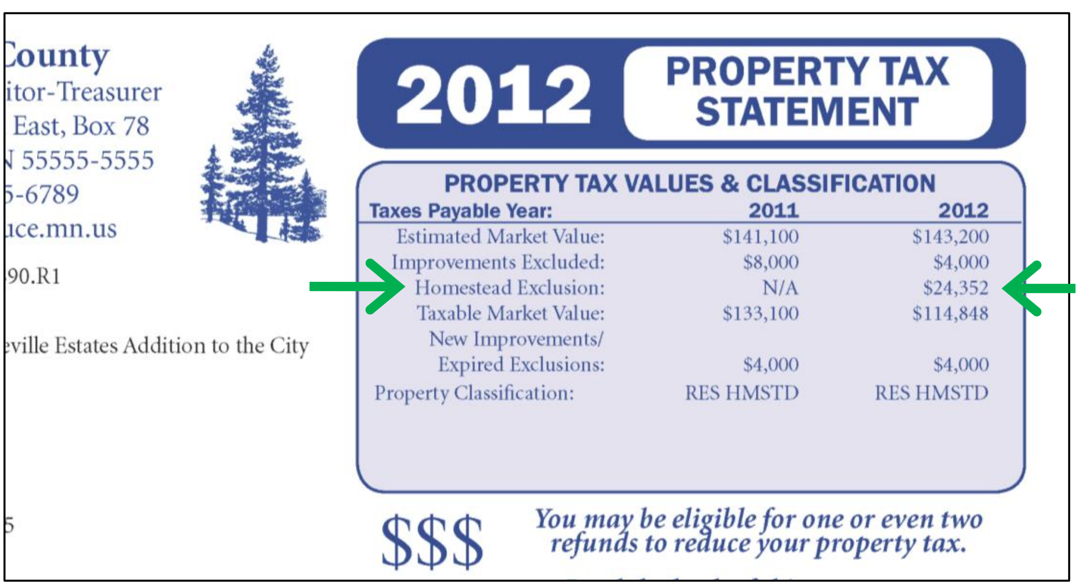
Example: A residential homestead property with an estimated market value of $100,000 receives an exclusion of $28,240 resulting in a taxable market value of $71,760. The referendum market value is equal to the market value prior to the homestead market value exclusion (or the taxable market value plus the market value homestead exclusion amount), which in this case is $100,000. (See the examples in the attached document.)

Truth in Taxation

Please consult the forthcoming truth in taxation instructions for changes.

Tax Statements

The tax statements must contain the homestead market value exclusion amount (after the estimated market value and before the taxable market value). The following illustration shows how this might likely be displayed, but please consult the forthcoming property tax statement instructions for specifics.


County
itor-Treasurer
East, Box 78
N 55555-5555
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90.R1
ville Estates Addition to the City

2012 PROPERTY TAX STATEMENT

PROPERTY TAX VALUES & CLASSIFICATION

Taxes Payable Year:	2011	2012
Estimated Market Value:	$141,100	$143,200
Improvements Excluded:	$8,000	$4,000
Homestead Exclusion:	N/A	$24,352
Taxable Market Value:	$133,100	$114,848
New Improvements/ Expired Exclusions:	$4,000	$4,000
Property Classification:	RES HMSTD	RES HMSTD

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$$$ *You may be eligible for one or even two refunds to reduce your property tax.*

Disabled Veterans Exclusion

An individual qualifying for the disabled veteran value exclusion is not eligible to receive the homestead market value exclusion benefit, (see M.S. 273.13, subd. 34, paragraph g).

TIF Districts

The laws governing changes to a TIF district's original net tax capacity (under M.S. 469.77, for disasters, changes in classification, changes in taxable status, etc.), do not provide for any adjustment resulting from the market value exclusion. Therefore, the application of this exclusion will impact increments in districts containing homesteaded property.

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Example 1
Residential Homestead, an owner occupied house with a total market value of $280,000.

The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first $76,000. Since this example has a value over $76,000, the initial/maximum equals $30,400. The second step is to determine the amount of value, if any, that is over the $76,000 threshold. The third step is to multiply that amount over $76,000, (in this case $204,000), times 9%. This is the amount to be reduced from the maximum of $30,400, as shown in the fourth step. This example has an exclusion amount of $12,040.

Homestead Market Value Exclusion Calculation

i.	Initial/Maximum Exclusion:	$76,000 x 40% = $30,400
ii.	Value over $76,000:	$280,000 – 76,000 = $204,000
iii.	Benefit Reduction Amount:	$204,000 x 9% = $18,360
iv.	Final Exclusion Amount:	$30,400 – 18,360 = $12,040

Note that the value used in the above calculation is the value from line 14 on the hierarchy of values found below. In this example Line 14 equals the EMV on Line 3, but that will not always be the case.

		AY 2011
1.	Market Value Irrespective of Contaminants	$280,000
2.	Contamination Value	NA
3.	**Estimated Market Value (EMV)** [1 – 2]	$280,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	“This Old House” Exclusion	NA
10.	“This Old Business” Exclusion	NA
11.	Disabled Veterans Exclusion	NA
12.	Mold Damage Reduction	NA
13.	Lead Hazard Reduction	NA
14.	**MV Prior to Homestead MV Exclusion** [3-4-5-6-7-8-9-10-11-12-13]	$280,000
15.	Homestead Market Value Exclusion	$12,040
16.	**Taxable Market Value (TMV)** [14 – 15]	$267,960

Taxable market value (TMV) on Line 16, therefore, is the Line 14 amount minus the value of the exclusion. This is the value used to calculated net tax capacities. The process for NTC calculation, otherwise, remains the same.

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Line 14 is also generally the referendum market value since the exclusion is not meant to have any impact on RMV's. For homesteads, the RMV is calculated as the TMV (line 16) plus the value of the MV Homestead Exclusion (line 15). In the case of class 1b homesteads, this market value must be multiplied by the class rate, and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

Referendum Market Value Calculation

i. TMV + Hmstd MV Exclusion: $267,960 + $12,040 = $280,000

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Example 2
Residential Homestead, an owner occupied house with a total market value of $65,000.

The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first $76,000. Since this example has a value of less than $76,000, the initial exclusion does not hit the maximum and equals $26,000. The second step is not applicable, or $0, because there is no value over the $76,000 threshold. The third step is also not applicable, or $0. The final exclusion amount equals the initial amount. This example has an exclusion amount of $26,000.

Homestead Market Value Exclusion Calculation

v.	Initial/Maximum Exclusion:	$65,000 x 40% = $26,000
vi.	Value over $76,000:	$0
vii.	Benefit Reduction Amount:	$0
viii.	Final Exclusion Amount:	$26,000

Note that the value used in the above calculation is the value from line 14 on the hierarchy of values found below. In this example Line 14 equals the EMV on Line 3, but that will not always be the case.

		AY 2011
1.	Market Value Irrespective of Contaminants	$65,000
2.	Contamination Value	NA
3.	**Estimated Market Value (EMV)** [1 – 2]	$65,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	"This Old House" Exclusion	NA
10.	"This Old Business" Exclusion	NA
11.	Disabled Veterans Exclusion	NA
12.	Mold Damage Reduction	NA
13.	Lead Hazard Reduction	NA
14.	**MV Prior to Homestead MV Exclusion** [3-4-5-6-7-8-9-10-11-12-13]	$65,000
15.	Homestead Market Value Exclusion	$26,000
16.	**Taxable Market Value (TMV)** [14 – 15]	$39,000

Taxable market value (TMV) on Line 16, therefore, is the Line 14 amount minus the value of the exclusion. This is the value used to calculated net tax capacities. The process for NTC calculation, otherwise, remains the same.

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Line 14 is also generally the referendum market value since the exclusion is not meant to have any impact on RMV's. For homesteads, the RMV is calculated as the TMV (line 16) plus the value of the MV Homestead Exclusion (line 15). In the case of class 1b homesteads, this market value must be multiplied by the class rate, and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

Referendum Market Value Calculation

i. TMV + Hmstd MV Exclusion: $39,000 + $26,000 = $65,000

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Example 3
Residential Homestead, an owner occupied house with a total market value of $520,000.

As a shortcut, since the value is greater than $413,800, the exclusion is $0. If the process were followed, the first step would be to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first $76,000. Since this example has a value over $76,000, the initial/maximum would be $30,400. The second step would be to determine the amount of value, if any, that is over the $76,000 threshold. The third step would be to multiply that amount over $76,000, (in this case $444,000), times 9%. Since that amount exceeds the maximum, the resulting final exclusion is $0 (as the exclusion can never be negative). This example has no exclusion.

Homestead Market Value Exclusion Calculation

ix.	Initial/Maximum Exclusion:	$76,000 x 40% = $30,400
x.	Value over $76,000:	$520,000 – 76,000 = $444,000
xi.	Benefit Reduction Amount:	$444,000 x 9% = $39,960
xii.	Final Exclusion Amount:	$30,400 – 39,960 = $0

Note that the value used in the above calculation is the value from line 14 on the hierarchy of values found below. In this example Line 14 equals the EMV on Line 3, but that will not always be the case.

		AY 2011
1.	Market Value Irrespective of Contaminants	$520,000
2.	Contamination Value	NA
3.	**Estimated Market Value (EMV)** [1 – 2]	$520,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	"This Old House" Exclusion	NA
10.	"This Old Business" Exclusion	NA
11.	Disabled Veterans Exclusion	NA
12.	Mold Damage Reduction	NA
13.	Lead Hazard Reduction	NA
14.	**MV Prior to Homestead MV Exclusion** [3-4-5-6-7-8-9-10-11-12-13]	$520,000
15.	Homestead Market Value Exclusion	$0
16.	**Taxable Market Value (TMV)** [14 – 15]	$520,000

Taxable market value (TMV) on Line 16, therefore, is the Line 14 amount minus the value of the exclusion. This is the value used to calculated net tax capacities. The process for NTC calculation, otherwise, remains the same.

Line 14 is also generally the referendum market value since the exclusion is not meant to have any impact on RMV's. For homesteads, the RMV is calculated as the TMV (line 16) plus the value of the MV Homestead Exclusion (line 15). In the case of class 1b homesteads, this value must be multiplied by the class rate, and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

Referendum Market Value Calculation

ii. TMV + Hmstd MV Exclusion: $520,000 + $0 = $520,000

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Example 4: Agricultural Homestead

Farm with a total market value of $875,000: HGA $125,000; Remainder $750,000

For agricultural homesteads, the exclusion only applies to the house, garage, and first acre (HGA). The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first $76,000. Since this example has an HGA value over $76,000, the initial/maximum equals $30,400. The second step is to determine the amount of HGA value, if any, that is over the $76,000 threshold. The third step is to multiply that amount over $76,000, (in this case $49,000), times 9%. This is the amount to be reduced from the maximum of $30,400, as shown in the fourth step. This example has an exclusion amount of $25,990.

Homestead Market Value Exclusion Calculation

i.	Initial/Maximum Exclusion:	$76,000 x 40% = $30,400
ii.	Value over $76,000:	$125,000 – 76,000 = $49,000
iii.	Benefit Reduction Amount:	$49,000 x 9% = $4,410
iv.	Final Exclusion Amount:	$30,400 – 4,410 = $25,990

Note that the value used in the above calculation is the HGA homestead value from line 14 on the hierarchy of values found below. In this example Line 14 contains both HGA and remainder value, but only the HGA value is used in the calculations. In this example Line 14 equals the EMV on Line 3, but that will not always be the case.

		AY 2011
1.	Market Value Irrespective of Contaminants	$875,000
2.	Contamination Value	NA
3.	**Estimated Market Value (EMV)** [1 – 2]	$875,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	“This Old House” Exclusion	NA
10.	“This Old Business” Exclusion	NA
11.	Disabled Veterans Exclusion	NA
12.	Mold Damage Reduction	NA
13.	Lead Hazard Reduction	NA
14.	**MV Prior to Homestead MV Exclusion** [3-4-5-6-7-8-9-10-11-12-13]	$875,000
15.	Homestead Market Value Exclusion	$25,990
16.	**Taxable Market Value (TMV)** [14 – 15]	$849,010

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Taxable market value (TMV) on Line 16, therefore, is the Line 14 amount minus the value of the Line 15 exclusion. This is the value used to calculated net tax capacities. The process for NTC calculation, otherwise, remains the same.

Line 14 is also generally the referendum market value since the exclusion is not meant to have any impact on RMV's. However, for agricultural homesteads, only the HGA is subject to referendum market value, which has not changed. For agricultural homesteads, the RMV is calculated as the HGA's TMV (part of Line 16) plus the value of the MV Homestead Exclusion (line 15). The HGA portion of Line 16 is $99,010, plus the exclusion of $25,990, results in an RMV of $125,000. In the case of class 1b agricultural homesteads, this HGA value must be multiplied by the class rate, and then multiplied by 100.

Referendum Market Value Calculation

i. TMV + Hmstd MV Exclusion: $99,010 + $25,990 = $125,000
(Class 2 property, except for the HGA, is not included in RMV).

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Example 5: Split Class Residential Homestead
A hardware store with a single unit living space upstairs with a total market value of $95,000: Hardware store $55,000; Single unit $40,000

The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first $76,000. Since this example has a homestead value of less than $76,000, even though the total value is greater than $76,000, the initial exclusion does not hit the maximum and equals $16,000. The second step is not applicable, or $0, because there is no homestead value over the $76,000 threshold. The third step is also not applicable, or $0. The final exclusion amount equals the initial amount. This example has an exclusion amount of $16,000.

Homestead Market Value Exclusion Calculation

i.	Initial/Maximum Exclusion:	$40,000 x 40% = $16,000
ii.	Value over $76,000:	$0
iii.	Benefit Reduction Amount:	$0
iv.	Final Exclusion Amount:	$16,000 - $0 = $16,000

Note that the value used in the above calculation is the value from line 14 on the hierarchy of values found below. In this example Line 14 equals the EMV on Line 3, but that will not always be the case.

		AY 2011
1.	Market Value Irrespective of Contaminants	$95,000
2.	Contamination Value	NA
3.	**Estimated Market Value (EMV)** [1 – 2]	$95,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	"This Old House" Exclusion	NA
10.	"This Old Business" Exclusion	NA
11.	Disabled Veterans Exclusion	NA
12.	Mold Damage Reduction	NA
13.	Lead Hazard Reduction	NA
14.	**MV Prior to Homestead MV Exclusion** [3-4-5-6-7-8-9-10-11-12-13]	$95,000
15.	Homestead Market Value Exclusion	$16,000
16.	**Taxable Market Value (TMV)** [14 – 15]	$79,000

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Taxable market value (TMV) on Line 16, therefore, is the Line 14 amount minus the value of the exclusion. This is the value used to calculated net tax capacities. The process for NTC calculation, otherwise, remains the same.

Line 14 is also generally the referendum market value since the exclusion is not meant to have any impact on RMV's. For homesteads, the RMV is calculated as the TMV (line 16) plus the value of the MV Homestead Exclusion (line 15). In the case of class 1b homesteads, this market value must be multiplied by the class rate, and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

Referendum Market Value Calculation

i. TMV + Hmstd MV Exclusion: $79,000 + $16,000 = $95,000

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Example 6: Fractional Homestead
A single unit house with a total value of $275,000 is occupied by one of two unrelated owners. The occupant owns one-half of the interest in the house.

In a fractional homestead situation, the process changes in the same manner that it was different for the former credit. A partial homestead should not get a larger exclusion based on using a smaller value (and less phase-out). Therefore, for a fractional homestead, the values used to calculate the exclusion are the values as if the homestead was a full homestead, and then the resulting exclusion amount is fractionalized. In this case, instead of using the $137,500 of actual homestead value (the other $137,500 is nonhomestead), use the full value of $275,000 as if it were a full homestead. The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first $76,000. Since this example has a value over $76,000, the initial/maximum equals $30,400. The second step is to determine the amount of value, if any, that is over the $76,000 threshold. The third step is to multiply that amount over $76,000, (in this case $199,000), times 9%. This is the amount to be reduced from the maximum of $30,400, as shown in the fourth step. The last, extra step is to fractionalize the computed amount based on the homestead percentage (in this case 50%). This example has an exclusion amount of $6,245.

Homestead Market Value Exclusion Calculation

i.	Initial/Maximum Exclusion:	$76,000 x 40% = $30,400
ii.	Value over $76,000:	$275,000 – 76,000 = 199,000
iii.	Benefit Reduction Amount:	$199,000 x 9% = $17,910
iv.	Final Exclusion Amount:	$30,400 - $17,910 = $12,490
v.	Fractionalize Exclusion:	$12,490 x 50% = $6,245

Taxable market value (TMV) on Line 16, therefore, is the Line 14 amount minus the value of the exclusion. This is the value used to calculated net tax capacities. The process for NTC calculation, otherwise, remains the same.

		AY 2011
1.	Market Value Irrespective of Contaminants	$275,000
2.	Contamination Value	NA
3.	**Estimated Market Value (EMV)** [1 – 2]	$275,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	“This Old House” Exclusion	NA
10.	“This Old Business” Exclusion	NA
11.	Disabled Veterans Exclusion	NA
12.	Mold Damage Reduction	NA

13.	Lead Hazard Reduction	NA
14.	**MV Prior to Homestead MV Exclusion** [3-4-5-6-7-8-9-10-11-12-13]	$275,000
15.	Homestead Market Value Exclusion	$6,245
16.	**Taxable Market Value (TMV)** [14 – 15]	$268,755

Line 14 is also generally the referendum market value since the exclusion is not meant to have any impact on RMV's. For homesteads, the RMV is calculated as the TMV (line 16) plus the value of the MV Homestead Exclusion (line 15). In the case of class 1b homesteads, this market value must be multiplied by the class rate, and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

Referendum Market Value Calculation

i. TMV + Hmstd MV Exclusion: $268,755 + $6,245 = 275,000

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Example 7: Residential Homestead with Mold Damage
An owner occupied house with an EMV of $200,000 and $85,000 exclusion for mold damage.

The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first $76,000. Since this example has a value over $76,000, the initial/maximum equals $30,400. The second step is to determine the amount of value, if any, that is over the $76,000 threshold. In this case there is only $39,000 of value over $76,000, because the value used here is the Line 14 amount after other exclusions are applied. The third step is to multiply that amount over $76,000 times 9%. This is the amount to be reduced from the maximum of $30,400, as shown in the fourth step. This example has an exclusion amount of $26,890.

Homestead Market Value Exclusion Calculation

i.	Initial/Maximum Exclusion:	$76,000 x 40% = $30,400
ii.	Value over $76,000:	$115,000 – 76,000 = $39,000
iii.	Benefit Reduction Amount:	$39,000 x 9% = $3,510
iv.	Final Exclusion Amount:	$30,400 – 3,510 = $26,890

		AY 2011
1.	Market Value Irrespective of Contaminants	$200,000
2.	Contamination Value	NA
3.	**Estimated Market Value (EMV)** [1 – 2]	$200,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	"This Old House" Exclusion	NA
10.	"This Old Business" Exclusion	NA
11.	Disabled Veterans Exclusion	NA
12.	Mold Damage Reduction	$85,000
13.	Lead Hazard Reduction	NA
14.	**MV Prior to Homestead MV Exclusion** [3-4-5-6-7-8-9-10-11-12-13]	$115,000
15.	Homestead Market Value Exclusion	$26,890
16.	**Taxable Market Value (TMV)** [14 – 15]	$88,110

Taxable market value (TMV) on Line 16, therefore, is the Line 14 amount minus the value of the exclusion. This is the value used to calculated net tax capacities. The process for NTC calculation, otherwise, remains the same.

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Line 14 is also generally the referendum market value since the exclusion is not meant to have any impact on RMV's. For homesteads, the RMV is calculated as the TMV (line 16) plus the value of the MV Homestead Exclusion (line 15). In the case of class 1b homesteads, this market value must be multiplied by the class rate, and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

Referendum Market Value Calculation

i. TMV + Hmstd MV Exclusion: $88,100 + $26,890 = $115,000

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Example 8
Class 1b Residential Homestead, an owner occupied house with a total market value of $120,000.

The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first $76,000. Since this example has a value over $76,000, the initial/maximum equals $30,400. The second step is to determine the amount of value, if any, that is over the $76,000 threshold. The third step is to multiply that amount over $76,000, (in this case $44,000), times 9%. This is the amount to be reduced from the maximum of $30,400, as shown in the fourth step. This example has an exclusion amount of $26,440.

Homestead Market Value Exclusion Calculation

i.	Initial/Maximum Exclusion:	$76,000 x 40% = $30,400
ii.	Value over $76,000:	$120,000 – 76,000 = $44,000
iii.	Benefit Reduction Amount:	$44,000 x 9% = $3,960
iv.	Final Exclusion Amount:	$30,400 – 3,960 = $26,440

Note that the value used in the above calculation is the value from line 14 on the hierarchy of values found below. In this example Line 14 equals the EMV on Line 3, but that will not always be the case.

		AY 2011
1.	Market Value Irrespective of Contaminants	$120,000
2.	Contamination Value	NA
3.	**Estimated Market Value (EMV)** [1 – 2]	$120,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	“This Old House” Exclusion	NA
10.	“This Old Business” Exclusion	NA
11.	Disabled Veterans Exclusion	NA
12.	Mold Damage Reduction	NA
13.	Lead Hazard Reduction	NA
14.	**MV Prior to Homestead MV Exclusion** [3-4-5-6-7-8-9-10-11-12-13]	$120,000
15.	Homestead Market Value Exclusion	$26,440
16.	**Taxable Market Value (TMV)** [14 – 15]	$93,560

Taxable market value (TMV) on Line 16, therefore, is the Line 14 amount minus the value of the exclusion. This is the value used to calculated net tax capacities. The process for NTC calculation, otherwise, remains the same. The first $50,000 has a class rate of 0.45% ($50,000 x 0.45% = $225) while the remaining value is at 1.00% ($43,560 x 1% = $435.60), for an NTC of $660.60.

Homestead Market Value Exclusion
Calculation Examples for AY2011/TY2012

Line 14 is also generally the referendum market value since the exclusion is not meant to have any impact on RMV's. While this usually is calculated as the TMV (Line 16) plus the value of the MV Homestead Exclusion (Line 15), this is an example of class 1b which has a class rate of less than 1.00%. Therefore, the Line 14 value of class 1b ($50,000) must be multiplied by the class rate, and then multiplied by 100. The remaining homestead value for the class 1b homestead is at 1.00% and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

Referendum Market Value Calculation

i.	Class 1b share of RMV:	$50,000 x 0.45% = $225 x 100 = $22,500
ii.	Remainder of class 1b (if ag, HGA part only):	$70,000 x 1.00% = $700 x 100 = $70,000
iii.	Total RMV:	$22,500 + $70,000 = $92,500

Homestead Market Value Exclusion on linked parcels that have fractional ownership

Following are several examples that have linked parcels as part of a residential homestead (and would also apply in cases where multiple parcels make up the house, garage, and first acre of an agricultural homestead). In these examples, one of the parcels in the chain is a fractional situation where a portion of the property is classified as a nonhomestead solely because not all of the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all of the spouses of owners occupy the property.

In the case of fractional parcels, the nonhomestead share that would be homestead if the owners, qualifying relatives, or spouses all occupied the property, must be included in the calculation of the exclusion with the resulting exclusion amount then fractionalized based on the percentage of owner-occupancy. Note that nonhomestead property that represents other classifications is not included, (i.e. split class property is not the same as fractional homestead/nonhomestead property).

For a single parcel the calculation is rather straightforward, but in a linked chain where some parcels may be full homestead and others that are fractional homestead, the following process should be used.

Step 1 – Calculate exclusion as if all parcels were not fractional.

Determine the appropriate total exclusion for the homestead across all parcels as if the fractional nonhomestead value was full homestead value. This identifies what the exclusion would be if the chain were full homestead. (Again, do not include split classes, only that value that would be homestead if there were no fractional ownerships.)

Step 2 – Fractionalize exclusion.

After this first step, the simplest way to perform the fractional calculation **(option A)** is to identify an overall average homestead percentage for the chain by dividing the full homestead value by the total value that would be full homestead without the fractional ownership (i.e. the actual homestead value is divided by the amount used to calculate the exclusion using both the homestead and appropriate nonhomestead value). This homestead percentage is then multiplied by the calculated exclusion amount calculated in the first step to yield the actual fractionalized exclusion amount (Line M).

As an alternative, the fractionalization can be done at a parcel level with some additional steps **(option B)**. Under this alternative, determine the percentage of that each parcel's homestead and appropriate nonhomestead value is of the total homestead and appropriate nonhomestead value for the chain. Apply these percentages to the exclusion amount determined under the first step to allocate a share of the exclusion to each parcel. Then on the parcel(s) that are fractional, multiply that share of the exclusion by the parcel's fractional homestead percentage. The sum of the fractionalized exclusion amounts (Line k) should match the total exclusion under option A (Line M).

Step 3 – Allocate final exclusion to parcels.

However, note under option B that the application of the exclusion amount to parcels does not match the allocation made to perform the fractionalization. Under either option, the entire exclusion amount must first be applied to the base parcel. Only if the exclusion amount exceeds the actual homestead value of the base parcel can the remaining exclusion be carried over to the second parcel or be further applied in order of the chain until the exclusion is exhausted. Note the exclusion amount applied per parcel cannot exceed the amount of homestead value on that parcel.

Consider the following four examples.

Example 1 – The base parcel is a full homestead parcel that has a market value of $74,000. The owner co-owns an adjoining parcel with an unrelated, non-occupant friend that has a market value of $4,000.

Example 2 – The full-homestead base parcel is (perhaps unrealistically) very small and has a tiny home with a total value of only $4,000. The owner co-owns an adjoining parcel with an unrelated, non-occupant friend that has a market value of $74,000.

Example 3 – The full homestead base parcel has a value of $40,000. The owner co-owns the adjoining parcel with an unrelated, non-occupant friend that also has a value of $40,000. The owner fully owns the next parcel, which also has a value of $40,000.

Example 4 – The base parcel containing the home is co-owned by the occupant and an unrelated, non-occupant. It has a value of $80,000. The adjoining parcel is fully owned by the occupant of the base parcel and contains a garage that is partially used as homestead but the owner runs a commercial mechanic shop with a portion of the property. This parcel has $20,000 of homestead value and $70,000 of commercial value. (Note that the commercial value is ignored in the calculation below as it would not be homestead if all the owners were occupying the properties.)

Homestead Market Value Exclusion -

Examples of fractional parcels in a linked chain

		Example 1		Example 2		Example 3		Example 4	
		Hstd/NH MV *	Hstd %	Hstd/NH MV *	Hstd %	Hstd/NH MV *	Hstd %	Hstd/NH MV *	Hstd %
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A.	Parcel 1	74,000	100%	4,000	100%	40,000	100%	80,000	50%
B.	Parcel 2	4,000	50%	74,000	50%	40,000	50%	20,000	100%
C.	Parcel 3					40,000	100%		
D.	Total Hstd/NH MV	78,000		78,000		120,000		100,000	
E.	Total Hstd MV**	76,000		41,000		100,000		60,000	
F.	Tot Remaining MV (D-E)	2,000		37,000		20,000		40,000	
	Step 1 - Calculate exclusion as if all parcels were not fractional								
G.	Identify 1st $76K MV	76,000		76,000		76,000		76,000	
H.	40% of 1st$76	30,400		30,400		30,400		30,400	
I.	Identify MV over $76k	2,000		2,000		44,000		24,000	
J.	9% of over $76K MV	180		180		3,960		2,160	
K.	Total Exclusion (H-J)	30,220		30,220		26,440		28,240	
	Step 2 - Determine total exclusion on property *(Option A - Using an overall homestead percentage)*								
L.	Overall Hstd % (E/D)	97.44%		52.56%		83.33%		60.00%	
M.	Final Exclusion (K*L)	29,445		15,885		22,033		16,944	
	Step 2 - Determine total exclusion on property *(Option B - Applying homestead percentages by parcel)*								
	Determine each parcel's share of the total value:								
a.	Parcel 1 % (A/D)	94.872%		5.128%		33.333%		80.000%	
b.	Parcel 2 % (B/D)	5.128%		94.872%		33.333%		20.000%	
c.	Parcel 3 % (C/D)					33.333%			
		100.000%		100.000%		100.000%		100.000%	
	Prorate the exclusion from step 1 to each parcel:								
d.	Parcel 1 share (a*K)	28,670		1,550		8,813		22,592	
e.	Parcel 2 share (b*K)	1,550		28,670		8,813		5,648	
f.	Parcel 3 share (c*K)					8,813			
g.	Total Prelim. Exclusion (=K)	30,220		30,220		26,440		28,240	
	Fractionalize exclusion:								
h.	Parcel 1 result (d*A Hstd%)	28,670		1,550		8,813		11,296	
i.	Parcel 2 result (e*B Hstd%)	775		14,335		4,407		5,648	
j.	Parcel 3 result (f*C Hstd%)					8,813			
k.	Final Exclusion (h+i+j=M)	29,445		15,885		22,033		16,944	
	Step 3 - Allocate final exclusion to parcels ***								
N.	Parcel 1	29,445		4,000		22,033		16,944	
O.	Parcel 2			11,885					
P.	Parcel 3								
Q.	Total Final Exclusion (=M, =k)	29,445		15,885		22,033		16,944	

***** Nonhomestead market value (NH MV) only includes that non-homestead value that would be homestead if the owners, qualified relatives or spouses all occupied the property.

****** The homestead market value in item E should only include homestead value attributable to the homestead for which the exclusion is being determined.

******* Final exclusion amount (M) is first applied to base parcel 1 (A). If the exclusion exceeds the actual homestead value of the base parcel, the remaining exclusion is carried over to the homestead value on the second parcel. Any remaining exclusion is then carried over to the homestead value on remaining parcels in the chain until the exclusion is exhausted.

Sent 9/7/11:

County Auditors, Assessors, and Computer Professionals:

A question recently was asked as to how the new homestead exclusion should be assigned on large residential parcels. The tax amount used for property tax refunds is limited to the tax on the first 10 acres (we call this the QTA or qualifying tax amount). For example, if there is a parcel that is 25 acres that has an exclusion of $10,000, the question is whether the whole exclusion should be subtracted from the first ten acres that yields the QTA, or if the exclusion should be prorated somehow between the first 10 acre value and the remaining value. We had instructed that the previous residential homestead market value credit should be deducted from the QTA. To be consistent, our instruction is now that the whole exclusion should be applied to the first ten acres (the QTA's portion). Only if the exclusion exceeds the value of the first ten acres should it carry over to the "non-QTA" portion of the property.

Sent 8/29/2011:

As counties and consortiums have been updating their systems for the new laws, a few questions have surfaced regarding calculating RMV in relation to the homestead market value exclusion. Below is an explanation of this calculation.

The tax base table provided on the DOR website is incorrect and not been updated for the market value exclusion. Columns D and E are no longer calculated purely by multiplying the TMV x 100%. When determining the RMV, the homestead market value exclusion does not reduce the RMV. The exclusion amount must be added to the TMV in order to determine the RMV. In the below hierarchy of market value components table, Line 14 equals the RMV for those classes subject to RMV; whereas, Line 16 is used to calculate the NTC. This is true except for instances of class 1b Blind/Disabled Homestead. The Line 14 value of class 1b ($50,000) must be multiplied by the class rate (0.45%), and then multiplied by 100. The remaining homestead value for the class 1b homestead is at 1.00% and then multiplied by 100.

An updated tax base table will be provided when the Auditor/Treasurer Manual updates are posted to the DOR website.

	Hierarchy of Market Value Components: AY 2011
1.	Market Value Irrespective of Contaminants
2.	Contamination Value
3.	**Estimated Market Value (EMV)** [1 – 2]
4.	Green Acres Deferment
5.	Rural Preserves Deferment
6.	Open Space Deferment
7.	Aggregate Resource Preservation Deferment
8.	Platted Vacant Land Exclusion
9.	"This Old House" Exclusion
10.	"This Old Business" Exclusion
11.	Disabled Veterans Exclusion
12.	Mold Damage Reduction
13.	Lead Hazard Reduction
14.	**MV Prior to Homestead MV Exclusion** [3-4-5-6-7-8-9-10-11-12-13]
15.	Homestead Market Value Exclusion
16.	**Taxable Market Value (TMV)** [14 – 15]

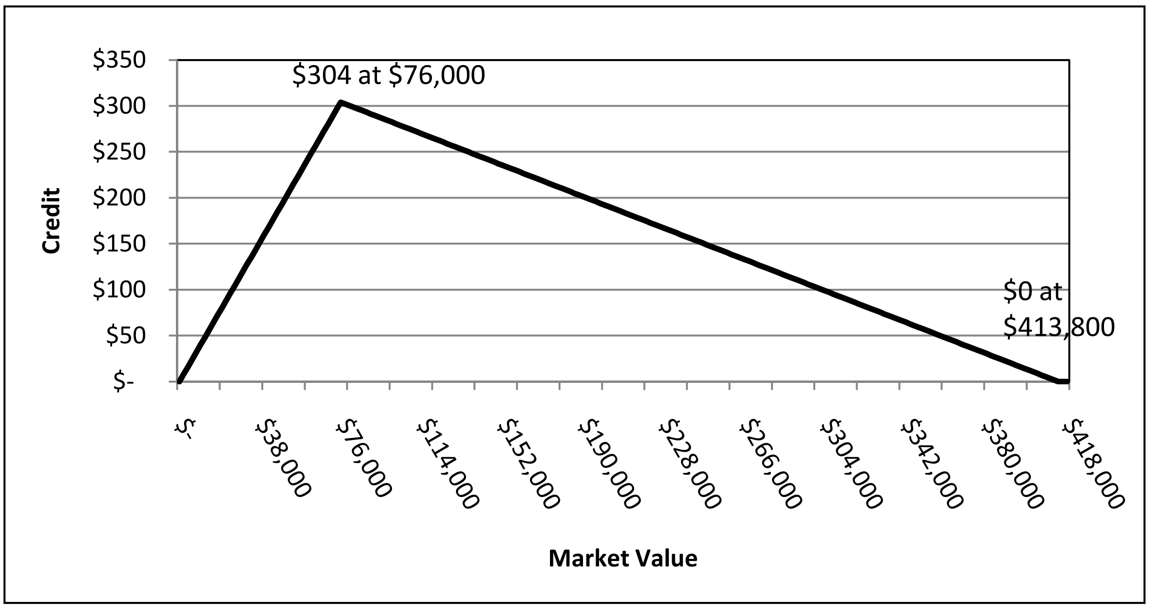
MINNESOTA · REVENUE

2011 Law Change: A New Homestead Market Value Exclusion replaces the Homestead Market Value Credit

The 2011 Legislature repealed the homestead residential Market Value Credit (the agricultural credit did not change), and enacted a similarly designed homestead Market Value Exclusion. This change is effective for taxes payable in 2012. The following synopsis is intended to help local governments understand this law change.

Expiring Law: The Homestead Residential Market Value Credit

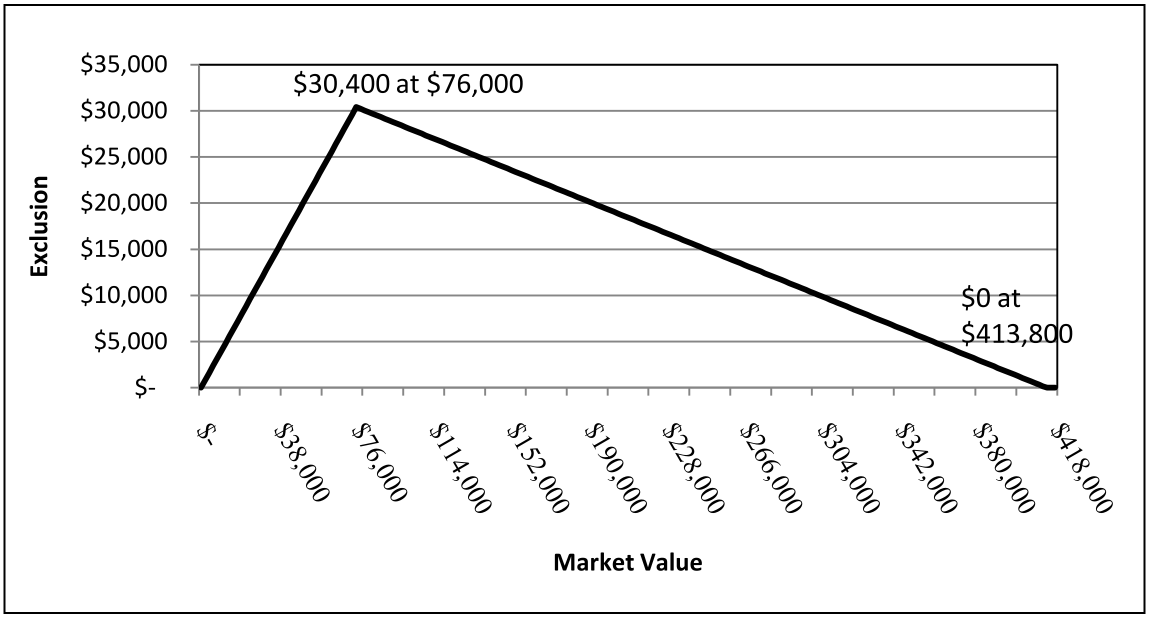
- Homesteads received a credit on their tax statements reducing their gross tax.
- As shown in the chart below, the credit equaled 0.4% of the first $76,000 in market value. It was reduced by 0.09% of the market value over $76,000 until it hit $0 at $413,800 of market value.



- The state reimbursed local governments for the sum of the market value credits granted to individual taxpayers on tax statements. As a result, some of the local governments' levy came from the state as credit reimbursement payments, and some from property tax payments.
- When the state cut its reimbursement payments, local governments had to budget for a gap between their levy and what they received. Local governments may have levied more, cut some spending or both.

New Law: The Homestead Market Value Exclusion

- A portion of homestead market value will be excluded from taxation.
- As shown in the chart on the next page, the exclusion equals 40% of the first $76,000 in market value. It is reduced by 9% of the market value over $76,000 until it hits $0 at $413,800 of market value.



- The state will no longer pay a share of the tax on homesteads, but homesteads have less value subject to taxation.
- The removal of the state spending on credits means property taxpayers, as a whole, will pay more if levies remain the same.
- The reduction in the tax base for homesteads means non-homesteads will pay a higher share of the levy, and a large share of homesteads could pay more given that exclusion amounts and other factors vary.
- Local governments will receive the full amount that they levy from their taxpayers.

How do credits and exclusions affect tax calculations?

The prior law credit was deducted from a gross tax while the exclusion will reduce the taxable value. Changing taxable value means outcomes won't be identical.

	Old Law: The Credit	**New Law: The Exclusion**
Estimated Market Value	$116,000	$116,000
Exclusions	$0	**$26,800**
Taxable Market Value	$116,000	$89,200
Class Rate	1%	1%
Net Tax Capacity	$1,160	$892
Tax Rate*	105.810%	110.920%
Gross Tax	$1,227	$989
Credit	**$268**	$0
Net Tax	$959	$989

*The tax rate change used here reflects estimated average statewide rates for 2011 under either approach, assuming no changes in levies. Levy decisions and local tax base dynamics will affect the change in rates.

How might the change impact local government levies and budgeting and property taxes?

There are three key considerations:

- Local governments will receive the full amount they levy from their taxpayers.
- Local governments do not need to plan for further state reimbursement cuts –because there is no longer a payment to cut.
- Local governments should recognize that removing $292 million of credits from the system, and changing the composition of the tax base, will create large tax increases for some properties. This may increase sensitivity by taxpayers to levy decisions.

Example: Budgeting and Tax Shift Scenario

Context for Taxes Payable in 2011. In August 2010, "City A" was planning for a 2011 levy of $2,000,000. Approximately $1,900,000 was going to be paid by taxpayers and $100,000 by the state in the form of Market Value Credit reimbursements. Local officials then learned the city would have a $50,000 cut to its MVC Reimbursements, which meant the city would only receive $1,950,000 of a $2 million levy.

City A decided to levy $2,040,000 for 2011. Officials anticipated they would make up almost $40,000 of the $50,000 cut with the levy increase, and cut their planned spending by $10,000. City A expected the levy of $2,040,000 would bring in approximately $1,990,000 (with $1,940,000 from taxpayers and $50,000 from the state).

Decisions for Taxes Payable in 2012. Because there is no longer a credit, and thus no longer a portion of the levy coming from the state, the full levy will come from taxpayers. As a starting point, eliminating the credit for 2012 means city officials will have three general approaches:

- **Constant Levy:** If City A keeps its levy constant at $2,040,000, taxpayers are actually asked to pay $100,000 more than the $1,940,000 they paid in 2011 (a 5.2% increase).
- **Constant Taxes:** Levying $1,940,000, keeps the total coming from taxpayers the same (a 0% increase), but the city loses $50,000 in revenue.
- **Constant Revenue:** Levying $1,990,000 keeps the amount of revenue constant, but the city is asking taxpayers to pay $50,000 more (a 2.6% increase).

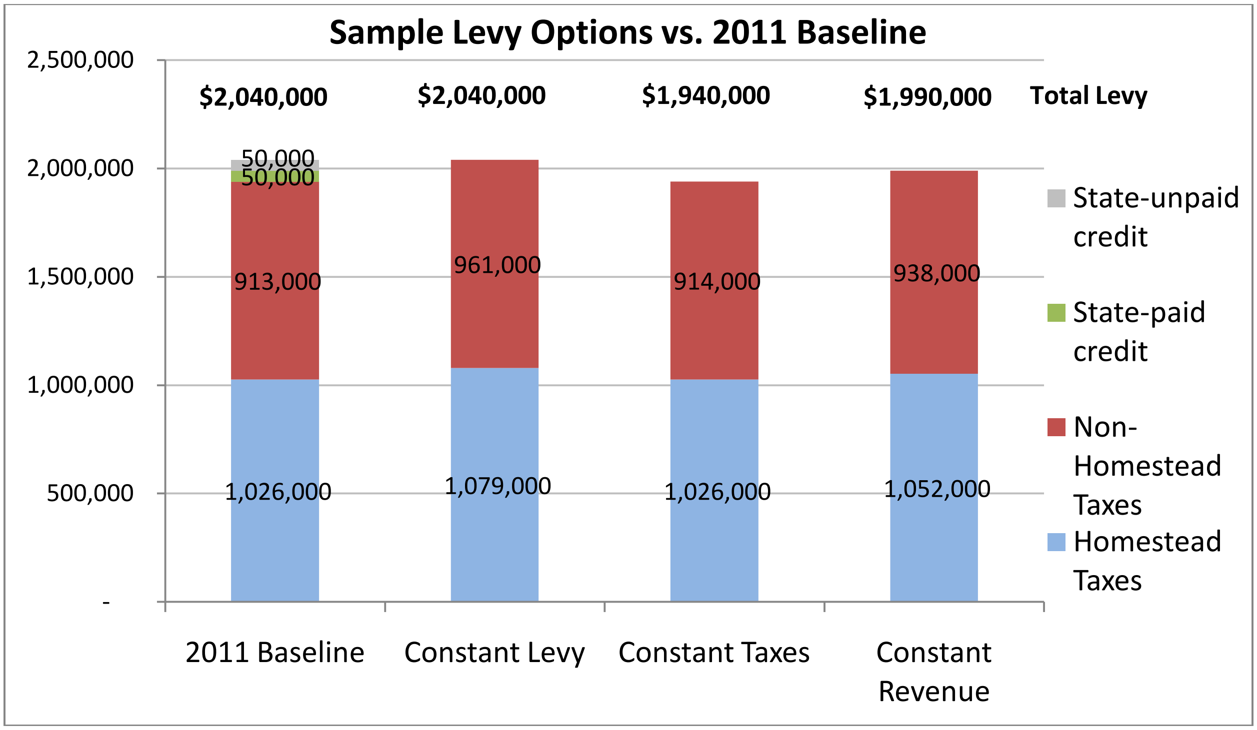
Example Assumptions

To give some perspective of the tax shifts that might enter into this decision, assume the following net tax capacity (NTC) tax base information:

	Taxes Payable 2011		Taxes Payable 2012	
Total NTC tax base	$6,700,000		$6,366,384	
Non-Homestead NTC	$3,000,000		$3,000,000	
Homestead NTC	$3,700,000		$3,366,384	
620 homes at $70,000 MV		$434,000		$260,400
644 homes at $150,000 MV		$966,000		$813,114
575 homes at $400,000 MV		$2,300,000		$2,292,870

Also assume that the city rate is 30% of the total tax rate (for allocating the credits for 2011).

Tax Shifts Under Various Options. The following chart summarizes the levy options listed above. It identifies the total size of the levy and the shares paid homesteads and non-homesteads (and the paid and unpaid state shares for the 2011 baseline). Under all of the options, even where taxpayers pay the same total amount of taxes, there will be tax increases for non-homestead properties and some homestead properties.



The tax shifts of the three alternatives can also be summarized as follows:

	2011	Constant Levy	Constant Taxes	Constant Revenue
Total Levy	$2,040,000	$2,040,000	$1,940,000	$1,990,000
Total Revenues (% chg)	$1,990,000	$2,040,000 (2.5%)	$1,940,000 (-2.5%)	$1,990,000 (0%)
City Tax Rate	30.448%	32.043%	30.473%	31.258%
Average Tax (% change)				
$70,000 home	$129.14	$134.58 (4.2%)	$127.98 (-0.9%)	$131.28 (1.7%)
$150,000 home	$385.50	$404.58 (4.9%)	$384.73 (-0.2%)	$394.67 (2.4%)
$400,000 home	$1,214.20	$1,277.77 (5.2%)	$1,215.08 (0.1%)	$1,246.45 (2.7%)
Non-Homestead Tax Change		5.2%	0.1%	2.7%

A Final Note. This example illustrates tax shifts due to the conversion from credits to the exclusion in isolation from other discussions that might affect property taxes. Aid reductions and service demands will also be a significant factor in the local budgeting calculus. These other changes will also affect a property's tax calculation.

IMPORTANT PROPERTY TAX LAW CHANGE

2011 Law Change: A New Homestead Market Value Exclusion replaces the Homestead Market Value Credit

The 2011 Legislature repealed the Homestead Residential Market Value Credit and replaced it with a new program called the Homestead Market Value Exclusion. This change is impacting the property taxes on all homesteaded and non-homesteaded property for Pay 2012.

Old Law: All homesteaded property less than $413,800 in value received a Homestead Residential Market Value Credit. This credit reduced the property taxes billed and was shown on line 4 of the property tax statement mailed in March of each year.

- Homesteaded property received a credit or reduction on the amount of property taxes.
- The credit was equal to .4% of market value for the first $76,000 in market value, reaching its maximum level of $304. The $304 credit was gradually phased out for homes valued more than $76,000, until it was reduced to $0 at a value of $413,800. The chart below gives examples of the amount of credit on various valued homes.

Estimated Market Value	Taxable Market Value	"Old Law" Homestead Credit
$ 76,000	$ 76,000	$ 304.00
$ 150,000	$ 150,000	$ 237.40
$ 250,000	$ 250,000	$ 147.40
$ 350,000	$ 350,000	$ 57.40
$ 400,000	$ 400,000	$ 12.40
$ 425,000	$ 425,000	$ -

New Law: All homesteaded property less than $413,800 in value will receive a Homestead Market Value Exclusion. This value exclusion will be identified on the valuation notices mailed in March of each year. The taxable value listed on your Proposed Property Tax Statement has been reduced by the amount of the homestead exclusion.

- Homesteaded property no longer receives a credit that reduces the property taxes paid. Instead, a portion of the homestead's property value will be excluded from taxation.
- The Homestead Market Value Exclusion excludes from taxation 40% of the value on the first $76,000 of a property's value. The amount excluded is reduced as the value rises above $76,000 (the exclusion reduction is equal to 9% of the value above $76,000). Homesteads that exceed $413,800 in value will receive no homestead exclusion. The chart below gives examples of the exclusion amount on homes of various values.

Estimated Market Value	Homestead Exclusion	Taxable Market Value (after Homestead Exclusion)
$ 76,000	$ 30,400	$ 45,600
$ 150,000	$ 23,740	$ 126,260
$ 250,000	$ 14,740	$ 235,260
$ 350,000	$ 5,740	$ 344,260
$ 400,000	$ 1,240	$ 398,760
$ 425,000	$ -	$ 425,000

IMPORTANT PROPERTY TAX LAW CHANGE

2011 Law Change: A New Homestead Market Value Exclusion replaces the Homestead Market Value Credit

Why the State Change:

- The elimination of the market value homestead credit was included in the 2011 budget bills passed in the legislative special session in July of 2011. By eliminating the credit, the state was able to save roughly $260 million each year. This was one cost saving measure the state used to close the $5 billion two-year state budget deficit.
- Under the old credit law, the state was reducing the taxes paid by homesteaded property and instead the state was promising to pay that portion of the tax to the local taxing districts (i.e., your city, county, school, and other local taxing districts). However, in seven of the last eight years, the state did not pay the full credit amount to at least some local governments, due to its budget problems. This meant each year many local governments were left with a deficit in their budgets because of the state's inability to pay the amount it owed.

What is the Impact: The impact of this state change will vary for each property depending on a variety of factors. However, in general, the elimination of the homestead credit and replacement with a homestead exclusion is going to mean higher property taxes for most property owners, even if property tax levies adopted by local governments do not increase. The bullets below explain the most significant impacts of this change:

- The state is no longer providing a homestead credit and instead the entire levy is being paid by local property taxpayers.
- The new homestead exclusion lowers the tax base, which has led to increases in the property tax rates of most local taxing jurisdictions. A property tax rate is calculated by dividing the property tax levy by the total tax base.
- For properties that are non-homestead, including commercial and industrial property, the higher property tax rates are likely to mean higher property tax bills even if their values have declined.
- For properties that are homestead, the new homestead exclusion may not be enough to offset the increases in tax rates and the elimination of the homestead credit, thus many homestead properties as well will experience tax increases.

Information contained in this flyer was gathered from bulletins and documents prepared by the Minnesota House Research Department and Minnesota Department of Revenue.

2012 Changes to the Homestead Market Value Credit

What Is Changing?

The enclosed notice for 2012 reflects the elimination of the **HOMESTEAD MARKET VALUE *CREDIT*** that the state paid to reduce qualifying homeowners' taxes. It is being *replaced with the* **"HOMESTEAD MARKET VALUE *EXCLUSION*." The exclusion** reduces the taxable value of qualifying homesteads. Despite the decreased taxable value, **taxes will increase on most properties including apartments and businesses and is independent of any action taken by local governments.**

2011 Homestead Credit	
Home Market Value	*Current Homestead Market Value Credit*
$76,000	$304
$100,000	$282
$150,000	$237
$250,000	$147
$300,000	$102
$350,000	$57
$400,000	$12
$450,000	$0

Why Is It Changing?

The state was facing a $5 billion deficit. The elimination of the homestead market value credit saves the state $261 million. ***Local governments cannot undo this state law change.***

Additional Resources for Homeowners?

Affected homeowners with household incomes below $100,780 or whose property taxes increase by more than 12% or $100 (whichever is greater) may apply for the state's property tax refund and, if qualified, will get some of the increase refunded.

The form to apply for the state's property tax refund is the M1PR, available at: http://taxes.state.mn.us/pages/current_forms.aspx

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