

IMPORTANT PROPERTY TAX LAW CHANGE

LAW CHANGE

A New Homestead Market Value Exclusion replaces the Homestead Market Value Credit

What is changing?

The 2011 Legislature repealed the **HOMESTEAD MARKET VALUE CREDIT**, and replaced it with the **HOMESTEAD MARKET VALUE EXCLUSION**.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.

What is a credit? A reduction in the amount of taxes due.

What is an exclusion? A reduction in the amount of property value subject to tax.

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 per year. ***Local governments cannot undo this state law change.*** This change resulted in the elimination of \$1.4 million in property tax relief for Pine County taxpayers. Pine County Commissioners and staff have worked diligently to lower the county portion of your property taxes. The 2012 county levies decreased 1.5% from 2011.

Why is this change resulting in a tax increase?

- **State money is no longer being used to reduce total taxes.** By eliminating the homestead credit the state is saving \$261 million per year. In Pine County, this means that a total of \$1.4 million in credits that were paid for by the state to local governments will now be paid by property owners.
- **The reduction in taxable value increases tax rates.** The new homestead exclusion lowers the county's taxable market value by roughly 7.5%, which has led to increases in the property tax rates of most of the local taxing jurisdictions. The property tax rate is calculated by dividing the property tax levy by the total tax base.
- **The reduction in taxable property value shifts the relative burdens of who pays.** 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 value declined.
- **The exclusion provides less benefit to most properties than the credit.** For homesteaded properties, the exclusion may not be enough to offset the increases in tax rates and the elimination of the credit.

What to look for on your "Truth in Taxation Notice".

If your property is homesteaded and its value is less than \$414,000, you will notice that the taxable market value has gone down from 2011 to 2012. This is due to the change from the Homestead Credit to the Market Value Exclusion. As explained earlier in this insert, the reduction in taxable value results in an increase in tax rates.

Please contact the Pine County Assessor at 320-591-1636 or the Pine County Auditor at 320-591-1668 with any further questions.