PROPERTY TAX
Homestead Resort Properties
Tier Limits Modified

March 12, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 2076 (Hauschild) / H.F. 1829 (Davids) as introduced

	Fund Impact			
	F.Y. 2026	**F.Y. 2027**	**F.Y. 2028**	**F.Y. 2029**
	(000's)			
Property Tax Refund Interaction	$0	$0	($40)	($40)

Effective beginning with assessment year 2026.

EXPLANATION OF THE BILL

Under current law, class 1c homestead resort property has three classification tiers.
The first tier includes the first $600,000 of value and has a classification rate of 0.50%, the second tier includes value over $600,000 and below $2.3 million and has a classification rate of 1.00%, and the third tier includes value over $2.3 million and has a classification rate of 1.25%. Only the third tier is subject to state general property taxes.

The proposal would increase the classification tier limits for class 1c homestead resorts.
The first tier would include the first $1.5 million of value, the second tier would include value between $1.5 million and $4.5 million, and the third tier would include value over $4.5 million. The classification rates for each tier would not change. The third tier would remain subject to state general property taxes.

REVENUE ANALYSIS DETAIL

- For taxes payable in 2025, about 1,900 parcels contain class 1c homestead resort property. The total statewide taxable market value for class 1c property is $813 million and the total net tax capacity is $6.5 million.
- Of the 1,900 parcels containing class 1c property, about 440 have a taxable market value greater than the current first tier limit of $600,000.
- Under current law, 45% of the total class 1c taxable market value statewide is in the first tier, 45% is in the second tier, and 10% is in the third tier.
- The proposal would shift class 1c market value from the higher tiers to the lower tiers. Under the proposal, approximately 72% of total class 1c taxable market value statewide would be in the first tier, 22% in the second tier, and 6% in the third tier.
- By increasing the classification tier limits for homestead resorts, the classification rate for a portion of the value currently above the first tier limit would change from the second tier rate of 1.00% to the first tier rate of 0.50%. Likewise, a portion of the value currently above the second tier limit would change from the third tier rate of 1.25% to the second tier rate of 1.00%. The total statewide net tax capacity for class 1c property would be reduced by approximately 18%.

- The proposal would cause a shift in property taxes away from properties newly qualifying for a lower tier classification rate and onto all other properties, including homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by $40,000 beginning in fiscal year 2028.

Number of Taxpayers: Approximately 440 parcels would have a reduced net tax capacity under the proposal.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

Transparency, Understandability, Simplicity & Accountability	Neutral
Efficiency & Compliance	Neutral
Equity (Vertical & Horizontal)	Neutral
Stability & Predictability	Neutral
Competitiveness for Businesses	Neutral
Responsiveness to Economic Conditions	Neutral

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
https://www.revenue.state.mn.us/revenue-analyses

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