

S.F. No. 973 – Increasing Agricultural Homestead First-Tier Limit; Modifying Tier Rates for Class 1c Homestead Resorts; Modifying Homestead Market Value Exclusion; Reducing State General Levy (as proposed to be amended by A-1)

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Section 1 (Agricultural Properties; First-Tier Limit) sets the first-tier limit for agricultural homestead property at \$3.5 million for assessment year 2024. Beginning with assessment year 2025, the limit will be annually adjusted by the department of revenue pursuant to current law. The house, garage, and surrounding one acre of an agricultural homestead has a class rate of 1.00% for the first \$500,000 of market value, and 1.25% on any remaining market value.

The remainder of the agricultural homestead farm property is divided into two tiers, with the first tier receiving a class rate of 0.50% and the remaining market value receiving a class rate of 1.00%. The department of revenue each year determines the first-tier valuation limit, rounded to the nearest \$10,000. The limit is the product of: (1) the first-tier limit in the preceding year; and (2) the ratio of the statewide average taxable market value of agricultural property per acre in the preceding year to that of the second preceding assessment year.

Section 2 (Class 1c Homestead Resorts) modifies the classification tier rates for Class 1c homestead resort property by providing that the first \$850,000 of market value is Tier I; the market value from \$850,001 to \$3,100,000 is Tier II; and any value over \$3,100,000 is Tier III and remains subject to the state general levy. Effective for taxes payable in 2024 and thereafter.

Class 1c property is commercial-use property that abuts public water or a state trail administered by the Department of Natural Resources. The property must be used for temporary and seasonal residential occupancy for recreational purposes, as long as the property is not devoted to commercial purposes for more than 150 days in the preceding year. A portion of the property must be used as a homestead by the property owner.

Section 3 (Homestead Market Value Exclusion) increases the minimum and maximum market value thresholds for the homestead market value exclusion. Under the proposal, the exclusion equals 40% of the first \$95,000 of market value. For homesteads valued between \$95,000 and

\$517,200, the exclusion equals \$38,000 minus 9% of the value over \$95,000. Homesteads valued at \$517,200 or more would not receive the exclusion. Under current law, homesteads valued at \$413,800 or more are not eligible for the exclusion. Effective beginning with assessment year 2024.

Section 4 (State General Levy) reduces the state general levy for both commercial-industrial property and seasonal recreational property by a combined \$35 million beginning with taxes payable in 2024. The CI levy is reduced from \$716.6 million to \$683.9 million, and the SRR levy is reduced from \$41.7 to \$39.8 million.