

# MINNESOTA • REVENUE

## MEMO

Date: August 12, 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):

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

## 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.

<b>Hierarchy of Market Value Components: AY 2011</b>	
1.	Market Value Irrespective of Contaminants
2.	Contamination Value
3.	<b>Estimated Market Value (EMV) [1 – 2]</b>
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.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10-11-12-13]</b>
15.	Homestead Market Value Exclusion
16.	<b>Taxable Market Value (TMV) [14 – 15]</b>

## 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  
Director-Treasurer  
East, Box 78  
55555-5555  
5-6789  
ice.mn.us  
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

\$\$\$ 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. 469.177, 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.

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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.	<b>Estimated Market Value (EMV)</b> [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.	<b>MV Prior to Homestead MV Exclusion</b> [3-4-5-6-7-8-9-10-11-12-13] \$280	,000
15.	Homestead Market Value Exclusion	\$12,040
16.	<b>Taxable Market Value (TMV)</b> [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 calculate 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.

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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.	<b>Estimated Market Value (EMV)</b> [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.	<b>MV Prior to Homestead MV Exclusion</b> [3-4-5-6-7-8-9-10-11-12-13] \$65,	000
15.	Homestead Market Value Exclusion	\$26,000
16.	<b>Taxable Market Value (TMV)</b> [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 calculate net tax capacities. The process for NTC calculation, otherwise, remains the same.



## 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.

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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.	<b>Estimated Market Value (EMV) [1 – 2]</b>	\$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.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10-11-12-13]</b> \$520	,000
15.	Homestead Market Value Exclusion	\$0
16.	<b>Taxable Market Value (TMV) [14 – 15]</b>	\$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 calculate 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 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

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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:	$\$76,000 \times 40\% = \$30,400$
ii. Value over \$76,000:	$\$125,000 - 76,000 = \$49,000$
iii. Benefit Reduction Amount:	$\$49,000 \times 9\% = \$4,410$
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.	<b>Estimated Market Value (EMV) [1 – 2]</b>	\$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.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10-11-12-13]</b> \$875	,000
15.	Homestead Market Value Exclusion	\$25,990
16.	<b>Taxable Market Value (TMV) [14 – 15]</b>	\$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 calculate 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

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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.	<b>Estimated Market Value (EMV)</b> [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.	<b>MV Prior to Homestead MV Exclusion</b> [3-4-5-6-7-8-9-10-11-12-13]	\$95,000
15.	Homestead Market Value Exclusion	\$16,000
16.	<b>Taxable Market Value (TMV)</b> [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 calculate 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.

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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 calculate 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.	<b>Estimated Market Value (EMV) [1 – 2]</b>	\$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

## Homestead Market Value Exclusion Calculation Examples for AY2011/TY2012

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

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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.	<b>Estimated Market Value (EMV) [1 – 2]</b>	\$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.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10-11-12-13]</b>	\$115,000
15.	Homestead Market Value Exclusion	\$26,890
16.	<b>Taxable Market Value (TMV) [14 – 15]</b>	\$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 calculate 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.

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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.	<b>Estimated Market Value (EMV)</b> [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.	<b>MV Prior to Homestead MV Exclusion</b> [3-4-5-6-7-8-9-10-11-12-13] \$120	,000
15.	Homestead Market Value Exclusion	\$26,440
16.	<b>Taxable Market Value (TMV)</b> [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 calculate 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:	$\$50,000 \times 0.45\% = \$225 \times 100 = \$22,500$
ii.	Remainder of class 1b (if ag, HGA part only):	$\$70,000 \times 1.00\% = \$700 \times 100 = \$70,000$
iii.	Total RMV:	$\$22,500 + \$70,000 = \$92,500$