

Who Does What?

A GUIDE TO MINNESOTA'S PROPERTY TAX SYSTEM

ASSESSOR

- Locates the property to be taxed, estimates its market value (how much the property would sell for in today's market), and assigns it to a class according to its use.
- Sends out notices in the spring to "all property owners."
- Multiplies the estimated market value of each piece of property by the tax capacity percentage set by law for its class. The result is the tax capacity.
- Adds together the tax capacities for all the property in the taxing district and gives the total to:

Property owners who disagree with the assessor may appeal to:

BOARDS OF APPEAL AND EQUALIZATION

CITY OR TOWNSHIP BOARD OF APPEAL AND EQUALIZATION:

- The city council or township board.
- Meets between April 1 and May 31.

COUNTY BOARD OF EQUALIZATION:

- County board of commissioners.
- Meets for two weeks in June.

STATE BOARD OF EQUALIZATION:

- Commissioner of Revenue.
- Meets between April 15 and June 30.
- The review board may change the estimate of the market value of the classification.

MINNESOTA TAX COURT:

- Small claims or regular division.

TAXING DISTRICTS

(YOUR SCHOOL DISTRICT, CITY OR TOWNSHIP, COUNTY, ETC.)

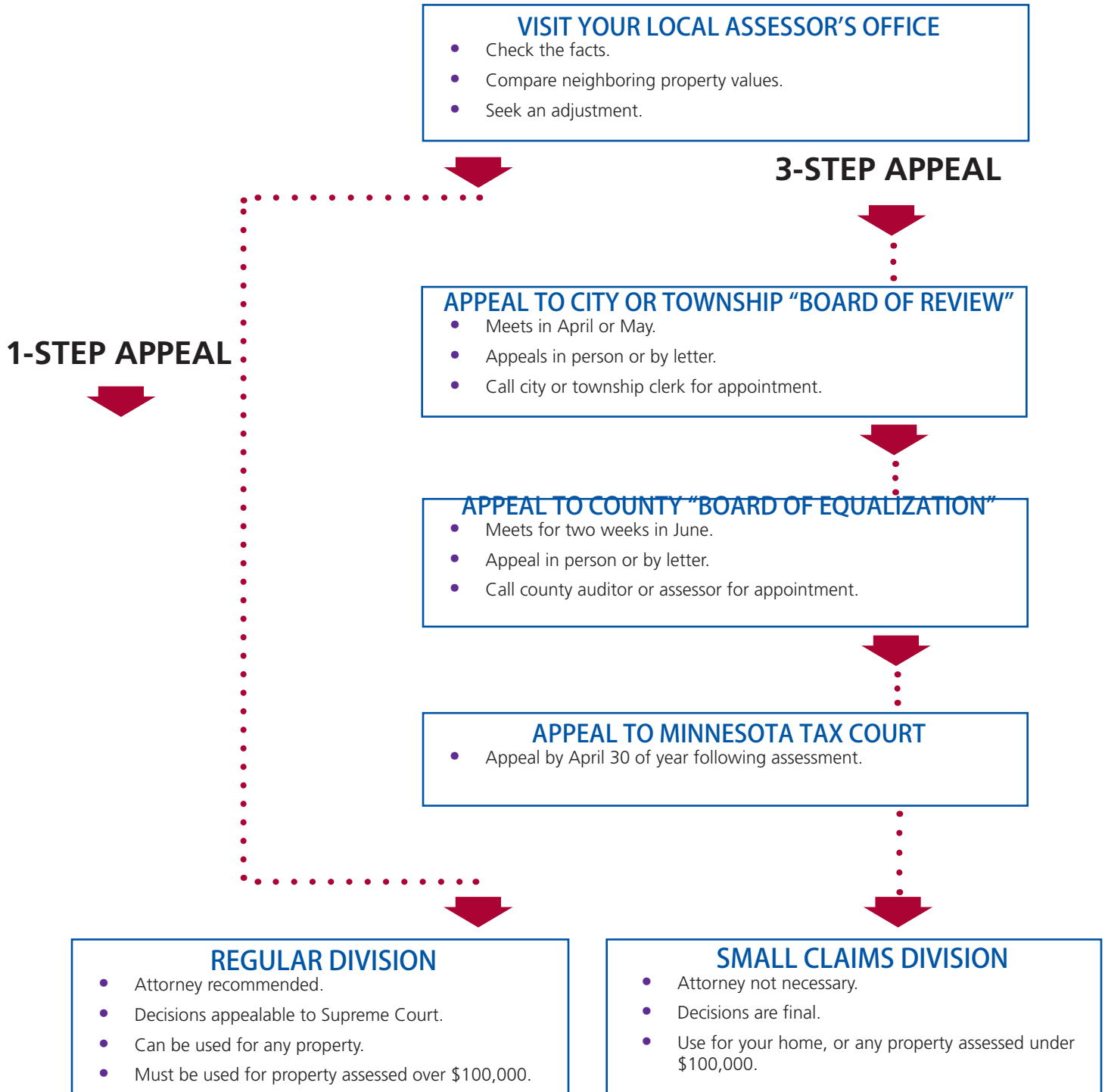
- Determine the services (such as street maintenance, fire and police protection) to be provided in the coming year.
- Estimate the costs of those services and determine what portion will come from property taxes.
- Prepare proposed budget/levy amounts
- Send final levy amounts to:
- Hold Truth-in-Taxation (TnT) hearings on budgets (if required by state law).
- Send final levy amounts to:

FINANCE DEPARTMENT AUDITOR/TREASURER

- Determines the tax capacity rates and also uses the state general tax rate by dividing the proposed levy by the proposed total amount of tax capacity in the taxing district.
- Auditor uses state general tax rate to compute taxes (certified by the Commissioner of MN Dept. of Revenue).
- Calculates the amount of each property owner's proposed state paid credits and net tax amount.
- Prepares TnT notice and mails to each taxpayer.
- Recalculates the amount of each property owner's tax based upon the final levy amounts.
- Prepares a listing of the tax on all property owners in the county and gives the list to:
- Creates the property tax statements from the county tax lists.
- Mails the statements by March 31 of the following year.
- Property owners mail in their payments (due in two installments on May 15 and October 15; except that the second installment of taxes on agricultural property is due on November 15).

Do You Think Your Property is Over-Assessed?

THE DIAGRAM BELOW SHOWS THE STEPS IN CONTESTING YOUR PROPERTY VALUATION:



Property Tax Classification Rates 2011

Property Type	'11 Class Rate	Tax Code ^(a)
Disabled Homestead up to \$50,000^(b)	0.45	R
Residential Homestead^(b)		
Up to \$500,000	1.0%	R
Over \$500,000	1.25	R
Residential Nonhomestead		
Single unit:		
Up to \$500,000	1.0	R
Over \$500,000	1.25	R
2-3 unit and vacant land	1.25	R
Apartments (4 or more units)	1.25	R
Low-income apartments	0.75	R
Agricultural Homestead		
House, garage, and one acre (HGA)	(c)	(c)
Other land and buildings:		
Up to \$1,140,000 ^(d)	0.5	
Over \$1,140,000 ^(d)	1.0	
Agricultural Nonhomestead	1.0	
Rural Vacant Land Nonhomestead	1.0	
Managed Forest Land	0.65	
Commercial-Industrial-Public Utility		
Electric generation machinery	2.0	R
Other:		
Up to \$150,000	1.5	S1, R
Over \$150,000	2.0	S1, R
Seasonal-Recreational-Residential		
Up to \$500,000	1.0	S2
Over \$500,000	1.25	S2

Property Type	'11 Class Rate	Tax Code ^(a)
Seasonal-Recreational-Commercial		
Homestead resorts (1c):		
Up to \$500,000		R
\$500,000 - \$2,200,000		R
Over \$2,200,000		S2, R
Up to \$600,000	0.5	R
\$600,000 - \$2,300,000	1.0	R
Over \$2,300,000	1.25	S2, R
Seasonal resorts (4c):		
Up to \$500,000	1.0	S2, R
Over \$500,000	1.25	S2, R
Homestead bed and breakfasts (first 5 units)	1.25	R
Miscellaneous Properties		
Golf courses (open to the public)	1.25	R
Nonprofit service organizations (nonrevenue)	1.5	R
Nonprofit service organizations (donations) ^(e)	1.5	S2, R
Fraternity/sorority houses	1.0	
Manufactured home park land (>50% owner-occupied)	0.75	R
Manufactured home park land (<50% owner-occupied)	1.0	R
Metro indoor rec. facilities	1.25	R
Noncommercial aircraft hangars	1.5	R
Seasonal restaurants on lake	1.25	R
Market Value Homestead Credit ^(f)		
Rate	0.4%	
Maximum	\$304	
Phase-out rate	0.09%	
Market Value Agricultural Credit ^(g)		
Rate	0.3%	
Maximum	\$345	
Phase-out rate	0.05%	

^(a) Tax Codes: S1=Subject to state general levy (commercial-industrial rate); S2=Subject to state general levy (seasonal-recreational rate); R=Subject to operating referenda (all property is subject to school bond referenda)

^(b) Homesteads of disabled veterans have \$300,000 of market value excluded if the disability is permanent and total (100 percent), or \$150,000 excluded otherwise, provided that the disability is rated 70 percent or higher. Properties receiving a market value exclusion do not qualify for the disabled homestead classification rate.

^(c) Same as residential homestead.

^(d) The first-tier valuation limit for agricultural homestead property is annually adjusted by the Commissioner of Revenue. It was set to \$1,140,000 for taxes payable in 2011, and then indexed to the change in the statewide average taxable market value per acre of deeded farmland.

^(e) Nonprofit service organizations that generate revenue qualify for this classification by making charitable donations at least equal to the previous year's property taxes and making the facility available for public meetings at no charge.

^(f) Due to the phase-out provision, homesteads valued above \$414,000 receive no credit.

^(g) The phase-out rate reduces the credit, but will not reduce it below \$230.

More information on Property Taxes can be found on the Minnesota House of Representatives Research Department web site at <http://www.house.leg.state.mn.us/hrd/topics.asp?topic=21>

Tax Glossary

CATEGORICAL AID: Aid given to a local unit of government to be used only for a specific purpose.

CIRCUIT BREAKER: See "Property Tax Refund."

CLASS RATES: The percent of market value set by state law that establishes the property's tax capacity subject to the property tax.

COUNTY PROGRAM AID: State property tax relief aid to counties, distributed with a formula based on needs (households on foodstamps, age of the population, number of serious crimes) and tax base equalization for counties with smaller tax bases.

EDUCATION AID: The total amount of state dollars paid for K-12 education. This aid is paid to the school districts.

FISCAL DISPARITIES: A program in the Twin Cities metropolitan area and on the iron range in which a portion of the commercial and industrial property value of each city and township is contributed to a tax base sharing pool. Each city and township then receives a distribution of property value from the pool based on market value and population in each city.

GENERAL PURPOSE AID: Aid given to units of government to be used at their own discretion. Examples are Local Government Aid and County Program Aid.

HIGHWAY AID: Motor fuels tax and license tab money the state distributes to counties, cities and townships for highways and bridges.

HOMESTEAD: A residence occupied by the owner.

INDIVIDUAL INCOME TAX: A state tax on the income of residents and non-residents with Minnesota sources of income that is deposited into the state general fund.

LEVY: The imposition of a tax, associated with the property tax.

LEVY LIMIT: The amount a local unit of government is permitted to levy for specific services under state law.

LIMITED MARKET VALUE: A state imposed limit on property value increases for the purpose of calculating property taxes.

LOCAL GOVERNMENT AID (LGA): A state government revenue sharing program for cities with low property wealth or high service burdens that is intended to provide an alternative to the property tax.

LOCAL SALES TAX: A local tax, authorized by the state, levied on the sale of goods and services to be used for specific purposes by the local government.

LOCAL TAX RATE: The tax rate usually expressed as a percentage of tax capacity, used to determine the property tax due on a property.

MARKET VALUE: An assessor's estimate of what property would be worth if it were sold.

MARKET VALUE AGRICULTURE CREDIT: A state credit to reduce the property tax paid by agricultural homesteads to the local taxing jurisdiction.

MARKET VALUE HOMESTEAD CREDIT: The Market Value Homestead Credit (MVHC) program was eliminated during the 2011 Special Session for taxes payable in 2012 and beyond. The credit was replaced with a market value exclusion. This guide describes the (MVHC) reimbursement program. The program was designed to provide state-paid property tax relief to owners of certain qualifying homestead property. This program has been replaced by the Market Value Homestead Exclusion (defined below).

MARKET VALUE HOMESTEAD 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. The exclusion provides for a portion of each home's market value to be excluded from its value for property tax calculations. The amount of value excluded is directly proportional to the MVHC the home received under the old law. In this way, each home contributes a smaller amount to each taxing jurisdiction's tax base. The tax rate tends to be a little higher because of the reduced tax base, which is why taxes increase for the other types of property. The tax burden on any given homestead could be lesser or greater depending upon the mix of properties in the jurisdiction and the level of the tax rate.

PROPERTY TAX: A tax levied on any kind of property.

PROPERTY TAX REFUND: A partial property tax refund program for those who have property taxes out of proportion with their income. This program is available to homeowners and renters.

SALES RATIO STUDY: A study conducted by the Department of Revenue of open market property sales, which is then compared to local assessments to ensure that local assessments adequately reflect the market.

STATE GENERAL PROPERTY TAX: A state-imposed property tax on commercial, industrial, and seasonal recreational properties.

STATE SALES TAX: A state tax (6.5%) levied on the sale of goods and services that is deposited into the state general fund.

TAX CAPACITY: The valuation of property based on market value and class rates, on which property taxes are determined.

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