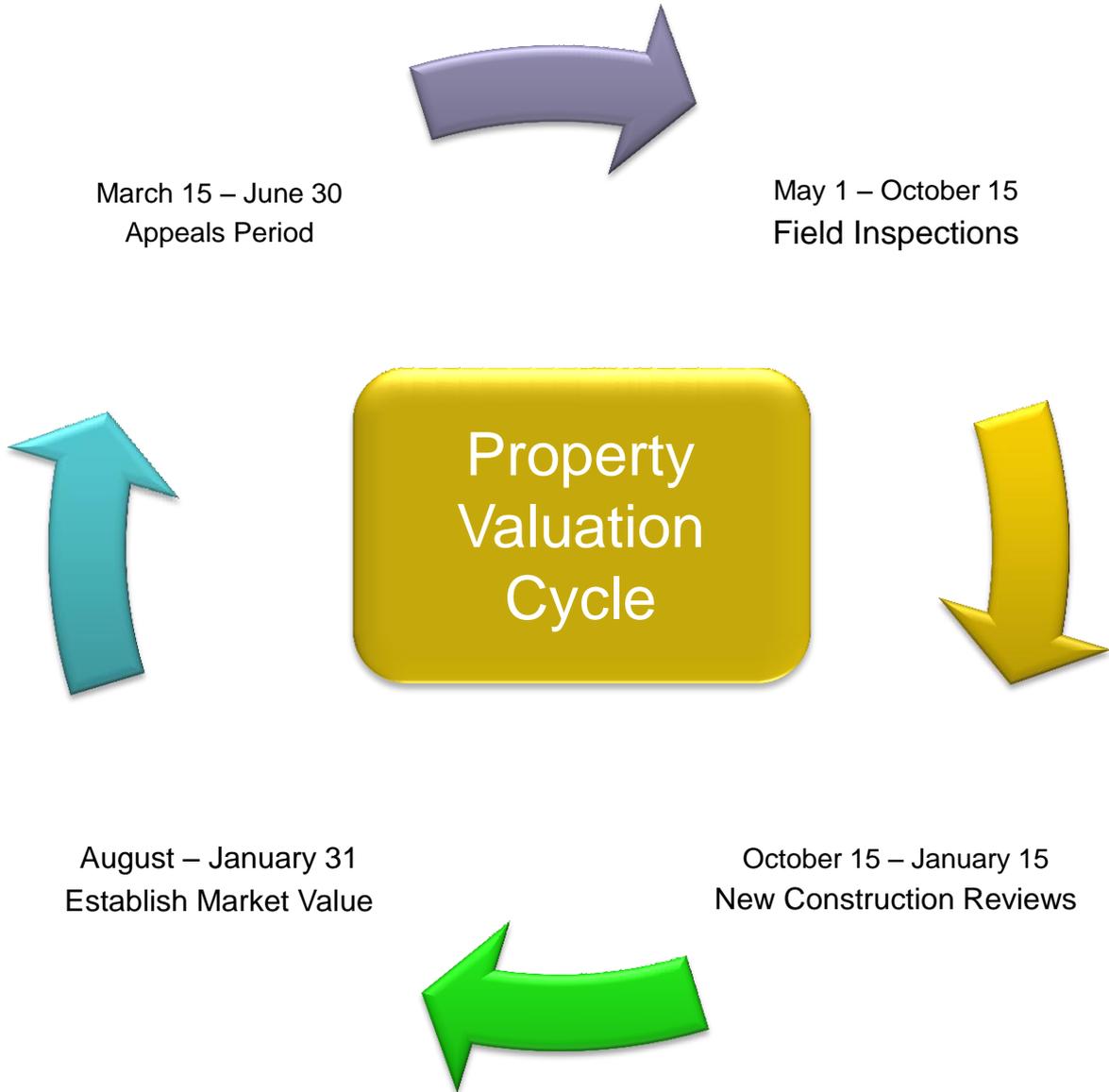


# **Property Tax and Value Workshop for State and Local Officials**

**December 13, 2012, 6:00 pm**

# Property Valuation Cycle

The Assessor's Office works throughout the year to estimate the market value and determine the classification (use) of each property on the **January 2<sup>nd</sup>** assessment date each year.



March 15 – June 30  
Appeals Period

May 1 – October 15  
Field Inspections

Property  
Valuation  
Cycle

August – January 31  
Establish Market Value

October 15 – January 15  
New Construction Reviews

May 1 – October 15

# **FIELD INSPECTIONS**

# Who are the property appraisers and what training do they have?

Washington County appraisers are professional appraisers certified and licensed by the State Board of Assessors

Certification requires experience & continuing education

- University of MN, IAAO, MAAO
- Other organizations (Appraisal Institute, Kaplan)

# What do the appraisers look for when reviewing a property?



Unique characteristics that contribute to the total value

Interior & Exterior features:

- Document the amenities
- Determine quality & condition of each property
- Location & neighborhood features

Minnesota state law requires properties to be reviewed at least once every 5 years

Each community has a rotating appraisal schedule to ensure compliance.

## Residential Notification

- Revaluation Announcement - postcards

## Commercial Notification

- Requests for income/expense info
- Conducted each year by use

Additional reviews may be conducted:

- New construction (permits)
- Property valuation appeals
- Anytime the assessor may need to verify information in order to assure an accurate assessment



# Number of Properties Reviewed

(Assessment years 2008-2012)

Calendar Year	2007	2008	2009	2010	2011
	ay2008	ay2009	ay2010	ay2011	ay2012
Residential Quintile	18,727	19,176	20,296	19,588	19,616
<i>% Interior Inspections</i>	41.6%	40.1%	38.1%	42.4%	33.8%
Apt/CI Reviews	1,152	870	1,374	1,278	1,243
<b>TOTAL</b>	<b>23,913</b>	<b>23,093</b>	<b>23,336</b>	<b>23,657</b>	<b>23,699</b>

October 15 – January 15

# **NEW CONSTRUCTION REVIEWS**

# Residential New Starts

Municipality	Ay2012 (2011 start)	Municipality	Ay2012 (2011 start)
Birchwood	1	Mahtomedi	12
Hastings	1	Bayport	13
Lake St Croix Beach	1	Baytown Twp	14
Lakeland	1	Oakdale	21
May Twp	1	Lake Elmo	22
Grant	2	Forest Lake	24
Afton	5	Stillwater City	44
Scandia	5	Hugo	46
West Lakeland Twp	6	Cottage Grove	53
Denmark Twp	7	Woodbury	279

# All New Construction Reviews

## New Construction Summary

Calendar Year	2007	2008	2009	2010	2011
	ay2008	ay2009	ay2010	ay2011	ay2012
Single Family	532	448	365	446	427
Townhome/Condo	509	259	230	145	131
Apartment	3	4	1	5	6
Commercial/Industrial	33	20	6	8	9
Misc Permits	2,957	2,099	1,064	2,187	2,267
<b>TOTAL</b>	<b>4,034</b>	<b>2,830</b>	<b>1,666</b>	<b>2,791</b>	<b>2,840</b>

August – January 31

**ESTABLISH MARKET VALUE**

# Three Approaches to Value:

## Cost Approach:

Estimate of depreciated reproduction or replacement cost of the improvements plus land value

## Income :

Values the revenue producing capabilities of a property. This method reviews market data derived from properties to determine income, expenses, vacancy rates and capitalization rates. A net operating income is capitalized into a value which includes the land...

$$V=I/R$$

## Sales Comparison:

Estimates the value of a property by statistically analyzing the sale prices of similar property or sales of a group of properties—mass appraisal

# What is mass appraisal and how does it differ from a fee (bank) appraisal?

## Fee Appraisal

- Purpose of appraisal is to obtain mortgage, refinancing, or insurance.
- Effective date of a fee appraisal can occur at any time.
- One property is valued at a time using one of the approaches to value just discussed - cost, income and the sale comparison approach.
- 3-6 properties are chosen to compare to the subject property.
- The sales comparables are typically limited to those that have occurred within the last three to six months.

# Mass Appraisal

- Purpose of appraisal is to determine value for taxation purpose.
- Effective date of appraisal is the January 2<sup>nd</sup> assessment date.
- Nearly 90,000 residential properties are valued each year by a relatively small staff of appraisers.
- All qualified sales that take place during a 12 month specific (October 1 – September 30) are used to establish uniform rates used in our Computer Aided Mass Appraisal (CAMA) system. This valuation method is essentially an automated application of the sales comparison approach.
- Statistical analysis is used to determine equitability among parcels within the county, within each community and down to the neighborhood level.

*The mass appraisal process values a large group of homes in a defined area (market area, community, neighborhood) by analyzing sales of similar property and applying the results to homes that have not sold.*

# Statistical Tools Used to Measure Accuracy

## Assessment Ratios

- The ***sales ratio*** shows the relationship between the EMV and a property's sale price
- The median ratio of a group of sales helps determine the percent of change needed
- Dept. of Revenue sets the level of assessment to be between 90% and 105%
- Washington County sets a 95% target median ratio for all communities in the county

$$\text{Ratio} = \text{EMV} / \text{Sale Price}$$

## Coefficients of Dispersion (COD)

- Measures uniformity of the assessment
- Indicates how tightly the sales ratios are clustered around the median ratio
- Lower rate of dispersion indicates a more uniform & fair distribution of value
- Goal of a good assessment is a COD of 10 to 20
  - <10 is excellent
  - >20 will mean an assessment review by the Dept. of Revenue

## Price Related Differential (PRD)

- Measures the equality between the assessment of high & low valued property
- A PRD range of .98 to 1.03 indicates most properties are treated equally regardless of value

March – June 30

# **APPEALS PERIOD**

Valuation notices are mailed around March 15<sup>th</sup> of each year

- Includes value, classification, and a comparison of the current year and prior year's assessment

Washington County Department of Property Records & Taxpayer Services  
 14949 62<sup>nd</sup> Street North PO Box 6  
 Stillwater, MN 55082-0006  
 (651) 430-6175  
 www.co.washington.mn.us

## Notice of Valuation and Classification for Taxes Payable in 2013

- This is NOT a bill -

This form is to notify you of the market value and classification of your property for assessment year 2012. The property taxes you will pay in 2013 will be based on this valuation and classification.

**Taxpayer:** KEVIN J & HOLLY B CORBID  
 1165 SETTLERS AVE  
 STILLWATER MN 55082-8382

**Property Information**  
**Property ID#:** 31.030.20.31.0022  
**Property Address:** 1165 SETTLERS AVE  
 STILLWATER MN  
**Municipality:** CITY OF STILLWATER  
**Tax Description:** THE LEGENDS OF STILLWATER Lot 15 Block 2

Property Classification	2011 Classification for the taxes you will pay in 2012	2012 Classification for the taxes you will pay in 2013	
<u>Property Classification</u>	Res Hstd	Res Hstd	<input type="checkbox"/> If this box is checked, your classification has changed from last year's assessment.

Property Valuation	2011 Valuation for the taxes you will pay in 2012	2012 Valuation for the taxes you will pay in 2013	
Estimated Market Value	315,000	292,700	
Green Acre Value Deferred			
Rural Preserve Value Deferred			
Plat Deferment			<i>New Improvements included in 2012 Estimated Market Value: \$0</i>
This Old House Exclusion			
Dis. Vets Market Value Exclusion			
<b>Referendum Market Value</b>	<b>315,000</b>	<b>292,700</b>	
Homestead Market Value Exclusion	8,900	10,900	
<b>Taxable Market Value</b>	<b>306,100</b>	<b>281,800</b>	

If you believe your valuation and property class are correct, it is not necessary to contact your assessor or attend any listed meeting.  
 If the property information is not correct, if you disagree with the values, or if you have other questions about this notice, please contact your assessor first to discuss any questions or concerns. Often your issues can be resolved at this level. If your questions or concerns are not resolved, more formal appeal options are available. Please read the back of this notice for important information about the formal appeal process.

**Open Book Meeting**

April 5, 2012	April 11, 2012	April 19, 2012	April 25, 2012
5:00-7:00 p.m.	5:00-7:00 p.m.	5:00-7:00 p.m.	2:00-7:00 p.m.
Cottage Grove City Hall 7516 80th St S	Oakdale City Hall 1584 Hadley Ave N	Woodbury City Hall 8301 Valley Creek Rd	Washington Co. Gov't Ctr 14949 62nd St N

Contact your Assessor at 651-430-6175 if you have any questions  
**County Board of Appeal and Equalization**  
 5:00 PM, TUESDAY, JUNE 12, 2012, GOVT CENTER - STILLWATER CALL 651-275-7521 BY MAY 11, 2012  
 Valuation information is available on the county website or at our office during normal business hours. Call 651-430-6175

Please read the back of this notice for important appeal information.

We encourage all property owners with concerns regarding their valuation or classification to call their appraiser.

- More formal appeal options are listed on each valuation notice.

If you believe your valuation and property class are correct, it is not necessary to contact your assessor or attend any listed meeting.

If the property information is not correct, if you disagree with the values, or if you have other questions about this notice, **please contact your assessor first to discuss any questions or concerns.** Often your issues can be resolved at this level. If your questions or concerns are not resolved, more formal appeal options are available. Please read the back of this notice for important information about the formal appeal process.

#### Open Book Meeting

April 5, 2012 5:00-7:00 p.m. Cottage Grove City Hall 7516 80th St S	April 11, 2012 5:00-7:00 p.m. Oakdale City Hall 1584 Hadley Ave N	April 19, 2012 5:00-7:00 p.m. Woodbury City Hall 8301 Valley Creek Rd	April 25, 2012 2:00-7:00 p.m. Washington Co. Gov't Ctr 14949 62nd St N
--	--	--	---

Contact your Assessor at: 651-430-6175 if you have any questions

#### County Board of Appeal and Equalization

5:00 PM, TUESDAY, JUNE 12, 2012, GOV'T CENTER - STILLWATER CALL 651-275-7521 BY MAY 11, 2012

Valuation information is available on the county website or at our office during normal business hours. Call 651-430-6175

**Please read the back of this notice for important appeal information.**

## The Local Board & Open Book meeting schedule is posted on our website in March

- Meetings must be posted & published by each community no later than 10 days prior to each meeting
- The County Assessor's Office conducts four (4) regional Open Book Meetings:
  - Stillwater
  - Cottage Grove
  - Woodbury
  - Oakdale

### 2012 Open Book & Local Board of Appeal & Equalization Meetings Schedule

Local Board Meetings	Place	Day	Date	Time
West Lakeland	Oak-Land Jr High School	Monday	April 9, 2012	10am-11am
Grey Cloud Island Township	Grey Cloud Island Town Hall	Tuesday	April 10, 2012	6pm-7pm
Scandia	Scandia Community Center	Monday	April 9, 2012	5pm-6pm
Baytown Township	Baytown Town Hall	Monday	April 9, 2102	4pm-5pm
Marine on St Croix	Marine City Hall	Tuesday	April 10, 2012	9am-10am
May Township	May Town Hall	Tuesday	April 10, 2012	9am-10am
Oak Park Heights	Oak Park Heights City Hall	Tuesday	April 10, 2012	6pm-7pm
Lakeland	Lakeland City Hall	Tuesday	April 10, 2012	5pm-6pm
Mahtomedi	Mahtomedi City Hall	Wednesday	April 11, 2012	5pm-6pm
Dellwood	Dellwood City Hall	Monday	April 23, 2012	5pm-5:30pm
Forest Lake	Forest Lake City Hall	Monday	April 16, 2012	6pm-8pm
Denmark Township	Denmark Town Hall	Tuesday	April 17, 2012	4:30pm-5:30pm
Hugo	Hugo City Hall	Thursday	April 19, 2012	5:30pm-7pm
Lake Elmo	Lake Elmo City Hall	Wednesday	April 25, 2012	5pm-7pm
Willemie	Willemie City Hall	Monday	April 30, 2012	5:30pm-6:30pm
Grant	Grant City Hall	Tuesday	May 1, 2012	6pm-7pm
Pine Springs	O H Anderson School	Tuesday	May 8, 2012	7:30pm-8:30pm

For those communities that do not hold a Local Board of Appeal & Equalization Meeting, residents may attend any of the four Regional Open Book Meetings listed below:

Regional Open Book Meetings	Place	Day	Date	Time
Cottage Grove	Cottage Grove City Hall	Thursday	April 5, 2012	5pm-7pm
Oakdale	Oakdale City Hall	Wednesday	April 11, 2012	5pm-7pm
Woodbury	Woodbury City Hall	Thursday	April 19, 2012	5pm-7pm
Stillwater	Government Center	Wednesday	April 25, 2012	2pm-7pm

### 2012 County Board of Appeal & Equalization

Tuesday June 12, 2012—Government Center—5pm

For an appointment before the County Board of Appeal & Equalization, please call 651.275.7521 by May 11, 2012

# Property Valuation or Classification Appeal Process

**Visit or call the County Assessor or Local Assessors Office FIRST**

- Discuss your concerns with the assessor or an appraiser
- Compare values of neighboring or similar properties
- Review local sales information

**Option 1:**

**Three Step Appeal**

**Option 2:**

**One Step Appeal**

To appeal your valuation or classification, follow the options as shown:

**STEP 1:**

Appeal to City or Township Local Board of Appeal & Equalization or Open Book Meeting

- Meetings held in April and May
- May appeal in person, by a representative, or by letter

**STEP 2:**

Appeal to County Board of Appeal & Equalization

- Meetings held in June
- May appeal in person, by a representative /agent, or by letter
- Call the County Assessors Office for an appointment

**STEP 3:**

Appeal to Minnesota Tax Court

- Appeal deadline is on or before April 30th of the year the taxes become payable on the property being appealed

If you aren't satisfied with the Local Board's decision, then proceed to Step 2.

If you aren't satisfied with the County Board's decision, then proceed to Step 3.

There are two (2) Tax Court Divisions

MN Tax Court - Small Claims Division

- Attorney not necessary
- Decision is final and cannot be appealed
- Use for your home or any property assessed under \$300,000.

MN Tax Court - Regular Division

- Attorney present recommended
- Decisions appealable to Supreme Court
- Can be used for any property
- Must be used for property assessed over \$300,000

# washington.minnesotaassessors.com

Appraisal  
Topics

Appraisal  
Reports

Parcel Info  
Search

Sale Search

Contact  
Information

The screenshot shows the website for Washington County Assessors. The browser address bar displays <http://washington.minnesotaassessors.com/>. The page header includes the Washington County logo and the text "Hosted by Vanguard Appraisals, Inc.". The main content area features a navigation menu on the left with buttons for Home, Real Estate Search, Sale Search, County's Main Website, Appraisal Topics, Appraisal Reports, Links, Contact Us, and Subscription Information. Below the navigation menu is a login section for additional options, with fields for User Name and Password, and a Login button. A note below the login fields states: "\*To obtain a user name and password, please contact Assessor's office." The visitor count is shown as 1,111,303. On the right side, there is a map of Minnesota with Washington County highlighted in green. A small image of the Washington County Government Center is overlaid on the map. A list of links points to Subscription Site, Sales Searches, and Residential Buildings. Below the map is an "Important News" section with a green header, dated 05/23/2012, and titled "Revaluation Areas - 2012 Maps". It includes links for North, Central, and South.

July 1

**VALUES ARE SET & TURNED  
OVER TO TAXATION**

# Assessor's Estimated Market Value (EMV) vs. Taxable Market Value (TMV)

- Property Tax is a 2 year cycle – value determined by Assessor on January 2 is used for taxes payable the following year
- Property Tax is ad valorem = according to value
- Value that is actually used in calculating property taxes is different than EMV
- Certain Property Tax Programs provide for Exemptions/Exclusions/Deferrals of market value that exclude value from taxation and shift the tax burden to other properties

## Reductions from Estimated Market Value to arrive at Taxable Market Value

- Green Acres Deferral
- Rural Preserve Deferral
- Open Space Deferral
- Plat Law Exclusion
- This Old House Exclusion
- Disabled Veterans Exclusion
- Mold Damage Exclusion
- Homestead Exclusion

# Green Acres Deferral

*Applies to class 2a agricultural property that is facing increasing values due to pressures not related to the agricultural value of the land. This value is determined by looking at what comparable agricultural land is selling for in areas where there is no development pressure. The taxes on the higher value are deferred until the property is sold, transferred, withdrawn or no longer qualifies for the program. Properties leaving the program are required to pay back the last three years of deferment.*

## Rural Preserve Deferral

*Applies to class 2b rural vacant land that is part of a farm homestead or that had previously been enrolled in Green Acres, if it is contiguous to agricultural land enrolled in Green Acres. This value may not exceed the Green Acres value for tilled lands. The taxes on the higher value are deferred so long as the property qualifies. Properties leaving the program are required to pay back the last three years of deferment.*

# Open Space Deferral

*The Minnesota Open Space Property Tax Law recognizes that development pressures for residential, commercial, or other uses can jeopardize the supply of private outdoor, recreational, open space, and park lands whose valuations have increased in excess of their open space uses. This law allows owners of open space property to apply for the deferment of the market value that exceeds the open space use value, and its associated taxes. Properties leaving the program are required to pay back the last seven years of deferment.*

# Plat Law Exclusion

*For land that has been recently platted (divided into individual lots) but not yet improved with a structure, the increased market value due to platting is phased in over three years.*

*If construction begins, the lot will be assessed at full market value in the next assessment.*

# This Old House Exclusion

*This program expired with the 2003 assessment. However, property may still be receiving the value exclusion until 2013.*

*Qualifying properties with improvements that increased the estimated market value by \$5,000 or more were eligible to have some of the value deferred for a maximum of 10 years. After this time, the deferred value is phased in.*

# Disabled Veterans Exclusion

*Qualifying disabled veterans may be eligible for a valuation exclusion on their homestead property:*

*Veterans with 70% to 100% service-connected disability are eligible for a market value exclusion of 150,000.*

*Veterans with total (100%) and permanent service-connected disability are eligible for a market value exclusion of 300,000.*

# Mold Damage Exclusion

*For homestead properties damaged by mold. The taxpayer must file an application. The cost of the repair must be at least \$20,000. Upon completion of the work the county board must grant a reduction in market value equal to the cost of repairing the mold damage.*

# Homestead Exclusion

*Applies to residential homesteads and to the house, garage, and one acre of land on agricultural homesteads.*

*The exclusion is 40% of the value up to 76,000, with a maximum exclusion of 30,400, and then decreases by 9% for value over 76,000.*

*The exclusion phases out to 0 for properties valued at 413,800 or more.*

*(exclusion implemented in 2012, prior to that Homestead was a credit)*

## Reductions from Estimated Market Value to arrive at Taxable Market Value

Estimated Market Value –  
Green Acres Deferral – Rural Preserve Deferral –  
Open Space Deferral – Plat Law Exclusion – This Old  
House Exclusion – Disabled Veterans Exclusion –  
Mold Damage Exclusion – Homestead Exclusion  
= **Taxable Market Value**

*However, Taxable Market Value is still not the base value for calculating property taxes ...*

# Classification

- Use of a property determines its classification
- Classification provides for different types, or classes, of property to be taxed at different rates. The Legislature sets a class rate for each property classification. Class rate is applied to TMV and results in “Tax Capacity”:

**Taxable Market Value x Class Rate = Tax Capacity**

- Most taxes are based on tax capacity.
- This structure allows different types of property to be taxed at different levels and determines who pays what share of the total property tax bill

# Class Rate Examples

- Residential Homestead & Non-Homestead
  - First 500,000 @ 1.00%
  - Over 500,000 @ 1.25%
- Agricultural Land Homestead
  - First 1,290,000 @ 0.50%
  - Over 1,290,000 @ 1.00%
- Agricultural Land Non-Homestead
  - All @ 1.00%
- Commercial/Industrial/Public Utility
  - First 150,000 @ 1.50%
  - Over 150,000 @ 2.00%

# Example of Tax Capacity Calculation on 250,000 Residential Homestead vs. Commercial/Industrial



## Residential Homestead

EMV 250,000

- 14,700 Homestead Exclusion

= TMV 235,300 x 1.00% = **2,353** Tax Capacity



## Commercial-Industrial

150,000 x 1.50% = 2,250

100,000 x 2.00% = 2,000

250,000 EMV/TMV **4,250** Tax Capacity

# Multiple Tax Bases

- **Tax Capacity** is the basis for most taxes.
- **Referendum Market Value** is the basis for some referendum levies, such as County LWLP, School operating levies.
  - Does not apply to farm land, cabins
  - Reduced rate on value with a class rate  $< 1.0\%$
  - Does apply to homestead exclusion value
- **State Tax Base**
  - Cabins (reduced rate on 1<sup>st</sup> 76,000)
  - Commercial/Industrial/Utility
  - Does not apply to electric generating machinery

# Pay 2013 Class Rate/Tax Base Table

Classification	Class Rate	Tax Capacity	Fiscal Disparity	State Tax	Market Value Tax
<b>1a Residential Homestead</b>					
first 500,000	1.00%	X	--	--	X
over 500,000	1.25%	X	--	--	X
<b>1b Blind/Disabled homestead</b>					
first 50,000	0.45%	X	--	--	X
<b>1c Commercial seasonal-residential-recreational-under 250 days and includes homestead</b>					
first 600,000	0.50%	X	--	--	X
600,000 – 2,300,000	1.00%	X	--	--	X
over 2,300,000	1.25%	X	--	X	X
<b>1d Migrant housing</b>					
first 500,000	1.00%	X	--	--	X
over 500,000	1.25%	X	--	--	X
<b>2a Agricultural Homestead</b>					
<b>House, Garage, One Acre:</b>					
first 500,000	1.00%	X	--	--	X
over 500,000	1.25%	X	--	--	X
<b>Remainder 2a Productive or</b>					
<b>2b Rural Vacant:</b>					
first 1,290,000	0.50%	X	--	--	--
over 1,290,000	1.00%	X	--	--	--

<b>Classification</b>	<b>Class Rate</b>	<b>Tax Capacity</b>	<b>Fiscal Disparity</b>	<b>State Tax</b>	<b>Market Value Tax</b>
<b>2a Agricultural Non-homestead Productive</b>	1.00%	X	--	--	--
<b>2a Agricultural Non-homestead property owned by Farming Entities with shareholders or members utilizing unused 1<sup>st</sup> tier Agricultural Homestead Value</b>	0.50%	X	--	--	--
<b>2b Rural Vacant Land Non-homestead</b>	1.00%	X	--	--	--
<b>2b Rural Vacant Land Non-homestead property owned by Farming Entities with shareholders or members utilizing unused 1<sup>st</sup> tier Agricultural Homestead Value</b>	0.50%	X	--	--	--
<b>2c Managed Forest</b>	0.65%	X	--	--	--
<b>2d Private Airport</b>	1.00%	X	--	--	--
<b>2e Unmined Commercial Aggregate Deposit</b>	1.00%	X	--	--	--
<b>3a Commercial-Industrial and Public Utility</b>					
first 150,000	1.50%	X	X	X	X
over 150,000	2.00%	X	X	X	X
<b>3a Electric generating public utility machinery</b>	2.00%	X	X	--	X
<b>3a All other public utility machinery</b>	2.00%	X	X	X	X

Classification	Class Rate	Tax Capacity	Fiscal Disparity	State Tax	Market Value Tax
<b>4a Apartment (four or more units, including private for-profit hospitals)</b>	1.25%	X	--	--	X
<b>4b(1) Residential Non Homestead one to three units that does not qualify for class 4bb</b>	1.25%	X	--	--	X
<b>4b(2) Unclassified manufactured homes</b>	1.25%	X	--	--	X
<b>4b(3) Farm non-homestead containing more than one residence but fewer than four along with the acre(s) and garage(s)</b>	1.25%	X	--	--	X
<b>4b(4) Residential non-homestead not containing a structure</b>	1.25%	X	--	--	X
<b>4bb(1) Residential non-homestead single unit</b>					
first 500,000	1.00%	X	--	--	X
over 500,000	1.25%	X	--	--	X
<b>4bb(2) Single house, garage, one acre on ag non-homestead land</b>					
first 500,000	1.00%	X	--	--	X
over 500,000	1.25%	X	--	--	X

Classification	Class Rate	Tax Capacity	Fiscal Disparity	State Tax	Market Value Tax
<b>4c(1) Seasonal residential recreational commercial</b>					
first 500,000	1.00%	X	--	X	X
over 500,000	1.25%	X	--	X	X
<b>4c(2) Qualifying golf courses</b>	1.25%	X	X	--	X
<b>4c(3) Nonprofit community service oriented organization</b>					
(i) Non-Revenue	1.50%	X		--	X
(ii) Donations	1.50%	X		X	X
<b>4c(4) Post secondary student housing</b>	1.00%	X	--	--	--
<b>4c(5)(i) Manufactured home park</b>	1.25%	X	--	--	X
<b>4c(5)(ii) Manufactured home park cooperative</b>					
over 50% shareholder occupied	0.75%	X	--	--	X
50% or less shareholder occupied	1.00%	X	--	--	X
<b>4c(6) Metro non-profit recreational property</b>	1.25%	X	--	--	X
<b>4c(7) Certain leased or privately owned non-commercial aircraft storage hangars (includes land): on leased land</b>	1.50%	X	--	--	X
<b>4c(8) Certain leased or privately owned non-commercial aircraft storage hangars (includes land): on private land</b>	1.50%	X	--	--	X

Classification	Class Rate	Tax Capacity	Fiscal Disparity	State Tax	Market Value Tax
<b>4c(9) Bed and Breakfast up to 5 units</b>	1.25%	X	--	--	X
<b>4c(10) Seasonal Restaurant on a Lake</b>	1.25%	X	--	--	X
<b>4c(11) Qualifying Marinas:</b> first 500,000 over 500,000	1.00% 1.25%	X	--	--	X
<b>4c(12) Non-Commercial Seasonal residential recreational (cabin)</b> first 76,000 76,000 - 500,000 over 500,000	1.00% 1.00% 1.25%	X X X	-- -- --	40% X X	-- -- --
<b>4d Qualifying low income – land and buildings</b>	0.75%	X	--	--	X
<b>5(1) Unmined or low recovery iron ore</b>	2.00%	X	--	X	X
<b>5(2) All other property not included in any other class</b>	2.00%	X	--	--	X

# Tax Bases

- The tax base values are calculated for each parcel
- The tax base values calculated for individual parcels are summed to determine the total tax base value of each taxing authority.
- An individual parcel's tax liability is based on what percentage the parcel's value is of the taxing authority total. This is done by calculating a tax rate.

# Adjustments to Tax Capacity Tax Base

- There are special provisions for certain programs to use a portion of tax capacity for other purposes:
  - Tax Increment Financing Districts
  - Fiscal Disparities
  - Power Line Credit
- Since the tax capacity is being used for other purposes, it is not available to the county/city-town/school/special taxing districts to fund local levies, therefore the tax capacity value dedicated to those programs must be subtracted when determining the local tax capacity used to calculate the tax rate.

# Adjustments to Tax Capacity Base Tax Increment Financing Districts

- TIF is an economic development tool
- Captures tax on increase in value
- Value captured by TIF is used to fund project development costs in the TIF district and so is not available to fund county/city-town/school/special taxing district levies.
- Value captured by TIF is subtracted when determining tax capacity value used to calculate the local tax rate.

# Adjustments to Tax Capacity Base

## Fiscal Disparities

- Tax base sharing program enacted in 1971
- Each taxing authority shares 40% of C/I growth since 1971 with metro wide “pool”.
- Value in “pool” is redistributed on a formula based on relative fiscal capacity (market value per capita).
- A portion of each tax authority’s levy is funded by the pool and reduces the levy to the local taxpayers.
- Countywide, net contributor for the first time in 2013. Some jurisdictions within the county are still net gainers.

# Adjustments to Tax Capacity Base

## Fiscal Disparities

- Value shared/contributed to the fiscal disparity pool is not available to fund county/city-town/school/special taxing district levies and is subtracted when determining tax capacity value used to calculate the local tax rate.
- The Fiscal Disparities program affects tax calculation on a C/I property. It is subject to a uniform metro-wide tax rate on a portion of the value. In Washington County, this rate is higher than local rates.

# Adjustments to Tax Capacity Base

## Power Line Credit

- 10% of the value of Power Lines >200 KV built after 7/1/1974 is excluded from the tax capacity value used to calculate the local tax rate.
- The tax generated by the excluded value is used to fund the Power Line Credit that is given to the properties the line crosses over.

# Tax Rate Calculation

- Property taxes are different from income taxes, where rates are set but the total amount raised is unknown.
- With property taxes, the amount to raise is determined and a rate is calculated that raises exactly that amount, no more.
- Stable revenue source, no deficits or windfalls.

## Tax Rate Calculation

- Taxing districts determine the amount of money they need to fund the services they provide. They subtract what will be funded by non-property tax revenue or state aids to determine the portion to be funded by taxpayers.
- They certify the **levy** amount to the County.
- The County subtracts the portion of the levy that will be funded from the fiscal disparity pool to come up with a local levy and calculates a tax rate for each taxing district:

$$\text{Local Levy} \div \text{Tax Base Value} = \text{Tax Rate}$$

# Tax Rate Calculation

- Each tax base has a different rate that applies
- County calculates both tax capacity based and market value based rates
- The Minnesota Department of Revenue calculates the State General Tax Rate and certifies to each county. The same rate applies statewide.

## Tax Rate Calculation

Budget:	\$500,000
State Aid/Other Revenue Sources:	\$50,000
Portion of Levy funded by Fiscal Disparities:	\$75,000
Total Tax Capacity Value:	1,000,000

1. Certified Levy = Budget – State Aid/Other Sources  
 $\$500,000 - \$50,000 = \$450,000$
2. Local Levy = Certified Levy – Fiscal Disparities portion  
 $\$450,000 - \$75,000 = \$375,000$
3. Tax Rate = Local Levy ÷ Value  
 $\$375,000 \div 1,000,000 = 37.500\%$

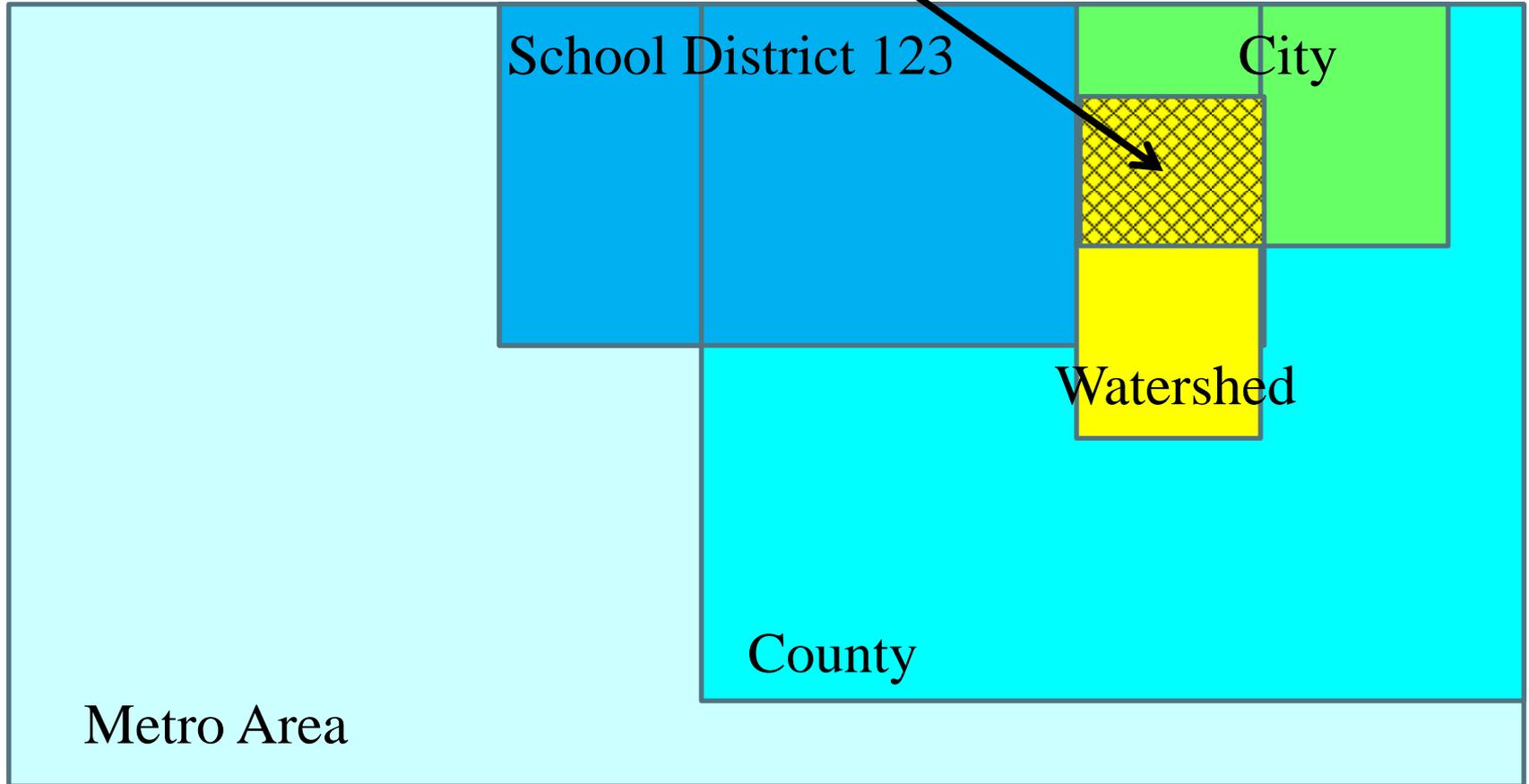
# Tax Rate Calculation

Tax rates are calculated for each taxing district:

- County
- Cities/Towns
- Schools
- State
- Metro Special Taxing Districts: Metropolitan Council, Transit District, Metropolitan Mosquito Control
- Other Special Taxing Districts: Watershed Districts, County HRA, City HRA/EDA, County Regional Rail
- The rate that applies to a parcel is the total of the rates of all taxing authorities it is located within – sometimes referred to as a unique taxing area.

# Unique Taxing Area Example

*Unique Taxing Area: Geographic area with the same set of tax rates that apply*



# Tax Calculation

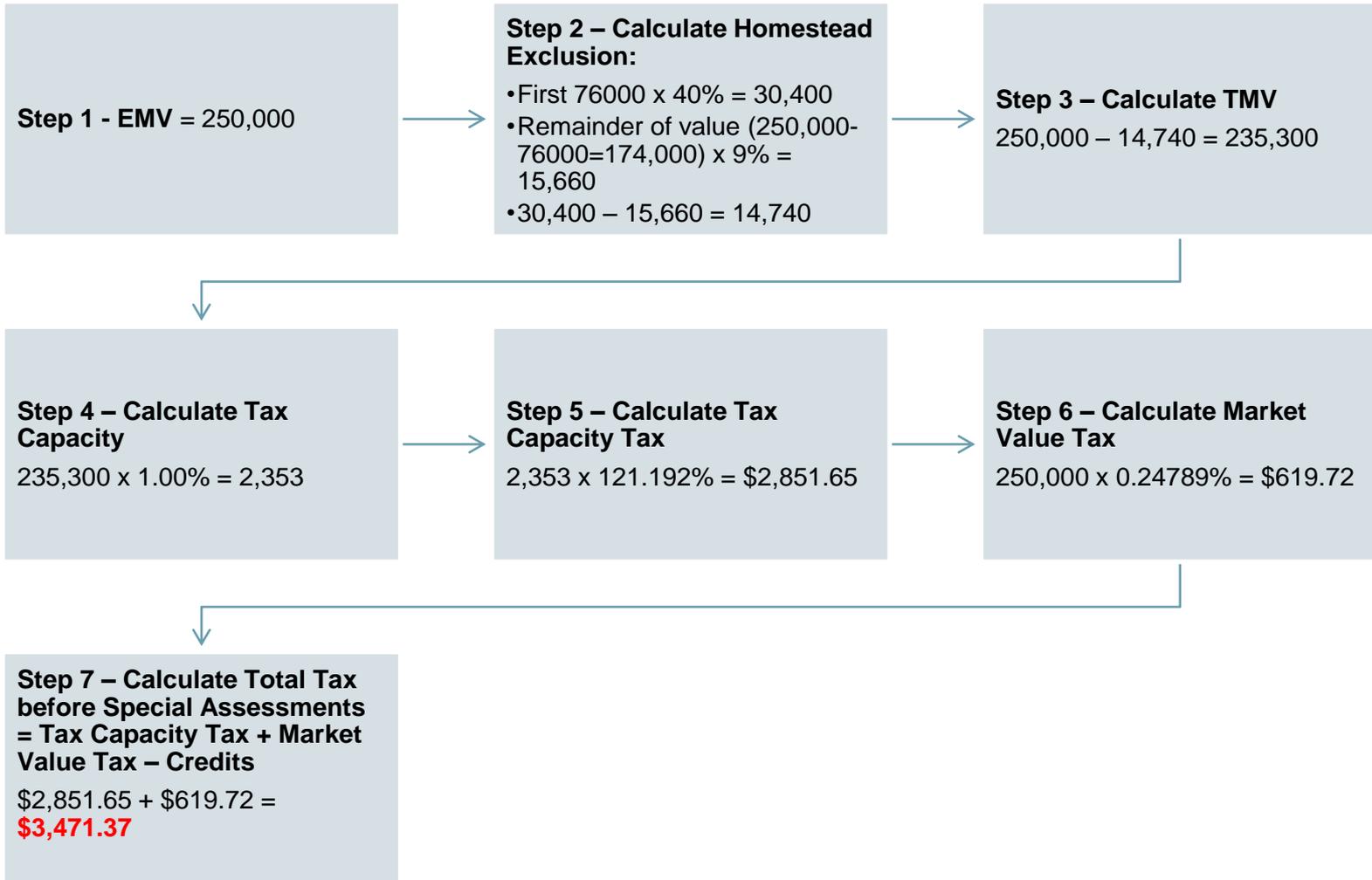
Taxes are calculated for each parcel of property:

- **Tax Capacity Tax** = Tax Capacity x Tax Capacity Rate
- **Fiscal Disparity Tax** = Fiscal Disparity Tax Capacity x Fiscal Disparity Rate (applies to C/I property only)
- **Market Value Tax** = Referendum Market Value x Market Value Rate (does not apply to farm land or cabins)
- **State Tax** = Tax Capacity x State Rate (applies to C/I and cabins)
- **Total Tax** = Tax Capacity Tax + Fiscal Disparity Tax + Market Value Tax + State Tax

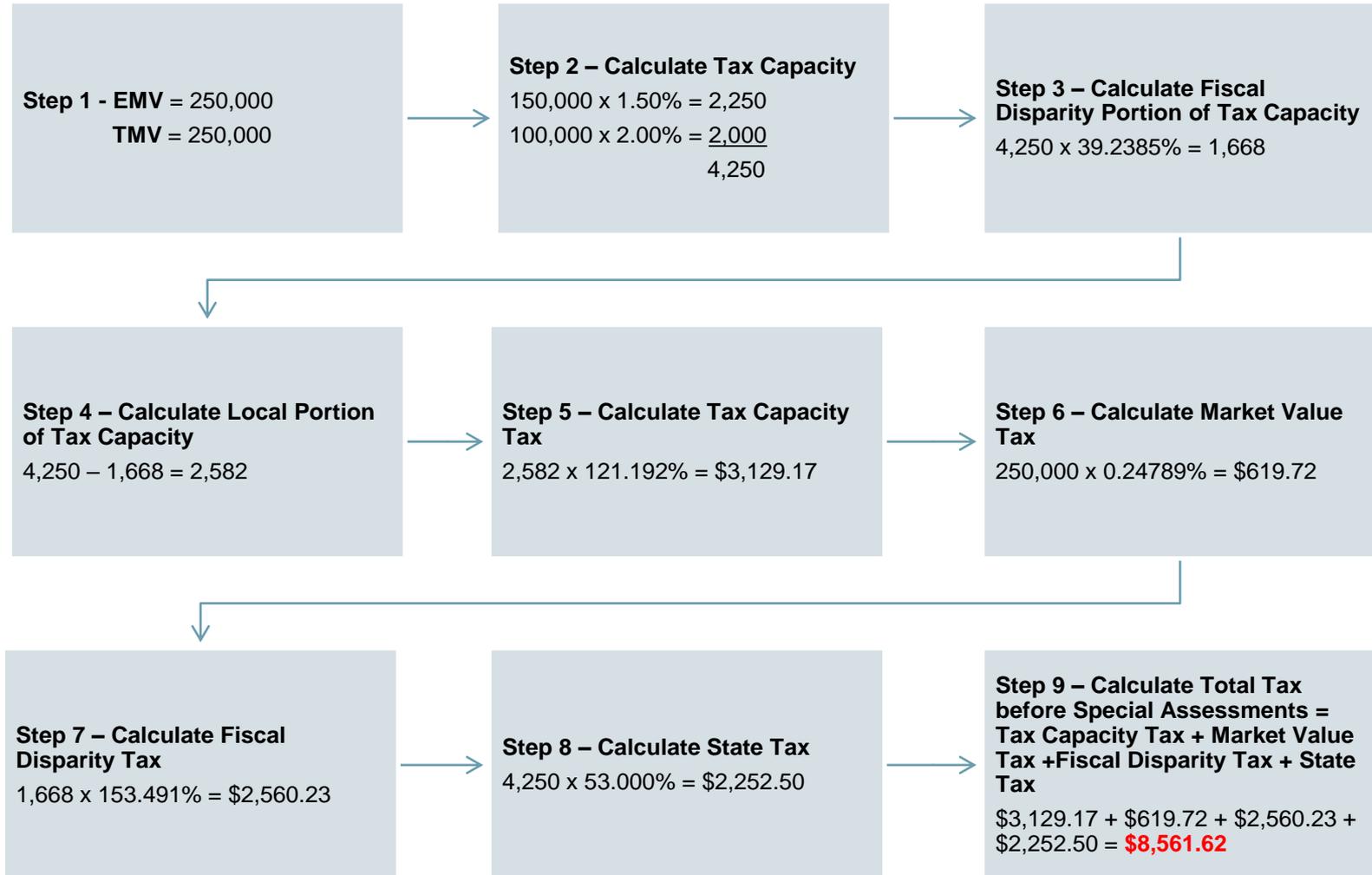
Credits are subtracted from the Gross Tax to arrive at the Net Tax Payable:

- **Powerline Credit, Ag Preserve Credit, Ag Homestead Credit**

# Example of Residential Homestead Tax Calculation



# Example of Commercial/Industrial Tax Calculation



# Proposed Tax Notices - Truth in Taxation Process

- Taxing Authorities certify proposed levies to the county by **September 15** (schools October 1).
- County calculates rates and taxes based on proposed levies.
- County mails a notice of proposed taxes to taxpayers between **November 10-24**. Includes date and location of budget meetings. Local units are able to include an insert to provide additional information.
- Taxing authorities hold budget meetings on proposed taxes **November 26 – December 26**.
- After receiving public input, taxing authorities set their final levies and certify to the county by **December 28**.

# Tax Statement Process

- Final levies are due **December 28**
- County repeats the tax rate and tax calculation process using the final levies
- Special Assessments are included with the final taxes
  - Special assessment certification is due **November 30**
  - Delinquent Utilities are due **December 28**
- County mails tax statements by **March 31**
- Mailed along with the value notice for the following year



## Due Dates

- First half Property Taxes are due **May 15** (\$100 or less is due in full May 15)
- Second half Property Taxes are due **October 15**
- Second half Ag is due **November 15**
- Manufactured Homes are due **August 31** and **November 15** (\$50 or less is due in full August 31)

## What happens if tax is not paid on time?

- Reminder letters sent after first half/second half due date
- Penalty begins to accrue the day after the due date and the rate increases monthly throughout the current payable year. Any amount remaining unpaid on January 2 following the year the tax is due is subject to a 10% penalty on homestead property, 14% on non-homestead property.
- Starting in January the following year interest accrues in addition to unpaid tax and penalty. The current interest rate is 10%.

## Collection and Distribution

- County collects taxes on behalf of all local taxing authorities and the state
- County periodically distributes collections back to the levying taxing authorities through the “settlement” process.
- July 5 (State of MN June), December 1, January 25.
- County distributes only what was collected, may not be full levy. Reasons for difference:
  - Delinquencies
  - Abatements/additions
  - Tax Court ordered changes
- Collection rates are generally high; county average > 98% collected in the year of the levy

## What if property taxes aren't paid?

- Process for new delinquent parcels each year:
  - Letter mailed to taxpayer
  - Publication in newspaper
  - Court Judgment
- Redemption period:
  - 3 years non-homestead or in a city
  - 5 years homestead or in a township
- If taxes are not paid within the 3-5 year redemption period, the property will forfeit to the State of MN
- County manages tax forfeited land on behalf of the State

# State Property Tax Refund Programs

## **Regular Property Tax Refund “Circuit Breaker”**

- Residential Homestead property
- Refund is based on income and property tax due
- Household Income must be less than \$100,780 (2011)
- Maximum refund is \$2,460

## **Special Property Tax Refund**

- Residential Homestead property
- For property owners whose taxes increased more than 12% and the increase was over \$100. The refund is 60% of the increase over 12%, to a maximum of \$1,000. No income requirements.

# Senior Citizen Deferral Program

- Allows taxpayers 65 or older with household incomes of \$60,000 or less to defer a portion of the property taxes on their home.
- It limits the property taxes to 3% of household income.
- It is not a tax forgiveness program – it is a low interest loan from the state.
- The State pays the deferred tax to the county.
- Interest is charged by the state. The rate is adjusted annually but will not exceed 5%.
- A lien attaches to the property.
- If property is sold or no longer qualifies, the deferred loan plus interest is due within 90 days.

# Property Tax Myths

- Your value for property tax purposes should be significantly below what the property would sell for.
  - *Required to be between 90%-105%; county goal is 95%*
- If property values go up, the county, city and other governments get more money.
  - *Value does not create the tax burden, it only distributes it. The only way taxing districts get more money is by increasing the levy. Value increases by themselves do not increase the total amount of taxes raised (although they can raise taxes on individual parcels).*

# Property Tax Myths

- If property values go down, the county, city and other governments get less money.
  - *Value does not create the tax burden, it only distributes it. The only way taxing districts get less money is by decreasing the levy. Value reductions by themselves do not decrease the total amount of taxes raised (although they can decrease taxes on individual parcels).*
- My value went down so my taxes should go down.
  - *Value reductions do not necessarily lead to tax reductions. Depends on levy changes and how the value change compared to other parcels. If all parcels had the same value reduction and the levy did not change, there would be no change in tax.*

# Reasons for Tax Changes

- Change in taxing district levies
- Change in the parcel's classification
- Change in the parcel's value
- How does the value change on the parcel compare to the value change on other parcels, did it go up or down more or less than average?
- Change in the total value (tax base) of taxing districts
- Homestead value exclusion increases as the value decreases/decreases as the value increases
- Law changes such as changes in class rates

# Impact of Value Changes on Distribution of Tax Burden



**House 1**

**House 2**

**House 3**

**House 4**

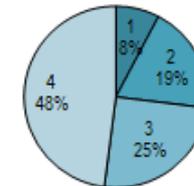
**Scenario 1 - all values stay the same**

EMV:	100,000	200,000
Pct Chg:	0.0%	0.0%
Tax:	\$766	\$1,928
Pct Chg:	0.0%	0.0%

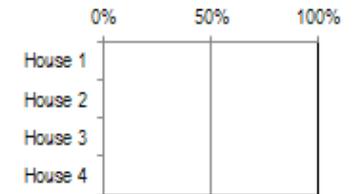
EMV:	250,000
Pct Chg:	0.0%
Tax:	\$2,509
Pct Chg:	0.0%

EMV:	450,000
Pct Chg:	0.0%
Tax:	\$4,798
Pct Chg:	0.0%

**% of Total Tax**



**% Change MV/Tax**

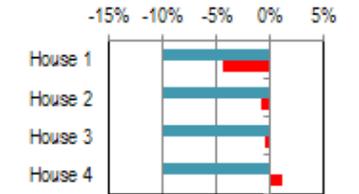
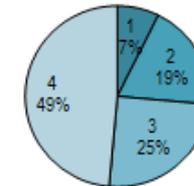


**Scenario 2 - all values go down 10%**

EMV:	90,000	180,000
Pct Chg:	-10.0%	-10.0%
Tax:	\$732	\$1,911
Pct Chg:	-4.4%	-0.9%

EMV:	225,000
Pct Chg:	-10.0%
Tax:	\$2,500
Pct Chg:	-0.4%

EMV:	405,000
Pct Chg:	-10.0%
Tax:	\$4,858
Pct Chg:	1.3%

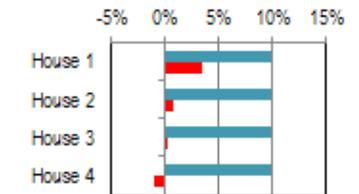
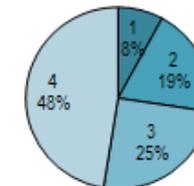


**Scenario 3 - all values go up 10%**

EMV:	110,000	220,000
Pct Chg:	10.0%	10.0%
Tax:	\$793	\$1,943
Pct Chg:	3.5%	0.8%

EMV:	275,000
Pct Chg:	10.0%
Tax:	\$2,517
Pct Chg:	0.3%

EMV:	495,000
Pct Chg:	10.0%
Tax:	\$4,747
Pct Chg:	-1.1%

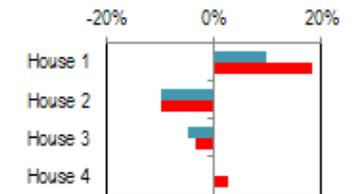
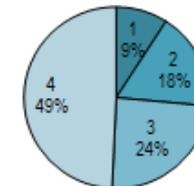


**Scenario 4 - value changes variable**

EMV:	110,000	180,000
Pct Chg:	10.0%	-10.0%
Tax:	\$906	\$1,741
Pct Chg:	18.3%	-9.7%

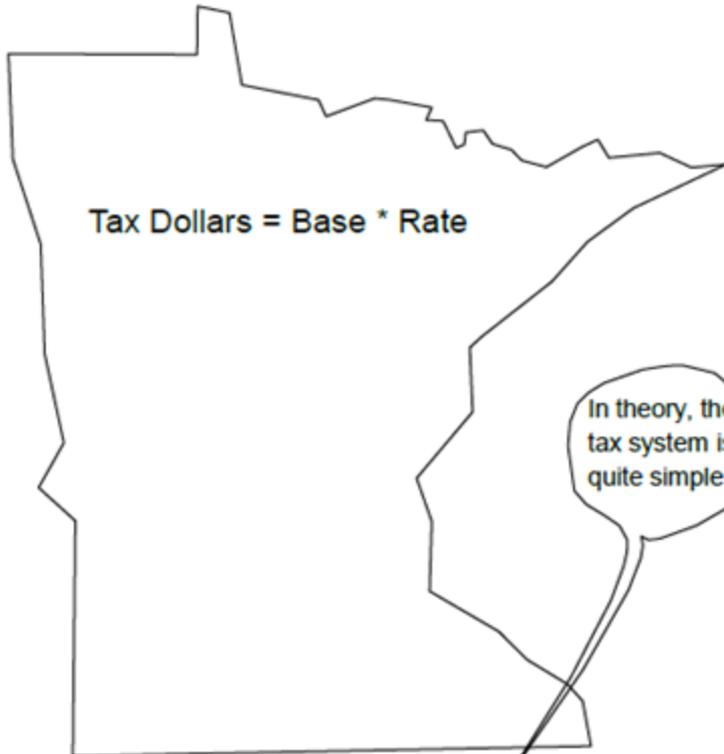
EMV:	237,500
Pct Chg:	-5.0%
Tax:	\$2,426
Pct Chg:	-3.3%

EMV:	450,000
Pct Chg:	0.0%
Tax:	\$4,927
Pct Chg:	2.7%

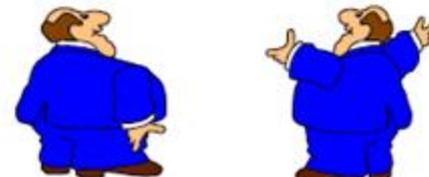
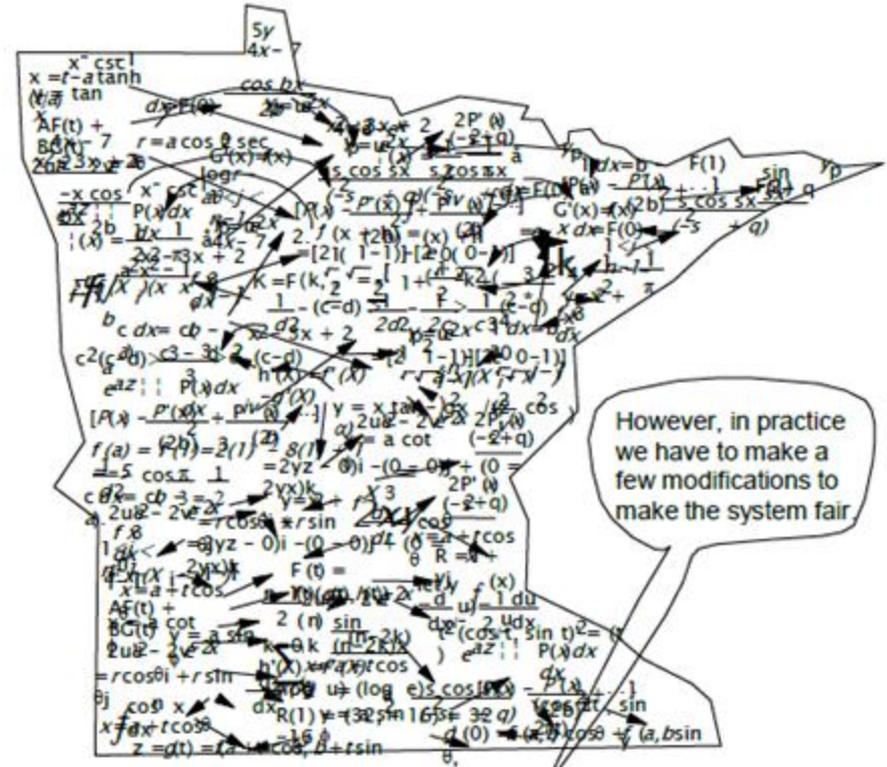


# In Summary:

## Minnesota's Tax System in Theory



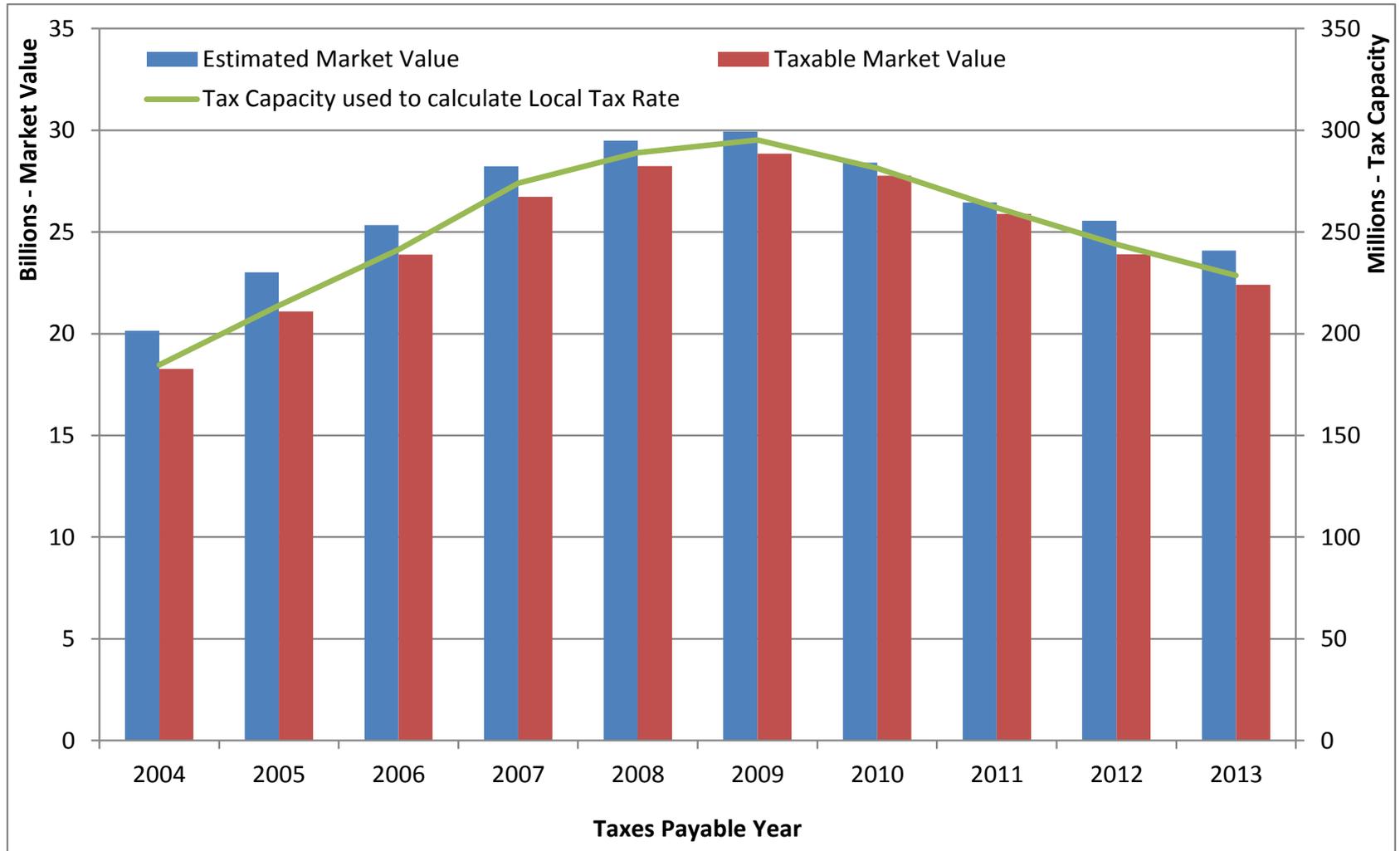
## and in Practice



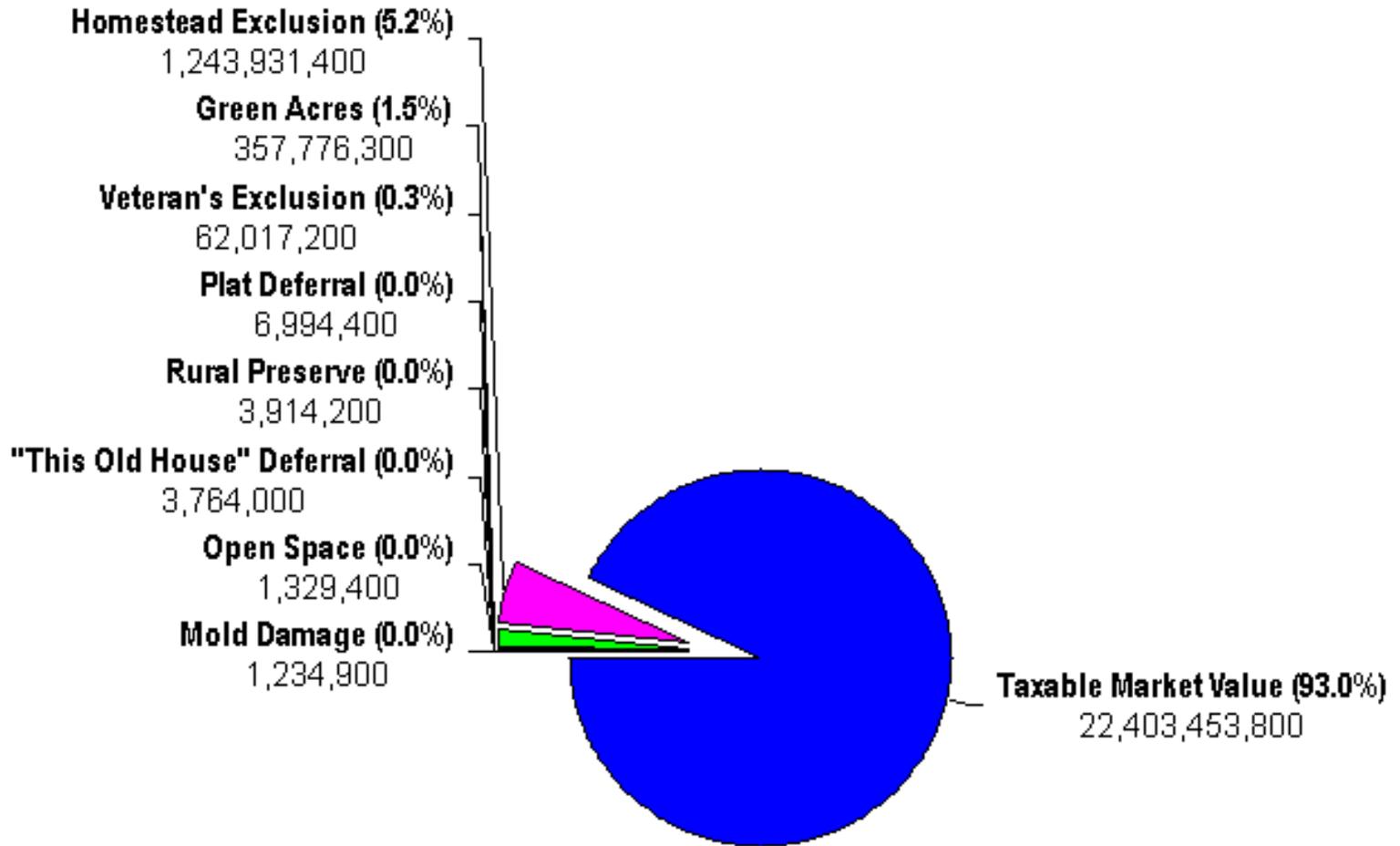
## Possible Legislative Initiatives

- A Property Tax Working Group was established by the Legislature in 2010. Their goal is to examine ways to simplify and improve the state's property tax system.
- Report to Legislature due February 2013
- Draft Working Group final report is on Minnesota Department of Revenue website:  
<http://www.revenue.state.mn.us/propertytax/workgroup/201211-draftreport.pdf>

# County Value Trends

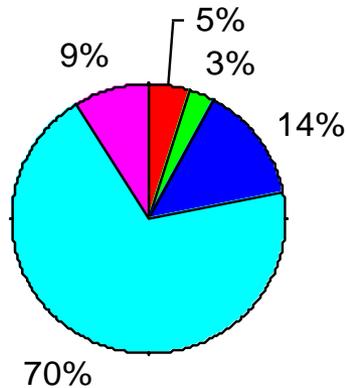


# Reductions from Pay 2013 Estimated Market Value

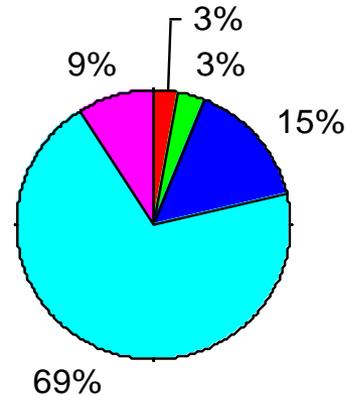


# Pay 2013 Value vs. Tax by Class

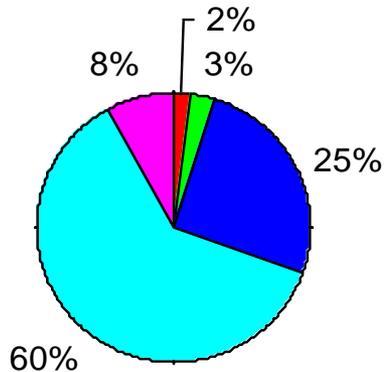
## Estimated Market Value



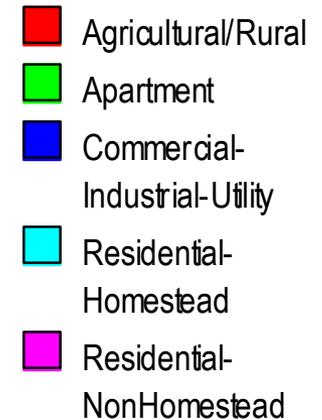
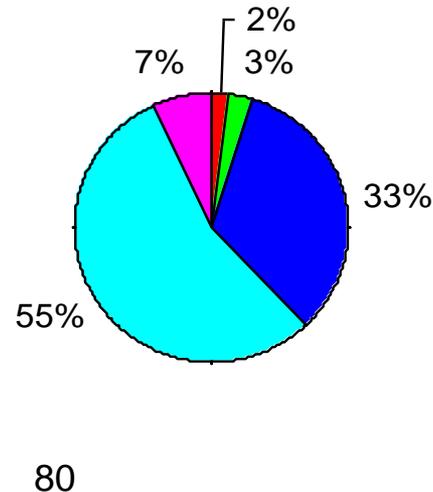
## Taxable Market Value



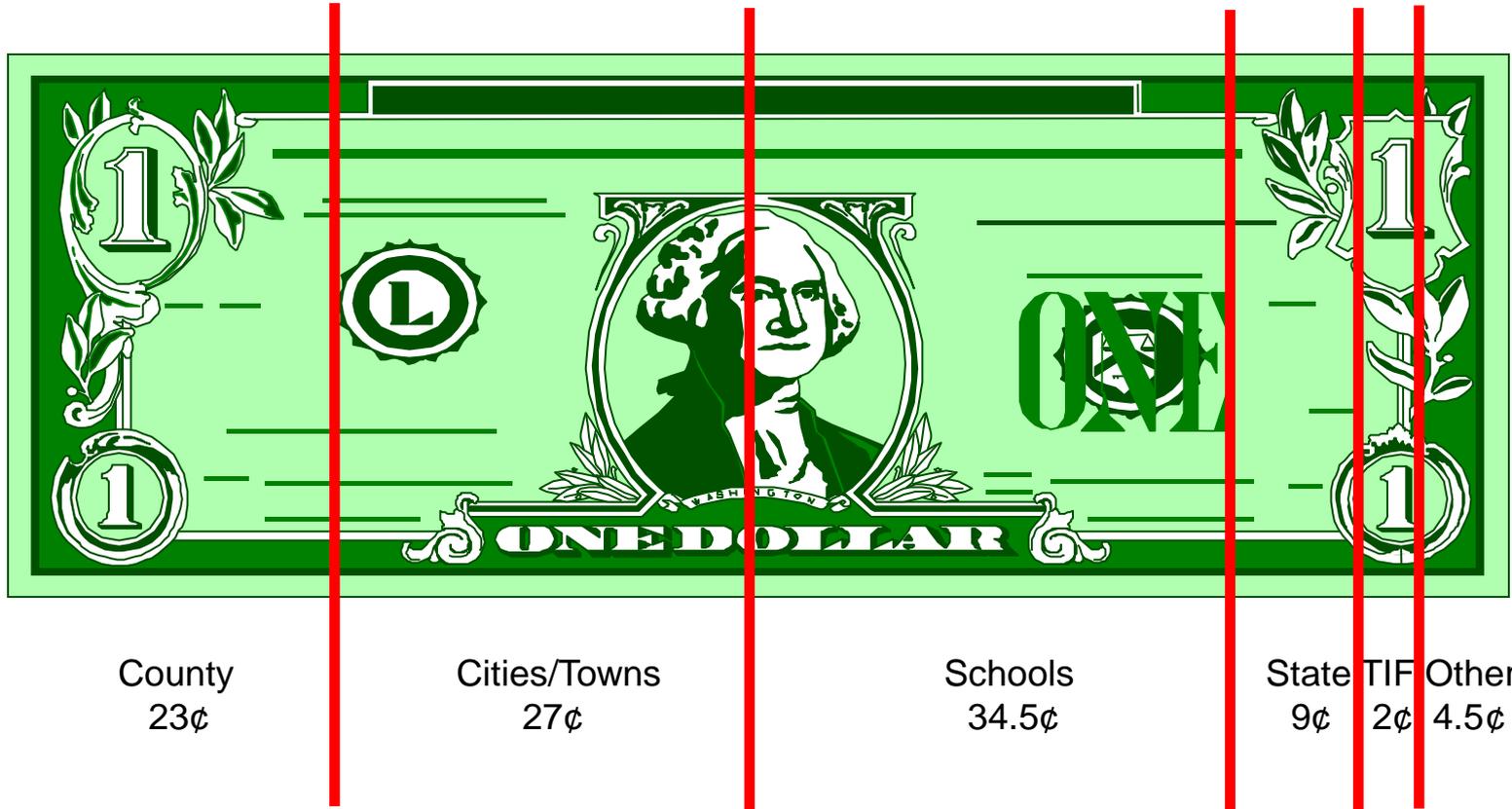
## Tax Capacity



## Tax

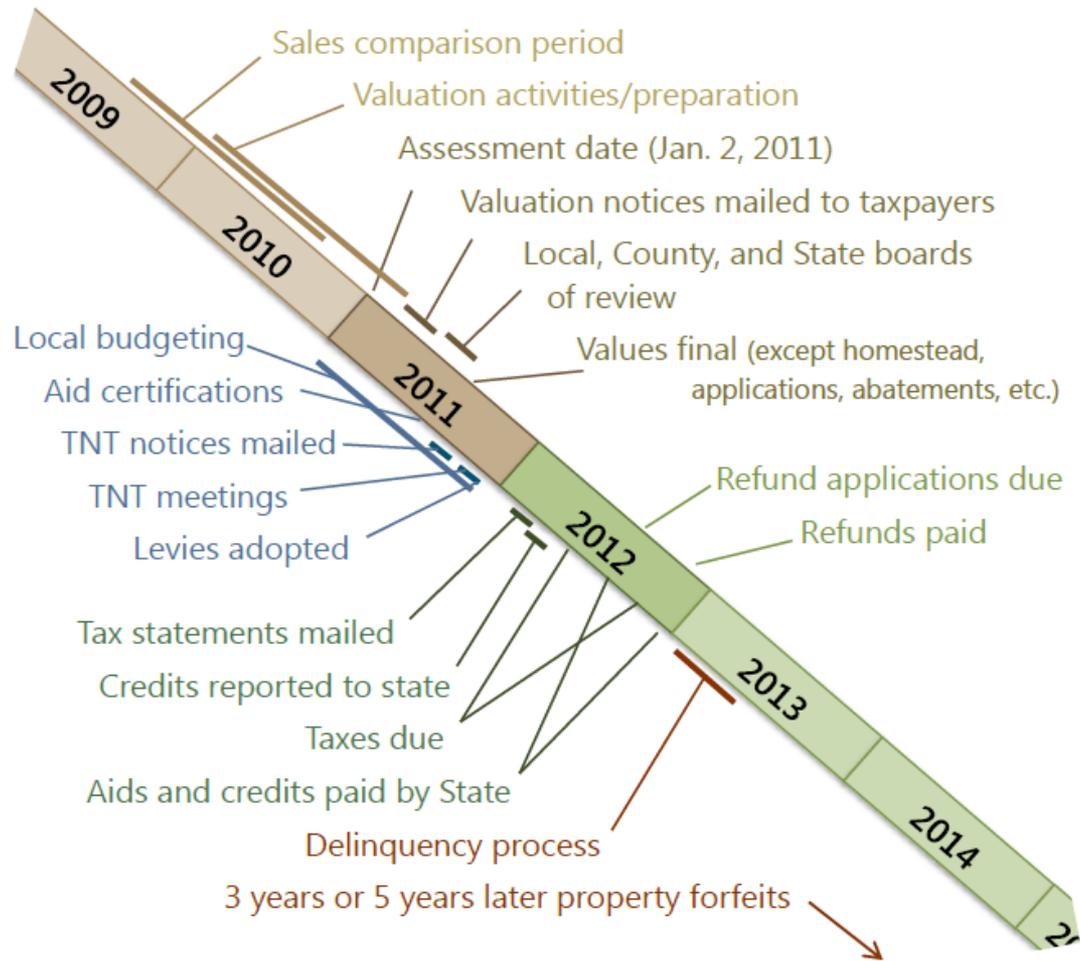


# Where does each tax dollar go?



# Timeline of Property Tax Process

## Assessment Year 2011, Taxes Payable 2012



# Links & information

www.co.washington.mn.us>Property and Taxation>Property Tax  
Section for Property Tax Administrators

The screenshot shows a website navigation menu with a sidebar on the left and a main content area on the right. The sidebar contains the following items:

- Assessment and Values >
- Elections >
- Property Tax >
- Recorder and Registrar of Titles >
- Service and License Centers >

The main content area has a green header that reads "Property Records and Taxpayer Services". Below the header is a sub-header "Welcome to Property Records and Taxpayer Services" followed by a paragraph: "The Property Services Department strives to provide efficient recording, land records, licensing and information for Washington County." Below this is a list of links:

- Delinquent Property Taxes
- How to Calculate Property Taxes
- Online Tax Payments
- Property Tax Administrators (highlighted)
- Property Tax Programs
- Proposed Property Tax Notices
- Tax Calculator
- Tax Forfeited Land
- Tax Payment Due Dates
- Tax Payment Options
- Tax Penalty Rates
- Tax Rates
- Tax Statement Information

To the right of the "Property Tax Administrators" link is a secondary menu with the following items:

- Calendars
- Forms
- Levies and Rates
- Reports and Misc
- Tax Impacts
- Tax Settlement Reports
- TIF
- Values

## Links & information

County provides a “Tax Impact Worksheet” spreadsheet to assist taxing authorities in estimating the tax impact of proposed levies on residential homestead taxpayers. Spreadsheet has all the formulae for tax rate calculation and tax calculation, taxing authority just has to enter a levy amount and select the values of homes to calculate for.

The spreadsheet can be found under the “Tax Impacts” section.

# Links & information

[www.co.washington.mn.us](http://www.co.washington.mn.us)>Property and Taxation>Property Tax

We also include links to other sites

## QUICK LINKS

- Citizens League
- Department of Revenue
- Fact Sheets on Property Tax Topics
- House Research
- League of Minnesota Cities

# Questions ??