



# 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: .....

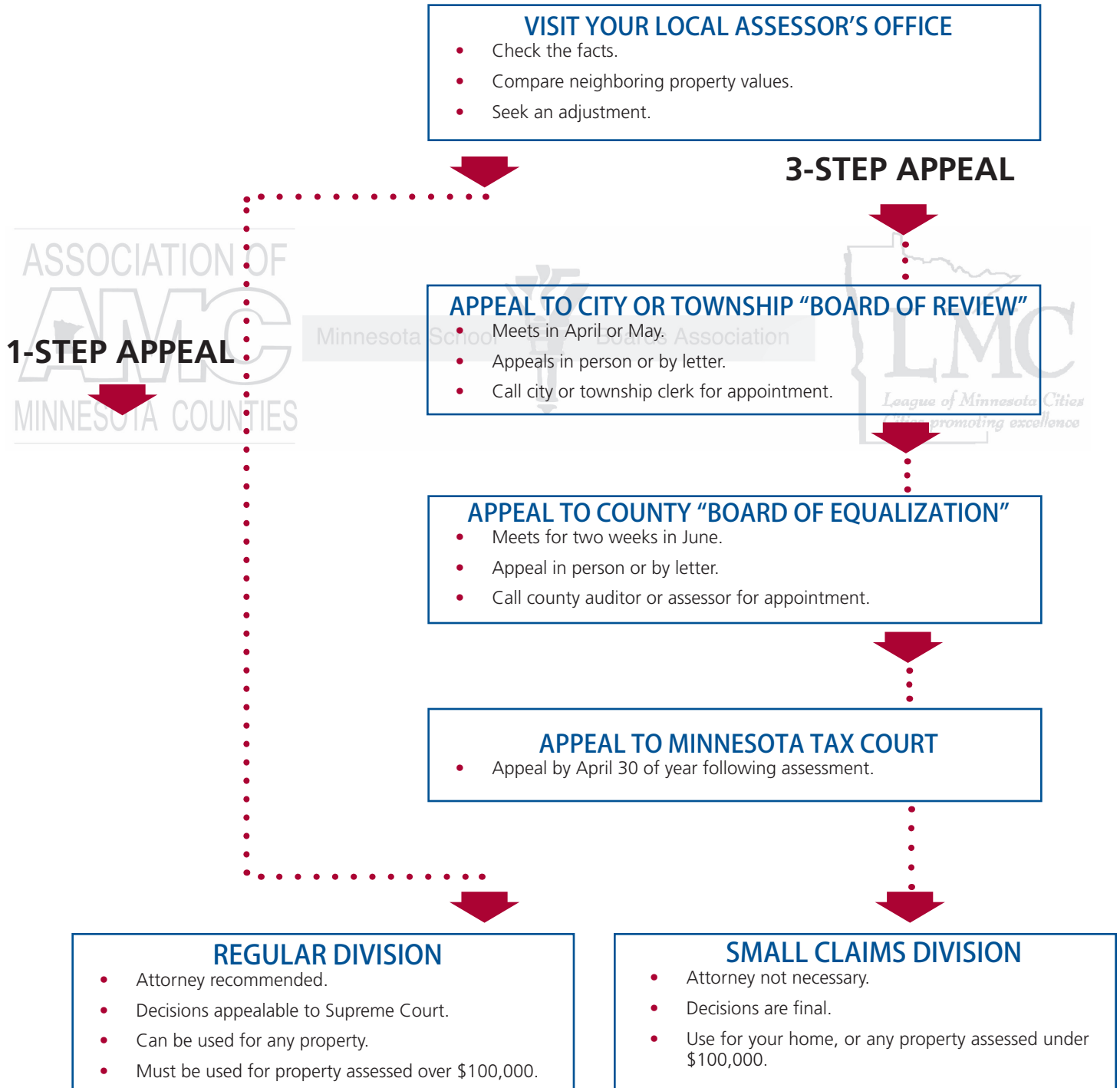
### FINANCE DEPARTMENT

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

## WHAT THEY ARE, HOW THEY WORK

The classification rates on selected properties for taxes payable are shown below:

PROPERTY TYPE	'06 CLASS RATE	PROPERTY TYPE	'06 CLASS RATE
<b>Disabled homestead up to \$32,000</b>	<b>0.045%</b>	<b>Seasonal Recreational Residential</b>	
<b>Residential Homestead</b>		Up to \$500,000	1.00
Up to \$500,000	1.00	Over \$500,000	1.25
Over \$500,000	1.25	<b>Agricultural Land &amp; Buildings</b>	
<b>Residential Nonhomestead<sup>2</sup></b>		<b>Homestead<sup>3</sup></b>	
Single unit		Up to \$600,000	0.55
Up to \$500,000	1.00	Over \$600,000	1.00
Over \$500,000	1.25	Nonhomestead	1.00
2-3 unit and undeveloped land	1.25	<b>Miscellaneous Properties</b>	
<b>Apartments</b>		Golf courses (open to public)	1.25
Regular	1.25	Nonprofit service organizations	1.5
<b>Commercial-Industrial-Public Utility</b>		Fraternity/sorority houses	1.00
Up to \$150,000	1.5	Manufactured home park land	1.25
Over \$150,000	2.00	Metro indoor rec. facilities	1.25
Electric generation machinery	2.00	Noncommercial aircraft hangars	1.5
<b>Seasonal Recreational Commercial</b>			
Homestead resorts	1.00		
Seasonal resorts			
Up to \$500,000	1.00		
Over \$500,000	1.25		

<sup>1</sup> School operating referendum levies (sometimes called "excess levy" referenda) and all county, city, and township referendum levies are levied on referendum market value. School debt levies are levied against all property based on net tax capacity.

<sup>2</sup> Includes dwellings located on agricultural nonhomestead property.

<sup>3</sup> House, garage, and one acre have same class rates and are generally treated the same as residential homestead.

### *How to use classification rates:*

Example: Suppose your home is valued at \$90,000 and your local tax rate is 1.35 (135% of tax capacity)

Then:

Your Home's Tax Capacity = \$90,000 times .01 = \$900

Your Property Tax = \$900 times 1.35 = \$1,215

# 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:** A state credit to reduce the property tax paid by a residential homestead to the local taxing jurisdiction.

**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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[www.mncounties.org](http://www.mncounties.org)

Minnesota School



Boards Association

[www.mnmsba.org](http://www.mnmsba.org)



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