




From the Ground Up

Minnesota Property Tax

Session Overview

Minnesota Property Tax:

- One of the most complex systems in the U.S.
- Most local officials understand some aspects, but not complete picture
- No need to be an expert, just increase understanding



Anoka County
Property Records and Taxation
2100 3rd Avenue
Anoka, MN 55303-2281
www.anokacounty.us
(763) 323-5400

TAX STATEMENT **2022**

2021 Values for Taxes Payable in

Taxpayer(s): SMITH JOHN L
1234 ANYWHERE ST
ANOKA, MN 55303

Property I.D.: 03-01-01-01-1111
Property Description: LOTS 10 & 11 BLK D
WATERVIEW HEIGHTS, SUBJ TO EASE OF RECORD

1234 ANYWHERE ST
ANOKA, MN 55303

Owner(s): SMITH JOHN L

VALUES AND CLASSIFICATION		2021	2022
Step 1			
Taxes Payable Year		2021	2022
Unimproved Market Value:		237,600	262,000
Homestead Exclusion:		14,614	13,480
Taxable Market Value:		226,786	250,520
New Improvements:			
Property Classification:	Res Hsd	Res Hsd	Res Hsd

Sent in March 2022

PROPOSED TAX	
Step 2	
2022 Proposed Property Tax:	\$2,672.81
Sent in November 2021	

PROPERTY TAX STATEMENT	
Step 3	
1 st Half Taxes:	\$1,366.63
2 nd Half Taxes:	\$1,366.63
Total Taxes Due in 2022:	\$2,733.26

\$\$\$

You may be eligible for one or even two refunds to reduce your property tax. Read the back of this statement to find out how to apply.

Taxes Payable Year:		2021	2022
1. Use this amount on Form MIPR to see if you are eligible for a homestead credit refund. File by August 15. If this box is checked, you owe delinquent taxes and are not eligible.			
2. Use these amounts on Form MIPR to see if you are eligible for a special refund.		\$2,634.20	\$2,709.24
Property Tax and Credits			
3. Property taxes before credits		\$2,634.20	\$2,709.24
4. Credits that reduce property taxes		\$0.00	\$0.00
5. Property taxes after credits		\$2,634.20	\$2,709.24
Property Tax by Jurisdiction			
6. County	A. General county levy	\$736.12	\$732.82
	B. Regional rail authority	\$11.40	\$8.80
7. County/municipal public safety system		\$9.08	\$9.02
8. City or town		\$811.12	\$857.64
9. State general tax		\$0.00	\$0.00
10. School district: #11	A. Voter approved levies	\$443.56	\$493.06
	B. Other local levies	\$534.60	\$516.68
11. Special taxing districts	A. Metropolitan special taxing districts	\$53.98	\$55.06
	B. Other special taxing districts	\$34.34	\$36.16
	C. Tax increment	\$0.00	\$0.00
	D. Fiscal disparity	\$0.00	\$0.00
12. Non-school voter approved referenda levies		\$0.00	\$0.00
13. Total property tax before special assessments		\$2,634.20	\$2,709.24
Special Assessments			
14. Special Assessments	A. Solid waste management charge	\$24.02	\$24.02
	B. All other special assessments	\$866.12	\$0.00
	C. Contamination tax	\$0.00	\$0.00
15. TOTAL PROPERTY TAX AND SPECIAL ASSESSMENTS		\$3,524.34	\$2,733.26

2nd HALF PAYMENT STUB – PAYABLE 2022

To avoid penalty, pay on or before: **October 17, 2022**

Taxpayer(s): SMITH JOHN L
1234 ANYWHERE ST
ANOKA, MN 55303

Property I.D.: 03-01-01-01-1111
Total Property Tax for 2022: \$2,733.26
Second-half payment due Oct. 17: \$1,366.63

Please Include Property I.D. on Check
Make Check Payable To: Anoka County
2100 3rd Ave., ANOKA, MN 55303-2281

Check to indicate address corrections on back. Your canceled check is your receipt. Do not send back.

03-01-01-01-1111 000001274-66

Your Property Tax: Who Determines It?

State Legislature

- Establishes property classes & class rates
- Determines levels of state aid
- Levies state business tax
- Sets levy limits

County Assessor

- Determines market value
- Assigns property class

Taxing Jurisdictions

- Determines levy amount (Overall budget & the portion to be raised through property taxes.)



Property Tax

Assessment

County & Local Assessor's Role (for each property):

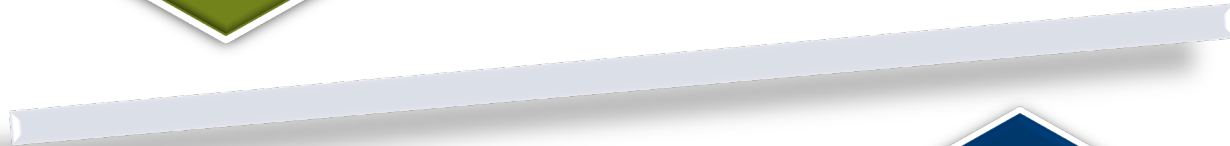


Assessment: Real v. Personal Property



Real Property

- Lien against property
- If not paid, property forfeited to State



Personal Property

- Judgement taken against entity
- If taxes not paid, personal judgement pursued



Difference is how delinquent taxes are collected

Assessment: Personal Property Examples

Property leased
from a
governmental
entity

Manufactured
homes

Railroad docks

Improvements on
federal & other
exempt land

Flight property

Cell towers on
exempt property

Assessment: Exempt Property Examples

Cemeteries

Public
hospitals

Education
institutions

Church
property

Institutions
of pure
public
charity

Public
property
used
exclusively
for a public
purpose

Elements of Market Value

- Most probable price
- May be actual price
- Cash basis
- Reasonable time for marketplace exposure
- Considers use of property: present & potential
- Buyer & seller are:
 - ✓ Motivated by self-interest
 - ✓ Well-informed
 - ✓ Acting prudently
- Assumes open market, arm's length transaction

EMV vs. TMV: Estimated/Taxable Market Value

Differences include:

- | | |
|---|---|
| <ul style="list-style-type: none">• Deferments<ul style="list-style-type: none">✓ Green Acres✓ Rural Preserve✓ Open Space✓ Aggregate Resource Preservation | <ul style="list-style-type: none">• Platted Vacant Land• Disabled Vet Exclusion• Mold Damage and Lead Hazard• Homestead Market Value Exclusion |
|---|---|

Difference between EMV set by assessor & taxable market value

Disabled Veteran's Homestead Exclusion

Up to \$300,000 in market value exclusion

- Veterans with permanent and total (100%) disability
- Surviving spouses and qualifying caregivers

Up to \$150,000 in market value exclusion

- Veterans with 70% or greater disability
- Qualifying caregivers

Homestead Market Value Exclusion

Applies to homestead property, house, garage & 1st acre of land for agricultural properties

**Taxes
Payable in
2024**

First \$76,000 in EMV: 40% Excluded (Up to max. of \$30,400)
Over \$76,000 in EMV: Reduce maximum exclusion by 9%

Note: Exclusion eliminated for properties valued higher than \$413,800

**Payable
2025 and
thereafter**

First \$95,000 in EMV: 40% Excluded (Up to max. of \$38,000)
Over \$95,000 in EMV: Reduce maximum exclusion by 9%

Note: Exclusion eliminated for properties valued higher than \$517,200

Homestead Market Value Exclusion: Example

Homestead Property with \$300,000 EMV

$\$76,000 \times 40\% = \$30,400$ Maximum Exclusion

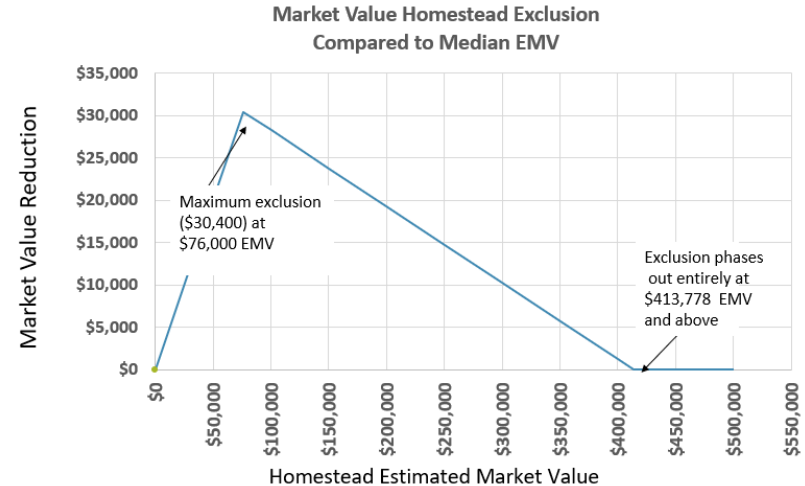
$\$224,000 \times 9\% = \underline{\$20,160}$ Reduction

Exclusion Amt. = \$10,240

Estimated Market Value: \$300,000

Less: Exclusion Amt. (10,240)

Taxable Market Value: \$289,760



Assessment: Referendum Market Value (RMV)

- Used to determine market value-based taxes
- Excludes:
 - ✓ Non-commercial cabins
 - ✓ Student housing
 - ✓ Agricultural property (except main house, garage & one acre value for ag homesteads)
- Market value for properties with class rates <1% adjusted down

Tax Court Petitions

Method to Appeal Market Value

- Two divisions: small claims & regular
- One year only
- Petition must be filed by April 30th of year taxes due
- Taxes must be paid

Tax Settlement Adjustment for Ramsey County

- Pending petitions withheld from December settlement allow for refunds
- Reversed on following May statement
- Impact on TIF

Property Taxes: The State's Role & Impact

The State of Minnesota...

Determines who
pays

Sets "class rates,"
tax capacity
definitions & RMV

Establishes levy
limits

Sets school aids &
levies

Pays state aids &
credits

Levies state
property tax

Conducts
oversight &
administration

Class Rates

Class rates = varying percentages x TMV (determine tax capacity)

Class rates set in state law

Most taxes spread on tax capacity, differences in class rates leads to differences in taxes paid

Properties may have more than one classification

Class Rates

Property Type		Taxes Payable in 2023	Taxes Payable in 2024
Residential	1 st \$500,000	1.00%	1.00%
	Over \$500,000	1.25%	1.25%
Commercial	1 st \$150,000	1.50%	1.50%
	Over \$150,000	2.00%	2.00%
Apartments (4 or more units)	All Taxable Value	1.25%	1.25%
Agricultural Homestead (Remainder)	1 st \$1,890,000 (less homestead value)	0.50%	0.50%
	Over \$1,890,000	1.00%	
	1 st \$2,150,000 (less homestead value)		1.00%
	Over \$2,150,000		

Class Rates: Calculate Net Tax Capacity

Residential Homestead Property with \$300,000 Taxable Market Value

STEP 1: CALCULATE THE TAXABLE MARKET VALUE AFTER EXCLUSION

		STEP 1			
Taxable Market Value Prior to Exclusion	<u>40.00%</u>	multiplied by	<u>\$76,000</u>	=	<u>\$30,400</u>
Less:	<u>9.00%</u>	multiplied by	<u>224,000</u>	=	<u>(20,160)</u>
Total Market Value Exclusion =					\$10,240
Total Taxable Market Value after Exclusion =					\$289,760

STEP 2: CALCULATE THE NET TAX CAPACITY

1.00% x first \$500,000 of Taxable Market Value after Exclusion	<u>\$2,898</u>
1.25% x Taxable Market Value after Exclusion in excess of \$500,000	<u>0</u>
Total Net Tax Capacity	\$2,898

Class Rates: Calculate Net Tax Capacity

Commercial Property with \$1,000,000 Taxable Market Value

STEP 1: CALCULATE THE NET TAX CAPACITY

1.5% x first \$150,000 of Taxable Market Value
2.0% x Taxable Market Value in excess of \$150,000
Total Net Tax Capacity

\$2,250
17,000
\$19,250

Homestead Agricultural Property with \$300,000 Taxable Market Value

STEP 1: CALCULATE THE NET TAX CAPACITY

0.5% x first \$2,150,000 of Taxable Market Value
Total Net Tax Capacity

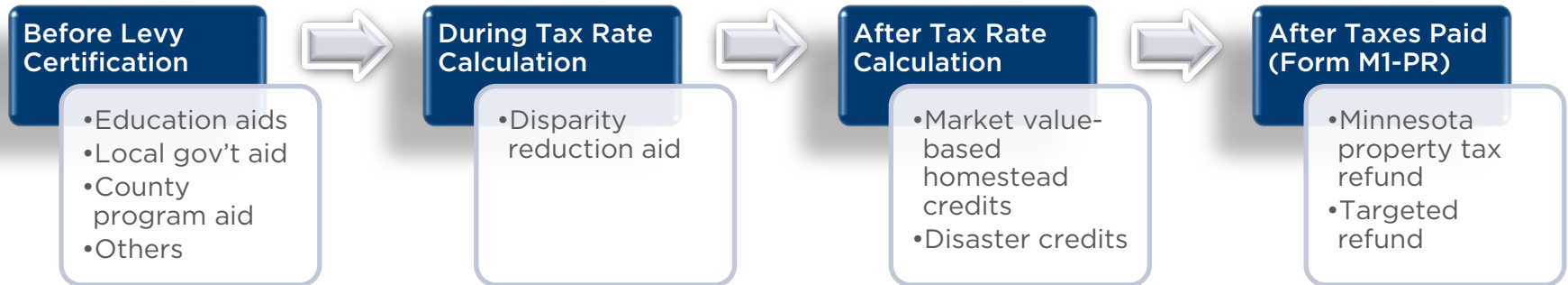
\$1,500
\$1,500

State Imposed Levy Limits

- Levy limits on school districts every year since 1971 based on enrollment
- Also imposed limits on cities, townships & counties
 - ✓ Based on prior year's levy, adj. for inflation & population change
 - ✓ No levy limits in place for 2024
 - ✓ Could be reinstated in the future for counties, cities & towns



State Aids & Credits



State General Property Tax

Since 2002, general property tax levied on...

Commercial/Industrial,
public utility & railroad
operating property

Seasonal resorts

Seasonal recreational
residential property
(cabins)

Qualifying non-profit
community service-
oriented organizations

Unmined iron ore
property

A significant tax! (\$717.0M for C/I, \$41.7M for SRR)

State General Property Tax: The Numbers

- Statewide C/I tax rate: **Pay 2024 = 29.294%**
- State-wide seasonal tax rate: **Pay 2024 = 10.640%**
- Reduced class rate on Cabins: **First \$76,000**
- Excluded class rate for commercial: **First \$150,000**
- Tax capacities not reduced for tax increment or fiscal disparities
- Taxes levied & collected by counties, then paid to State

State General Property Tax

State General Property Tax Taxes Payable in 2024

Type of Property	Taxable Market Value	Estimated Annual Tax
Commercial / Industrial	\$ 100,000	\$ -
	250,000	586
	500,000	2,051
	1,000,000	4,980
	5,000,000	28,415
	10,000,000	57,709

Type of Property	Taxable Market Value	Estimated Annual Tax
Seasonal Resorts	100,000	\$ 106
	250,000	266
	500,000	532
	750,000	865
	1,000,000	1,197

Type of Property	Taxable Market Value	Estimated Annual Tax
Seasonal Residential Recreational (Cabins)	40,000	\$ 17
	60,000	26
	80,000	37
	100,000	58
	150,000	111
	250,000	217
	500,000	483

Taxing Jurisdictions: Who Levies Property Taxes?

Property taxes are levied by & paid to...



Counties



Cities & townships



School districts

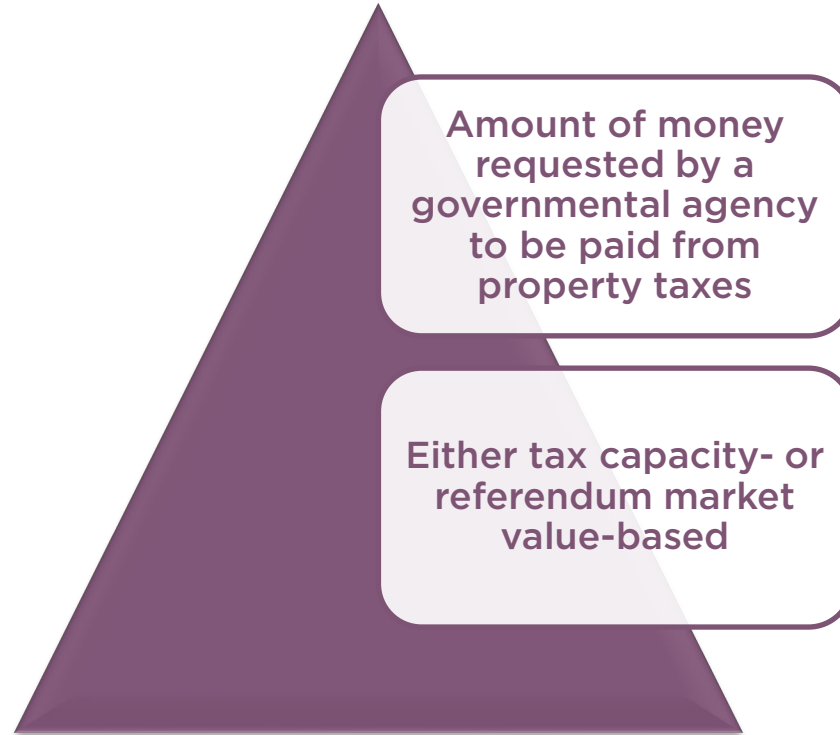


State of Minnesota



Various special taxing jurisdictions

Taxing Jurisdictions: What's a property tax levy?



Taxing Jurisdictions: General Tax Levy Timeline



Determining Property Taxes

Your County Auditor...



Determining Property Taxes: Tax Bases

Local tax
capacity-based

Market value-
based (RMVs)

Fiscal
disparities

TIF

State general
tax

Contamination
tax

Power
transmission &
distribution
lines

Agricultural
market value
homestead
credit

Determining Property Taxes: Fiscal Disparities

The Process...

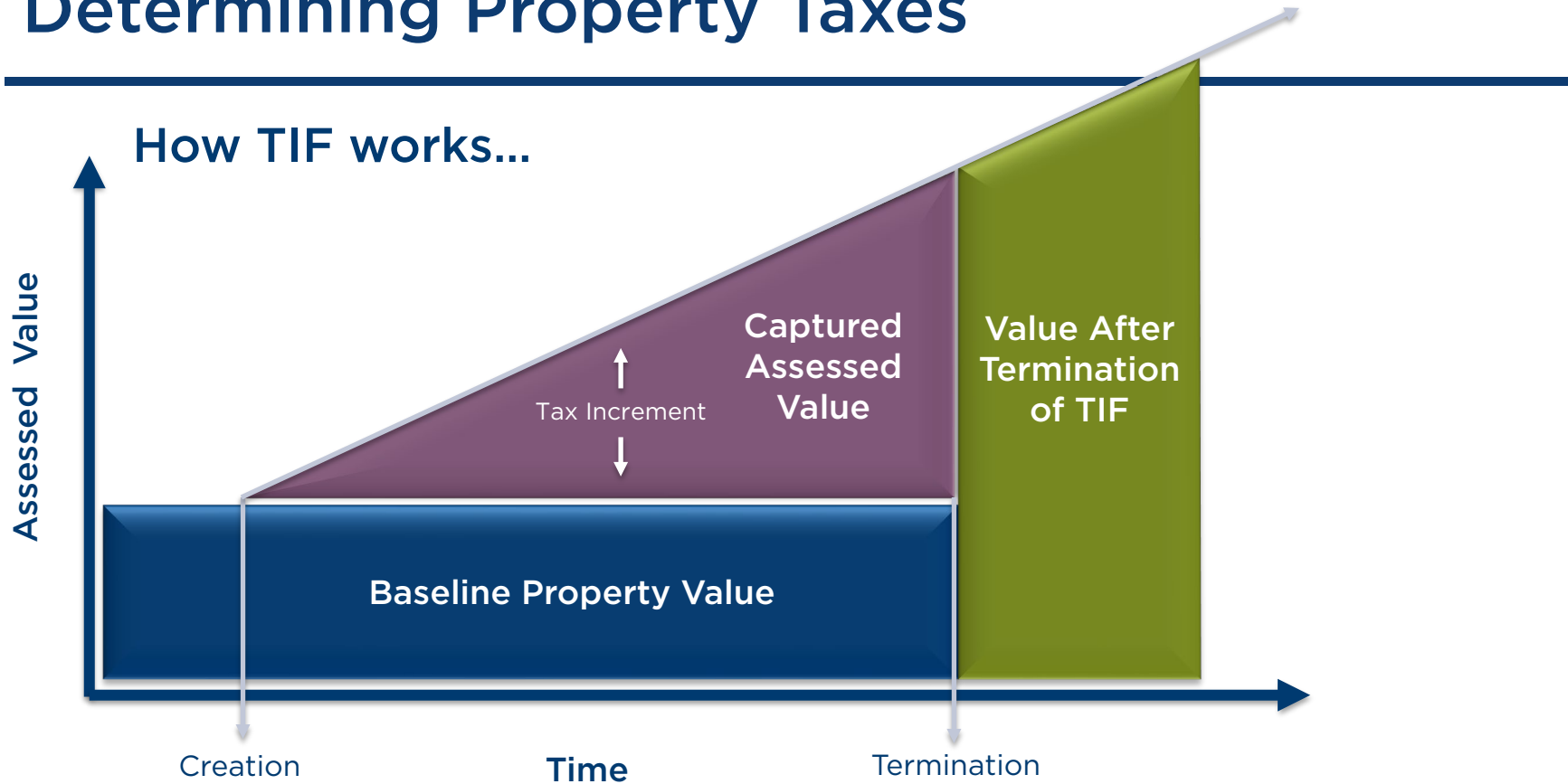
Contribution to the Pool:	Distribution from the Pool
40% of prior year's adjusted growth from 1971 base	Fiscal capacity basis of distribution
Area-wide rate: Total Seven County or Iron Range Distribution dollars divided by Contribution Value	Distribution value times prior year's tax rate equals distribution dollars
Determination of County aggregate contribution or gain	Levy reduced by Distribution dollars
Area-wide rate applied to individual parcels	

Determining Property Taxes: TIF

Tax Increment Financing (TIF) allows for property taxes generated by growth in market value of a development project to be used to finance public costs.

- TIF District types
 - ✓ Redevelopment, housing, soils, economic & hazardous substance subdistricts
 - ✓ Each has its own criteria for creation, duration limit & legitimate expenditures
- The “but-for” test

Determining Property Taxes



Determining Property Taxes

Excess Tax Increment: 3 types

Base rate excess

- When current local tax rate is $>$ original local tax rate
- Difference distributed among County, City, & School District

Tax increment returned to County for redistribution

- Can happen for multiple reasons
- Distributed to County, City, & School District

Tax increment generated exceeds costs authorized by TIF plan

- Calculated on annual TIF reporting forms
- May result in returning tax increment to County for redistribution

Determining Property Taxes

What to DO with Excess Tax Increment?

“Excess” Tax Increment is NOT Tax Increment

If you see this on your tax settlement, you can put it in ANY fund EXCEPT your Tax Increment Fund(s)

Determining Property Taxes: Tax Rate Theory

$$\text{Tax Rate} = \frac{\text{Funds to be raised by tax base (Tax Levy)}}{\text{Tax Base}}$$

Term	Definition
Tax Levy	Amount certified to the County Auditor by the taxing authority
Tax Base	The sum of the values determined for each parcel & is the total tax base of the governing body
Tax Rate	Percentage applied to each individual parcel & generates local funds
Total Tax	Determined by tax rates for all governing bodies times tax base(s) for that property. Total tax = sum of those calculations

Determining Property Taxes: Local Tax Rate

The Definition:

The **Local Tax Rate** is a percentage determined by dividing the net tax levy by the net tax capacity available for the local rate. This percentage is then multiplied by the net tax capacity for each individual property to determine its tax capacity-based property tax.

The Math:

$$\text{Local Tax Rate} = \frac{\text{Gross Tax Levy} - \text{Fiscal Disparity Distribution } \$\$}{\text{(Tax Capacity of Real \& Personal Property} \\ - \text{Captured Value of Tax Increment Districts} \\ - \text{Fiscal Disparity Contribution Value} \\ - \text{Powerline Value)}}$$

Determining Property Taxes: Market Tax Rate

The Definition:

The **Market Tax Rate** is a percentage determined by dividing the market-based tax levy by the total referendum market value. This percentage is multiplied by the referendum market value for each individual property to determine its market value-based property tax.

The Applications:

- Existing debt referenda for Cities
- New & existing referenda for School Districts

Collecting Property Taxes: Tax Forfeited Lands

Significant Changes Pending:

- Unchanged: Taxes go unpaid, become delinquent on 1/1 of following year
- Impact of U.S. Supreme Court decision of *Hennepin v. Tyler*
 - ✓ In 2023, the United States Supreme Court ruled that retaining excess proceeds from the sale of tax forfeited property violates the Takings Clause in the Fifth Amendment of the US Constitution. MN legislation is pending in the 2024 session to address the needed changes in law.
- Stay tuned for updates

Putting It All Together!

- Homestead tax calculation
- Homestead agricultural tax calculation
- All sample calculations available at Ehlers' seminar web page

Tax Calculation for a Minnesota Home

HOMESTEAD TAX CALCULATION	
Example of a tax calculation on a HOMESTEAD PROPERTY in SPRUCE COUNTY (NOT IN A TAX INCREMENT DISTRICT) That has a taxable market value of \$300,000:	
STEP 1: CALCULATE THE TAXABLE MARKET VALUE AFTER EXCLUSION	
Taxable Market Value Prior to Exclusion 40.00% multiplied by \$76,000 = \$30,400 Less: 9.00% multiplied by 224,000 = (20,160)	STEP 1 = \$10,240
Total Market Value Exclusion =	\$10,240
Total Taxable Market Value after Exclusion =	\$289,760
STEP 2: CALCULATE THE NET TAX CAPACITY	
1.00% x first \$500,000 of Taxable Market Value after Exclusion	\$2,898
1.25% x Taxable Market Value after Exclusion in excess of \$500,000	0
Total Net Tax Capacity	\$2,898
STEP 3: CALCULATE THE LOCAL TAX	
Local Tax 116.231% multiplied by \$2,898 =	\$3,368.37
STEP 4: CALCULATE THE MARKET TAX	
Market Tax 0.23010% multiplied by \$300,000 =	\$690.30
STEP 5: ADD NET LOCAL & MARKET TAXES	
Local Tax	\$3,368.37
Plus: Market Tax	690.30
Total HOMESTEAD PROPERTY Tax	\$4,058.67

CULATION	
AD PROPERTY (RANGE, AND 1ST ACRE)	
	\$1,500
	\$1,500
STEP 1	1,500 = \$1,743.47
Market Value	\$0 = \$0.00
(sed taxes)	
	(\$345.00)
	(145.00)
	(\$490.00)
Local Tax	\$1,743.47
Plus: Market Tax	0.00
Less: Agricultural Homestead Credit	(490.00)
Total HOMESTEAD AGRICULTURAL PROPERTY Tax Payable	\$1,253.47

Putting It All Together!

Tax Calculation for Commercial Property

- Metro / Iron Range Area (Incl. fiscal disparities)
- Non-Metro / Iron Range Area (No fiscal disparities)
- All sample calculations available at Ehlers' seminar web page

METRO-AREA COMMERCIAL TAX COMPUTATION	
Example of tax computation on a COMMERCIAL PREFERRED PROPERTY in SPRUCE COUNTY (NOT IN A TAX INCREMENT DISTRICT) that has a Taxable market value of \$1,000,000.	
STEP 1: CALCULATE THE NET TAX CAPACITY	
1.5% x first \$150,000 of Taxable Market Value	\$2,250
2.0% x Taxable Market Value in excess of \$150,000	17,000
Total Net Tax Capacity	\$19,250
STEP 2: CALCULATE THE FISCAL DISPARITY NET TAX CAPACITY	
Total Net Tax Capacity (RESULT FROM STEP 1)	\$19,250
X City's Fiscal Disparity Sharing Factor 0.251152	4,835
Total Fiscal Disparity Net Tax Capacity	\$4,835
STEP 3: CALCULATE THE LOCAL NET TAX CAPACITY	
Total Net Tax Capacity (RESULT FROM STEP 1)	\$19,250
Less: Total Fiscal Disparity Net Tax Capacity (RESULT FROM STEP 2)	(4,835)
Total Local Net Tax Capacity	\$14,415
STEP 4: CALCULATE THE STATE NET TAX CAPACITY	
0.0% x first \$150,000 of Estimated Market Value	\$0
2.0% x Estimated Market Value in excess of \$150,000	17,000
Total State Net Tax Capacity	\$17,000
STEP 5: CALCULATE THE LOCAL TAX	
Local Tax Payable = 116.231% multiplied by \$14,415	= \$16,754.70
STEP 6: CALCULATE THE FISCAL DISPARITY TAX	
Fiscal Disparity Tax Payable = 133.667% multiplied by \$4,835	= \$6,462.80
STEP 7: CALCULATE THE MARKET TAX	
Market Tax Payable = 0.23010% multiplied by \$1,000,000	= \$2,301.00
STEP 8: CALCULATE THE STATE GENERAL TAX	
State General Tax Payable = 29.294% multiplied by \$17,000	= \$4,979.98
STEP 9: ADD LOCAL, FISCAL DISPARITY & STATE TAXES	
Local Tax	\$16,754.70
Plus: Fiscal Disparity Tax	6,462.80
Plus: Market Tax	2,301.00
Plus: State General Tax	4,979.98
Total COMMERCIAL PROPERTY Tax Payable	\$30,498.48

COMPUTATION	
PROPERTY (DISTRICT)	\$2,250
00.	17,000
	\$19,250
	\$0
	17,000
	\$17,000
STEP 1	
\$19,250 =	\$22,374.47
able Market Value	
\$1,000,000 =	\$2,301.00
STEP 2	
\$17,000 =	\$4,979.98
	\$22,374.47
	2,301.00
	4,979.98
payable	\$29,655.45
<i>entire parcels owned by the same entity.</i>	

Note: This tax computation applies to Commercial/Industrial Property except contiguous Commercial/Industrial parcels owned by the same entity.

Let's Talk!



Your Presenters



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