



## Minnesota Property Tax – A Brief Overview MCFOA/MMCI May 9, 2024

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## Overview of Minnesota Property Tax

- Background and History
- Why Property Tax Currently Exists
- Who is Taxed
- How Property Tax is Administered
- Municipal Clerk's Role in Property Tax
- How Property Tax is Calculated
- Quiz

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## Background and History

- Predates statehood
  - 1849: the first territorial assembly established a property tax levy to support schools, nine years before Minnesota becomes a state in 1858
- 1913 first saw the classification system as we think of it today:
  - Class I: iron ore mined or unmined
  - Class II: household goods and personal effects
  - Class III: unplatted real estate, livestock, farm produce, inventories, and manufacturers' tools
  - Class IV: all other properties (primarily urban real estate)

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## Background and History

- 1933: Property tax delinquencies doubled between 1929 and 1933 due to the hardships taxpayers felt because of the Great Depression. This led to the adoption of a Minnesota income tax in 1933.
- 1967: Major property tax reform requiring lower local levies with the state reimbursing local governments for lost revenue through aid payments.
- 1967-1968: Creation of Homestead Property Tax Credit, exemption of livestock and machinery for agricultural purposes

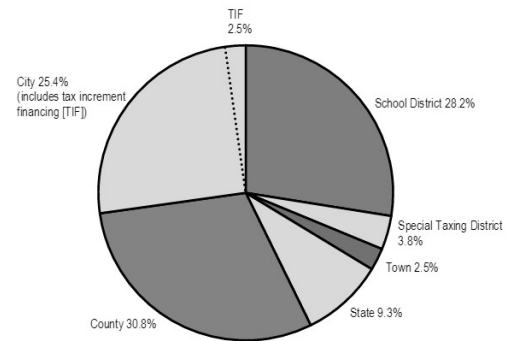
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## Why Property Tax Currently Exists

- A major revenue source for taxing authorities

- State (2001)
- Counties
- School Districts
- Cities/Townships
- Special Taxing Districts
  - Watershed District
  - Housing and Redevelopment Authorities
  - Regional Development Commissions
  - Others: Metropolitan Council, Transit Districts, Mosquito Control Districts, Light Rail Authority, Port Authorities, and Hospital Districts.

Statewide Property Tax by Type of Government,\*  
Taxes Payable 2016  
(Total: \$9,288 million)



4/23/2024

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## Why Property Tax Currently Exists

- [League of Minnesota Cities Video – Special Delivery: City Services & Your Property Taxes.](#)
- Examples of Government Services Provided by Property Tax Revenue
  - Roads
  - Water/sewer
  - Emergency Services
  - Education
  - Health/Human Services
  - Recreation

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## Who is Taxed

- The tax is levied on property and typically means the property's owner is responsible for paying the tax.
- Examples of Taxable Property:
  - Homes (includes manufactured homes, apartments and other rentals, condos, post-secondary student housing)
  - Unimproved Land like grassland, woods, farmland, etc.
  - Private Airports
  - Commercial Aggregate Deposits
  - Commercial/Industrial/Utility Properties (including nonprofit community service organizations)
  - Public Utility Machinery
  - Transmission Line Right-of-Way
  - Cabins, Marinas, Bed & Breakfast Properties, Golf Courses

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## How Property Tax is Administered

- [Hennepin County Video - Understanding Your Property Tax](#)
- Overview of Tax Process
  - Valuation & Classification
  - Budgeting & Levy
  - Notice of Proposed Property Tax & Truth in Taxation
  - Final Levy Certification & Tax Statement
  - Collection of Tax
  - Distribution of Tax to Taxing Authorities
  - Delinquency and Forfeiture

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## How Property Tax is Administered

### Valuation & Classification

- [Redwood County Assessor Video](#)
- [Hennepin County Video](#)
- County, city, or town appraiser visits each property every 5 to 6 years
- Collects property data by measuring and inspecting
- Sets classification
- Uses data to adjust value if warranted based on property's market
- Sends Valuation Notice to owner that reflects the properties value and classification as of January 2
- Owner may appeal value and/or classification to assessor, city/town, county
- This will be the value and classification used to calculate tax collected in the following year

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## How Property Tax is Administered

### Budgeting & Levy

- [Stearns County Annual Budget Process Video](#)
- Tax authority estimates the coming year's expenditure budget and subtracts the budgeted revenues not from property tax; this equals the taxing authority's property tax levy.
- This levy may be lowered but cannot be increased by cities except for a few specific situations that took place after the initial certification (voter approved levy increase, natural disasters with approval of commissioner of revenue, tort judgments, and others – see Minnesota Statutes, section 275.065, subdivision 6).
- Townships are allowed to adjust this levy but only if they hold a special township meeting doing so.
- The proposed property tax levy must be determined and certified to the county auditor by:
  - September 15 for certain special taxing districts (Met Council, Metro Mosquito Control Commission)
  - September 30 for townships (levy determined at annual meeting in March), all other special taxing districts, counties, and cities

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## How Property Tax is Administered

### Notice of Proposed Property Tax & Truth in Taxation

- Between November 11 and November 24, county auditor must send parcel-specific notice of proposed property tax.
- Proposed tax amounts based on the calculation of valuation, classification, and special program data as of that fall and the levies certified to the county auditor by September 30 for counties, cities, and townships, and October 7 for schools.
- If a levy is not certified to the county auditor by the due date, the county auditor is to use the previous year's levy amount.
- These tax amounts can still change due to:
  - Valuation and classification changes between November and end of year
  - Enrollment in special programs like homestead market value exclusion and market value exclusion for a veteran with a disability.
  - Lawful levy changes

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## How Property Tax is Administered

### Notice of Proposed Property Tax & Truth in Taxation

- Cities with population over 500, counties, school districts, and some special taxing districts must hold a public "Truth in Taxation" meeting after November 24 that may not start earlier than 6:00 pm and must allow time for the public to speak.
- Townships are not required to hold a public "Truth in Taxation" meeting however if they choose to modify their levy after September 30, they must do so at a special town meeting and must certify that new amount to the county auditor no later than five business days after December 20.

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## How Property Tax is Administered

### Final Levy Certification & Tax Statements

- By five business days after December 20, taxing authorities must determine and certify their final levy to the county auditor after holding their public truth in taxation meeting (if applicable).
- Assessors complete the updates to special programs like homestead market value exclusion and market value exclusion for a veteran with a disability in January.
- After assessor completes updates, the county auditor calculates final tax rates and tax amounts in February.
- The county treasurer sends property tax statements to property owners by March 31.

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## How Property Tax is Administered

### Collection of Tax

- County treasurers collect the tax beginning as early as proposed tax amounts are known in October or November. These early payments are known as “prepayments.”
- The county treasurer is tasked with keeping records of all payments received and how to distribute each payment to the property taxing authority by the taxing authority’s particular levy fund.

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## How Property Tax is Administered

### Distribution of Tax

- Collections of tax through approximately May 20 is mostly distributed or “settled” to taxing authorities in June.
- Collections from late May to October 20 along with estimated tax collections from October 20 to November 20 are mostly distributed in November.
- Schools receive 50% of their distributions within seven business days of May 15 and October 15.
- Collections from November 20 to December 31 along with any other funds received in the year and not yet distributed are distributed in January.

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## How Property Tax is Administered

### Delinquency and Forfeiture

- Property tax remaining unpaid on January 1 of the year following the year it was due is considered Delinquent. Delinquent tax accumulates interest on top of the unpaid tax at the first of each month until forfeiture.
- Property owners are notified by letter and by publication of their delinquency.
- Under current law, forfeiture takes place as early as the second Monday in May of the third year after tax first became delinquent. This is typically 3.5 to 4 years after the tax was first due.
- Under current law, forfeited property is typically sold by the county with the proceeds after expenses being distributed 40% to counties, 40% to schools, and 20% to cities/townships.
- Law regarding distribution of forfeited land sale revenue has recently been ruled unconstitutional by a federal court therefore changes to this law are expected.

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## Municipal Clerk's Role in Property Tax

- Some cities and townships hire their own appraisers that work with the county assessor to value property in those cities and townships. The clerk often would assist their council or board to hire those individuals or award those contracts.
- Assisting their councils and boards in setting the annual levy is an important task of the municipal clerk. The clerk is then responsible for certifying the levy amount by fund along with any applicable truth in taxation information to the county auditor by September 30.
- The clerk then works with their governing body to hold the public truth in taxation meeting addressing the public's budgetary concerns.

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## Municipal Clerk's Role in Property Tax

- Once a final budget and tax levy has been approved by the governing board, the clerk is responsible for certifying that info, again by fund, to the county auditor by five business days after December 20.
- Townships that do not adjust their levy certified to the county auditor by September 30 are not required to recertify that levy.
- It is very important that city levies certified to the county auditor in December do not increase from those certified by September 30 except for the few reasons allowed by law. Clerical errors, unexpected expenditure need, and employee turnover are not lawful reasons to increase levies.

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## Municipal Clerk's Role in Property Tax

- City clerks of cities with a population over 500 are required to complete and submit a Certification of Truth in Taxation Compliance form to the Department of Revenue within five business days after December 20. <https://www.revenue.state.mn.us/truth-taxation>
- City clerks of cities with a population of 2500 or more are required to complete and submit a Property Tax Levy Report to the Department of Revenue by December 30. <https://www.revenue.state.mn.us/property-tax-levy-report>
- All clerks are strongly encouraged to be sure their treasurer or finance staff have a Minnesota Management and Budget SWIFT account. This account is needed to view the detailed breakdown (remittance advice) of payments from the state. The SWIFT helpline can be reached at 651-201-8106 or <https://mn.gov/mmb/accounting/swift/vendor-resources/>.

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## How Property Tax is Calculated

### Overview of a Simple Example

1. Determine the property's unique taxing area (UTA)
2. Determine the property's estimated market value (EMV)
3. Determine the property's taxable market value (TMV)
4. Calculate the local net tax capacity (NTC)
5. Calculate the referendum market value (RMV)
6. Calculate the state NTC if applicable
7. Calculate the local NTC and RMV tax rates
8. Calculate the local NTC tax
9. Calculate the RMV tax if applicable
10. Calculate state general property tax if applicable
11. Calculate agricultural market value credit if applicable
12. Sum tax amounts and subtract credit to determine the net property tax

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## How Property Tax is Calculated

### 1. Determine the property's unique taxing area (UTA)

- **Unique Taxing Areas** - The combination of the individual layers of taxing jurisdictions creates a unique taxing area. Below is an illustration of Blue Lake County's unique taxing areas.



Mai Vu owns and lives in a single-family home in West Township, within the area of School District No. 2. There is also a special taxing district where Mai lives. This parcel is classified as 1a, residential homestead. The estimated market value is \$314,000.

Mai's property is in UTA #3

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## How Property Tax is Calculated

### 2. Determine the property's estimated market value (EMV)

Mai Vu owns and lives in a single-family home in West Township, within the area of School District No. 2. There is also a special taxing district where Mai lives. This parcel is classified as 1a, residential homestead. The estimated market value is \$314,000.

- The assessor and/or township appraiser determined the EMV to be \$314,000.

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## How Property Tax is Calculated

### 3. Determine the property's taxable market value (TMV)

Mai Vu owns and lives in a single-family home in West Township, within the area of School District No. 2. There is also a special taxing district where Mai lives. This parcel is classified as 1a, residential homestead. The estimated market value is \$314,000.

- Parcels classified as 1a, residential homestead qualify for the homestead market value exclusion (HMVE) special program.

1	Calculate the amount of value over \$76,000 (\$314,000 - \$76,000):	\$238,000
2	Calculate the maximum exclusion amount (\$76,000 x 40%):	\$30,400
3	Calculate the reduction (amount over \$76,000 x 9%):	\$21,420
4	Calculate the exclusion amount (\$30,400 - \$21,420):	\$8,980
	Calculate taxable market value (\$314,000 - \$8,980):	\$305,020

- TMV = \$305,020

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## How Property Tax is Calculated

### 4. Calculate the local net tax capacity (NTC)

Mai Vu owns and lives in a single-family home in West Township, within the area of School District No. 2. There is also a special taxing district where Mai lives. This parcel is classified as 1a, residential homestead. The estimated market value is \$314,000.

- Parcels classified as 1a, residential homestead have a tax capacity class rate of 1.00% for the first \$500,000 of TMV.
- EMV= \$305,020
- \$305,020 X 1.00% = \$3,050
- Local NTC = \$3,050



#### Classification Rates for Taxes Payable in 2024

Class	Description	Tiers	NTC Class Rate	Subject to RMV Tax	Subject to State Tax
1a	Residential Homestead	First \$500,000	1.00%	Yes	No
		Over \$500,000	1.25%	Yes	No

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## How Property Tax is Calculated

### 5. Calculate the referendum market value (RMV)

Mai Vu owns and lives in a single-family home in West Township, within the area of School District No. 2. There is also a special taxing district where Mai lives. This parcel is classified as 1a, residential homestead. The estimated market value is \$314,000.

- There is no indication that this property qualifies for anything that effects the RMV, so the RMV is equal to the EMV.
- RMV = \$314,000



#### Classification Rates for Taxes Payable in 2024

Class	Description	Tiers	NTC Class Rate	Subject to RMV Tax	Subject to State Tax
1a	Residential Homestead	First \$500,000	1.00%	Yes	No
		Over \$500,000	1.25%	Yes	No

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## How Property Tax is Calculated

### 6. Calculate the state NTC if applicable

Mai Vu owns and lives in a single-family home in West Township, within the area of School District No. 2. There is also a special taxing district where Mai lives. This parcel is classified as 1a, residential homestead. The estimated market value is \$314,000.

- Property classified as 1a, residential homestead is not subject to state general tax therefore it has no state NTC.
- State NTC = \$0



#### Classification Rates for Taxes Payable in 2024

Class	Description	Tiers	NTC Class Rate	Subject to RMV Tax	Subject to State Tax
1a	Residential Homestead	First \$500,000	1.00%	Yes	No
		Over \$500,000	1.25%	Yes	No

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# How Property Tax is Calculated

## 7. Calculate the local NTC and RMV tax rates

- Mai Vu owns and lives in a single-family home in West Township, within the area of School District No. 2. There is also a special taxing district where Mai lives. This parcel is classified as 1a, residential homestead. The estimated market value is \$314,000.
- Tax Rate = Tax Levy / Tax Base (total NTC or RMV of all property in that tax district)



Net Tax Capacity (NTC) Tax Rate Calculation					
	Blue Lake County	West Township	School District No. 2	Special Taxing District	Total
NTC Tax Levy	4,000,000.00	500,000.00	3,000,000.00	12,000.00	
Total NTC Tax Base	10,000,000.00	2,500,000.00	9,375,000.00	800,000.00	
NTC Tax Rate	40.00%	20.00%	32.00%	1.50%	93.50%

Referendum Market Value (RMV) Tax Rate Calculation					
	Blue Lake County	West Township	School District No. 2	Special Taxing District	Total
RMV Tax Levy			400,000.00		
Total RMV Tax Base			841,570,000.00		
RMV Tax Rate			0.047530%		0.047530%

NTC Tax Rate : 93.50%  
 RMV Tax Rate: 0.047350%

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# How Property Tax is Calculated

## 8. Calculate the local NTC tax

Mai Vu owns and lives in a single-family home in West Township, within the area of School District No. 2. There is also a special taxing district where Mai lives. This parcel is classified as 1a, residential homestead. The estimated market value is \$314,000.

- NTC tax = NTC x NTC tax rate
- Local NTC = \$3,050
- NTC tax rate = 93.50%
- \$3,050 x 93.50% = \$2,851.75 (\$2,852 after rounding to nearest whole dollar)

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## How Property Tax is Calculated

### 9. Calculate the RMV tax if applicable

Mai Vu owns and lives in a single-family home in West Township, within the area of School District No. 2. There is also a special taxing district where Mai lives. This parcel is classified as 1a, residential homestead. The estimated market value is \$314,000.

- $RMV\ tax = RMV \times RMV\ tax\ rate$
- Local RMV = \$314,000
- RMV tax rate = 0.047530%
- $\$314,000 \times 0.047530\% = \$149.24$  (\$149 after rounding to nearest whole dollar)

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## How Property Tax is Calculated

### 10. Calculate state general property tax if applicable

Mai Vu owns and lives in a single-family home in West Township, within the area of School District No. 2. There is also a special taxing district where Mai lives. This parcel is classified as 1a, residential homestead. The estimated market value is \$314,000.

- Property classified as 1a, residential homestead is not subject to state general tax therefore it has no state general property tax.
- State general property tax = \$0



#### Classification Rates for Taxes Payable in 2024

Class	Description	Tiers	NTC Class Rate	Subject to RMV Tax	Subject to State Tax
1a	Residential Homestead	First \$500,000	1.00%	Yes	No
		Over \$500,000	1.25%	Yes	No

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## How Property Tax is Calculated

### 11. Calculate agricultural market value credit if applicable

Mai Vu owns and lives in a single-family home in West Township, within the area of School District No. 2. There is also a special taxing district where Mai lives. This parcel is classified as 1a, residential homestead. The estimated market value is \$314,000.

- Property classified as 1a, residential homestead does not qualify for agricultural market value credit.
- Agricultural market value credit = \$0

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## How Property Tax is Calculated

### 12. Sum tax amounts and subtract credit to determine the net property tax

- Net tax amount = NTC tax + RMV tax + state general property tax – agricultural market value credit
- $\$2,852 + \$149 + \$0 - \$0 = \$3,001$
- Net tax amount = \$3,001

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## How Property Tax is Calculated

Other Property Tax Videos

- Rochester 4:48 <https://www.youtube.com/watch?v=fWw-YN1mZ64>  
Budget/levy process  
Simplistic RMV type prop value, tax rate, and tax amount calc example  
Change in value (shift) very simplistic overview
- Municipal Property Assessment Corp. 2:40 <https://www.youtube.com/watch?v=nrWry5i3TBU>  
Change in value (shift) deeper dive  
Simplistic RMV type prop value, tax rate, and tax amount calc example
- Ramsey County 10:49 <https://www.youtube.com/watch?v=hYPivRGxd-4>  
14 reasons property taxes can go up or down  
Taxing authorities (City/town, School, county)

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# Thank You!

Year 1: Minnesota Property Taxes  
May 9, 2024, 1:15 PM – 2:30 PM



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