

2018 State Assessed Property Spring Forum – Frequently Asked Questions

What is the Capitalization Rate Study?

The department is responsible for the assessment of utility, pipeline, and railroad operating property. These assets are known as State Assessed Property (SAP) because the department – not county or local assessors – determines their value for property tax purposes.

We complete a Capitalization Rate Study each year. We use the capitalization rates published in the study to help determine the unitary value of SAP; this value is one of the factors used to determine property taxes. We publish the study each year to show how we developed the capitalization rates.

What are capitalization rates?

Our Property Tax Division assesses SAP, in part, using the income approach to valuation. Under this approach, yield capitalization rates are used in yield capitalization models and direct capitalization rates are used in direct capitalization models.

- **Yield capitalization model:** Calculates the present value of all future expected benefits.
- **Direct capitalization model:** Used to convert an estimate of a single year's net operating income expectancy into an indication of value in one direct step.

For more information, see the department's [Capitalization Rate Study](#) webpage.

What is the State Assessed Property Spring Forum?

We are holding this forum to foster discussion about the Capitalization Rate Study and the factors that affect the cost of capital in the utility, pipeline, and railroad industries.

This forum is an opportunity for interested parties to discuss current market conditions, industry trends and developments, mergers and acquisitions, new projects, and other topics that may affect the Capitalization Rate Study.

If you would like to present, email us at sa.property@state.mn.us.

Who will be at the Forum?

To encourage a wide variety of knowledgeable participants, we are inviting company representatives from each market segment, academic professionals, employees at the Minnesota Department of Commerce and Public Utilities Commission, appraisers, and assessors.

Feel free to forward this invitation to anyone you think would benefit from attending or would like to participate.

Sign up for email alerts

To keep receiving updates about State Assessed Property Forums or the Capitalization Rate Study, sign up for email alerts. To get started, go to www.revenue.state.mn.us and click the red envelope .