

MINNESOTA STATE BOARD OF ASSESSORS

STATEMENT OF NEED AND REASONABLENESS

Proposed Amendment to Rules Relating to the

Minnesota State Board of Assessors

Minnesota Rules, Chapter 1950

March 10, 2020

INTRODUCTION

The Minnesota State Board of Assessors (the “Board”) exists to “review, supervise, coordinate, and approve courses in assessment practices, and establish criteria for determining assessor’s qualifications.” *Minnesota Statutes*, section 270.41, subdivision 1. In addition, the Board also considers other matters relating to assessment administration brought before it by the Commissioner of Revenue. One of the Board’s specific duties is to issue licenses to assessors. The Board establishes different levels of licensure for assessors. *Minnesota Statutes*, section 270.48.

Assessors regulated by the Board include the various county, city and local assessors who set the values and classify property in Minnesota for purposes of the *ad valorem* property tax; as well as the assessors’ deputies and assistants. In addition, all senior appraisers and regional representatives hired in the Department of Revenue’s property tax division are required to obtain senior accreditation from the Board before they obtain permanent status. Every County Assessor must attain senior accreditation from the Board within two years of their first appointment. *Minnesota Statutes*, section 270C.98

The Board proposes to amend its existing rule by making the following changes:

1. Eliminate the Board’s list designating the level of assessor licensure necessary for each jurisdiction, as the appropriate level of licensure is dictated by the type of property in a jurisdiction, as well as removes corresponding references to the Board’s license level list.
2. Remove the requirement that a former licensee seeking reinstatement of Accredited Minnesota Assessor (AMA) or Senior Accredited Minnesota Assessor (SAMA) licensure complete the USPAP seven-hour update course.
3. Correct the expiration period for a temporary license holder to obtain an AMA license, from four years to five years, to be consistent with the statutory requirement in Minn. Stat. § 270C.9901 that all licensees obtain an AMA license within five years of being licensed at the Certified Minnesota Assessor (CMA) level.
4. Reduce the amount of coursework that a licensee must complete to obtain an AMA license by: moving requirement for completion of an assessment administration course to the requirements for SAMA licensure; eliminates the 30-hour elective course requirement; and removes 15-hour USPAP requirement. These courses are replaced with a 15-hour property-specific course requirement that will be immediately-applicable to licensees’ work.
5. Recognize the designation of mass appraisal specialist from the International Association of Assessing Officers as a substitute for a narrative appraisal for obtaining AMA licensure.
6. Change the coursework requirements for obtaining SAMA licensure to better reflect the duties of licensees who are in positions that require this level of licensure. As noted above, the assessment administration course is moved from the requirements for AMA

licensure to SAMA licensure. Furthermore, there are added requirements for courses on management and leadership.

7. Remove requirement that classes providing continuing education hours must be at least three hours long.

This document, the Statement of Need and Reasonableness (“SONAR”), has been prepared to establish the statutory authority of, need for, and reasonableness of the proposed rules. It is submitted pursuant to *Minnesota Statutes*, section 14.23, and *Minnesota Rules* part 1400.2070.

A Request for Comments was published in the *State Register* on November 4, 2019 and on the Department of Revenue’s website and the Board’s website. The Request for Comments was also sent to all assessors licensed by the Board. Five comments were received during the subsequent 60-day comment period, which has continued to remain open. The Board has carefully considered all comments received.

ALTERNATIVE FORMAT

Upon request, this Statement of Need and Reasonableness can be made available in an alternative format, such as large print, Braille, or cassette tape. To make a request, contact:

Kyle Gustafson
Appeals and Legal Services Division
Minnesota Department of Revenue
600 North Robert Street
St. Paul, MN 55146-2220
Phone: (651) 556-4970
Fax: (651) 296-8229
kyle.gustafson@state.mn.us

STATUTORY AUTHORITY

The Board's statutory authority to adopt the rules is set forth in *Minnesota Statutes*, section 270.47 which authorizes the Board to "establish the rules necessary to accomplish the purpose of sections 270.41 to 270.50, and shall establish criteria required of assessing officials in the state. Separate criteria may be established depending upon the responsibilities of the assessor." *Minnesota Statutes*, section 270.41, subdivision 1 authorizes the Board to "review, supervise, coordinate, and approve courses in assessment practices, and establish criteria for determining assessor's qualifications."

Under these statutes the Board has the necessary statutory authority to adopt the proposed rules. All statutory authority was adopted and effective prior to January 1, 1996, and so *Minnesota Statutes*, section 14.125, does not apply. See *Minnesota Laws 1995*, chapter 233, article 2, section 58.

REGULATORY ANALYSIS

As required by *Minnesota Statutes*, section 14.131, the Board considered the following eight factors:

"(1) a description of the classes of persons who probably will be affected by the proposed rule, including classes that will bear the costs of the proposed rule and classes that will benefit from the proposed rule"

The classes of persons who will likely be affected by the proposed rules include licensed assessors and persons wishing to become licensed assessors; deputy and assistant assessors employed by Minnesota local units of government; persons hired to assist assessors in making exemption, valuation and classification decisions for *ad valorem* property tax purposes; regional representatives and other persons employed by the Property Tax Division of the Minnesota Department of Revenue, and current and former members of the military and their spouses.

The Board has not identified any specific additional costs that will be imposed on these persons due to the rule changes.

The Board believes some of the rule changes will benefit currently licensed assessors and persons who wish to become licensed by clarifying some of the current language and allowing for a temporary license in order to work while taking classes to obtain an assessors license.

"(2) the probable costs to the agency and to any other agency of the implementation and enforcement of the proposed rule and any anticipated effect on state revenues"

The Board does not anticipate any increased costs due to the proposed changes. The proposed changes are not expected to increase costs for any other agencies or units of local government. There will be no effect on state revenues. The Board's proposed increase in the

number of continuing education hours that assessors must complete could increase costs for local units of government that employ licensed assessors.

“(3) a determination of whether there are less costly methods or less intrusive methods for achieving the purpose of the proposed rule”

There are no less costly or intrusive methods for achieving the purpose of the proposed rule changes. The purposes of the proposed rule changes are to modernize the language of existing rules, make editorial and grammatical changes, correct erroneous internal references, repeal obsolete subdivisions and require assessors to comply with modernized licensing standards.

“(4) a description of any alternative methods for achieving the purpose of the proposed rule that were seriously considered by the agency and the reasons why they were rejected in favor of the proposed rule”

There is no reasonable alternative method for achieving the purposes of the proposed rule changes as stated in item 3.

“(5) the probable costs of complying with the proposed rule, including the portion of the total costs that will be borne by identifiable categories of affected parties, such as separate classes of governmental units, businesses, or individuals”

The Board anticipates no additional costs of complying with the proposed rule changes.

“(6) the probable costs or consequences of not adopting the proposed rule, including those costs or consequences borne by identifiable categories of affected parties, such as separate classes of government units, businesses, or individuals”

The Board has not identified any specific probable costs of not adopting the proposed rule. Probable consequences of not adopting the proposed rule are that the purposes stated in item 3 will not be achieved.

“(7) an assessment of any differences between the proposed rule and existing federal regulations and a specific analysis of the need for and reasonableness of each difference; and”

No federal regulations apply to any of the licensing and continuing education issues that are the subject of the proposed rule changes.

“(8) an assessment of the cumulative effect of the rule with other federal and state regulations related to the specific purpose of the rule... ‘Cumulative effect’ means the impact that results from incremental impact of the proposed rule in addition to other rules, regardless of what state or federal agency has adopted the other rules. Cumulative effects can result from individually minor but collectively significant rules adopted over a period of time.”

The Minnesota Board of Assessor rules are a single set of rules that apply throughout the state of Minnesota. The cumulative effect of the proposed rules have no impact on state or federal regulations that apply to any of the licensing and continuing education issues that are the subject of the proposed rule changes.

PERFORMANCE-BASED RULES

In drafting the proposed rules the Board was aware of the statutory mandate that where feasible, Boards and agencies should develop rules that balance the needs of the Board or agency in meeting its objectives, while maintaining some flexibility for the affected parties. The Board's primary objective in pursuing these rule changes is to update, clarify, and simplify the Board's existing rule so that assessors will find it easier to understand and comply with the requirements.

ADDITIONAL NOTICE

The Additional Notice Plan was reviewed by the Office of Administrative Hearings and approved in an October 23, 2019, Order by Administrative Law Judge Jessica A. Palmer-Denig. The Additional Notice Plan consists of:

1. Mailing (via electronic mail) copies of the Request for Comments to all assessors licensed by the Board (includes County Assessors); and
2. Posting the Request for Comments on the Board's website located at: <https://www.revenue.state.mn.us/minnesota-state-board-assessors> and the Department of Revenue's website at: <https://www.revenue.state.mn.us/minnesota-administrative-rules>

The Additional Notice Plan also includes giving notice required by statute. We will mail the rules and Notice of Intent to Adopt to everyone who has registered to be on the department's rulemaking mailing list under Minnesota Statutes, section 14.14, subdivision 1a. We will also give notice to the Legislature per Minnesota Statutes, section 14.116.

CONSULT WITH MINNESOTA MANAGEMENT AND BUDGET ON LOCAL GOVERNMENT IMPACT

As required by *Minnesota Statutes*, section 14.131, the Board (through the Department of Revenue) has consulted with the Commissioner of the Minnesota Management & Budget Department "to help evaluate the fiscal impact and fiscal benefits of the proposed rule changes on units of local government." Minnesota Management & Budget, in their [DATE], letter to the Department of Revenue found that

DETERMINATION ABOUT RULES REQUIRING LOCAL IMPLEMENTATION

Minnesota Statutes, section 14.128 requires the Board to determine whether a local government will have to adopt or amend an ordinance or other regulation to comply with the rule changes. The Board has reviewed whether a local government will be required to adopt or amend an ordinance or other regulation to comply with the rule changes, and has determined that local

government is not impacted. The rule would not require any local government to adopt or amend an ordinance or regulation to comply with the rule changes.

COST OF COMPLYING FOR SMALL BUSINESS OR CITY

Minnesota Statutes, section 14.127, requires the Board to determine if the cost of complying with proposed rules in the first year after the rules take effect will exceed \$25,000 for any small business or small city. A small business is defined as a business (either for profit or nonprofit) with less than 50 full-time employees and a small city is defined as a city with less than ten full-time employees. The Board has considered whether the cost of complying with the proposed rules in the first year after the rules take effect will exceed \$25,000 for any small business or small city and has determined that the cost of complying with the proposed rules in the first year after the rules take effect will not exceed \$25,000 for any small business or small city. The costs of complying with these rules for small business or cities is negligible because the proposed changes to initial licensing and continuing education requirements are not anticipated to result in any additional costs. Other changes to the rule involve only editorial and grammatical changes.

The Board has made this determination based on the probable costs of complying with the proposed rule, as described in the Regulatory Analysis section of this SONAR.

In making this analysis the Board assumed that small businesses and cities that currently reimburse assessors for the cost of initial licensure and continuing education would continue to do so and that any increased cost of classes will be negligible.

LIST OF WITNESSES

If these rules go to a public hearing, the Board does not anticipate calling any witnesses, although Board members and officers, as well as Department of Revenue employees may be called to testify.

RULE-BY-RULE ANALYSIS

The Board's changes are proposed in an effort to address the implementation of 2013 legislation creating Minnesota Statute 270C.9901, which mandated that anyone who appraises or physically inspects real property for property tax purposes must obtain an accredited Minnesota assessor (AMA) license from the Board by July 1, 2019. *See* Minn. Laws 2013, ch. 143, art. 4, sec. 11. This deadline was subsequently extended, such that a licensee must obtain an AMA license by July 1, 2022, or within five years of a licensee becoming licensed as a certified Minnesota assessor (CMA). *See* Minn. Laws 2017, ch. 1, art. 2, sec. 2.

The following is an analysis of the proposed changes to the existing rules. *Minnesota Statutes*, Chapter 14, requires the Board to explain the facts establishing the need for and reasonableness of the rules as proposed. "Need" means that a problem exists which requires administrative attention. "Reasonableness" means that there is a rational basis for the Board's proposed action.

The amendments to *Minnesota Rules*, Chapter 1950 are needed because many of the existing rules do not reflect current Board of Assessors' practices and it is important that the course work required for each level of licensure reflect the duties performed by those with each type of license.

The amendments to *Minnesota Rules*, Chapter 1950 are reasonable because they are consistent with modern appraisal practices and promote better training of assessors.

1950.1020 LICENSURE.

Subp. 3. Criteria for licensing levels.

This subpart is being repealed because the licensure requirements, and therefore the necessary level of licensure, are based on the types of property a licensee assesses. Specifically, only licensees who have successfully completed requisite courses on income producing property appraisal may value such properties for tax purposes. *See* Minn. Stat. § 273.11, subd. 13. Accordingly, where a city or township assessor is responsible for valuing income-producing property, that assessor must be licensed at the CMAS, AMA, or SAMA level. It is therefore unnecessary for the Board to designate the necessary licensure levels for a jurisdiction.

Furthermore, given that Minnesota Statute 270C.9901 requires that all licensees obtain an AMA license within five years of being licensed at the CMA level, the Board will no longer designate the specific level of licensure needed for appraising and inspecting the real property in each city and township.

Subp. 3a. Review of license levels.

This part is being stricken, as it provides for a county assessor to request that the Board review the licensing level list created by subpart 3, which the Board is proposing to repeal.

Subp. 5. Reinstatement.

The requirement that a former licensee seeking reinstatement of AMA or SAMA licensure complete the USPAP seven-hour update course is removed. This is consistent with the proposed removal of the requirement that an assessor seeking licensure at the AMA level must complete an initial USPAP training course. Because first-time licensure will no longer require the USPAP training, it is not necessary for a licensee seeking reinstatement to complete the update course.

1950.1030 CERTIFIED MINNESOTA ASSESSOR (CMA).

A sentence is removed, which provides that a local assessor employed by a city or township must obtain a CMA license if such level of licensure is required on the Board's "List of Assessor License Levels for Minnesota Taxing Jurisdictions" for that city or township. The Board proposes removing this sentence, as it has proposed repealing Minn. R. 1950.1020, subpart 3, which directs the Board to prepare the referenced list, because a licensee's necessary level of licensure is based on the types of property to that the licensee will appraise and inspect, and because Minnesota Statute 270C.9901 requires that all licensees obtain an AMA license within five years of being licensed at the CMA level.

1950.1035 TEMPORARY LICENSE.

Subp. 3. Expiration.

This provision changes the period for a temporary license holder to obtain an AMA license from four years to five years. This provides consistency with Minnesota Statute 270C.9901, which requires that all licensees obtain an AMA license within five years of being licensed at the CMA level.

1950.1040 CERTIFIED MINNESOTA ASSESSOR SPECIALIST (CMAS).

A sentence is removed, which provides that a local assessor employed by a city or township must obtain a CMAS license if such level of licensure is required on the Board's "List of Assessor License Levels for Minnesota Taxing Jurisdictions" for that city or township. The Board proposes removing this sentence, as it has proposed repealing Minn. R. 1950.1020, subpart 3, which directs the Board to prepare the referenced list, because a licensee's necessary level of licensure is based on the types of property that the licensee will appraise and inspect, and because Minnesota Statute 270C.9901 requires that all licensees obtain an AMA license within five years of being licensed at the CMA level.

1950.1050 ACCREDITED MINNESOTA ASSESSOR (AMA).

A sentence is removed, which provides that a local assessor employed by a city or township must obtain an AMA license if such level of licensure is required on the Board's "List of Assessor License Levels for Minnesota Taxing Jurisdictions" for that city or township. The Board proposes removing this sentence, as it has proposed repealing Minn. R. 1950.1020,

subpart 3, which directs the Board to prepare the referenced list, because a licensee's necessary level of licensure is based on the types of property that the licensee will appraise and inspect, and because Minnesota Statute 270C.9901 requires that all licensees obtain an AMA license within five years of being licensed at the CMA level.

Paragraph A, clause (2), which requires a passing grade in an assessment administration course, is removed from the requirements for an AMA license and moved to requirements for SAMA licensure. This course focuses on how to manage an assessor's office and presents topics that are more applicable to SAMA license holders, as that level of licensure is necessary to hold a position that involves managing an assessor's office.

Paragraph A, clause (3), which requires a passing grade in a 30-hour elective course, is stricken. In recent years, course providers are offering shorter courses with targeted information that is more applicable to assessors' regular work. In recognition of the quality of these other courses, the Board proposes to replace this 30-hour elective course requirement with the 15-hour property-specific course requirement described below.

Paragraph A, clause (4), which requires completion of a 15-hour seminar on Uniform Standards of Professional Appraisal Practice, is stricken. The content of this course is more applicable to the work of fee appraisers and does not pertain much to the regular work of assessors licensed at this level. Therefore, it is reasonable to strike this requirement.

A new clause is added to paragraph A, requiring that a licensee initially seeking licensure at the AMA level complete a Board-approved course that is specific to particular types of property, such as agricultural or multi-unit residential property. By removing the previous, 30-hour elective course requirement (paragraph A, clause (3)) and substituting it with a 15-hour property-specific course will provide licensees with immediately-applicable instruction that will benefit them in their work, with half the amount of time required in class.

Paragraph B, clauses (3) is amended to recognize the additional designation of mass appraisal specialist (MAS) from the International Association of Assessing Officers (IAAO) as a substitute for a narrative appraisal for purposes of obtaining an AMA license. As part of an assessor obtaining this MAS designation from IAAO, the assessor must prepare a narrative appraisal. Accordingly, an assessor who has the MAS designation, will have otherwise met this requirement for AMA licensure.

1950.1060 SENIOR ACCREDITED MINNESOTA ASSESSOR (SAMA).

Subp. 1. Basic requirement.

This subpart is repealed, as it provides that a county assessor or a city assessor employed by a city must obtain a SAMA license if such level of licensure is required on the Board's "List of Assessor License Levels for Minnesota Taxing Jurisdictions" for that city or township. The Board proposes removing this subpart, as it has proposed repealing Minn. R. 1950.1020, subpart 3, which directs the Board to prepare the referenced list, because a licensee's necessary level of licensure is based on the types of property that the licensee will appraise and inspect.

Additionally, Minnesota Statute § 273.061, subdivision 1, requires that a county assessor must have a SAMA license, or must obtain such licensure within two years of the assessor's appointment to the position.

Subp. 2. Specific requirements for SAMA.

A new paragraph is added requiring a passing grade in an assessment administration course. This requirement is being moved from the requirements for an AMA license to the requirements for SAMA licensure. This course focuses on how to manage an assessor's office and presents topics that are more applicable to SAMA license holders, as that level of licensure is necessary to hold a position that involves managing an assessor's office.

A new paragraph is added requiring completion of a board-approved 30 hours of course work on management and leadership. SAMA licensure is required for those assessors in leadership roles in assessing offices. It is therefore necessary that those seeking SAMA licensure complete course work related to management and leadership.

1950.1080 CONTINUING EDUCATION.

Subp. 2. Basis for continuing education hours.

Paragraph A is amended to remove the requirement that educational courses or seminars must have at least three hours of instruction to be eligible for the Board's approval for continuing education hours. Eliminating the three-hour minimum would allow course sponsors to offer instruction through shorter courses and be eligible to obtain approval from the Board as continuing education hours, for purposes of the continuing education hours requirements for licensees under subpart 1 of this rule. Course sponsors and licensees would have greater flexibility in offering and obtaining continuing education, without having to commit to large blocks of time, during which licensees are not performing their regular work duties.

CONCLUSION

Based on the foregoing, the proposed rules are both needed and reasonable.

Date

Andrea Fish, Executive Secretary/Treasurer
Minnesota State Board of Assessors