DEPARTMENT OF REVENUE

2024 Property Values and Assessment Practices Report

Assessment Year 2023

Property Tax Division

March 1, 2024

Per Minnesota Statutes, section 3.197, any report to the Legislature must contain, at the beginning of the report, the cost of preparing the report, including any costs incurred by another agency or another level of government.

This report cost $8,100.

DEPARTMENT OF REVENUE

March 1, 2024

To Members of the Legislature of the State of Minnesota:

I am pleased to present to you this report on property values and assessment practices in Minnesota, the 22nd annual version of this report. Since 2012, this report has been combined with the annual report related to agricultural properties and Green Acres, satisfying the requirements of both Minnesota Statutes, section 273.1108, and Minnesota Laws 2001, First Special Session, chapter 5, article 3, section 92.

This report provides a summary of assessed property values and assessment practices in Minnesota, with an emphasis on market values for 2a agricultural and 2b rural vacant land properties, and Green Acres value methodology and determinations.

Sincerely,

Paul Marquart
Commissioner
Minnesota Department of Revenue

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Introduction

This is the 22nd annual report to the Minnesota Legislature on property tax values and assessment practices in the state. The Legislature mandated this report from the Minnesota Department of Revenue in 2001. Since 2012, this report has been combined with the annual report about agricultural properties and Green Acres, satisfying the requirements of both Minnesota Statutes, section 273.1108, and Minnesota Laws 2001, First Special Session, chapter 5, article 3, section 92.

As required by those mandates, this report contains:

- Information by major types of property on a statewide basis and at various jurisdictional levels
- Recent market value trends
- Trend analysis of excluded market value
- Assessment quality indicators, including sales ratios and coefficients of dispersion for counties
- A summary of State Board Orders issued in 2023
- Green Acres value methodology and determinations
- Assessment and classification practices for class 2a agricultural and 2b rural vacant land property

This report provides an accurate description of the current state of property tax assessment and an overview of the department's responsibility to oversee the state's property tax assessment process. This report collects property value data for the purpose of monitoring and analyzing underlying value trends and assessment quality. This information and analysis informs government officials and the public about valuation trends within the property tax system.

Data Sources

The data for the assessment practices report is gathered through data submissions from all 87 counties in Minnesota. The data used in this report for assessment year 2023 is from the PRISM 2 files, submitted on September 1, 2023.

Historical data is gathered from PRISM 3 submissions, submitted on April 1 of the taxes-payable year. The April 1 file may reflect minor changes to taxable market value that occur between September 1 and December 31, such as properties that become exempt. Prior to the 2021 Assessment Practices Report, all data used was from PRISM 2 submissions, and therefore may cause small differences when comparing data to earlier reports.

Overview of the Minnesota Department of Revenue's Role

Property taxes are an important source of revenue for all local units of government in Minnesota, including counties, cities, townships, and school districts. The primary responsibility of the department's Property Tax Division is to ensure fair and uniform administration of, and compliance with, state property tax laws.

The Property Tax Division measures compliance with property tax laws through:

- The State Board of Equalization ensures that property owners pay their fair share – no more and no less. The Department of Revenue, acting as the State Board of Equalization, has the authority to increase or decrease assessed market values to bring about equalization.
- Promotion of uniformity of administration among the counties to ensure that each taxpayer will be treated in the same manner regardless of where the taxpayer lives.

- Delivery of accurate and timely aid calculations, certifications, and actual aid payments.
- Education and information for county officials, including technical manuals, bulletins, answers to specific questions, and courses taught by division staff. These offerings provide county officials the support and training necessary to administer property tax laws equitably and uniformly.

The classification system is another part of the Minnesota Department of Revenue's efforts to measure assessment quality. The sales ratio study and State Board of Equalization use property classifications to study value trends and accuracy of assessors' valuations. For the purposes of this report, the department has focused on the following major classification types:

- Residential
- Seasonal recreational residential (cabins)
- Apartments
- Commercial
- Industrial
- Agricultural and rural lands

Estimated Market Values and the Sales Ratio Study

Minnesota law requires that all property be valued at its market value. For property tax assessment purposes, the market value is rounded to the nearest $100. Assessors are required to determine the value of the land, the value of the structures and improvements to the land, and the resulting total market value.

The “market value” used for property tax purposes is the “open market value,” which is the price a property would sell for under typical, normal, and competitive conditions. It is also called the estimated market value (EMV). The most common method to determine EMVs is the comparable sales approach.

To evaluate the accuracy and uniformity of assessments within the state (and to ensure compliance with property tax laws), the Minnesota Department of Revenue conducts annual **sales ratio studies**. These studies measure the relationship between appraised values and the actual sales price.

Sales Used for the 2023 Assessment Year

The number of total sales and the number of good sales decreased between the 2021 and 2022 sales ratio study years. The data comes from sales that occurred October 1, 2021 - September 30, 2022.

There were 145,144 Certificates of Real Estate Value (CRVs) received in the 2022 sales ratio study for the 2023 State Board of Equalization. Of these, 91,191 were considered good, current-year, open-market sales. This was a decrease in the number of sales and good sales from the previous year (162,451 sales, 104,269 of them good sales), and also marked a decrease in the ratio of good sales compared to overall sales (62.8% compared with 64.2% last year).

Analysis of Sales Impacting Market Value Changes

Sales ratio studies measure the relationship between appraised values and the actual sales price. A sales ratio is the assessor’s estimated market value of a property divided by its actual sales price, as seen here:

$$Sales\ Ratio = \frac{Assessor's\ Estimated\ Market\ Value}{Sales\ Price}$$

Equation 1

For example, assume a home was valued by the assessor at $100,000. The home sold for $105,000. The sales ratio would be calculated as follows:

$$Sales\ Ratio = \frac{\$100{,}000}{\$105{,}000} = 95\%$$

2023 Assessment Quality and Sales Ratio Studies on EMVs

The two primary measures of assessment quality are the sales ratio and the coefficient of dispersion (COD).[1]

Sales ratios measure the **level of assessment** (how close appraisals are to market value on an overall basis). For the 2022 sales ratio study (for the 2023 assessment), the statewide median sales ratios for all property types were in the acceptable targeted range of 90% to 105%.

Coefficients of dispersion measure the **uniformity of assessment** (how close individual appraisals are to the median ratio and each other). The lower the COD, the more uniform the assessments. A high coefficient suggests a lack of equality among individual assessments, with some parcels being assessed at a considerably higher ratio than others. Note that property types with smaller sample sizes tend to have lower sales ratios and higher CODs. This is an area of concern with smaller sales samples.

Assessment quality decreased between the 2021 and 2022 sales ratio studies (for assessment years 2022 and 2023). Sales ratios improved for residential and cabins but worsened for other property types. The COD of all property types saw small increases, though most property types still fell within the acceptable ranges for COD.

See Appendix A for the median sales ratios and CODs by property type.

State Board Orders

The State Board of Equalization issues corrective orders when the median sales ratio for a property type is outside the 90% to 105% acceptable range. Thirteen counties were issued State Board Orders for the 2022 sales ratio study, the same number as for the 2021 study. The makeup of the orders shifted, with fewer districts with orders, but more countywide orders compared to the 2021 study.

The Minnesota Department of Revenue's appraisal staff works with assessors to identify areas of concern for future assessments to help avoid State Board Orders. These issues usually fall into three categories:

1. Low sales ratios in areas with a history of few sales
2. Sales ratios near the 90% to 105% range boundaries
3. Areas with uniformity concerns

See Appendix A for a list of 2023 State Board Orders by county and Appendix B for a detailed explanation of sales ratio studies used for these board orders.

[1] As a general rule, sales ratios and coefficients of dispersion are more accurate in classes with more sales activity because a larger sales sample is more likely to reflect the range of values for all properties in the jurisdiction.

Statewide Change in Value by Property Type

Methods of Examining Value

The following sections will examine how EMV changed for the 2023 assessment year, generally expressing this change as a percentage change from the same value in the 2022 assessment year. To do so, we will use two different types of EMV: aggregate EMV and constant class (CC) EMV. We will also look at sale numbers, class changes, and the value of new improvements.

Aggregate EMV is the amount of assessed value that is classified and categorized as each property type. This can change based on values for that property increasing or decreasing, existing properties changing from one type to another, or construction or destruction of properties of that type.

CC EMV is aggregate EMV **without** considering classification changes and does not factor in new construction or destruction of improvements. CC EMV numbers are estimates that depend on the quality of data submitted, and therefore are not as accurate as Aggregate EMV. Nonetheless, CC EMV is extremely helpful as it shows how values of different property types are increasing or decreasing without having to worry about new construction or classification changes.[2]

Sale numbers are collected from good eCRV submissions and can help show what types of properties were sold during the year. Class changes show when a property was changed from one type to another; this is usually due to the use changing from year to year, but can also be due to law changes reclassifying a use from one property type to another. Lastly, new improvements are the total value added by new construction and new improvements minus the value lost by demolition of improvements for each property type.

These figures are compared across the major property types, determined by classification and other data submitted by counties. These property types are:

- Agricultural homestead land
- Agricultural non-homestead land
- Seasonal residential recreational non-commercial (cabins)
- Residential homestead
- Residential non-homestead (1-3 units)
- Apartments (including low-income housing)
- Commercial
- Industrial

Some charts will group all agricultural land and all residential property together. This is because data for 2023 is based on preliminary PRISM 2 files, meaning that some properties are reported as non-homestead initially but receive homestead status later in the year. Looking at prior reports, we see that homestead and non-homestead numbers generally converge when the final PRISM 3 is submitted.

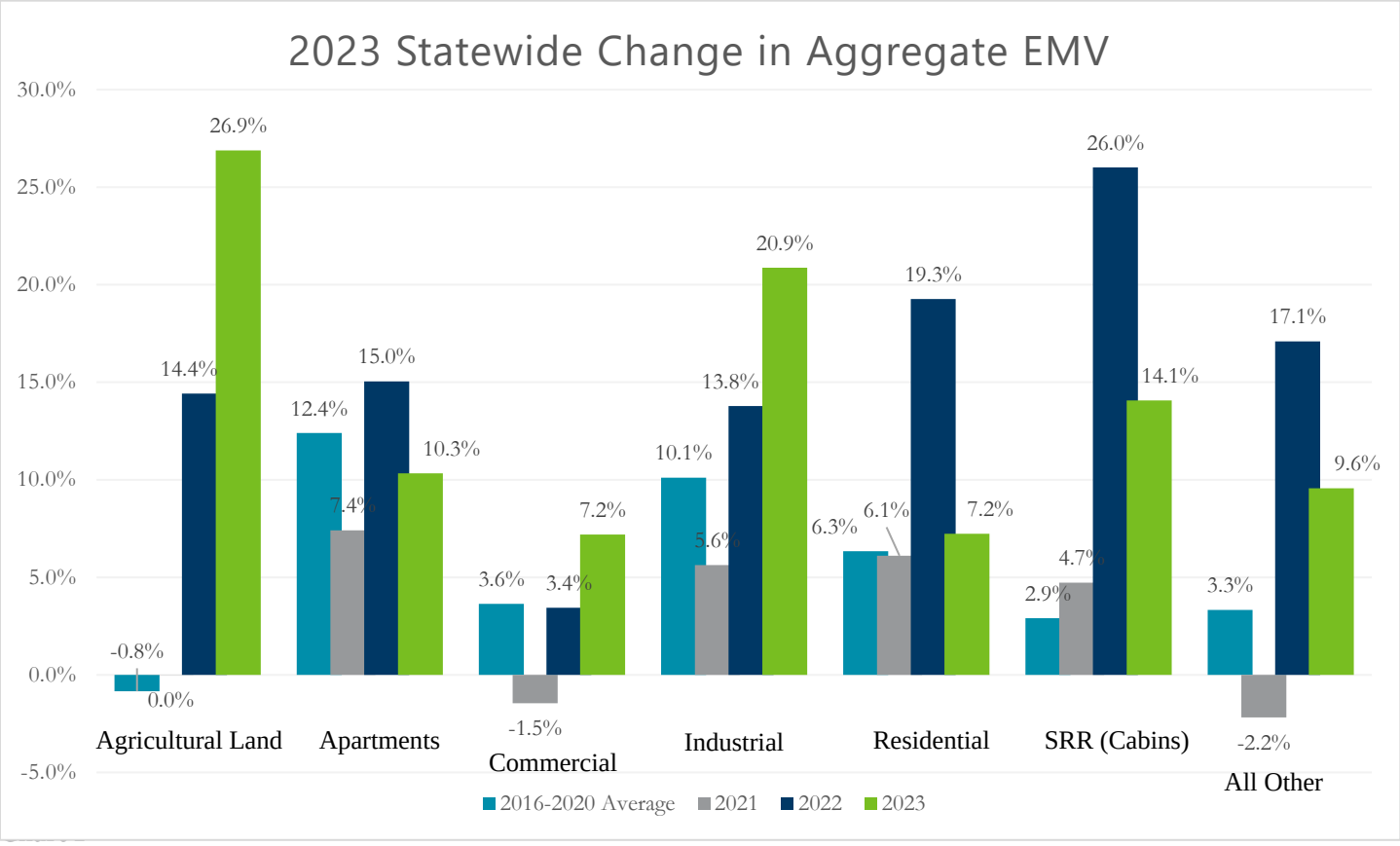
[2] Example: a residential home was valued at $200,000 in AY2020. During 2020 they built a new garage. For AY 2021, the house was valued at $220,000 and the garage valued at $30,000, bringing the total value to $250,000. Aggregate EMV would show a 25% increase (from $200,000 to $250,000), while CC EMV would show a 10% increase (the increased value of the house from $200,000 to $220,000).

Comparing to Previous Years

The 2021 and 2022 assessment years saw unique shifts in the market, with 2021 as the first assessment year after the COVID-19 pandemic and 2022 seeing large increases in residential market values statewide. Similar to the previous two Assessment Practices Reports, we will examine how the change in value of different property types and regions compare with the average change in value from 2016-2020[3], in addition to examining how the 2023 changes compare to that in 2022 and 2021.

Statewide Trends in 2023

While 2022 saw the largest increases in aggregate EMV for residential property types since at least 2005, 2023 saw the largest increases in agricultural land in that timeframe. Industrial properties also saw increases greater than those in 2022. Commercial properties, while not increasing by as high of a raw percentage, saw increases double that of their 2016-2020 average. In contrast, residential property increased at a similar rate as it had in their prior average, while apartments saw their lowest statewide growth since 2014.



[3] This average is the average change in EMV from 2016-2017, 2017-2018, 2018-2019, and 2019-2020. It is not the change from 2016 to 2020 averaged over four years, as it seeks to provide a comparison of what an expected change in value could be for any of those years.

Looking at CC EMV, agricultural land EMV increased by a slightly higher rate compared to aggregate EMV, the only group aside from "All Other" to do so. This suggests that there were classification changes away from agricultural land, possibly due to increased development. One of the biggest differences between CC and aggregate EMV was for apartments, with CC EMV only increasing by 4.5% compared to 10.3% in aggregate.

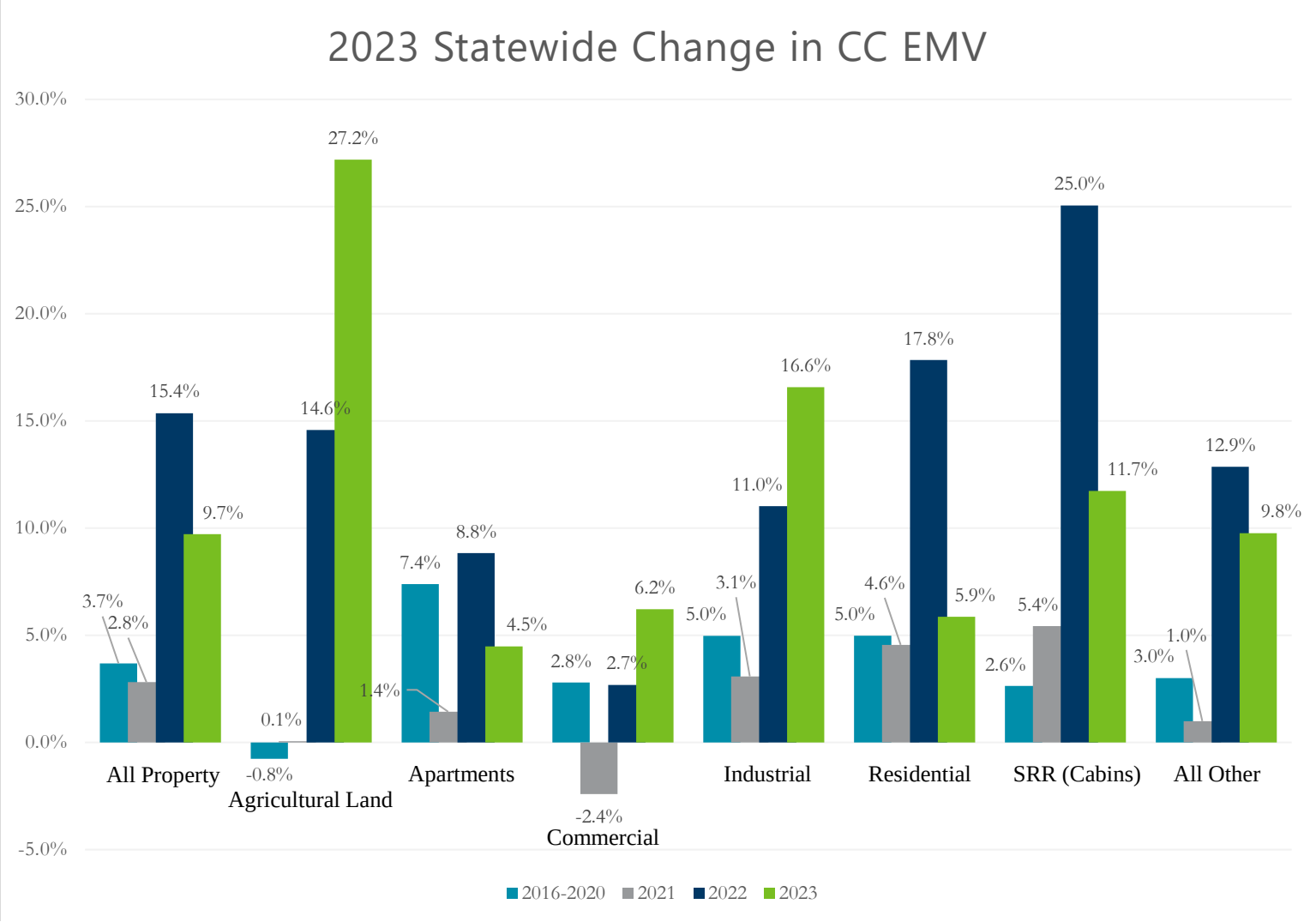


Chart 2

Regional Trends in 2023

To examine regional trends, we again divided EMV data into three regions:

- Twin Cities Metro Area
- Non-Metro Cities
- Greater Minnesota

The Non-Metro Cities category includes all cities of the first and second class outside the seven-county Twin Cities Metro area, which seeks to provide more insight into the urban areas in Greater Minnesota.[4]

Table 2 compares the percent change in both aggregate and CC EMV by region for all property types for assessment years 2023, 2022, and 2021, plus the four-year average between 2016-2020. Between 2016 and 2020, the Metro saw, on average, greater increases in both aggregate and CC EMV than Non-Metro Cities and Greater Minnesota. These numbers converged in 2021, with the Metro and Non-Metro Cities seeing reduced increases in both aggregate and CC EMV, while Greater Minnesota's increases grew.

Percent Change in EMV (All Property Types)

(Average EMV is the Average Change from 2016-2020)

Region *(2023 EMV in millions)*	Average Aggregate EMV	2021 Aggregate EMV	2022 Aggregate EMV	2023 Aggregate EMV	Average CC EMV	2021 CC EMV	2022 CC EMV	2023 CC EMV
Twin Cities Metro Area *($556,413)*	6.8%	4.3%	15.5%	6.7%	4.7%	2.8%	14.0%	4.9%
Non-Metro Cities *($60,419)*	5.9%	4.9%	15.0%	8.6%	4.1%	3.4%	13.4%	7.2%
Greater Minnesota *($473,115)*	2.6%	3.7%	19.0%	17.5%	2.2%	2.8%	17.3%	16.3%

Table 2

While all regions saw dramatic increases in 2022, in 2023 both aggregate and CC EMV growth fell substantially for both Metro and Non-Metro Cities, while Greater MN maintained double-digit increases. CC EMV throws this contrast into sharp relief, with the Metro seeing only a bit more than a third of the growth in values it experienced in 2022 and Non-Metro Cities with a drop-off of just under 50%. Greater Minnesota's growth was the most similar, within 10% of the previous year's increases. Looking at these numbers compared to the 2016-2020 averages as a baseline, in 2023 the Metro returned to increases similar to this period, while Non-Metro Cities are a few percentage points higher. Meanwhile, the aggregate EMV increase of 17.5% in Greater Minnesota is the highest since at least 2005, aside from 2022.

Digging deeper into each region, Chart 3 shows the breakdown of proportions of EMV for each region. It excludes property types that did not make up at least 1% of the total EMV for any region. This provides insight into the tax base of each geographic region and what property types to focus on. For instance, the change in agricultural land EMV is much more relevant for Greater Minnesota than the Metro.

[4] The 12 non-Metro cities include: Rochester, Duluth, St. Cloud, Moorhead, Mankato, Winona, Owatonna, Austin, Elk River, Faribault, Willmar, and Northfield. (Part of Northfield falls into Dakota County; this is included in EMV totals for the non-Metro cities category.)

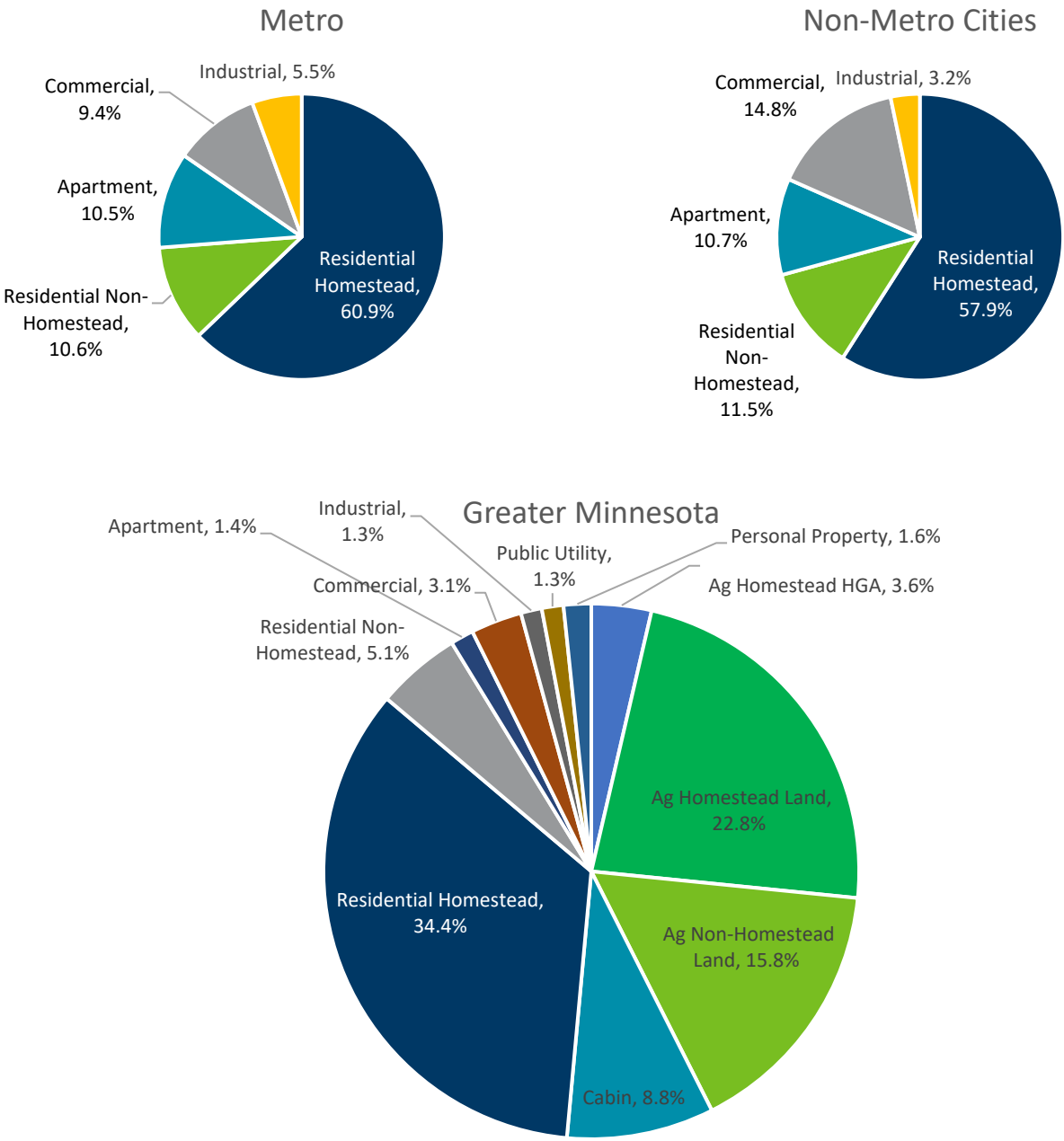


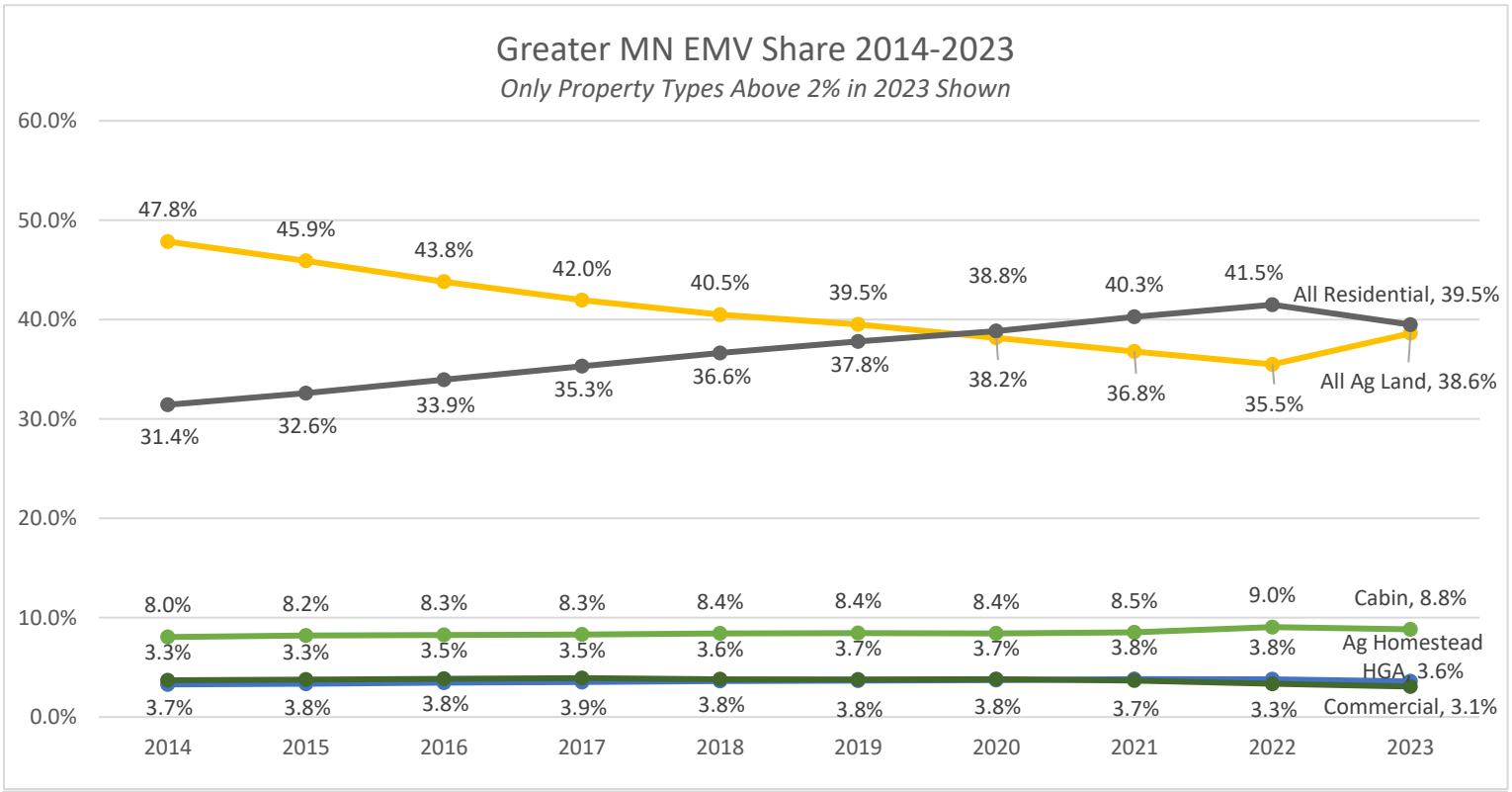
Chart 2

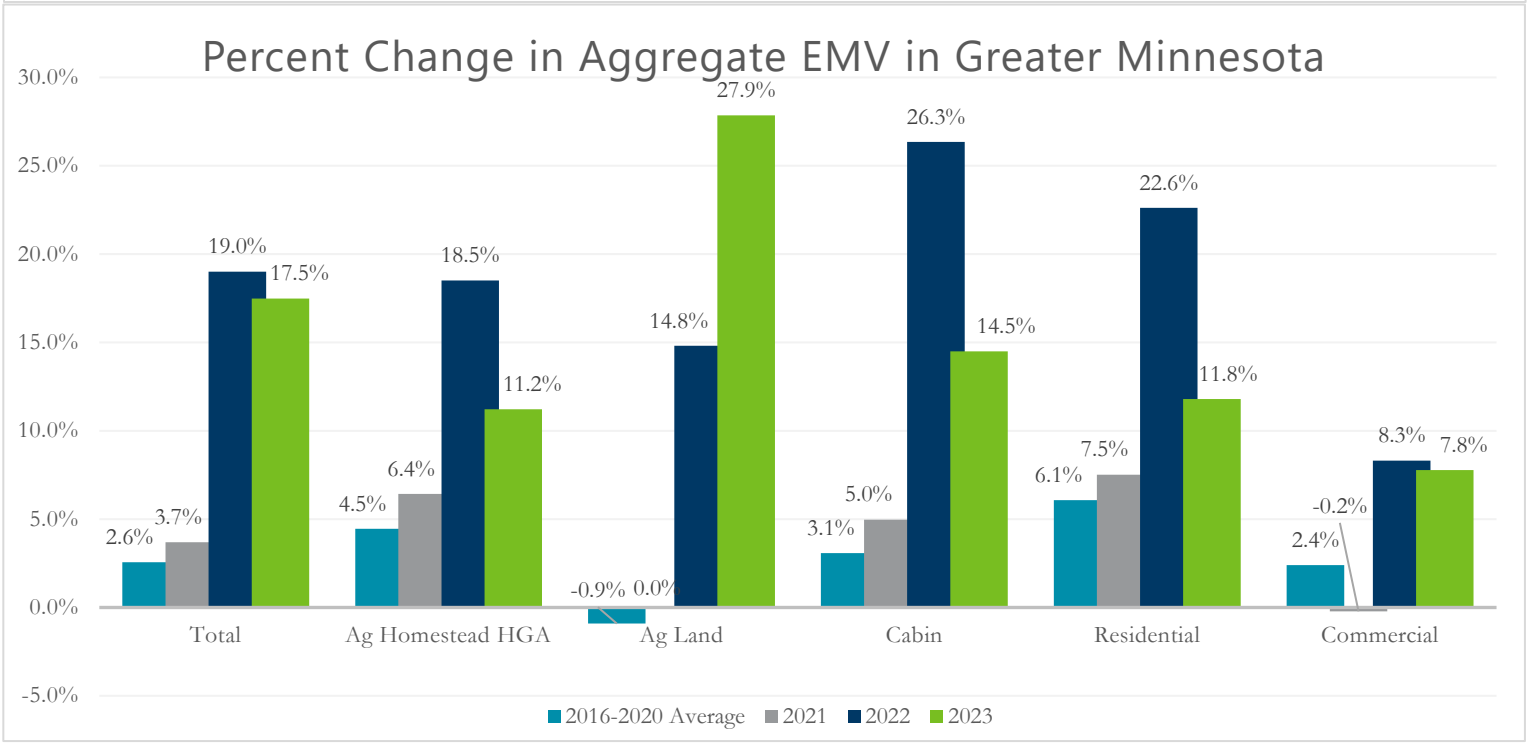
Chart 3 shows the Metro and Non-Metro Cities share a similar tax base: a majority residential homestead with residential non-homestead, apartments, and properties making up most of the remainder. Greater Minnesota, meanwhile, does not have a single property type that makes up a majority of the EMV; residential and agricultural property make up similar shares of the tax base, complemented by cabins and commercial, with small amounts of personal property, industrial, and apartments filling in the gaps.

Focusing on Greater Minnesota, Chart 4 shows the change in the share of the main property types over the last decade. In 2014, agricultural land made up just under half the overall EMV, with residential property making up less than a third. These shares converged due to minimal or negative increases in agricultural

land EMV with residential property making up a larger share starting in 2020 (Chart 5). The trend then reversed in 2023 due to the large increase in EMV of agricultural land and the more modest increases for residential property.

The 2023 assessment year still saw increases across the board greater than 2021 and the pre-2021 average. Agricultural land was the only group that saw increases larger than those in 2022, which additionally explains the reversion of its EMV share. The large increases compared to the rest of the state will be discussed further in each property type's respective section.





Agricultural Land

Agricultural land includes both agricultural and rural vacant land and is almost entirely located in Greater MN (95% of total market value). For more specific geographic breakdowns, we can use the geographic regions from the Property Tax Burden (Voss) Report. This breaks the state into 20 separate regions, ten of which are located in Greater Minnesota[5].

2023 Aggregate Agricultural EMV in Greater Minnesota Voss Regions					
Region	**Arrowhead**	**Central**	**East Central**	**Minnesota Valley**	**North Central**
Percent Change in Aggregate Agricultural Land EMV	11.1%	19.2%	23.6%	29.8%	18.2%
2023 Nominal EMV in millions and % of regional EMV	*$4,238; 8.2%*	*$8,753; 12.4%*	*$4,107; 14.8%*	*$27,841; 61.5%*	*$5,840; 13.4%*
Region	**Northwest/Headwaters**	**South Central**	**Southeast**	**Southwest**	**West Central**
Percent Change in Aggregate Agricultural Land EMV	18.9%	33.1%	25.3%	40.4%	20.6%
2023 Nominal EMV in millions and % of regional EMV	*$15,765, 41.7%*	*$29,743; 53.0%*	*$30,280; 32.0%*	*$36,495; 76.6%*	*$19,921; 34.3%*

Table 3

Table 3 shows the percent change in aggregate agricultural EMV with the total agricultural EMV for the region and the percent share of that region's EMV. Those secondary numbers indicate that the Southwest region has both the largest market value of agricultural land and the largest proportion of the region's EMV. The Southwest also had the largest increase in agricultural land value, increasing by over 40% from 2022, which also led to an overall increase in EMV of 33.6% in the region given the large proportion of agricultural land.

The two next largest increases were also from regions where agricultural land makes up a majority of the EMV:

- Minnesota Valley, where the almost 30% increase saw the agricultural land EMV share increase from 58.1% to 61.5%
- South Central, where the share of agricultural EMV increased by almost 5% due to the 33.1% increase.

[5] These are: Arrowhead, Central, East Central, Minnesota Valley, North Central, Northwest/Headwaters, South Central, Southeast, Southwest, and West Central.

On the other end of the spectrum, Arrowhead had both the lowest share of agricultural land EMV and the lowest growth of any region in Greater Minnesota. Also, it interestingly is the only region that has a higher proportion of non-homesteaded land compared to homesteaded land (6.7% non-homestead versus 1.5% homestead). Regardless, the 11.1% increase in 2023 still represents a large increase for agricultural land given the generally low increases over the past decade.

Another relevant distinction between agricultural land is between homestead and non-homestead land. Current year numbers are misleading, as homestead applications are not due until December 31 of the assessment year, meaning there are some homesteads that will have been granted after PRISM 2 submissions (the source of our data for 2023). Therefore, the decrease in homestead land EMV shown in Table 4 is very likely more than it will be once we receive the final numbers- in 2022, our initial data showed only a 9.8% increase for homesteaded agricultural land and a 22% increase in non-homesteaded agricultural land. We now know that homesteaded land saw a 13.7% increase, and non-homesteaded land saw a 15.5% increase. This is also the reason why we are focusing on all agricultural land for current-year breakdowns.

Looking at the historical trend of homestead compared to non-homestead agricultural land, we see that both the share of homestead acreage[6] and subsequently EMV have both moved slowly away from homesteaded land to non-homestead. This is not due to legislative or policy changes, as the only legislative changes that occurred in this time expanded the definition of what may qualify for agricultural homestead. Instead, the data suggests that fewer acres and market value are qualifying for agricultural homestead.

Homestead and Non-Homestead Agricultural Land in Greater Minnesota Voss Regions since 2016

	2016	2017	2018	2019	2020	2021	2022	2023
Homestead Agricultural Land EMV (in millions)	$82,286	$79,228	$77,712	$78,429	$77,503	$77,434	$88,369	$107,806
Homestead Acreage (in thousands)	*18,816*	*18,661*	*18,546*	*18,351*	*18,248*	*18,164*	*18,135*	*17,386*
Non-Homestead Agricultural Land EMV (in millions)	$47,128	$46,190	$ 46,625	$47,039	$47,232	$47,264	$54,784	$75,178
Non-Homestead Acreage (in thousands)	*13,723*	*13,853*	*14,015*	*14,029*	*14,106*	*14,152*	*14,224*	*14,893*
Share of Homesteaded EMV	57.8%	57.4%	57.0%	56.7%	56.4%	56.2%	56.0%	53.9%
Share of Homesteaded Acres	63.6%	63.2%	62.5%	62.5%	62.1%	62.1%	61.7%	58.9%

Table 4

[6] Acreage reporting for agricultural parcels is less precise than that of EMV, and some of the ten regions discussed have between 0.1% and 1% of EMV missing the acreage from 2016-2023.

Looking further into the distinctions between agricultural homestead and non-homestead land in each Voss region, the Arrowhead region is the only region to have a larger proportion of non-homesteaded agricultural land EMV than homestead. Table 5 shows the difference between the percent EMV share of homestead agricultural land and non-homestead agricultural land. For instance, in 2023, homestead agricultural land made up 19% of the West Central region's EMV and non-homestead land made up 15.3%, a difference of 3.7%.

Aside from Arrowhead, all other regions are experiencing a decrease in the share of homestead agricultural land compared to non-agricultural land. Minnesota Valley, South Central, Southeast, and West Central saw the largest decreases from 2016 to 2022 (the last year we have final homestead data for). As previously mentioned, these numbers will likely increase once the final homestead data is submitted for 2023, however, the trend of decreasing homestead land EMV seems to be continuing in all regions except for Arrowhead.

Difference Between Agricultural Homestead and Non-Homestead Land EMV Share by Region

	2016	2017	2018	2019	2020	2021	2022	2023
Arrowhead	-6.9%	-6.4%	-6.1%	-6.0%	-5.7%	-5.4%	-5.2%	-5.2%
Central	7.6%	7.2%	6.7%	6.3%	5.9%	5.6%	5.3%	5.3%
East Central	4.2%	4.0%	3.7%	3.2%	3.0%	2.9%	2.6%	2.2%
Minnesota Valley	20.5%	19.1%	17.5%	17.3%	16.6%	16.2%	15.9%	14.2%
North Central	3.1%	3.1%	2.9%	2.9%	2.7%	2.6%	2.0%	2.2%
Northwest/Headwaters	6.9%	6.7%	6.5%	6.1%	6.1%	5.9%	5.2%	4.1%
South Central	19.9%	18.7%	17.2%	17.0%	15.8%	15.7%	15.2%	11.6%
Southeast	14.3%	13.4%	12.3%	12.0%	11.2%	10.6%	10.2%	9.9%
Southwest	18.2%	17.4%	16.4%	16.7%	15.8%	15.9%	15.7%	8.6%
West Central	9.4%	8.0%	7.0%	6.5%	6.2%	5.5%	5.1%	3.7%

Table 5

Apartments

Both aggregate and CC statewide apartment EMV saw lower increases than their 2016-2020 average, and much lower than 2022. This was primarily driven by low growth in the Metro, which contains over 80% of all apartment EMV. The Metro only saw 3% growth of CC EMV and 9.2% in aggregate EMV, which continues the trend of much larger aggregate EMV growth and suggests that much of the increase in EMV was due to new construction.

Within the Metro, the Voss regions with the largest growth were Anoka (26.4%), Washington (14.8%), and Carver/Scott (14.4%). However, these are also the Metro regions with the lowest share of apartment EMV to begin with (8th, 9th, and 10th respectively). The main difference from last year in the Metro is in the Saint Paul and Southeast Hennepin regions. These regions combined contain just over 21% of statewide apartment EMV; last year, they saw increases of 13.9% and 15.7%. This year, those numbers are down to 6.5% and 6.1% respectively.

Percent Change in Apartment EMV

(Average EMV is the Average Change from 2016-2020)

Region *(2023 EMV in millions; % of total regional EMV)*	Average Aggregate EMV	2021 Aggregate EMV	2022 Aggregate EMV	2023 Aggregate EMV	Average CC EMV	2021 CC EMV	2022 CC EMV	2023 CC EMV
Twin Cities Metro Area *($58,431; 10.5%)*	13.3%	7.5%	15.1%	9.2%	8.3%	1.1%	8.5%	3.0%
Non-Metro Cities *($6,444; 10.7%)*	10.7%	7.3%	13.8%	16.9%	4.8%	3.1%	9.6%	12.4%
Greater Minnesota *($6,552; 1.4%)*	7.0%	6.6%	15.6%	14.5%	3.1%	3.0%	10.7%	10.5%

Table 6

Minneapolis is the Voss region with the largest percent of EMV at 20.1%. It has seen percentages fall from a 2016-2020 average of 12.9% to 6.1% in 2021, 7.8% in 2022, and 7.5% in 2023.

While most of the property types' EMV is located in the Metro, apartments make up a similar percent of regional EMV in Non-Metro Cities and are the fourth largest property type in the region. The upward trend continued in both aggregate and CC EMV, increasing the regional share of EMV by 0.8% from 2022. The large increases in Non-Metro Cities contrasts to the trends in the Metro, which bears monitoring moving forward.

Residential Property

Residential properties are likely the most important type of properties we examine in this report, as they contain a plurality of the market value of all three regions and a majority of market value for the Metro and Non-Metro Cities (Table 7). Therefore, the changes in residential property, especially residential homestead, greatly affect the tax base of all of Minnesota.

Residential Proportion of Area's Total EMV by Property Type for Assessment 2023

Total EMV (in millions)

Property Type	Twin Cities Metro Area	Non-Metro Cities	Greater Minnesota
Homestead	60.9% — *$338,687*	57.9% — *$34,979*	34.4% — *$162,813*
Non-Homestead	10.6% — *$59,018*	11.5% — *$6,926*	5.1% — *$23,990*

Table 7

When comparing homestead to non-homestead values for 2023, the caveats apply that some homesteads will have been granted after PRISM 2 submissions (the source of our data for 2023). For example, in 2022, Metro non-homestead EMV increased by 27% based on original data, but the final number was 22%.

Looking at the percent change in all residential property by region, we see that while all regions saw large growth in 2022, increases in 2023 have dropped back down, though by varying degrees depending on the region. In the Metro, EMV increased by a lower percentage than both the previous average from 2016-2020 and in 2021. In contrast, Greater Minnesota saw increases close to double the previous average and has seen growth continue to increase overall. Non-Metro Cities also saw lower growth than 2022 but still at a higher level than their 2016-2020 average or 2021 increases.

Percent Change in Residential EMV

(Average EMV is the Average Change from 2016-2020)

Region	Average Residential Aggregate EMV	2021 Residential Aggregate EMV	2022 Residential Aggregate EMV	2023 Residential Aggregate EMV	Average Residential CC EMV	2021 Residential CC EMV	2022 Residential CC EMV	2023 Residential CC EMV
Twin Cities Metro Area	6.5%	5.5%	18.0%	5.1%	5.2%	4.2%	16.8%	3.8%
Non-Metro Cities	6.0%	6.2%	18.0%	8.0%	4.8%	5.0%	16.8%	7.1%
Greater Minnesota	6.1%	7.5%	22.6%	11.8%	4.5%	5.3%	20.3%	10.2%

Table 8

Looking at CC EMV, the same trends apply where the Metro saw growth less than the average and in 2021. Greater Minnesota saw the opposite, and Non-Metro Cities fell in-between. CC EMV is notable as this shows that while some of the EMV growth is due to classification changes or new construction, most is simply due to existing parcels seeing larger increases. Because residential property makes up such a

large portion of the tax base in the Metro, the fact that the growth in the Metro is slowing is notable in terms of its possible effects on the tax base.

For more specific geographic breakdowns, Table 9 shows the percent change of residential EMV for each individual Voss regions and how that compares with the same metric in 2022. Additionally, the table shows the total EMV and percent share of EMV within that region.From this, we see that the decrease in the Metro from last year mainly comes from the outer regions in the Metro, with Anoka and Carver/Scott seeing increases fall by 20 percentage points. All Metro regions except for Minneapolis and Suburban Ramsey saw increases fall by more than 10 points between 2022 and 2023; Suburban Ramsey still saw a 9.7 point decrease, while Minneapolis had the lowest growth in 2022 at only 7.3%. The highest growth in a Metro Voss region was Washington and Southwest Hennepin, which saw 10% and 8% increases, respectively. Interestingly, these are higher than any increases in those regions since at least 2017, save for last year. There does not appear to be any relationship between market share and changes. Residential property makes up the highest proportion of EMV in Washington, followed by Anoka, Southwest Hennepin, and Carver/Scott, which, as mentioned, are the two highest and lowest increases in the Metro. The differences in residential markets within the Metro is clearly shown in these varying trends, and while regionwide numbers can give an overall picture, it is not universal within that region.

2023 Percent Change in Residential EMV by Voss Region

Region	Arrowhead	Central	East Central	Minnesota Valley	North Central	Northwest/ Headwaters	South Central
Percent Change (+/- from 2022)	10.2% *(-12.4%)*	11.7% *(-11.6%)*	11.1% *(-14.9%)*	13.3% *(-5.3%)*	12.2% *(-19.1%)*	14.8% *(-7.4%)*	11.1% *(-9.3%)*
Nominal EMV in millions (% of regional EMV)	$29,671 *57.2%*	$46,132 *65.3%*	$17,688 *63.6%*	$11,773 *26.0%*	$18,522 *42.5%*	$11,490 *30.4%*	$18,361 *32.7%*
Region	**Southeast**	**Southwest**	**West Central**	**Anoka**	**Carver/Scott**	**Dakota**	**Minneapolis**
Percent Change (+/- from 2022)	7.8% *(-9.9%)*	18.5% *(-0.9%)*	12.1% *(-6.8%)*	2.8% *(-20.0%)*	2.5% *(-21.8%)*	4.4% *(-13.4%)*	4.3% *(-3.0%)*
Nominal EMV in millions (% of regional EMV)	$46,457 *49.2%*	$6,803 *14.3%*	$21,630 *37.2%*	$42,542 *78.1%*	$38,354 *76.2%*	$54,941 *74.5%*	$39,923 *57.9%*
Region	**North Hennepin**	**Saint Paul**	**Southeast Hennepin**	**Southwest Hennepin**	**Suburban Ramsey**	**Washington**	
Percent Change (+/- from 2022)	4.9% *(-15.4%)*	3.0% *(-10.2%)*	4.2% *(-10.0%)*	8.1% *(-11.4%)*	5.3% *(-9.7%)*	10.1% *(-13.2%)*	
Nominal EMV in millions (% of regional EMV)	$36,405 *73.2%*	$22,422 *62.8%*	$36,982 *64.1%*	$56,176 *76.6%*	$27,003 *69.1%*	$43,138 *80.4%*	

Table 9

Shifting focus to the Voss regions in Greater Minnesota, the Southwest region has the largest increase in residential property, and subsequently the least change from 2022, decreasing by less than a percentage point. The Southwest region also has the lowest share of residential property EMV at only 14.3%; indeed, the three largest increases also represent the three regions with the lowest proportion of residential EMV

(Northwest/Headwaters and Minnesota Valley). The correlation does not appear to be substantive beyond that, but it is a potential relationship to monitor moving forward. On the other end of the spectrum, the Southeast region had the smallest increase in Greater Minnesota, below even Southwest Hennepin and Washington in the Metro. Still, this is a larger increase than the region had seen since at least 2017 (again except for 2022), showing that despite the drop-off from 2022, residential values in Greater Minnesota are still growing at a higher rate than previously.

Seasonal Recreational Residential Property

Seasonal residential recreational property (cabins) still increased at a high percentage compared to most property types in both aggregate and CC EMV. Although the increases were smaller than in 2022, this year's increase were otherwise the largest since 2006. With CC EMV, we see a wider gap between aggregate and CC EMV than previous years, suggesting that some of the increased EMV for 2023 is from new construction or classification changes. This was notably not the case in 2022, as CC EMV increased by 25%, just a percentage point shy of the aggregate increase.

As shown earlier, cabins have the third largest share in EMV in Greater Minnesota after agricultural and residential properties at just under 9%. Within Greater Minnesota, EMV is mainly concentrated in the Voss regions of North Central (31.0%), Arrowhead (16.8%) and West Central (16.2%), with the next highest in Northwest/Headwaters and East Central under 10%. Among these regions, the proportions of EMV all have had different trends since 2016: Arrowhead has remained within a few tenths of a percent of 16.8%, save for a brief dip to around 16% between 2019-2021. West Central has seen a somewhat steady increase in EMV share, with cabins composing 14.1% of the region's EMV in 2016 and growing annually. Lastly, Northwest/Headwaters had seen the share of EMV slowly decreasing from 31.5% in 2016 to 29.9% in 2021 before rebounding in 2022 and 2023.

Cabins are a unique property type in several respects, as they are heavily concentrated in certain parts of the state and also pay into the state general tax. They follow similar market trends as residential properties but with enough of a difference to warrant examining their changes separately.

Percent Change in Seasonal Recreational Residential EMV

(Average EMV is the Average Change from 2016-2020)

Region *2023 Nominal EMV*	Average Aggregate EMV	2021 Aggregate EMV	2022 Aggregate EMV	2023 Aggregate EMV	Average CC EMV	2021 CC EMV	2022 CC EMV	2023 CC EMV
Statewide *($43,370)*	2.9%	4.7%	26.0%	14.1%	2.6%	5.4%	25.0%	11.7%

Table 10

Commercial and Industrial Properties

Starting with the 2020 Assessment Practices report, commercial property has been reviewed independently from industrial property due to trends showing commercial property EMV is increasing at a much lower rate than industrial property EMV.

Properties that are considered commercial include office buildings, retail stores, malls, hotels, banks, restaurants, and service outlets. We also include seasonal recreational commercial properties within the commercial section. Industrial properties include property used for manufacturing, warehouses, and distribution facilities.

Commercial Property

Commercial property saw inverse trends compared to many other property types in 2023 as indicated in Table 11. While most properties in the Metro saw a smaller increase in 2023 compared to 2022, commercial property EMV increased by triple the rate it had last year. Again, delving into specific Voss regions, this was predominantly due to Washington, Anoka, and Carver/Scott, each increasing by 17.3%, 16.6%, and 14.6% respectively. These are also the three regions with the lowest share of commercial EMV, while the highest share—Southeast Hennepin and Minneapolis—saw the lowest growth, 3.6% and 3.1%, respectively.

Percent Change in Commercial EMV

(Average EMV is the Average Change from 2016-2020)

Region	Average Aggregate EMV	2021 Aggregate EMV	2022 Aggregate EMV	2023 Aggregate EMV	Average CC EMV	2021 CC EMV	2022 CC EMV	2023 CC EMV
Twin Cities Metro Area	4.1%	-2.1%	1.8%	7.3%	3.4%	-3.3%	1.3%	6.4%
Non-Metro Cities	2.9%	0.7%	5.5%	5.5%	2.0%	-1.4%	4.1%	4.5%
Greater Minnesota	2.4%	-0.2%	8.3%	7.8%	1.1%	0.6%	6.3%	6.8%

Table 11

Looking at Greater Minnesota, commercial property increased at a lower rate compared to 2022 but still more than the previous average. Interestingly, CC EMV increased compared to 2022, suggesting that there was less new construction or classification changes, but instead it is due to existing commercial property seeing more sustained increases in EMV. Commercial property makes up a small percent of market value in Greater Minnesota and has continued to decrease, making looking into Voss regions less useful. Non-Metro Cities had the same aggregate EMV growth, though slightly higher CC EMV increases, indicating that this was more due to increased values of existing commercial property rather than new construction or classification changes.

Chart 6 shows both the proportion of commercial EMV within each region and the nominal EMV of each region since 2014. This shows that each region's share of commercial EMV has followed different trends since 2004: Greater Minnesota has never had a large share of commercial EMV but has been declining. Non-Metro Cities have had the largest proportion of EMV but has declined sharply since 2015 from 19.4% to 18.8% in 2023. Lastly in the Metro, with the largest raw EMV of commercial property, its share peaked around 2013 and has declined since, though its larger increase in 2023 kept it level from 2022.

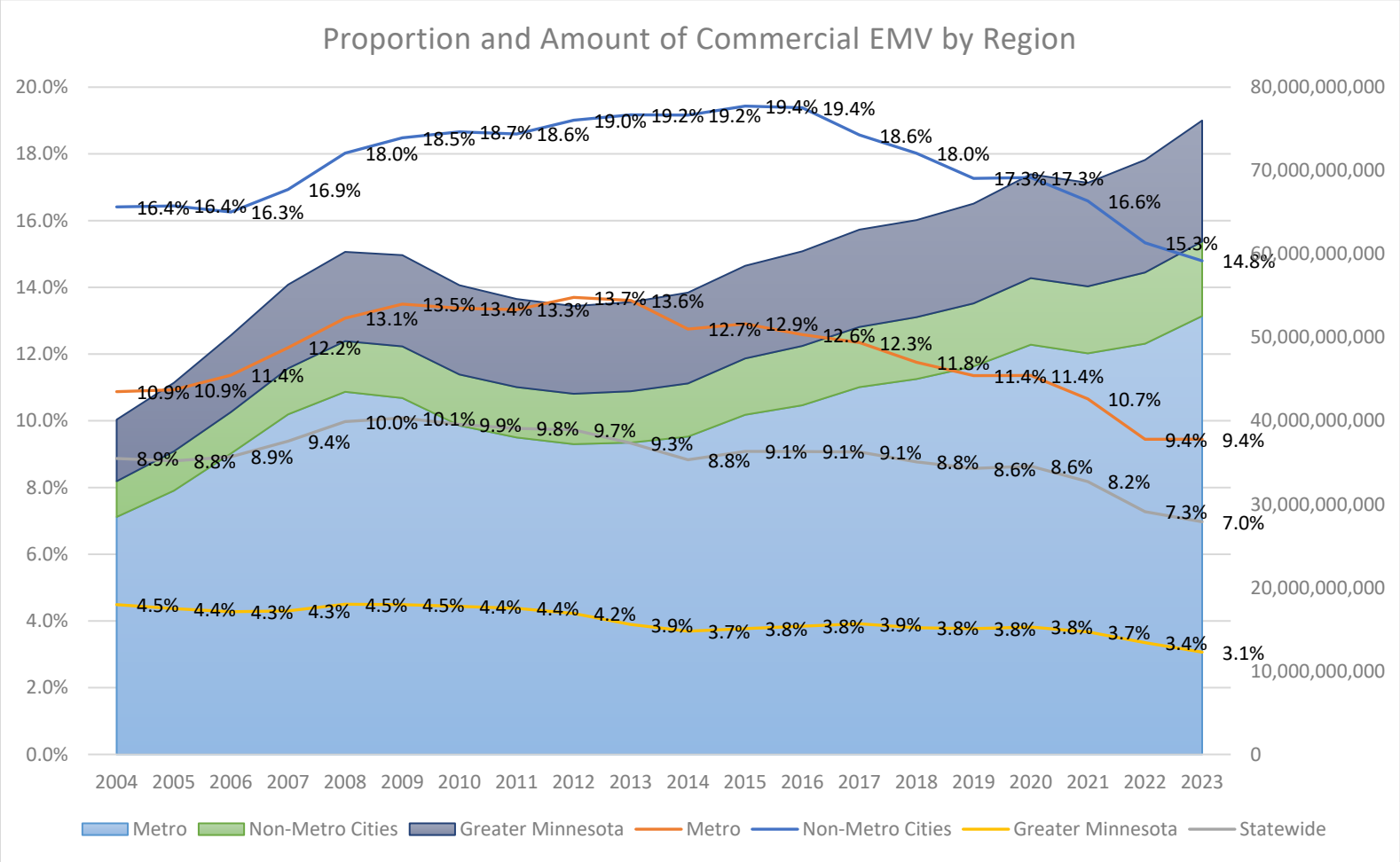


Chart 6

Industrial Property

Industrial property saw the largest increases of any property type besides agricultural land in both aggregate and CC EMV in 2023. Along with commercial property, it is one of the only property types to see a larger increase in EMV in the Metro area, increasing by nearly 10% more than in 2022 and 13% more than the previous average. Much of this is also reflected in the CC EMV, which again suggests that the value of existing property is increasing rather than being due to new construction. Within the Voss regions in the Metro, industrial property is represented relatively evenly at between 5-7% of regional EMV, with outliers of North Hennepin (9.6%) on the high end and Washington (3.0%) and Minneapolis (2.8%) on the lower end. Washington and Anoka saw the largest increases of around 35%, with Southeast Hennepin and Suburban Ramsey seeing smaller increases of around 19%.

While industrial property makes up a very small part of the tax base in Non-Metro Cities and Greater Minnesota, industrial property in those regions is also increasing in both aggregate and CC EMV steadily and has maintained a similar EMV share in both of those regions over the past several years.

Percent Change in Industrial EMV

(Average EMV is the Average Change from 2016-2020)

Region *(2023 EMV in millions; % of total regional EMV)*	Average Aggregate EMV	2021 Aggregate EMV	2022 Aggregate EMV	2023 Aggregate EMV	2016-2020 Average CC EMV	2021 CC EMV	2022 CC EMV	2023 CC EMV
Twin Cities Metro Area *($30,327; 5.5%)*	10.4%	5.7%	14.6%	23.4%	6.3%	3.8%	12.7%	19.6%
Non-Metro Cities *($1,948; 3.2%)*	12.4%	3.1%	10.4%	9.8%	1.1%	0.5%	5.5%	4.8%
Greater Minnesota *($5,938; 1.3%)*	8.4%	6.3%	11.1%	13.0%	1.0%	0.8%	6.5%	6.4%

Table 12

While it is the smallest of all the property types examined in this report and almost entirely located in the Metro area, the continued increase in EMV combined with its high classification rate means that it can be an important part of a jurisdiction's tax base.

Taxable Market Value

In Minnesota, taxes are not directly based on the estimated market value. State property tax laws contain a number of exclusions, value deferrals, and exemptions that decrease the amount of the EMV that is subject to taxation.

Taxable Market Value (TMV) refers to the amount of value that is actually used in calculating property taxes. This often differs from EMV due to special programs and exclusions. Sample TMV calculations can be found in the Property Tax Administrator's Manual, available at www.revenue.state.mn.us.

Taxable market value not only decreases an individual property's tax burden, it also decreases the tax base for the taxing jurisdiction. The taxable market value is used to determine the tax base for levying authorities (cities, counties, towns, etc.).

For example, a given county's levy (budget) is spread among all classes of taxable property by determining the cumulative net tax capacity of all the properties. The net tax capacity (taxable market value multiplied by the class rate) of all taxable properties in a jurisdiction is the tax base.

A simple illustration of how property tax rates are determined is shown below:

Step 1:

Total proposed budget
– All non-property tax revenue (state aids and fees)
= Property tax revenue needed

Step 2:

Property tax revenue needed
÷ Total tax capacity of all taxable properties
= Local tax rate

When taxable market values change, the tax burden is redistributed within the jurisdiction. If the levy remains constant, property taxes for a single property may still change depending on changes in the classification rate or taxable market value of other properties in the jurisdiction. Table 13 provides figures for some of the more common exclusions and deferrals that remove taxable value from the tax base, while Chart 7 shows the historical figures of the percent change in TMV for major property groups since 2013.

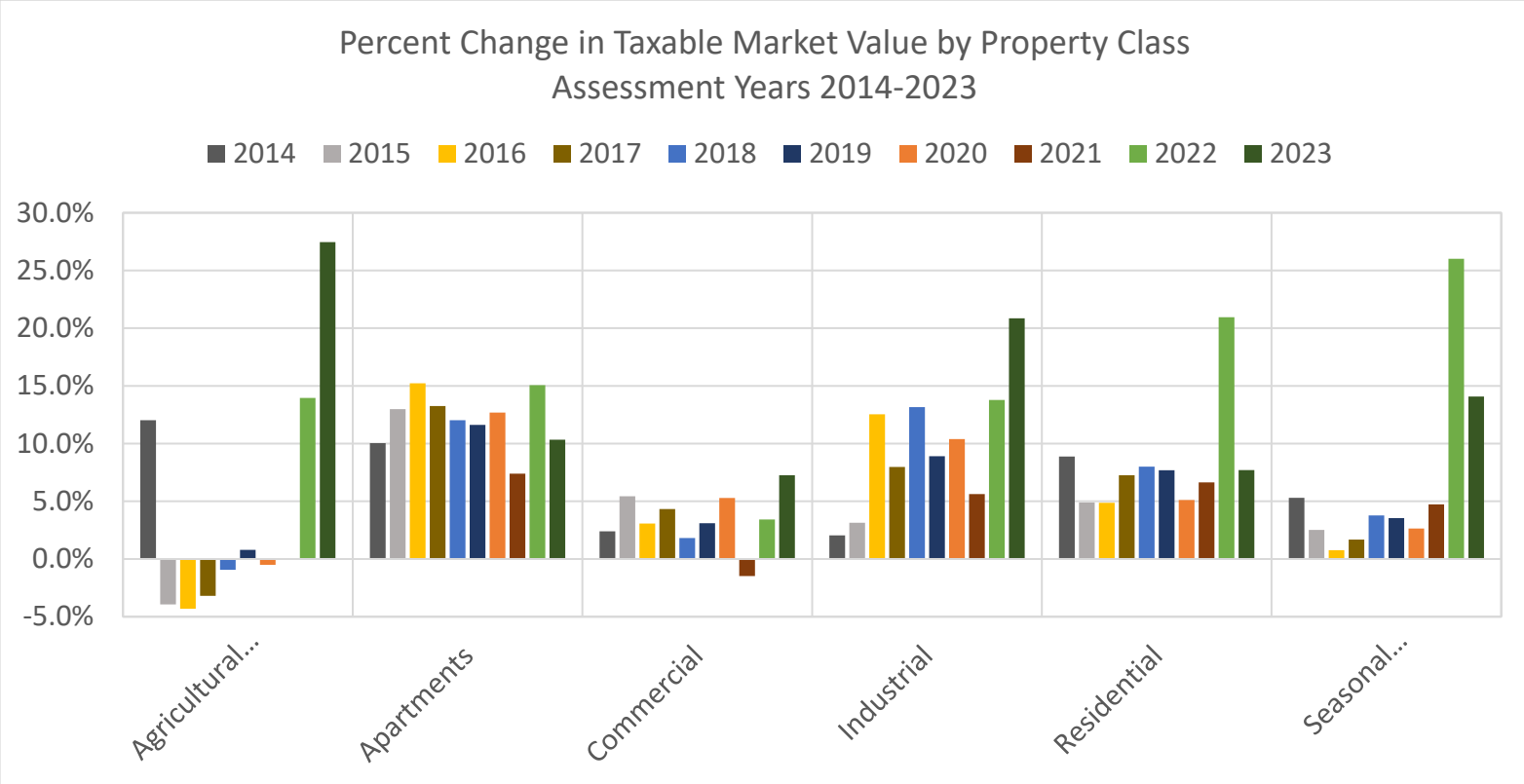


Chart 7

Value Exclusions and Deferrals			
All Values in Millions			
Exclusion/Deferral	**2022 Value**	**2023 Value**	**% Change**
Homestead Market Value Exclusion	$16,875	$15,109	-10.5%
Veterans with a Disability Exclusion	$4,542	$4,885	7.6%
Green Acres	$3,610	$3,806	5.4%
Open Space	$769	$794	3.2%
Rural Preserve	$744	$898	20.7%
Plat Law	$664	$753	13.5%

Table 13

Exclusion and Deferral Trends

The continued increases in residential homestead EMV, despite being less than last year, still have contributed to a further decrease in the homestead market value exclusion (HMVE) between 2022 and 2023. Chart 8 shows the breakdown of what homesteads receive for the market value exclusion, broken down by percentages per $5,000 increment.[7] This shows the negative effect on the HMVE of steadily increasing residential values, of which 2022 exacerbated with the large increases in residential homestead EMV. Assessment year 2023 continued to see more properties phase out of the exclusion entirely, and fewer and fewer properties receiving more than half the available exclusion (down to only 29% of parcels eligible for the exclusion).

However, this will likely be the last year we see such a trend, as the Legislature increased the exclusion calculation beginning for assessment year 2024. Previously, the exclusion maxed out at $30,400 in value for properties valued at $76,000 and phased out at homesteads valued at $413,800, the exclusion is now a maximum of $38,000 for properties valued at $95,000 and phases out for homesteads valued at $517,200 or more. This change will be reflected in next year's data and will almost certainly lead to an increase in the amount of value excluded under the program.

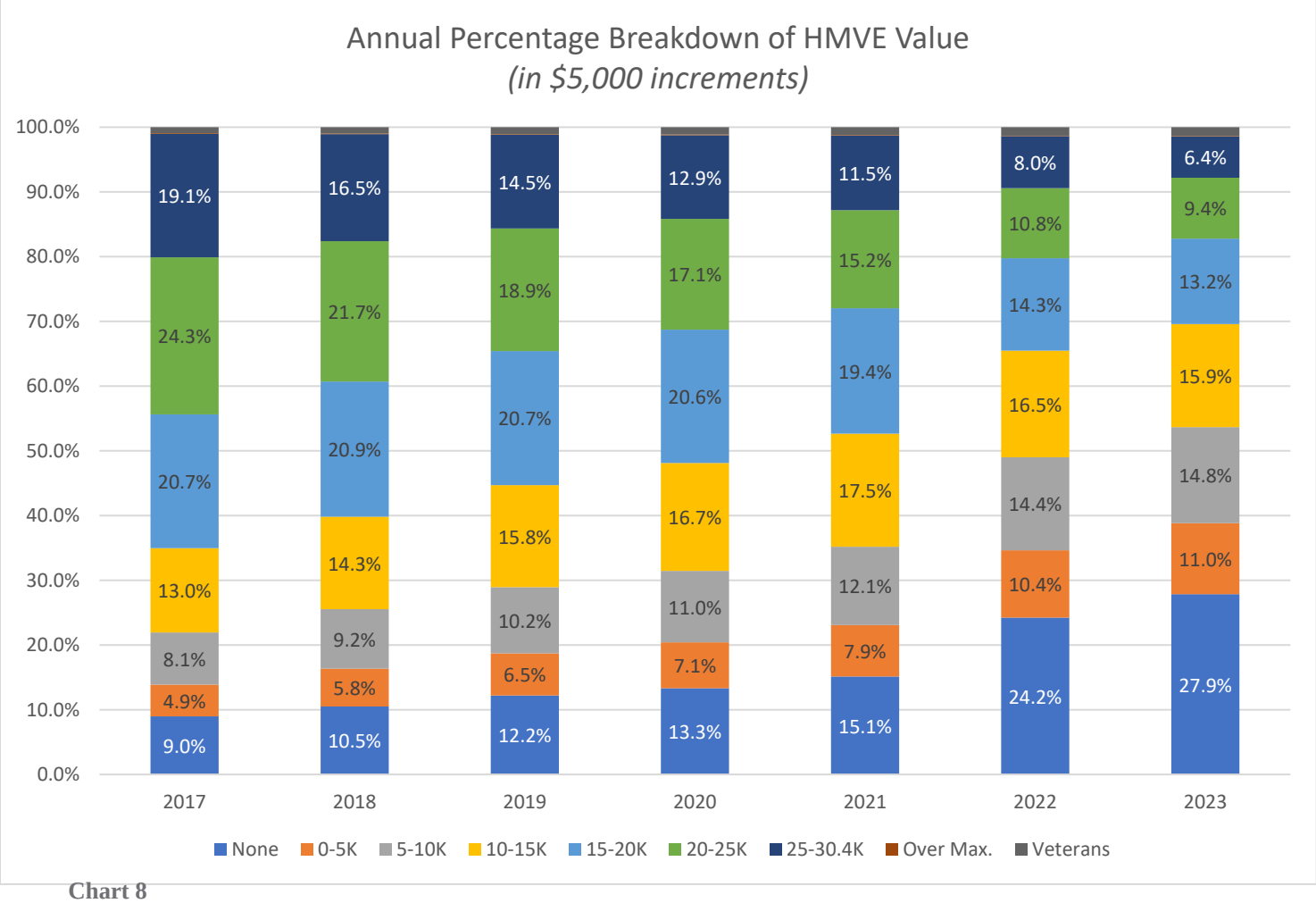


Chart 8

[7] Some parcels receive above the maximum Homestead Market Value Exclusion amount due to there being multiple homesteads on the parcel (parcels that have multiple houses, housing cooperatives, etc.). Parcels also cannot receive a HMVE if they are also receiving a homestead exclusion for veterans with a disability. Both categories make up under 1.5% of parcels for all years in the chart.

Looking at other exclusions, the amount excluded by the Homestead Exclusion for Veterans with a Disability continues to increase, albeit at a lower value than previous years. As with homestead, the application deadline for new properties seeking the exclusion is after the submission deadline for our 2023 data; last year, the initial figure of 11.5% increased to 17.6% after data was finalized. The exclusion amount had otherwise increased by double-digits from 2017-2022, with larger increases in 2019 and 2022, and before that had increased by over 9% in 2014-2016. If there is no subsequent increase after data is finalized, this would be the lowest increase since 2013, however, if we see a similar approximate 5% increase to our initial figure, that would put the increase squarely in line with previous years.

Eligibility continues to expand, with the legislature allowing qualifying surviving spouses to apply for and receive the exclusion regardless of when the qualifying veteran passed away beginning in 2023. The number of parcels enrolled continues to increase, suggesting that legislative expansion and outreach continues to see increased enrollment by qualifying veterans and surviving spouses.

While not as dramatic an increase as the 57% increase in 2022, deferrals under Plat Law still saw an increase of over 13%, meaning there is now over $750 million deferred as part of the program. Given that value phases in over three years in the Metro and seven years in Greater Minnesota unless it is sold or construction begins, this number will likely start to drop over the coming years as properties phase out or are removed from the program. While we have seen large increases in agricultural land EMV, this has been complemented by steady increases in residential property, meaning that there is still development and this increase is expected.

Open Space increased by a little over 3%, which again is somewhat expected given the increased development. Open Space is a program that has comparatively few properties enrolled, which can result in large swings based on enrollment and reporting.

Green Acres and Rural Preserve

Green Acres and Rural Preserve are property tax deferral programs that help keep farm property values from increasing due to non-agricultural influences such as development or recreational uses on nearby properties. The taxable market value of qualifying farmland is based on its agricultural use, rather than its highest and best use (which may be impacted by sales of nearby land for development or speculation).

The Department of Revenue determines a Green Acres value for tillable and non-tillable class 2a agricultural land for each county to reflect market and agricultural conditions. Counties use the Green Acres value when calculating property taxes. Rural Preserve provides a similar benefit for class 2b rural vacant land that is part of a farm. (See Appendix D for details about Green Acres and Rural Preserve values for the 2023 assessment.)

Green Acres and Rural Preserve Deferrals			
All Values in Millions			
Green Acres	**2021**	**2022**	**2023**
Enrolled Market Value	$14,719	$16,658	$19,525
Taxable Value	$12,036	$13,049	$15,720
Deferred Value	$2,683	$3,610	$3,806
Percent Deferred*	18.2%	21.7%	19.5%
Rural Preserve	**2021**	**2022**	**2023**
Enrolled Market Value	$1,373	$1,566	$1,836
Taxable Value	$774	$823	$938
Deferred Value	$599	$744	$898
Percent Deferred*	43.6%	47.5%	48.9%

** Percent Deferred = Percentage of Total EMV (Deferred Value + Taxable Value) that received deferral*

Table 14

Green Acres Values: 2023 Assessment Year Impact

As noted in the *Value Trends for 2023* section, agricultural land saw the largest increase in EMV since our data began in 2005. Interestingly, the taxable market value increased by a larger amount; looking at the percent deferred in 2023, the percent of value deferred did indeed decrease, suggesting that the increases to agricultural land were predominantly either to properties that were not enrolled in Green Acres or were due to agricultural factors not deferred by the program. Green Acres itself did see increases in enrolled market value and taxable value, which is logical given the increases in agricultural land. Indeed, acres enrolled in the program declined by just over 16,000 down to around 3.001 million in 2023, showing that the increase in market value enrolled in the program was due to the increase in value rather than increased enrollment.

Rural Preserve saw increases to all categories- market value, deferred value, percent deferred, and even acreage (even if only by a few hundred acres). The fact that the percent deferred under Green Acres decreased but increased under Rural Preserve suggests that the increase in agricultural land (which does also include unproductive rural vacant land) was more applicable to tillable land rather than non-tillable land, at least for properties enrolled in Green Acres and Rural Preserve.

After the large increase in 2022 due to increased residential values, the decrease in the percent deferred under Green Acres in 2023 provides an interesting counterexample for the program. When agricultural markets see large increases in agricultural land and lower increases in residential values, Green Acres is less responsive, satisfying the purpose of the program.

Tax Distribution

Minnesota's property tax system has several components including classification, valuation, and special programs that reduce taxable value, credits, and different levies. These components determine which properties will pay a greater or lesser share of taxes.

Taxable Value

The nature of Minnesota's property tax system is that if the taxable value of one class of property decreases, it pays a smaller share of the overall tax burden and other property classes pay a larger share.

For example, agricultural and homesteaded properties have typically received preferential property tax treatment through classification rates and programs – such as Green Acres and the Homestead Market Value Exclusion – and through homestead credits and school bonding credits.

Conversely, commercial/industrial properties typically pay a greater share of taxes than residential or agricultural properties of equal value due to a higher class rate, lesser eligibility for special programs, and being subject to additional levies such as the state general tax. (See Appendix C for details about the classification rates used for the 2023 assessment.)

The impact of these components is clear when reviewing tax liability and effective tax rates. Table 15 shows the net tax and tax share for each major property class. The numbers in italics represent the percent change in the market value and net tax share from last year. Based on preliminary estimates from the 2023 assessment year (taxes payable 2024):

- Agricultural property and rural vacant land represent around 17% of taxable property value and pay approximately 5.5% of net property taxes statewide. (See Table 15.)
- Residential property makes up 57% all market value and pays just over 54% of all net property taxes
- Commercial property accounts for just over 7% of market value and pays about 16% of property taxes.
- Industrial property accounts for about 3.6% of market value and pays about 8.4% of property taxes.

These numbers are affected by where most of each property type is located and the surrounding tax base, but they still provide insight into how different classifications contribute to the tax base.

2023 Trends

With agricultural property increasing at the highest rate of any property type, its market value share saw an increase for the first time in years. However, due to the lower classification rates and other programs, the net tax share only increased by 0.4%, now sharing a similar net tax share as our "other" bucket of property types. As discussed in the Value Trends for 2023 section, agricultural property makes up a varying degree of the tax base in Greater Minnesota while almost no tax base in the Metro and Non-Metro Cities. This means that the impacts of this increase are varied and distributed across a wide spectrum of markets.

Residential property meanwhile saw a decline in both market value and net tax share in similar magnitudes as agricultural property. This is a reversal after seeing large jumps after the 2022 assessment year when residential property increased by large margins. As the property type with by far the largest market value share, residential net tax had previously been steadily increasing, with this year representing the first year since at least 2016 where it declined. Similarly with agricultural property, the percentage of tax share varies considerably by region, and while the statewide proportions can inform general trends, each taxing jurisdiction will have its own breakdown of the tax base.

Net Tax Liability and Tax Share by Property Class

Assessment Year 2023, Taxes Payable 2024 (Preliminary Estimates)

Properties by Class	Market Value (Millions)	Net Tax (Millions)	Market Value Share	Net Tax Share
Agricultural/Rural Vacant	$185,614	$723	17.4% *(+2.2%)*	5.5% *(+0.4%)*
Residential	$607,049	$7,060	57.1% *(-2.1%)*	54.2% *(-0.4%)*
Apartments	$71,423	$1,010	6.7% *(-0.1%)*	7.7% *(+0.2%)*
Seasonal (Non-Commercial)	$43,358	$320	4.1% *(+0.1%)*	2.5% *(+/- 0%)*
Commercial	$75,283	$2,117	7.1% *(-0.3%)*	16.2% *(-0.7%)*
Industrial	$38,202	$1,088	3.6% *(+0.3%)*	8.4% *(+0.6%)*
All Other	$42,776	$714	4.0% *(+/- 0%)*	5.5% *(-0.1%)*
Total Real & Personal	$1,063,707	$13,031	100.0%	100.0%

Table 15. *Please note that due to rounding, there may be some small differences between the listed totals and sums of all classes.*

Despite the larger increase than normal of commercial EMV, the overall market share for commercial property still declined due to the overall smaller market value compared to agricultural land and residential property. As a property type that has a higher classification rate and therefore generally pays more tax, any decrease in market value share will likely result in an even larger decrease in net tax share, which subsequently means that other property types will need to make up that difference. This can be seen with apartments, which despite seeing a slight decrease in market share, saw a slight increase in net tax share. Industrial property, sharing the same classification rate as commercial, also saw an outsized increase in net tax share compared to the increase in market value share.

Appendix A – Summary of 2023 State Board Orders

Sales Ratios and Coefficients of Dispersion

Property Type	Final Adjusted Median Ratio		Coefficient of Dispersion		Sample Size	
State Board Year	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*
Residential/Seasonal	93.87	94.70	8.55	8.78	88,125	77,771
Apartment	95.28	93.87	11.75	12.48	815	731
Commercial/Industrial	95.67	93.58	16.25	16.58	2,142	2,160
Resorts	101.27	93.71	16.51	27.48	52	39
Agricultural 2a / Rural Vacant 2b	93.99	93.20	20.23	20.47	5,090	4,503

Table 16

The International Association of Assessing Officers (IAAO) recommends trimming the most extreme outliers from the sample before calculating the COD. The trimming method used by the Sales Ratio excludes sales outside of an interquartile range determined by jurisdiction. This eliminates a few extreme sales that would distort the COD. Per the IAAO, the acceptable ranges for the COD are as follows:

Coefficient of Dispersion (COD) Acceptable Ranges

by Property Type

Property Type	Acceptable COD Range
Newer, homogenous residential properties	10.0 or less
Older residential areas	15.0 or less
Rural residential and seasonal properties	20.0 or less
Income producing: larger, urban area	15.0 or less
smaller, rural area	20.0 or less
Vacant land	20.0 or less
Depressed markets	25.0 or less

Table 17

State Board Orders by County for 2023 Assessment Year

County	Assessment District	Class	Percent Increase	Percent Decrease
Becker	Township of Holmesville	Residential and Seasonal Residential Recreational Non-Commercial- Structures Only On-Water	5%	
Faribault	Countywide	2a Agricultural- Land Only	15%	
	City of Blue Earth	Residential and Seasonal Residential Recreational Non-Commercial- Structures Only	7.5%	
	City of Elmore	Residential and Seasonal Residential Recreational Non-Commercial- Land Only	115%	
	City of Elmore	Residential and Seasonal Residential Recreational Non-Commercial- Structures Only	5%	
	City of Kiester	Residential and Seasonal Residential Recreational Non-Commercial- Land Only	50%	
	City of Winnebago	Residential and Seasonal Residential Recreational Non-Commercial- Land Only	20%	
	City of Winnebago	Residential and Seasonal Residential Recreational Non-Commercial- Structures Only	5%	
	City of Minnesota Lake	Residential and Seasonal Residential Recreational Non-Commercial- Land Only	40%	
	City of Minnesota Lake	Residential and Seasonal Residential Recreational Non-Commercial- Structures Only	10%	
Houston	Countywide	2a Agricultural, 2b Rural Vacant, and 2c Managed Forest- Land Only	5%	
Kittson	City of Karlstad	Residential- Structures Only	5%	

County	Assessment District	Class	Percent Increase	Percent Decrease
	Township of Spring Brook	2a Agricultural- Land Only	5%	
Lake of the Woods	Countywide	2b Rural Vacant- Land Only	10%	
Mahnomen	Countywide	2a Agricultural and 2b Rural Vacant- Land Only	5%	
	Township of Island Lake	Land and Structures On-Water on Island Lake	5%	
McLeod	Countywide	2a Agricultural- Land Only (Tillable)	10%	
Meeker	City of Dassel	Residential and Seasonal Residential Recreational Non-Commercial- Land Only		10%
	Township of Collinwood	Residential and Seasonal Residential Recreational Non-Commercial- Land and Structures	5%	
	Township of Ellsworth	Residential and Seasonal Residential Recreational Non-Commercial- Land and Structures On-Water	5%	
Mille Lacs	Countywide (excluding the Cities of Milaca and Princeton)	Commercial and Industrial	Reassessment	
Otter Tail	City of Otter Tail	Residential and Seasonal Residential Recreational Non-Commercial- Land and Structures On-Water on Lake Buchanan	10%	
	Township of Otter Tail	Residential and Seasonal Residential Recreational Non-Commercial- Land and Structures On-Water on Lake Buchanan	10%	
	Township of Rush Lake	Residential and Seasonal Residential Recreational Non-Commercial- Land and Structures On-Water on Lake Buchanan	10%	
Polk	Countywide	2b Rural Vacant- Land Only	5%	
	Township of Fanny	2a Agricultural- Land Only		5%

County	Assessment District	Class	Percent Increase	Percent Decrease
	Township of Godfrey	2a Agricultural- Land Only		5%
	Township of Knute	Residential and Seasonal Residential Recreational Non-Commercial- Land and Structures (excluding On-Water on Bradley Lake)	10%	
Swift	City of Benson	Residential and Seasonal Residential Recreational Non-Commercial- Land Only	5%	
	City of Kerkhoven	Residential and Seasonal Residential Recreational Non-Commercial- Land and Structures	10%	
Wadena	Township of Orton	2a Agricultural and 2b Rural Vacant- Land Only	5%	
	Township of Shell River	2a Agricultural and 2b Rural Vacant- Land Only	10%	
	Township of Thomastown	Residential and Seasonal Residential Recreational Non-Commercial- Land and Structures Off-Water	5%	

Replaced by State Board Order Summary in PDF

Appendix B – Sales Ratio Studies

12-Month Study

The 12-month study is mainly used to determine State Board of Equalization Orders. The 12 months encompass the period from October 1 of one year through September 30 of the following year. The dates are based on the dates of sale as indicated on the Certificate of Real Estate Value (CRV).

CRVs are filled out by the buyer or seller whenever property is sold or conveyed and filed with the county. The certificates include the sales price of the property, disclosure of any special financial terms associated with the sale, and whether the sale included personal property. The actual sales price from the CRV is then compared to what the county has reported as the market value.

The data contained in the report is based on the 12-month study using sales from October 1, 2021, through September 30, 2022. These sales are compared with preliminary values for assessment year 2023, taxes payable 2024. The sale prices are adjusted for time and financial terms to the date of the assessment, which is January 2 of each year. For this study, the sales are adjusted to January 2, 2023.

In areas with few sales, it is very difficult to adjust for inflation or deflation because the sales samples are used to develop time trends. For example, based on an annual inflation rate of 3% (.25% monthly), if a house were purchased in August 2022 for $200,000, it would be adjusted to a January 2023 value of $202,500, or the sales price would be adjusted upward by 1.25% for the 5-month timeframe to January.

The State Board of Equalization orders assessment changes when the level of assessment (as measured by the median sales ratio) is below 90%, or above 105%. The orders are usually on a county-, city-, or township-wide basis for a particular classification of property. All State Board Orders must be implemented by the county. The changes will be made to the current assessment under consideration, for taxes payable the following year.

The equalization process (including issuing State Board Orders) is designed not only to equalize values on a county-, town-, or city-wide basis, but also to equalize values across county lines to ensure a fair valuation process across taxing districts, county lines, and property types. State Board Orders are implemented only after a review of values and sales ratios and discussions with the county assessors in the county affected by the State Board Orders, county assessors in adjacent counties, and the department.

A separate nine-month study is used by the Tax Court and is based on sales occurring between January 1 and September 30 of a given year. (It is the same as the 12-month study, but excludes the sales from October, November, and December.)

21-Month Study

The purpose of the 21-month study is to adjust values used for state aid calculations so that all jurisdictions across the state are equalized. In order to build stability into the system, a longer term of 21 months is used, which allows for a greater number of sales. While the 9- and 12-month studies compare the actual sales to the assessor's *estimated* market value, the 21-month study compares actual sales to the assessor's *taxable* market value. As with the 9- and 12-month studies, the sale prices are adjusted for time and terms of financing.

The 21-month study is used to calculate adjusted net tax capacities that are used in the foundation aid formula for school funding. It is also used to calculate tax capacities for Local Government Aid (LGA)

and various smaller aids such as library aid. This study is also utilized by bonding companies to rate the fiscal capacity of different governmental jurisdictions.

The adjusted net tax capacity is used to eliminate differences in levels of assessment between taxing jurisdictions for state aid distributions. All property is meant to be valued at its selling price in an open market, but many factors make that goal hard to achieve. The sales ratio study can be used to eliminate differences caused by local markets or assessment practices.

The adjusted net tax capacity is calculated by dividing the net tax capacity of a class of property by the sales ratio for the class. For example, the net tax capacity for residential properties is divided by the residential sales ratio to produce the residential adjusted net tax capacity. The process would be repeated for all of the property types. The total adjusted net tax capacity would be used in state aid calculations.

Appendix C – Classification Rates (2023 Assessment)

Class	Description	Tiers	Class Rate	State General Rate
1a	Residential Homestead	First $500,000	1.00%	N/A
		Over $500,000	1.25%	N/A
1b	Homestead of Persons who are Blind/Disabled	First $50,000	0.45%	N/A
	[classified as 1a or 2a]	$50,000 - $500,000	1.00%	N/A
	[classified as 1a or 2a]	Over $500,000	1.25%	N/A
1c	Homestead Resort	First $600,000	0.50%	N/A
		$600,000 - $2,300,000	1.00%	N/A
		Over $2,300,000	1.25%	1.25%
1d	Housing for Seasonal Workers	First $500,000	1.00%	N/A
		Over $500,000	1.25%	N/A
2a	Agricultural Homestead - House, Garage, 1 Acre (HGA)	First $500,000	1.00%	N/A
		Over $500,000	1.25%	N/A
2a/2b	Agricultural Homestead - First Tier	First $2,150,000	0.50%	N/A
2a/2b	Farm Entities Excess First Tier	Unused First Tier	0.50%	N/A
2a	Agricultural - Nonhomestead or Excess First Tier		1.00%	N/A
2b	Rural Vacant Land		1.00%	N/A
2c	Managed Forest Land		0.65%	N/A
2d	Private Airport		1.00%	N/A
2e	Commercial Aggregate Deposit		1.00%	N/A
3a	Commercial/Industrial/Utility (*not including utility machinery*)	First $100,000	1.50%	N/A
		$100,000 - $150,000	1.50%	1.50%
		Over $150,000	2.00%	2.00%
	Electric Generation Public Utility Machinery		2.00%	N/A
	All Other Public Utility Machinery		2.00%	2.00%
	Transmission Line Right-of-Way		2.00%	2.00%
4a	Residential Nonhomestead 4+ Units		1.25%	N/A
4b(1)	Residential Non-Homestead 1-3 Units		1.25%	N/A
4b(2)	Unclassified Manufactured Home		1.25%	N/A
4b(3)	Agricultural Non-Homestead Residence (2-3 units)		1.25%	N/A
4b(4)	Unimproved Residential Land		1.25%	N/A
4bb(1)	Residential Non-Homestead Single Unit	First $500,000	1.00%	N/A
		Over $500,000	1.25%	N/A
4bb(2)	Agricultural Non-Homestead Single Unit - (HGA)	First $500,000	1.00%	N/A
		Over $500,000	1.25%	N/A
4bb(3)	Condominium Storage Unit	First $500,000	1.00%	N/A
		Over $500,000	1.25%	N/A
4c(1)	Seasonal Residential Recreational Commercial (resort)	First $500,000	1.00%	1.00%
		Over $500,000	1.25%	1.25%

Class	Description	Tiers	Class Rate	State General Rate
4c(2)	Qualifying Golf Course		1.25%	N/A
4c(3)(i)	Non-Profit Community Service Org. (non-revenue)		1.50%	N/A
	Congressionally Chartered Veterans Organization (non-revenue)		1.00%	N/A
4c(3)(ii)	Non-Profit Community Service Org. (donations)		1.50%	1.50%
	Congressionally Chartered Veterans Organization (donations)		1.00%	1.00%
4c(4)	Post-Secondary Student Housing		1.00%	N/A
4c(5)(i)	Manufactured Home Park		1.25%	N/A
4c(5)(ii)	Manufactured Home Park (>50% owner-occupied)		0.75%	N/A
4c(5)(ii)	Manufactured Home Park (50% or less owner-occupied)		1.00%	N/A
4c(5)(iii)	Class I Manufactured Home Park		1.00%	N/A
4c(6)	Metro Non-Profit Recreational Property		1.25%	N/A
4c(7)	Certain Non-Comm. Aircraft Hangars and Land (leased land)		1.50%	N/A
4c(8)	Certain Non-Comm. Aircraft Hangars and Land (private land)		1.50%	N/A
4c(9)	Bed & Breakfast		1.25%	N/A
4c(10)	Seasonal Restaurant on a Lake		1.25%	N/A
4c(11)	Marina	First $500,000	1.00%	N/A
		Over $500,000	1.25%	N/A
4c(12)	Seasonal Residential Recreational Non-Commercial	First $76,000	1.00%	0.40%
		$76,000 - $500,000	1.00%	1.00%
		Over $500,000	1.25%	1.25%
4d	Low Income Rental Housing (Per Unit)	First $162,000	0.75%	N/A
		Over $162,000	0.25%	N/A
5(1)	Unmined Iron Ore and Low-Grade Iron-Bearing Formations		2.00%	2.00%
5(2)	All Other Property		2.00%	N/A

Appendix D – Green Acres and Rural Preserve Values

The Minnesota Agricultural Property Tax Law (referred to as "Green Acres") helps insulate farm owners from rising land values due to non-agricultural influences on the land – such as nearby residential and commercial development, or seasonal cabin and resort properties.

Property enrolled in the Green Acres program is valued at its agricultural value rather than its highest and best use value (which may be impacted by development pressures). This provides a lower taxable value for qualifying properties and redistributes the tax burden to other properties in the same jurisdiction.

Only property classified as class 2a agricultural land under Minnesota Statutes section 273.13, subdivision 23 can qualify for Green Acres, and at least 10 contiguous acres must be used (unless it is a qualifying nursery or greenhouse).

Green Acres is a property tax deferral program. When a property is sold, transferred, or no longer qualifies for the program, the owner has to pay the difference in tax for the last three years of enrollment. When a property enrolled in Green Acres is sold to another person who may qualify for the program, the new owner must apply to the county assessor within 30 days of the purchase for the program to continue on the property.

Taxable Green Acres Value

Green Acres requires assessors to look at qualifying agricultural property in two ways.

- First, the assessor must value the property according to its highest and best use (as is done for all properties). This may include non-agricultural value influences.
- Then the assessor must determine the agricultural value of the property based on Department of Revenue guidance.
- If the agricultural value is below the highest and best use value, the assessor must use the agricultural value for tax purposes.

The Minnesota Department of Revenue establishes agricultural land values throughout the state in consultation with the University of Minnesota. (See Minnesota Statutes, section 273.111, subdivision 4.)

Analyzing Agricultural Sales

To establish these agricultural values, the department examines sales of agricultural land throughout the state. (See Minnesota Statutes, section 273.111, subdivision 4.)

The department looks at agricultural sales in each of the 87 counties to determine Green Acres values that reflect the agricultural economy in general. When determining Green Acres values, the department attempts to identify pure agricultural sales—sales that were not influenced by developmental pressure or other non-agricultural factors.

To identify pure agricultural sales, the department identifies areas where development pressure may affect the sale price of agricultural land. Properties from these areas are removed from the sales data. The remaining sales are used to determine Green Acres values for tillable and non-tillable land in each county.

Identifying Areas with Non-Agricultural Influences

The department has identified three variables that may indicate non-agricultural influences in a particular area, city, or town:

- Change in number of households
- Newly created non-agricultural parcels
- Annexations to cities and towns

These variables indicate the change in the previous three years for each city or town in Minnesota.[8] Each variable is assigned a threshold that may indicate development pressure:

- More than five households in a city or town
- More than five new non-agricultural parcels in a city or town
- Any annexations (for all cities and towns in and surrounding the annexation)

Agricultural sales in areas that meet any two of the thresholds are flagged as sales with potential non-agricultural influence. These sales are referred to the department's regional Property Tax Compliance Officers (PTCOs) for further review.

Whenever a PTCO confirms that non-agricultural influence may have affected the price of a sale, it is removed from the sales data used to determine the Green Acres value. Sales are also removed if they include land on a lake or river, include non-agricultural land, or represent outliers in the data.

Determining Agricultural Values

After sales with potential non-agricultural influences are removed from the sales data, the remaining sales are used to determine each county's agricultural value, used for Green Acres purposes.

These values are calculated using a basic regression and the county's sales data from the previous 12 months—sale prices, tillable acres, and non-tillable acres. This regression estimates a value per acre for tillable land (β_1) and non-tillable land (β_2).

$$Sale\ Price = \beta 1 * Tillable\ Acres + \beta 2 * Non-Tillable\ Acres$$

Equation 2

The size and representativeness of sales data can vary by county and year to year. As a result, the Green Acres values calculated with a county's data for the previous 12 months may not always be reliable.

To get more data, the regression is run using two additional data sets: the previous 21 months of sales in each county and the previous 12 months of sales in each agricultural region. If a county's 12-month value is questionable, the additional results are considered, prioritizing the 21-month results for the county over the 21-month results for the agricultural regions.

[8] Data for the three variables comes from the Minnesota State Demographic Center, Metropolitan Council, Market Value by Parcel File, and Minnesota Geospatial Information Office.

If all three regressions fail to yield a consistent Green Acres value, the Property Tax Division's staff sets Green Acres values based on surrounding counties, counties with similar agricultural markets, and previous years' Green Acres values.

Rural Preserve

The Rural Preserve Property Tax Program complements Green Acres and provides similar property tax benefits for class 2b rural vacant land that is part of a contiguous farm enrolled in Green Acres (see Minnesota Statutes, section 273.114).

As with Green Acres, a portion of taxable value is deferred for qualifying land while it is enrolled in the program. The assessor determines two values for the land: a "highest and best use value" based on market conditions, and a value that is uninfluenced by non-agricultural factors such as residential or commercial development. The assessor must use whichever value is lower for property tax purposes.

This provides a lower taxable value for qualifying properties and redistributes the tax burden to other properties in the same jurisdiction. When a property is sold, transferred, or no longer qualifies for the program, the owner must pay the difference in tax for the last three years of enrollment.

Taxable Rural Preserve Value

Rural Preserve values may be different than Green Acres values. Each year, the department issues a memo to notify counties of their Green Acres values for tillable and non-tillable agricultural lands. The department urges counties to use the following guidelines to calculate Rural Preserve values:

- For otherwise tillable lands, use the Green Acres tillable land value.
- For non-tillable lands that are otherwise pasturable, use their non-tillable Green Acres value.
- For unusable waste, wild land, swamp land, etc., use 50% of the **non-tillable** Green Acres value.

Examples

1. If the county has estimated the value of woods at $2,500 per acre because of recreational or other non-agricultural value influences, and the value for Rural Preserve is $2,200, the deferral is based on the $300 per acre difference.
2. If a county has estimated the value of a swamp at $1,800 per acre because of recreational or other non-agricultural market value influences, and the value for Rural Preserve is $2,200, then the recommended Rural Preserve value for the **unusable** swamp land is $1,100 per acre (50% of $2200), and the deferral is based on the $700 difference in value.
3. If a county has valued a swamp at $900 per acre due to lack of non-agricultural market influences, and the recommended value for Rural Preserve is $2,200 and 50% of that value is $1,100, there is no deferral. (The property may still be enrolled in the program, but the tax deferral only applies if the EMV set by the county exceeds the Rural Preserve value.)

Unusable wasteland often carries a very low estimated market value, which may not be high enough to receive a tax deferral under Rural Preserve (as shown in Example 3). However, there may be some areas of the state where recreational uses are affecting the market value of these unusable wastelands that are part of a farm.

County Average Value Per Acre – Assessment Year 2023

County	Tillable Value	Non-Tillable Value
Aitkin	2,000	1,100
Anoka	4,000	2,400
Becker	3,700	2,000
Beltrami	1,600	1,200
Benton	4,200	2,400
Big Stone	5,900	1,600
Blue Earth	9,300	1,900
Brown	10,500	1,800
Carlton	1,800	1,300
Carver	8,300	2,700
Cass	2,600	1,500
Chippewa	8,500	1,600
Chisago	4,000	2,400
Clay	5,600	1,600
Clearwater	2,000	1,200
Cook	1,000	900
Cottonwood	10,100	1,600
Crow Wing	3,000	1,500
Dakota	9,200	2,800
Dodge	10,500	2,300
Douglas	4,400	2,200
Faribault	9,100	1,600
Fillmore	8,000	2,800
Freeborn	8,400	1,600
Goodhue	8,900	2,600
Grant	6,000	2,000
Hennepin	8,800	2,800
Houston	7,000	3,200
Hubbard	3,200	1,600
Isanti	4,200	2,700
Itasca	1,800	1,000
Jackson	10,200	1,600
Kanabec	3,100	1,300
Kandiyohi	8,400	1,700
Kittson	2,700	900
Koochiching	1,000	800
Lac Qui Parle	6,600	1,600
Lake	1,100	900

County	Tillable Value	Non-Tillable Value
Lake of the Woods	1,400	800
Le Sueur	9,300	2,800
Lincoln	7,500	1,600
Lyon	8,300	1,600
Mcleod	7,700	2,000
Mahnomen	3,900	1,200
Marshall	2,600	900
Martin	9,400	1,600
Meeker	7,500	1,900
Mille Lacs	3,700	1,400
Morrison	3,700	1,400
Mower	10,400	1,600
Murray	8,900	1,600
Nicollet	9,900	2,000
Nobles	10,500	1,800
Norman	5,100	1,200
Olmsted	8,700	3,200
Otter Tail	3,900	2,000
Pennington	2,400	1,000
Pine	2,800	1,400
Pipestone	10,500	2,300
Polk	5,000	1,000
Pope	5,300	2,200
Ramsey	8,600	2,800
Red Lake	2,700	1,000
Redwood	10,500	1,700
Renville	11,000	1,600
Rice	9,400	2,800
Rock	11,000	2,300
Roseau	1,600	900
St. Louis	1,200	900
Scott	9,300	2,800
Sherburne	3,900	2,500
Sibley	9,200	2,200
Stearns	6,600	2,600
Steele	8,500	1,800
Stevens	6,200	1,800
Swift	7,900	1,600
Todd	3,000	2,000
Traverse	6,000	1,600
Wabasha	7,200	3,200

County	Tillable Value	Non-Tillable Value
Wadena	2,700	1,600
Waseca	8,800	1,800
Washington	8,400	2,800
Watonwan	9,300	1,600
Wilkin	5,900	1,600
Winona	7,400	3,400
Wright	7,400	3,000
Yellow Medicine	9,000	1,600

Appendix E – Maps: Statewide Market Values and Assessment Practices Indicators

The following pages contain statewide charts and maps with information about Minnesota property values, sales ratio measures, and the Green Acres and Rural Preserve programs.

MAP 1 displays the percent change in estimated market value for each county from assessment years 2022 to 2023.

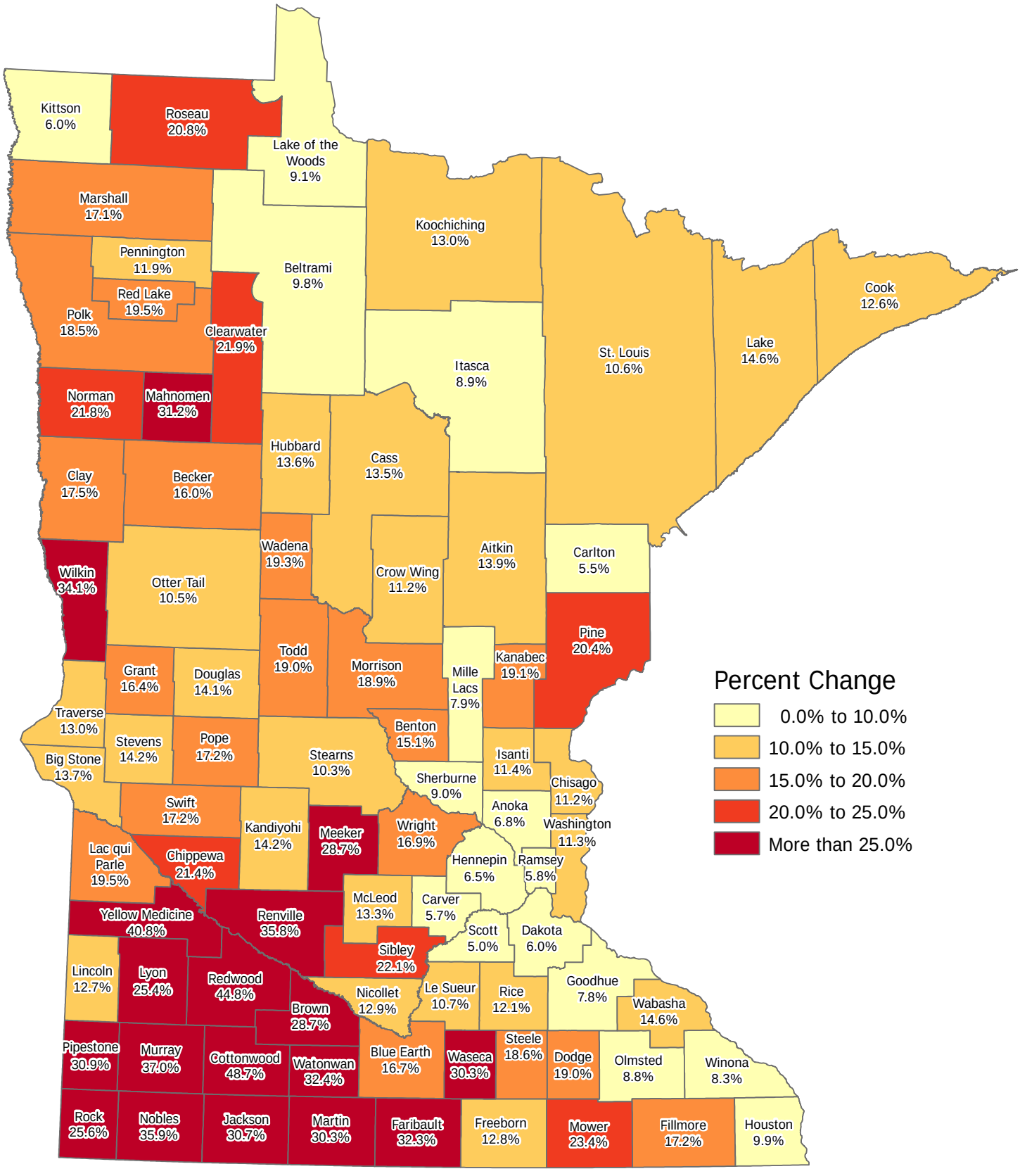
MAP 2 displays the real property sales per 100 parcels for each county for assessment year 2023.

MAP 3 shows taxable tillable Green Acres and Rural Preserve values. Higher taxable values are shown in the southern portion of the state while lower taxable values are shown in the northeastern part of the state.

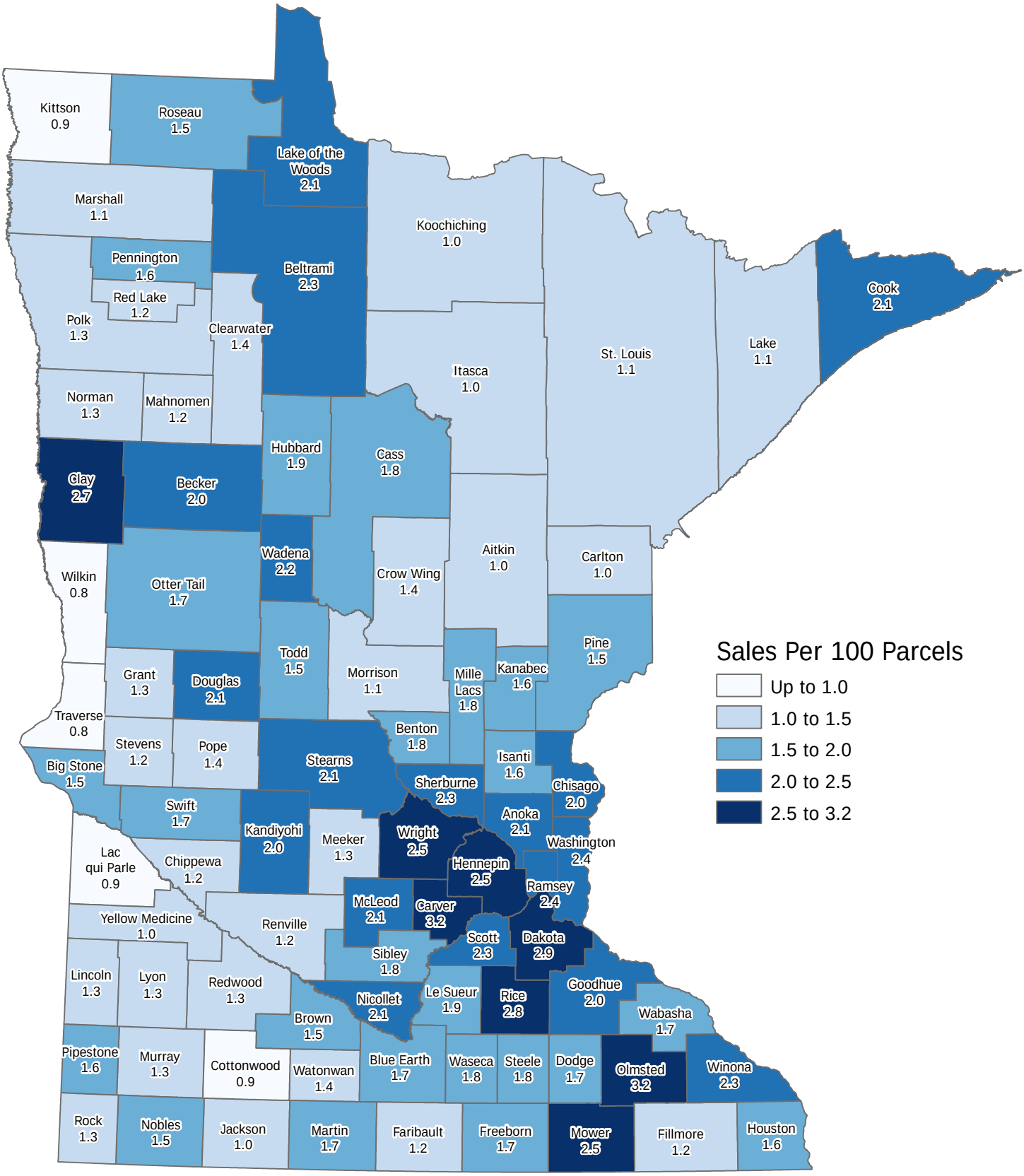
MAP 4 shows taxable non-tillable Green Acres and Rural Preserve values. Values to be used for non-tillable properties enrolled in Green Acres or Rural Preserve do not vary as widely as the values for tillable properties. The non-tillable values are closer to the tillable values in the northern half of the state.

MAP 5 shows the percentage of county EMV that is a result of new construction first assessed in the 2023 assessment year.

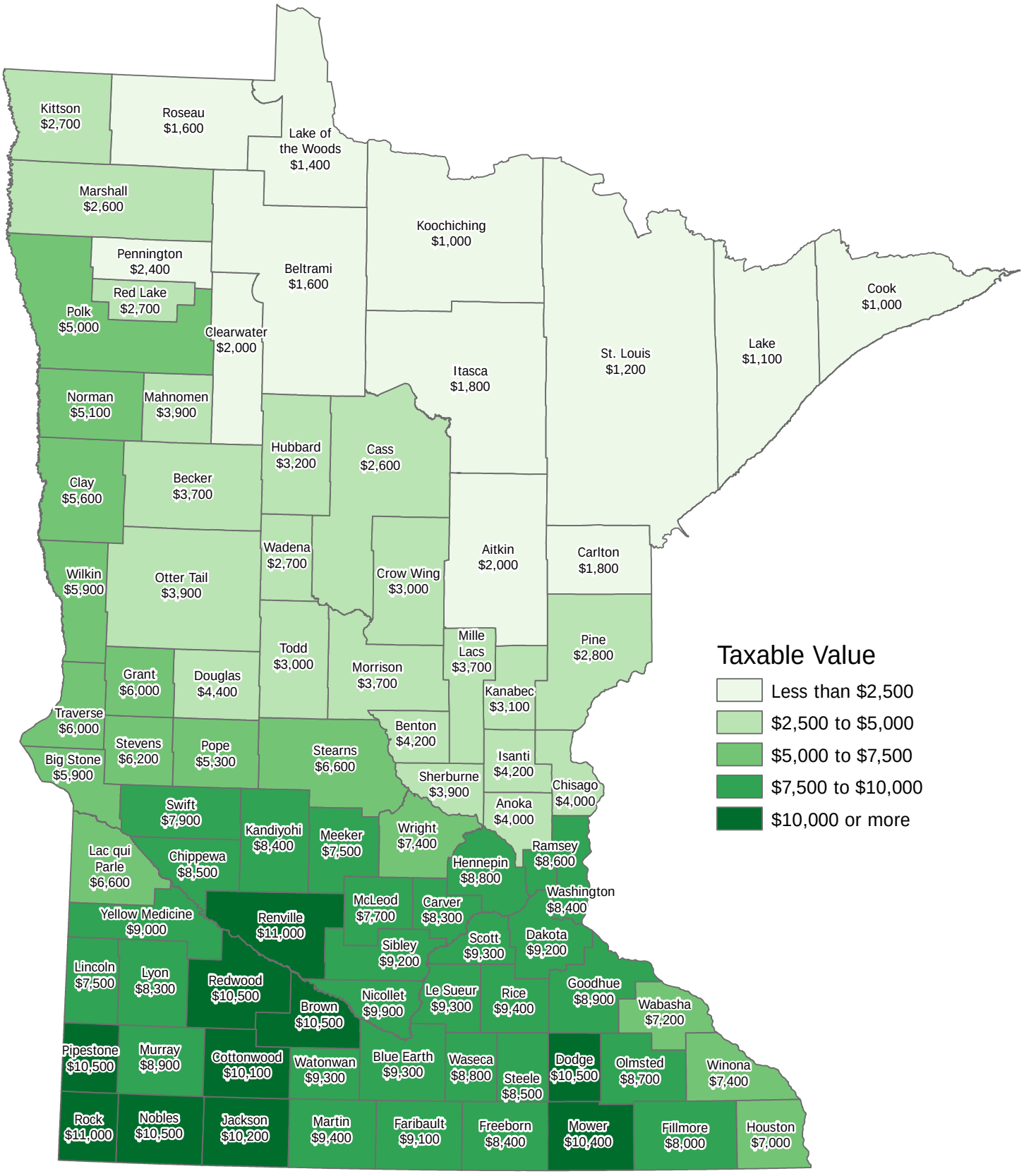
Percent Change in Total Estimated Market Value 2022-2023



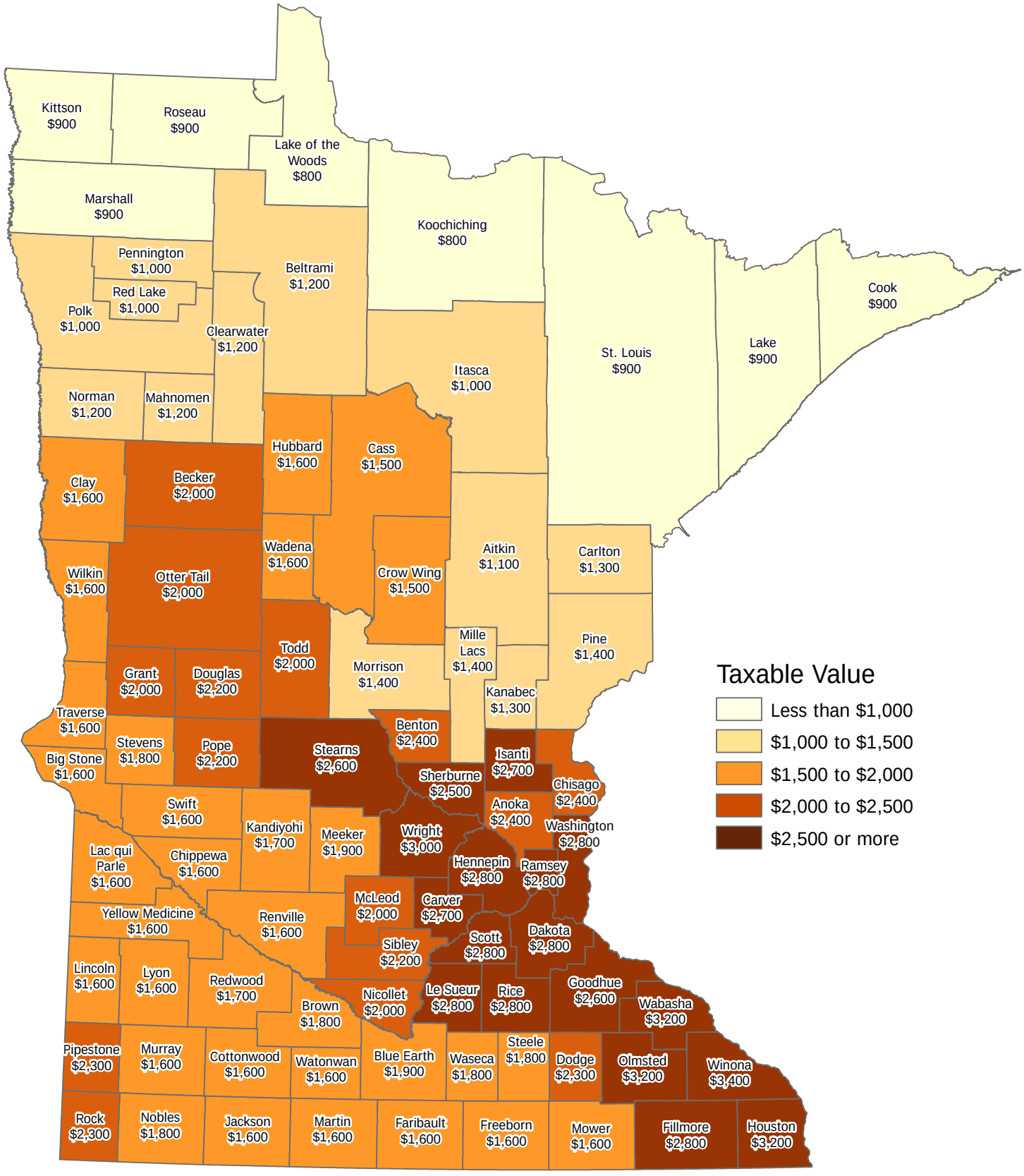
Real Property Sales Per 100 Parcels in 2023



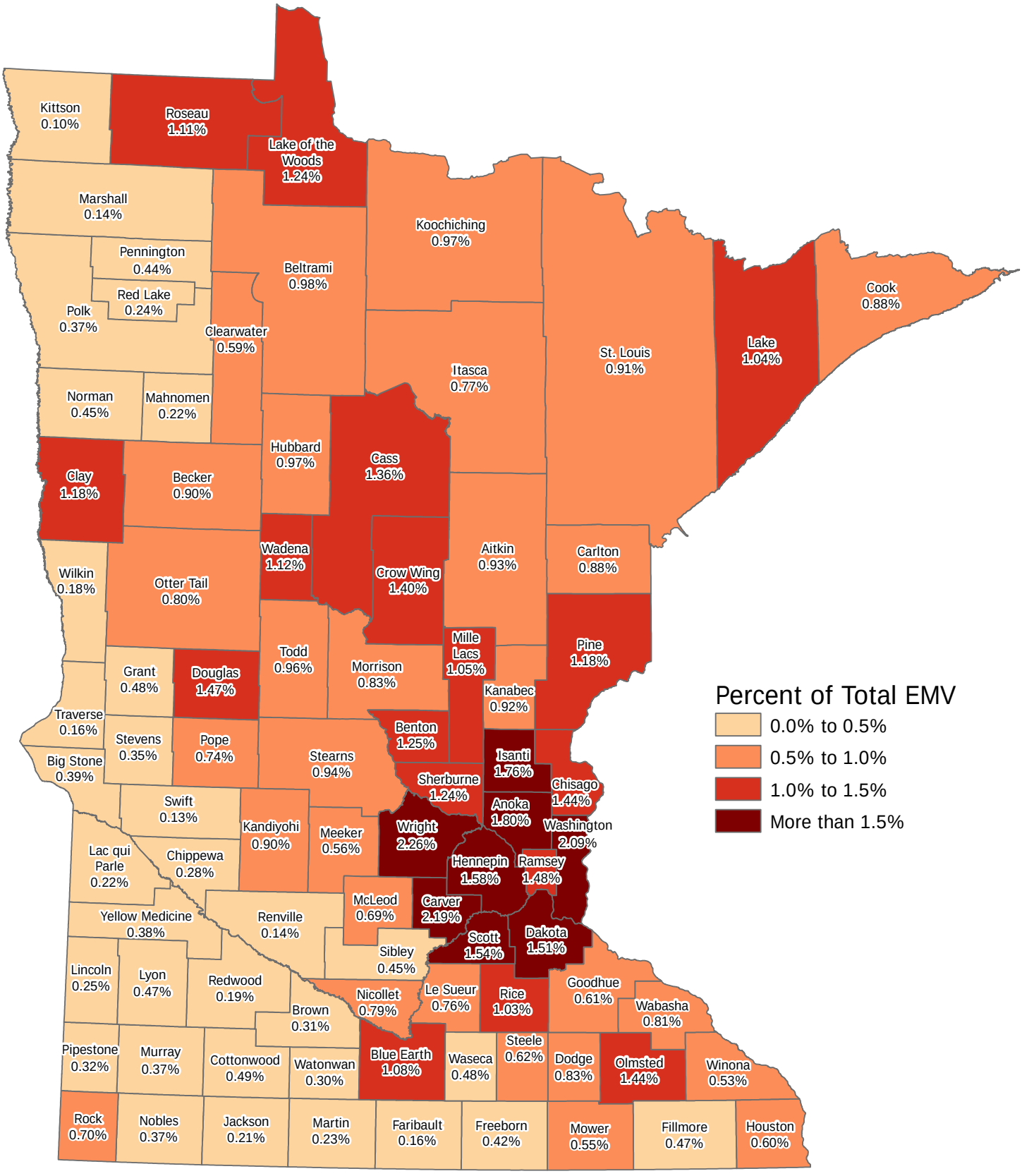
Taxable Tillable Green Acres/Rural Preserve Value (2023 Assessment)



Taxable Non-Tillable Green Acres and Rural Preserve Value (2023 Assessment)



New Construction EMV as a Percentage of Total EMV (2023 Assessment)



Appendix F – Glossary

ADJUSTED MEDIAN RATIO The adjusted median ratio is calculated by multiplying the median ratio by one plus the overall percent change in value made by the local assessor between the prior and current assessment year. The change in assessor's value is also called local effort.

$$Adjusted\ Median\ Ratio = Median\ Ratio \times (1 + Local\ Effort)$$

Equation 3

CERTIFICATE OF REAL ESTATE VALUE (CRV) A certificate of real estate value must be filed with the county auditor whenever real property is sold or conveyed in Minnesota. Information reported on the CRV includes the sales price, the value of any personal property, if any, included in the sale, and the financial terms of the sale. The CRV is eventually filed with the Property Tax Division of the Minnesota Department of Revenue.

CLASSIFICATION In Minnesota, property is classified according to its use on the assessment date – January 2. The classification system is used to identify a given property's classification rate, which in turn determines the share of the tax burden borne by that property. There are five main property tax classifications used in Minnesota. However, in reality, the breakdown of property tax classifications includes 44 specific statutory descriptions that result in different class rates based on value tiers and homestead benefits. A classification rate table is shown in Appendix C.

COEFFICIENT OF DISPERSION (COD) The coefficient of dispersion is a measurement of variability (the spread or dispersion) and provides a simple numerical value to describe the distribution of sales ratios in relationship to the median ratio of a group of properties sold. The COD is also known as the "index of assessment inequality" and is the percentage by which the various sales ratios differ, on average, from the median ratio.

ESTIMATED MARKET VALUE (EMV) The estimated market value is the assessor's estimate of what a property would sell for on the open market with a typically motivated buyer and seller without special financial terms. This is the most probable price, in terms of money, that a property would bring in an open and competitive market. The EMV for a property is finalized on the assessment date, which is Jan. 2 of each year.

MEDIAN RATIO The median ratio is a measure of central tendency. It is the sales ratio that is the midpoint of all ratios. Half of the ratios fall above this point and the other half fall below this point. The median ratio is used for the State Board of Equalization and the Minnesota Tax Court studies after all final adjustments.

NET TAX CAPACITY In Minnesota, property taxes are based on a property's net tax capacity, which is its taxable market value multiplied by its classification rate.

$$Taxable\ Market\ Value \times Classification\ Rate = Net\ Tax\ Capacity\ (NTC)$$

Equation 4

For example, consider a residential homestead with a Taxable Market Value of $100,000:

$$\$100{,}000 \times 1.00\% = \$1{,}000\ NTC$$

SALES RATIO A sales ratio is the ratio comparing the market value of a property with the actual sales price of the property. The market value is determined by the county assessor and reported annually to the Department of Revenue. The actual sales price is reported on the Certificate of Real Estate Value (eCRV).

STATE BOARD OF EQUALIZATION The State Board of Equalization consists of the Department of Revenue, who has the power to review sales ratios for counties and make adjustments in order to bring estimated market values within the accepted range of 90 to 105 percent.

STATE BOARD ORDER A state board order is issued by the State Board of Equalization to adjust the market values of certain property within certain jurisdictions.

TAXABLE MARKET VALUE (TMV) The taxable market value is the value that a property is actually taxed on after all limits, deferrals, and exclusions are calculated. It may or may not be the same as the property's estimated market value or limited market value.

TRIMMING METHOD The trimming method used here is to exclude sales with rations less than 0.5 or greater than 2. This eliminates a few extreme sales that would distort the COD.

VOSS REGIONS Maps showing the Voss regions used in the report are on the following pages.