



---

# Auditor/Treasurer Manual

---

---

Updated September 2025

---

# Table of Contents

**CHAPTER 1: ADMINISTRATIVE ROLES ..... 11**

**County Auditors ..... 11**  
     Basic Duties of the County Auditor ..... 11

**County Treasurers ..... 12**  
     Basic Duties of the County Treasurer ..... 12

**County Government Structure ..... 13**  
     County Board of Commissioners ..... 13  
     Election and Appointment of Auditor/Treasurer ..... 13  
     Options for Restructuring County Government ..... 14

**Department of Revenue – Property Tax Division ..... 16**  
     Equalization of Property Values ..... 16  
     Aid Certifications and Payments ..... 16  
     Information and Education ..... 17  
     Audits ..... 17

**CHAPTER 2: PROPERTY IDENTIFICATION ..... 18**

**Property Identification ..... 18**  
     Parcel Creation ..... 18  
     Property Tax Records ..... 19  
     Undivided Interests ..... 20  
     Cooperatives and Condominiums ..... 20

**Parcel Legal Modifications ..... 21**  
     Combinations ..... 21  
     Splits ..... 21  
     Parcel Creation or Adjustment ..... 22

**Annexations ..... 23**  
     Municipality Annexation ..... 23  
     Property Taxation and Payments ..... 25  
     School District Annexations ..... 26  
     Detachment and Annexation ..... 26  
     Split Residential Annexation ..... 27

**CHAPTER 3: TAX BASE OVERVIEW AND VALUATION OF PROPERTY ..... 28**

**Basic Terms and Concepts ..... 28**  
     Property Value ..... 28  
     Review and Equalization ..... 28  
     Taxable Value ..... 28  
     Base of Taxation ..... 29  
     Alternative Taxation ..... 30  
     Valuation and Assessment ..... 30

**State Assessed Property ..... 30**  
 Commissioner Assessed Property ..... 30  
 Exempt property..... 32  
 State General Property Tax ..... 32  
 Solar and Wind Energy Production Taxes..... 32

**Review and Equalization Processes ..... 32**  
 County Board of Appeal and Equalization ..... 33  
 State Board of Equalization ..... 34  
 Sales Ratios and eCRV ..... 34  
 Abatements ..... 35

**Exemptions..... 35**  
 Types of Property Eligible for Exemption ..... 35  
 Tax Imposed for Private Use for Profit ..... 38  
 Taxation of Lessees and Equitable Owners ..... 38  
 Application and Eligibility ..... 39  
 Valuation of Exempt Property ..... 39  
 Conversion to Exempt or Taxable Uses ..... 39

**Classification of Property..... 40**  
 Homestead Status ..... 40  
 Certification of 1b Property and Homesteads for Persons who are Blind or Disabled ..... 41  
 Economic Development Zones ..... 41

**Manufactured Homes..... 42**  
 Taxation of Manufactured Homes Assessed as Personal Property ..... 42  
 Taxes Paid Before Transfer of Title ..... 43

**Special Valuation and Deferrals ..... 43**  
 Minnesota Open Space Property Tax Law..... 43  
 Minnesota Agricultural Property Tax Law (Green Acres) ..... 44  
 Rural Preserve Property Tax Law..... 46  
 Aggregate Resource Preservation Property Tax Law ..... 47  
 Metropolitan Agricultural Preserve Act..... 47  
 Nonmetropolitan Ag Land Preservation (County Conservation Credit) ..... 49

**Property Tax Exclusions ..... 52**  
 Plat Law ..... 52  
 Valuation Reduction for Homestead Property Damaged by Mold..... 53  
 Market Value Exclusion for Veterans with a Disability, Primary Family Caregivers, and Surviving Spouses ..... 53  
 Market Value Exclusion of Elderly Living Facility ..... 54  
 Homestead Market Value Exclusion..... 54

**Taxable Market Value..... 68**  
 Computing TMV..... 69

**Referendum Market Value ..... 69**  
 History ..... 70

**Net Tax Capacities ..... 72**  
 Properties with Multiple Classes or Tiers ..... 72  
 Local Net Tax Capacity vs. State Net Tax Capacity ..... 72

**Taxable Net Tax Capacity..... 73**  
     Power Line Net Tax Capacity Value ..... 73  
     Fiscal Disparities ..... 73  
     Tax Increment Financing Values ..... 74

**Tax Bases ..... 74**  
     Summary of Tax Bases ..... 74  
     PRISM Tax Base Table ..... 75  
     Tax Bases Identified ..... 75

**Payment in Lieu of Taxes (PILT) ..... 75**  
     State and Local PILT Programs ..... 75  
     Federal PILT Programs ..... 77

**CHAPTER 4: TAX LEVIES AND BUDGETING PROCESS..... 78**

**Taxing Authorities and Districts..... 78**  
     Taxing Authorities..... 78  
     Taxing Districts ..... 78  
     Non-Taxing Districts ..... 79  
     Special Taxing Districts vs. Special Levies ..... 79  
     Organization Date of Special Taxing Districts ..... 79  
     Cross-County Jurisdictions..... 80  
     Auditors to Verify Tax Authority ..... 80  
     State Codes ..... 80

**Levies and Aids ..... 80**  
     The Levy Process..... 81  
     Aids ..... 82

**Truth-in-Taxation..... 87**  
     Certification of Proposed Levies ..... 87  
     Preparation and Delivery of Parcel-Specific Notices ..... 88  
     Public Meetings ..... 90  
     Final Levy Restrictions ..... 91  
     Compliance ..... 91

**Levy Certification..... 92**  
     Certification of Proposed Property Tax Levy ..... 92  
     Certification of Final Property Tax Levy..... 92  
     Proposed and Final Levy Reports ..... 93  
     Verifying Tax Authority and Enforcing Levy Limits ..... 93  
     Checking Bonds against the Bond Register ..... 93  
     Certifying Special Assessments and Finance Charges ..... 94

**Levy Limitations..... 95**  
     Types of Levy Limits..... 95  
     Applying Specific Levy Limits ..... 96  
     Adjusting Levies That Exceed Levy Limits ..... 97  
     Administration of Overall Levy Limits..... 97

**CHAPTER 5: TAX RATE CALCULATION AND DETERMINATION OF NET TAX ..... 99**

**Unique Taxing Areas ..... 99**

**Rate Calculation ..... 103**

- Local Net Tax Capacity Tax Rates ..... 104
- Referendum Market Value Tax Rates ..... 106
- State General Property Tax Rate ..... 107
- Other Rates ..... 108

**Exception Rates ..... 109**

- Rural and Urban Service Districts ..... 109
- Subordinate Service Districts and Special Service Districts ..... 110
- Annexations and Phase-in of Rates ..... 110

**Extending Tax Rates ..... 113**

- Extending the Various Tax Rates ..... 113
- Additional Rates to be Extended ..... 114

**Credits and Determining Net Tax ..... 114**

- Homestead Disaster and Local Option Disaster Credits ..... 115
- Power Line Credit ..... 117
- Metropolitan Agricultural Preserves Credit ..... 119
- Disparity Reduction Credit ..... 121
- County Conservation Credit ..... 122
- School Building Bond Agricultural Credit ..... 123
- Agricultural Homestead Market Value Credit ..... 124
- Taconite Homestead Credit ..... 129
- Supplemental Taconite Homestead Credit ..... 131
- Bovine Tuberculosis Credit ..... 132
- Miscellaneous General Credit Provisions ..... 133
- Residential Homestead Market Value Credit ..... 134

**Alternate Methods of Taxation ..... 134**

- Contamination Value ..... 135
- Assessment of Utility and Pipeline Property ..... 145
- Energy Production Taxes ..... 146

**CHAPTER 6: REPORTING ..... 149**

**PRISM ..... 149**

- Data Quality/Accountability/Other Uses ..... 150
- PRISM Submission 1 – Preliminary Assessment ..... 150
- PRISM Submission 2 – Adjusted Assessment/Exempt/PILT ..... 151
- PRISM Submission 3 – Final Assessment and Taxation ..... 152
- PRISM Submission 4 – Manufactured Homes ..... 153

**Debt ..... 154**

- Bond Register ..... 154
- Local Government Report of Outstanding Indebtedness ..... 155
- Annual Debt Report (County) ..... 156
- Certification of Entry into Bond Register and Tax Levy ..... 156

Auditor’s Certificate ..... 157

Largest Taxpayers ..... 158

Overlapping & Underlying Debt Report ..... 159

Debt Levy Certification ..... 160

**Fiscal Disparity..... 161**

    Tables and Timelines ..... 161

    Table V and Supplemental V (Contribution Values) ..... 163

    Table VIII (Distribution Dollars) ..... 165

    Table II, III, IV (Tax capacities by type of property) ..... 166

    Table I (Original base values)..... 167

    Table IX (Allocation of Contribution Values) ..... 167

    Table X (Local tax rate calc) ..... 168

    Table VII (Certification of distribution value) ..... 168

    Area-wide Tax Rate..... 169

    Certification of Area-wide Tax Levies ..... 170

**Recording ..... 171**

    Current Taxes Paid – CIC Declarations..... 171

    Current Taxes Paid – Transfer of Less than a Whole Parcel ..... 171

    Current Taxes Paid – Registered Land Surveys..... 172

    Delinquent Tax Certification..... 172

    Notification of Parcel Identification Number (“PIN”) ..... 173

    Parcel Identification Number/Tax Description Cross-reference ..... 174

**Schools ..... 174**

    6 Month School Abatement Report ..... 175

    Yearly School Abatement Report ..... 176

    School Tax Report..... 176

    School Tax Receivable (Form 51)..... 177

    Taconite Credit Report ..... 178

    School Referendum Notice..... 179

**Tax Levies and Rates..... 180**

    Final Tax Levy Certification ..... 180

    Outstanding Debt Levies ..... 183

    Proposed Tax Levy Report ..... 183

    Final Tax Levy Report..... 184

    Property Tax Levy Report ..... 185

    Schedules of Taxes Levied ..... 185

    Cross County Tax Rates ..... 186

    Tax Rate Publication ..... 186

    Tax Rate Summary ..... 187

    Manufactured Home Tax Extension ..... 188

    Levy Certification – County, City & Special Taxing District ..... 188

    Levy Certification – School ..... 189

    Disparity Reduction Aid ..... 189

    State General Tax Rates..... 190

**Tax Settlement ..... 191**

    May Tax Settlement with County Auditor ..... 192

    May Tax Settlement – Remittance Advice..... 192

    October Partial Tax Settlement – Remittance Advice ..... 193

Final Tax Settlement with County Auditor ..... 194

Final Tax Settlement – Remittance Advice ..... 194

Advances and Partial Settlements ..... 195

School Apportionment ..... 196

Tax Increment Excess Paid to Schools ..... 196

School Tax Settlement Report (Form 52) ..... 197

State Share of Deed and Mortgage Registration Taxes ..... 198

State General Property Tax ..... 198

State Share of Contamination Tax ..... 199

State Auditor Tax Increment Fee ..... 199

**Tax Statements and TNT Notices ..... 200**

    Tax Statement – Real Estate and Personal Property ..... 200

    Tax Statement – Manufactured Homes ..... 201

    Truth in Taxation Notice ..... 202

    Truth In Taxation Levy Certification & Statement of Compliance ..... 203

**Valuation and Reporting Values ..... 203**

    Valuation Notice ..... 204

    Cross County Values ..... 204

    First Class Cities Market Values and Net Tax Capacities ..... 205

    Special Service District Net Tax Capacity ..... 206

    State Board of Equalization – Request for Assistance ..... 206

    State Board of Equalization Orders ..... 207

    Certification of Assessment Costs – Local Assessment Deficiencies ..... 208

    List of Contamination Values ..... 208

    Electronic Certificate of Real Estate Value (eCRV) ..... 209

    Assessment Books ..... 210

    Proceedings of the County Board of Appeal and Equalization (CBAE) ..... 211

    Township Assessment Rolls ..... 211

**Senior Citizens’ Property Tax Deferral Program ..... 212**

    Application for Senior Citizens’ Property Tax Deferral Program ..... 212

    Senior Citizens’ Property Tax Deferral – Yearly Notification to Taxpayer ..... 213

    Senior Citizens’ Property Tax Deferral – Yearly Notification to Department of Revenue ..... 213

    Senior Citizens’ Property Tax Deferral - Satisfaction ..... 214

**Form PT01: Annexations Affecting DRA ..... 215**

**Certification of Disparity Reduction Credits ..... 216**

**Aggregate Material Production Tax (“Gravel Tax”) ..... 217**

    Description – Quarterly Payment Report ..... 217

    Gravel Tax – Notification of Failure to File Quarterly Payment Report ..... 218

    Gravel Tax – Annual Department of Revenue Report ..... 218

Homestead Credit Refund (Form M1PR)..... 219

Mortgage Registry and Deed Tax – Exemption or Minimum Tax Claim..... 220

**CHAPTER 7: TAX COLLECTION – REAL AND PERSONAL PROPERTY ..... 221**

**Tax Collection Overview ..... 221**

- Delivery of Lists to Treasurer..... 221
- Publication of Tax Rates ..... 221
- Treasurer to Collect Taxes ..... 221
- Treasurer to Collect Local Assessments ..... 221
- Filing to Receive Notice of Delinquent Taxes ..... 221

**Property Tax Statements ..... 222**

- Contents of Tax Statements ..... 222
- Qualifying Tax Amount (QTA) ..... 222
- Mailing of Tax Statements..... 223
- Collection Site..... 224
- Providing Copies ..... 224

**Payments and Penalties ..... 224**

- Timely Payments ..... 224
- Due Dates ..... 224
- Penalties for Late Payments ..... 226

**Special Assessments and Other Charges..... 231**

- Special Assessments – Minnesota Statutes, Chapter 429 ..... 232
- Deferral of Assessment Principal and Interest ..... 235
- Collection..... 237
- Water Law ..... 239
- Assessments Outside of Minnesota Statutes, Chapters 103 and 429 ..... 239
- Assessments Due by State Agencies and Departments ..... 244

**Receive and Distributed PILT ..... 245**

- Department of Interior, Refuge Revenue Sharing Act..... 246
- Natural Resources Land..... 246
- Property Acquired by the State or Other Political Subdivision ..... 248
- Seaway Port Authorities ..... 248
- Other Payments in Lieu of Tax..... 249

**CHAPTER 8: SETTLEMENT AND DISTRIBUTION – REAL AND PERSONAL PROPERTY ..... 250**

**Settlement and Distribution ..... 250**

- Definition of Terms..... 250
- Settlement Dates..... 250
- Payment Dates (Minnesota Statute 276.111) ..... 250
- Specific Tax Information ..... 252

**CHAPTER 9: DELINQUENT TAX AND TAX FORFEITURE ..... 256**

- How Real and Personal Property Taxes Differ ..... 256
- Real Property ..... 257

Personal Property .....257

**CHAPTER 10: TAX ADJUSTMENTS.....260**

**Abatements..... 260**

Local Option Disaster Abatement (Minnesota Statute 273.1233) .....262

**Special Valuations Tax Paybacks..... 263**

Minnesota Open Space Property Tax Law (Minnesota Statute 273.112) .....263  
 Minnesota Agricultural Property Tax Law (Green Acres) (Minnesota Statute 273.111) .....264  
 Rural Preserve Property Tax Law (Minnesota Statute 273.114) .....265  
 Aggregate Resource Preservation Property Tax Law (Minnesota Statute 273.1115) .....265

**Corrections ..... 266**

Correction of Levies .....266  
 Correction of TIF Errors .....266

**CHAPTER 11: ECONOMIC DEVELOPMENT AND SPECIAL PROGRAMS ..... 268**

**Tax Increment Financing..... 268**

The TIF Concept .....268  
 Typical Uses of TIF .....270  
 Source of Financing .....271  
 Creation of the Project Area and TIF District.....272  
 Notice and Opportunity to Comment on TIF Plan.....273  
 Certification of New District or Modifications to Existing Plan .....276  
 Creation of a Hazardous Substance Subdistrict.....276  
 Adjustments of Values and Rates.....278  
 Limitations of TIF .....281  
 Local Governments and TIF .....281  
 Four-Year Knock-Down Rule.....283  
 Five-Year Rule.....283  
 Six-Year Rule.....284  
 TIF Pooling .....284  
 Waiving of Increment .....285  
 Limitations on Use of Increment .....285  
 Excess Increments .....286  
 Deficits.....287  
 Delinquent Taxes from Decertified TIF Parcels .....288  
 Decertification of TIF Districts .....288  
 Tax Increment Financing Glossary.....289

**Economic Development and Tax Abatements..... 295**

Granting an Abatement .....295  
 Limitations on Abatements .....297  
 Deferred Taxes Repayment Schedule.....298  
 Bonding for Abatements .....299  
 Levy for Abatements .....299  
 Statements and Payments.....300  
 Annual Reports .....300  
 Special Economic Development Tax Abatement by the County Board.....300

**Fiscal Disparities ..... 301**  
 Fiscal Disparities Program ..... 302

**Border City Development Zones ..... 303**  
 Property Tax Exemption ..... 303

**CHAPTER 12: HOMESTEAD CREDIT REFUND AND PROPERTY TAX REFUND PROGRAM ..... 306**  
 Homestead Credit Refund ..... 306  
 Special Refund ..... 306  
 Qualifying Tax Amount (QTA) ..... 306  
 PTR Homestead File ..... 306

**Filing Information ..... 306**  
 When to File ..... 306

**CHAPTER 13: SENIOR CITIZENS' PROPERTY TAX DEFERRAL PROGRAM ..... 307**  
 Qualifications ..... 307  
 Application for Deferral ..... 307  
 Approval & Recording ..... 308  
 Payment of Delinquent Taxes and Special Assessments ..... 308  
 Excess Income Certification by Taxpayer ..... 308  
 Penalties and Investigation ..... 308  
 Maximum Property Tax Amount and Deferred Property Tax Amount ..... 309  
 Certification by the Department of Revenue ..... 309  
 Calculation of Deferred Property Tax ..... 309  
 Requirement to Notify Taxpayer ..... 309  
 Limitation on Total Amount of Deferred Taxes ..... 310  
 Refunds ..... 311  
 Deferred Portion Lien ..... 311  
 State Reimbursement ..... 311  
 Annual Notice to Participant ..... 311  
 Termination of Deferral ..... 314  
 Payment upon Termination ..... 314

**CHAPTER 14: MORTGAGE REGISTRY AND DEED TAXES ..... 315**  
 Mortgage Registry Tax ..... 315  
 Deed Tax ..... 315

# Chapter 1: Administrative Roles

## County Auditors

Each county has a county auditor. Auditors are elected in each county under [Minnesota Statute 384.01](#), however, a county board may decide to make it an appointed position. Many counties have a combined auditor-treasurer office.

County auditors may appoint a deputy auditor, who will have the same authority and responsibility as the auditor ([Minnesota Statute 384.08](#)).

### Basic Duties of the County Auditor

The duties of the county auditor vary from county to county, depending upon the decisions of the county board. Duties that county auditors perform are outlined in [Minnesota Statutes, Chapter 384](#) and may include any of the following:

- Serve as clerk to the county board; responsible for preparing and preserving the minutes and preparing the annual financial statement for the county
- Maintain the official financial records for the county, including ledger journals
- Sign all warrants issued against the county and oversee the monthly trial balance
- Serve as recipient of all bids on behalf of the county construction projects, equipment, and services provided
- Calculate the tax capacity rates for all taxing jurisdictions in the county and compute the tax on each parcel of land
- Send the Truth-in-Taxation and annual tax statements to taxpayers
- Collect delinquent taxes and distribute collections to proper taxing districts
- Research the legality of and initiate Confessions of Judgment relating to the payment of taxes
- Work with property tax credits and the deferment of tax to qualifying Agricultural Preserve Programs and Green Acres Program
- Collect special assessments for cities and townships and distribute collections to proper taxing authority
- Initiate or concur with assessor in the preparation and issuance of tax abatements
- Identify, track, and implement legal proceedings of the tax forfeiture process and conduct tax forfeited land sales
- Remain involved with the Department of Natural Resources on lease lots, state leases, forestry issues and severed minerals
- Issue tax certificates under the seal of the office indicating whether taxes are paid or not
- Complete the auditor's certificate for requesting entities with all pertinent taxing information relating to the taxing district
- Administer the fiscal disparities program, which involves calculating contributions and redistributing aid
- Administer all aspects of tax increment financing
- Maintain up to date records on each parcel of land in the county, including legal description and ownership and any transfers, sales, splits, mortgages, etc.
- Record all county and judicial ditch proceedings and assess any payments ordered by the ditch board
- Act as the chief election administrator for the county
- Serve as the deputy registrar for the county

- Serve as the administrator for vital statistics
- Issue liquor, wine, beer, auctioneer, dance, dangerous dog, charitable gambling, and other licenses deemed by the county to be appropriate
- Serve as a member of the Board of Equalization, Canvassing Board, and Secretary of the Extension Committee.

The above list is just an example of the types of duties a county auditor may be required to perform. These duties will vary from county to county. In addition, every auditor has many personnel duties to attend to.

## County Treasurers

Each county has a county treasurer. Treasurers are elected in each county under [Minnesota Statute 385.01](#), however, a county board may decide to make it an appointed position. Many counties have a combined auditor-treasurer office.

County treasurers may appoint a deputy treasurer, who will have the same authority and responsibility as the treasurer ([Minnesota Statute 385.02](#))

### Basic Duties of the County Treasurer

The duties of the county treasurer vary from county to county, depending upon the decisions of the county board. Duties that county treasurers perform are outlined in [Minnesota Statutes, Chapter 385](#) and may include any of the following:

- Keep a full and accurate account of all money received and pay out money as directed by law or the proper authority
- Invest excess county funds in order to receive the highest and safest return for the county
- Keep public funds separate from any private funds of any person
- Apply legislative updates to office procedures
- Comply with Minnesota’s retention schedule and determine the disposition of files and records of the office
- Provide information as requested by state agencies, the general public, and other county personnel
- Attend meetings of professional organizations, county/state committees, and agencies to provide services directly related to county treasurer duties
- Maintain and balance the cashbook
- Direct day-to-day operations of the treasurer’s office
- Prepare and deposit county funds and account transfers
- Balance funds daily and twice a month with the auditor’s office
- Balance and close all ledger accounts for the previous year and prepare reports for audit purposes for the state audit team at the end of the year
- Maintain sufficient liquidity to cover disbursements, ensure appropriate and sufficient collateral is pledged, and maintain a principal/interest earned record on investments and securities
- Work with brokers/banks on certificates of deposits and investments
- Mail statements and accept payment for real estate not delinquent, personal property, mineral interest, and mobile home taxes
- Maintain and collect delinquent mobile home taxes
- Mail Truth-in-Taxation notices
- Mail and distribute county payroll, auditor warrants, commissioner warrants, and welfare warrants
- Maintain the escrow listing and escrow transactions

- Maintain mailing addresses on the tax system
- Maintain tax books showing taxes paid or unpaid and changes in ownership or taxpayer
- Provide tax searches for the general public, real estate sales agents, mortgage companies, and escrow agencies
- Collect deed tax and mortgage registration tax and distribute these receipts to the appropriate units of government
- Examine and sign off on county recorder documents for compliance with statute
- Collect NSF checks, refund overpayments, prepare stop payments on outstanding checks, answer correspondence, and prepare media advertisements for tax deadlines
- Sign off on affidavit/permits for manufactured homes for titling and relocation purposes
- Prepare documents to report delinquent manufactured home taxes to the Department of Revenue
- File unclaimed property with the Department of Revenue
- Prepare most of the settlement for payment after each tax deadline
- Handle driver's license renewals, issue birth and death certificates, marriage licenses, and file notary commissions and ministerial credentials

## County Government Structure

### County Board of Commissioners

County boards are responsible for the operation of the county and the delivery of county services. County board members are elected by district and serve a four-year term. Statute requires that county boards have five members, with the exception of Anoka, Hennepin, Ramsey, and St. Louis counties which must have seven. Counties with a population of over 100,000 people may, by board resolution, increase the size of the county board from five to seven members. Counties may also change their board size to three, five, seven, or nine if passed by a referendum.

### Election and Appointment of Auditor/Treasurer

Traditionally, property tax administration has been the primary responsibility of the county auditor, auditor-treasurer, and/or treasurer. Over time, the composition of statutory duties and the titles given to the positions responsible for their performance have evolved and will likely continue to evolve. Common titles today for these positions include taxpayer services offices, property records and licensing offices, or land records departments. The future focus is not so much on the title of the offices but rather on a reasonable aggregation of similar duties.

Since 2001, special legislation allowing a county to make a position appointed or combining auditor and treasurer has:

1. Required the county board to adopt the resolution providing for the change by at least 80%
2. Provided for a reverse referendum
3. Required local approval
4. Provided for the elected officeholder, if any, to continue to hold the office until the term expires

The most popular option has been making the office of county recorder an appointed position and combining the offices of auditor and treasurer, whether the combined office remains elective or is made appointive.

## Options for Restructuring County Government

Under [Minnesota Statutes, Chapter 375A](#), counties may choose from the following organizations for their government:

- Elected executive
- County manager
- At-large chair
- County administrator
- County auditor-administrator

Some plans and options may not be adopted while others are in force. For example, a county may not adopt the auditor-administrator or the county administrator plans while it is operating under either the elected executive or county manager plans. The at-large chair and county administrator plans, however, are not mutually exclusive and may be adopted either concurrently or while the other is in effect. Except for the county administrator plan, all plans and options require the affirmative vote on a countywide referendum before being adopted ([Minnesota Statute 375A.12](#)). A county administrator may be appointed by the county board without a referendum ([Minnesota Statute 375A.06](#)).

A referendum may be initiated by any of the following:

- A resolution of the county board
- A recommendation of a county government study
- A petition signed by voters equal in number to at least 5% of the voters voting at the last election for governor

If a study commission is established, a referendum on a plan may not be initiated by resolution of the county board or a petition of the voters until after the study commission completes its work ([Minnesota Statute 375A.12](#)).

None of the four organizational plans which require a referendum (that is, county executive, at-large chairperson, county manager, and auditor-administrator) have been adopted in any county. In fact, few have even been proposed.

### *Elected Executive Plan*

The elected executive plan is outlined in [Minnesota Statute 375A.02](#) and provides for a county executive elected county-wide to a four-year term of office.

The county executive is the administrative head of the county with all the power and duties of an administrative or executive nature that the county board holds. The county executive is responsible for the administration of the affairs of the county and may also serve as head of a county department. The county executive has veto power over ordinances or resolutions of the county board that make appropriations.

In a county that has adopted the elected executive plan, various boards and commissions of the county are abolished and placed under the county board. Additionally, the offices of county auditor, treasurer, and recorder are abolished, and the county coroner and county surveyor are made appointed positions unless previously abolished and terminated ([Minnesota Statute 375A.04](#)).

### *County Manager Plan*

The county manager plan is outlined in [Minnesota Statute 375A.03](#) and provides for an appointed chief executive officer of the county who is designated as county manager. The manager is appointed by the county board for an indefinite period of time and serves at the board's pleasure.

The county manager is the administrative head of the county and has all the powers and duties of an administrative or executive nature that the county board holds. The official is responsible for the administration of the affairs of the county and may also serve as head of a county department. The county manager has no veto power over actions of the county board.

In a county that has adopted the county manager plan, various boards and commissions of the county are abolished and placed under the county board. Additionally, the offices of county auditor, treasurer, and recorder are abolished, and the county coroner and county surveyor are made appointed positions unless previously abolished and terminated ([Minnesota Statute 375A.04](#)).

### *At-Large Chair Plan*

The at-large chair plan is outlined in [Minnesota Statute 375A.05](#) and provides for a chair of the county board who is elected in a county-wide election for a four-year term.

The at-large chair is elected, as are the other members of the board, and is otherwise member of the board as well as its chairperson. The at-large plan may be adopted only in counties that have either five or seven members on the county board.

### *County Administrator Plan*

The county administrator plan is outlined in [Minnesota Statute 375A.06](#) and provides for an administrator who is appointed by the county board and serves at its pleasure. This plan is not available to counties operating under the elected executive plan, the county manager plan, or the auditor-administrator plan.

The county board may appoint an administrator without going to a countywide referendum on the question. The county board may appoint any qualified county official or employee as administrator, but if appointed, the person must resign the county position held before appointment as administrator.

The county administrator is the head of the county for the management of county affairs placed under the administrative charge. The county board may make the administrator head of any department over which the board has the power of appointment.

### *County Auditor-Administrator Plan*

The county auditor-administrator plan is outlined in [Minnesota Statute 375A.08](#) and provides for the county auditor to assume the additional duties of county administrator. The auditor-administrator for a county is elected in a county-wide election.

Under this plan, the auditor continues to perform the duties of county auditor except for the duties pertaining to computation of taxes, delinquent taxes, and receipt and disbursement of money. These functions are transferred to the county treasurer.

The auditor-administrator plan is not available to counties that have provided for the appointment of the county auditor, or have combined the offices of auditor and treasurer. A county operating under the elected executive or manager plan cannot concurrently use the auditor-administrator plan.

## Department of Revenue – Property Tax Division

The Department of Revenue manages the state's revenue system and administers state tax law. Money collected from taxpayers helps fund nearly all programs and services provided by the state, as well as local government through the state aid payments. It collects taxes on income from Minnesota citizens and corporations, sales and use tax on the value of goods and services sold in the state, and a variety of taxes and fees on other types of business and service.

The department manages over 40 state and local taxes and collects \$33 billion annually. This money funds education, local government aid, property tax relief, social service programs, highways, economic development incentives and grants for businesses, and other state programs and operations.

Minnesota property tax is a local tax primarily administered at the county level. It accounts for the majority of revenue available to operate local units of government.

The property tax division of the department ensures the proper administration of the state's property tax laws. It plays a key role in the property tax process through its interaction with county government by overseeing the administration of the property tax system, ensuring fairness in assessment, distributing funds accurately, and educating local officials and the public about how the property tax system works. Its customers include the county officials who administer the property taxes, such as auditors, treasurers, and assessors as well as the general public who pay property taxes.

### Equalization of Property Values

The division works to ensure that property is uniformly assessed throughout the state and that property taxpayers pay only their fair share—no more, no less. The law gives the commissioner of revenue, who acts as the State Board of Equalization, the authority to issue orders increasing or decreasing market values in order to bring about equalization. The long-term goal is to educate assessors to the point where it is unnecessary to issue equalization orders.

Assessment-to-sales ratios are determined and used to equalize school district net tax capacity values, which were formerly known as assessed values. The values are certified with the Department of Education, which uses them to determine school district property tax levy limitations and school aids.

Equalized net tax capacity values are also developed for use in determining certain state aid amounts to cities and counties.

The property tax division is also responsible for assessing and valuing certain types of property such as railroads, air flight property, and utilities.

### Aid Certifications and Payments

Every year, the division makes accurate and timely payments totaling hundreds of millions of dollars to local units of government including counties, cities, townships, and special taxing districts. Following statutory formulas, property tax aid determinations are made each year and certified to the local units of government for

use in their budgeting process. The division also provides certain credit and aid amounts to the Department of Education so it can make aid payments to school districts and certifies property tax levies for those jurisdictions subject to levy limits.

### **Information and Education**

The division serves as a source of information for local government officials, the legislature, and others concerned with property tax policy. The division provides a variety of different property tax data and generates a summary of property tax laws passed during each legislative session. It also produces several manuals that include policies and procedures for use by county officials when implementing property assessment and delinquent property law.

The division routinely responds to questions from individual taxpayers, members of the legislature, and various tax-related groups. In addition, it is responsible for developing and teaching courses and seminars for assessors, as well as making frequent presentations to local government officials who are involved in the day-to-day administration of Minnesota's property tax laws.

The division regularly provides assorted instructions to the counties for the proper administration of property tax, including reporting instructions and instructions for complying with the Truth-in-Taxation process.

### **Audits**

In order to provide accurate information to the legislature and correctly pay hundreds of millions of dollars in aid payments, the division relies on property tax data from local governments and thoroughly audits it. The division's regional representatives also conduct annual audits of selected assessment practices at the county level.

The property tax division has over 40 employees including appraisers, state program administrators, research analysts, revenue tax specialists, and office and administrative specialists. Property tax compliance officers are assigned territories and their offices are outside the Twin Cities metro area.

## Chapter 2: Property Identification

### Property Identification

Every property has identifiers that assist in determining what taxing authority can extend taxes, service fees, and assessments against the property. Properties also have recorded documents that indicate interested parties associated with the property such as fee title, contract for deed interests, life estate interests, undivided interests, mortgage, and other types of lien holder's interests. Each property's record contains a legal description that identifies the legal location of the property. Properties can include a property address assigned by the county, city, or township.

This section details information specific to establishing parcels, legal descriptions, and interested parties affiliated with each parcel.

#### Parcel Creation

##### *Assign a Legal Description*

Every parcel has a legal description, which is a recorded description of where the property is legally located. Parcels can be either platted or un-platted.

A plat is a recorded survey in which parcel boundaries are identified initially by the plat name and by further definition of one of the following: a lot/block combination, tract, unit number, outlot, park, or some form of right of way ([Minnesota Statute 505.01](#)). When a plat arrives at the county for recording, an underlying parcel that is identified on the plat may be subdivided into many parcels of land. Each new parcel created will be given the name of the plat and a legal description of the portion of the plat by which it is identified. All property taxes, current and delinquent, must be paid on the underlying parcel(s) that are either entirely or partially included in the plat, as certified by the county auditor ([Minnesota Statute 505.021](#)).

Un-platted parcels are identified by the section, township, and range in which they are located. Additionally, parcels are defined by quarter-quarters, or government lots. Descriptions of these types can be quite lengthy as added language can define parcels to smaller areas within quarter-quarter regions. In many instances, language is added to further define the property by feet, links, chains, and other types of surveying tools. These forms of legal descriptions are labeled as metes and bounds descriptions.

Once an instrument is received by the county recorder's office for recording, the legal description is assigned to a parcel and is carried on all assessment and tax rolls. It is also used on the many notices sent to owners and taxpayers throughout the year.

##### *Assign a Unique Taxing Area*

There are established boundaries that identify each legal boundary of every county, city, township, and school districts. In addition to these established boundaries, special taxing districts have various statutory rights and their own boundaries.

Each parcel is assigned a county, city or township, and school district code. In addition, there may be one or more special taxing districts that have the authority to tax or impose fees upon the parcel. The combination of all taxing authorities is a unique taxing area and a code is established for each unique taxing area within the county.

*Assign a Parcel Number or Code*

Counties across the state have varied parcel numbering systems. Parcel numbers in different counties differ in the number of characters as well as the use of delimiters within them. Regardless of how a county numbers tracts of land, each number is unique to the location of the parcel within the county. The parcel number assigned to a tract of land must include the district code or unique taxing area indicator, the name of the owner, the section, township and range numbers if un-platted, along with acreage, and if platted, the lot(s) and block(s) numbers, and the name of the addition or subdivision under which it was platted. If an owner conveys a portion of a parcel that is described by metes and bounds, the county auditor should cancel the original parcel number and assign a new number and code to both the new and remaining portions ([Minnesota Statute 272.193](#)).

The auditor must notify the owners of assigned parcel numbers. The notice must give the description of the parcel according to either the description used in the instrument conveying the property and recorded in the county recorder’s office or the description used and now carried on the assessment and tax roll. The notice must also include the parcel number assigned to the tract of land and a statement stating that the parcel number and description will be thereafter used for taxation purposes. The county auditor, instead of giving notice to the owner by certified mail, may note upon the instruments conveying the property the words: “the land described within has been coded and is described for taxation purposes as follows: (list the parcel number(s) assigned by the county)” ([Minnesota Statute 272.194](#)).

**Property Tax Records**

Assessment and tax rolls all need to have a taxpayer of record assigned to them for the purposes of receiving notices. In many cases, the taxpayer and the owner may be the same, but counties have different directives from their county attorney that allow or prohibit county offices from determining ownership rights. Accordingly, counties should use the best methods possible, given potential restrictions, to keep interested parties informed of property value and tax. County auditors may be responsible for updating the assessment and tax roll when any transfers take place on a property.

*Deed Transfers*

Deeds that are commonly received by county offices that indicate transfers of property interests include, but are not limited to: warranty deeds, quit claim deeds, personal representative deeds, and trustee deeds. Contract for deeds are not deeds, but may also indicate transfers of property interests.

Upon receiving the deed in whichever county office processes documents for tax purposes, the county must change the taxpayer and owner according to the deed and verify that all other information that is included on the deed matches the current assessment and tax rolls.

A certificate of real estate value (eCRV) must accompany all sales of property that exceed \$3,000 ([Minnesota Statute 272.115](#)). The eCRV serves multiple purposes for both the county and the state.

Counties may use the instrument for the following reasons:

- To verify the name, address, and legal description of the property
- To verify whether the property is vacant or improved
- To verify the classification of the property
- To verify whether the sale is a qualified or un-qualified sale for sales ratio purposes

The state may use the eCRV for the following reasons:

- To verify sales ratios for each region, by classification, to determine whether a state increase will be mandated at the State Board of Equalization
- To calculate state education aid formulas
- To monitor capital gains

An eCRV is not required when the conveyance of property is made to the state, a political subdivision of the state, or any combination of them for highway or roadway purposes, as long as the political subdivision agrees to file a list of all properties conveyed to them with the Department of Revenue by June 1 of each year ([Minnesota Statute 272.115](#)).

**Undivided Interests**

A parcel of land can be conveyed to multiple parties, each one being assigned a certain percentage of interest in the property. Some counties create new parcels for each interest while others list all interested parties on the single parcel. A proportionate part of any delinquent tax that is due on the parcel must be paid in order for the county auditor to certify that no delinquent taxes exist on the parcel and allow the instrument to be recorded. As long as a party continues to pay its proportionate share of the tax that is owed, the party is exempt from any proceeding to enforce payment of other parties who have interests in the property. The property taxes that remain unpaid on the undivided interests are to be treated as though each interest was a separate description ([Minnesota Statute 276.07](#)).

**Cooperatives and Condominiums**

*Cooperatives*

The unit owner’s interest in units and their allocated interests are wholly personal property unless the declaration provides that the interests are wholly real estate. The characterization of these interests as real or personal property does not affect whether homestead exemptions or classifications apply.

The ownership interest in a unit, which may be sold, conveyed, voluntarily or involuntarily encumbered, or otherwise transferred by a unit owner, is the right to possession of that unit under a proprietary lease coupled with the allocated interests of that unit, and the association’s interest in that unit is not affected by the transaction ([Minnesota Statute 515B.1-105](#)).

*Condominiums*

Each condominium unit constitutes a separate parcel of real estate. If there is any unit owner other than a declarant, each unit shall be separately taxed and assessed, and no separate tax or assessment may be rendered against any common elements.

A unit used for residential purposes together with not more than three units used for vehicular parking and their common element interests, must be treated as one parcel of real estate in determining whether homestead exemptions or classifications apply ([Minnesota Statute 515B.1-105](#)).

The descriptions of the parcels are legally sufficient if each is identified by the county with a unit number and where the common interest elements are either identified on parcels that also contain a unit number or on separate parcels.

## Parcel Legal Modifications

When a parcel is coded and a legal description is attached, the legal description will be considered a valid legal description for assessment and tax roll purposes once the owner has received notice under [Minnesota Statute 272.194](#). Modifications of parcels and legal descriptions may be done due to combinations, splits, plats, annexations, or any other instrument that would cause a parcel’s boundary to change.

### Combinations

Owners of contiguous property may request from the county auditor an application to combine the parcels for tax purposes. The county auditor can choose to deny the request if the parcels cross section lines and if the parcels are in different unique taxing areas. The auditor may also deny the request if the combination would interfere with the auditor’s ability to maintain their existing parcel record keeping system ([Minnesota Statute 272.46](#)).

The planning and zoning department from a city, township, or county may also adopt ordinances that require an owner to file for an administrative subdivision in order to adjust any parcel boundaries. An example which would require the filing may be where the owner is attempting to improve the property in some manner and applies for a permit for the improvement at the city, township, or county, whichever one has the planning and zoning authority. The planning and zoning authority may determine that the current boundary of their property prohibits the granting of permit and improvement without a parcel expansion due to local zoning ordinances.

### County Processes

Each county handles combination requests differently. Even though the requirements per county may differ, some processes are consistent.

The following processes are generally consistent:

- All current and delinquent taxes must be paid prior to any parcel legal modification
- The parcels must be located in the same unique taxing area
- Parcels currently located in a TIF district cannot be combined with parcels that are not located in the same TIF district
- Parcels currently located in a hazardous substance sub-district cannot be combined with parcels that are not located in the same subdistrict

Other items that may be required by certain counties could include the following:

- Common ownership of the entire combined parcel
- The combined parcel has the approval of the city, township, or zoning department if certain resolutions are filed with the county recorder
- Modified parcels must be recorded with the county recorder to allow for the tracking of the combined parcel for future title searches or for tracking the compliance with zoning ordinances
- A survey that indicates the new entire parcel legal description along with any buildings or other improvements that are located on the parcel must be submitted along with the combination request
- Payment of any administrative fees adopted by the county board

### Splits

A split or subdivision is defined as a separation of an area, parcel, or tract of land that is less than a whole parcel into two or more parcels. A split may occur if an owner requests a subdivision of their parcel or documents are

received by the county recorder that will subdivide a parcel. Many counties and municipalities have resolutions or ordinances that govern the modification of existing legal boundaries and modifications to them.

### *County Processes*

Every county has different requirements and fees, most of which are established through adopted policies and resolutions. Some of the requirements are due to statutory regulations while others are county regulations established for parcel tracking and parcel characteristic and description identification. Statutorily, current and delinquent property taxes must be paid in order to modify an existing legal description of a property. An exemption to this rule applies if a portion of a parcel is conveyed to a political subdivision. Unless a subdivision is due to an annexation order, the current unique taxing area that is applicable to the existing parcel is extended to the new parcel.

Counties can adopt policies or resolutions that will assist the county in tracking of property descriptions or that will assist them in identifying boundaries, improvements, and market value. Many policies or resolutions encompass both parcel combinations and parcel splits or subdivisions.

Some county requirements may include:

- A survey of each tract or end result of land
- Documents filed with the county recorder that will create the parcel of record
- Certification by the municipality, township, or county that has the authority to restrict or approve the transfer of or creation of portions of parcels
- Payment of the county administration fee
- Platting by mandating the filing of an auditor's subdivision, only if the parcels are of irregular shape and cannot be described except by metes and bounds

When a subdivision occurs due to an annexation order changing a portion of a parcel from one political subdivision to another, property taxes do not need to be paid and processes identified above are not required.

### *Payment of Taxes*

Current year taxes payable are extended as of January 2 or the first business day of the year. Whenever less than a whole parcel is split into one or more parcels, all current year taxes in addition to all delinquent taxes must be paid to the county treasurer. The exemption to this rule is one which allows a conveyance to the federal government, the state, or any other political subdivision without the taxes being paid.

A county should be aware that when a taxpayer brings a check drawn on the federal government, the state, or any other political subdivision for endorsement from the county because the check lists both the taxpayer and the county as payees, they should check with the political subdivision to identify whether the check includes the total tax liability currently extended on the parcel. If the check does include the taxes extended on the parcel, the county can retain that portion in order to satisfy the tax. The state or any political subdivision acquiring property may make provisions for the apportionment of the taxes and unpaid assessments if less than a complete parcel is acquired.

### **Parcel Creation or Adjustment**

Once all the requirements to subdivide or modify a parcel have been met, the county will attach to the new parcel a number that will identify the parcel for taxation purposes. The new parcel number will need to have the following assigned to it:

- Unique taxing area code
- Taxpayers, owners, and/or interested parties, along with their addresses

- Property address, if one has been assigned
- Legal description that will identify either a plat, lot, block, tract, or unit, or the metes and bounds description including the section, township, range, quarter quarters, and other information included on the document of record in the county offices
- Acreage, if needed
- Property classification and market value
- Any special assessments which have been re-apportioned from the parent parcel to the child parcel

Any remnant parcel that remains active will have much of the same information changed due to a consolidation or separation of the legal description.

Once the parcel number, along with all other information, has been established or modified, and notice of the parcel has been given to the owner of the property, it is a legal and valid description for taxation purposes and will be described on the assessment and tax rolls accordingly.

County offices, including the assessor, auditor, treasurer, recorder, and surveyor, need to stay in communication with each other regarding all adjusted, deleted, and newly created parcels in order to ensure the accuracy of the data maintained upon them.

## Annexations

An annexation is an adjustment to a boundary of an existing city, township, or school by order of the authority that has the statutory ability to make such an adjustment. The adjustment authority for municipalities and townships differs from that of a school district. The final authority to grant an order in a municipal annexation is the Office of Administrative Hearings. The authority to grant an order for annexation for a school district is the county board.

### Municipality Annexation

Municipal boundary adjustments from unincorporated areas may be granted for any of the following reasons ([Minnesota Statute 414.01](#)):

- To provide for the extension of municipal government to areas which are developed or are in the process of being developed for intensive use for residential, commercial, industrial, institutional, and governmental purposes or are needed for such purposes
- To protect the stability of unincorporated areas which are used or developed for agricultural, open space, and rural residential purposes and are not presently needed for more intensive uses
- To protect the integrity of land use planning in municipalities and unincorporated areas so that the public interest in efficient local government will be properly recognized and served

A copy of any annexation order must be sent to the county auditor.

### *New Municipal Incorporation*

A township can request full incorporation into a municipality by a petition of 100 or more property owners, or by resolution of the town board if the area includes platted property of lots and blocks. The petition should include the proposed name of the new municipality, the reason for the request, all property owners who need to receive notice, and a boundary map. The Office of Administrative Hearings then considers whether to grant the petition ([Minnesota Statute 414.02](#)).

The incorporation may be granted based upon the urban or suburban nature of the area, or because the township cannot adequately protect the public health, safety, or welfare of the existing township. The incorporation may be granted because the request is in the best overall interest of the township. The incorporation may be denied, either the entire area or portion of the area, if the Office of Administrative Hearings feels the township could be better served by annexation to an adjacent municipality.

*Annexation of Unincorporated Property into an Existing Municipality*

Annexation of unincorporated property into an existing adjacent municipality can be initiated by a resolution from the annexing municipality, a resolution from the affected township, and/or a petition of the lower of 20% of affected property owners or 100 affected property owners. A petition must be accompanied by a resolution by the municipality or township supporting the request ([Minnesota Statute 414.031](#)).

The Office of Administrative Hearing holds the power to grant or to deny the annexation. The annexation may be denied based on the ability of the township to carry on the functions without undue hardship, or because the monetary benefit to the municipality does not have a reasonable relationship to the monetary benefits of the affected area. The request may be modified to include only those portions of the proposed area that are either urban or suburban in nature or can preserve the symmetry of the area.

*Orderly Annexation*

One or more townships or municipalities may agree by joint resolution upon a specified area that is in need of orderly annexation. An orderly annexation agreement is a binding contract upon all parties and is enforceable in the district court of the county in which it is located. Orderly annexation agreements generally specify approximate timeframes for portions or all of the specified area to be annexed into a municipality. The Office of Administrative Hearings may deny the annexation if it conflicts with the joint agreement or may choose to modify the boundaries after determining the need for municipal services. If the request is denied, another request for annexation of approximately the same area cannot be submitted again for a minimum of two years unless the majority of property owners petition for annexation ([Minnesota Statute 414.0325](#)).

*Annexation by Ordinance*

A municipality may declare land annexed into the municipality after holding public hearings if any of the following are true ([Minnesota Statute 414.033](#)):

- The land is owned by a municipality
- The land is completely surrounded by land within municipal limits
- 120 acres of land or less that does not have municipal sewer services abuts the municipality, and property owners within those 120 acres petition for annexation

A municipality may also adopt an annexation ordinance if the land is 40 acres or less and at least 60% of the land is bordered by the municipality. The municipality notifies the town board of intent to annex, and if the town board has no objections, the land may be annexed into the municipality. If the town board does have objections, the Office of Administrative Hearings will decide whether to grant or deny the annexation ([Minnesota Statute 414.033](#)).

*Annexation by Petition*

If land does not exceed 200 acres and abuts a municipality, a majority of property owners of the land may petition the municipality for annexation into the municipality. If no objections are filed and all property owners signed the petition, the annexing municipality may annex the land into the municipality by ordinance. Otherwise the municipality must hold a public hearing. If objections are filed by the town board or other municipality, the

Office of Administrative Hearings will decide whether to grant or deny the annexation ([Minnesota Statute 414.033](#)).

## Property Taxation and Payments

### *Property Taxation*

If an annexation order's effective date is on or before August 1 of a levy year, the annexing municipality levies taxes on the annexed property in the following payable year. All taxes that are collected are distributed to the municipality.

If an annexation order's effective date is after August 1 of a levy year, the township levies taxes on the annexed property in the following payable year. All taxes that are collected are distributed to the township. The municipality will receive no taxes from the annexed property until the year following the year the city may levy on the annexed area.

### *Municipal Payments to the Township*

All annexations are subject to payments from the municipality to the township. Unless the city and town agree otherwise, the annexation order must indicate a reimbursement provision for all or a part of the property that was annexed. The reimbursement must be completed in substantially equal payments over at least 2 years and no more than 8 years from the time of annexation. The county auditor may be asked by the city or township to assist in calculating the payback, as they have concise information regarding the taxable market value of the property and what the final amount of taxes paid to the township.

Additionally, the city must reimburse the township for all special assessments that were assigned by the township and any debt for which the property was subject to for which special assessments were not levied ([Minnesota Statute 414.036](#)).

### *Tax Rate Differential*

Municipalities can ease the tax burden of municipal taxes versus township taxes by increasing the tax rate incrementally on the annexed area. The annexation order would identify if there is to be a tax rate differential. If so, the increase must be done in equal proportions over no more than 6 years. The time frame for increasing the tax rate should be proportional to the time frame for offering services to the annexed area ([Minnesota Statute 414.035](#)).

### *Apportionment of Assets and Obligations*

Whenever all or a portion of a township or other municipality is annexed into a municipality, a portion of the liability and assets may be allocated to the municipality proportionally ([Minnesota Statute 414.067](#)).

Whenever an entire township is annexed into an existing municipality, all revenues that are past, present and future, become the property of the municipality. Additionally, all debt associated with the annexed area become the debt of the municipality. The full faith and credit of the entire new or existing municipality are pledged to secure the remaining debt of the former township, even though the annexation order may only require the annexed portion to pay any taxes levied to fulfill the obligation. If the debt liability of the former township is spread across the entire municipality, the municipality must pass a resolution stating so.

Prior to December 15 of the levy year, the county may be required to revise tax records and re-spread levies or order the treasurer to redistribute taxes levied and receivable.

**School District Annexations**

School district boundary adjustments can be made through two mechanisms. One involves an owner who has a single split residential piece of property subdivided into multiple parcels in multiple school district boundaries and who petitions to be consolidated into one school district. The other involves petitions from owners to have school district boundaries adjusted due to their desire to be detached from their existing school district and annexed into another adjoining school district.

**Detachment and Annexation**

Property owners who have property that adjoins another school district and that are not in special districts can petition the county board in which the property is located to have their property permanently detached from the existing school district and annexed into the adjoining school district if any of the following conditions are met:

- The school district that the owner is requesting annexation to is one whose boundary line is the same as the one in which detachment is being requested from
- The property is within one-half mile from the property in which annexation is being requested to and the property between it is either owned by the federal, state, or local government or the person who owns the property between the area petitioned for annexation and the school district is either unknown or cannot be found
- The property is adjacent to another property whose property adjoins the school district to which annexation is being requested to and that property has a pending petition to the same school district

The petition is filed with the county auditor, and must include the following information:

- A legal description, map, and a copy of the deed by which title was taken for the property which is seeking detachment and annexation
- Reason for the request and a map showing that, by granting the annexation, the school district from which the property is detached from will not be reduced to less than four sections (unless the district does not operate a school within the district)
- Consent from the school district from which detachment is being sought, if any part of the property is part of a district which maintains and operates a secondary school
- A map identifying the school district to which annexation is being sought
- Other information property owners feel is pertinent
- An acknowledgement by the owner
- Information regarding existing bonded debt and whether the debt would be allocated

(See [Minnesota Statute 123A.45](#))

The auditor must bring the petition to the county board for a hearing. The auditor must notify each affected school district of the upcoming hearing, post the hearing notice in each school district, and publish the hearing notice. The postings and publications can be combined with other pending petitions.

The county board must either grant or deny the petition within six months. If the order is granted, the county auditor must notify the Department of Education. The effective date of the order is the date the county board approved the petition or another approved date.

If the petition for detachment and annexation is approved, pre-existing bonded debt incurred on the property must be addressed in one of the following ways:

1. The property is still obligated for all existing debt, and the county auditor must assess to the property that portion of the tax liability of the detached school district. The property is not liable for any pre-

existing debt of the school district to which it is annexed. However, all debt of the school district to which annexation was approved to that is approved on or after the effective date of the order is an obligation of the property.

2. The school boards of the district from which the property is being both detached and annexed to agree that the property is relieved from all pre-existing bonded debt liability from the detaching district and will be taxed for all bonded debt liability, pre- and post-effective date, in the school district that the property was annexed to.

### **Split Residential Annexation**

A residential homestead property that is located within the boundaries of more than one school district and has been subdivided into multiple parcels due solely to the school district boundaries can be combined into one parcel and annexed exclusively into one school district under this provision. The owner of the property must file a petition to the county auditor. The petition must include all of the following information:

- The legal description and location of the property along with proof of title
- All affected school districts
- The school in which annexation is requested
- The school district by which any students residing at the property are attending

The auditor must bring the petition to the county board for approval. There is no requirement for a public hearing, school notification or posting. If the petition is approved and the annexation order is given on or before July 1, the effective date is the next year's payable taxes. Otherwise, the following year. Once the parcel is solely included in one school district, for the first payable year the order is in effect, the parcel is relieved from all prior liability of all school taxes of the school district from which it was removed and is responsible for all tax liability for the school district from which it was annexed.

The county auditor must notify the affected school districts as well as the Department of Education.

(See [Minnesota Statute 123A.455](#))

# Chapter 3: Tax Base Overview and Valuation of Property

## Basic Terms and Concepts

The Minnesota property tax system is very complex and contains many unique features that affect how a property's value is translated into a taxable base upon which levies are assessed. This section introduces and outlines the basic terms and concepts, which are addressed in greater detail in the remaining sections of this chapter.

More information on Valuation may be found in the [Property Tax Administrator's Manual](#).

### Property Value

An ad valorem tax system by definition is based on a valuation of property. There are two types of property—real property and personal property.

**Real Property**, for the purposes of taxation, includes the land; all buildings, structures, improvements, or other fixtures on it; all rights and privileges belonging or appertaining to the land; and all mines, minerals, quarries, trees, etc. on or under it. Expressed otherwise, real property refers to the interests, and benefits connected with real estate—identified parcels or tracts of land and any improvements—including the right to occupy the real estate, sell it, lease it, enter it, give it away, borrow against it, or to exercise any one or all of the rights. See [Minnesota Statute 272.03](#) for further definition.

**Personal Property** can be defined by exception in that anything that is not real property is personal property. The main characteristic of personal property is that it is movable. If it is movable without causing damage to itself or the real estate, it is considered to be personal property. An even broader definition may include all tools, equipment, goods, money, effects, stocks, shares, etc., but in Minnesota personal property is generally exempt and that which is enumerated as being taxable. Taxable personal property includes certain utility systems, railroad docks and wharves, improvements on federal or exempt land, leasehold or other property that would be taxable if the lessee or user were the fee owner, certain manufactured homes, and flight property. See [Minnesota Statute 272.02](#) for further definition.

### State Assessed Property

While local and county assessors establish the market value of most property, certain types of property are assessed by the state. These are identified [here](#) in Chapter 3.

### Review and Equalization

Although assessors are guided by considerable standards, the somewhat subjective nature of estimating market value results in a need for a review and equalization process that attempts to minimize inequities and protect the rights of taxpayers. This [chapter](#) describes the various features of this process which include notification of values, multiple layers of local and state appeals and equalization processes, and sales ratio studies. These important processes do take time and result in a structure where properties are assessed in one year but are taxed and payable in the following year. The time and efforts, however, are well justified, because the integrity of an ad valorem system of taxation rests upon an equitable and reliable process for establishing values.

### Taxable Value

Property taxes, however, are not levied directly on estimated market value. A variety of exemptions, exclusions, special assessment considerations, and value deferrals can affect the share of value that becomes taxable.

Moreover, each of these special features is applied in limited ways that relies on some classification of property. Even the establishment of values and their review and equalization relies on differentiating between the uses of property.

### [Exempt Property](#)

Certain properties are exempt from ad valorem property taxes.

### [Classification System](#)

Minnesota has one of the most extensive and formalized classification systems in the country. A classification rate is multiplied by the taxable market value of a property to yield the taxable base for most levies—the net tax capacity. This allows different classes of property to be subject to different tax burdens. For example, commercial property is taxed at a higher rate than residential property. In addition to class rates, classification is important, since different classes are eligible for various other benefits and special features.

### [Manufactured Homes](#)

The assessment of manufactured homes, which constitute a relatively unique “class” of property that can be real or personal property. When assessed as real property, manufactured home values are included in the taxable value used to determine tax rates. When assessed as personal property, these values, although taxed, are not included in the taxable value used to determine tax rates.

### [Special Valuations and Deferrals](#)

Several special value and deferral programs impact the amount of value subject to tax on a property.

### [Exclusions](#)

Minnesota has a number of exclusion programs, including programs for certain homesteads (1a, 1b, and 2a-HGA), disabled veterans, newly platted lands and improvements and property damaged by mold or use of lead paint. These programs exclude certain amounts of estimated market value from the amount that is taxable.

### [Taxable Market Value](#)

After sorting through what properties and what value is subject to taxation, the result is a taxable market value. This section reviews the hierarchy of how the various features are applied in getting from estimated market value to taxable market value. Taxable market value then becomes the basis for determining tax base values—referendum market value, local net tax capacity, and state net tax capacity.

## **Base of Taxation**

### [Referendum Market Value](#)

Some voter-approved levies are extended against referendum market value, which is the market value of certain homesteads (1a, 1b, and 2a-HGA) prior to the homestead market value exclusion and the taxable market value of certain remaining properties.

### [Net Tax Capacities](#)

The majority of property taxes, however, are levied on net tax capacities—the result of multiplying the taxable market value of a property by its class rate.

### [Taxable Net Tax Capacity](#)

Although the net tax capacity of individual properties is the amount to which taxes are extended, some net tax capacity is excluded from the tax base measure when computing tax rates. The distinction of a taxable net tax capacity used to calculate rates from the full net tax capacity against which local tax rates are extended yields extra funds for power line credits and tax increment financing (TIF), and facilitates tax base sharing under fiscal disparities.

### [Tax Bases](#)

In addition to the referendum market value and local net tax capacity tax bases, a different net tax capacity tax base exists for the state general property tax.

### **Alternative Taxation**

Certain property that would ordinarily pay property taxes is instead taxed in alternative ways that are often to be collected and distributed along with, or in similar fashion to, property taxes. A variety of other payment in lieu of (property) tax (PILT) provisions are summarized later in this [chapter](#). (Wind and Solar Energy Production Taxes, as found in [Chapter 5](#), are one such example that replaced property taxes on solar and wind energy systems.)

### **Valuation and Assessment**

All property is valued and classified according to its use on January 2 of each year. According to Minnesota law, all property is to be valued at its market value. The market value ([Minnesota Statute 272.03](#)) is determined so that any amount under \$100 is rounded up to \$100 and any amount exceeding \$100 shall be rounded to the nearest \$100 ([Minnesota Statute 273.11](#)).

To learn more about the valuation and assessment of property, see the [Property Tax Administrator's Manual](#).

## **State Assessed Property**

### **Commissioner Assessed Property**

The commissioner of revenue is required by law to assess several types of real and personal property. These properties include flight property, railroad operating property, and utility and pipeline operating property. The commissioner determines the values of these properties and notifies the companies of the value.

The commissioner of revenue apportions the values of railroad, utility, and pipeline operating property across all parcels with operating property. The commissioner certifies the apportioned values to the counties where the operating property is located as ordered or recommended values.

The commissioner also determines the solar and wind energy production taxes, which are discussed briefly in this chapter and in more detail in [Chapter 5](#).

### [Airline Flight Property Tax](#)

The Airline Flight Property Tax is a tax on flight property that is owned, leased, loaned, or otherwise made available to an airline company operating in Minnesota.

The commissioner estimates the market value of all flight property operated or used by airline companies engaged in air commerce in this state and then apportions the estimated market value to Minnesota. The commissioner then calculates the tax due for each airline company using the airline flight property tax levy

([Minnesota Statute 270.072](#)). The Department of Transportation establishes the levy for the State Airport Fund. Each airline company pays a portion of the levy based on their tax capacity.


The commissioner bills and collects the airline flight property tax and remits the taxes paid to the Department of Transportation.

Counties do not receive the values and are not involved in extending or collecting the tax. Local units of government do not receive any of this tax ([Minnesota Statute 270.075](#)).

*Railroad Operating Property*

The commissioner of revenue is responsible for valuing railroad operating property. The commissioner calculates the value of each railroad company operating in Minnesota using the cost, income, and market indicators. The commissioner relies on reports filed by the railroad company. Typically, these reports are subject to audit by government agencies.

1. The commissioner calculates the value of the railroad company ([Minnesota Statute 270.84](#) and [Minnesota Rules, part 8106.0400](#)).
2. Allocates the value to Minnesota,
3. Removes locally assessed and non-taxable property,
4. Apportions the value to parcels in Minnesota with operating property ([Minnesota Statute 270.86](#)) and
5. Equalizes the apportioned value, if necessary ([Minnesota Statute 270.86](#)).

 **NOTE**  
 Nonoperating property of railroad companies is assessed by county or local assessors. The commissioner of revenue determines what is operating or non-operating property.

The department certifies the railroad operating property values, by parcel, to the county assessor on or before June 30 of each year. The department can issue corrected values for commissioner-determined errors on or before August 31 of each year and the department can issue corrected values for clerical errors until December 31 of each year ([Minnesota Statute 270.87](#)).

Land used for railroad transportation services is included as operating property.

Non-operating property is locally assessed.

**Federal law.** The Railroad Revitalization and Regulatory Reform Act, enacted in 1976 and fully effective in 1979, prohibits states from taxing railroads any different or at a higher rate than other commercial-industrial businesses.

**Exempt railroad operating property.** Land and track owned by a regional railroad authority are exempt from property and income tax ([Minnesota Statute 398A.05](#)). Government agencies, such as counties own regional railroad authorities ([Minnesota Statutes, Chapter 398A](#)). Regional railroad authorities generally own land and track used as railroad operating property. Typically, the operating railroad is purchasing the rail line on a contract for deed.

*Utility and Pipeline Property*

The commissioner of revenue is responsible for valuing utility and pipeline operating property. The commissioner calculates the value of each utility and the pipeline company operating in Minnesota using the cost, income, and market indicators. Companies that are not common carriers and certain cooperatives may have their property valued based on cost less depreciation ([Minnesota Rules, part 8100.0300](#)) instead of using

the cost, income, and market approaches. The commissioner relies on reports filed by the utility or the pipeline company. Typically, these reports are subject to audit by government agencies.

1. The commissioner calculates the value of the utility or pipeline company,
2. Allocates the value to Minnesota,
3. Removes locally assessed and non-taxable property,
4. Apportions the value to parcels in Minnesota with operating property, and
5. Equalizes the apportioned value, if necessary.

**Exempt property**

There are a number of exemptions for utility and pipeline operating property found in [Minnesota Statute 272.02](#). [Minnesota Statute 272.0211](#), provides for the sliding scale market value exclusion.

**State General Property Tax**

The state property tax levy applies to all railroad, utility, and pipeline property except generation machinery ([Minnesota Statute 275.025](#)). The department identifies the value for generation machinery on the certification of utility and pipeline values as “Elec Gen Machinery.”

**Solar and Wind Energy Production Taxes** (See [Minnesota Statutes 272.029](#) and [272.0295](#)).

Owners of applicable solar energy generating systems and wind energy conversion systems report the amount of production for the previous calendar year to the Department of Revenue by January 15 of each year (with possible extension to February 1).

The department determines the amount of tax each owner owes in each county. The department notifies each owner and county where the systems are located of the tax amount by February 28 of each year. The department can issue corrections on or before April 1 of the current year.

The county bills and collects the tax. The tax is paid to the county treasurer by May 15. Wind and solar energy production taxes, including any penalties, interest, and costs, are distributed 80% to the counties and 20% to the cities or towns where the systems are located.

See [Chapter 5](#) for more information about the Solar and Wind Energy Production Taxes.

## Review and Equalization Processes

The integrity of an ad valorem system rests upon an equitable and reliable process for establishing values. The first step in this process is a formal notification to taxpayers of the value and classification that have been determined by the assessor. A taxpayer can then engage in an appeals process that includes informal appeal by contacting the assessor, more organized review at an open book meeting, appeals to local and/or county boards of appeal and equalization, and a more formal appeal to tax court.

In addition to hearing taxpayer appeals, the county, and local boards to a much lesser extent, review and examine assessments in general and can make changes of a broader scope.

The State Board of Equalization also performs an important review and equalization function and issues orders to ensure equity across counties. The state conducts several sales ratio studies to assist in equalization and to aid the tax court. Many county and local assessors also perform their own in-house sales ratio analyses to aid their own valuation efforts.

More information on the review and equalization process can be found on the [Board of Appeal and Equalization](#) webpage.

### County Board of Appeal and Equalization

The county auditor plays an important part in the County Board of Appeal and Equalization. The board is made up of the county auditor and the county commissioners, or a majority of them. If a county auditor cannot be present, the deputy county auditor, or, if there is no deputy, the court administrator of the district court, shall serve in the auditor's place ([Minnesota Statute 274.13](#)). A county may instead delegate a special board of equalization with alternate membership which must include the county auditor as a nonvoting member who serves as the recorder for the special board.

The board may meet up to ten consecutive days after the second Friday of June--defined as weekdays, including Saturdays, at the board's discretion. No action may be taken after June 30. Counties that conduct a regular board of review or an open book meeting must hold at least one meeting that does not end before 7:00 PM. Furthermore, those counties that require taxpayer appointments for the board of review, must provide meeting time that extends until at least 7:00 PM ([Minnesota Statute 274.14](#)).

Generally, a taxpayer must first appeal to the Local Board of Appeal and Equalization before appealing to the county board. If the owner does not appear or appeal in person, by representative, or by letter, they may not appeal to the State Board of Equalization. Decisions of the County Board of Appeal and Equalization can be appealed to Tax Court.

### *Powers and Duties*

The role of a County Board of Appeal and Equalization is to ensure equalization among individual assessment districts and between classes of property. Specifically, the board may:

- Reduce the value of a property or classes of property
- Increase the value of a property or classes of property
- Correct the classification of a property

Note that unlike a local board, a County Board of Appeal and Equalization may order changes to entire classes of property, but may not add properties to the assessment list (although it can recommend that the auditor do so under their independent authority to add such omissions). However, like local boards, there are several restrictions and limitations placed on the powers of the county board. The board:

- Cannot consider any prior year assessments
- Cannot exempt property or remove it from the assessment list
- Cannot reduce the aggregate assessment by more than 1%
- Cannot raise a person's assessment without duly notifying the person of the intent to do so

County Boards of Appeal and Equalization cannot make any valuation or classification changes to a property if the owner has refused the assessor access to the property for an inspection.

The county board must also notify taxpayers whose town or city elected to transfer its local board or appeal and equalization powers and duties to the county; and prior to the meeting of the county board, it shall make available to those taxpayers a procedure, such as an open book meeting, for a review of its assessments.

### *Assessment Changes*

The county assessor shall make the changes determined by the board in the assessment lists. No changes in valuation or classification may be made by the county assessor after the county board has adjourned until the

tax extension date, except to correct for clerical errors or to extend homestead treatment. These changes must be documented and made available for review by any person ([Minnesota Statute 274.13](#)).

### *Documentation and Reporting*

The county auditor shall keep an accurate record of the proceedings and orders of the board, to be published as other proceedings of county commissioners ([Minnesota Statute 274.14](#)). The county assessor is required to submit any changes to the commissioner of revenue within 5 days following the final action of the county board, and the changes shall be reflected in the PRISM Submission 2 file ([Minnesota Statute 270C.89](#)).

### *Conflict of Interest*

Any actions to adjust the value or classification of property owned by a local board of review member; the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member (by blood or marriage); or property in which a board member has a financial interest are prohibited ([Minnesota Statute 274.13](#)).

### **State Board of Equalization**

The commissioner of revenue constitutes the State Board of Equalization ([Minnesota Statute 270.12](#)). The board meets annually between April 15 and June 30 to review the assessment for each county. The board reviews the ratios and local effort for each property class and then makes any necessary changes. These changes can be in the form of increases or decreases and they are made to land, buildings, or both. In addition, the State Board can also review individual assessments and make any changes that are warranted.

It should be noted that the County Board cannot “undo” State Board orders. The State Board of Equalization has the authority to issue orders up to 60 days after the final meeting of the County Board of Appeal and Equalization.

Auditors are charged with applying the orders of the State Board of Equalization. These orders are mailed to the auditor on or before June 30, or 30 days after submission of PRISM Submission 1, whichever is later.

### **Sales Ratios and eCRV**

A key tool in the equalization of values is the sales ratio. Sales ratio studies are used by assessors in refining their valuation levels, by the tax court in adjudicating assessments, by the State Board of Equalization in determining orders, and by various aid formulas that utilize measures of equalized values.

Sales prices are collected from documents called Electronic Certificates of Real Estate Value, or eCRVs. For more information on sales ratios, see the [Property Tax Administrator’s Manual](#).

Whenever any real estate is sold for a consideration in excess of \$3,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, an eCRV must be filed.

The eCRV is filed in the county in which the property is located ([Minnesota Statute 272.115](#)). An eCRV is submitted online on the [Department of Revenue’s website](#), where you can find detailed information on the eCRV process. See also the Electronic Certificate of Real Estate Value (eCRV) section within this manual.

Parcel market value data that is reported in PRISM is matched against eCRVs in performing sales ratio studies.

**Abatements**

Abatements, as provided in [Minnesota Statute 375.192](#), are not generally considered to be a part of the process of appeal, review, and equalization, and should not be relied on as a method for reaching appropriate values. However, abatements are an administrative method of correcting errors in valuation or classification that may escape the review process. Because no changes in valuation or classification which are intended to correct errors in judgment are allowed after the adjournment of the County Board of Appeals and Equalization, except for the correction of clerical errors and the extension of homestead status, any changes made afterwards must be handled by abatement. A tax amount is not necessary for the abatement to be processed.

See [Chapter 10](#) for more information on abatements.

**Exemptions**

All real and personal property in the state is considered taxable except Indian lands and such other property as is by law exempt. Taxation is the rule and exemption is an exception, so all property is presumed taxable and the burden of proof is on the taxpayer to establish entitlement to the exemption. The basis of tax exemptions is the accomplishment of public purposes and not the favoring of particular persons or corporations at the expense of taxpayers generally. Ownership, use, and necessity of ownership are key elements in determining exemption. Administrative officers should not place property in the category of tax-exempt property unless the right to exemption is free from doubt.

It is important to note that property that is exempt from property tax is not exempt from special assessments. Special assessments are not taxes; they are fees for a service or improvement. Comprehensive information on exemptions may be found in the [Property Tax Administrator’s Manual](#).

**Types of Property Eligible for Exemption**

[Minnesota Statute 272.02](#) is the main statute defining exemptions. (Some exemptions are identified in [Minnesota Statute 272.01](#) and may be found in other statutes, but these are usually cross referenced in Minnesota Statute 272.02. The following is a general summary of the most common types of exempt properties. References are provided for those seeking specific details.

*Cemeteries*

All public burying grounds are exempt ([Minnesota Statute 272.02](#)). All private lands of up to 100 acres, or 300 acres if owned and managed by religious corporations, that are laid out and dedicated as a private cemetery, are exempt.

*K-12 Schools*

All public schoolhouses are exempt, as is property leased to school districts and charter schools, under certain specific conditions. Private schools, where the curriculum parallels that of public education (such as a parochial school, but not beauty or dance schools), are also exempt as academies or seminaries of learning. However, property owned, leased or used by any elementary or secondary school district for a home, residence or lodging house for any teacher, instructor, or administrator, and any property owned by any public school district which is leased to any person or organization for a nonpublic purpose for one year or more pursuant to [Minnesota Statute 123B.51](#), shall not be exempt.

*Colleges & Universities*

All academies, colleges, universities, and seminaries are exempt.

*Hospitals*

All public hospitals are exempt. Rather than being limited to those owned by public subdivisions, this includes hospitals that are open to the general public and not operated for private profit. However, property owned or leased by, or loaned to, a hospital and used principally as a recreational or rest area for employees, administrators, and medical personnel is not exempt.

*Church Property*

All churches, church property, and houses of worship are exempt. This does not include property that is rented out to private individuals and companies, or to property used for purposes other than those for which the church was established. Personal and real property that a religious corporation necessarily uses for a religious purpose is exempt to the extent provided in [Minnesota Statute 317A.909](#).

*Charitable Institutions and Various Nonprofit Uses*

Institutions of purely public charity are exempt ([Minnesota Statute 272.02](#)). Without getting into all of the nuances to how “purely public charity” is viewed, this provision is limited to institutions that are administered wholly or exclusively for the benefit of the public and therefore does not apply broadly to any nonprofit endeavor. As such, there are a number of more specific exemptions provided for property used for various nonprofit purposes, including: emergency shelters for victims of domestic abuse; senior citizen facilities; transitional housing facilities; ice arenas and baseball parks owned by nonprofits; recreational property for disabled veterans; agricultural historical society property; a specific elderly living facility; children’s homes; and nonprofit nursing homes or boarding care facilities.

*Public Property*

All public property exclusively used for any public purpose is exempt ([Minnesota Statute 272.02](#)).

Specific provisions are also found in statute that declare this public property exemption for, or otherwise extend exemption to: certain public campgrounds; government property acquired under a lease purchase agreement or installment purchase contract; property held by political subdivisions for later resale for economic development or housing purposes; property of the Western Lake Superior Sanitary Board; unfinished sale or rental projects of municipal or redevelopment agencies; pedestrian systems (including skyways) and public parking structures; municipal recreation facilities; property owned by a housing and redevelopment authority or a designated housing authority; property of projects of housing and redevelopment authorities; property of a regional railroad authority; property of a railroad wye connection; property of volunteer fire departments ([Minnesota Statute 272.021](#)); and leased seasonal-recreational land ([Minnesota Statute 272.0213](#)). An exemption is also provided for property directly managed, but not owned by, a housing redevelopment authority or public housing agency; although these properties do make payments in lieu of taxes.

Note, however, that state owned property used to house officers or employees is subject to assessment and taxation under [Minnesota Statute 272.011](#).

*Personal Property*

Personal property is generally exempt, with the taxable exceptions being enumerated in [Minnesota Statute 272.02](#). Taxable personal property includes:

- personal property which is a part of **utility systems**—electric generating, transmission, or distribution systems; pipeline systems for transporting or distributing water, gas, crude oil, or petroleum products; or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings or structures;

- **railroad docks and wharves** which are part of the operating property of a railroad company ([Minnesota Statute 270.80](#));
- **all improvements upon land vested in the United States or any corporation whose property is not subject to the same mode and rule of taxation as other property** ([Minnesota Statute 272.03](#));
- **leasehold or other personal property interests that would be taxable if the lessee or user were the fee owner** ([Minnesota Statutes 272.01](#) and [273.19](#));
- **manufactured homes and sectional structures on leased or rented sites**, including storage sheds, decks and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer, or travel trailer ([Minnesota Statute 273.125](#)) and
- **flight property** ([Minnesota Statute 270.071](#)).

Although personal property that is a part of electric generating, transmission, or distribution systems is identified as being taxable, a variety of specific exemptions, notwithstanding this provision, are provided for a variety of facilities meeting various criteria ([Minnesota Statute 272.02](#)). In addition, a specific exemption is provided for electric power distribution lines used primarily for supplying electricity to farmers, for photovoltaic devices used to produce or store electric power, and for property used to generate electricity to manufacture or produce goods, products, and services.

Also, while manufactured homes and sectional structures on leased or rented sites are taxable as personal property, residential buildings located on temporary sites (such as the lots of dealers or movers), that are intended to be moved, are exempt for one assessment year.

The personal property exemption also extends to items identified in the definition of real property in [Minnesota Statute 272.03](#), as not being included as real property. These components of personal property include tools, implements, and certain machinery and equipment; mine shafts, tunnels, and other underground openings used to extract ores and minerals taxed under [Minnesota Statutes, Chapter 298](#); and attachments or installations that are part of a telephone communication system.

#### *Pollution Control Property*

Several exemptions are also provided for various forms of pollution control property or wastewater treatment facilities:

- **Personal property and certain real property used for the abatement and control of air, water, or land pollution** is exempt upon application with and order of the commissioner of revenue ([Minnesota Statute 272.02](#)).
- **Manure pits** and appurtenances installed and operated in accordance with a permit, order, or certificate issued by the Minnesota Pollution Control Agency are exempt.

#### *Wetlands*

Wetlands, as defined in statute, are exempt ([Minnesota Statute 272.02](#)). This exemption does not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to it.

#### *Native Prairie*

Native prairie lands, which are determined by the commissioner of the Department of Natural Resources, are exempt ([Minnesota Statute 272.02](#)). This exemption does not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

*Utilities*

Although the personal property exemptions and exceptions relating to utility systems are noted above under the personal property category, several other provisions provide both real and personal property exemptions for various utilities.

**Tax Imposed for Private Use for Profit**

*Tax Imposed*

When any real or personal property that is exempt from ad valorem taxes, and taxes in lieu thereof, is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business for profit, there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of the property ([Minnesota Statute 272.01](#)).

Taxes imposed by this provision shall be assessed to the lessees or users in the same manner as owners except that such taxes shall not become a lien against the property. These taxes shall be collected in the same manner as personal property taxes.

*Exceptions*

This tax does not apply to:

- Property leased or used as a concession in or relative to the use in whole or part of a public park, market, fairgrounds, port authority, economic development authority, municipal auditorium, municipal parking facility, municipal museum, or municipal stadium;
- Certain property of an airport;
- Property leased, loaned, or otherwise made available to a private individual, corporation, or association under a cooperative farming agreement made pursuant to [Minnesota Statute 97A.135](#);
- Property leased, loaned, or otherwise made available to a private individual, corporation, or association under [Minnesota Statutes 272.68](#);
- Federal property for which payments are made in lieu of taxes in amounts equivalent to taxes which might otherwise be imposed;
- Various property used for power lines, communication lines, pipelines, and cable communications;
- Property presently owned by any educational institution chartered by the territorial legislature;
- Indian lands or property of any corporation organized as a tribal corporation under the Indian Reorganization Act of June 18, 1934;
- Real property owned by the state and leased pursuant certain trunk highway statutes; or
- Certain property owned by a seaway port authority.

**Taxation of Lessees and Equitable Owners**

*Tax Treatment*

Tax-exempt property held under a lease for a term of at least one year (and not already taxable under the provisions for private use for profit), or under a contract for the purchase thereof, shall be considered, for all purposes of taxation, as the property of the person holding it (i.e. it becomes taxable) ([Minnesota Statute 273.19](#)).

For this purpose, a lease includes any agreement, except a cooperative farming agreement pursuant to [Minnesota Statute 97A.135](#), or a lease executed pursuant to [Minnesota Statute 272.68](#), permitting a nonexempt

person or entity to use of the property, regardless of whether the agreement is characterized as a lease, and shall be considered as having a “term of at least one year” if the term is for a period of less than one year but permits the parties to renew the lease without some form of offering to other bidders ([Minnesota Statute 273.19](#)).

*Exceptions*

This provision does not apply to (1) the airport property identified in [Minnesota Statute 272.01](#); (2) property exempt from taxation for property taxes as referenced in [Minnesota Statute 272.0213](#) and (3) seaway port authority property exempt under [Minnesota Statute 272.01](#).

*Special Provisions*

Property located within a federal reservation that has been conveyed to the State of Minnesota by the federal government, and had been occupied and used by a branch of the armed services shall have a net tax capacity no greater than the value added to the property by improvements made by the lessee

Property located within a national park that was leased back for noncommercial residential purposes to the person owning the property at the time of acquisition by the United States shall be exempt (unless the property is subsequently leased or subleased to another person). However, the value of improvements made to the property to which the lessee has salvage rights shall be taxable. (See [Minnesota Statute 273.19](#))

**Application and Eligibility**

Given the presumption that all property is taxable and the burden on taxpayers to prove their eligibility for exemption, most property tax exemptions are not automatically extended. Owners of property seeking exemption from property taxes must file an application for exemption. Applications, which are prescribed by the commissioner of revenue, are due in the assessor’s office by February 1 of the assessment year in which exemption is first sought. Typically, exempt properties must reapply for exempt status every third year after 1983 (1983, 1986, ..., 2013, 2016, 2019, 2022, etc.)

The commissioner will annually publish which organizations must file application or reapplication pursuant to. (See [Minnesota Statute 272.025](#))

**Valuation of Exempt Property**

Assessors are required to value exempt property in the same manner that other real property is valued and assessed. Assessors must value exempt property and include exempt property in PRISM Submission 2 every 6 years. The last assessment and abstract was completed in 2016 and will be required again in 2022. Acreage and market values of all natural resources lands for which in-lieu payments are made under [Minnesota Statutes 477A.11 to 477A.14](#) must also be reported in PRISM Submission 2 ([Minnesota Statute 273.18](#)).

**Conversion to Exempt or Taxable Uses**

*Exempt to Taxable*

Any property exempt from taxation on January 2 of any year which, due to sale or other reason, loses its exemption prior to July 1 of that year shall be placed on the current assessment rolls for that year.

The valuation shall be determined with respect to its value on January 2 of such year. The classification shall be based upon the use to which the property was put by the purchaser, or in the event the purchaser has not utilized the property by July 1, the intended use of the property, determined by the county assessor, based upon all relevant facts ([Minnesota Statute 272.02, subdivision 38](#)).

### *Taxable to Exempt*

Property subject to tax on January 2 that is acquired before July 1 of the year is exempt for that assessment year if the property is to be used for an exempt purpose ([Minnesota Statute 272.02, subdivision 38](#)). The exception to this provision is manufactured homes, in which case the cutoff date is January 2 because these taxes are computed by May 30 ([Minnesota Statute 273.125](#)).

### *Tax Forfeited Property*

Property that forfeits to the state for nonpayment of real estate taxes on or before December 31 in an assessment year, shall be removed from the assessment rolls for that assessment year. Forfeited property that is repurchased or sold at a public or private sale, on or before December 31 of an assessment year shall be placed on the assessment rolls for that year's assessment ([Minnesota Statute 272.02, subdivision 38](#)).

## Classification of Property

Although the classification of property for purposes of taxation can be thought of as a broad concept where any feature that differentiates properties in any way is a form of classification, this section addresses the more specific and overt application of different rates of taxation on different defined types of property.

Many states draw a distinction between market values and assessed values which reflect the application of different assessment ratios for a limited set of different property types (such as commercial/industrial, residential, agricultural, etc.). Minnesota, which has a uniformity clause in its constitution that allows for different classes of property to be taxed at different rates, has perhaps the most detailed classification system for a wide range of defined classes of property.

The class rates, as opposed to assessment ratios, are applied to taxable market values to yield a measure called net tax capacity, which is the basis for most taxes. The net tax capacity is a computed, conceptual basis for taxation, as opposed to the resultant assessed values used in most states. (The focus of this section is on the classifications of property; see the section on [Taxable Net Tax Capacity](#) for further discussion.)

The assessor, in the process of determining values, also is responsible for determining the classification (or use) of property. Property is classified according to its use on the assessment date (January 2) of each year. If the property is not currently being used, it is classified according to its most probable, highest and best use. Property owners do not get to choose or request what they want their property to be classified; it is the assessor's job to make this determination.

The classification system starts with the definition of classes and their class rates.

Comprehensive information on property tax classifications can be found in the [Property Tax Administrator's Manual](#).

### **Homestead Status**

One of the most important distinctions in the various definitions of classes is the distinction of homesteads from nonhomesteads or other sorts of property. Homestead status is a fundamental concept that has been closely guarded by the legislature. Even though current class rates have largely eliminated the difference between homesteads and nonhomesteads (which once had much different class rates), homestead status is important for

many features of the tax system because it determines eligibility for programs such as property tax refunds, senior deferrals, and the homestead exclusion.

*Homestead Determination*

Homestead determination is a complex topic when all of the exceptions are considered. Agricultural homesteads have some special provisions. This manual does not cover all of the exceptions, rules, and details pertaining to homesteads. The assessor’s [Property Tax Administrator’s Manual](#) located on the Department of Revenue’s website provides greater detail on homestead determination. Some general rules, definitions, and topics for homestead determination follow.

- Residential real estate that is occupied and used for the purposes of a homestead by its owner is a **residential homestead**. The owner must be a Minnesota resident.
- Agricultural land that is occupied and used as a homestead by its owner is an **agricultural homestead**. The owner must be a Minnesota resident.
- **Full-Year Homestead** – The property is occupied by its owner on January 2 of the assessment year.
- **Mid-Year Homestead** – The property must be owned and occupied by its owner on December 1 of the assessment year and application must be made by December 15th to qualify for a mid-year homestead. Mid-year homesteads result in the same tax as a full-year homestead.
- An owner may not have the benefits of the homestead classification in more than one place. A person may have **only one homestead** and that must be their place of abode on January 2. (Exceptions to this rule may include a second mid-year homestead in the year of a sale or in cases of divorce.)

Homestead requirements are prescribed by the state. No county or other jurisdiction has the authority to impose additional requirements.

**Certification of 1b Property and Homesteads for Persons who are Blind or Disabled**

One unique subset of homestead property is the Class 1b designation for homesteads of qualifying blind or disabled persons. This class, which receives a reduced class rate on its first \$50,000 of market value, applies to:

- a. any blind person who is blind as defined in [Minnesota Statute 256D.35](#), or the blind person and the blind person’s spouse
- b. any person who is permanently and totally disabled.

Property is classified and assessed under clause (2) only if the government agency or income-providing source certifies that the homestead occupant satisfies the disability requirements of this paragraph. Property is classified and assessed pursuant to clause (1) only if the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.

Counties are responsible for awarding and maintaining this classification. The necessary forms need only be filed once in order to qualify for the classification. They must be filed with the county on or before October 1 to be effective for property taxes payable during the next calendar year. However, this application must contain the information necessary to verify that the property owner or the owner’s spouse satisfied the requirements on or before June 30 of the filing year.

**Economic Development Zones**

Values of property that qualify for benefits in certain economic development zones need to be identified separately from the non-qualifying values. Although they do not have different class rates, the land and building on the same parcel may be subject to different tax rates.

*Border City Development Zones*

These zones can exist in only five cities – Moorhead, Breckenridge, Ortonville, Dilworth, and East Grand Forks. Certain qualifying properties are exempt from all tax rates except debt rates, special assessments, and non-equalized school levies.

## Manufactured Homes

A manufactured home, as defined for purposes of property taxation, is a structure transportable in one or more sections, which is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and contains the plumbing, heating, air conditioning, and electrical systems in it. A manufactured home includes any accessory structure which is an addition or supplement to the manufactured home and, when installed, becomes a part of the manufactured home ([Minnesota Statute 273.125](#)).

The state’s manufactured home building code includes a definition of manufactured home in [Minnesota Statute 327.31](#) that is substantially the same but also incorporates the provision that a manufactured home in traveling mode is eight body feet or more in width or 40 body feet or more in length, or, when erected on site, is 320 or more square feet.

More information on definitions, the assessment of manufactured homes, and improvements can be found in Module 2 of the [Property Tax Administrator’s Manual](#)

### Taxation of Manufactured Homes Assessed as Personal Property

Taxes on manufactured homes assessed as personal property are assessed and taxed in current year, rather than assessed in one year with taxes payable in the following year as is the case for all other property. Valuation notices must be sent at least ten days before the meeting of the local board of appeal and equalization. The assessor must supply the assessments to the county auditor on or before May 1). Unlike real property, manufactured homes assessed as personal property that are exempt from taxation on January 2 of any year which, due to sale or other reason, loses its exemption after January 2 of the same year, shall remain exempt on the current assessment rolls for that year ([Minnesota Statute 272.02](#)).

The county auditor must determine the taxes by applying the tax rates of the current year (as levied in the preceding year). As such, taxes levied on manufactured homes as personal property are additional taxes since the values are not included in determining the tax rates. The auditor must supply the calculated taxes to the treasurer by May 30.

Manufactured home personal property tax statements must be mailed by July 15. If the taxes are greater than \$50, they are due in two equal installments on August 31 and November 15. If the taxes are less than or equal to \$50, they are due in full on August 31. Taxes remaining unpaid after the due date are delinquent, and a penalty of eight percent must be assessed and collected as part of the unpaid taxes.

Local or county boards may change the assessor’s valuation and must send the changes to the auditor for immediate recomputation of the tax. The auditor may also reduce the tax if the property is entitled for homestead classification.

Petitions of appeal may be made to the district court, (which may be transferred to the Tax Court), on or before October 1 of the year in which the tax becomes payable. (See [Minnesota Statute 273.125](#))

**Taxes Paid Before Transfer of Title**

A certificate of title is required for a manufactured home ([Minnesota Statute 168A.02](#)). The title to a manufactured home cannot be transferred unless the application for transfer of title is accompanied by a statement from the county auditor or county treasurer where the manufactured home is presently located, stating that all manufactured home personal property taxes levied on the unit in the name of the current owner at the time of transfer have been paid. This applies even if the transfer of title is requested prior to tax statements for the current year since these taxes are considered to be levied as of January 1 of the payable year. In these cases, the auditor or treasurer shall estimate the taxes that will be due for the current year and provide the statement of taxes having been paid after receipt of the estimated tax ([Minnesota Statute 168A.05](#)).

This provision does not apply to:

1. a manufactured home which is sold or otherwise disposed of pursuant to [Minnesota Statutes 504B.271](#) or [504B.265](#) by the owner of a manufactured home park;
2. a manufactured home for which a certificate of title is reissued under [Minnesota Statute 168A.142](#); and
3. an owner of a manufactured home park who provides to the county auditor or treasurer a notarized statement that the manufactured home is to be destroyed or moved to a site and destroyed ([Minnesota Statute 168A.05](#)).

**Special Valuation and Deferrals**

Deferral programs recognize that market value of certain types of property may exceed the value that would be determined if the property were limited to its current use. For example, a golf course or a piece of agricultural land may be highly valued for development as residential property but would carry a much lower value if preserved as a golf course or agricultural land. To provide protection from these development pressures, deferral programs allow the difference in value and the associated taxes to be deferred, generally with taxes for a number of years being due once the property changes use. For information on how these properties are valued, see the [Property Tax Administrator’s Manual](#).

See Table 3–1, located at the end of this section, for a side-by-side comparison of the programs discussed below.

**Minnesota Open Space Property Tax Law**

The Minnesota Open Space Property Tax Law recognizes that development pressures for residential, commercial, or other uses can jeopardize the supply of private outdoor, recreational, open space, and park lands whose valuations have increased in excess of their open space uses. This law allows owners of open space property to apply for the deferment of the market value that exceed the open space use value, and its associated taxes.

*Qualifications*

Qualifying property includes real estate that is actively and exclusively devoted to:

- golf,
- skiing,
- lawn bowling,
- croquet,
- polo, or
- archery or firearms ranges.

Golf, skiing, and polo properties must be 5 acres or more in size to qualify.

Real estate is entitled to the valuation and tax deferral under the Open Space law only if it is:

- operated by private individuals and open to the public,
- operated by firms or corporations for the benefit of employees or guests, or
- operated by private clubs having membership of 50 or more or open to the public (provided the club does not discriminate the basis of sex or marital status).

The law contains a number of specific provisions pertaining to discrimination and membership of private golf courses. It provides that private golf courses failing to meet these requirements must be valued and assessed as if they were platted and available for sale as individual parcels for commercial, industrial, residential, or seasonal residential use.

*Application*

Application for deferral of taxes and assessment shall be made at least 60 days prior to January 2 of each year. The application shall be filed with the assessor of the taxing district in which the real property is located on such form that is prescribed by the commissioner of revenue. The assessor may require proof by affidavit or other written verification that the property qualifies.

*Deferred Taxes*

The tax imposed by the Minnesota Open Space Property Tax Law is a lien upon the property assessed to the same extent and duration as other taxes imposed upon property in the state. The tax is to be annually extended by the county auditor and be collected and distributed in the same manner as for other property taxes.

When real property that is or has been valued and assessed according to the Open Space law no longer qualifies, that portion which no longer qualifies is to be subject to additional taxes in the amount equal to the taxes which were deferred.

The additional taxes are to be extended against the property on the tax list for the current year and are only to be levied with respect to the last 7 years which the property had been assessed under the Open Space law. No interest or penalties are to be levied on the additional taxes if they are timely paid.

This does not apply to real property that ceases to qualify because it is acquired by the state of Minnesota or a political subdivision, agency, or instrumentality of the State, provided that the property continues to be used for a qualifying purpose for at least 5 years from the date the property was acquired.

When title to real estate that is valued and assessed under the Open Space law is transferred, no additional taxes are to be extended against the property if the property continues to qualify for Open Space and the purchaser files an application for the continued deferral of taxes within 30 days of the sale. (See [Minnesota Statute 273.112](#))

**Minnesota Agricultural Property Tax Law (Green Acres)**

The Minnesota Agricultural Property Tax Law, commonly known as Green Acres, was established in 1975 and provides for deferral of assessment and taxes payable on farmlands. The 2011 Legislature added a purpose statement to Green Acres law: “The legislature finds that it is in the best interest of the state to encourage and preserve farms by mitigating the property tax impact if increasing land values due to nonagricultural economic forces.” Nonagricultural factors that can impact farm values can include potential residential or commercial development, or hunting land. Certain property owners, who are engaged in agricultural pursuits, can apply for this deferral of higher valuations and associated taxes, including special assessments, and continue to have the property valued based upon its valuation for agricultural purposes.

In 2008 the Minnesota Legislature redefined how agricultural property was classified. As a result, there were significant changes to the Green Acres Law in regards to eligibility requirements, the valuation of the agricultural property, and the repeal of the income requirements. The law was also amended to comply with the Department of Revenue's position that all county assessors must implement the Green Acres program to all eligible properties unless the commissioner of revenue determines that a county is unable to immediately comply.

### *Qualifications for Green Acres*

Real estate, linked parcels consisting of at least 10 acres, or a nursery or greenhouse, and qualifying for classification as 2a under [Minnesota Statute 273.13](#) (agricultural land) is entitled to valuation and tax deferral under Green Acres if it is primarily devoted to agricultural use as specified in statute, and meets the homestead or ownership qualifications.

Real estate that is enrolled in the reinvest in Minnesota (RIM) program, the federal Conservation Reserve Program (CRP), or a similar state or federal conservation program qualifies for valuation and assessment deferral under Green Acres if the land was in agricultural use before enrollment and in the case of RIM, it is not subject to perpetual easement.

### *Application*

Application for deferral of taxes and assessment under Green Acres are to be filed with the assessor on or before May 1 of the year prior to the year in which the taxes are payable. Any application filed and granted will continue in effect for subsequent years until the property no longer qualifies. The application must be filed with the assessor of the taxing district in which the real property is located and is to be in such a form as prescribed by the commissioner of revenue. The assessor may require proof, by affidavit or otherwise, that the property qualifies and may require the applicant to provide a copy of the appropriate schedule or form showing farm income that is attested to by the applicant as having been included in the most recently filed federal income tax return of the applicant.

Any class 2a land that had been properly enrolled in Green Acres and that was removed from the program after May 21, 2008, was eligible for reinstatement to the program at the owners request, prior to August 1, 2011. If such properties had paid additional taxes, the county must repay the property owner.

### *Deferred Taxes and Special Assessments*

The deferred taxes under the Green Acres Law are a lien against the property assessed to the same extent and duration as other taxes imposed upon property in the state. The tax is extended by the county auditor and, if and when payable, shall be collected and distributed in the same manner as other property taxes. The additional taxes are due when the land no longer qualifies for the deferral. Generally, property no longer qualifies when it is sold, transferred, or subdivided.

The following types of property transactions are not to be considered changes of ownership for the purposes of the Green Acres program (i.e. they do not trigger a payback):

1. transfer to surviving spouse upon death of one owner;
2. divorce of a married couple when one spouse retains ownership;
3. marriage of a property owner when the owner retains full or partial ownership;
4. organization or reorganization of a farm entity under [Minnesota Statute 500.24](#) if all owners retain the same ownership interest; and

5. placement of the property into trust provided the owners are the grantors of the trust and they maintain the same beneficial interest.

*Cross-Compliance with Agricultural Chemical and Water Laws*

If a Green Acres qualifying property is subject to a second final enforcement action for violations of agricultural chemical or water protections laws within a three year period, it becomes subject to a penalty equaling three years of Green Acres benefits. (See [Minnesota Statute 273.111](#))

**Rural Preserve Property Tax Law**

The Rural Preserve Property Tax Law was created by the 2009 legislature to be effective for assessment year 2011. The program provides for deferment of assessment and taxes payable on class 2b rural vacant lands whose valuations reflect prices in excess of non-productive rural vacant land values due to non-agricultural factors such as potential residential or commercial development or hunting land. Rural Preserve is designed to work in conjunction with the changes that were made to the Green Acres program in 2008 and 2009. Qualifying class 2b land that was previously enrolled in Green Acres may be enrolled in Rural Preserve by May 1, 2013, without being subject to the payback of Green Acres deferred taxes.

*Qualifications for Rural Preserves*

Qualifying property includes class 2b property that had been enrolled in Green Acres for taxes payable in 2008. This 2b land cannot have any delinquent taxes owed, and must be contiguous to class 2a property under the same ownership that is currently enrolled in Green Acres. 2b property that had been properly enrolled in Green Acres may be enrolled in Rural Preserve regardless of homestead status, while land that is not considered to have been properly enrolled in Green Acres must be part of an agricultural homestead.

Land cannot be concurrently enrolled in Green Acres, Open Space, Metropolitan Agricultural Preserves, or the Sustainable Forest Incentive Act (SIFA).

*Application*

The first application due date was August 1, 2011, for taxes payable in 2012. Subsequent applications for deferment of taxes and special assessments under Rural Preserve are to be filed with the assessor on or before May 1 of the year prior to the year in which the taxes are payable. Any application filed and granted will continue in effect for subsequent years until the property no longer qualifies. The assessor will require that the application be accompanied by the most recent aerial photo or satellite imagery. The image can come from either the Farm Service Agency of the United States Department of Agriculture or the counties GIS system, and must delineate the land that is to be enrolled in the program.

Any class 2b land that had been properly enrolled in Green Acres and that was removed from the program after May 21, 2008, was able to apply for the rural preserve program prior to August 1, 2011, as if they had been enrolled in Green Acres immediately prior to application. If such properties had paid additional taxes, the county must repay the property owner.

*Deferred Taxes and Special Assessments*

The deferred taxes under the Rural Preserve Law are a lien against the property assessed to the same extent and duration as other taxes imposed upon property in the state. The tax is extended by the county auditor and, if and when payable, shall be collected and distributed in the same manner as other property taxes. The additional taxes are due when the land no longer qualifies for the deferral. Generally, property no longer qualifies when it is sold, transferred, or subdivided. (See [Minnesota Statute 273.114](#))

**Aggregate Resource Preservation Property Tax Law**

The Aggregate Resource Preservation Property Tax Law ([Minnesota Statute 273.1115](#)) was created by the 2008 legislature to be effective assessment year 2009 to provide deferment of assessment and taxes payable (much like Green Acres) for certain properties containing commercial aggregate deposits not being actively mined whose valuations reflect prices as if the land was being used for some other purpose other than agricultural use. The purpose of this law is to provide an incentive to property owners to remove any aggregate deposits from the land prior to development. The law states that certain property owners, who are engaged in aggregate mining, can apply for deferment of higher valuations and associated taxes, including special assessments, and continue to have the property valued based upon its valuation for agricultural purposes.



**Opting Out of Aggregate Resources**

Within two years of the effective date of the Aggregate Resources program a county may, following notice and public hearings terminate application of the program in a county. For additional details, see the County Termination section below.

**Metropolitan Agricultural Preserve Act**

The Metropolitan Agricultural Preserve Act ([Minnesota Statute 473H](#)) was designed to encourage agricultural use retention on land specifically located in close proximity to the Minneapolis-St. Paul Metropolitan Area. The program was established in 1980 and the structure of the law is very similar to that of Green Acres in that the valuation is based solely on the land’s agricultural use. However, lands entered into the Ag Preserve program are protected from substantial tax levy increases by limiting annual tax capacity rate increases to 105% of the statewide average local tax rate for townships. Agricultural lands are also protected from special assessments and eminent domain rights of local governments. Unlike Green Acres, Ag Preserve land is protected from repayment of any taxes or special assessments when terminating status under this law ([Minnesota Statute 473H.01](#)).

The eligibility requirements for Ag Preserve land are more restrictive than those of Green Acre agricultural lands. Unlike Green Acres, which allows eligibility statewide, Ag Preserve status is granted only to:

- Land located within the 7-county metropolitan area ([Minnesota Statute 473H.01](#));
- Land that is at least 40 acres in size ([Minnesota Statute 473H.03](#)); and
- Land that is specifically zoned for long-term agricultural use by the planning board ([Minnesota Statute 473H.04](#)).

Therefore, land and not the land owner determines qualification for use of the law.

Although no penalty is imposed upon withdrawal of the land from this law, land owners are required to commit the property to provisions of the law for a minimum of 8 years. In addition, an 8-year termination notice is required before the land can be removed from Ag Preserve tax rolls ([Minnesota Statute 473H.08](#)).

Real property within Ag Preserve is valued and assessed as usual pursuant to [Minnesota Statute 273.11](#), except as provided in [Minnesota Statute 473H.10](#).

All land classified as agricultural and being used for agricultural purposes, exclusive of buildings, shall be valued solely with reference to its appropriate agricultural classification and value, notwithstanding [Minnesota Statutes 272.03](#) and [273.11](#). In determining the value, the assessor should not consider any added values resulting from non-agricultural factors ([Minnesota Statute 473H.10](#)).

*Computation of Tax*

Pursuant to [Minnesota Statute 473H.10](#):

- A. After the assessor has estimated the market value of all land valued according to the provisions of Ag Preserve, the assessor must compute the net tax capacities of those properties by applying the appropriate classification percentages. When computing the rate of tax pursuant to [Minnesota Statute 275.08](#), the county auditor shall include the net tax capacity of land as computed in this paragraph.
- B. The county auditor shall compute the tax on Ag Preserve land and non-residential buildings by multiplying the net tax capacity by the total local tax rate for all purposes as provided in paragraph A.
- C. The county auditor shall compute the tax on Ag Preserve land and non-residential buildings by multiplying the net tax capacity by the total local tax rate for all purposes as provided in paragraph A, subtracting \$1.50 per acre of land in the preserve.
- D. The county auditor shall then compute the maximum property tax on the Ag Preserve land and non-residential buildings by multiplying the net tax capacity by 105% of the previous year's statewide average local tax rate levied on property located within townships for all purposes.
- E. The tax due and payable by the owner of the land valued as Ag Preserve land and non-residential buildings will be the amount determined in paragraph C or D, whichever is less. The state of Minnesota will reimburse the taxing jurisdictions for the amount of the difference between the net tax determined under this clause and the gross tax in paragraph B.

Residential buildings will continue to be valued and classified as they would be in the absence of this section, and the tax on those buildings shall not be subject to the limitation contained in this program.

The county may transfer money from the county conservation account created in [Minnesota Statute 40A.152](#) to the county revenue fund to reimburse the fund for the tax lost as a result of this subdivision or to pay taxing jurisdictions within the county for the tax lost. The county auditor shall certify to the commissioner of revenue on or before June 1 the total amount of tax lost to the county and taxing jurisdictions located within the county as a result of this subdivision and the extent that the tax lost exceeds funds available in the county conservation account. Payment shall be made by the state on December 26 ([Minnesota Statute 473H.10](#)) to each of the affected taxing jurisdictions, other than school districts, in the same proportion that the ad valorem tax is distributed if the county conservation account is insufficient to make the reimbursement. There is a sufficient amount annually appropriated from the Minnesota conservation fund under [Minnesota Statute 40A.151](#) to the commissioner of revenue to make the reimbursement provided in this subdivision. If the amount available in the Minnesota conservation fund is insufficient, the balance that is needed is appropriated from the general fund. (See also the Ag Preserve Credit discussion in [Chapter 5](#).)

*Eligibility and Application*

Property owners must apply, by June 1 of the assessment year, for their land to be designated as an agricultural preserve. The owner must provide in a recorded covenant that the land will not be developed and will be used agriculturally in accordance with the plan. The covenant runs with the land and not the owner. Therefore, if the property is sold, it must still be used agriculturally, in accordance with the plan ([Minnesota Statute 473H.05](#)).

*Commencement of Agricultural Preserve*

The land in an agricultural preserve is subject to the benefits and restrictions of the plan beginning 30 days after the application is deemed complete ([Minnesota Statute 473H.07](#)). It continues in existence until either the

owner or the county initiates the expiration of the agricultural preserve. The date of expiration must be at least eight years from the date of notice ([Minnesota Statute 473H.08](#)).

*Termination*

The agricultural preserve may be terminated by either the owner or the county. If terminated by the owner, the owner must provide official notice by filling out the termination form provided by the county. The form must then be recorded ([Minnesota Statute 473H.08](#)).

If the preserve is terminated by the county, the county must notify the owner by registered mail. Prior to notifying the owner, the county must amend the agricultural land preservation plan and controls so that the land is no longer designated for long-term agricultural use, and certify the changes in its maps and by resolution after public notice ([Minnesota Statute 473H.08](#)).

An agricultural preserve may be terminated earlier than required eight year expiration only in the event of a public emergency upon petition from the owner or the county to the governor ([Minnesota Statute 473H.09](#)).

*Transfer from Green Acres*

When land which has been under Green Acres treatment ([Minnesota Statute 273.111](#)) becomes an agricultural preserve, the recapture of deferred tax and special assessments shall not be made. Special assessments, including those not yet levied at the time of transfer, shall continue to be deferred for the duration of the preserve. All special assessments so deferred shall be payable within 90 days of expiration unless other terms are mutually agreed upon by the authority and the owner. Upon early termination, all special assessments plus interest are due within 90 days of termination unless otherwise deferred or abated by executive order of the governor. In the event of a taking, all special assessments plus interest are payable within 90 days of the date the final certificate is filed with the court ([Minnesota Statute 473H.18](#)).

**Nonmetropolitan Ag Land Preservation (County Conservation Credit)**

Nonmetropolitan counties are allowed to participate in similar agricultural land preservation in [Minnesota Statutes, Chapter 40A](#). However, from a property tax perspective, this program is significantly different from the Metropolitan Agricultural Preserve Act. Instead of the valuation and tax reduction approach, with a reimbursement credit, the nonmetropolitan preserve law provides for a simple County Conservation credit of \$1.50 per acre ([Minnesota Statute 273.119](#)). This credit is further described in [Chapter 5](#). Currently, we are only aware of three counties: Wright, Waseca, and Winona, which participate in this program.

In order to participate in the program, a county must submit a proposed agricultural land preservation plan and a proposal for controls in implementing the plan to the commissioner of agriculture for approval. Once the plan and its proposed controls are approved, counties may implement the plan ([Minnesota Statute 40A.04](#)).

*Metro Fringe Cities*

A city that is located partially within a county in the metropolitan area but is not included in the definition of the metropolitan area under [Minnesota Statute 473.121](#), (Northfield, Cannon Falls, Hanover, Rockford, and New Prague) may elect to be governed by either the nonmetropolitan Agricultural Land Preservation Program provisions of [Minnesota Statutes, Chapter 40A](#), or may perform the duties of an authority under the Metropolitan Agricultural Preserve Act of [Minnesota Statutes, Chapter 473H](#).

*Transfer from Green Acres*

When land which has been under Green Acres treatment becomes an agricultural preserve under [Minnesota Statutes, Chapter 40A](#), the recapture of deferred tax and special assessments may not be made. Special assessments must continue to be deferred for the duration of the preserve. All special assessments so deferred shall be payable within 90 days of expiration unless other terms are mutually agreed upon by the authority and the owner. Upon early termination, all special assessments plus interest are due within 90 days of termination unless otherwise deferred or abated by executive order of the governor. In the event of a taking, all special assessments plus interest are payable within 90 days of the date the final certificate is filed with the court.

Table 3-1 Comparison of Special Valuation and Deferral Programs

Program	Property Qualifications	Homestead	Application	Payback Requirement
<p><b>Green Acres</b> MS 273.111 <i>Qualifying property is valued and taxed at its agricultural value only, " best use" criteria is not applied.</i></p>	<p>Property must be " devoted to the production for sale of agricultural products" . Property must be at least 10 acres in size or a nursery or greenhouse. Property must be class 2a or 1b agricultural homestead.</p>	<p>Property must be the homestead; be farmed in conjunction with the homestead property; or the property must have been in the applicant' s family for at least seven years.</p>	<p>Application is made with county assessor. Must be filed by May 1 to qualify for next taxes payable year.</p>	<p>When the property is sold or no longer qualifies, the deferred tax based on the difference between the green acres value and the market value of the property, for a maximum of 3 years, must be paid back to the county. Deferred specials are also due. Payback is not required on " grandfathered" 2b property if it is transferred to Rural Preserve prior to May 1, 2013.</p>
<p><b>Rural Preserves</b> MS 273.114 <i>Qualifying property is valued and taxed at its rural vacant value only, " best use" criteria is not applied.</i></p>	<p>Property must be at least 10 acres in size and be class 2b. Property must not be enrolled in Green Acres. Open Space, or SFA. Property must have conservation assessment plan.</p>	<p>Property must be part of an agricultural homestead or be transferred from Green Acres.</p>	<p>Application requires the owner to file with a county assessor by May 1 to qualify for next taxes payable year.</p>	<p>When the property is withdrawn from rural preserve after a minimum 8 year qualification period, the deferred tax based on the difference between the rural preserve value and the market value of the property, for a maximum of 3 years must be paid back to the county. Deferred specials are also due.</p>
<p><b>Open Spaces</b> MS 273.112 <i>Qualifying property is valued and taxed at its recreational or park value, " best use" criteria is not applied.</i></p>	<p>Property must be actively and exclusively devoted to golf, skiing, lawn bowling, croquet, archery or firearms range recreational use or other recreational uses carried on at the establishment. Property must be 5 acres or more in size, except for a lawn bowling or croquet green or an archery or firearms range. Property must meet a set of ownership and nondiscrimination standards.</p>	<p>No</p>	<p>Application must be made at least 60 days prior to January 2 with the assessor of the taxing district.</p>	<p>When the property no longer qualifies, additional taxes based on the difference between the open spaces valuation and the market value for the past 7 years must be paid back to the county. Payback is not required if property no longer qualifies due to failure to comply with prohibition against sex discrimination.</p>
<p><b>Metropolitan Ag. Preserve Credit</b> MS 473H.10 <i>Qualifying property receives a tax credit of at least \$1,50 per acre.</i></p>	<p>Property must be located within the seven county metro area. Property must be at least 40 acres in size. Property must be zoned specifically for long term agricultural use by the local planning board.</p>	<p>No</p>	<p>Application requires the owner to file with the assessor by June 1 of that year, a record of the restrictive covenant received by the owner under Section</p>	<p>None but landowners are required to commit the property to provisions for the law for at least 8 years. Also, an 8 year termination notice is required before land can be removed from the agricultural preserve tax roles.</p>
<p><b>County Conservation Credit</b> MS 273.119 <i>Qualifying property receives a tax credit of \$1,50 per acre and also receives preferred valuation.</i></p>	<p>Property must be located in a nonmetropolitan county. Property must be located in an exclusive agricultural zone created under Chapter 40A.</p>	<p>No</p>	<p>Application is begun by property owner, by January 2 of any year, filing an application for an agricultural preserve restrictive covenant</p>	<p>None but landowners are required to commit the property to provisions for the law for at least 8 years. Also, an 8 year termination notice is required before land can be removed from the county conservation tax roles.</p>
<p><b>Aggregate Resources</b> MS 273.115 <i>Qualifying property is valued and taxed at its agricultural value only, " best use" criteria is not applied.</i></p>	<p>Property must be at least 10 acres in size. Property must be class 1a, 1b, 2a, 2b, and in limited situations Class 2e.</p>	<p>No</p>	<p>Application requires the owner to file with a county assessor by May 1 to qualify for next taxes payable year. Proof of a restrictive covenant made by the owner is also required.</p>	<p>When the property is sold or no longer qualifies, the deferred tax is based on the difference between the current agricultural value and the market value of the property, and then multiplying that difference by the number of years the land was enrolled in Aggregate Resources. Payback is not required on land removed for active</p>

## Property Tax Exclusions

Property tax exclusions, true to their name, exclude property value from taxation for various reasons. There may not be a clear distinction between an “exemption” and an “exclusion,” and these terms may be synonymous. One possible distinction is that “exemptions” generally are ascribed to a type of property and function in a yes-or-no, taxable-or-exempt manner. Alternatively, exclusions identify property that is normally taxable but under prescribed conditions is not taxed to some limited extent. This types-versus-conditions distinction may not always be a clear line of distinction since “types” of property may be defined by characteristics that are conditional and some exemptions are set with limits. See the [Property Tax Administrator’s Manual](#) for more information.

Minnesota’s exclusions include:

- Plat Law
- Homestead Property Damaged by Mold
- Market Value Exclusion for Disabled Veterans
- Market Value Exclusion of Elderly Living Facility
- Homestead Market Value Exclusion

### Plat Law

#### *Vacant Land Platted in Metropolitan Counties*

Plat law excludes increases in property value that are associated with platting property. Minnesota statute provides a property tax exclusion for vacant land platted on or after August 1, 2001, in a metropolitan county.

“Metropolitan County” means the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

The law provides that all land platted and not improved with a permanent structure shall be assessed as follows: the assessor shall determine the market value of each individual lot based upon the highest and best use of the property as un-platted land. In establishing the market value of the property, the assessor shall consider the sales price of the un-platted land or comparable sales of un-platted land of similar use and with similar availability of public utilities.

The market value determined in the above paragraph shall be increased as follows for each of the three assessment years immediately following the final approval of the plat:

1/3 of the difference between the property’s unplatted market value as determined above and the market value based upon the highest and best use of the land as platted property shall be added in each of the three subsequent assessment years.

Any increase in market value after the first assessment year following the plat’s final approval shall be added to the property’s market value in the next assessment year.

Notwithstanding the above market value limitation, if the property is sold or transferred or if construction begins before the expiration of the three-year period, that lot shall go to full market value in the next assessment year. The market value of a platted lot shall not exceed the value of that lot based upon the highest and best use of the property as platted land.

*Exception: Certain Vacant Land in Metropolitan Counties*

Statute provides that unimproved land in metropolitan counties platted on or after August 1, 2001 is eligible for a seven-year phase-in if (1) the property is classified as homestead in the year prior to platting, (2) the property is owned or part-owned by the same person for 10 consecutive years prior to initial platting, and (3) remains under same ownership for the current assessment year.

*Vacant Land Platted in Nonmetropolitan Counties*

[Minnesota Statute 273.11, subdivision 14b](#), provides property tax exclusion for vacant land in nonmetropolitan counties platted on or after August 1, 2001. All land platted on or after August 1, 2001 and located in a county other than a metropolitan county is given a seven-year phase-in period. As with the phase-in for metropolitan counties, the lot is assessed at full market value in the next assessment year if the property is sold or transferred or if construction begins before expiration of the phase-in period.

**Valuation Reduction for Homestead Property Damaged by Mold**

A reduction in market value for homestead properties that have been damaged by mold.

In order for the property to receive this reduction, the owner of the homestead property may apply in writing to the assessor. The written request to the assessor must include the estimated cost to repair the mold damage and a licensed contractor must provide the estimate. The estimated cost of the repairs must be at least \$20,000. There is no maximum.

Upon completion of the repair work, the owner must file an application (form prescribed by the commissioner of revenue) along with a copy of the contractor's estimate to the county assessor. When these requirements have been met, the county board must grant a reduction in the market value equal to the estimated cost of repairing the mold damage. If the county board denies the reduction, the denial may be appealed to the tax court. If the county board takes no action on the application within 90 days after its receipt, the application is considered approved.

Because it may require more than one year from the time that the presence of mold is identified and the work is completed, the assessment may already partially reflect loss in value due to the presence of mold. Because of this scenario, it is important to remember that the value of the affected structure should be calculated as if the mold is not present before subtracting the amount of the estimate.

If the property owner applies for a reduction between January 1 and June 30 of any year, the reduction applies for taxes payable in the following year. If the property owner applies for a reduction between July 1 and December 31 of any year, the reduction applies for taxes payable in the second following year. (See [Minnesota Statute 273.11](#))

**Market Value Exclusion for Veterans with a Disability, Primary Family Caregivers, and Surviving Spouses**

A market value exclusion is provided for disabled veterans, primary family caregivers, and surviving spouses of qualified disabled veterans or those veterans killed in action. This provision was enacted by the 2008 Legislature, and expanded in 2011. In addition to qualification changes, the 2011 Legislature added a purpose statement that, "this provision of law providing a level of homestead property tax relief for gravely disabled veterans, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily." All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead is excluded in determining the property's taxable market value if the veteran has a service connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs.

There are two different levels of exclusion:

- For veterans with 70 to 100 percent service-connected disability, a market value exclusion of \$150,000 on homestead property.
- For veterans with total (100 percent) and permanent service-connected disability, a market value exclusion of \$300,000 on homestead property.

If a veteran meets the disability criteria, but does not own homestead property, then the homestead of the veteran’s primary family caregiver, if any, is eligible for the exclusion for that veteran.

Property qualifying for the disabled veterans’ market value exclusion is not eligible to receive the homestead market value exclusion, although any excess agricultural land and buildings can receive the agricultural homestead credit provided in [Minnesota Statute 273.1384](#).

(See [Minnesota Statute 273.13, subdivision 34](#))

See also Module 2 of the [Property Tax Administrator’s Manual](#) for detailed information about this program.

**Market Value Exclusion of Elderly Living Facility**

In May 2009, the legislature passed a law that provides a property tax exemption for the first \$5,000,000 of market value of an elderly living facility. The provision is targeted to Catholic Eldercare in Minneapolis and the facility must meet certain requirements in order to receive the exemption ([Minnesota Statute 272.02](#)). This law is unique because the provision is a specific exemption that actually acts like an exclusion, but is not an exclusion program.

This exemption applies to taxes levied in each year or partial year of the term of the facility’s initial permanent financing or 25 years, whichever is later, and began with taxes payable in 2010.

**Homestead Market Value Exclusion**

[Minnesota Statute 273.13, subdivision 35](#) provides a homestead market value exclusion. This residential market value exclusion originated as a credit, which was established by the 2001 Legislature. The 2011 Legislature converted this credit to a market value exclusion. Qualifying property includes homestead property classified as 1a (residential), 1b (blind/disabled), 2a (agricultural), and 4d(2) (community land trust). In the case of an agricultural homestead or resort homestead, only the market value of the house, garage, and immediately surrounding one acre of land is eligible in determining the exclusion. Homesteaded manufactured homes are eligible, as are relative homesteads to the degree that the owner would be eligible if they lived there ([Minnesota Statute 272.02](#)).

*Calculation*

For a homestead valued at \$95,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$38,000. For a homestead valued between \$95,000 and \$517,200, the exclusion is \$38,000 minus nine percent of the valuation over \$95,000. For a homestead valued at \$517,200 or more, there is no valuation exclusion.

*Split Class and Fractional Homesteads*

In the case of a split class parcel that is part homestead and part nonhomestead, only the homestead market value is eligible and used in determining the exclusion amount. There is an exception to this in the case of fractional homesteads, where a portion of the property is classified as nonhomestead solely because not all the

owners occupy the property, not all the owners have qualifying relatives occupying the property, or not all the spouses of owners occupy the property. In this case the exclusion amount is initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership. When an owner-occupant's spouse does not occupy the property, (and it does not receive a full homestead for the allowable instances when spouses can live apart), the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

Agricultural homesteads are fractionalized depending on whether the property is owned as a tenancy in common or as a joint tenancy. It is important to note that if the deed does not specify the ownership structure of a property, the assessor should assume the property is owned equally and fractionalize the homestead based on the number of owners. Residential homesteads are always fractionalized based on a simple proration regardless of ownership type (e.g., 4 owners receive 25% homestead each).

### **Tenants in Common Ownership for Agricultural Properties**

When agricultural property is owned by tenants in common, each individual has an explicit share of the property as dictated by the deed, and the fractional homestead should be determined based on the deeded interest of each qualifying owner.

The only exception to fractionalizing property owned as tenants in common is in the case of a spousal ownership. Spouses are considered one entity in the state of Minnesota, therefore the ownership structure of the property would not be considered. For example, if a married couple owns property as tenants in common and one of them does not occupy the property, the assessor should grant a 50% owner occupied homestead, even if the spouse that occupies owns 90% of the property.

### **Joint Tenancy Ownership**

When the agricultural property is owned by joint tenants, then the fractional homestead is calculated based on the number of owners. Joint tenancy ownership means that each owner has an equal share of the property. The fractional homestead should be determined by based on the number of owners rather than ownership interest in the property.

The exclusion applies to homesteads rather than units or parcels. Therefore, for duplexes and triplexes in which one of the units is used for homestead purposes, the entire property is classified as homestead and the exclusion applies to the whole property. If a farm homestead contains a second house belonging to a relative, it would be possible for the parcel to have two residential homestead exclusion amounts.

When a homestead consists of more than one parcel, the parcels are linked in order to determine the exclusion amounts for the homestead. The exclusion extends to linked parcels and is computed on the whole homestead rather than as separate exclusions for each parcel. The exclusion maximum and the reduction schedule apply to the total homestead and not to each component parcel. These linking procedures apply to homestead parcel linkages that cross county lines as well as for parcel linkages within a county.

### *Rounding*

The valuation exclusion shall be rounded to the nearest whole dollar, and may not be less than zero ([Minnesota Statute 273.13](#)). With respect to rounding, however, note that authority remains under [Minnesota Statute 276.04](#), to round tax amounts to the nearest even whole dollar.

*Hierarchy of Market Value Components*

Below is the hierarchy of market value components. The homestead market value exclusion is taken after any valuation exclusions or adjustments in [Minnesota Statute 273.11](#), (which includes the platted vacant land and mold damage reduction programs), making it the last adjustment in determining the taxable market value used to compute net tax capacities ([Minnesota Statute 273.13](#)).

<b>Hierarchy of Market Value Components: AY 2024</b>	
1.	Market Value Irrespective of Contaminants
2.	Contamination Value
3.	<b>Estimated Market Value (EMV) [1 – 2]</b>
4.	Green Acres Deferment
5.	Rural Preserves Deferment
6.	Open Space Deferment
7.	Aggregate Resource Preservation Deferment
8.	Platted Vacant Land Exclusion
9.	Disabled Veterans Exclusion
10.	Mold Damage Reduction
11.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10]</b>
12.	Homestead Market Value Exclusion
13.	<b>Taxable Market Value (TMV) [11 – 12]</b>

*Examples*

**Example 3-1: Residential Homestead, owner occupied house with a total market value of \$280,000**

The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first \$95,000. Since this example has a value over \$95,000, the initial/maximum equals \$38,000. The second step is to determine the amount of value, if any, that is over the 95,000 threshold. The third step is to multiply that amount over \$95,000, (in this case \$185,000), times 9%. This is the amount to be reduced from the maximum of \$38,000, as shown in the fourth step. This example has an exclusion amount of \$21,350.

**Homestead Market Value Exclusion Calculation**

i.	Initial/Maximum Exclusion:	$\$95,000 \times 40\% = \$38,000$
ii.	Value over \$95,000:	$\$280,000 - 95,000 = \$185,000$
iii.	Benefit Reduction Amount:	$\$185,000 \times 9\% = \$16,650$
iv.	Final Exclusion Amount:	$\$38,000 - 16,650 = \$21,350$

Note that the value used in the above calculation is the value from line 11 on the hierarchy of values found below. In this example line 11 equals the EMV on Line 3, but that will not always be the case.

**Continued**

**Example 3-1 Continued**

		AY 2024
1.	Market Value Irrespective of Contaminants	\$280,000
2.	Contamination Value	NA
3.	<b>Estimated Market Value (EMV) [1 – 2]</b>	\$280,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	Disabled Veterans Exclusion	NA
10.	Mold Damage Reduction	NA
11.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10]</b>	\$280,000
12.	Homestead Market Value Exclusion	\$21,350
13.	<b>Taxable Market Value (TMV) [11 – 12]</b>	\$258,650

Taxable market value (TMV) on line 13, therefore, is the line 11 amount minus the value of the exclusion. This is the value used to calculate net tax capacities. The process for NTC calculation, otherwise, remains the same.

Line 11 is also generally the referendum market value since the exclusion usually does not have an impact on RMV. For homesteads, the RMV is calculated as the TMV (line 13) plus the value of the Homestead MV Exclusion (line 12). In the case of class 1b homesteads, this market value must be multiplied by the class rate, and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

**Referendum Market Value Calculation**

i. TMV + Hmstd MV Exclusion:  $\$258,650 + \$21,350 = \$280,000$

**Example 3-2: Residential Homestead, owner occupied house with a total market value of \$65,000**

The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first \$95,000. Since this example has a value of less than \$95,000, the initial exclusion does not hit the maximum and equals \$26,000. The second step is not applicable, or \$0, because there is no value over the \$95,000 threshold. The third step is also not applicable, or \$0. The final exclusion amount equals the initial amount. This example has an exclusion amount of \$26,000.

**Homestead Market Value Exclusion Calculation**

- i. Initial/Maximum Exclusion: \$65,000 x 40% = \$26,000
- ii. Value over \$95,000: \$0
- iii. Benefit Reduction Amount: \$0
- iv. Final Exclusion Amount: \$26,000

Note that the value used in the above calculation is the value from line 11 on the hierarchy of values found below. In this example line 11 equals the EMV on line 3, but that will not always be the case.

		AY 2024
1.	Market Value Irrespective of Contaminants	\$65,000
2.	Contamination Value	NA
3.	<b>Estimated Market Value (EMV) [1 – 2]</b>	\$65,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	Disabled Veterans Exclusion	NA
10.	Mold Damage Reduction	NA
11.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10]</b>	\$65,000
12.	Homestead Market Value Exclusion	\$26,000
13.	<b>Taxable Market Value (TMV) [11 – 12]</b>	\$39,000

**Continued**

**Example 3-2 Continued**

Taxable market value (TMV) on line 13, therefore, is the line 11 amount minus the value of the exclusion. This is the value used to calculate net tax capacities. The process for NTC calculation, otherwise, remains the same.

Line 11 is also generally the referendum market value since the exclusion usually does not have an impact on RMV's. For homesteads, the RMV is calculated as the TMV (line 13) plus the value of the Homestead MV Exclusion (line 12). In the case of class 1b homesteads, this market value must be multiplied by the class rate, and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

**Referendum Market Value Calculation**

TMV + Hmstd MV Exclusion:  $\$39,000 + \$26,000 = \$65,000$

**Example 3-3: Residential Homestead, owner occupied house with a total market value of \$520,000**

As a shortcut, since the value is greater than \$517,200, the exclusion is \$0. If the process were followed, the first step would be to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first \$95,000. Since this example has a value over \$95,000, the initial/maximum would be \$38,000. The second step would be to determine the amount of value, if any, that is over the \$95,000 threshold. The third step would be to multiply that amount over \$95,000, (in this case \$425,000), times 9%. Since that amount exceeds the maximum, the resulting final exclusion is \$0 (as the exclusion can never be negative). This example has no exclusion.

**Homestead Market Value Exclusion Calculation**

- i. Initial/Maximum Exclusion:  $\$95,000 \times 40\% = \$38,000$
- ii. Value over \$95,000:  $\$520,000 - 95,000 = \$425,000$
- iii. Benefit Reduction Amount:  $\$425,000 \times 9\% = \$38,250$
- iv. Final Exclusion Amount:  $\$38,000 - 38,250 = \$0$

Note that the value used in the above calculation is the value from line 11 on the hierarchy of values found below. In this example line 11 equals the EMV on line 3, but that will not always be the case.

**Continued**

**Example 3-3 Continued**

		AY 2024
1.	Market Value Irrespective of Contaminants	\$520,000
2.	Contamination Value	NA
3.	<b>Estimated Market Value (EMV) [1 – 2]</b>	\$520,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	Disabled Veterans Exclusion	NA
10.	Mold Damage Reduction	NA
11.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10-11-12]</b>	\$520,000
12.	Homestead Market Value Exclusion	\$0
13.	<b>Taxable Market Value (TMV) [13 – 14]</b>	\$520,000

Taxable market value (TMV) on line 13, therefore, is the line 11 amount minus the value of the exclusion. This is the value used to calculate net tax capacities. The process for NTC calculation, otherwise, remains the same.

Line 11 is also generally the referendum market value since the exclusion usually does not have an impact on RMV's. For homesteads, the RMV is calculated as the TMV (line 13) plus the value of the Homestead MV Exclusion (line 12). In the case of class 1b homesteads, this value must be multiplied by the class rate, and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

**Referendum Market Value Calculation**

ii. TMV + Hmstd MV Exclusion:  $\$520,000 + \$0 = \$520,000$

**Example 3-4: Agricultural Homestead, farm with a total market value of \$875,000: HGA \$125,000; Remainder \$750,000**

For agricultural homesteads, the exclusion only applies to the house, garage, and first acre (HGA). The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first \$95,000. Since this example has an HGA value over \$95,000, the initial/maximum equals \$38,000. The second step is to determine the amount of HGA value, if any, that is over the \$95,000 threshold. The third step is to multiply that amount over \$95,000, (in this case \$30,000), times 9%. This is the amount to be reduced from the maximum of \$38,000, as shown in the fourth step. This example has an exclusion amount of \$35,300.

**Homestead Market Value Exclusion Calculation**

- i. Initial/Maximum Exclusion:  $\$95,000 \times 40\% = \$38,000$
- ii. Value over \$95,000:  $\$125,000 - 95,000 = \$30,000$
- iii. Benefit Reduction Amount:  $\$30,000 \times 9\% = \$2,700$
- iv. Final Exclusion Amount:  $\$38,000 - 2,700 = \$35,300$

Note that the value used in the above calculation is the HGA homestead value from line 11 on the hierarchy of values found below. In this example line 11 contains both HGA and remainder value, but only the HGA value is used in the calculations. In this example line 11 equals the EMV on line 3, but that will not always be the case.

		AY 2024
1.	Market Value Irrespective of Contaminants	\$875,000
2.	Contamination Value	NA
3.	<b>Estimated Market Value (EMV) [1 – 2]</b>	\$875,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	Disabled Veterans Exclusion	NA
10.	Mold Damage Reduction	NA
11.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10]</b>	\$875,000
12.	Homestead Market Value Exclusion	\$35,300
13.	<b>Taxable Market Value (TMV) [11 – 12]</b>	\$839,700

Continued

**Example 3-4 Continued**

Taxable market value (TMV) on line 13, therefore, is the line 11 amount minus the value of the line 12 exclusion. This is the value used to calculate net tax capacities. The process for NTC calculation, otherwise, remains the same.

Line 11 is also generally the referendum market value since the exclusion usually does not have an impact on RMV. However, for agricultural homesteads, only the HGA is subject to referendum market value, which has not changed. For agricultural homesteads, the RMV is calculated as the HGA's TMV (part of line 13) plus the value of the Homestead MV Exclusion (line 12). The HGA portion of line 13 is \$89,700, plus the exclusion of \$35,300, results in an RMV of \$125,000. In the case of class 1b agricultural homesteads, this HGA value must be multiplied by the class rate, and then multiplied by 100.

**Referendum Market Value Calculation**

- i. TMV + Hmstd MV Exclusion:  $\$89,700 + \$35,300 = \$125,000$   
(Class 2 property, except for the HGA, is not included in RMV).

**Example 3-5: Split Class Residential Homestead, a hardware store with a single unit living space upstairs with a total market value of \$95,000: Hardware store \$55,000; Single unit \$40,000**

The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first \$95,000. Since this example has a homestead value of less than \$95,000, even though the total value is greater than \$95,000, the initial exclusion does not hit the maximum and equals \$16,000. The second step is not applicable, or \$0, because there is no homestead value over the \$95,000 threshold. The third step is also not applicable, or \$0. The final exclusion amount equals the initial amount. This example has an exclusion amount of \$16,000.

**Homestead Market Value Exclusion Calculation**

- i. Initial/Maximum Exclusion:  $\$40,000 \times 40\% = \$16,000$
- ii. Value over \$95,000: \$0
- iii. Benefit Reduction Amount: \$0
- iv. Final Exclusion Amount:  $\$16,000 - \$0 = \$16,000$

Note that the value used in the above calculation is the value from line 11 on the hierarchy of values found below. In this example line 11 equals the EMV on line 3, but that will not always be the case.

**Continued**

**Example 3-5 Continued**

		AY 2024
1.	Market Value Irrespective of Contaminants	\$95,000
2.	Contamination Value	NA
3.	<b>Estimated Market Value (EMV) [1 – 2]</b>	\$95,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	Disabled Veterans Exclusion	NA
10.	Mold Damage Reduction	NA
11.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10]</b>	\$95,000
12.	Homestead Market Value Exclusion	\$16,000
13.	<b>Taxable Market Value (TMV) [11 – 12]</b>	\$79,000

Taxable market value (TMV) on line 13, therefore, is the line 11 amount minus the value of the exclusion. This is the value used to calculate net tax capacities. The process for NTC calculation, otherwise, remains the same.

Line 11 is also generally the referendum market value since the exclusion usually does not have an impact on RMV's. For homesteads, the RMV is calculated as the TMV (line 13) plus the value of the Homestead MV Exclusion (line 12). In the case of class 1b homesteads, this market value must be multiplied by the class rate, and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

**Referendum Market Value Calculation**

i. TMV + Hmstd MV Exclusion:  $\$79,000 + \$16,000 = \$95,000$

**Example 3-6: Fractional Homestead, a single unit house with a total value of \$275,000 is occupied by one of two unrelated owners. The occupant owns one-half of the interest in the house**

A partial homestead should not get a larger exclusion based on using a smaller value (and less phase-out). Therefore, for a fractional homestead, the values used to calculate the exclusion are the values as if the homestead was a full homestead, and then the resulting exclusion amount is fractionalized. In this case, instead of using the \$137,500 of actual homestead value (the other \$137,500 is nonhomestead), use the full value of \$275,000 as if it were a full homestead. The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first \$95,000. Since this example has a value over \$95,000, the initial/maximum equals \$38,000. The second step is to determine the amount of value, if any, that is over the \$95,000 threshold. The third step is to multiply that amount over \$95,000, (in this case \$180,000), times 9%. This is the amount to be reduced from the maximum of \$38,000, as shown in the fourth step. The last, extra step is to fractionalize the computed amount based on the homestead percentage (in this case 50%). This example has an exclusion amount of \$10,900.

**Homestead Market Value Exclusion Calculation**

- i. Initial/Maximum Exclusion:  $\$95,000 \times 40\% = \$38,000$
- ii. Value over \$95,000:  $\$275,000 - 95,000 = \$180,000$
- iii. Benefit Reduction Amount:  $\$180,000 \times 9\% = \$16,200$
- iv. Final Exclusion Amount:  $\$38,000 - \$16,200 = \$21,800$
- v. Fractionalize Exclusion:  $\$21,800 \times 50\% = \$10,900$

Taxable market value (TMV) on line 13, therefore, is the line 11 amount minus the value of the exclusion. This is the value used to calculate net tax capacities. The process for NTC calculation, otherwise, remains the same.

**Continued**

**Example 3-6 Continued**

		AY 2024
1.	Market Value Irrespective of Contaminants	\$275,000
2.	Contamination Value	NA
3.	<b>Estimated Market Value (EMV) [1 – 2]</b>	\$275,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	Disabled Veterans Exclusion	NA
10.	Mold Damage Reduction	NA
11.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10-11-12]</b>	\$275,000
12.	Homestead Market Value Exclusion	\$10,900
13.	<b>Taxable Market Value (TMV) [13 – 14]</b>	\$264,100

Line 11 is also generally the referendum market value since the exclusion usually does not have an impact on RMV's. For homesteads, the RMV is calculated as the TMV (line 13) plus the value of the Homestead MV Exclusion (line 12). In the case of class 1b homesteads, this market value must be multiplied by the class rate, and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

**Referendum Market Value Calculation**

i.  $TMV + Hmstd\ MV\ Exclusion: \quad \$264,100 + \$10,900 = 275,000$

**Example 3-7: Residential Homestead, class 1b Residential Homestead, an owner occupied house with a total market value of \$120,000**

The first step is to calculate the initial, or maximum, exclusion amount that is equal to 40% of the first \$95,000. Since this example has a value over \$95,000, the initial/maximum equals \$38,000. The second step is to determine the amount of value, if any, that is over the \$95,000 threshold. The third step is to multiply that amount over \$95,000, (in this case \$25,000), times 9%. This is the amount to be reduced from the maximum of \$38,000, as shown in the fourth step. This example has an exclusion amount of \$35,750.

**Homestead Market Value Exclusion Calculation**

- i. Initial/Maximum Exclusion:  $\$95,000 \times 40\% = \$38,000$
- ii. Value over \$95,000:  $\$120,000 - 95,000 = \$25,000$
- iii. Benefit Reduction Amount:  $\$25,000 \times 9\% = \$2,250$
- iv. Final Exclusion Amount:  $\$38,000 - 2,250 = \$35,750$

Note that the value used in the above calculation is the value from line 11 on the hierarchy of values found below. In this example line 11 equals the EMV on line 3, but that will not always be the case.

		AY 2024
1.	Market Value Irrespective of Contaminants	\$120,000
2.	Contamination Value	NA
3.	<b>Estimated Market Value (EMV) [1 – 2]</b>	\$120,000
4.	Green Acres Deferment	NA
5.	Rural Preserves Deferment	NA
6.	Open Space Deferment	NA
7.	Aggregate Resource Preservation Deferment	NA
8.	Platted Vacant Land Exclusion	NA
9.	Disabled Veterans Exclusion	NA
10.	Mold Damage Reduction	NA
11.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10]</b>	\$120,000
12.	Homestead Market Value Exclusion	\$35,750
13.	<b>Taxable Market Value (TMV) [11 – 12]</b>	\$84,250

Continued

**Example 3-7 Continued**

Taxable market value (TMV) on line 13, therefore, is the line 11 amount minus the value of the exclusion. This is the value used to calculate net tax capacities. The process for NTC calculation, otherwise, remains the same. The first \$50,000 has a class rate of 0.45% ( $\$50,000 \times 0.45\% = \$225$ ) while the remaining value is at 1.00% ( $\$43,560 \times 1\% = \$435.60$ ), for an NTC of \$660.60.

Line 11 is also generally the referendum market value since the exclusion usually does not have an impact on RMV's. While this usually is calculated as the TMV (line 13) plus the value of the Homestead MV Exclusion (line 12), this is an example of class 1b which has a class rate of less than 1.00%. Therefore, the line 11 value of class 1b (\$50,000) must be multiplied by the class rate, and then multiplied by 100. The remaining homestead value for the class 1b homestead is at 1.00% and then multiplied by 100. For other classes of property that are not homesteads, the RMV calculations have not changed.

**Referendum Market Value Calculation**

- i. Class 1b share of RMV:  $\$50,000 \times 0.45\% = \$225 \times 100 = \$22,500$
- ii. Remainder of class 1b (if ag, HGA part only):  $\$70,000 \times 1.00\% = \$700 \times 100 = \$70,000$
- iii. Total RMV:  $\$22,500 + \$70,000 = \$92,500$

For additional examples of how to calculate taxable market value with various applicable exclusions, please refer to the examples in the following chapter.

*Calculating the Homestead Market Value Exclusion on Linked Parcels with Fractional Ownership*

Following are several examples that have linked parcels as part of a residential homestead (and would also apply in cases where multiple parcels make up the house, garage, and first acre of an agricultural homestead). In these examples, one of the parcels in the chain is a fractional situation where a portion of the property is classified as a nonhomestead solely because not all of the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all of the spouses of owners occupy the property. In the case of fractional parcels, the nonhomestead share that would be homestead if the owners, qualifying relatives, or spouses all occupied the property, must be included in the calculation of the exclusion with the resulting exclusion amount then fractionalized based on the percentage of owner occupancy. Note that nonhomestead property that represents other classifications is not included, (i.e., split class property is not the same as fractional homestead/nonhomestead property). For a single parcel the calculation is rather straightforward, but in a linked chain where some parcels may be full homestead and others that are fractional homestead, the following process should be used.

**Step 1 – Calculate exclusion as if all parcels were not fractional.**

Determine the appropriate total exclusion for the homestead across all parcels as if the fractional nonhomestead value was full homestead value. This identifies what the exclusion would be if the chain were full homestead. (Again, do not include split classes, only the value that would be homestead if there were no fractional ownerships.)

**Step 2 – Fractionalize exclusion.**

After this first step, the simplest way to perform the fractional calculation (**option A**) is to identify an overall average homestead percentage for the chain by dividing the full homestead value by the total

value that would be full homestead without the fractional ownership (i.e. the actual homestead value is divided by the amount used to calculate the exclusion using both the homestead and appropriate nonhomestead value). This homestead percentage is then multiplied by the calculated exclusion amount calculated in the first step to yield the actual fractionalized exclusion amount (line M). As an alternative, the fractionalization can be done at a parcel level with some additional steps (**option B**). Under this alternative, determine the percentage that each parcel’s homestead and appropriate nonhomestead value is of the total homestead and appropriate nonhomestead value for the chain. Apply these percentages to the exclusion amount determined under the first step to allocate a share of the exclusion to each parcel. Then on the parcel(s) that are fractional, multiply that share of the exclusion by the parcel’s fractional homestead percentage. The sum of the fractionalized exclusion amounts (line K) should match the total exclusion under option A (line M).

**Step 3 – Allocate final exclusion to parcels.**

However, note under option B that the application of the exclusion amount to parcels does not match the allocation made to perform the fractionalization. Under either option, the entire exclusion amount must first be applied to the base parcel. Only if the exclusion amount exceeds the actual homestead value of the base parcel can the remaining exclusion be carried over to the second parcel or be further applied in order of the chain until the exclusion is exhausted. Note the exclusion amount applied per parcel cannot exceed the amount of homestead value on that parcel.

**Consider the following four examples.**

**Example 1** – The base parcel is a full homestead parcel that has a market value of \$74,000. The owner co-owns an adjoining parcel with an unrelated, non-occupant friend that has a market value of \$4,000.

**Example 2** – The full-homestead base parcel is (perhaps unrealistically) very small and has a tiny home with a total value of only \$4,000. The owner co-owns an adjoining parcel with an unrelated, non-occupant friend that has a market value of \$74,000.

**Example 3** – The full homestead base parcel has a value of \$40,000. The owner co-owns the adjoining parcel with an unrelated, non-occupant friend that also has a value of \$40,000. The owner fully owns the next parcel, which also has a value of \$40,000.

**Example 4** – The base parcel containing the home is co-owned by the occupant and an unrelated, non-occupant. It has a value of \$80,000. The adjoining parcel is fully owned by the occupant of the base parcel and contains a garage that is partially used as homestead but the owner runs a commercial mechanic shop with a portion of the property. This parcel has \$20,000 of homestead value and \$70,000 of commercial value. (Note that the commercial value is ignored in the calculation below as it would not be homestead if all the owners were occupying the properties.)

## Taxable Market Value

Taxable market value (TMV) refers to the amount of value that is used in calculating taxes for a property. Due to a variety of special features in the property tax system, TMV may often differ from estimated market value (EMV). The table below summarizes and illustrates the hierarchy of market value components, indicating how and where each factor comes into the calculations.

**Table 3-2: Hierarchy of Market Value Components AY 2024**

1.	Market Value Irrespective of Contaminants
2.	Contamination Value
3.	<b>Estimated Market Value (EMV) [1 – 2]</b>
4.	Green Acres Deferment
5.	Rural Preserves Deferment
6.	Open Space Deferment
7.	Aggregate Resource Preservation Deferment
8.	Platted Vacant Land Exclusion
9.	Disabled Veterans Exclusion
10.	Mold Damage Reduction
11.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10]</b>
12.	Homestead Market Value Exclusion
13.	<b>Taxable Market Value (TMV) [11 – 12]</b>


Generally speaking, everything starts with estimated market value. If there is contamination value present, there is a theoretical higher market value that is irrespective of contaminants that would be a higher level of value.

**Computing TMV**

Once EMV is calculated, the special value and deferral programs, such as Green Acres, Open Space, Rural Preserves, and Aggregate Resource Reservation are applied first. After the deferments are applied, the taxable market value is determined by applying any exclusions or reductions in the order shown above. Taxable market values become the foundation for computing net tax capacities and for determining referendum market value.

## Referendum Market Value

Referendum levies for local government units and for school districts under [Minnesota Statute 126C.17](#) are levied against referendum market value of all taxable property within the governmental subdivision. ([Minnesota Statute 126C.01](#)) This does not apply to tax levies for the payment of debt obligations that are approved by the voters after June 30, 2008 ([Minnesota Statute 275.61](#)).

 **NOTE**  
 This chapter does not attempt to inventory all levies that are applied against referendum market value; rather, this section seeks to describe referendum market value for those levies that are applied to it.

**Definition** ([Minnesota Statute 126C.01](#))

Referendum market value means the market value of all taxable property, **excluding** property classified as:

- Class 2 (except as noted below). For Assessment Year 2014, Class 2 includes the following:
  - 2a Agricultural Land (both homestead and nonhomestead)
  - 2b Rural Vacant Land (both homestead and nonhomestead)
  - 2c Managed Forest Land
  - 2d Private Airport

- 2e Land with a Commercial Aggregate Deposit
  - Class 4c(4) Post-Secondary Student Housing
  - Class 4c(12) Noncommercial Seasonal Residential Recreational (cabins)

The portion of class 2a agricultural property consisting of the house, garage, and surrounding one acre of land (HGA) is **included** in referendum market value.

Any class of property or any portion of a class of property that is included in the definition of referendum market value and that has a class rate of less than 1% will have a referendum market value equal to its net tax capacity multiplied by 100. This affects class 1b (Blind/Disabled Homesteads), which has a class rate of 0.45%, the first tier of class 1c (the first \$600,000 of Commercial Seasonal Residential Recreational), which has a class rate of 0.50%, class 4d(1) (Low-Income Rental Housing), which has a class rate of 0.25%, and class 4d(2) (Homestead Community Land Trust) which has a class rate of 0.75%.

For class 1a, 1b or 2a property, due to the homestead market value exclusion, the market value used to determine referendum market value is the market value prior to the homestead market value exclusion (indicated in the below hierarchy of market value components). Otherwise, “market value” refers to taxable market value.

**Table 3-3: Hierarchy of Market Value Components AY 2024**

1.	Market Value Irrespective of Contaminants
2.	Contamination Value
3.	<b>Estimated Market Value (EMV) [1 – 2]</b>
4.	Green Acres Deferment
5.	Rural Preserves Deferment
6.	Open Space Deferment
7.	Aggregate Resource Preservation Deferment
8.	Platted Vacant Land Exclusion
9.	Disabled Veterans Exclusion
10.	Mold Damage Reduction
11.	<b>MV Prior to Homestead MV Exclusion [3-4-5-6-7-8-9-10]</b>
12.	Homestead Market Value Exclusion
13.	<b>Taxable Market Value (TMV) [11 – 12]</b>

**History**

For governmental subdivisions other than school districts, the market value based referendum tax provision was enacted by the 1991 Legislature ([Minnesota Statute 275.61](#)) and became effective in payable year 1993. For the years 1993 through 1996, certain referendum levies (voter-approved taxes) were based upon taxable market value rather than net tax capacity.

For school districts, effective for taxes payable in 1995, operating school district referendum levies that had been based on taxable market value were based on “school district referendum market value.” School district

referendum market value was a modified market value where property with a class rate of less than one percent had a school district referendum market value equal to its class rate times 100 times its market value. All other properties had a school district referendum market value equal to their taxable market value.

Beginning with taxes payable in 1997, the provisions for non-school district local governments adopted the same definition of referendum market value that was used by school districts for referendum levies. The term “school district referendum market value” came to be simply referred to as “referendum market value.”

Beginning with taxes payable in 2002, the following properties became exempt from referendum market value levies:

- Class 2a Agricultural Homestead Remainder of Farm
- Class 2b Timberlands and NonHomestead Agricultural Land
- Class 4c(12) Noncommercial Seasonal Residential Recreational (cabins)
- Class 4c(4) Post-Secondary Student Housing

Other properties now exempt from referendum market value levies include class 2c, 2d, and 2e. ([Minnesota Statute 126.01](#))

Starting with taxes payable in 2004, there are two school levies that are spread on referendum market value, equity levies and transition levies, although neither of these new levies are voter approved. The total of these two levies is certified separately to the county auditor.

Beginning in 2008, voter approved levies for the payment of debt obligations for all jurisdictions, other than school districts, were required to be levied on net tax capacity rather than referendum market value.

For taxes payable 2012, the homestead market value credit was repealed resulting in the homestead market value exclusion. This exclusion redefined referendum market value for class 1a, 1b or 2a property. To calculate referendum market value for this property, the market value prior to the homestead market value exclusion should be used.

**Example 3-8: Sample Referendum Market Values for Various Properties**

Generally, referendum market value will equal the market value prior to the homestead market value exclusion. Below is a breakout of estimated market value, market value prior to the homestead market value exclusion, taxable market value, and referendum market value to indicate when referendum market value and market value prior to the exclusion will be different.

	EMV	MV prior to Hmstd MV Excl	TMV	RMV
1. <b>Ag Hmstd HGA</b>	\$60,000	\$60,000	\$36,000	\$60,000
<i>Remaining farmland and bldg</i>				
<b>First \$1,900,000</b>	\$1,900,000	\$1,900,000	\$1,900,000	-
<b>Over \$1,900,000</b>	\$70,000	\$70,000	\$70,000	-
<b>Total</b>	\$2,030,000	\$2,030,000	\$2,006,000	\$60,000
2. <b>1b Blind Disabled Residential Hmstd</b>	\$120,000	\$120,000	\$93,560	\$92,500
3. <b>Cabin (Noncommercial SRR)</b>	\$220,000	\$220,000	\$220,000	-
4. <b>Office Bldg (Comm)</b>	\$750,000	\$750,000	\$750,000	\$750,000
5. <b>Residential Hmstd</b>	\$165,000	\$165,000	\$142,610	\$165,000

## Net Tax Capacities

Property taxes in Minnesota are primarily levied on a measure called net tax capacity, which is simply the taxable market value of a property multiplied by its class rate. The original notion behind the net tax capacity concept was that the class rates represented the approximate tax burden a property of each classification should be expected to carry assuming a tax rate of 100%. In other words, a modestly valued homestead should pay about 1% of its value in tax (therefore the 1% class rate on the first tier). This expectation has not necessarily carried on, but the class rates continue to reflect what policymakers view as the appropriate relative burdens between classes of property.

As assessors value property, they also classify property, thereby determining the class rates that will generate net tax capacity. The county auditor then computes the net tax capacity for each parcel according to the class rates specified in [Minnesota Statute 273.13](#). Net tax capacity will be the appropriate class rate multiplied by the parcel’s market value. ([Minnesota Statute 275.08](#)) The formula, therefore, is simply:

$$\text{Net Tax Capacity (NTC)} = \text{Taxable Market Value (TMV)} \times \text{Class Rate}$$

### Properties with Multiple Classes or Tiers

If the property has more than one classification or tier, the taxable values of each portion are multiplied by their respective class rates and then summed to find the net tax capacity of the property. A residential homestead, for example, has a class rate of 1% for the first \$500,000 of TMV and a rate of 1.25% for value over \$500,000; the net tax capacity for each tier is computed and then summed to find the net tax capacity of the whole property.

### Local Net Tax Capacity vs. State Net Tax Capacity

Beginning with taxes payable in 2002, there are actually two slightly different sets of net tax capacities: a local net tax capacity and a state net tax capacity. The 2001 Legislature created a state general property tax to apply only to certain property types, including Commercial-Industrial and Seasonal Residential Recreational parcels. However, a new tier with a lower class rate was set for determining the net tax capacity of Noncommercial Seasonal Residential Recreational parcels for the state general property tax. For the most part, however, references to net tax capacity are synonymous with the local net tax capacity used by all other jurisdictions.

The remainder of this section contains examples of net tax capacity calculations. The Department of Revenue’s Tax Calculation Workbook is also a good resource for working through example calculations of net tax capacities.

### Example 3-9: Net Tax Capacity Calculation for an Agricultural Homestead

The following illustrates the net tax capacity calculation for a 650-acre Agricultural Homestead property (class 2a) with a total TMV of \$2,050,000.

	TMV	Local Class Rate	Local NTC	State Class Rate	State NTC
<b>HGA</b>					
First \$500,000	\$60,000	1.00%	\$600	-	-
Over \$500,000	\$0	1.25%	\$0	-	-
<b>Remainder of Farm</b>					
First \$1,900,000	\$1,900,000	0.50%	\$9,500	-	-
Over \$1,500,000	\$90,000	1.00%	\$900	-	-
<b>Totals</b>	<b>\$2,050,000</b>		<b>\$11,000</b>		<b>-</b>

**Example 3-10: Net Tax Capacity Calculation for a Cabin**

The following illustrates the net tax capacity calculation for a Noncommercial Seasonal Residential Recreational property (class 4c(12)) with a total TMV of \$270,000.

	TMV	Local Class Rate	Local NTC	State Class Rate	State NTC
<b>First \$76,000</b>	\$76,000	1.00%	\$760	0.40%	\$304
<b>\$76,000-\$500,000</b>	\$194,000	1.00%	\$1,940	1.00%	\$1,940
<b>Over \$500,000</b>	\$0	1.25%	\$0	1.25%	\$0
<b>Totals</b>	<b>\$270,000</b>		<b>\$2,700</b>		<b>\$2,244</b>

**Example 3-11: Net Tax Capacity Calculation for a Split Class Residential Homestead / Commercial**

The following illustrates the net tax capacity calculation for a property that has a Residential Homestead above a Commercial space with a total TMV of \$195,500, split into \$40,500 for the Residential Homestead portion and \$155,000 for the Commercial portion.

	TMV	Local Class Rate	Local NTC	State Class Rate	State NTC
<b>Residential Homestead</b>					
<b>First \$500,000</b>	\$40,500	1.00%	\$405	-	-
<b>Over \$500,000</b>	\$0	1.25%	\$0	-	-
<b>Commercial</b>					
<b>First \$150,000</b>	\$150,000	1.50%	\$2,250	1.50%	\$2,250
<b>Over \$150,000</b>	\$5,000	2.00%	\$100	2.00%	\$100
<b>Totals</b>	<b>\$195,500</b>		<b>\$2,755</b>		<b>\$2,350</b>

## Taxable Net Tax Capacity

Although taxes are levied on “net tax capacity,” a measure called “taxable net tax capacity” is the value used in determining initial tax rates for local taxing jurisdictions. The distinction at a parcel level between taxable net tax capacity and net tax capacity is generally not significant since it is used in the aggregate. The difference lies in how rates are calculated and how various taxes are utilized rather than how much value of a parcel is subject to taxes. The taxable net tax capacity is the net tax capacity minus certain values. When the local tax rates are applied to those deducted values, the revenues are utilized in specific ways. Values that are deducted are described in this section.

**Power Line Net Tax Capacity Value**

10% of the net tax capacity of electrical transmission lines over 200KV in organized townships and cities is excluded from the value used in determining initial tax rates. After local tax rates are determined, the revenue produced by applying the prevailing local tax rate to the excluded 10% of value is then used to finance the power line credit for cities and organized townships.

**Fiscal Disparities**

Fiscal disparities is a tax base sharing feature of the property tax system that was created in 1971 for the seven metropolitan counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington and adopted in 1996 for the taconite relief area, known as the “Iron Range Fiscal Disparities” program, which affects the counties of Aitkin, Cook, Crow Wing, Itasca, Koochiching, Lake, and St. Louis.

Under fiscal disparities, each taxing jurisdiction contributes a portion of its net tax capacity to an abstract area wide tax base. This portion of net tax capacity represents the aggregate growth in the commercial/industrial tax base of the jurisdiction since the base years (1971 and 1996 respectively). This contribution to net tax capacity is subtracted from the total net tax capacity of the jurisdiction when determining taxable net tax capacity. With fiscal disparities programs, each jurisdiction will receive the amount for which it levies, but when the pool of contributions is redistributed, each jurisdiction may receive more or less than it contributed, making it a net beneficiary or a net contributor.

**Tax Increment Financing Values**

Tax increment financing (TIF) provides a means of financing development projects. TIF captures value and uses the funds that are generated when tax rates are applied to that captured value—the tax increments—to fund development costs.

Taxable net tax capacity, therefore, is the measure of a jurisdiction’s tax base in determining initial tax rates. The subtractions facilitate tax base sharing and allow the additional revenues to fund power lines credits and TIF. It can be expressed as:

$$\text{Taxable NTC} = \text{Total NTC} - \text{Power Line NTC} - \text{FD Contribution NTC} - \text{TIF Captured NTC}$$

## Tax Bases

**Summary of Tax Bases**

This chapter’s discussion of values, classification, exemptions, exclusions, limitations, net tax capacities, and various other concepts concludes with defining the tax bases upon which property taxes are actually levied.

*Referendum Market Value and Net Tax Capacity*

At the most basic level, there are two types of bases upon which property taxes are levied in Minnesota: referendum market value and net tax capacity.

*State NTC and Local NTC Tax Bases*

Additionally, there are two different types of net tax capacity-based tax bases: the local net tax capacity tax base for levies by local jurisdictions and the state net tax capacity tax bases for the state general property tax. The state net tax capacity tax bases differ from the local net tax capacity tax base in that they are limited to certain classifications and one of the two state net tax capacity bases has an additional classification tier that applies to cabin properties.

*Two State NTC Tax Bases: Commercial-Industrial and Seasonal Residential Recreational*

Statute defines a “Commercial-Industrial tax capacity” and a “Seasonal Residential Recreational tax capacity” to describe the property that is subject to the state general property tax. Originally, a uniform rate applied to the combined base of the two definitions. The 2005 Legislature, responding to the phenomenon of the growth in seasonal residential recreational values outpacing the growth in commercial-industrial values, split the state levy into separate rates on the separate tax base measures to prevent shifting of tax burdens from seasonal residential recreational to commercial-industrial.

The Commercial-Industrial state net tax capacity base includes:

- Class 3 (Commercial-Industrial and Public Utility)
- Class 5(1) (Unmined Iron Ore)

The Seasonal Residential Recreational state net tax capacity base includes:

- Tier III of class 1c (Ma & Pa Resort value over \$2.3 million)
- Class 4c(1) (Commercial Seasonal Residential Recreational)
- Class 4c(3)(ii) (Nonprofit Community Service Organization that makes donations)
- Class 4c(12) (Noncommercial Seasonal Residential Recreational)

Commercial Seasonal Residential Recreational property (resorts) is subject to the state general tax at 1.00% on market value for the first \$500,000 and 1.25% on market value exceeding \$500,000. Noncommercial Seasonal Residential Recreation property (cabins) is subject to the state general tax at 0.40% for the first \$76,000 of market value, 1.00% on market value exceeding \$76,000 up to \$500,000, and 1.25% on market value exceeding \$500,000. Property classified as 4c(3)(ii) is subject to the state general tax at 1.50% of market value.

(See [Minnesota Statute 275.025](#))

*TIF and Fiscal Disparities*

Some might consider the retained captured value within a TIF district or the area-wide tax base of fiscal disparities to be additional tax bases. However, these values are not subject to specific levies and are more ancillary features of the property tax system and are generally not regarded to be formal tax bases.

**PRISM Tax Base Table**

A PRISM Tax Base Table is updated at least once each year and provided as part of the PRISM instructions. The most updated version of this table can also be found on the Department of Revenue’s [website](#). The table shows the value breakouts reported in PRISM, which tax base components they apply to, and at what level of taxable market value (i.e., the class rate that applies). Note that the personal property breakouts are not always broken out to each tier and “varies” is noted rather than a specific class rate.

**Tax Bases Identified**

The following figure identifies how the various components or distinctions result in six distinct tax bases. Initially there are two major types of values upon which levies are spread: 1) referendum market value (RMV) and 2) net tax capacity (NTC). The NTC component must be further split between: 1) local net tax capacity (LNTC) and 2) state net tax capacity (SNTC). The levy for the state tax is divided into two parts and spread on separate bases: 1) the Commercial-Industrial net tax capacity (CI NTC), and 2) the seasonal residential recreational net tax capacity (SRR NTC).

**Payment in Lieu of Taxes (PILT)**

Payments in lieu of tax are payments that are typically made by one unit of government to the local unit of government instead of paying property tax.

**State and Local PILT Programs**

The following is a partial list of state PILT programs that are currently in operation.

*Consolidated Conservation Areas (Con-Con Land)*

Payment is made by the DNR to the county. The amount is equal to 50% of the income received from land in the county (mainly from timber sales) during the past fiscal year ([Minnesota Statute 84A.51](#)).

*Excess Real Estate Acquired for Trunk Highway Purposes*


Payment is made by Minnesota Department of Transportation in an amount equal to 30% of the rent received on the leasing of excess real estate within the county that was acquired for trunk highway purposes ([Minnesota Statute 161.23](#)).

*Property Acquired by the State or Local Units of Government and Then Rented*


Payment is made by the state (primarily Department of Natural Resources or Department of Transportation) or by a local unit of government, to the county treasurer in an amount equal to 30% of the annual rent received. This provision applies to taxable property acquired by the state or a local unit of government prior to forfeiture. The state or local unit of government must charge a reasonable rent to the occupant of the property.

*HRA Low Income Housing Projects*

Payment is made by a Housing and Redevelopment Authority (HRA) to the county treasurer in an amount equal to 5% of the shelter rentals of the low income housing project collected during the preceding calendar year. However, the governing body or bodies for which the HRA was created may enter into agreement with the HRA for the payment of a service charge in excess of 5% aggregate shelter rentals. Such higher amount may be based on shelter rentals or some other agreed upon basis. The HRA must file with the assessor annually, on or before April 15, a statement of the aggregate shelter rentals of each low-income housing project collected during the preceding calendar year.

 **“Housing Project”**  
 This is any work or undertaking to provide decent, safe, and sanitary dwellings for persons of low income and their families ([Minnesota Statute 469.002](#)).

Since the payment in lieu of property taxes is to be collected in the same manner provided by law for the assessment and collection of taxes, if an HRA is late in making its payment, or if it fails to pay, it will be subject to the same penalty, interest, property tax delinquency, and tax forfeiture proceedings as taxable real property ([Minnesota Statute 469.040](#)). To calculate interest due on delinquent PILT payments by the HRA, the nonhomestead rate should be used. In addition, the EDA should be treated the same as the HRA with its delinquent PILT payment.

 **NOTE**  
 Property located within the exterior boundaries of an Indian Reservation that is owned by the tribe’s designated housing entity, and that is a housing project or housing development project, is exempt from real and personal property taxes, but is subject to the PILT payment requirement (5% of shelter rentals) ([Minnesota Statute 469.040](#)).


The exemption from property taxes for an HRA housing project terminates when:

- a. the obligations issued by the HRA to assist in financing the project have been retired and federal contributions have been discontinued; OR
- b. the authority is no longer obligated by contracts with the federal government to maintain the project as a low income housing project, whichever is later ([Minnesota Statute 469.040](#)).

*Natural Resources Land*

In order to help offset the expenses incurred by counties and towns in support of natural resources lands, [Minnesota Statute 477A.12](#) provides that payment is made by the Department of Revenue to the county treasurer (DNR made these payments through calendar year 2000) according to the following guidelines:

- (1) \$5.133 multiplied by the total number of acres of acquired natural resources land (land previously privately owned and acquired by DNR by purchase, condemnation, or gift), or, at the county's option three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;
- (2) \$5.133 multiplied by total number of acres of transportation wetland or, at the county's option, three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;
- (3) Three fourths of one percent of the appraised value of all wildlife management land in the county;
- (4) 50 percent of the dollar amount as determined under clause (1), multiplied by the number of acres of military refuge land in the county;
- (5) \$1.50 multiplied by the total number of acres of county-administered other natural resources land (including tax-forfeited land in townships and tax-forfeited unplatted land within cities) in the county;
- (6) \$5.133 multiplied by the total number of acres of land utilization project land in the county;
- (7) \$1.50 multiplied by the total number of acres of DNR-administered other natural resources land in the county; AND
- (8) Without regard to acreage, \$300,000 for local assessments under [Minnesota Statute 84A.55](#).

 **NOTE**

In the 2011 First Special Session the legislature removed all inflation adjusted values as an option for determining PILT value per acre and replaced them with a set dollar amount.

The Department of Revenue makes the distributions to the counties based on the number of acres and appraised values certified by the DNR to the Department of Revenue by March 1 of the payment year ([Minnesota Statute 477A.12](#)). Part of the payment (generally 40%) is deposited in the county general revenue fund to be used for property tax reduction ([Minnesota Statute 477A.14](#)).

**Federal PILT Programs**

The following is a partial list of federal payment in lieu of tax programs.

*Forest Service Timber Payments*

Payment is made by the U.S. Forest Service to the state for distribution to the counties where timber harvesting occurred in National Forests.

*Entitlement Lands*

Payment is made by the Bureau of Land Management to counties containing entitlement lands in the National Forest System and the National Park system, lands administered by the Bureau of Land Management, lands dedicated to the use of federal water resource development projects, as well as other federally owned land.

*Fish and Wildlife Service Fee Payments*

Payment is made by the U.S. Fish and Wildlife Service to counties based on an appropriation of a specific amount of the fees collected from special use permits for trapping, hunting, timber harvesting, grazing animals, etc. The amount paid to each county relates to the fees collected from the county.

*Waterfowl Production Area Land*

Payment is made by the U.S. Fish and Wildlife Service to counties to compensate for a property tax loss on lands acquired by the Service under its Waterfowl Production Area program. The payment is a one-time payment and cannot exceed 10% of the value of the property acquired

# Chapter 4: Tax Levies and Budgeting Process

## Taxing Authorities and Districts

### Taxing Authorities

For the purposes of property taxation, a “taxing authority” includes all home rule and statutory cities, towns, counties, school districts, special taxing districts and the state.

Property tax levy authority is scattered throughout Minnesota statutes and can be difficult to exhaustively enumerate. The terms “taxing authority” and “taxing district” can also be confusing. Many entities have direct levy authority and are special taxing districts. However, some entities do not have direct taxing authority but can essentially levy through a city or county. Since the ultimate discretion remains with the true taxing authority—the county or city—these entities are not taxing authorities and may not necessarily be special taxing districts.

### Taxing Districts

A taxing district can be distinguished from a taxing authority in that “district” describes the territory of the levy and “authority” references the power to levy. These are not statutorily defined distinctions and both refer to the associated entity to some degree. They are also largely synonymous for counties, cities, towns, and school districts. Some differences can be meaningful, however, when it comes to special taxing districts.

### *Special Taxing Districts*

A special taxing district, as specified in [Minnesota Statute 275.066](#), can include any other political subdivision of the state that has the power to adopt and certify a property tax levy to the county auditor, as determined by the Department of Revenue.

### *Special Taxing Districts Determined by the Department of Revenue*

[Minnesota Statute 275.066](#) provides a catch-all that is open to any other political subdivision with the power to levy as determined by the Department of Revenue. The following entities qualify as special taxing districts on the basis that (a) they are deemed to be political subdivisions of the state by the statute or law that created them, and (b) they have the power to adopt and certify a property tax levy to the county auditor.

- Park Museum Fund of the Minneapolis Park and Recreation Board
- Nashwauk Area Ambulance District
- Cross Lake Area Water and Sewer Board
- Virginia Area Ambulance District
- Becker County Economic Development Authority
- Chisholm/Hibbing Airport Authority
- Cedar Lake Area Water and Sanitary Sewer District
- Banning Junction Area Water and Sanitary Sewer District
- Moose Lake Fire Protection District
- Cloquet Area Fire and Ambulance Special Taxing District

### *Implications of Authority vs. Special Taxing District Distinctions*

A county levy for watershed management purposes is an example of a situation in which a special taxing district has been defined for what is not a taxing authority that is separate from the county. This distinction means that this levy would be certified and represented on proposed notices and tax statements as a levy of a special taxing district, but if it were absent from the statute, it would have been reflected as part of the county levy. By

defining this levy as a special taxing district, however, there may be confusion as to whether this levy should be included in measuring a county's levy for calculating aid formulas or enforcing levy limits. These determinations will be made by the Department of Revenue as issues arise.

## Non-Taxing Districts

### *Service Districts*

There are other types of districts not defined as special taxing districts that allow a county, city, or town to levy at different levels for separate defined areas that may be subject to different service levels. These districts are not considered taxing districts independent of the county, city, or town because they affect the allocation of levies more than they describe a separate levying entity. [Chapter 5](#) describes urban and rural service districts and subordinate service districts in greater detail.

There are a variety of other similar service districts, including:

- Fire protection districts in towns
- Ambulance service districts in towns
- Storm sewer improvement districts in cities or towns
- Lake improvement districts in counties

### *Non-Property Tax Service Districts*

There are also service districts that impose a fee or service charge which is not a part of property tax levies, even though some may have a basis on net tax capacity. Most notably, [Minnesota Statutes, Chapter 428A](#) allows cities to establish special service districts where special services are rendered and paid from revenues collected from service charges. The key difference between this special service district and the subordinate service districts for counties and towns is that these are service charges, not property tax levies, even though they are based on net tax capacity and payable and collected in the same manner as property taxes. The service charges are not included in computations of tax increments, fiscal disparities, or any other law that applies to general ad valorem levies. The establishment of a new special service district after June 30, 2028 requires special legislation.

Another example of non-property tax service districts are housing improvement districts.

## Special Taxing Districts vs. Special Levies

It should be noted that special taxing districts are not the same as special levies, which are a defined set of levies that are not subject to levy limits. Special taxing districts have not been subject to general levy limits, which have mostly applied to counties and cities of 2,500 or more.

## Organization Date of Special Taxing Districts

Special taxing districts organized on or before July 1 in a calendar year, or districts that were organized in a prior year that have not previously levied, may certify a levy to the county auditor in that same year for property taxes or special assessments to be payable in the following calendar year. These districts must inform the county auditor of their intent to levy and provide a complete list of the tax parcels in the district and a map showing the boundaries of the district. Special taxing districts organized after July 1 in a calendar year may not certify a levy of property taxes or special assessments until the following calendar year. Any changes in the boundaries of a special taxing district must also be reported to the county auditor by July 1 in order to levy within the new boundaries for taxes payable in the following calendar year ([Minnesota Statute 275.067](#)).

### Cross-County Jurisdictions

When a taxing authority spans county boundaries, a home county auditor is determined to calculate levies for the taxing authority. In the case of school districts, the home county is the county in which the administrative offices of the school district are located ([Minnesota Statute 275.07](#)). For other cross-county jurisdictions there is no statutory direction for determining the home county, but it is usually the county with the most value for that taxing district or where offices are located. The counties may come to an agreement or the Department of Revenue will assign a home county. Levies should be certified by the jurisdictions to the home county auditor. The home county auditor certifies proposed and final levies and local tax rates to the other county auditor(s). The county auditors that are not the home county auditor must supply values and other information necessary to calculate rates to the home county auditor.

For proposed tax notices, the home county auditor must estimate the levy or rate if the other county has not certified the appropriate information, and the other county auditor must furnish an estimate to the home county auditor, if requested by the home county auditor ([Minnesota Statute 275.065](#)).

For final levies, if the home county auditor has not received from the other county auditor(s) the local tax rate or net tax capacity by January 15, the home county auditor may levy taxes for the overlapping district by estimating the local tax rate or the net tax capacity. A county auditor who has not furnished the local tax rate or net tax capacity by January 15 must, on request, furnish the home county auditor of an estimate of the tax capacities or the local tax rate. The auditor may request the assistance of the county assessor in determining the estimate. Subsequent adjustments must be made after the correct local tax rate or net tax capacity has been certified ([Minnesota Statute 275.08](#)).

### Auditors to Verify Tax Authority

Auditors are responsible for verifying the levy authority for each levy. If any authority certifies a greater levy amount than is permitted by any limitation, the auditor shall extend only the amount of tax as limited ([Minnesota Statute 275.08](#)). It is recommended that county auditors prompt the certifying jurisdiction to provide the auditor with the authority under which the levy is being assessed. Auditors may then be able to verify the authority and check for any limitations that may apply.

### State Codes

The Department of Revenue prescribes the codes to be used for state reporting for each taxing authority and district. When a new special taxing district or any other taxing district is organized, the county should contact the Department of Revenue to be assigned the code that the district will use for reporting proposed and final levies and for PRISM. The Department of Revenue should also be contacted for the proper assignment of a code when taxing districts are merged or consolidated. State codes are not reused and are very important when certifying state aids and credits.

## Levies and Aids

The property tax levy is the major source of revenues for local governments. It is normally equal to the total budget amount for a district minus its other sources of revenue. One of the most significant categories of other revenue for many jurisdictions is state aids. Additional aid can offset property tax levies, while cuts in aid may cause levies to increase. Limitations on property tax levies, whether formal statutory limits or more driven by political acceptability, will constrain budget amounts or force local governments to find other revenues.

This section overviews the levy certification process and summarizes some of the various aids that have the most direct relationships to property taxes.

## The Levy Process

The fiscal year of most local governments follows the calendar year. School districts follow the state fiscal year of July 1 to June 30. With assessments set in one year and taxes payable in the following year, final levies must be set by the end of a calendar year so tax statements can be prepared and mailed for first half payment in May. The levy process in Minnesota is unique, however, in that the legislature has also created a process of certifying and reviewing proposed levies, called “truth-in-taxation.” After proposed levies are established, parcel-specific notices are sent to taxpayers showing the taxes that would be due on their property if the proposed levies are adopted. Public meetings follow the proposed tax notices to allow for public feedback before final budgets and levies are adopted.

### *Timing by Type of Jurisdiction*

Counties, cities, and special taxing districts generally begin their budgeting process early in the summer. At this point, the legislature should have completed its work, setting the landscape of mandates, levy authority, levy restrictions, and aid funding. Assessments are also largely known, although not completely free of changes. Most aids affecting budget decisions are certified in July or August. Special taxing districts (except the Metropolitan Council and Metropolitan Mosquito Control that must be certified by September 15) must certify their proposed levies to the county auditor on or before September 30. Counties and cities must also certify their proposed levies by September 30 ([Minnesota Statute 275.065](#)). Proposed tax notices are sent in November to be received after November 10 and by November 24. Truth-in-taxation meetings are held in late November through late December ([Minnesota Statute 275.065](#)). The final levy certification is then set on or before five business days after December 20 ([Minnesota Statute 275.07](#)).

School districts follow a different budgeting schedule and process because of their fiscal year differences and because much of their levies are dictated more directly by equalization and aid factors as determined by the state. For a school district, proposed levies are not set until September 30 ([Minnesota Statute 275.065](#)). The truth-in-taxation meetings are informational and feedback-oriented and have no impact on determining the final levy.

Towns follow much of the levy timing and processes of counties and cities, except that townships set their levies and budgets at their annual meetings in March and they are not required to hold truth-in-taxation meetings. The March timing reflects the agricultural orientation of most townships, where summer and fall meetings would conflict with harvesting and other farming activities. Towns do have an opportunity to call a special meeting, at which their levies may be changed, but without such a meeting, the levy determined in March will become the proposed levy certified by September 30 and the final levy certified five business days after December 20. Statute in fact refers to the September 30 certification as the final levy for a town but also allows for recertification of the final levy in December if it is changed at a special meeting ([Minnesota Statute 275.07](#)).

The state levy amount and structure is set by the legislature. The Department of Revenue certifies a preliminary rate by October 1 for truth-in-taxation purposes, but this is not a proposed levy and the final rate, set by January 1, will differ only in that more updated tax base data becomes available.

### *Final Levy Recertification Due to Unallotments*

Local governments are allowed to recertify their final levy in the event of an unallotment of December aids or credits occurring after levies have been adopted. If an unallotment is announced after levies have been adopted, local governments may increase their final levy up to the amount of the unallotment. If necessary, local governments may exceed their proposed levy in this situation. The recertified levy must be reported to the county auditor within two business days of January 15. If this deadline is not met, the original certification must

be used. Counties must report any recertified levies to the Department of Revenue by January 30 ([Minnesota Statute 275.07](#)).

*Levy in Specific Amounts*

All taxes must be levied or voted on in specific amounts, and the rates must be determined from the amount of property as equalized by the State Board of Equalization each year, except those taxes which are definitely fixed by law ([Minnesota Statute 275.01](#)).

*Accounting for Manufactured Home Tax Revenues*

Generally, local taxing districts do not account for taxes on manufactured homes taxed as personal property in setting their levies. These taxes are assessed and taxed in the same year, and the county auditor determines taxes by applying the tax rates of the current year, as levied in the preceding year. As such, these are additional taxes above the levy amount that determined the tax rates. For most jurisdictions this is a marginal source of revenue and for counties, the administration costs can consume much of the tax receipts. Some communities that have a concentration of manufactured homes may, however, informally account for expected manufactured home tax receipts in setting their levy.

*Accounting for Energy Production Tax Revenues*

Wind and solar energy production taxes are production taxes for the energy produced by certain solar and wind energy conversion systems and solar energy generating systems. The Department of Revenue determines the total amount of production taxes by February 28 of the current year ([Minnesota Statutes 272.029](#) and [272.0295](#)). The tax is based on production that occurred during the previous calendar year. The department can issue corrections on or before April 1 of the current year. The county bills and collects the tax. The tax is paid to the county treasurer by May 15 ([Minnesota Statutes 272.029](#); [272.0295](#); and [277.01](#)). Wind and solar energy production taxes are distributed 80% to the counties and 20% to the cities or towns where the systems are located ([Minnesota Statutes 272.029](#) and [272.0295](#)). Any penalties, interest, and costs on energy production taxes are distributed in the same manner ([Minnesota Statute 276.131](#)).

Energy production tax revenues are not part of a county’s levy. However, if your county receives a substantial amount of energy production tax, your county may want to project potential revenues when setting levies in the prior year.

**Aids**

There are two basic types of aids to consider in setting levies: general purpose aids that the legislature intends to supplement property taxes and specific purpose aids tied to a particular purpose or mandate that are perhaps less directly tied to property tax levies. A third category of aids are direct replacements for levied dollars that ease burdens on taxpayers. This last category is NOT a factor in setting levies, and to do so would be erroneous, except to the extent that they may ease otherwise stronger resistance to levies by taxpayers.

General-purpose aids include:

- Local Government Aid (LGA)
- County Program Aid (CPA)
- Town Aid

Specific-purpose aids paid by the Department of Revenue include:

- Police State Aid
- Fire State Aid

- Police and Fire Retirement Supplemental State Aid
- Amortization Aid
- Taconite Aid
- Aquatic Invasive Species Prevention Aid
- Out-of-Home Placement Reimbursement Aid
- Riparian Protection Aid

Disparity Reduction Aid (DRA) is the only aid that directly offsets levies and should NOT be considered when setting levies.

State-paid credits are not aids and do not affect the levy and budgeting process, except when these promised reimbursements are cut by the legislature, leaving a hole in a jurisdiction’s levy.

Unless otherwise stated, the Department of Revenue pays each taxing jurisdiction their aid amounts in two installments each year, on or before July 20 and December 26.

*Local Government Aid*

Local Government Aid (LGA) is a general-purpose aid established under [Minnesota Statute 477A.013](#). LGA is intended for city property tax relief and can be used for any lawful expenditure.

The city formula aid compares each city’s expenditure need to its ability to pay, otherwise known as its revenue raising capacity. A city’s revenue raising capacity is calculated by multiplying a city’s net tax capacity by the statewide average city tax rate. The difference between a city’s expenditure need and revenue raising capacity is referred to as its aid gap. Cities with a positive aid gap have spending needs that are greater than their revenue raising capacity, and therefore receive a share of the LGA distribution.

For LGA amounts and distributions, see [Minnesota Statute 477A.03](#), or the Department of Revenue’s [website](#).

*County Program Aid*

County Program Aid (CPA) is a general-purpose aid established under [Minnesota Statute 477A.0124](#). CPA directly offsets county levies and is accounted for in setting levies. CPA began with aids paid in 2004, replacing Homestead and Agricultural Credit Aid (HACA), County Criminal Justice Aid, Family Preservation Aid, Manufactured Home HACA, and Attached Machinery Aid.

CPA consists of two components: county need aid and county tax-base equalization aid.

The total appropriation for **county need aid** is determined by the legislature and distributed to counties based on each county’s need ([Minnesota Statute 477A.03](#)). 40% of the aid is distributed based on each county’s share of the state’s total households receiving food stamps, 40% is distributed based on each county’s share of the state’s age-adjusted population, and 20% is distributed based on each county’s share of the state’s total Part I crimes.

Total appropriation for **county tax-base equalization aid** is determined by the legislature and is distributed to counties based on each county’s tax-base equalization aid factor (TBEA) ([Minnesota Statute 477A.03](#)). A county’s TBEA is equal to the greater of:

1. the county’s tax base equalization factor; or
2. the greater of either 0.27% of the statewide total appropriation for TBEA or 95% of the county’s TBEA from the previous year.

The county's tax base equalization factor is the amount by which \$190 plus the ratio of the most recent statewide net tax capacity per capita divided by the 2016 statewide net tax capacity per capita, multiplied by the county's population, exceeds 9 percent of the county's net tax capacity. The factor is adjusted for population as follows:

- If the county's population is less than 10,000, the factor is multiplied by 3.
- If the county's population is greater than 10,000, but less than 12,500, the factor is multiplied by 2.
- If the county's population is greater than 500,000, the factor is multiplied by 0.25.

Once the tax base equalization factor is adjusted for population, it is compared against 0.27% of the statewide total appropriation for TBEA (which adjusts annually) and the amount that equals 95% of the TBEA the county received in the previous year. The greatest of these is the county's final TBEA.

For CPA amounts and distributions, see the Department of Revenue's [website](#).

*Town Aid*

Town Aid is a general-purpose aid established under [Minnesota Statute 477A.013](#). Town aid is intended for town property tax relief and can be used for any lawful expenditure. For more information on Town Aid, visit the Department of Revenue's [website](#).

*Police State Aid*

Police State Aid, under [Minnesota Statutes, chapter 477C](#), helps subsidize local governments for the pension costs of their peace officers, essentially reimbursing employer contributions made to PERA and MSRS. Local units can apply for this aid by submitting Form PA-1 to the Department of Revenue by March 15 each year. Each police department certifies the name, POST license number, pension fund, employment data, and number of months worked in the previous year for each licensed peace officer employed by the department. The Department of Revenue reviews these aid applications and determines the total number of peace officer months for each department.

The total amount of aid available for distribution is certified by the Department of Revenue and is based on the collection of insurance premium taxes relating to auto insurance coverage. The total amount of aid available for distribution is divided by the total number of peace officer months to determine the aid per officer month. A department's initial aid is equal to its number of officer months multiplied by the aid per officer month. This initial aid amount is compared with the department's prior year employer obligations, and the department receives the lesser of the two amounts.

The first \$900,000 of any excess police aid not distributed to departments reverts to the general fund. One-half of any excess aid over \$900,000 is transferred to the additional amortization aid program, which is described below.

For Police State Aid amounts and distributions, see the Department of Revenue's [website](#).

*Fire State Aid*

Fire State aid, under [Minnesota Statutes, chapter 477B](#), helps subsidize local governments and volunteer firefighter pension plans for the pension costs of both salaried and volunteer firefighters. See the Department of Revenue's [website](#) for more information.

### *Police and Fire Retirement Supplemental Aid*

Police and fire retirement supplemental aid was created by the 2013 Legislature under [Minnesota Statute 423A.022](#) to help subsidize pension costs for local governments and fire departments by supplementing the police and fire state aids.

\$15,500,000 is allocated towards this aid program annually and distributed as follows:

- \$9 million paid to the Public Employees Retirement Association for police and paid firefighters
- \$1 million paid to the Minnesota State Retirement System for the State Patrol Fund
- \$5.5 million apportioned to municipalities with volunteer firefighters

Municipal volunteer fire departments and independent nonprofit firefighting corporations must submit Form FA-1 to apply for fire state aid to receive this supplemental aid.

Police and fire retirement supplemental aid is paid by October 1 each year.

### *Amortization Aid*

Amortization Aid provides state assistance to cities, teachers pension plans, and some fire relief associations. A fixed amount is paid to the cities of Fairmont and Minneapolis if there is an additional municipal contribution required to be paid to the Public Employees Retirement Association to cover unfunded liabilities. The remaining amount of the appropriation is reallocated to three teachers retirement associations and to fund the minimum fire aid portion of Fire State Aid.

### *Taconite Aid*

Taconite aid, under [Minnesota Statute 298.28](#), is meant to provide property tax relief using the revenues from taconite production taxes. Each county auditor from Cook, Lake, St. Louis, Itasca, Crow Wing, and Aitkin counties is responsible for making the taconite aid payments to the various jurisdictions within the county. St. Louis County is designated as the fiscal agent for the taconite property tax relief account and is responsible for issuing taconite property tax relief checks to the other counties. The Department of Revenue makes all computations regarding the amount paid by the mining companies and the aid payments to the counties, cities, towns, and school districts within the counties.

### *Aquatic Invasive Species Prevention Aid*

Aquatic Invasive Species Prevention Aid is a specific-purpose aid distributed at the county level established under [Minnesota Statute 477A.19](#). The proceeds from this aid must be used solely to prevent or limit the spread of nonnative, aquatic species at water access points within the county. The aid is allocated to all counties in the state as follows: 50 percent based on each county's share of watercraft trailer launches and 50 percent based on each county's share of watercraft trailer parking spaces. Each county must submit a copy of its guidelines for use of the proceeds to the Department of Natural Resources by December 31 of the year the payments are received. For aids payable in 2014, the total appropriation was \$4,500,000. For aids payable in 2015 and each year thereafter the appropriation is \$10,000,000.

### *Out-of-Home Placement Reimbursement Aid*

Out of Home Placement Reimbursement Aid is a specific-purpose aid distributed at the county and tribe level. This program was established in 2017, with the first payments being made in 2018 ([Minnesota Statute 477A.0126](#)). This aid is designed to subsidize costs incurred by counties and tribes for out-of-home placement costs for children under the Indian Child Welfare Act (ICWA). There is a \$5 million total annual appropriation for this aid.

The amount of aid dispersed to tribes is the greater of:

- 5% of the reimbursement amount received from the federal government for out-of-home placement costs for the previous certified calendar year, or
- \$200,000.

The amount of aid dispersed to counties will be the county's proportionate share of the amount remaining after the tribes have been paid.

The Department of Children, Youth, and Families tracks county compliance with ICWA and the Minnesota Indian Family Preservation Act. For counties that are substantially out of compliance with these laws for two consecutive years, their aid is reduced by 50 percent until there is substantial compliance. The Department of Revenue will certify aid amounts to counties by August 1 each year.

For Out-of-Home Placement Reimbursement Aid amounts and distributions, see the Department of Revenue's [website](#).

#### *Riparian Protection Aid*

Riparian Protection Aid is a specific purpose aid distributed to counties, watershed districts and the Board of Water and Soil Resources. Each authority's aid amount is based on several factors, including its share of the total statewide:

- class 2a agricultural acreage
- centerline miles of public watercourses
- miles of public drainage ditches

The Board of Water and Soil Resources and the Department of Natural Resources certify the data used to calculate the aid to the Department of Revenue.

If \$10 million of aid is appropriated to the commissioner of revenue, the aid to a county cannot be greater than \$200,000 or less than \$50,000. If a different amount of aid is appropriated, the minimum and maximum amounts are adjusted proportionally.

In areas where neither the county nor the watershed district has affirmed its jurisdiction to the Board of Water and Soil Resources, the jurisdiction's share of aid is distributed to the Board of Water and Soil Resources. The aid is paid in two equal installments on July 20 and December 26.

For information on Riparian Protection Aid, see the Department of Revenue's [website](#).

#### *Disparity Reduction Aid*

Disparity Reduction Aid (DRA), under [Minnesota Statute 273.1398](#), is not a general- or specific-purpose aid and should not affect levies and budgeting. Disparity reduction aid started for aids payable in 1989 as part of the conversion from mill rates and assessed values to net tax capacities. It was designed to prevent tax rates from being disparately high for individual unique taxing areas.

DRA directly reduces the tax rate in a unique taxing area so that the area's levies are paid in part by DRA rather than completely by taxpayers. Therefore, DRA is part of the taxes levied and ignored when setting levies.

## Truth-in-Taxation

[Minnesota Statute 275.065](#) establishes a process, generally referred to as truth-in-taxation, for establishing and communicating proposed levies for the purpose of engaging the public in the budgeting and levy process. Truth-in-taxation (often referred to as “TNT”) encompasses five broad components:

- Certification of proposed levies
- Preparation and delivery of parcel-specific notices of proposed taxes
- Public meetings
- Final levy restrictions
- Compliance

Detailed instructions for the truth-in-taxation process requirements, the content and format of the parcel-specific notice, and the Certification of Truth-in-Taxation Compliance Form are available on the Department of Revenue’s [website](#).

### Certification of Proposed Levies

All taxing authorities are subject to the requirement to certify proposed levies.

#### *Counties and Cities*

The county board and the governing body of every city must adopt its proposed property tax levy for the taxes for the next payable year and certify that amount to the home county auditor on or before September 30. No extension of this deadline will be granted. The proposed property tax levy certified should be the levy for all purposes, including debt service.

The proposed levies of regional rail authorities within the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under [Minnesota Statutes, chapter 398A](#), must be included with the county's proposed levy and must be discussed at that county's public meeting.

#### *School Districts*

Each school district must adopt its proposed property tax for the next taxes payable year and certify that amount to the home county auditor on or before September 30. This deadline can be extended to October 7 if a school district reaches an agreement with their home county auditor. The deadline can also be extended for revised levy limitations certified by the Department of Education. The proposed property tax levy certified should be the school district's proposed property tax levy for all purposes, including debt service. The school district must certify its proposed levy as either (1) a specific dollar amount by school district fund, broken down between voter-approved and non-voter-approved levies and between referendum market value and tax capacity levies, or (2) the maximum levy limitation certified by the Department of Education according to [Minnesota Statute 126C.48](#).

See the next [section](#) for more information about the levy certification process for school districts.

#### *Towns and Special Taxing Districts*

All townships and special taxing districts (excluding the Metropolitan Council and Metropolitan Mosquito Control) must have their proposed property tax levies certified to the county auditor on or before September 30. No extension of this deadline will be granted. In most cases, this certification will be the certification of the levy that was adopted at the annual town meeting in March and will be the final levy as well as the proposed

levy for the township. Statute refers to the September 30 certification as the final levy for a town but also allows for recertification of the final levy in December if it is changed at a special meeting.

#### *Metropolitan Council and Metropolitan Mosquito Control Commission*

These two special taxing districts must have their proposed property tax levies certified to the county auditor on or before September 15. No extension of this deadline will be granted.

#### *Failure to Certify a Proposed Levy*

If a local government fails to certify a proposed levy by the required due date, the county auditor will use the local government's previous year final levy as its proposed levy for the purpose of determining its proposed property tax notices.

#### *Market Value Based Referendum Taxes*

Market value based referendum levies must be certified separately from net tax capacity levies for all taxing districts.

#### *Sharing, Merger, or Consolidation of Services*

If two or more taxing authorities are negotiating an agreement for the sharing, merger, or consolidation of services at the time the proposed levy is to be certified, each of the authorities must certify its proposed levy to the county auditor and include a notification of the specific service or services involved in the agreement that are not yet finalized. Each of these taxing authorities may amend the portion of its proposed property tax levy relating to the specific service or services involved until October 10 of the levy year to reflect the result of the negotiated agreement.

The county auditor should supply this information, if applicable, when submitting the preliminary levy survey under [Minnesota Statute 275.07](#), to the Department of Revenue and recertify the affected levies for these taxing authorities to the Department of Revenue as soon as possible after October 10.

#### *Cross-County Jurisdictions*

In the case of a school district, city, or special taxing district located within two or more counties, the home county auditor must certify the proposed levy and the proposed local tax rate to the other county auditor(s) by October 5. The home county auditor must estimate the rate if another county has not certified the appropriate information. If requested by the home county auditor, the other county auditor must furnish an estimate of the appropriate information to the home county auditor.

### **Preparation and Delivery of Parcel-Specific Notices**

#### *Purpose*

Parcel-specific notices inform property owners that their county, school district, city, and/or metropolitan special taxing districts will be holding public meetings to discuss their proposed property taxes and proposed budgets for the next taxes payable year.

#### *Mailing*

The county auditor is responsible for preparing the parcel-specific notices, and the county treasurer is responsible for delivering the notices by first class mail to each property owner in the county between November 11 and November 24.

### *Electronic Parcel Specific Notices*

Upon written request by the taxpayer, the treasurer may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail.

### *General Form and Content of Notices*

Detailed instructions are updated yearly. Go to [www.revenue.state.mn.us/truth-taxation](http://www.revenue.state.mn.us/truth-taxation) to find the most current instructions.

### *Exceptions to the General Tax Breakouts*

There are some exceptions to the breakout of tax amounts described above:

- A levy for a lake improvement district must be listed separate from the remaining county levy amount.
- In the metropolitan area, the total for the metropolitan special taxing districts must be shown separate from the total for all other special taxing districts.
- For parcels where the tax increment or fiscal disparities tax applies, the proposed levies must be stated separate from the sum of the special taxing districts.

If a county incurs debt pursuant to [Minnesota Statute 373.47](#) for public safety communication system infrastructure and equipment (part of the Minnesota Anti-Terrorism Act of 2002), the levy to pay for the capital improvement bonds or capital notes issued under this law may be shown separately from the remaining county levy on the parcel specific notice. This is a county option and is not mandatory.

### *Amounts Noted as NOT Being Included in Proposed Taxes*

The notice must clearly state that the proposed taxes do NOT include the following:

- Special assessments;
- Levies approved by voters after the date the proposed levies are certified, including bond referenda and school district levy referenda;
- Levy limit increases as approved at the November election;
- Amounts to pay cleanup or other costs due to a natural disaster occurring after the date the proposed levies are certified;
- Amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed levies are certified; and
- The contamination tax imposed on properties which received market value reductions for contamination. This note should not be printed for a parcel that is not subject to contamination taxes.

### *School District Referendum*

If a school district has certified, under [Minnesota Statute 126C.17](#), that it will hold a referendum at the November election, a note must be printed next to the school district's proposed tax amounts stating that a referendum is pending and, if approved by voters, this tax amount may be higher than shown on the notice.

### *Relationship between Tax Amounts and Abatements/Deferrals*

For a county with a pending economic development tax abatement under [Minnesota Statute 375.194](#) on one or more eligible parcels of commercial-industrial property for taxes payable in the next year, the proposed tax rates for all affected taxing jurisdictions should be calculated without regard to the pending tax abatement. The potential value affected by the pending abatement agreement must be included in the tax base of the affected taxing jurisdictions. The proposed property taxes shown for the parcel(s) of commercial-industrial property affected by the pending abatement agreement must also be the proposed tax amounts before any potential abatement ([Minnesota Statute 375.194](#)).

The proposed property taxes of a county, city, town, or school district must include the estimated amount of all current year economic development tax abatements granted under [Minnesota Statutes 469.1812](#) to [469.1815](#). The tax amounts shown on the parcel-specific notice are to be before the reduction for any economic development tax abatements that will be granted on the property ([Minnesota Statute 469.1815](#)).

The amount of tax shown on the parcel-specific notice for homesteads qualifying for the senior citizens' property tax deferral program under [Minnesota Statutes, Chapter 290B](#) is the total amount of property tax before subtraction of the deferred property tax amount.

When apportioning costs to school districts or cities and towns within the county, the school districts and cities that are partially within the county as well as those that are entirely within the county are to be included in the apportionment.

The law does not provide for allocating any of these costs to special taxing districts, including the metropolitan special taxing districts.

## Public Meetings

### *Public Meeting Requirements*

Counties, cities with a population over 500, school districts, regional library authorities established under [Minnesota Statute 134.201](#), fire protection and ambulance special taxing districts established under Minnesota Statutes, chapter 144F, and metropolitan special taxing districts are required to hold a regularly scheduled meeting at which the budget and levy will be discussed and the public will be allowed to speak. The meeting must be held between November 25 and five working days after December 20 and begin no earlier than 6:00 PM. If a regular meeting is not scheduled between November 25 and five working days after December 20 beginning no earlier than 6:00 PM, it will be necessary to schedule a special meeting for this purpose.

“Metropolitan special taxing districts” are defined as the following special taxing districts in the seven-county metropolitan area that levy a property tax levy for any of the following specified purposes:

- Metropolitan Council
- Metropolitan Airports Commission
- Metropolitan Mosquito Control Commission

### *Public Meeting Announcement*

At the meeting at which the proposed levy is certified, counties, cities with a population over 500, school districts, and metropolitan special taxing districts are required to announce the time and place of its subsequent regularly scheduled meeting at which the budget and levy will be discussed and the public allowed to speak. For taxing authorities required to publish a summary of proceedings in an official newspaper in accordance with [Minnesota Statutes 123B.09](#), [375.12](#), or [412.191](#), the time and place of the public meeting must also be included in the publication.

### *Public Meeting Information to the Home County Auditor*

A taxing authority that is required to hold a public meeting must inform its home county auditor of the time and place of the public meeting at the same time the proposed levy is certified so it may be included in the parcel specific notice.

*No County Coordination of Hearings*

The county auditor is not required to coordinate a taxing authority's selection of its meeting date to prevent a conflict with a meeting of another taxing authority.

**Final Levy Restrictions**

The final property tax levy by a county, city of any population, school district, metropolitan special taxing district, regional library district, or school district must not exceed the proposed levy, with specific exceptions. The following levies may be added-on to the proposed property tax levy of a county, city, school district, metropolitan special taxing district, or regional library district and may result in a final levy that is greater than the proposed levy:

- **Voter-approved levies** for operating costs or capital expenditures approved by voters at a referendum held after the proposed levy was certified.
- **Voter-approved levies** for paying the principal and interest on bonds approved by voters under [Minnesota Statute 475.58](#) at a referendum after the proposed levy was certified.
- Levies for paying costs associated with a **natural disaster** that occurred after the proposed levy was certified, pending approval from the commissioner of revenue.
- Levies for paying costs of a **tort judgment** that became final after the proposed levy was certified, pending approval from the commissioner of revenue.
- Levy **limitation increases** (for whatever purpose) certified by the commissioner of revenue or commissioner of education after the proposed levy was certified.
- School district levies for **paying debt obligations in order to avoid potential default** in accordance with [Minnesota Statute 126C.55](#).
- Levies for paying **emergency debt certificates** under [Minnesota Statute 475.755](#) that were authorized and issues after the proposed levy was certified.
- Levies for covering the increase of the proposed levy due to **unallotments** occurring after September 1 of the levy year ([Minnesota Statute 275.07](#)).

**Compliance**

*Certification of Compliance*

When a taxing authority certifies its final tax levy (on or before five working days after December 20 ([Minnesota Statute 275.07](#)), it shall also certify to the commissioner of revenue its compliance with truth-in-taxation requirements. The Department of Revenue provides the forms for this certification on its [website](#).

*Examples of Serious TNT Violations*

Examples of serious violations include, but are not limited to:

- Special assessments;
- Failure to hold a public meeting when a public meeting is required;
- Failure to allow the public to speak at the public meeting; and
- Failure to complete and submit a certification of truth-in-taxation compliance form (Form TNT) to the Department of Revenue when a TNT public meeting was required.

*Explanation of Penalty*

If the commissioner of revenue determines that a taxing authority has failed to substantially comply with the requirements of truth-in-taxation, the commissioner shall notify the county auditor. When fixing the tax rates under [Minnesota Statute 275.08](#) for the taxing authority that has not complied, the county auditor must use the taxing authority's previous year's levy (plus any additional amounts necessary to pay principal and interest on

general obligation bonds of the taxing authority for which taxing powers have been pledged if the bonds were issued before 1989). The decision of the commissioner is final.

#### *Possible Remedial Action to Avoid Penalty*

If a county, school district, city with a population of over 500, or metropolitan special taxing district inadvertently commits a significant error somewhere in the truth-in-taxation process, it is often possible to either repeat some of the steps of the process or to take some remedial action to avoid the penalty. The Department of Revenue must be contacted immediately if this situation arises.

## Levy Certification

### **Certification of Proposed Property Tax Levy**

School districts, towns, cities and all special taxing districts, with the exception of the Metropolitan Council and the Metropolitan Mosquito Control District, must certify proposed levies to the county auditor by September 30. The Metropolitan Council and the Metropolitan Mosquito Control District must certify their proposed levies to the county auditor by September 15. Certifications must be in dollar amounts, and market value based referendum amounts must be certified separately from net tax capacity based levies.

If a local government fails to certify a proposed levy by the required due date, the county auditor will use the local government's previous year final levy as its proposed levy for the purpose of determining its proposed property tax notices and public advertisements ([Minnesota Statute 275.065](#)).

### **Certification of Final Property Tax Levy**

#### *Deadline for Certifying Final Levy*

Tax levies for cities, counties, school districts, and special taxing districts must be certified to the county auditor on or before 5 working days after December 20. A town must certify the levy adopted by the town board to the county auditor by September 30. If the town board modifies the levy at a special town meeting after September 30, the town board must recertify its levy to the county auditor on or before five working days after December 20.

If a city, town, county, school district, or special taxing district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year ([Minnesota Statute 275.07](#)).

#### *Market Value Taxes Certified Separately*

Market value based referendum taxes must be certified separately from the rest of the county, school district, city, town, or special taxing district final property tax levies ([Minnesota Statute 275.61](#)).

#### *Final Property Tax Levy Restriction*

The final property tax levy certified by a town or special taxing district (except a metropolitan special taxing district) may be the same as, less than, or greater than its proposed property tax levy. The final property tax levy certified by a county, school district, city, or metropolitan special taxing district, however, cannot exceed the proposed property tax levy except as the result of one or more of the allowable "add-on" levies described in [here](#).

*Final Levy Recertification Due to Unallotments*

Local governments are allowed to recertify their final levy in the event of an unallotment of December aids or credits occurring after levies have been adopted. This applies to unallotments made after September 1. If an unallotment is announced after levies have been adopted, local governments may increase their final levy up to the amount of the unallotment. If necessary, local governments may exceed their proposed levy in this situation. The recertified levy must be reported to the county auditor within two business days of January 15. If this deadline is not met, the original certification will be used. Counties must report any recertified levies to the Department of Revenue by January 30 ([Minnesota Statute 275.07](#)).

**Proposed and Final Levy Reports**

County auditors are required to report all of the proposed property tax levies to the Department of Revenue by October 8 and all final levies by January 15. The total levy of a cross-county jurisdiction should only be reported by the home county auditor.

The Department of Revenue prescribes the form of the report. This report is generally a spreadsheet which requires the breakout of the proposed net tax capacity based levies and referendum market value based levies, with subtotals provided for each type of taxing district, as well as a grand total for the entire county. Certain levies, such as county levies for a lake improvement district, may be required to be reported separately from the other levies of an authority.

If any taxing authorities in a county are in the process of merging or consolidating services, the names of the districts should also be reported on the proposed levy spreadsheet. If the merger or consolidation affects the proposed levy, the levy amounts should be recertified to the Department of Revenue as soon as practical after October 10 ([Minnesota Statute 275.07](#)). County auditors must also report to the commissioner of education the amount of the certified levy made by each school district within the county by April 1 ([Minnesota Statute 275.124](#)).

**Verifying Tax Authority and Enforcing Levy Limits**

The initial requirement for levy limits is ensuring that the jurisdiction is authorized to make the levies that it is proposing. If it is not clear from documentation or experience what statutory authority is being used for each levy, you will need to ask the taxing authority to provide that information. This information is necessary for determining if any limits have been placed on the extension of the levy.

When authorizing local governments to levy property taxes, the legislature often places limits on the use of that authority and the maximum amount that may be levied. The county auditor must enforce these legislative restrictions. While county auditors do not set tax levies for taxing authorities, they are required to adjust certified levies to meet statutory limits. In the case of cross-county authorities, the home auditor takes on this role. This determination is ultimately made when the final certified levy is received, but there may be some value in reviewing levy limits as part of the truth-in-taxation process and notifying the taxing authority of potential issues before they set their final levy and budget.

**Checking Bonds against the Bond Register**

County auditors are required to maintain bond registers that have information relating to any bonded debt issued by local taxing authorities in the county ([Minnesota Statute 475.62](#)). For bonds that have tax levies pledged for payment of all or part of the debt, the county auditor must certify that the debt has been entered in the bond register and that any required tax levies have been made ([Minnesota Statute 475.63](#)). The county auditor must ensure that debt levies as noted in the original bond resolution are made according to the levy

schedule. If the municipality fails to make the needed debt service levy and has not provided a resolution to reduce the levy, the county auditor will make a levy for debt service ([Minnesota Statute 475.64](#)).

A taxing authority may levy more than required by the debt service schedule. No justification is required for such an increase. Decreasing a levy from what was contained in the original bond resolution requires some very specific steps. To reduce the debt levy, the taxing authority must certify that they are making an irrevocable appropriation of funds actually on hand to the debt service account or that there exists excess funds in the debt service account for payment of the debt ([Minnesota Statute 475.61](#)). This certification should take the form of a resolution appropriating the funds and reducing the debt levy. The funds must already be on hand. It is not sufficient to anticipate receiving funds in the future.

While not required by statute, it may be helpful to create a list of all bond issues with the appropriate debt levies and to send this list to each taxing authority with debt in July or August. Taxing authorities may be required by the county to certify with their final levy that this list agrees with their records and to provide any resolutions that amend the amounts. Keeping track of any debt issued at the end of the year will help ensure that any new needed debt levies are made. Remember, it is the statutory responsibility of the county auditor to make sure that all debt service levies are extended to the tax rolls ([Minnesota Statute 475.61](#)).

### *Refunded Bonds*

One potential problem area is for refunded bonds. A taxing authority may find it advantageous to issue new bonds in the market and use the proceeds to pay off older, higher rate bond issues. A portion of the new bond proceeds are placed in escrow to pay off the older bond issue. The new bond is called a refunding bond. The bond being paid off is the refunded bond. Advance refunded describes the process of using escrow funds to pay off the older bonds as soon as they are callable. In the absence of the advance refunded feature, payments will be made from the escrow fund according to the original debt repayment schedule.

Many taxing authorities consider the refunded bonds to be paid because they have provided funds in escrow for payment of the bonds. It is important to note that the tax levies for the refunded issue are still in effect unless the refunded bonds are paid off or the taxing authority has provided a resolution irrevocably appropriating funds as noted above, either as a separate action or as part of the resolution issuing the new refunding bonds. The process of refunding a bond is not sufficient to cancel debt levies. Some bond resolutions will specifically provide that the debt service levies for the refunded bond will be used to pay the debt for the refunding issue.

### **Certifying Special Assessments and Finance Charges**

Minnesota statutes and city charters provide for a number of different special assessments and special service charges to be extended against benefited properties and to appear on the tax rolls. Common examples include:

- Local improvement assessments such as street improvements, sanitary or storm sewers, and lighting
- Unpaid special charges for garbage or ice removal, street lighting, and tree trimming
- Delinquent garbage bills
- Delinquent sewer or water bills
- Waste management and recycling charges
- Watershed capital improvement projects or maintenance and repair

The statutes are largely silent with regard to when these assessments and charges must be certified to the county auditor. Assessment rolls for local improvement assessments can be maintained by either the municipality or the county, whichever the municipality chooses. If the municipality chooses to maintain their own assessment rolls, they must certify the yearly installments and interest on or before November 30 each

year ([Minnesota Statute 429.061](#)). The county already has the installment information except in the case of newly created assessment rolls, and the county may ask municipalities to certify new assessment rolls to the county by November 30. Ultimately, this is a negotiated arrangement between the county and its municipalities. Counties should be consistent and make sure that the municipalities know what the expectations are so that they can plan appropriately for the timing of the creation of new assessment rolls.

In the case of unpaid service charges or other similar types of special assessments, the county may require certifications be due the same date as for certifying final levies (five working days after December 20). In the absence of statutory timelines, this is also a negotiated arrangement between the county and its municipalities. Tax rolls are deemed complete as of January 1 each year so certifications should take place prior to this date.

Townships can charge unpaid service charges to the tax rolls, only after having provided written notice to the affect property owners by September 15. Townships can then certify charges to the county auditor by October 15 ([Minnesota Statute 366.012](#)).

## Levy Limitations

### Types of Levy Limits

Several types of levy limitations may affect certified levies:

- Overall levy limitations determined by the Department of Revenue on the total levy of taxing authorities
- Specific levy limitations imposed in the statutes that authorize levies for specific purposes
- Truth-in-taxation levy limitations that prohibit the final levy of certain authorities from exceeding the proposed levy
- School district levy limitations as established by the Department of Education

### *Overall Levy Limits*

Overall levy limits apply to the combination of all levies for any particular authority. Particular types of levies (special levies) may be exempt from this calculation. Historically, levy limits have been based on prior levies for the taxing authority as adjusted for multiple growth factors and/or some dollar limit per capita. Such overall limits, however, are subject to changes in their construct depending on the motivations that prompt the legislature to enact or renew them.

### *Specific Levy Limits*

Specific levy limits apply to levies for a particular purpose. Specific levy limits may be codified in statute, buried in special laws, or contained in city or county charters. Examples of factors used to limit levies are:

- A set dollar amount
- A percentage of taxable market value
- A dollar amount per capita
- One-time levies
- Phased-in levies
- Periodic levies

### *Truth-in-Taxation Levy Limits*

Counties, cities, school districts, metropolitan special taxing districts, and regional library districts cannot increase their final levies from the proposed levies certified in the truth-in-taxation process. Exceptions are made for voter-approved levies and for levies for natural disasters, tort judgments, increases in levy limits, or state aid certificates that occurred after the proposed levy was certified. This limitation does not apply to

townships or nonmetropolitan special taxing districts so their final levy may exceed their proposed levy ([Minnesota Statute 275.065](#)).

*School District Levy Limits*

Independent school districts have had fairly stringent levy limits placed on their operations. Each levy type has its own formula for determining levy limits. The Department of Education is responsible for determining levy limits for each levy type for all school districts in the state ([Minnesota Statute 126C.48](#)).

Given the complexity of the calculations and the fact that the legislature often modifies the school formulas late in the session or in special session, levy limitations are often not finalized by the time that school districts must certify a proposed tax levy for truth-in-taxation purposes. School districts may certify their proposed levies as the maximum amount certified by the Department of Education. To ensure levy limits accurately reflect the latest estimates of student counts, expenditures, and other data that drives the levy formulas, school districts have until September 30 to submit changes to the Department of Education ([Minnesota Statute 275.065](#)). For both the truth-in-taxation notice and the preliminary levy survey, counties should wait until October 1 to access these reports on the Department of Education’s website.

Levy Limitation and Certification Reports submitted by school districts may show different limits than those shown on the Department of Education’s website for the following reasons:

- Some school districts may estimate their levy limitations for purposes of certifying their proposed levy by adjusting an early version of the Levy Limitations and Certification Report by the amount of any anticipated corrections.
- The option to certify “maximum” levy rather than a specific dollar amount enables school districts with late changes in levy limitations to avoid the need for a special board meeting to certify the revised proposed amounts. Under this option, some school districts may use a preliminary version of the Levy Limitation and Certification Report when certifying their levy to the county.
- The Department of Education will revise Levy Limitation and Certification Reports in the first week of October for any districts making data changes on September 30 or just prior.
- Districts occasionally request changes after September 30, and the Department of Education will process these requests if the home county has agreed to accept the late change.

**Applying Specific Levy Limits**

*Converting Mill Rate Limitations to Dollars*

Prior to 1989, mill rates were used to calculate taxes instead of the local tax rates currently in place. Special laws or city charters may still contain levy limitations expressed in terms of mill rates. [Minnesota Statute 275.011](#) contains information for converting mill rate limitations to dollar limitations.

*Definition of Estimated Market Value for Determining Levy Limits*

A number of special levy limitations are expressed as a percentage of estimated market value. Limits are determined on the estimated market value for the particular taxing authority before adjustments for exclusions, deferments, tax increment, fiscal disparities, or power line credit ([Minnesota Statute 273.032](#)).

Unless a specific provision designates a particular year, the previous assessment year’s estimated market value should be used for determining levy limits. The value for the previous assessment year is the estimated market value for the taxes payable year previous to the one for which you are determining levy limits for. For example, when determining a levy limit for taxes payable in 2019, the estimated market values for assessment year 2017,

as used for taxes payable in 2018, must be used to set the limit. In this example, the current assessment year for taxes payable in 2019 is the 2018 assessment year, so assessment year 2017 is the “previous assessment year” ([Minnesota Statute 273.032](#)).

*Definition of Estimated Market Value for Determining Debt Limits*

“Estimated market value” for limits on net debt uses a different year than for determining levy limits. When determining the debt limit, the issuance of bonds, certificates of indebtedness, or capital notes, the estimated market value should be the value as last finally equalized. For example, when determining a debt limit for taxes payable in 2019, the estimated market values for assessment year 2018, as used for taxes payable in 2019, must be used to set the limit ([Minnesota Statute 273.032](#)).

**Adjusting Levies That Exceed Levy Limits**

In the case of special levies which exceed their limits, the auditor simply needs to reduce the specific levy to the limit contained in statutes or charter. Levies for bonds or judgments are to be extended in full, regardless of limits, and other levies are to be reduced to bring the overall levy into compliance. A similar process should be used for final levies that exceed truth-in-taxation levy limits.

Sometimes a county auditor will be required to increase a debt levy because the bond register shows a greater levy than what has been proposed by the taxing authority and appropriate action has not been taken by the taxing authority to decrease the debt levy. In this circumstance, the county auditor must increase the understated debt levy and reduce other levies to comply with overall or truth-in-taxation levy limits ([Minnesota Statute 275.16](#)).

**Administration of Overall Levy Limits**

Traditionally all counties, cities with a population over 2,500, and towns with a population over 5,000 are subject to the overall levy limitations. The following sections provide a general description of the overall levy limitations as most recently applied.

*History*

Levy limits were originally imposed for taxes payable in 1972 in response to the 1971 “Minnesota Miracle” tax reforms. These continued through taxes payable 1992 before they were replaced by the truth-in-taxation process. Levy limits were brought back for taxes payable in 1998 and continued for three years while the legislature was compressing class rates. The limits were allowed to expire for taxes payable in 2001, but were brought back for taxes payable 2002 and 2003 in response to the 2001 legislative reforms. The limits for taxes payable 2004 were tighter than previous limits and were imposed to prevent cities from levying back for the full aid reductions that were imposed for 2003 and 2004. The limits were again imposed for payable 2009 through 2011 with an inflation adjustment.

*Usual Construct of Limits*

Typically, overall levy limits are equal to an adjusted levy limit base that includes the prior year levies and general purpose aids, minus the amount of those aids for the year being limited. The levy limits have typically allowed the levy limit base to increase to some extent for the rate of inflation, for the rate of household growth, and/or for some of the increase in commercial/industrial property. There has also traditionally been an enumeration of special levies for identified purposes that are not subject to the limitation. Local governments are also allowed to seek a voter approved increase at a general or special election.

*Special Levies*

Under the overall levy limitation law, special levies are defined as levies to be levied outside of the overall limitations. When levy limits are enacted, all special levy claims must be pre-approved by the Department of Revenue.

Special levies are extended for the following purposes or in the following manner ([Minnesota Statute 275.70](#)):

- Bonded indebtedness
- Certificates of indebtedness
- Payments for bonds of another unit of government
- Principal and interest on armory bonds
- Market value based referendum levies
- Increases in matching fund requirements for state or federal grants
- Preparing for or repairing the effects of natural disasters
- Correction for an error in the final levy certified to the county auditor in the preceding year
- Levies for economic development tax abatements
- PERA employer contribution rate increases or locally administered pension plans after June 30, 2001
- Operating or maintenance costs of a county jail or correctional facility
- Operation of a lake improvement district
- Repayment of a state or federal loan related to a state or federal transportation project or other capital project
- Increased costs for a local police or salaried firefighters relief association
- Levy for storm sewer improvement district
- Costs for the maintenance and support of a society for the prevention of cruelty to animals
- Health and human service cost increases due to reduction in federal grants
- Costs for securing, maintaining, and demolishing foreclosed property
- Costs for salary and related benefits of sheriff, police, and fire personnel
- An amount equal to the reduction of state aids or credits due to unallotment
- One-half the costs of confining sex offenders undergoing civil commitment
- First year costs of operating a county public safety facility
- Estimated reduction to market value credits payable in the year in which the levy is payable

## Chapter 5: Tax Rate Calculation and Determination of Net Tax

In the most basic terms, the property taxes that are levied on a property are the result of dividing an adopted levy by the tax base to yield a tax rate. This rate is then extended against a property to yield the tax. Whereas Chapter 3 discussed bases and values and Chapter 4 discussed the budgeting process that leads to certification of property tax levies, Chapter 5 now addresses how tax rates and net taxes are determined utilizing those levies and values. Once again, the process may not be quite as straightforward as one may expect.

### [Unique Taxing Areas](#)

This section introduces unique taxing areas (UTAs) which are an important concept in calculating and reporting property tax rates and net tax amounts. Because counties, cities, and school districts cover different boundaries, the unique taxing area represents an area where the same set of tax rates comprises the total tax rate.

### [Tax Rates](#)

This section discusses rate calculation. It reviews the three major categories of tax rates: local net tax capacity rates, referendum market value rates, and state general property tax rates. This section distinguishes between “taxable net tax capacity” and “net tax capacity” as well as between “initial tax rates” and “local tax rates.” This latter distinction requires a discussion of Disparity Reduction Aid (DRA). “Exception rates”—where a jurisdiction’s rate may not be uniform across the whole jurisdiction—are also introduced in this section and are covered more in depth in the following section.

### [Extending Rates](#)

The extension of tax rates is covered in this section.

### [Credits and Net Taxes](#)

This section reviews the various credits that reduce the property tax to be paid for a property, providing numerous calculation examples. This section also explains how these credits are deducted to yield net taxes.

### [Alternate Methods of Taxation](#)

This section goes over contamination taxes, power line taxes, and solar and wind energy production taxes, which can be a part of the total taxes that may be assessed on a property.

## Unique Taxing Areas

An important concept in the application of tax rates, especially as it relates to reporting to the Department of Revenue, is the “unique taxing area.” A unique taxing area (UTA) is a geographic area subject to the same set of local tax rates levied by the same taxing districts. There are over 6,000 unique taxing areas in the state.

*Determinants of Unique Taxing Areas*

While it may be fairly obvious that a different mix of taxing districts with a different total local tax rate will yield different UTAs, it is important to recognize that both the rates and the authorities or districts associated with those rates are important in distinguishing UTAs. Areas that consist of the same taxing authorities may still have different UTAs if the total local tax rate is different. This can happen when either of the following occurs:

- A portion receives Disparity Reduction Aid while the remainder does not
- There is a special service district, annexation, or other taxing boundary which changes the total tax rate although not technically defined as a special taxing district or authority

 **NOTE**

Statute refers to unique taxing areas as “unique taxing jurisdictions” and some counties may refer to them as “taxing districts,” but the preferred terminology is “unique taxing area.”

Conversely, the determinant of a UTA is not just the differences in the local tax rates, but rather, it is the composition of the local tax rates. For example, two groups of parcels may have the same total local tax rate, including the same county, city, school district, and special taxing district rates, but if the groups are in separate watershed districts, for instance, that just happen to be levying at the same rate, the groups are still in separate UTAs because they have a different composition of taxing authorities.

To summarize, reasons for creating separate UTAs may include:

- Different mixes of taxing districts, even if the amounts of the rates are the same; and
- Different rate amounts, even if the mix of districts is the same. This can occur when there is:
  - Disparity Reduction Aid
  - An urban-rural service district
  - A subordinate service district
  - Other service districts such as fire protection districts, ambulance service districts, storm sewer improvement districts, and lake improvement districts
  - A TIF special taxing district created to address TIF deficits
  - An annexation

See [Chapter 4](#) for more information on the various districts.

*UTAs May Be Non-Contiguous*

A unique taxing area does not need to be a contiguous area. Some school district boundaries will pick up isolated parcels or groups of parcels. A single UTA, therefore, with an identical mix of taxing districts and an identical total rate can be comprised of multiple non-contiguous areas that would be shown as multiple polygons on a map.

*Unique Taxing Areas Examples*

Figure 5-1 below shows how the fictional Spruce County is divided into two school districts. Within School District B there is a watershed taxing district that covers only a portion of the area covered by the school district. Mill City covers an area that spans both school districts and the School District B portion includes both areas inside and outside the watershed district. Within Mill City there is a taxing district called the Downtown Economic Development Authority (EDA) that spans both sides of the creek that divides the two school districts. The five distinct UTAs that are located within Mill City are numbered and summarized in Figure 5-1.

Figure 5-1: UTA Illustration for Mill City

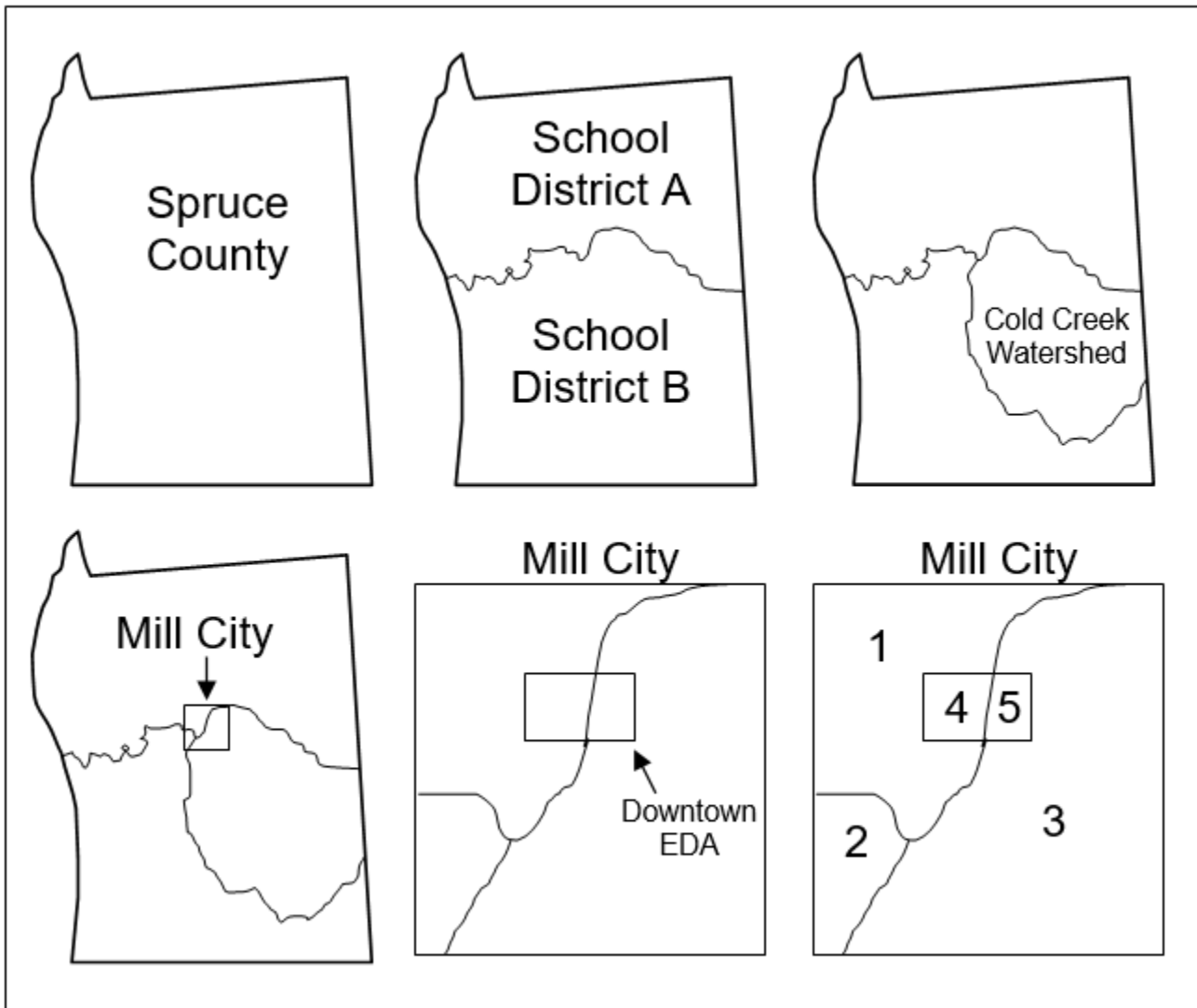


Table 5-1 below identifies the tax rates that make up each UTA. UTAs 1 and 4 are in School District A, while UTAs 2, 3, and 5 are in School District B. UTA 2 falls outside the Cold Creek Watershed District (CCWD) while 3 and 5 are inside the district. UTAs 4 and 5 are inside the Downtown EDA but are in the separate school districts.

**Table 5-1: Tax Rates for Mill City Unique Taxing Areas**

UTA	Spruce County	Mill City	School District A	School District B	CCWD	Downtown EDA	Total Tax Rate
1	40%	35.000%	18.000%	-	-	-	93.000%
2	40%	35.000%	-	20.000%	-	-	95.000%
3	40%	35.000%	-	20.000%	5.000%	-	100.000%
4	40%	35.000%	18.000%	-	-	3.500%	96.500%
5	40%	35.000%	-	20.000%	5.000%	3.500%	103.500%

Note that while each of the UTAs in this example has a distinct total tax rate, the determinant of a UTA is not just differences in the total rate but also the composition of rates. For example, if UTA 4 received some Disparity Reduction Aid that lowered the total tax rate to 95%, it would still be a separate UTA from UTA 2, which has a total rate of 95%, because they are comprised of different taxing jurisdictions.

*UTA IDs*

PRISM submissions require the use of a unique taxing area ID (formerly called UTA subcodes on abstracts). Providing the county, city/town, and school district codes helps distinguish between UTAs, but the UTA ID is needed to complete the unique record identification of UTAs for those areas where there is more than one UTA located within the same school district within the same city or town. The UTA IDs must be the same from year to year.

The only exception to this rule is when new UTAs are created by splitting or combining existing UTAs. New annexations or changes in taxing district boundaries may require formation of new UTAs or deletion of existing UTAs. For new UTAs, the ID used in the most recent year is assigned to the portion of that UTA that now has the highest market value. If two UTAs that existed last year combine into one for the current year, the ID to be used this year is the ID used for the UTA containing the highest market value last year.

For example, if a new taxing district, such as a new hospital district, begins levying for taxes payable in 2015, and only a portion of each of two existing UTAs is in the new taxing district, then a new UTA must be carved out of each of the existing UTAs. The existing records will continue to reflect the largest portion (in value) of the previous area, and they will retain their UTA IDs. Each of the new UTAs will require a new record and thus a new ID. The IDs are assigned sequentially. Once the ID is assigned for a UTA, it must remain the same for all PRISM submissions submitted by both the county assessor and the county auditor, and it should not change from one year to the next. Example 5-1 below illustrates this example.

**Example 5-1: Splitting Existing UTAs into New UTAs**

In assessment year 2018, payable 2019, the following records/UTAs existed:

MV	CO	CT	SD	ID	Initial Tax Rate	Special Taxing Districts Levying
\$100,000	73	8000	0056	00	99.111%	Watershed, RDC
\$40,000	73	8000	0056	01	120.222%	Watershed, RDC, HRA

For payable 2019, part of the value of each record becomes part of a new hospital district. The existing two records turn into four records. The ID used the previous year stays with the portion of UTA that now has the highest market value. Therefore, in this example, ID 00 stays with the \$60,000 market value portion of the former \$100,000 market value UTA, and ID 01 stays with the \$25,000 market value portion of the former \$40,000 market value UTA.

MV	CO	CT	SD	ID	Initial Tax Rate	Special Taxing Districts Levying
\$60,000	73	8000	0056	00	100.111	Watershed, RDC
\$40,000	73	8000	0056	02	105.111	Watershed, RDC, hospital
\$25,000	73	8000	0056	01	126.222	Watershed, RDC, HRA, hospital
\$15,000	73	8000	0056	03	121.222	Watershed, RDC, HRA

If a new UTA is set up for the purpose of reporting new construction values in border city development zones that will be exempt except for special assessments, debt levies and equalized school district levies, the ID should

be numbered from ‘90’ through ‘95’ to identify it as a partially taxable UTA. These IDs should not be used in any other UTA.

Once an ID has been assigned to a UTA as discussed above, that ID is to be used by both the assessor and auditor on all PRISM submissions turned in to the department at UTA level. The ID will remain the same from one year to the next. Keeping this ID consistent is extremely important since many aids are calculated at UTA level.

*Referendum Market Value Levies*

Referendum levies based on market value do not create new boundaries of taxation and are levied by existing taxing entities. As such, a new referendum market value levy does not generate a new UTA.

## Rate Calculation

The county auditor calculates all tax rates except the state general property tax rate and those rates that may be fixed by law ([Minnesota Statute 275.08](#)). As discussed in [Chapter 3](#), there are generally two types of local tax bases upon which levies are based—local net tax capacity and referendum market value. This section reviews how these rates are calculated and overviews the state general property tax rates that are calculated by the Department of Revenue. First, there are several basic steps and parameters to consider.

*When Computed*

Tax rates must generally be computed at two separate times, once for the proposed levies as part of the truth-in-taxation process and again for the preparation of tax statements from January to March.

*Collection of Levies and Values*

The first step in calculating rates is to receive the levy certifications from local taxing jurisdictions and values from the assessor. Levies are certified to auditors per [Minnesota Statute 275.065](#), for proposed levies and per [Minnesota Statute 275.07](#), for final levies. The receipt of values from the county assessor is described in statute in fairly obscure terms as if “books” are passed back and forth in an established process. In short, the auditor has some responsibility to review the assessment books and make corrections ([Minnesota Statutes 274.08 to 274.17](#)). The timelines are a little unclear since values are deemed to be final on July 1 of the assessment year ([Minnesota Statute 274.175](#)), but homesteads may still be granted into December ([Minnesota Statute 273.124](#)). This collection process will likely vary from county to county, but ultimately, a cut-off of values must be used for TNT tax rates, and the finalized values must be established for calculating final tax rates.

*Cross-County Process and Estimates*

For cross-county jurisdictions, such as school districts and special taxing districts, it is important for the rate calculation process that countries share values and levies that affect the jurisdiction and for the home county auditor to then share the computed initial tax rates. The timing of this sharing of values is not set in statute except that the home county auditor must certify the proposed levy and proposed tax rate to the other county auditor by October 5 ([Minnesota Statute 275.065](#)). Presumably, values should be shared for TNT purposes when PRISM Submission 2 is completed and sent to the Department of Revenue by September 1 in accordance with [Minnesota Statute 270C.89](#). For final levies, the home county auditor may use estimates of the necessary values if the local tax rate or tax capacities from the other county are not received by January 15. A county auditor who has not furnished such values by January 15 must, on request, provide an estimate of the rates or tax capacities and may request assistance from the assessor in determining these estimates ([Minnesota Statute 275.08](#)). Note

that the sharing of cross-county tax rates should also include the sharing of aid rates needed for displaying the state paid relief amount on the property tax statement.

The importance of this cross-county sharing process cannot be understated. It is very important to recognize that the timeframes that work in one county may not work for a neighboring county. No county should be forced to use estimates and incur the administrative burdens of subsequently adjusting for those estimates, as provided in [Minnesota Statute 275.08](#). Counties should agree upon deadlines and be sensitive to each other’s needs.

*Rounding of Rates*

Tax rates are expressed as a percentage. Net tax capacity based tax rates are shown with three decimal places, whereas referendum market value based tax rates are shown with five decimal places. The larger magnitude of market values relative to net tax capacities necessitates the additional decimal places. Local tax rates are also always rounded up to ensure that the rate raises the full amount that was levied. For example, if a county levy was \$30,000,490 and the taxable net tax capacity was \$100 million, the precise rate would be 30.00049%. If this were rounded conventionally to 30.000%, the levy would be short \$490. Therefore, this rate would be rounded to 30.001%. Disparity Reduction Aid rates are not rounded since the aid amounts used should be matched to the amount eligible to be claimed.

**Local Net Tax Capacity Tax Rates**

Most local levies are spread on net tax capacity. In calculating rates, the distinction between taxable net tax capacity and net tax capacity is very important.

*Taxable Net Tax Capacity vs. Net Tax Capacity*

The taxable net tax capacity is used to calculate initial tax rates. Several subtractions to the total net tax capacity are made to define the taxable net tax capacity used for setting initial tax rates:

- Total Net Tax Capacity
- Power Line (10%) Net Tax Capacity
- Fiscal Disparity Final Contribution Net Tax Capacity
- Tax Increment (TIF) Retained Captured Net Tax Capacity
- = Taxable Net Tax Capacity

The 10% power line value is excluded so that when tax rates are spread on the full net tax capacity, the extra taxes extended will fund power line credits. The fiscal disparity value is set aside to facilitate tax base sharing mechanics. The TIF retained captured value is set aside to yield tax increments when the tax rate is extended to the captured value.

*Initial Tax Rates*


When the levies for each taxing jurisdiction have been certified to the county auditor, and when taxable net tax capacity values have been determined, then initial tax rates for each taxing district (county, city, town, school and special taxing districts) are determined. Basically, the initial tax rate for a taxing district is calculated by dividing the property tax levy by the total taxable net tax capacity value. For example, if a city's levy is \$100,000 and the taxable net tax capacity value is \$350,000, the total city initial tax rate would be calculated as follows:

$$\$100,000 / \$350,000 = .28571 \text{ or } 28.571\%$$

In a unique taxing area, the total initial tax rate is equal to the sum of the initial tax rates for all taxing districts levying in that area. This initial rate would be applied to each taxable parcel of property in the unique taxing area to determine the amount of local net tax capacity based property tax for each parcel, except that the existence of Disparity Reduction Aid and any applicable TIF Adjustment Rates creates additional computations in order to determine the local tax rate that is ultimately extended.

*Disparity Reduction Aid Rate*

Disparity Reduction Aid (DRA) is calculated by the Department of Revenue and certified for each qualifying unique taxing district to the county auditors each year under [Minnesota Statute 273.1398](#). DRA applies only to local net tax capacity rates; it has no effect on the state tax rate or any referendum market value rates. DRA amounts generally remain unchanged. Each unique taxing district’s DRA is to be paid by the Department of Revenue to the taxing districts in August and December of each year. Not all of the aid certified may be utilized if the 90% tax rate limit is reached as discussed below.

 **NOTE**  
 DRA was created by the 1988 Legislature to provide relief for high tax rate areas that arose from the conversion from mill rates and assessed values to net tax capacities. While initially paid to all local jurisdictions, the city amounts were canceled and shifted to LGA beginning with aids paid in 1994 ([Minnesota Statute 273.1398](#)).

DRA is applied to a UTA by determining a DRA rate for each jurisdiction receiving DRA. The DRA rate is the tax rate reduction determined by dividing the DRA for each taxing district segment within the unique taxing area by the taxable net tax capacity of the unique taxing area. For example, if the school district DRA in a unique taxing area is certified to be \$2,000, and the taxable net tax capacity of that unique taxing area is \$44,000, the DRA rate for the school district in that unique taxing area is 0.04545 or 4.545%. If the school district’s initial tax rate was 12.655%, the local tax rate, after subtracting the DRA rate, would be as follows:

$$12.655\% - 4.545\% = 8.110\%$$

The amount of DRA that can be used may be limited. If, after computing each local tax rate within a unique taxing area, the auditor finds that the total adjusted local tax rate of all local governments combined has been reduced below 90%, the auditor shall increase each local government’s tax rate so that the DRA does not reduce the total local tax rate of all local governments combined below 90% ([Minnesota Statute 275.08](#)).

*TIF Tax Adjustment Rate*

The TIF tax adjustment rate was created by the 2008 Legislature as one of the options that a county auditor can use to correct an error or mistake that resulted in decertifying a district, incorrectly certifying a district, or otherwise failing to correctly compute the TIF increment for a district. The TIF tax adjustment rate applies only to local net tax capacity rates; it has no effect on the state tax rate or any referendum market value rates.

If this option for TIF correction of errors is utilized, the county auditor adjusts the tax rates of one or more of the taxing districts imposing taxes in the TIF districts for one or more years to recoup amounts advanced by the county or other entity to the TIF authority ([Minnesota Statute 469.177](#)). For example, if a TIF district was mistakenly shorted in tax due to a computing error in the prior year, and the county auditor decided to recoup the TIF tax in a single year using the TIF tax adjustment rate, the county auditor would first determine how much of the retained NTC should have been collected for the TIF district in that prior year from the applicable taxing authorities in that TIF district (the county, the city, the school district, and any special taxing districts); after determining this breakdown, the county auditor would determine what the NTC levy adjustment would have been for each taxing authority if the retained NTC was collected last year for the TIF district, and then, using this

NTC levy adjustment value to determine what adjustment rate should be applied to each taxing authority, distribute the same amount to the TIF district in the current year.

For more information on TIF and TIF error correction, see [Chapter 11](#).

*Local Tax Rates*

The local tax rate after the adjustment for DRA and any TIF tax adjustment rate, rather than the initial tax rate, is the tax rate actually extended in determining the tax each parcel owes. If a unique taxing area does not receive DRA or have a TIF tax adjustment rate, the local tax rate is the same as the initial tax rate. If a unique taxing area does receive DRA, the initial tax rate for each jurisdiction receiving DRA must be reduced by the disparity reduction aid rate, as explained above. If a unique taxing area does have a TIF tax adjustment rate, the initial tax rate for each affected jurisdiction must be increased by the TIF tax adjustment rate. The resulting rate is the local tax rate, although DRA cannot reduce the total local tax rate below 90%. Remember, these local tax rates do not include the state tax rate.

*Exception Rates*

DRA and TIF tax adjustment rates are two ways the local tax rate of a jurisdiction may vary from UTA to UTA. The initial tax rates for a taxing jurisdiction can also vary between unique taxing areas within a jurisdiction due to the presence of various exception rates. In short, these exception rates reflect differences in taxes associated with different service districts that are permitted by law.

**Referendum Market Value Tax Rates**

*Referendum Market Value Based Levies*

As discussed in [Chapter 3](#), certain levies are based upon referendum market value rather than net tax capacities. Prior to taxes payable 2004, all of these market value levies were voter approved (and therefore truly “referendum” market value levies) but beginning with taxes payable in 2004, some school district levies (transition and equity levies) are based on referendum market value even though they are not voter approved.

Any levy for a local governmental subdivision other than school districts must be levied against referendum market value; this does not apply to the payment of debt obligations approved by voters after June 30, 2008 ([Minnesota Statute 275.61](#)).

[Minnesota Statute 126C.17](#) provides for referendum market value levies for school districts that are voter approved while [Minnesota Statute 126C.10](#) provides for referendum market value based equity and transition levies that are not voter approved. School district levies for bonds or capital expenditures are always based on net tax capacity, even if approved by voters at a referendum.

*Referendum Market Value and All Market Values*

As also discussed in [Chapter 3](#), referendum market value does not include all market value. The following types of property are excluded from the RMV base:

- Class 2a Agricultural land (homestead and nonhomestead) beyond HGA;
- Class 2b Rural Vacant Land;
- Class 2c Managed Forest Land;
- Class 2d Private Airport;
- Class 2e Commercial Aggregate Deposit;
- Class 4c(4) Post-Secondary Student Housing; and

- Class 4c(12) Noncommercial Seasonal Recreational Residential ([Minnesota Statute 126C.01](#)).

*Calculating Referendum Market Value Based Tax Rates*

Levies based on market value are identified separately from net tax capacity based levies when they are certified to the county auditor ([Minnesota Statute 275.61](#)). The county auditor calculates a referendum market value based tax rate for each governmental unit with a referendum market value levy by dividing the referendum market value levy by the total referendum market value for that taxing district ([Minnesota Statute 275.08](#)). In the case of school districts, the referendum market value levy may be reduced by the fiscal disparity distribution levy where applicable.

Market value based tax provisions do not affect and are not affected by tax increment financing, power line taxes, rural/urban service districts, or DRA and TIF tax adjustment rate calculation procedures.

**State General Property Tax Rate**

*Tax Base*

The state general property tax is levied on commercial-industrial (C/I) and seasonal-residential recreational (SRR) tax capacity. The state general property tax levies are set by the legislature, one for C/I and one for SRR

The commercial-industrial state net tax capacity base includes:

- Class 3 (commercial-industrial and public utility); and
- Class 5(1) (unmined iron ore) ([Minnesota Statute 275.025](#))

*TIF and Fiscal Disparities*

The state general property tax bases are not subject to adjustments for tax increment financing or fiscal disparities ([Minnesota Statute 275.025](#)).

*Relationship to Power Lines*

The state tax also applies to transmission and distribution lines whose value was used in determining the tax rates at the local level. The value of transmissions lines within cities plus lines of 69KV and above in organized townships are subject to the state tax. The 10% portion of excluded net tax capacity on 200 KV and above transmission lines used to fund the power line credit is also subject to the state tax. The portion of the tax raised by the state general property tax rates is distributed to the state and is not used to fund the power line credit ([Minnesota Statute 275.025](#)).

*Relationship to Credits*

The state general property tax is included in determining any credits that the property is eligible to receive.

*Collection and Distribution*

The state general property tax does not have separate due dates. It is due at the same time as other real and property taxes. The county treasurer is responsible for paying the state tax to the Department of Revenue by electronic means. The seven payment dates are calculated each year and fall in the months of May, June, July, October, November, December, and January ([Minnesota Statutes 276.11](#), [276.111](#), [276.112](#)).

You can find more information about the State General Property Tax on [the Department of Revenue website](#).

**Other Rates**

In addition to the state property tax rates, the local net tax capacity tax rates, and the referendum market value tax rates, there are a number of other rates that are identified by law, set by the Department of Revenue, or calculated by county auditors.

*Aid Rates*

In addition to the DRA rate used in computing local tax rates for local net tax capacity based taxes, similar aid rates are computed for the purposes of computing the state paid relief amount to be shown on the tax statement. These aid rates are computed by county auditors and are generally equal to the aid for a jurisdiction divided by the taxable net tax capacity.

*Countywide Average Tax Rate for Power Lines*

As described in [Chapter 5](#), certain power lines are taxed at the countywide average tax rate rather than the normal local rates. The state tax rates, computed by the state as described above, are included in this total average rate for applicable property types that may have power lines. The county auditor must compute both a countywide average local net tax capacity rate and a countywide average referendum market value. Instructions for these computations are provided annually as part of the instruction for PRISM where these rates are reported and can be found on the Department of Revenue [website](#).

*Fiscal Disparities Area-Wide Tax Rate*

The fiscal disparities area-wide tax rate is calculated by the administrative auditor (Anoka County in the Metropolitan program and St. Louis County in the Iron Range program). In order to compute this rate, each county auditor first certifies their distribution levy and contribution tax capacity to the administrative auditor. The sum of the distribution levies is the area-wide levy, and that sum is divided by the sum of the contribution tax capacities (the area-wide tax base) to yield the area-wide tax rate.

*Contamination Tax Rates*

Contamination tax rates are set by statute to be 100%, 50%, 25%, or 12.5% of the class rate for the property depending on certain circumstances as explained in [Chapter 5](#). The assessor reports the contamination values by the separate tax rate categories to the county auditor.

*Solar and Wind Energy Production Tax Rates*

[Chapter 5](#) also describes solar and wind energy production taxes. The rates for this production tax are set in [Minnesota Statutes 272.029 and 272.0295](#). The owner of a solar energy generating system must pay a production tax rate of \$1.20 per megawatt hour produced. The owner of a wind energy conversion system must pay a production tax based on the following schedule:

- For a large scale wind energy conversion system, .12 cents per kilowatt-hour of electricity produced by the system;
- For a medium scale wind energy conversion system, .036 cents per kilowatt-hour of electricity produced by the system;
- For a small scale wind energy conversion system of two megawatts or less, but greater than .25 megawatts capacity, .012 cents per kilowatt-hour of electricity produced by the system.

*Taconite Production Tax Rate*

[Minnesota Statute 298.24](#) sets the taconite production tax rate. This tax is in lieu of ad valorem property taxes and only applies in the taconite relief area. See the Mining Tax Guide on the Department of Revenue [website](#) for more information.

## Exception Rates

Occasionally, exception rates may cause lower initial tax rates in some unique taxing areas than in others. This section describes some circumstances that could result in exception rates.

### Rural and Urban Service Districts

Rural and urban service districts can be created by ordinance within a city. Service districts create separate taxing districts in the city for the purpose of property taxes, except for those levied for bonds and judgments and interest. Active rural and urban service districts cause tax rates to vary within a city. Properties within a rural service district do not benefit from municipal services to the same degree as properties within an urban service district, so the rural service district results in a lower tax rate.

Rural service districts are to include only un-platted lands that are rural in character and not developed for commercial, industrial or urban use. Urban service districts include all land that is not included in the rural service district. Platted parcels may also be included in a rural district if the governing body determines the land to be rural in character. Platted parcels included in a rural district should be reviewed annually to determine their continued eligibility. When property is developed, it must be transferred to the urban service district.

The governing body of the city establishes a benefit ratio for the rural service district, which is the city’s estimate of the ratio that exists between the levels of tax supported city services in the rural service district to the level of tax supported city services in the urban service district. This benefit ratio should be reviewed annually by the governing body of the city.

The recommended method for determining tax rates for urban and rural service districts is to:

1. Multiply the net tax capacity of the rural service district by the benefit ratio for the purpose of determining city tax rates for non-bonded debt purposes;
2. Multiply the benefit ratio by the urban service district tax rate for non-bonded debt purposes to determine the city tax rate for non-bonded debt purposes within the rural service district; and
3. Multiply this reduced city tax rate by the full net tax capacity of property within the rural service district.

**NOTE**

For bonded debt, the tax rates in both the rural and urban districts should be equal. The benefit ratio should not be used for bonded debt, unless special legislation has been written.

The cut-off date for recognition and determination of benefit ratio in the current levy year is August 1. (See [Minnesota Statute 272.67](#))

### Example 5-2: Initial Tax Rate Calculation for Cities with Urban and Rural Service Districts

This example is for a city in a non-fiscal disparity county or area. For a city in the one of the fiscal disparity areas, an adjusted levy would need to be determined by deducting the fiscal disparity distribution tax.

Calculations	Values
<i>Certified Levy of City:</i>	
Levy Excluding Bonded Debt	\$1,600,000
<u>Bonded Debt Levy</u>	<u>\$400,000</u>
Total City Levy	\$2,000,000
<i>Net Tax Capacity of City:</i>	
Urban Service District	\$8,000,000

Rural Service District	\$4,000,000
Total	\$12,000,000
Benefit Ratio for Rural Service District	25%
<i>City Net Tax Capacity Used to Determine Rate for Levy Excluding Bonded Debt:</i>	
Urban Service District [\$8,000,000 x 100%]	\$8,000,000
Rural Service District [\$4,000,000 x 25%]	\$1,000,000
Total	\$9,000,000
<i>City Initial Rate Determination for Levy Excluding Bonded Debt:</i>	
Urban Service District [\$1,600,000/\$9,000,000]	17.778%
Rural Service District [17.778% x 25%]	4.445%
<i>City Bonded Debt Initial Tax Rate Determination:</i> [\$400,000/\$12,000,000]	
	3.334%
<i>Total City Initial Tax Rate for Urban Service District:</i>	
Bonded Debt	3.334%
All Other Purposes	17.778%
Total	21.112%
<i>Total City Initial Tax Rate for Rural Service District:</i>	
Bonded Debt	3.334%
All Other Purposes	4.445%
Total	7.779%
<i>Tax Extension:</i>	
Urban Service District [\$8,000,000 x .21112]	\$1688,960
Rural Service District [\$4,000,000 x .07779]	\$311,160
Total	\$2,000,120

**Subordinate Service Districts and Special Service Districts**

Subordinate service districts may exist in counties and towns under [Minnesota Statutes, Chapter 375B](#) and [365A](#) of the Minnesota Statutes, respectively. The districts are portions of a county or town that receive one or more services or an increased level of service(s) that are not provided in the remainder of the county or town ([Minnesota Statutes 375B.02](#) and [365A.02](#)). The additional or increased level of service may be financed by a property tax levy imposed on the users of the service within the subordinate service district, by a service charge imposed on the users of the service within the subordinate service district, or by a combination of property tax and service charge within the subordinate service district ([Minnesota Statutes 375B.09](#) and [365A.08](#)). Counties within the seven county metropolitan area, as well as St. Louis and Olmsted counties, are not authorized to establish subordinate service districts ([Minnesota Statute 375B.03](#)).

**Annexations and Phase-in of Rates**

August 1 is the cut-off date for recognition of annexations for the following payable year ([Minnesota Statute 414.033](#)). For example, annexations occurring after August 1, 2016, would not be recognized for property tax purposes until the payable 2018 year.

The recommended method for determining tax rates is to:

1. Annually recognize an increasing percentage of the net tax capacity of the annexed area for the purpose of determining city tax rate;
2. Multiply this percentage by the original city tax rate to determine the city tax rate for the annexed area; and
3. Multiply this reduced city tax rate by the full net tax capacity of property within the annexed area.

**Example 5-3: Calculation of City Initial Tax Rates for Original and Annexed Properties**

This example assumes multiple annexations, growth in net tax capacity, and growth in property tax levies. This example also assumes there is a directive in the annexation order to phase-in the rate over three years. The initial tax rate of a city will be the same as its local tax rate. This example is for a city in a non-fiscal disparity county or area. For a city within the seven county metropolitan area or Iron Range fiscal disparity area, an adjusted levy would need to be determined by deducting the fiscal disparity distribution tax.

<i>Tax Rates before Annexation:</i>		
Original City		20.000%
Annexed Area #1		14.000%
Annexed Area #2		12.000%
Annexed Area #3		15.000%
<i>Total Certified Levy after Annexation:</i>		
Year 1		\$2,000,000
Year 2		\$2,187,000
Year 3		\$2,377,000
<i>Net Tax Capacity after Annexation</i>		
Year 1 Original City		\$10,000,000
<u>Annexed Area #1</u>		<u>\$500,000</u>
Total		\$10,500,000
Year 2 Original City		\$10,400,000
Annexed Area #1		\$520,000
<u>Annexed Area #2</u>		<u>\$208,000</u>
Total		\$11,128,000
Year 3 Original City		\$10,816,000
Annexed Area #1		\$540,800
Annexed Area #2		\$216,320
<u>Annexed Area #3</u>		<u>\$108,160</u>
Total		\$11,681,280
<b><u>Year 1 Calculations</u></b>		
<i>Net Tax Capacity:</i>		
Original City		\$10,000,000
<u>Annexed Area #1</u>		<u>\$500,000</u>
Total		\$10,500,000
Total Levy		\$2,000,000
<i>Tax Rates:</i>		
Original City Rate	R1	20.000%
Original Annexed Area #1 Rate	R2	14.000%
New Annexed Area #1 Rate $[(R1 - R2) \times 1/3 + R2]$	R3	16.000%*
*R3 is 80% of R1		
<i>Tax Extension:</i>		
Annexed Area #1 $[\$500,000 \times 80\% \times R3]$		\$64,000
<u>Original City <math>[\\$2,000,000 - \\$64,000]</math></u>		<u>\$1,936,000</u>
Total		\$2,000,000

<i>Final City Tax Rate</i>		
Original City [\$1,936,000/\$10,000,000]	R4	19.360%
<b><u>Year 2 Calculations</u></b>		
<i>Net Tax Capacity:</i>		
Original City		\$10,400,000
Annexed Area #1		\$520,000
<u>Annexed Area #2</u>		<u>\$208,000</u>
Total		\$11,128,000
Total Levy		\$2,187,000
<i>Tax Rates:</i>		
Original City Rate	R1	20.000%
Original Annexed Area #1 Rate	R2	14.000%
New Annexed Area #1 Rate [(R1 – R2) x 2/3 + R2]	R5	18.000%*
*R5 is 90% of R1		
Original Annexed Area #2 Rate	R6	12.000%
New Annexed Area #2 Rate [(R4 – R6) x 1/3 + R6]	R7	14.453%*
*R7 is 75% of R4		
<i>Tax Extension:</i>		
Annexed Area #1 [\$520,000 x 75% x R5]		\$84,240
Annexed Area #2 [\$208,000 x 75% x R7]		\$22,547
<u>Original City [\$2,187,000 - \$84,240 - \$22,547]</u>		<u>\$2,080,213</u>
Total		\$2,187,000
<i>Final City Tax Rate</i>		
Original City [\$1,936,000/\$10,000,000]	R8	20.000%
<b><u>Year 3 Calculations</u></b>		
<i>Net Tax Capacity:</i>		
Original City		\$10,816,000
Annexed Area #1		\$540,800
Annexed Area #2		\$216,320
<u>Annexed Area #3</u>		<u>\$108,160</u>
Total		\$11,681,280
Total Levy		\$2,377,000
<i>Tax Rates:</i>		
Original City Rate	R1	20.000%
Original Annexed Area #1 Rate	R2	14.000%
New Annexed Area #1 Rate [(R1 – R2) x 3/3 + R2]	R8	20.000%
*R8 is 100% of R1		
Original Annexed Area #2 Rate	R6	12.000%
New Annexed Area #2 Rate [(R4 – R6) x 2/3 + R6]	R9	16.906%*
*R9 is 87% of R4		
Original Annexed Area #3 Rate	R10	15.000%
New Annexed Area #3 Rate [(R8 – R10) x 1/3 + R10]	R11	16.666%*
*R11 is 83% of R8		
<i>Tax Extension:</i>		
Annexed Area #1 [\$540,800 x 100% x R8]		\$108,160

Annexed Area #2 [\$216,320 x 87% x R9]		\$31,817
Annexed Area #3 [\$108,160 x 83% x R11]		\$14,962
<u>Original City [\$2,377,000 - \$108,160 - \$31,817 - \$14,962]</u>		<u>\$2,222,061</u>
Total		\$2,377,097
<i>Final City Tax Rate</i>		
Original City [\$2,222,061/\$10,816,000]	R12	20.544%

## Extending Tax Rates

Generally, gross tax is the amount of tax before any credits are applied. Gross tax includes local net tax capacity based taxes (including tax increments, fiscal disparities contribution taxes, and power line taxes), referendum market value taxes, and state general property taxes. To some degree, property tax related taxes or in lieu taxes (like contamination taxes, solar and wind energy production taxes, and taconite production taxes) may also be considered part of the gross tax, although the relationship to credits and net taxes may not be the same.

Before rates can be extended, each auditor that is not the home county for a jurisdiction must obtain the rates from the home county auditor. Once again, the importance of cooperation and consideration for the needs of neighboring counties cannot be overemphasized. As discussed earlier, proposed rates must be shared by October 5 and final rates by January 15. Note that the net tax capacity rates shared are initial tax rates since DRA and TIF adjustment rates are applied by unique taxing area rather than at a jurisdictional level. Aid rates for computing state paid relief are also shared across counties.

### Extending the Various Tax Rates

#### *Extending Local Net Tax Capacity Tax Rates*

The local tax rate, rather than the initial tax rate, for each jurisdiction is the rate that is extended on the net tax capacity of a parcel. Although the rates are computed using a jurisdiction’s taxable net tax capacity, they are extended on a total net tax capacity of the jurisdiction.

For a parcel with a power line that is taxed at the local tax rate, extending the tax rate on the full net tax capacity includes the 10% value that was excluded from taxable net tax capacity, and this yields amounts in addition to the levy amount used to pay power line credits.

For a parcel with TIF captured value, extending the tax rate on the full net tax capacity includes the captured value that was excluded from taxable net tax capacity, thereby yielding the tax increments that are in addition to the levy amount and that are used for TIF expenditures.

Extending rates is more complicated for commercial-industrial properties in a fiscal disparities area. A share of the commercial-industrial tax capacity for a parcel is taxed at the fiscal disparities area-wide tax rate, and a share is taxed at the local net tax capacity tax rate. The portion that is taxed at the area-wide tax rate represents the parcel’s share of the contribution tax capacity, which was excluded in setting local tax rates; this share is the percentage of the total commercial-industrial tax base that was contribution tax capacity. Therefore, the local net tax capacity tax rate is only extended on the remaining share, which was not excluded in calculating rates.


*Extending Referendum Market Value Tax Rates*

Referendum market value tax rates are extended on the referendum market value of each parcel in a straightforward manner.

*Extending State Property Tax Rates*

The main concerns in extending the state property tax rates are to:

- Ensure that the correct state rate is applied to the correct base (i.e., avoid extending the state commercial-industrial rate on seasonal residential recreational properties); and
- Ensure that the bases are correctly identified, noting the differences between the state net tax capacities and local net tax capacities.

 **NOTE**  
 Unlike local net tax capacities, the state net tax capacities are not reduced by the 10% power line NTC, fiscal disparities final contribution NTC, or TIF retained captured NTC.

The commercial-industrial state property tax rate is extended on the commercial-industrial tax capacity as defined for the state property tax. Likewise, the seasonal residential recreational state property tax rate is extended on the seasonal residential recreational tax capacity as defined for the state property tax.

**Additional Rates to be Extended**

Certain **power lines** are taxed at the countywide average tax rate rather than the normal local rates. Care should be taken to only extend this rate on the applicable power lines.

The **fiscal disparities area-wide tax rate**, as noted above, is extended only in the seven county metropolitan or Iron Range fiscal disparities regions on the parcel’s percentage of the commercial-industrial tax capacity that represents the contribution net tax capacity relative to the total commercial-industrial value.

**Contamination tax rates** are either 100%, 50%, 25%, or 12.5% of the class rate of the property multiplied by the contamination value. The assessor reports the contamination values by the rate categories to the county auditor. The auditor calculates this tax and adds it to the taxes to be collected on the tax statement.

**Solar and wind energy production tax rates** are extended by the Department of Revenue based on production. The Department of Revenue notifies the owners of solar energy generating systems and wind energy conversion systems of the tax due to each county and certifies the amounts to county auditors to be collected at the same time and in the same manner as provided for personal property taxes.

**Taconite production tax rates** are extended by the Department of Revenue based on production. Companies are notified by the Department of Revenue by February 15 and make payments to the counties and the IRRRB by February 24 and August 24. See the Mining Tax Guide on the Department of Revenue [website](#) for more information.

## Credits and Determining Net Tax

Due to the existence of property tax credits, gross tax may not be the final amount of property tax paid by an individual taxpayer. Generally, gross tax becomes net tax after these credits are applied. This section describes the credits and their calculation in the order that they are determined.

*Net Tax*

A property’s net tax is the sum of its referendum market value based taxes and local net tax capacity based taxes, minus eligible credits, plus the state general property tax. The net tax amount is the final amount of tax to be paid by the property owner except in cases where there is a special assessment or an economic development tax abatement. A broader view of net tax may also include contamination taxes, solar and wind energy production taxes, and taconite production taxes.

*Order of Determination and Subtraction*

Net property taxes are determined by subtracting the credits from gross property taxes as shown in the following table.

**Table 5-2: Order of Determination of Credits for Net Tax**

1.	<b>Gross Tax</b>
2.	Homestead Disaster Credit and Local Option Disaster Credit
3.	Power Line Credit
4.	Agricultural Preserves Credit
5.	Enterprise Zone Credit
6.	Disparity Reduction Credit
7.	County Conservation Credit
8.	School Building Bond Agricultural Credit
9.	Agricultural Homestead Market Value Credit
10.	Taconite Homestead Credit
11.	Supplemental Taconite Homestead Credit
12.	Bovine Tuberculosis Credit
13.	<b>Net Tax</b> [1-2-3-4-5-6-7-8-9-10-11-12]

**Homestead Disaster and Local Option Disaster Credits**

*Eligibility*

Physically damaged or destructed homestead property in a disaster or emergency area may be eligible for the **homestead disaster credit** under [Minnesota Statute 273.1234](#).

Physically damaged or destructed homestead property that does not qualify for a homestead disaster credit under [Minnesota Statute 273.1234](#) because it is not located in a disaster or emergency area, as well as nonhomestead utility property, may be eligible for the local option disaster credit under [Minnesota Statute 273.1235](#). To be eligible for the local option disaster credit, the property must meet both the requirements for the local option abatements under [Minnesota Statute 273.1233](#):

1. The property owner submits an application to the county assessor and to the county board before the end of the year in which the damage occurred
2. The county assessor determines that 50% or more of the eligible property has been unintentionally or accidentally destroyed or destroyed by arson or vandalism by someone other than the owner

Disaster or emergency areas include geographic areas for which one of the following occurs ([Minnesota Statute 273.1231](#)):

- The President of the United States, the Secretary of Agriculture, or the Administrator of the Small Business Administration determines that a disaster exists under federal law

- The mayor of a municipality or the chair of a county board declares a local emergency pursuant to [Minnesota Statute 12.29](#).
- A local government applies to the Governor for property tax relief and is approved by the Executive Council if the following two conditions exist ([Minnesota Statute 273.1231](#)):
  - A completed disaster survey of the area is included in the application
  - The average damage of damaged buildings in the area is at least \$5,000 and either at least 25 taxable buildings in the area are damaged or the total amount of damage to all taxable buildings in the area is equal to or exceeds 1% of total taxable market value reported in PRISM Submission 2 in the year prior to the year of the damage

Homestead property eligible for the **homestead disaster credit** includes property classified as 1a, 1b, or 2a (only the house and garage, not any surrounding land) and manufactured or sectional homes used as homesteads.

*Computation*

The county assessor must establish a reassessed market value for all damaged property in a disaster or emergency area and report it to the county auditor ([Minnesota Statute 273.1232](#)). Reassessed market value is the taxable market value of all property assesses in the year that the damage occurs adjusted to reflect the loss of market value caused by the damage ([Minnesota Statute 273.1231](#)).

For the **homestead disaster credit**, the county auditor shall compute the credits for taxes payable in the year following the year in which the damaged occurred. The credit is equal to the difference in the net tax on the property computed using the taxable market value and the net tax on the property computed using the reassessed market value, for the year in which the damage occurred ([Minnesota Statute 273.1234](#)).

For the **local option disaster credit**, if the property is located in a disaster or emergency area, the county auditor computes the credit in the same way as the homestead disaster credit. If the property is not located in a disaster or emergency area, the credit is determined by multiplying (i) the difference in the net tax on the property computed using the taxable market value and the net tax on the property computed using the reassessed market value, for the year in which the damage occurred, by (ii) a fraction representing the number of full months out of the assessment year that the property was not usable ([Minnesota Statute 273.1235](#)).

When computing disaster credits, net tax refers to the market value and net tax capacity taxes imposed on property, including the state general tax, including subtractions of credits under [Minnesota Statute 273.1393](#), clauses (2) to (9), and excluding any special assessments ([Minnesota Statute 273.1231](#)).

There is no maximum credit amount for disaster credits.  
 Examples of the calculations for different disaster credit situations can be found below.

*Applying the Credit*

To the extent that the net tax capacity and referendum market value reductions are separately computed, the credits associated with each are separately applied to local net tax capacity based taxes and referendum market value based taxes.

*Payment*

For the **homestead disaster credit**, the Department of Revenue reimburses each taxing jurisdiction for the amount of credits granted for damaged property in the taxing jurisdiction ([Minnesota Statute 273.1234](#)).

For the **local option disaster credit**, the Department of Revenue reimburses each taxing jurisdiction for the amount of credits granted for damaged property within a disaster or emergency area in the taxing jurisdiction. No reimbursement is made for credits granted for damaged property outside a disaster or emergency area ([Minnesota Statute 273.1235](#)).

Reimbursements to school districts are made by the Department of Education ([Minnesota Statutes 273.1234](#) and [273.1235](#)).

*Reporting*

PRISM Submission 2 is not affected by the reassessments and will report the pre-disaster values as of January 2.

Disaster credits must be reported to the Department of Revenue in order to determine reimbursements. Counties must separately report **homestead disaster credits** and **local option disaster credits** in PRISM Submission 3. Counties must also distinguish between net tax capacity based credits and referendum market value based credit as well as between the reimbursable and non-reimbursable local option disaster credits. Any portion of the credits that may be allocated to TIF districts are also reported in PRISM Submission 3.

In addition, any disaster credits related to manufactured homes are reported in PRISM Submission 4.

*Relationship to Tax Rates, TIF, LMV, etc.*

Tax rates, TIF captured values, limited market value, and any other calculations based on a measure of value should use the January 2 pre-disaster value. The computed reassessed values are only used in computing the abatement and credit amounts.

*Flow Chart and Examples*

See the [website](#) for a flow chart covering the different possible processes of the homestead disaster credit and the local option disaster credit as well as several examples illustrating the calculations for different disaster credit situations.

**Power Line Credit**

[Minnesota Statutes 273.36 through 273.425](#) govern the assessment and taxation of transmission and distribution lines and provide for a power line property tax credit for certain properties that are crossed by high voltage lines.

*Utility Property Tax Credit Fund*

Ten percent of the tax receipts on qualifying newer high voltage transmission lines fund the power line credit. The location of the high voltage transmission line determines how funding is carried out. (See Minnesota Statute 273.42) For cities and organized townships, qualifying high voltage transmission lines conduct electricity at 200 kilovolt (kV) or more, are longer than 1,500 feet and were constructed after July 1, 1974. For unorganized townships, qualifying high voltage transmission lines conduct electricity at 100 kV or more, and are also longer than 1,500 feet and constructed after July 1, 1974.

*Eligibility*

Property owners of parcels which have a newer, high-voltage transmission lines running over the property may qualify for a power line credit under [Minnesota Statute 273.42](#). In order for the owner to qualify for the credit, the transmission line must meet two requirements:

1. The transmission line must have a capacity of 200 kilovolts or more.
2. Construction of the transmission line must have started after July 1, 1974.

Qualifying classes of property include:

- Agricultural and Nonagricultural Homesteads
- Nonhomestead Agricultural Land
- Rental Residential
- Commercial and Noncommercial Seasonal Residential Recreational

If the parcel has an eligible property type on it, the length of the line on the entire parcel is used to determine the amount of power line credit attributed to that parcel. It is not necessary for the transmission line to cross over the eligible property on the parcel.

*Computation*

The credit for a qualifying property is equal to the ratio of the length of the transmission line on the property to the total length of the transmission line in the jurisdiction multiplied by 10% of the total tax revenue from the portion of the transmission line within the jurisdiction.

The calculation of the credit is slightly different for transmission lines taxed at a county-wide average rate. The credit for a qualifying property is equal to the ratio of the length of the transmission line on the property to the total length of the transmission line in all unorganized townships within the county multiplied by 10% of the total tax revenue from the portion of the transmission line taxed at the county-wide rate.

If the right-of-way width for a transmission line is shared by more than one property, the ratio used in the credit calculation is adjusted by multiplying the length of the line on each property by the proportion of the total width of the right-of-way that is on each property. For example, if a transmission line’s right-of-way evenly straddles the border between two properties, then the length of the line over each property is multiplied by 50%. The purpose of this adjustment is to prevent using more than the actual length of a line in calculating credits.

The resulting power line credit must not exceed 20% of the total gross tax on the property.

If a property contains more than 40 acres, the total gross tax is adjusted by a fraction in order to prevent large parcels of land from receiving an increased credit when the transmission line does not affect the entire parcel. For example, a 120-acre parcel may be a string of three quarter-quarter sections, or three 40-acre parcels. If the transmission line only runs through one of these 40-acre sections, the total gross tax would be multiplied by the fraction 40/120. Then, the power line credit must not exceed 20% of that adjusted gross tax.

Power line credits are not extended if the credit amounts to less than \$10.

**Example 5-4: Power Line Credit in an Organized Township**

	Calculation and Values	
1.	Length of the transmission line on property	300 ft
2.	Shared right-of-way percent	100%
3.	Length of the transmission line in the township	12,500 ft
4.	Property’s portion of the transmission line [Line 1 x Line 2 / Line 3]	2.40%
5.	Township’s total tax on the transmission line	\$30,400

6.	10% of tax on the transmission line [Line 5 x 10%]	\$3,040
7.	Power line credit [Line 4 x Line 6]	\$73

**Example 5-5: Power Line Credit in an Unorganized Township**

	Calculation and Values	
1.	Length of the transmission line on property	375 ft
2.	Shared right-of-way percent	100%
3.	Length of the transmission line in the township	25,000 ft
4.	Property's portion of the transmission line [Line 1 x Line 2 / Line 3]	1.10%
5.	Township's total tax on the transmission line	\$61,000
6.	10% of tax on the transmission line [Line 5 x 10%]	\$6,100
7.	Power line credit [Line 4 x Line 6]	\$67

*How Applied*

Power line credits are generally applied to local net tax capacity based taxes. Power line credits are funded by setting aside 10% of the value of transmission lines when determining local net tax capacity tax rates, so if credits were applied to referendum market value based taxes, it may leave referendum market value based levies short. However, if there are circumstances where the credit exceeds the total local net tax capacity tax, the remaining credit may be applied to referendum market value based taxes.

When calculating the power line credit, remember to consider the following complexities:

1. Some transmission lines are taxed at the local tax rate and others at a countywide average tax rate.
2. Taxation varies between cities, organized townships, and unorganized townships.
3. Distribution lines and transmission lines are different.
4. Transmission lines have different voltages (under 69 kV, 69 kV and up, 100 kV and up, and 200 kV and up).
5. The construction date (before or after June 30, 1974) of high voltage transmission lines (200 kV and up) is important.
6. There are two different funding sources for the power line credits in unorganized townships versus the power line credits in cities or organized townships.
7. Certain value must be excluded in setting tax rates.
8. The spread of shares of taxes on lines are different.
9. State taxes are treated differently from local taxes.
10. Some properties receive credits while others do not.

*Reporting*

The power line credit amounts are reported in PRISM Submission 3.

**Metropolitan Agricultural Preserves Credit**
*Eligibility*

To help reduce the pressures of urban expansion on farmers, agricultural land in the metropolitan area may be eligible for a metropolitan agricultural preserves credit under [Minnesota Statute 473H.10](#).

The land, rather than the owner, is considered for eligibility. The land must be located within the 7-county metropolitan area and be specifically zoned for long-term agricultural use by the planning board ([Minnesota](#)

[Statute 473H.01](#)). Minimum acreage is generally 40 acres, but there are some exceptions. See [Minnesota Statute 473H.03](#) for more information on these exceptions.

In order for the land to qualify, the landowner must apply for the agricultural preserve designation to the local government which has planning and zoning authority, whether county, city, or township. Applications must be submitted before June 1 to be eligible to receive tax benefits payable in the following year. The agricultural preserve status applies to the property as a restrictive covenant recorded with the property deed. The land can be bought and sold as farmland with no penalties, but owners must keep the preserve land in farm use.

*Computation*

Farmland in an agricultural preserve will be valued according to its agricultural use, not its market value. The residence and the garage are not included in this computation, but the one-acre site value and non-residential farm buildings are included. The credit amount is equal to the difference between the gross tax under this special valuation and the net tax after the credit is applied.

The county auditor computes the credit for eligible lands and non-residential buildings using two methods. The method which gives a larger credit is used. Compute the two methods as follows ([Minnesota Statute 473H.10](#)):

Method 1: Multiply \$1.50 by the number of qualifying acres.

Method 2: Multiply the previous year’s statewide average township local tax rate by 105%, and subtract that product from the current year’s local tax rate. Multiply that new percentage by preserve’s net tax capacity.

**Example 5-6: Payable 2011 Agricultural Preserve Credit Resulting from Method 1**

Calculation and Values		
1.	Number of acres in the preserve	300
2.	Net tax capacity of eligible land and farm buildings	\$1,500
3.	Local tax rate	100.000%
4.	2009 average township tax rate	76%
5.	Tax before credits	\$1,650
6.	Agricultural preserve credit under method 1 [ $\$1.50 \times \text{Line 1}$ ]	\$450
7.	Agricultural preserve credit under method 2 [ $(\text{Line 3} - (\text{Line 4} \times 105\%)) \times \text{Line 2}$ ]	\$300
8.	Agricultural preserve credit [Larger of Lines 6 and 7]	\$450

**Example 5-7: Payable 2011 Agricultural Preserve Credit Resulting from Method 2**

Calculation and Values		
1.	Number of acres in the preserve	300
2.	Net tax capacity of eligible land and farm buildings	\$1,500
3.	Local tax rate	140.000%
4.	2009 average township tax rate	76%
5.	Tax before credits	\$2,100
6.	Agricultural preserve credit under method 1 [ $\$1.50 \times \text{Line 1}$ ]	\$450
7.	Agricultural preserve credit under method 2 [ $(\text{Line 3} - (\text{Line 4} \times 105\%)) \times \text{Line 2}$ ]	\$900
8.	Agricultural preserve credit [Larger of Lines 6 and 7]	\$900

*Applying the Credit*

Metropolitan agricultural preserve credits are generally applied to local net tax capacity taxes on the agricultural land and non-residential farm buildings. If the credit exceeds the tax on this property, it can be further applied to the house and garage on the property. If there are circumstances where the credit exceeds the total local net tax capacity tax, then the remaining credit may be applied to referendum market value based taxes. The credit may only reduce agricultural property and may not extend to other classes. The credit does not extend through chained parcels.

*Funding and Payment*

Each metropolitan county collect a \$5 fee on all mortgage registrations and deed transfers, and half of that fee goes into the county’s conservation fund. The credits are paid from this fund. If the amount of metropolitan agricultural credits exceeds the amount in this fund, the Department of Revenue will pay the shortage to each jurisdiction by December 26 of each year ([Minnesota Statute 473H.10](#)).

*Reporting*

The entire agricultural preserve credit is reported in PRISM Submission 3. Counties must also report information on the mortgage fee to the special taxes division of the Department of Revenue so that the Department can determine shortages that need state reimbursement.

**Disparity Reduction Credit**

*Eligibility*

Class 4a (apartments with four or more units) and class 3a property (commercial-industrial and public utility) located in certain border cities may qualify for the disparity reduction credit under [Minnesota Statute 273.1398](#).

Class 4a and class 3a property qualifies for a disparity reduction credit if it is located in one of the following border cities as defined under [Minnesota Statute 469.166](#):

- Breckenridge
- Dilworth
- East Grand Forks
- Moorhead
- Ortonville

*Computation*

The credit is equal to the difference between the tax determined using standard tax procedures, including any tax based upon referendum market value and the state levy, and the tax that would be determined by multiplying the property's taxable market value by 1.6%. The disparity reduction credit effectively reduces the tax rate on qualifying properties to 1.6%.

**Example 5-8: Class 4a Apartment Disparity Reduction Credit**

	Calculation and Values	
1.	Taxable Market Value	\$500,000
2.	Local Net Tax Capacity Tax	\$11,250
3.	State Net Tax Capacity Tax	N/A
4.	Referendum Market Value Tax	\$408
5.	Total Tax [Line 4 + Line 5 + Line 6]	\$11,658

6.	1.6% of Taxable Market Value	\$8,000
7.	Disparity Reduction Credit [Line 5 – Line 6]	\$3,658
8.	Tax After Credit [Line 5 – Line 7]	\$8,000

*Applying the Credit*

The disparity reduction credit is calculated and deducted from the total tax the property tax statement for that parcel. Despite computing these credits on both local net tax capacity and referendum market value taxes, the credits should be allocated first to local net tax capacity based taxes and then to referendum market value taxes if the local net tax capacity taxes are reduced to zero. Although the state tax is included in calculating the credit amount, it does not reduce the state tax. The credit may only reduce taxes on class 4a and 3a property and may not extend to other classes.

*Payment*

The state reimburses local taxing districts directly.

*Reporting*

The county auditor certifies the amount of the disparity reduction credit to the Department of Revenue in PRISM Submission 3, including any amounts associated with a TIF district.

*Vacant Commercial-Industrial Property*

Under [Minnesota Statute 273.1321](#), a city may revoke the eligibility of certain vacant commercial-industrial properties to receive the disparity reduction credit for the purpose of encouraging redevelopment and better utilization of property.

In order to revoke a property’s eligibility, a city must establish a program by ordinance, which must provide the following:

- Standards for determining vacancy
- Written notice by the city or county to the property owner that the property’s eligibility may be revoked
- Opportunity for the property owner to appeal the revocation at the Local and County Boards of Appeal and Equalization
- Timely notice to the county or city assessor of the revocation

The city must give notice to the property owner stating that the property may cease to be eligible for the credit unless it meets the city’s set standards and is used for commercial or industrial purposes for at least 180 days during the next 12-month period.

**County Conservation Credit**

*Eligibility*

Land located in an agricultural preserve under [Minnesota Statutes, Chapter 40A](#) is eligible for a county conservation credit under [Minnesota Statute 273.119](#). To qualify, a property owner must file an application for an agricultural preserve restrictive covenant under [Minnesota Statute 40A.10](#).

*Computation*

The credit is equal to \$1.50 per acre of qualified land.

### *How Applied*

The county conservation credit is generally applied to local net tax capacity taxes on the agricultural land and non-residential buildings. If the credit exceeds the total local net tax capacity tax, then the remaining credit may be applied to referendum market value based taxes on the agricultural land and non-residential buildings. The credit may only reduce agricultural property and may not extend to other classes. The credit does not extend through chained parcels.

### *Funding and Payment*

A county with agricultural preserves collects a \$5 on all mortgage registrations and deed transfers, and half of that fee goes into the county's conservation fund. The credits are paid from this fund. If the credit exceeds the available funds in a county's account, the state will pay to each taxing district the difference from the Minnesota conservation fund by December 26 of each year.

### *Reporting*

The entire county conservation credit is reported in PRISM Submission 3. Counties also report information on the mortgage fee to the Special Taxes Division of the Department of Revenue so that the Department can determine shortages that need state reimbursement.

## **School Building Bond Agricultural Credit**

### *Eligibility*

All class 2a, 2b and 2c property under [Minnesota Statute 273.1387](#), other than property consisting of the house, garage, and immediately surrounding one acre of land of an agricultural homestead, is eligible to receive the credit. The credit is a percentage of the tax on the property attributable to school district-bonded debt levies. The credit is equal to 70 percent. The credit is not based on homestead. It applies to all 2a, 2b, and 2c parcels – regardless of homestead. The house, garage, and first acre of land (HGA) must be removed from homesteaded 2a parcels. Because the credit is not based on homestead, linking or fractional homestead considerations do not affect how it is calculated and applied

### *Computation*

The county auditor computes a school debt tax rate for each school district. The school debt tax rate for each school district is its school debt service levy divided by the total NTC of all taxable property in the district. The credit equals 40% of the qualifying property's Net Tax Capacity (NTC) multiplied by the school debt tax rate. The credit applies all school debt levies, whether or not they are voter-approved.

### *How Applied*

The School Building Bond Agricultural Credit is the seventh credit that can be used to reduce gross taxes. It is used before the Agricultural Homestead Credit. The order of credit subtractions is now:

1. Disaster credits
2. Powerline Credit
3. Agricultural Preserves Credit
4. Enterprise Zone Credit
5. Disparity Reduction Credit
6. Conservation Tax Credit
7. School Building Bond Agricultural Credit
8. Agricultural Homestead Credit
9. Taconite Homestead Credit

10. Supplemental Taconite Homestead Credit
11. Bovine Tuberculosis Credit

Apportion this credit first to the TIF district based on the TIF capture percentage rate and allocate the remainder to the school debt funds. If the debt funds have been reduced to zero, allocate the remaining credits proportionally to all qualifying NTC funds based on tax rates.

#### *Funding and Payment*

The amount needed to cover the credit is annually appropriated from the state general fund. No cross-county reporting will be required for this credit because it is based on values within a classification, and not on homesteads or other chained ownership scenarios. Each county will calculate this credit specifically on the acres in the county.

#### *Reporting*

There are two taxation modifiers to PRISM for reporting this credit, School Bond Credit and TIF School Bond Credit. It is reported on PRISM Submission 3. For the Truth in Taxation Notices the credit will appear as a separate line. For the property tax statement, the credit will be aggregated with the existing Agricultural Homestead Credit.

### **Agricultural Homestead Market Value Credit**

#### *Eligibility*

Class 2a agricultural homesteads may be eligible for an agricultural homestead market value credit under [Minnesota Statute 273.1384](#). Any class 2b rural vacant land that is contiguous to the class 2a agricultural homestead and under the same ownership is also eligible. Relative homesteads are eligible for this credit to the same degree that the owner(s) would be if they lived there.

There is no application for this credit. Credits are calculated by the county auditor for all eligible properties and shown as a deduction on property tax statements.

#### *Computation*

The agricultural homestead market value credit is based on the property's total taxable market value minus the value of the house, garage, and surrounding acre, or its agricultural credit market value. The credit is equal to 0.3% on the first \$115,000 of that market value plus 0.1% of that market value over \$115,000. The maximum credit is \$490 per homestead, meaning that homesteads with an agricultural credit market value of \$260,000 or more will receive a credit of \$490.

#### *Fractional Ownership*

For fractional agricultural homesteads, the credit is calculated as if the property were fully (100%) homestead, and then prorated. For example, a 50% homestead is calculated assuming the \$490 maximum credit, and only later fractionalized to a maximum \$245, if applicable.

Agricultural homesteads are fractionalized dependent on whether the property is owned as a tenancy in common or as a joint tenancy. It is important to note that if the deed does not specify the ownership structure of a property, the assessor should assume the property is owned equally and fractionalize the homestead based on the number of owners.

**Tenants in Common Ownership**

When agricultural property is owned by tenants in common, each individual has an explicit share of the property as dictated by the deed, and the fractional homestead should be determined based on the deeded interest of each qualifying owner.

The only exception to fractionalizing property owned as tenants in common is in the case of a spousal ownership. Spouses are considered one entity in the state of Minnesota, therefore the ownership structure of the property would not be considered. For example, if a married couple owns property as tenants in common and one of them does not occupy the property, the assessor should grant a 50% owner occupied homestead, even if the spouse that occupies owns 90% of the property.

**Joint Tenancy Ownership**

When the agricultural property is owned by joint tenants, then the fractional homestead is calculated based on the number of owners. Joint tenancy ownership means that each owner has an equal share of the property. The fractional homestead should be determined by based on the number of owners rather than ownership interest in the property.

**Table 5-3: Agricultural Homestead Market Value Credit Tiers**

Agricultural Credit Market Value	Credit Amount
Up to and including \$115,0000	0.3% x Agricultural Credit Market Value
Over \$115,000 but less than \$260,000	\$345 + 0.1% x (Agricultural Credit Market Value - \$115,000)
\$260,000 and over	\$490

The agricultural homestead market value credit is calculated on taxable market value. Therefore, no contamination or exclusion values are used in computing the credit. The credit cannot reduce a parcel’s tax to less than zero.

Because this credit applies to homesteads rather than to units or parcels, it extends to linked parcels and is computed on the whole homestead (excluding HGA) rather than as separate credits for each parcel. These linking procedures apply to homestead parcel linkages that cross county lines as well as for parcel linkages within a county. It is essential that the counties involved with cross county homesteads share the values and credit amounts needed to properly determine the credit. For more information, see Module 6 in the [Property Tax Administrator’s Manual](#)

In the case of a property that is part agricultural homestead and part nonhomestead farm land, solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or not all the spouses of owners occupy the property, the credit must be computed as if the entire property were classified as homestead (excluding HGA) and then prorated to percentage ownership. The outcome still reflects that eligibility is restricted to the homestead. In any other split-class situation, only the homestead value, excluding HGA, is included in computing the credit.

*Applying the Credit*

Agricultural homestead market value credits are only applied to reduce local net tax capacity based taxes. If the credit is greater than the total local net tax capacity based tax on an eligible property, the excess credit cannot be used to reduce referendum market value based taxes.

**△ CAUTION △**

Any credit amount in excess of local net tax capacity based taxes *cannot* be used to reduce referendum market value based taxes, state property taxes, or fiscal disparity net tax capacity based taxes.

For linked parcels, the credit should first be applied to the base parcel. Any excess credit can then be applied to the local net tax capacity based tax of the next linked parcel (in proximity to the base parcel). Below is a simplified example of how the credit would be applied to linked parcels. For more information, see Module 6 in the [Property Tax Administrator’s Manual](#).

Any credit in excess of the local net tax capacity based taxes on all linked parcels of agricultural land can then be applied to the tax on the HGA. Any credit in excess of the homestead local net tax capacity based taxes can also be applied to nonhomestead local net tax capacity based taxes on the parcel, even though nonhomestead taxable market value is not used in determining the credits.

**Example 5-9: Application of Agricultural Homestead Market Value Credit on Linked Parcels**

	Parcel 1	Parcel 2	Parcel 3	HGA
Local NTC Based Tax	\$180	\$90	\$150	\$100
<b>Credit Amount</b>	<b>Application of Credit</b>			
\$200	\$180	\$20	\$0	\$0
\$400	\$180	\$90	\$130	\$0
\$490	\$180	\$90	\$150	\$70

*Reporting*

Agricultural homestead market value credit amounts are reported in PRISM Submission 3. Any prior year adjustments must also be provided in Submission 3. Agricultural homestead credit going to TIF is reported similarly in Submission 3. The specifics for the data to be reported are in the PRISM instructions.

*Payment*

The state pays these credit amounts directly to the taxing districts in two equal payments no later than October 31 and December 26. The credits are allocated based on county, city or town, school district, and special taxing district final net tax capacity local tax rate proportions.

TIF districts are also eligible to receive credit allocations. The credit on an eligible property is allocated to the TIF district based on the TIF district captured value percentage. None of the TIF credit is to be allocated to local tax rate excess TIF. The entire amount of credit allocated to a TIF district is for the TIF district. Any excess credit from the TIF allocation is paid to the local taxing districts proportionally, as explained in the paragraph above.

*Examples*

On the following pages are several calculation and allocation examples.

- Example 5-10: Agricultural Homestead (Maximum reduction)
- Example 5-11: Agricultural Homestead (Less than maximum reduction)
- Example 5-12: Agricultural Homestead (Fractional)

Note that these examples are for specific payable years and that the first tier homestead limit is indexed each year, meaning the calculations will change for other payable years.

**Example 5-10: Agricultural Credit Calculation and Allocation**

In this example, the property's agricultural homestead market value credit is the maximum amount.

<b>Calculation of Credit</b>		
<i>Taxable Market Value:</i>		
1.	House, Garage, and First Acre	\$80,000
2.	Remainder of Farm	\$1,400,000
3.	Homestead Market Value Exclusion	\$30,040
4.	Total [Line 1 + Line 2 – Line 3]	\$1,499,960
<i>Net Tax Capacity:</i>		
5.	Class 2a HGA, First Tier [(Line 1-Line 3) x 1.00%]	\$500
6.	<u>Class 2a Remainder of Farm, First Tier [Line 2 up to \$1,900,000 x 0.50%]</u>	<u>\$7,000</u>
7.	Total	\$7,500
<i>Agricultural Homestead Market Value Credit:</i>		
8.	First Tier Credit (\$345 Maximum) [Line 2 up to \$115,000 x 0.3%]	\$345
9.	<u>Second Tier Credit (\$145 Maximum) [(Line 2 - \$115,000) x 0.1%]</u>	<u>\$145</u>
10.	Total	\$490
<b>Allocation of Taxes</b>		
<i>Local Taxing District Net Tax Capacity Gross Tax:</i>		
11.	County [Line 7 x 50.000%]	\$3,750
12.	City [Line 7 x 10.000%]	\$750
13.	School District [Line 7 x 17.000%]	\$1,275
14.	<u>Special Taxing District [Line 7 x 3.000%]</u>	<u>\$225</u>
15.	Total Gross Tax	\$6,000
<i>Proportions of Local Tax Rates:</i>		
16.	County [Line 11 / Line 15]	62.5%
17.	City [Line 12 / Line 15]	12.5%
18.	School District [Line 13 / Line 15]	21.25%
19.	<u>Special Taxing District [Line 14 / Line 15]</u>	<u>3.75%</u>
20.	Total	100%
<i>Allocation of Credit to Taxing Districts:</i>		
21.	County [Line 10 x Line 16]	\$306
22.	City [Line 10 x Line 17]	\$61
23.	School District [Line 10 x Line 18]	\$104
24.	<u>Special Taxing District [Line 10 x Line 19]</u>	<u>\$19</u>
25.	Total	\$490

**Example 5-11: Agricultural Credit Calculation and Allocation**

In this example, the property's agricultural homestead market value credit is less than the maximum amount.

<b>Calculation of Credit</b>		
<i>Taxable Market Value:</i>		
1.	House, Garage, and First Acre	\$80,000
2.	Remainder of Farm	\$175,000
3.	Homestead Market Value Exclusion	\$30,040
4.	Total [Line 1 + Line 2 – Line 3]	\$224,960
<i>Net Tax Capacity:</i>		
5.	Class 2a HGA, First Tier [(Line 1-Line 3) x 1.00%]	\$500

6.	<u>Class 2a Remainder of Farm, First Tier [Line 2 up to \$1,900,000 x 0.50%]</u>	<u>\$875</u>
7.	Total	\$1,370
<i>Agricultural Homestead Market Value Credit:</i>		
8.	First Tier Credit (\$345 Maximum) [Line 2 up to \$115,000 x 0.3%]	\$345
9.	<u>Second Tier Credit (\$145 Maximum) [(Line 2 - \$115,000) x 0.1%]</u>	<u>\$60</u>
10.	Total	\$405
<b>Allocation of Taxes</b>		
<i>Local Taxing District Net Tax Capacity Gross Tax:</i>		
11.	County [Line 7 x 50.000%]	\$685
12.	City [Line 7 x 10.000%]	\$137
13.	School District [Line 7 x 17.000%]	\$233
14.	<u>Special Taxing District [Line 7 x 3.000%]</u>	<u>\$41</u>
15.	Total Gross Tax	\$1,096
<i>Proportions of Local Tax Rates:</i>		
16.	County [Line 11 / Line 15]	62.5%
17.	City [Line 12 / Line 15]	12.5%
18.	School District [Line 13 / Line 15]	21.25%
19.	<u>Special Taxing District [Line 14 / Line 15]</u>	<u>3.75%</u>
20.	Total	100%
<i>Allocation of Credit to Taxing Districts:</i>		
21.	County [Line 10 x Line 16]	\$253
22.	City [Line 10 x Line 17]	\$51
23.	School District [Line 10 x Line 18]	\$86
24.	<u>Special Taxing District [Line 10 x Line 19]</u>	<u>\$15</u>
25.	Total	\$405

**Example 5-12: Agricultural Credit Calculation and Allocation**

In this example, the property is a fractional homestead, occupied by one of two unrelated individuals who each have 50% ownership interest in the farm.

<b>Calculation of Credit</b>		
<i>Taxable Market Value:</i>		
1.	House, Garage, and First Acre	\$250,000
2.	Remainder of Farm	\$2,400,000
3.	Homestead Market Value Exclusion [Exclusion x 50% Owner Occupancy]	\$7,370
4.	Total [Line 1 + Line 2 – Line 3]	\$2,657,370
<i>Net Tax Capacity:</i>		
5.	Class 2a HGA, First Tier [(Line 1– Line 3) x 50% x 1.00%]	\$1,213
6.	Class 2a Remainder of Farm, First Tier [Line 2 up to \$1,900,000 x 50% x 0.50%]	\$4,750
7.	<u>Class 2a Remainder of Farm, Second Tier [(Line 2 – \$1,900,000) x 50% x 1.00%]</u>	<u>\$2,500</u>
8.	Total	\$8,463
<i>Agricultural Homestead Market Value Credit:</i>		
9.	First Tier Credit (\$345 Maximum) [Line 2 up to \$115,000 x 0.3%]	\$345
10.	<u>Second Tier Credit (\$145 Maximum) [(Line 2 - \$115,000) x 0.1%]</u>	<u>\$145</u>
11.	Total Credit	\$490
12.	Final Credit [Line 10 x 50%]	\$245
<b>Allocation of Taxes</b>		
<i>Local Taxing District Net Tax Capacity Gross Tax:</i>		
13.	County [Line 8 x 50.000%]	\$4,232
14.	City [Line 8 x 10.000%]	\$846
15.	School District [Line 8 x 17.000%]	\$1,439
16.	<u>Special Taxing District [Line 8 x 3.000%]</u>	<u>\$254</u>

17.	Total Gross Tax	\$6,771
<i>Proportions of Local Tax Rates:</i>		
18.	County [Line 13 / Line 17]	62.5%
19.	City [Line 14 / Line 17]	12.5%
20.	School District [Line 15 / Line 17]	21.25%
21.	<u>Special Taxing District [Line 16 / Line 17]</u>	<u>3.75%</u>
22.	Total	100%
<i>Allocation of Credit to Taxing Districts:</i>		
23.	County [Line 12 x Line 18]	\$153
24.	City [Line 12 x Line 19]	\$31
25.	School District [Line 12 x Line 20]	\$52
26.	<u>Special Taxing District [Line 12 x Line 21]</u>	<u>\$9</u>
27.	Total	\$245

**Taconite Homestead Credit**

The taconite homestead credit under [Minnesota Statute 273.135](#) benefits eligible homesteads on the Iron Range, where taconite production companies pay a production tax in lieu of certain property taxes.

*Eligibility*

Homestead property located within a taconite tax relief area is eligible to receive the taconite homestead credit.

Taconite tax relief areas are defined as any one of the following ([Minnesota Statute 273.134](#)):

- Cities or towns in which, on May 1, 1941, 40% or more of the assessed value of all real property in the city or town was unmined iron ore.
- School districts whose boundaries fall within 20 miles of a taconite mine or plant and in which, on May 1, 1941, 40% or more of the assessed values of all real property in the school district was unmined ore
- Cities, towns, or school districts in which, as of January 1, 1977 or the applicable assessment date, there is a taconite concentrating plant, mine, or quarry or electric generating plant that qualifies as a taconite facility.

Table 5-4 lists the school districts that make up the taconite relief area.

**Table 5-4: Taxing Jurisdictions in Taconite Tax Relief Area**

School Districts
166 Cook County
316 Greenway
319 Nashwauk-Keewatin
381 Lake Superior
695 Chisholm
696 Ely
701 Hibbing
712 Mountain Iron-Buhl
2142 St. Louis County
2711 Mesabi East
2909 Rock Ridge (former 706 Virginia and 2154 Eveleth-Gilbert)

*Computation*

For homesteads in qualifying cities or towns, the credit is equal to 66% of the property’s tax. The maximum credit for these homesteads is \$515.00. For homesteads which fall outside the boundaries of a qualifying city or town but within the boundaries of a qualifying school district, the credit is equal to 57% of the property’s tax. The maximum credit for these homesteads is \$515.00.

If a split-classification parcel is eligible for the taconite credit, the entire parcel is eligible for the taconite credit up to the maximum amount. For fractional homesteads, the taconite credit maximum is apportioned according to the percentage of interest in the property. If multiple parcels make up a homestead property, the maximum applies to the whole homestead.

**Example 5-13: Taconite Homestead Credit and Tax Calculation**

		In a City or Town (66% Credit), Above Maximum	In a School District (57% Credit), Below Maximum
1.	Total Gross Tax [NTC Based Tax + RMV Based Tax – Agricultural Homestead Market Value Credit]	\$930	\$450
2.	Taconite Credit [Line 1 x 66% (\$515.00 Maximum) or Line 1 x 57% (\$515.00 Maximum)]	\$515.00	\$256.50
3.	Net Tax [Line 1 – Line 2]	\$415.00	\$193.50

*Applying the Credit*

The taconite homestead credit is calculated and deducted from the total tax (the sum of the referendum market value based tax and the net tax capacity based tax) on the property tax statement for that homestead. Despite computing these credits on both local net tax capacity and referendum market value taxes, the credits should be allocated first to local net tax capacity based taxes and then to referendum market value taxes if the local net tax capacity taxes are reduced to zero. If multiple parcels make up a homestead property and the credit reduces the base parcel to zero, it can be extended to linked homestead parcels.

*Funding and Payment*

The taconite credit is funded by the taconite property tax relief account which is funded by taconite production taxes. In the event that this fund is not sufficient to make these payments, the deficit is made up from the Douglas J. Johnson Economic Protection Fund. The last time this occurred was in 1989.

Credit amounts are reported in PRISM Submission 3. The Department of Revenue will make payments of one-half of the total credit amount to St. Louis County by April 15 and September 15 of each year. The St. Louis County auditor will then make payments of one-half of the credit amount due to each county by May 15 and October 15 of each year. The treasurer of each county must distribute the payments as if they had been collected as a part of the property tax reduced by taconite homestead credits ([Minnesota Statute 273.136](#)).

*Reporting*

Each county must report credit amounts to the Department of Revenue in PRISM Submission 3, including any amounts associated with TIF districts. Any amounts associated with manufactured homes are reported in PRISM Submission 4.

## Supplemental Taconite Homestead Credit

### Eligibility

Homesteads which are outside of a taconite relief area ([Minnesota Statute 273.134](#)) may qualify for the supplemental taconite homestead credit under [Minnesota Statute 273.1391](#).

Homestead property located in a school district which does not qualify as a taconite relief area may qualify for the supplemental taconite homestead credit if it meets one of the following criteria:

- The property is located in a school district which is in a county with a population less than 100,000 and where taconite is mined or quarried. At least 90% of the area of the school district must lie within such a county. Only properties located within the county are eligible for the credit.
  - This criteria describes property within the Itasca County portion of school districts 317 (Deer River) and 318 (Grand Rapids).
- The property is located in a school district which is in a county that has a first class city and a city or town which is defined as a taconite relief area, but the school district does not contain a first class city and is not adjacent to a school district which contains a first class city, unless that adjacent school district also contains a city or town defined as a taconite relief area.
  - This criteria describes property within school district 698 (Floodwood).
- Property located within the boundaries of a municipality that is eligible for the 66% regular taconite credit, but not in a school district that meets the qualifications as a tax relief area, is eligible for a 66% credit, provided the reduction does not exceed \$315.10. Property located within the boundaries of a school district which qualifies as a taconite assistance area under M.S. 273.1341, but does not qualify as a tax relief area, but which is outside the boundaries of a municipality which meets the qualifications of the preceding sentence is eligible for a 57% credit.
  - This describes school districts 001 (Aitkin) and 182 (Crosby-Ironton) in Aitkin and Crow Wing counties, and school district 318 (Grand Rapids) in Itasca County. The municipalities described in the first sentence are within these school districts and include:

Town	County	School District(s)	City	County	School District(s)
Irondale	Crow Wing	182	Cohasset	Itasca	318
Rabbit Lake	Crow Wing	001, 182	Crosby	Crow Wing	182
Wolford	Crow Wing	182	Ironton	Crow Wing	182
			Riverton	Crow Wing	182
			Trommald	Crow Wing	182

### Computation

The credit for qualifying homestead properties is equal to 57% of the property’s tax, except as noted above where it is 66%. The maximum credit is \$289.80, except as noted above where the maximum is \$315.10.

If a split-classification parcel is eligible for the taconite credit, the entire parcel is eligible for the taconite credit up to the maximum amount. For fractional homesteads, the taconite credit maximum is apportioned according to the percentage of interest in the property. If multiple parcels make up a homestead property, the maximum applies to the whole homestead.

### *Applying the Credit*

The supplemental taconite homestead credit is calculated and deducted from the total tax (the sum of the referendum market value based tax and the net tax capacity based tax) on the property tax statement for that homestead. Despite computing these credits on both local net tax capacity and referendum market value taxes, the credits should be allocated first to local net tax capacity based taxes and then to referendum market value taxes if the local net tax capacity taxes are reduced to zero. If multiple parcels make up a homestead property and the credit reduces the base parcel to zero, it can be extended to linked homestead parcels.

### *Funding and Payment*

Each county auditor must certify the amount of supplemental taconite homestead credits to the Department of Revenue by December 1 for taxes payable the following year. The state will make payments to the county from the general fund in two installments by July 20 and December 26, and county treasurers must distribute the payment as a part of the March and October settlements.

### *Reporting*

Each county must report credit amounts to the Department of Revenue via PRISM Submission 3. Any amounts associated with TIF districts are also reported on the PRISM Submission 3. Any amounts associated with manufactured homes must be reported on PRISM Submission 4.

## **Bovine Tuberculosis Credit**

### *Eligibility*

Certain agricultural or rural vacant property that is located within a bovine tuberculosis modified accredited zone may be eligible for the bovine tuberculosis credit under [Minnesota Statute 273.113](#).

Land is eligible for the bovine tuberculosis credit if it meets all of the following qualifications:

1. The property is classified as agricultural or rural vacant land.
2. The property is located within a bovine tuberculosis modified accredited zone as designated by the Board of Animal Health under [Minnesota Statute 35.244](#). The zone includes portions of Beltrami, Lake of the Woods, Marshall, and Roseau counties.
3. A herd of cattle, bison, goats, deer, or elk has been kept on the property for at least part of 2006, 2007, or 2008.

To be eligible for the credit, property owners must apply to the county by December 1 of the levy year. The property will continue to qualify and receive the credit until the Board of Animal Health certifies that the state is free of bovine tuberculosis.

The credit does not apply to the tax on any residential structures that might be located on the property.

### *Computation*

The final credit calculation is equal to the greater of:

- \$5 multiplied by the first 160 acres of the property where a herd had been located
- \$5 multiplied by the first 5 acres multiplied by the highest number of animals tested on the property for bovine tuberculosis in a whole-herd test as reported by the Board of Animal Health in 2006, 2007, or 2008.

The credit is not to exceed the tax payable on the property, excluding the tax attributable to residential structures.

*Applying the Credit*

Bovine tuberculosis credits are applied to local net tax capacity taxes and referendum market value based taxes in the manner they are calculated.

*Funding and Payment*

Each county must certify the amount of bovine tuberculosis credits to the Department of Revenue. The state will make payments from the general fund for reimbursements directly to the taxing jurisdictions by December 26 each year.

*Reporting*

The amount of bovine tuberculosis credits are reported in PRISM Submission 3, including any adjustments to prior year credit amounts.

**Miscellaneous General Credit Provisions**

*Applying Credits to TIF Districts*

Any credit that is applied to a property in a TIF district, absent specific provisions to the contrary, should be allocated to the TIF district based on the TIF percentage.

For some credits, such as agricultural preserves and county conservation credits, with specific covenants preserving the farmland from development, allocation may seem impossible (and there are no fields for reporting these credits in PRISM). Additionally, PRISM may not have a place to report these or other credits, such as power line credits, because these interactions are unlikely to occur since these credits are paid locally rather than through state reimbursement.

Regardless of the likelihood, when such a circumstance occurs, the credits are allocated to the TIF district based on the TIF percentage that measures the captured local net tax capacity taxes as a percent of the total local net tax capacity taxes. PRISM instructions provide further information on reporting credits allocated to TIF districts. Example 06.06-17 shows how these allocations are made.

**Example 5-14: Allocation of Credits to TIF District Taxes**

1.	TIF Percentage				40%
		<b>Local NTC Tax Rates</b>		<b>Share of Total</b>	
		<b>(a)</b>		<b>(b)</b>	
2.	County	42.511%		35%	
3.	City	36.438%		30%	
4.	School District	30.365%		25%	
5.	Special Taxing District	12.143%		10%	
6.	Total	121.460%		100%	
	<b>Allocation</b>	<b>Gross Tax</b>	<b>Credit</b>	<b>Net Tax</b>	
7.	Before Allocation	\$2,500	\$300	\$2,200	
8.	TIF Taxes [Line 1 x Line 7]	\$1,000	\$120	\$880	
9.	Non-TIF, Local Taxes [Line 7 – Line 8]	\$1,500	\$180	\$1,320	
10.	County [Line 2b x Line 9]	\$525	\$63	\$462	

11.	City [Line 3b x Line 9]	\$450	\$54	\$396
12.	School District [Line 4b x Line 9]	\$375	\$45	\$330
13.	Special Taxing District [Line 5b x Line 9]	\$150	\$18	\$132

*Allocating Credits Based on Shares of the Local Tax Rates*

Example 06.06-17 also illustrates how credits are allocated to each taxing jurisdiction based on their shares of the total local tax rates. Credits generally are allocated to local net tax capacity based taxes first based on the shares of local net tax capacity tax rates. Any excess credits (except in the case of agricultural homestead credits, which do not apply to referendum market value taxes) are applied to referendum market value taxes and are also allocated proportionate to their share of referendum market value tax rates.

*Chained Parcels*

To the extent a credit is computed for a homestead, the credit requires linking parcels. This applies to the agricultural homestead credit, the taconite homestead credit, and the supplemental taconite homestead credit.

To the extent a credit is calculated for a parcel (all other credits), it is limited to the tax on the specific parcel and does not extend through chained parcels.

Disaster credits only apply to the homestead dwelling and garage which is generally located on a single parcel, but if dwelling and garage are on multiple parcels, the credit may extend across the linked parcels only to the extent it reduces the taxes on the dwelling and garage. In the case of a local option disaster credit, the credit can apply to structures besides a dwelling or garage, but the restriction remains to the structure.

*Payments to School Districts*

The amounts of bovine tuberculosis credits, county conservation tax credits, disaster credits, agricultural homestead market value credits, disparity reduction credits, enterprise zone credits, and agricultural preserve credits for school districts must be certified by the Department of Revenue to the Department of Education. These amounts must be paid to school districts according to [Minnesota Statute 127A.45](#). The power line credits, taconite homestead credits, and supplemental taconite homestead credits are not included in this provision, presumably because they are distributed through normal settlements.

**Residential Homestead Market Value Credit**

The residential homestead market value credit was established in 2001 and was converted into a property tax exclusion in 2011. This change allows property owners to continue to receive the homestead benefit without the state paid credit reimbursements to taxing districts.

## Alternate Methods of Taxation

There are methods of property taxation that differ from the normal calculations described elsewhere in this manual. This section provides an overview of three alternate methods of taxation for the contamination tax, power line tax, solar energy production tax, and wind energy production tax.

**Contamination Value**

The contamination value of a property is defined as the amount of market value reduction that is granted for property tax purposes for the assessment year due to the presence of contaminants. The presence of contaminants includes the release or threatened release of a harmful substance on the property.

**Contamination Tax**

The contamination tax is a statewide tax annually imposed on the contaminated value of taxable property in response to reduced valuations under [Minnesota Statutes 270.91 through 270.98](#). This tax is potentially applicable in all 87 Minnesota counties.

 **Contamination Value**

The contamination value of a property is defined as the amount of market value reduction that is granted for property tax purposes for the assessment year due to the presence of contaminants. The presence of contaminants includes the release or threatened release of a harmful substance on the property.

The contamination tax is a result of a specific tax court decision in *Westling v. County of Mille Lacs*, 1994, Minn. 512 N.W.2d 863. The valuation of the contaminated property was affirmed by the Minnesota Supreme Court to be \$0 because of the stigma attached to the property and the enormous clean-up costs. At the same time as this decision, the legislature established the contamination tax to tax the “contamination value” of a parcel of real property. The Minnesota Supreme Court later found, after appeal by the property owner, that the contamination tax is constitutional.

The contamination tax is a combination of regulation and taxation in an attempt to achieve an environmental policy. The tax also acknowledges how the most basic principles of taxation can unintentionally reward property owners of contaminated property and act as a disincentive to clean up contamination. Without the contamination tax, a contaminated property’s value would correctly be reduced to reflect its marketability, and the longer the property remained contaminated, the greater the tax savings. The contamination tax, based on that lost value due to contamination, provides a mechanism for collecting tax on this contaminated value.

The contamination tax is designed to act as an incentive for property owners to clean up contaminated properties, providing a mechanism for collecting tax on the lost value due to contamination. The tax captures the taxes due on this lost value and uses that revenue to fund pollution clean-up grants. Some of the collected tax is statutorily directed to a contaminated site clean-up and development account in the state’s general fund.

Since its enactment in 1994, the contamination tax has seen limited statewide application. There have never been more than nine counties distributing contamination tax to the state in any year. This level of collection does not reflect current and historical data on the prevalence of contaminated property throughout the state. The following table provides more information regarding county payment of contamination taxes to the state.

**Table 5-5: Contamination Tax Collection History**

Payable Year	Number of Counties Making Payment to the State	Number of Parcels Paying the Contamination Tax	Total Net Tax Capacity for Contamination Value	Amount of Payment to the State
2009	11	120	\$722,428	\$283,647
2010	10	104	\$825,597	\$282,999
2011	10	142	\$1,051,793	\$329,419
2012	9	143	\$1,100,357	\$350,757
2013	9	127	\$1,124,129	\$358,003

2014	9	113	\$1,039,610	\$340,650
2015	8	101	\$1,073,199	\$351,403
2016	8	84	\$746,511	\$231,581

*Current Analysis of the Contamination Tax*

The number of parcels paying contamination tax as reported by counties has hovered around 80 to 130 in the state, revealing a large discrepancy from the prevalence of contaminated parcels as reported by the Minnesota Pollution Control Agency (PCA). There are thousands of contaminated properties that are listed as active on the PCA’s [website](#).

Additionally, a limited number of counties have participated in collecting the contamination tax since it was established. Some or most of these sites may not meet the minimum threshold to initiate the contamination tax, but better documentation seems necessary to ensure all counties are actively administering the program.

The historic inability to successfully administer the program is likely due to a lack of education and resources. The Department of Revenue’s goal is to make sure every taxpayer pays the right amount—no more, no less. Assessors throughout the state share this goal and have worked for uniform treatment of all taxpayers across the state. The contamination tax is a good example of a program the Department of Revenue and county officials can work on together to improve the property tax system in Minnesota.

In order to ensure equalization and consistency statewide, the Department of Revenue will actively work to provide more education to counties on the contamination tax as well as more guidance in managing the process of assessing contaminated properties and calculating, collecting, and distributing the tax.

*Role of the PCA and DOA*

The Minnesota Pollution Control Agency (PCA) and the Minnesota Department of Agriculture (DOA) both have roles in the determination of the appropriate contamination tax rate to use and in the ultimate exemption of property from the contamination tax.

In order to receive one of the lower contamination tax rates of 50% or 12.5%, a property owner needs to provide the assessor with a copy of a response action plan which must be approved by the PCA or the DOA.

A property owner or operator is considered a responsible party unless the PCA or the DOA has determined otherwise. If such a determination has been made by the PCA or the DOA, the property owner has until July 1 of the assessment year to provide the assessor with a copy of the determination. A copy of this determination is needed in order to receive the lower contamination tax rates of 25%.

When the PCA or the DOA has determined that all requirements of the response action plan have been satisfied, the contamination tax no longer applies. Exemption from the contamination tax begins in the first assessment year after the year in which this determination by the PCA or DOA is made. For example, if the PCA made a determination in 2011 that all of the requirements of a response action plan had been satisfied, the property would qualify for exemption from the contamination tax effective with assessment year 2012, taxes payable year 2013. In order to actually receive the exemption from the contamination tax, the property owner must provide the assessor with a copy of the determination by the PCA or DOA of the completion of the response action plan.

*Contamination Tax Administration*

The Department of Revenue dedicated significant time to the contamination tax to improve reporting. To aid assessors in consistent application of the program, several components and processes of the tax have been updated or changed. However, the statutory provisions for establishing contaminated values, collecting the tax, and distributing the taxes have not changed. These processes provide the foundation for the administration of the contamination tax.

The following is a very rudimentary listing of the process:

1. Assessor establishes any applicable contamination value as appropriate for each assessment.
2. Assessor provides notice to taxpayer, determines contamination tax rate and notified auditor.
3. Auditor records information and provides contamination tax information for treasurer.
4. Treasurer collects contamination tax with regular tax collection.
5. Treasurer distributes collected taxes (including contamination taxes) as required by statute.
6. Treasurer and assessor complete Contamination Tax Return form and schedule twice each year.
7. The form and schedule are submitted to the state as directed in the instructions.

The contamination tax amounts due to the state, as provided for in statute and listed on the return form, will still be paid to the Special Taxes Division of the Department. The payments will be made through each county’s Electronic Funds Transfer (EFT) account by the deadlines established in statute for distribution of taxes. For first-half taxes, payments due on or before the 60<sup>th</sup> day after the final May settlement date (approximately the third week in July). The deadline for second-half taxes is late January each year. The Contamination Tax Return is updated each year to reflect the current tax payment dates. If there are any questions, contact the Special Taxes Division or consult the website.

Since it is considered a “property-related tax” rather than a “property tax,” the contamination tax is not eligible for the property tax refund. The tax amount is not listed on Truth-in-Taxation notices, but the Truth-in-Taxation notice for a property with a contamination tax amount must contain a statement that the proposed and final taxes so not include the contamination taxes imposed on the property.

The contamination tax amount is listed on tax statements in the special assessments section. Tax due as a results of contamination is collected in the same manner (and is subject to the same penalty, interest, lien, forfeiture and other collection provisions) as other property taxes.

See the [Property Tax Administrator’s Manual](#) for county assessor functions.

**Table 5-6: Determination of Contamination Tax Rates**

Clean-up Status	Tax Rate	
	Responsible Party	Non-Responsible Party
No clean-up or clean-up plan	100%	25%
Plan approved, or contaminants are asbestos and an abatement plan is in place	50%	12.5%
Clean-up done	No contamination tax	No contamination tax

The determination of the contamination tax rate can get more complicated. For example, if more than one form of contamination is involved, and the property owner is a responsible party for one form of contamination but not the others, there could be multiple rates. If there is a response action or clean-up plan for only one of the contaminants, there could also be more than one rate.

Assessors must determine if each contaminant requires an individual reduction. If so, each must meet the \$10,000 minimum value reduction. If not, the entire market value reduction, no matter how many contaminants, would receive the highest contamination tax rate that can be determined.

The assessor must notify the county auditor of the following information, in addition to the traditional information reported, by each separate contamination tax rate for each parcel:

1. Contamination value
2. Property class
3. Class rate percentage

The contamination market value and contamination net tax capacity data are reported in PRISM Submission 2.

*County Auditor Functions*

The auditor will calculate the contamination tax based on the information provided by the assessor. The tax is calculated by multiplying the appropriate contamination tax rate by the difference between the net tax capacity (NTC) (in most cases, the taxable market value times the classification rate) for the property as if it were not contaminated and the NTC (in most cases, the taxable market value times the classification rate) for the property for regular ad valorem property tax purposes. Stated another way, the contamination tax amount is equal to the product of multiplying the contamination tax rate by the difference between the NTC of the property as if it were not contaminated and the NTC of the property after the value has been reduced due to the contamination.

The formula is:

Contamination Tax Amount	=	Contamination Tax Rate	X	(NTC as if not contaminated – NTC reduced for contamination)
-----------------------------	---	---------------------------	---	--

The NTCs are based on taxable market values after all other applicable reductions (Green Acres deferment, Open Space deferment, Aggregate Resources, Limited Market Value reduction, Plat Law exclusion, Disabled Veterans, etc.).

This calculation will be completed for each contaminated parcel with a market value reduction large enough to results in a contamination value. It will also be completed for each contamination value if different contamination tax rates (due to different responsible parties or different levels of clean up, for example) exist. The total contamination tax amount would be the sum of these individual calculations. The amount distributed to the state or to the local jurisdictions will be totaled based on statutory requirements, and the Contamination Tax Return forms will assist in this computation.

The parcel’s regular ad valorem property taxes will continue to be calculated and collected as usual. In theory, the above formula utilizing net tax capacities ensures that one of the main purposes of the contamination tax, collecting tax on the lost value is fulfilled. The lost NTC for the contaminated parcel is captured by determining the difference between the two NTCs (one reflecting no contamination and the other reflecting the reduction) and multiplying that by the appropriate contamination tax rate.

Some counties have indicated that a simplified computation of multiplying a parcel’s classification rate by the contamination tax rate times the contamination value is a more direct method. While in many, if not all cases, this will result in the correct contamination tax amount, the methodology described above (utilizing NTC

differences) is more aligned with the statutes and acknowledges all possible scenarios. It ensures all reductions are accounted for and that all class rate tiers are correctly applied. It also allows for statewide uniformity.

In addition to calculating the contamination tax, the auditor will need to prepare the parcel specific notices for the affected properties including any specific language as required by statute. For example, the Truth-in-Taxation notices for these parcels must acknowledge that there is a contamination tax, but the contamination tax amount is not included on the notice.

The auditor will also become involved when contamination taxes are not paid on time. Similar to other property taxes, the contamination tax is subject to the same penalty, interest, lien, forfeiture, and other collection provisions. [Minnesota Statute 282.08](#), which provides for the apportioning of money from forfeited sales, does not apply to contamination taxes when there is an approved response action plan. If a property with an approved response action plan is tax-forfeited due to the nonpayment of delinquent contamination taxes, the state receives 95% of the proceeds of the sale.

The auditor is required to report net tax capacity data, contamination tax data, and the number of contaminated parcels by the four different contamination tax rates. PRISM Submission 3 contains this information.

### *County Treasurer Functions*

The county treasurer prepares the property tax statements for the affected property owners, including the listing for the contamination tax and the amount of the tax. After the contamination tax amounts have been paid, they must be distributed according to statute.

1. Contamination tax collected at the 100% or 25% rates (properties with no clean-up or no clean-up plan) is distributed to the local taxing districts in the same manner and at the same time as other property taxes are distributed.
2. Contamination tax collected at the 50% or 12.5% rates (properties with an approved clean-up plan) is paid to the commissioner of revenue. Of this tax amount, 5% is retained by the county offset Contamination Tax program administration expenses; the remaining 95% is transmitted to the state at the same time as provided for property tax distributions under [Minnesota Statutes 276.11](#) and [276.111](#).

County treasurers will also complete the Contamination Tax Return form and corresponding schedule twice each year to report the collection of first- and second-half tax payments. The deadline for completion are as provided by statute. For first-half taxes, payment is due on or before the 60<sup>th</sup> day after the final May settlement date (approximately the third week in July). The deadline for second-half taxes is late January of each year.

The form is designed to be primarily completed by the treasurer and verified by the assessor. The treasurer ensures the correct amount of contamination tax is listed for each parcel on the schedule and then completes the return form. This form should be considered the summary for all contamination tax collections for the county. Both the county treasurer and county assessor will need to sign the form prior to submittal to the state. The signed version will be mailed or faxed to the Department of Revenue and an electronic version (not signed) will be emailed, according to the form's instructions.

### *Contamination Tax Process*

The following demonstrates each step of the contamination tax process, from valuation to resulting contamination tax amount. Note that this process assumes just one contamination amount; it would be repeated as required to calculate the contamination tax for different responsibility levels or contaminations, provided they each reach the \$10,000 minimum reduction threshold.

Market Valuation

1. **Estimate market value irrespective of any pollution or contamination.** Assume the property is not contaminated or polluted, and value it using traditionally-accepted appraisal methodology.
2. **Estimate the loss of value due to the pollution or contamination.** Each loss must be at least \$10,000 to generate a contamination tax amount. If this minimum is not reached, the property’s market value will still be reduced, but it will not generate the contamination tax.
3. **Subtract the loss of value from the uncontaminated estimated market value.** This difference is the estimated market value for regular property tax purposes.
4. **Determine any deferments, exclusions, or reductions to estimated market value.** This includes, but is not limited to, the following:
  - a. Green Acres or Open Space Deferment
  - b. Platted Vacant Land Exclusion
  - c. Aggregate Resource Preservation Deferment
5. **Subtract these reductions from the estimated market value (from Step 3) for property tax purposes.** The result is the taxable market value for regular property tax purposes.

Net Tax Capacities

6. **Calculate a net tax capacity to be used for regular property tax purposes.** Multiply the property class rate by the taxable market value for regular property tax purposes (from Step 5).
7. **Add the amount of lost value (from Line 2) back to the taxable market value for regular property tax purposes (from Line 5).** This value is the contaminated taxable market value. Remember, if the loss is less than \$10,000, there is no contamination tax to calculate.
8. **Calculate the contaminated net tax capacity.** Multiply the contaminated taxable market value (from Step 7) by the property class rate. The contaminated net tax capacity should be greater than the regular property tax net tax capacity.
9. **Subtract the regular property tax net tax capacity (from Line 6) from the contaminated net tax capacity (from Line 8).** This difference is the net tax capacity to be used for calculating the contamination tax amount.

Contamination Tax

10. **Multiply the difference in net tax capacities (from Line 9) by the appropriate contamination tax rate.** This amount is the contamination tax for the parcel. If there are several contamination tax calculations (due to multiple responsibility or contaminants), the individual contamination tax amounts would be summed to be reported as the contamination tax for the parcel.

**Example 5-15: Class 3a Commercial Property with a Single Reduction for Contamination**

<b>Market Valuation Calculations</b>		
1.	Estimated Market Value without Contamination	\$900,000
2.	Loss of Value due to Contamination	\$750,000
3.	Estimated Market Value for Regular Property Tax Purposes [Line 1 – Line 2]	\$150,000
4.	Deferments, Exclusions, and Reductions	\$0
5.	Property Tax Taxable Market Value [Line 3 – Line 4]	\$150,000
6.	Contaminated Taxable Market Value [Line 5 + Line 2]	\$900,000
<b>Net Tax Capacities Calculations</b>		

7.	<i>Property Tax Net Tax Capacity:</i> First Tier [Line 5 up to \$150,000 x 1.5%]	\$2,250
8.	<i>Contaminated Net Tax Capacity:</i> First Tier [Line 6 up to \$150,000 x 1.5%]	\$2,250
9.	Second Tier [(Line 6 – \$150,000) x 2.0%]	<u>\$15,000</u>
10.	Total	\$17,250
11.	Difference in Net Tax Capacities [Line 10 – Line 7]	\$15,000
<b>Contamination Tax</b>		
12.	Contamination Tax Rate (Responsible, Clean-up Plan)	50%
13.	Contamination Tax [Line 11 x 12]	\$7,500

**Example 5-16: Class 3a Commercial Property with Separate Reductions for Contamination**

<b>Market Valuation Calculations</b>		
1.	Estimated Market Value without Contamination	\$900,000
<i>Loss of Value due to Contamination:</i>		
2.	Not Responsible Portion of Contamination (80%)	\$600,000
3.	<u>Responsible Portion of Contamination (20%)</u>	<u>\$150,000</u>
4.	Total	\$750,000
5.	Estimated Market Value for Regular Property Tax Purposes [Line 1 – Line 4]	\$150,000
6.	Deferments, Exclusions, and Reductions	\$0
7.	Property Tax Taxable Market Value [Line 5 – Line 6]	\$150,000
8.	Contaminated Taxable Market Value [Line 7 + Line 4]	\$900,000
<b>Net Tax Capacities Calculations</b>		
<i>Property Tax Net Tax Capacity:</i>		
9.	First Tier [Line 7 up to \$150,000 x 1.5%]	\$2,250
<i>Contaminated Net Tax Capacity:</i>		
10.	First Tier [Line 8 up to \$150,000 x 1.5%]	\$2,250
11.	<u>Second Tier [(Line 8 – \$150,000) x 2.0%]</u>	<u>\$15,000</u>
12.	Total	\$17,250
13.	Difference in Net Tax Capacities [Line 12 – Line 9]	\$15,000
<b>Contamination Tax</b>		
<i>Contamination Tax Rates:</i>		
14.	Not Responsible, No Clean-up Plan	25%
15.	Responsible, No Clean-up Plan	100%
<i>Contamination Tax:</i>		
16.	Not Responsible Portion [80% x Line 13 x Line 14]	\$3,000
17.	<u>Responsible Portion [20% x Line 13 x Line 15]</u>	<u>\$3,000</u>
18.	Total	\$6,000

**Example 5-17: Class 3a Commercial Property with Separate Reductions for Contamination**

In this example, one of the reductions is less than \$10,000.

<b>Market Valuation Calculations</b>		
1.	Estimated Market Value without Contamination	\$900,000
<i>Loss of Value due to Contamination:</i>		
2.	Not Responsible Portion of Contamination (98.8%)	\$741,000
3.	<u>Responsible Portion of Contamination (1.2%)</u>	<u>\$9,000</u>
4.	Total	\$750,000
5.	Estimated Market Value for Regular Property Tax Purposes [Line 1 – Line 4]	\$150,000
6.	Deferments, Exclusions, and Reductions	\$0

7.	Taxable Market Value for Regular Property Tax Purposes [Line 5 – Line 6]	\$150,000
8.	Contaminated Taxable Market Value (Not Including Loss Values less than \$10,000) [Line 7 + Line 2]	\$891,000
<b>Net Tax Capacities Calculations</b>		
<i>Property Tax Net Tax Capacity:</i>		
9.	First Tier [Line 7 up to \$150,000 x 1.5%]	\$2,250
<i>Contaminated Net Tax Capacity:</i>		
10.	First Tier [Line 8 up to \$150,000 x 1.5%]	\$2,250
11.	Second Tier [(Line 8 – \$150,000) x 2.0%]	\$14,820
12.	Total	\$17,070
13.	Difference in Net Tax Capacities [Line 12 – Line 9]	\$14,820
<b>Contamination Tax</b>		
14.	Contamination Tax Rates (Not Responsible, No Clean-up Plan)	25%
15.	Contamination Tax [Line 13 x Line 14]	\$3,705

### *Tax Increment Financing*

The contamination tax provisions do not change any of the established tax increment financing (TIF) procedures. The fact that a contaminated property is located in a TIF district does not affect TIF determination procedures and does not affect the contamination tax determination procedures.

The determination of a contamination market value reduction which reduces a TIF parcel's current year property tax taxable market value will result in a smaller tax increment for a TIF district. The tax increment decrease results from the lowered taxable market value and not from any other factors.

It should be noted that the current TIF law allows TIF authorities to establish hazardous substance sites and hazardous substance subdistricts within TIF districts. The establishment of such sites and subdistricts is for the purpose of generating contamination cleanup funds. The hazardous substance site and subdistrict TIF procedures are not altered by the contamination tax provisions.

TIF property assessment agreements are also unaffected by the contamination tax provisions. A contamination market value reduction for a TIF property subject to an assessment agreement cannot reduce the property tax taxable market value of the property below the assessment agreement minimum market value. Also, the fact that an assessment agreement may limit the actual contamination market value reduction impact on the property tax taxable market value of the property does not affect the contamination market value reduction amount used in determining the contamination tax. The full contamination market value reduction is used in determining the contamination tax. This is illustrated in the following example.

#### **Example 5-18: Contamination Tax on Property with a TIF Assessment Agreement**

1.	Assessment Agreement Minimum Market Value	\$250,000
2.	Market Value without Contamination	\$300,000
3.	Contamination Market Value Reduction	\$200,000
4.	Property Tax Taxable Market Value [Line 2 – Line 3, Minimum of Line 1]	\$250,000
5.	Contamination Taxable Market Value [Line 3]	\$200,000

If a TIF district contains a contamination tax parcel when it is established, the original net tax capacity value for the parcel is its net tax capacity value for property tax purposes. The parcel's net tax capacity for contamination tax purposes is not included in the original net tax capacity. The following example illustrates this distinction.

**Example 5-19: Contamination Tax for a New TIF District**

1.	Property Tax Net Tax Capacity	\$5,000
2.	Contamination Tax Net Tax Capacity	\$40,000
3.	Total Net Tax Capacity [Line 1 + Line 2]	\$45,000
4.	TIF Original Net Tax Capacity	\$5,000

*Fiscal Disparity Procedures*

The contamination tax provisions do not change any of the established fiscal disparity procedures. The fact that a contaminated commercial-industrial property is located in the seven-county metropolitan area or the seven-county Iron Range area does not affect fiscal disparity determination procedures and does not affect the contamination tax determination procedures.

The determination of a contamination market value reduction which reduces a commercial-industrial parcel's property tax taxable market value will result in a smaller fiscal disparity contribution. The contribution decrease results from the lowered taxable market value and not from any other factors.

*Levy and Collection*

Contamination taxes are to be collected at the same time and in the same manner as property taxes. In other words, contamination taxes go on the property tax statements.

However, contamination taxes are not to be shown on Truth-in-Taxation parcel specific notices. The Truth-in-Taxation parcel specific notice sent to each property owner subject to the contamination tax must contain a statement that the proposed taxes do not include the contamination tax imposed on properties which received market value reductions for contamination. In order to avoid confusion, this statement should not be pre-printed on all notices. It should only be computer-printed on those notices sent to property owners that are subject to the contamination tax. The Department of Revenue's yearly instructions for developing Truth-in-Taxation parcel specific notices contain the language to be used if contamination taxes apply to the parcel.

The contamination tax is to be printed on the property tax statement. Under current law provisions, the location is in with special assessments. Nothing is to be pre-printed for the contamination tax. The words "Contamination Tax" and the amount should be computer printed if contamination taxes apply. The contamination tax is not to be included on lines 1 through 12 of the property tax statement since it is not a property tax and is not eligible for a property tax refund or targeting.

A county treasurer may accept payments of more or less than the exact amount of a tax installment due ([Minnesota Statute 279.01](#)). However, the taxpayer cannot direct that the payment includes only the property tax, only the contamination tax, or that it excludes one taxing district's share of the contamination tax. The taxpayer cannot direct how the tax payment is to be apportioned. The county treasurer should except the payment only with the taxpayer's understanding that the payment will be apportioned in accordance with the law, not in accordance with the taxpayer's wishes.

Delinquent contamination taxes are to be included in the same published listing that shows delinquent real property taxes. The published listing of delinquent real property taxes must include all amounts on the property tax statement remaining unpaid, along with penalties. This includes real property taxes, as well as any special assessments, service charges, or contamination taxes.

If a reduction in market value that creates contamination value is granted after the property tax has already been paid, the contamination tax must be subtracted from the amount of property tax to be refunded to the property owner.

If a court orders a reduction in market value because of the presence of contaminants on the property, the court must include in its order an offset for payment of the tax on contamination value.

#### *PRISM Reporting of Contamination Values and Taxes*

Contamination tax data at unique taxing area level is required in PRISM Submissions 2 and 3. Details for the data required in PRISM can be found in the PRISM instructions posted on the Department of Revenue [website](#).

#### *Distribution of Contamination Taxes*

The distribution of contamination taxes depends on whether or not there is a cleanup plan or asbestos abatement plan. If no plan, the tax is distributed to the local taxing districts. If there is a plan, the county keeps 5% and gives the state the remaining 95%.

The tax distributed to local taxing districts is to be distributed as if it were a property tax, using the percentage that each local taxing district's net tax capacity based tax rate is of the total net tax capacity based tax rate for the unique taxing area, excluding the state general tax. Market value tax rates are not to be used for this distribution. In addition, there is no tax increment district portion, fiscal disparity portion, or state general tax portion of contamination tax collections.

The total of contamination tax collections, penalties, and interest are to be distributed to the local taxing districts in the manner described above. There are no county costs to be collected.

The law does not specify how the local taxing districts are to use their distribution of contamination taxes. Therefore, they may use this money for any lawful purpose.

The commissioner of revenue deposits the state's share of the contamination tax in the contaminated site clean-up and development account in the special revenue fund. This fund is used to finance clean-up grants which should speed up the return of the reduction in market value to the tax base for property taxation.

If a parcel of property for which there is an approved response action plan goes tax-forfeited due to the nonpayment of delinquent contamination taxes, the state retains its interest in the 95% state share of the unpaid contamination taxes, penalties, and interest, just as the county retains its 5% share. Therefore, the state should receive 95% of the proceeds from the sale of the property.

#### *Termination of Contamination Tax*

A parcel of property subject to the contamination tax remains subject to this tax until the work under its approved response action plan (if there is one) or under its asbestos abatement plan (if there is one) is completed.

There does not appear to be any termination of the contamination tax for a parcel of property which has no approved response action plan or asbestos abatement plan.

A parcel does not remain subject to the contamination tax just because there is still a “stigma” on the property after the approved response action plan has been completed and the property owner has done all he or she can do to reduce or eliminate the contamination. The property just continues to have a lower market value.

### *Contamination Tax Return*

The Contamination Tax Return form will be distributed to all counties by early summer of each year. They are to be used to report any contamination tax collected from taxes payable in that year (which are the result of contamination values established in the previous year). Each county is expected to complete and return the form and schedule as instructions on the form. The county treasurer will submit the forms twice each year to correspond with tax collection and distribution, even if there are no parcels generating a contamination tax.

These forms were designed to be completed by the county treasurer and verified by the county assessor. The first page provides summary information for the entire county. The second page (the schedule) provides for listing each parcel, its contamination tax rate and its corresponding contamination tax. This page may have no parcel listed on it if there are not parcels with a contamination tax. All pages must still be completed and submitted (see [Contamination Tax Return form](#)).

### **Assessment of Utility and Pipeline Property**

Utility and pipelines are listed and assessed in either the city or town in which they are located or in the county in which they are located. For a complete listing of utility and pipeline property classifications and tax rates, refer to the [Tax Rates for Utility and Pipelines Property](#) page on the Department of Revenue website, and Minnesota Statutes, sections [273.36](#) and [273.37](#).

Transmission lines in cities and transmission lines 69kV and above in organized townships are taxed on a situs basis in the city or town that they are located. Transmission lines in unorganized townships 69kV and over, transmission lines under 69kV, and distribution lines inside and outside of the city are taxed at a countywide average rate.

For transmission and distribution lines taxed at the countywide average rate, both a countywide average local net tax capacity rate and a countywide average referendum market value rate must be computed. As reported in PRISM Submission 3, the countywide average local net tax capacity rate is determined by dividing the countywide total NTC based property tax levy by the countywide total fully taxable NTC value. The levies are based on local taxable net tax capacity when local tax rates are calculated, but the countywide average rate should instead use the total net tax capacity before excluding the 10% transmission and distribution line value, TIF captured value, and fiscal disparity contribution value.

The countywide average referendum market value tax rate is determined by dividing the countywide total RMV based property tax levy by the countywide total fully taxable RMV value.

The receipts from applying the countywide rate to transmission and distribution lines are generally distributed 50% to the county’s general revenue fund and 50% to the county’s general school fund of the county. However, if there are high-voltage (100 KV or more) transmission lines which were finished being built after July 1, 1974 in unorganized townships in the county, 50% of the tax receipts goes to the county’s general revenue fund, 40% to the county’s general school fund, and 10% to the utility property tax credit fund, which funds the power line credit.

The county auditor must distribute the receipts in the county's general school fund to the school districts in the county in proportion to each district's net tax capacity within the county in the prior year. This payment must be included in the first half distribution of property taxes made to the school district in a year.

#### *Distribution Lines of Cooperative Associations*

The distribution lines and the attachments and appurtenances thereto, located in a rural area, of cooperative associations engaged in electrical heat, light, or power business upon a mutual, nonprofit, and cooperative plan are taxed separately. Cooperative associations are taxed at \$10 per 100 members, or per fraction of 100 members (for example, an association with 320 members would pay a tax of \$40) for their distribution lines located outside of city limits. The tax is imposed on December 31 of each year and payable on or before March 1 of the next succeeding year to the Department of Revenue. A penalty of 10% of any amounts not timely paid is assessed, and the unpaid tax and penalty shall bear interest from the due date until paid. Receipts are deposited in the general fund. This tax on cooperative associations, when paid, is in lieu of all personal property taxes, state, county, or local on their distribution lines located outside of a statutory or home rule charter city.

#### *State General Property Tax and Power Lines*

The entire tax capacity of transmission and distribution lines taxed at the local tax rate (see Example 5-16 above) is used in setting the state general property tax commercial-industrial rate. The state tax is levied on transmission and distribution lines taxed at both the local tax rate and the countywide average tax rate, with the full proceeds going to the state.

#### *PRISM Reporting of Power Line Values, Credits, and Taxes*

Base values, rates, and taxes associated with transmission and distribution lines that are taxed at the countywide average rate are reported in PRISM Submission 3. The countywide average net tax capacity rate and the countywide average referendum market value rate must be reported. The net tax capacity of the 10% of newer, high-voltage transmission lines and the local levy extended on that net tax capacity must also be reported in Submission 3. All power line credits are included in PRISM, regardless of whether they are for properties in cities and organized townships or in unorganized townships.

Only the net tax capacities for transmission and distribution lines taxed at local tax rates are reported in PRISM Submission 2. These values should include the full net tax capacity, not excluding the 10% of newer, high-voltage lines set aside for determining rates.

Personal property and public utility property are not reported in PRISM Submission 1.

#### **Energy Production Taxes**

The department administers the Solar ([Minnesota Statute 272.0295](#)) and Wind Energy Production Taxes ([Minnesota Statute 272.029](#)). The [Solar Energy Production Tax](#) applies to solar energy generating systems with a capacity exceeding one megawatt. The [Wind Energy Production Tax](#) applies to wind energy conversion systems (WECS) installed after January 1, 1999, unless the system is exempt from tax or you have an alternative payment agreement.

An owner of a qualifying solar energy generating system or wind energy conversion system must file by January 15 (possible extension to February 1) of each year for production in the preceding calendar year. The department uses this information to determine the Solar Energy Production Tax.

If an owner does not file on time, the department determines the tax using information about the capacity of the system and assume a production rate of 30 percent of capacity for solar systems and a production rate of 60 percent of capacity of wind system.

The department notifies each owner and county where the systems are located of the tax amount by February 28 of each year. The department can issue corrections on or before April 1 of the current year.

The county bills and collects the tax. The tax is paid to the county treasurer by May 15 ([Minnesota Statutes 272.029](#); [272.0295](#) and [277.01](#)). Wind and solar energy production taxes are distributed 80% to the counties and 20% to the cities or towns where the systems are located ([Minnesota Statutes 272.029](#) and [272.0295](#)). Any penalties, interest and costs on energy production taxes are distributed in the same manner. If the tax is unpaid, counties can use the same enforcement, collection, interest, and penalties as delinquent personal property taxes.

*What is a solar energy generating system?*

A solar energy generating system is a set of devices whose primary purpose is to produce electricity by means of any combination of collecting, transferring, or converting solar generated energy. A solar energy generating system is a set of devices whose primary purpose is to produce electricity by means of any combination of collecting, transferring, or converting solar generated energy.

*What is a wind energy generating system?*

A wind energy conversion system (WECS) is any device that converts wind energy to a usable form of energy.

*Systems Exempt from Tax*

Solar energy generating systems with an alternating current (AC) capacity of one megawatt or less are exempt from the solar energy production tax.

The following wind energy conversion systems are exempt from wind energy production tax:

- Small scale systems with a capacity of 0.25 megawatts or less
- Small scale systems owned by a municipality and with a capacity of 2 megawatts or less

*Payment of Tax*

Owners of a qualifying solar or wind system must pay tax by May 15 of each year. Owners need to pay the tax to the county treasurer where the systems are located, not to the department.

*Size of Systems*

**Solar.** Unless the systems are interconnected with different distribution systems, the capacity of a solar energy generating system shall be combined with the capacity of any other solar energy generating system that is constructed within the same 12-month period as the solar energy generating system and exhibits characteristics of being a single development.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system and shall draw all reasonable inferences in favor of combining the systems.

**Wind.** For purposes of this tax, the nameplate capacities of WECSs that are under common ownership will be combined if the systems:

- are located within 5 miles of each other; and
- were constructed in the same calendar year.

Common ownership exists when the same (or similar) persons or entities own two or more systems, even if the ownership shares are different for each system. Common ownership does not exist solely because the same person or entity provided equity financing.

*Tax Rate*

The solar energy production tax rate is \$1.20 per megawatt hour produced.

The wind energy production tax rate varies, based on the nameplate capacity or combined capacity of the WECSs being taxed. The table below shows the tax rates by megawatt hours.

Type of WECS	Nameplate Capacity	Tax per Megawatt Hour
Large Scale	Over 12 megawatts	\$1.20
Medium Scale	Between 2 to 12 megawatts	\$0.36
Small Scale	2 megawatts and under	\$0.12

*Alternative Payment Plans for Wind Energy Conversion Systems*

The owner of a wind energy conversion system and the jurisdiction where the system is located may negotiate an alternative payment plan (in lieu of the Wind Energy Production Tax). This plan must be signed by all parties and filed with the Department of Revenue and the county recorder where the system is located.

Companies that negotiate an alternative payment plan must follow the terms of the contract or else they will be subject to the Wind Energy Production Tax ([Minnesota Statute 272.028](#)).

## Chapter 6: Reporting

Given the county auditor's multiple roles in the administration of a complicated property tax system and the county treasurer's role in the collection of the current year's property taxes, it is not surprising that the generation of property tax-related reports is one of the major tasks performed by these offices. These offices are a repository of significant amounts of property tax-related data for their county that are not available from another source.

This chapter provides an overview of property tax-related reports and certifications. It is not a complete list of reports. The focus is on statutorily or financially required reports. Generally, this chapter does not address operational, managerial or research reports.

This chapter is not meant to be a "how-to" manual on how to generate each report. It does identify the timing of the report, who gets it, and the source of the data needed. Many state-mandated reports come with detailed instructions that change yearly and are beyond the scope of this document.

This document includes reports received by the county auditor from a state agency or a local taxing authority especially when information from such a report is needed to generate a report or perform an audit function for which the county auditor is responsible.

### PRISM

In the past, county auditors and county assessors reported summarized data to the Department of Revenue in the form of nine abstract files. The Department of Revenue implemented PRISM (which is an acronym for the Property Record Information System of Minnesota), in 2016 to replace these abstracts. Counties now submit four standardized files each year. These files contain much more specific data, which provide a better picture of the property tax system as a whole. This helps determine if the tax system is functioning according to legislative intentions, and helps model proposed changes to the tax system. It also increases the equalization of property values through better studies.

PRISM is one of the primary data reporting tools that the Department of Revenue uses in its calculations, like the calculation of the state general tax rate or agricultural homestead tiers. PRISM includes reimbursement amounts and information needed to allocate credits to individual taxing authorities.

PRISM data can also be used for compliance checks and auditing purposes. The certification of levies and tax capacities allows for a high-level check of tax rates. The Department of Revenue can identify significant changes in value and determine if they are appropriate. Tax increment data goes to the state auditor for use in auditing yearly financial reports from the tax increment authorities.

Timely reporting of PRISM information can be vital to the Department of Revenue's ability to meet some of its statutory calculation and reporting responsibilities.

This section focuses on the county auditor's role in producing PRISM files. For more detailed information on what each file contains and on how to submit a file, please see the [PRISM webpage](#).

**Data Quality/Accountability/Other Uses**

PRISM data and historic abstract data may be used for other purposes of which the Department of Revenue is not aware. Sometimes the legislature retroactively refers to certain abstract or PRISM data, or legislation may cite this data. For these reasons, the Department of Revenue does not want to approve incorrect data items. It is very important to understand that auditors, treasurers, and assessors are responsible for submitting correct PRISM files.

<b>PRISM Reporting</b>				
<b>PRISM Submission Number</b>	<b>Name</b>	<b>Due</b>	<b>Former Abstract Submission</b>	<b>Prepared by</b>
1	Preliminary Assessment	April 1 (assessment year)	Spring Mini	Assessor
2	Adjusted Assessment	September 1 (assessment year)	Fall Mini	Assessor
			Abstract of Assessment	
			Exempt Property (every 6 years)	
			PILT Supplement (every 6 years)	
3	Final Assessment & Tax	April 1 (payable year)	Abstract of Tax Lists	Auditor
			TIF Supplement	
4	Manufactured Home	September 1 (payable year)	Manufactured Home Abstract	Assessor/Auditor

**PRISM Submission 1 – Preliminary Assessment**

**Description**

The file provides market values by property type for each taxable property in the state. It provides a snapshot of estimated market values at the time valuation notices are sent to each property owner. The file includes data formerly reported on the Spring Mini Abstract and the Preliminary Market Value by Parcel File.

Please note that personal property, manufactured homes not qualifying as real estate, minerals, railroad operating property, attached machinery and other personal property that is part of an electric generating machine that exceeds 5 megawatts and meets other requirements of [Minnesota Statutes 272.02](#), and public utility values, whether state or locally assessed, are NOT to be reported in the Preliminary Assessment file.

**Use(s)**

- Determining of State Board Orders
- Studying the implementation of State Board Orders
- Determining local changes

**Who Prepares the Document**

- County Assessor

**Who Receives the Document**

- Department of Revenue

**Statutory Cite**

- [Minnesota Statute 270C.89](#)

**Timing**

The Department of Revenue will accept submissions of the Preliminary Assessment file beginning February 1 of the assessment year; the file is due on or before April 1.

**PRISM Submission 2 – Adjusted Assessment/Exempt/PILT****Description**

PRISM Submission 2 is the official certification of the values for real and personal property within a given county for a particular assessment year. For many county auditors in the state, this report is very important because it forms the basis of tax rate calculations in their computer system and establishes the tax bases used for extending property taxes to individual properties.

The file provides final estimated market values and classifications for each property after any value changes ordered by local or state appeal boards. The file also includes exempt property data reported in every sixth year after the year 2010. The file includes data formerly reported on the Fall Mini Abstract, Abstract of Assessment, Exempt Real Property Abstract, Payment in Lieu of Taxation (PILT) Supplement, and the Final Market Value by Parcel File.

Please note that manufactured homes not qualifying as real estate are NOT reported in the Adjusted Assessment/Exempt/PILT file.

**Use(s)**

- Forms the basis for tax rate calculations and tax extensions for many counties in the state
- Used for calculation of various aids
- Used for calculation of state general tax rates
- Can be compared to Submission 3 to check for changes in value
- Used for research and legislative projections
- Provides exempt values used in the calculation of state fire aid
- Makes data about exempt property available for legislative and policy review
- Used as audit tool to test the legislative requirements to track and assess exempt property
- Used as audit tool to test whether a property is appropriately classified as exempt
- Used to determine the base value for a tax increment parcel going from exempt to taxable

**Who Prepares the Document**

- County Assessor (County Auditor may provide some data)

**Who Receives the Document**

- Department of Revenue

**Statutory Cite**

- [Minnesota Statute 270C.89](#)

**Timing**

State and county board of equalization changes need to be implemented (end of June). Lease rolls for taxable entities in government-owned buildings need to be received and taxable/exempt status of properties or portions of property need to be made (July/August). Tax increment captured values need to be determined (including new districts certified by June 30). Final fiscal disparity contribution and distribution values need to be determined (July/August). Legislative changes passed in May affect reporting. The Department of Revenue must determine appropriate changes to PRISM, and counties must implement these changes where necessary.

The Department of Revenue will accept submissions of the Adjusted Assessment/Exempt/PILT file beginning August 1 of the assessment year. The statutory due date is on or before September 1.

**Source of Data**

Determinations of market value, property use, taxability and tax capacity made by county and local assessors. Fiscal disparity contribution values come from Table V and Table IX. Fiscal disparity distribution values come from Table VIII. Tax increment captured values come from the TIF parcel list and TIF captured value calculation or equivalents.

**PRISM Submission 3 – Final Assessment and Taxation****Description**

This file provides data on the extension of real estate and personal property taxes each year. It replaces the Abstract of Tax Lists and TIF Supplement, and it also includes data that was previously reported only on the Fall Mini and Abstract of Assessment.

Please note that manufactured homes not qualifying as real estate are NOT reported in the Final Assessment and Taxation file.

**Use(s)**

- Certification of state paid credit amounts
- Provides data needed to allocate credits to appropriate taxing authorities
- Provides state-wide information on tax levies, final tax capacities, credits and rates for use in legislative reports and for modeling proposed changes in the tax system
- Can be used for auditing tax rate calculations
- Used by TIF consultants and TIF authorities to help in generating annual TIF financial reports and to answer questions about the use of TIF, projected revenues and expected duration
- Provides statewide information on the use of tax increment financing
- Used by the state auditor in audits of TIF district annual reports and to pre-populate certain data fields of the reports

**Who Prepares the Document**

- County Auditor

**Who Receives the Document**

- Department of Revenue

**Statutory Cite**

- [Minnesota Statute 275.29](#) (general)
- [Minnesota Statute 273.119](#) (conservation tax credit)

- [Minnesota Statute 273.136](#) (taconite homestead credit)
- [Minnesota Statute 273.1384](#) (market value homestead credits)
- [Minnesota Statute 290B.03](#) (senior citizens' property tax deferral)

**Timing**

The Department of Revenue will accept submissions of the Final Assessment and Taxation file beginning February 1 of the payable year. The statutory due date is not later than April 1. The PRISM file is usually produced after tax statements have been generated but before taxes are rolled to collections.

**Source of Data**

- Tax extension reports for values, levies, rates, and taxes
- Tax increment plans
- TIF district creation and administration correspondence
- Tax extension reports showing tax capacities, taxes and credits
- Tax settlements

**PRISM Submission 4 – Manufactured Homes****Description**

Submission 4 provides data on the extension of property taxes each year on manufactured homes. It supplies data on values, levies, and credits for manufactured homes, which are assessed as personal property and, therefore, reported separately from real property. The file includes data formerly reported on the Manufactured Home Abstract.

**Use(s)**

- Certification of state paid credits for manufactured homes.
- Balancing manufactured home tax extensions.
- Legislative reporting and research.

**Who Prepares the Document**

- County Auditor

**Who Receives the Document**

- Department of Revenue

**Statutory Cite**

- [Minnesota Statute 270C.89](#)

**Timing**

Counties should mail manufactured home tax statements by July 15 each year. PRISM Submission 4 should ideally be produced as the manufactured home tax statements are produced or shortly thereafter. The file is due by September 1, and the Department of Revenue will accept submissions as early as April 1.

**Source of Data**

Market values, property uses, and tax capacities as determined by the county and/or local assessors. Tax rates used for calculating real and personal property taxes. Unlike other submissions, the assessment year and payable year for manufactured homes is the same.

## Debt

The county auditor is the general repository for information about debt issued by local governments within the county. If the debt is being repaid by property tax levy, the county auditor is authorized and obligated to extend those tax levies against future year’s tax rolls as provided in the debt instrument. To reduce these levies, the taxing authority must take action allowed under debt statutes, such as irrevocably appropriating funds on hand to repayment of the debt. Absent such action, the county auditor must extend the debt tax levies against the tax rolls, even if the taxing authority has not included those debt levies in their levy certification for that year. The county auditor plays an important role in making sure that property taxes are levied when pledged to the repayment of debt.

The county auditor reviews summary debt information from each taxing authority each year to make sure that it matches information in the county’s bond register. Debt is then reported to the state auditor each year for inclusion in state-wide debt summaries by type of taxing authority.

In order to issue debt, taxing authorities and bond consultants need information on the tax generation capabilities of the taxing authority. Auditor’s certificates fill this role by providing data on a history of market values and tax capacities, tax adjustment and collection patterns, tax rates and debt pledges of overlapping taxing authorities and a list of the largest taxpayers. Many taxing authorities also use the auditor’s certificate in the generation of their financial statement.

Debt can impact property taxes in fairly obscure ways. Outstanding debt plays a role in determining the decertification date for pre-1979 tax increment districts. It also is a factor in determining duration limit extensions for TIF districts with revenue shortfalls due to legislative action or the payment of delinquent tax collections after TIF decertification. Outstanding debt is a factor in determining the repayment schedule for special assessments deferred under the green acre program.

### Bond Register

#### Description

Each county auditor shall keep a register in which shall be entered, as to each issue of such obligations by any municipality located, in whole or in part, in the county, a record of the aggregate amount authorized, the aggregate amount issued, the purpose for which issued, the number, denomination, date, and maturity of each, the rate of interest, the time of payment, the place of payment of principal and interest, and the amount of tax levied for the payment thereof. The auditor shall also enter in said register the date and amount of each debt service loan and capital loan made by the state to any school district situated wholly or partly within the county, in accordance with [Minnesota Statutes 126C.68](#) or [126C.69](#), and shall enter on or before November 1 in each year thereafter the amount of the maximum effort debt service levy and the additional amount of the levy for interest on state loans to be extended on the tax rolls in that year, as certified by the commissioner of education in accordance with [Minnesota Statutes 126C.68](#) and [126C.69](#).

#### Use(s)

- Shows debt issued by taxing authorities within the county.
- Provides debt levies that need to be extended to the tax rolls.
- Helps determine the decertification dates for pre-1979 tax increment districts.
- Helps determine whether TIF district duration limits can be extended due to legislative action that caused revenue shortfalls for the TIF district.

- Helps determine whether delinquent TIF collected can be paid to a TIF district after decertification of the district.
- Establishes the repayment schedule for special assessments previously deferred under the green acre program.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- County Auditor

**Statutory Cite**

- [Minnesota Statute 475.62](#)

**Timing**

Updated in an ongoing basis for new debt issued. Debt levies are pulled for both TNT and final tax calculations. Debt balances as typically updated as of 12/31 each year reflecting scheduled payments of principal under the debt maturity schedule and prepayments as noted in annual reports from the taxing authorities received on or before February 1.

**Source of Data**

A certified copy of the resolution of the taxing authority issuing the debt with full information about the obligation. Prepayments provided on annual debt reports from the taxing authorities.

**Local Government Report of Outstanding Indebtedness****Description**

Provides an annual report of debt outstanding for the taxing authority as shown in its debt records. The report shows a total of bonds outstanding as of 12/31 of the prior year with a total of new debt issued and a total of debt repaid during the prior year. Totals are provided by type(s) of asset pledged for repayment of the debt. Debt service fund balances are also included. The forms are available at <http://www.osa.state.mn.us>.

**Use(s)**

- Comparing taxing authority and county debt records to identify and correct discrepancies.
- Identifying debt prepayments that occurred during the prior year.
- Verifying whether debt service funds are on hand in order to allow a reduction in a debt service levy.

**Who Prepares the Document**

- Local taxing authorities with debt

**Who Gets the Document**

- County Auditor

**Statutory Cite**

- [Minnesota Statute 471.70](#)

**Timing**

Statutory due date is on or before 2/01. Shows debt as of 12/31 of the prior year.

**Source of Data**

Taxing authority records of debt and debt repayments.

**Annual Debt Report (County)****Description**

The annual debt report provides a summary of debt outstanding as of 12/31 of the prior year for each taxing authority in the county. Subtotals are shown by asset pledged to the repayment of the debt. The form is available at <http://www.osa.state.mn.us/>.

**Use(s)**

- Summarized by the State Auditor to provide annual summaries of debt outstanding by type of tax authority (county, schools, city, and township).
- Process of generating report provides a reconciliation of county and taxing authority debt records.
- Provides the debt component for auditor's certificates.
- Provides debt information for statements of overlapping and underlying debt used in taxing authority financial statements.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- State Auditor

**Statutory Cite**

- [Minnesota Statute 471.70](#)

**Timing**

Statutory due date of 3/01. Debt is determined as of 12/31 of the prior year. Local government reports of outstanding indebtedness (due on or before 2/01) are needed to reconcile taxing authority records to county records.

**Source of Data**

County records of debt outstanding – bond register. Taxing authority records of debt outstanding – annual local government report of outstanding indebtedness. Beginning balances from prior year annual debt report.

**Certification of Entry into Bond Register and Tax Levy****Description**

Before debt supported by ad-valorem tax levies can be issued, a certificate from the county auditor must be secured stating that the debt has been entered into the county's bond register and that the associated tax levies have been made. The debt statutes provide that the county auditor is responsible for making sure that these debt levies are extended against tax rolls even if the taxing authority has not included the debt levy with their certified levy for that year.

The county auditor must review the supplied resolution to make sure that it provides full details of the terms of the debt as needed for the bond register. Occasionally, a taxing authority will include a tax levy for a previous

tax year. The county auditor must verify that this previous levy was levied or have the documentation changed to remove the levy. The phrase “hithertofore levied” may be used to identify a levy of the taxing authority made prior to issuance of the debt and prior to the county auditor’s responsibility to enforce a levy.

**Use(s)**

- Provides assurance to bondholders that debt levies pledged to support bonds that they hold an interest in are, in fact, extended to the tax rolls.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Taxing authority or bond counsel

**Statutory Cite**

- [Minnesota Statute 475.63](#)

**Timing**

This is provided upon request.

**Source of Data**

The resolution of the taxing authority authorizing the issuance of the debt which contains full detail of the terms of the debt as required for the bond register.

**Auditor’s Certificate****Description**

Before a taxing authority can issue debt, information must be supplied to bond raters and potential bond purchasers showing the taxing authority’s ability to generate property taxes. Previous to the mid 1980’s, debt consultants would supply their own form and list of needed information. Forms and data definitions varied by company. In the mid 1980’s, the metro counties came up with a standard form and set of definitions. The counties agreed to charge the same fee for the report with significant additional fees for any forms or requests for information not included in the auditor’s certificate. Consequently, there is now a standard form for this report.

This information is also helpful to those analyzing the financial position of the taxing authority. Some taxing authorities will request the auditor’s certificate when they are preparing their comprehensive annual financial reports (“CAFR”).

**Types of information included**

- Current year valuations – estimated and taxable market values, and net tax capacity by type of property. Includes tax increment, fiscal disparity and powerline adjustments to net tax capacity, if any.
- Valuation history – total estimated and taxable market values, and net tax capacities (both before and after adjustments) for the last five years. For the purpose of generating CAFR’s, this may need to be expanded to ten years.
- 10 Largest Taxpayers – only provided upon request, technically is a separate report. Depending on the capabilities of the individual county, this may be the ten largest taxpayers or a list of the largest

taxpaying parcels. Typically includes the estimated market value, net tax capacity, total taxes before special assessments and the use of the property.

- Tax Rate History – Shows the tax rates for underlying and overlapping taxing authorities for the last five years.
- Bonded Indebtedness – Shows the underlying and overlapping bonded debt as of 12/31 of the prior year. Also includes the debt service tax rate(s) to support that debt.
- Levy and collection history – Shows the tax levies, credits, collections and adjustments for the taxing authority for the last four years. Tax levies for the current year are included as a separate item.

**Use(s)**

- Provides information needed for bond prospectus.
- Provides information needed to determine bond ratings.
- Provides information needed for taxing authority CAFR’s.
- Helps in analyzing a taxing authority’s ability to generate property taxes.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Taxing authority or bond counsel

**Timing**

Can occur at any time during the year. There may be more requests at the beginning of each year since this is typically when cities are preparing their CAFR’s and new debt is being issued to support activities in the upcoming year.

**Source of Data**

- Current and historical valuations – Market value and net tax capacity reports at the county. If the county runs an assessment abstract at the point that taxes are extended, that report can be used for determining net tax capacities.
- 10 largest taxpayers
- Tax Rate History – the tax rate summary or other tax rate reports at the county.
- Bonded Indebtedness – Outstanding debt from the annual debt report. Tax capacities from the assessment abstract or other county sources for adjusted net tax capacities. Debt service tax rate(s) from tax rate calculation sources at the county.
- Levy and collection history – the levy book or equivalent.

**Largest Taxpayers**

**Description**

The diversity of a taxing authority’s largest taxpayers is one factor in estimating the future ability of a taxing authority to generate property taxes. If one taxpayer or industry represents a relatively large portion of the tax base, there may be higher risk in issuing debt to that authority. The report of largest taxpayers provides the data to help with this evaluation.

The high volume of parcels in a taxing authority can make the determination of the largest taxpayers difficult without a computer program designed for that purpose. Differences in taxpayer names (i.e. NSP vs. Northern States Power vs. Northern States Power Co. vs. Excel Energy ...) or different ownership relationships (i.e. John

Smith vs. John & Mary Smith vs. John Smith & Sons vs. John Smith Inc ...) can complicate the accumulation of taxes and value by taxpayer. In computer systems that provide for a common taxpayer ID to represent each taxpayer, this task can be easier - but the results depend on the quality of the taxpayer ID's assigned by staff receiving documents transferring ownership of property.

Because of these difficulties, some counties supply lists of the largest taxpaying parcels and let the taxing authorities or bond consultants accumulate a largest taxpayer list as they see fit. Some counties have computer systems that facilitate linking by name or taxpayer ID that make the generation of the largest taxpayer list relatively easy. It's important to check the results for reasonableness.

Company names change or companies acquire or sell property so it is not enough to update the list of largest taxpaying parcels from the prior year with current year information. Also, while the title of the report is largest taxpayers, this may not represent the entity actually making payments to the county. For example, a property management company may make payments for a number of properties but for this report the taxpayer would be the owner of the property rather than the company performing the physical act of paying taxes. In the case of contracts for deed, the county will need to determine whether the fee owner or contract purchaser best represents the entity being requested for this report.

**Use(s)**

- Provides information needed for bond prospectus.
- Provides information needed for determining bond ratings.
- Provides information needed for taxing authority CAFR's.
- Helps in analyzing a taxing authority's ability to generate property taxes.
- Can help in determining whether a taxing authority's tax base is over reliant on a particular company or industry.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Taxing authority or bond counsel.

**Timing**

Can occur at any time during the year. There may be more requests at the beginning of each year since this is typically when cities are preparing their CAFR's and new debt is being issued to support activities in the upcoming year.

**Source of Data**

Lists of taxes in a taxing authority sorted in inverse order by amount or grouped in inverse order by taxpayer name or ID.

**Overlapping & Underlying Debt Report****Description**

The overall level of payments for debt for property within a taxing authority can be an indicator of the possible risk of issuing additional debt. If the level is high, taxpayers may be less willing to make payments for more debt.

This report shows the total debt supported by property taxes allocated to the taxing authority based on proportionate shares of the adjusted net tax capacity available for the rate determination for that year.

**Use(s)**

- Analyzing the ability of a given tax base to absorb additional debt payments.
- Determining whether a taxing authority is under net debt limits contained in [Minnesota Statute 475.53](#).
- Providing information needed for bond prospectus.
- Providing information needed to determine bond ratings.
- Providing information needed for taxing authority CAFRs.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Taxing authority or bond counsel.

**Timing**

Typically needed when a taxing authority is generating their CAFR.

**Source of Data**

Net tax capacities from assessment abstract or similar source are used to determine the percentage of the overlapping debt attributable to property in the taxing authority. Cross-county values are needed from counties that share overlapping tax authorities. Debt as of 12/31 is taken from the annual debt report.

**Debt Levy Certification****Description**

Once debt backed by ad-valorem taxes is issued, the county auditor is responsible for making sure that the levies pledged for payment of the debt are extended to the tax rolls. The statutes are specific about the actions a taxing authority must take in order to reduce these levies. The county auditor must make sure that these steps take place or must levy the debt levies, even though the taxing authority has not included those debt levies in their certified levy.

The debt levy certification is a tool for notifying taxing authorities of the debt levies shown on the county's records that will be extended to the tax rolls for the upcoming year. This gives the taxing authority the ability to verify that the debt levies match their records, make sure that all debt levies are included in the certified levy and/or take action to increase or decrease debt levies as allowed by statute.

**Use(s)**

- Making sure that debt levies are extended to the tax rolls as required by statute.
- Protecting bondholders.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Taxing authorities with debt outstanding that is supported in whole or in part by ad-valorem tax levies.

**Timing**

Typically generated in late July/early August for TNT levy determinations. If there are new bonds issued, a new list should be generated in November for final levy determinations. This certification and resolutions increasing or decreasing debt levies are needed for checking the final levy certification.

**Source of Data**

- The Bond Register

## Fiscal Disparity

For information about the fiscal disparities programs, go to the Fiscal Disparities section in chapter 11.

Early staffers developed a series of tables to perform the steps of administering the fiscal disparities programs. The tables are identified by roman numerals. The tables help in performing tasks but the order can be confusing because they are not processed in numerical order. The tables are processed in the following order:

1. Supplemental Table Va and Vb – Determine each city/township’s adjusted prior year commercial-industrial value. Starting numbers come from the prior year Table II.
2. Table I – Original base values – to be adjusted for annexations (rarely used).
3. Table V – Determine the initial and final contribution values using results from Supplemental Vs and Table I.
4. Table VI – Determine fiscal capacity for each city/township (average market values per capita).
5. Table VII – Determine initial distribution values.
6. Table VIII – Determine distribution tax levies. Allocations to overlapping taxing authorities use prior year Table III.
7. Table II – For TNT, determine current year commercial-industrial values by UTA.
8. Table III – For TNT, determine current year residential values by UTA.
9. Table IV – For TNT, determine total current year tax capacity by UTA by adding results for Tables II and III to tax capacities of types of property not included on those two tables.
10. Tables IXa and IXb – For TNT, allocate final contribution values to overlapping taxing jurisdictions using final contribution values from Table V and percentages of commercial-industrial value by UTA from the prior year Table II. Determine the value for determining the local rate by taking the results from the current year Table IV, the allocated contribution from Tables IX, the retained captured value of tax increment districts and powerline values.
11. Table X – For TNT, determine local tax rates using results from Tables VIII and IX along with certified levies and disparity reduction aid.
12. Table V – For TNT, determine the fiscal disparity sharing factor (the portion of each city/township’s commercial-industrial tax base that will pay the area-wide rate). Uses the final contribution from Table V and the current year Table II total values.
13. Repeat steps 7 to 12 for the final tax calculation.

**Tables and Timelines**

A statutory timetable for submission of metropolitan fiscal disparity data and a general description of the fiscal disparity tables follow.

**Table I – Base Values in 1971** - Table I was used to establish the 1971 base commercial and industrial values for each City or Township that contributes to the fiscal disparity pool. These base values generally remain constant unless annexations occur, or legislation is enacted that require revisions to occur in order for the base values to parallel the laws by which the current values must adhere to. Table I is prepared before July 15 of each year.

**Table II – Commercial/Industrial Tax Capacity** - Table II is used to compile the total commercial/industrial values for each district (UTA) within each city or township. The total for each UTA in comparison to the total C/I value for the entire city or township is expressed as a percentage and used to assist in the allocation of the value to the UTA level in order to complete Table IX. This table is prepared twice, once as a part of the process in preparing the Assessment Abstract due on September 1 and secondly in the calculation of the final values for tax purposes in January.

**Table III – Residential Tax Capacity** – Table III is used to compile the total residential values for each district (UTA) within each city or township. The total for each UTA in comparison to the total residential value for the entire city or township is expressed as a percentage and is used for the next years Table VIII and the distribution of fiscal disparities to the city or township. This table is prepared twice, once as a part of the process in preparing the Assessment Abstract due on September 1 and secondly in the calculation of the final values for tax purposes in January.

**Table IV – Total Tax Capacity** – Table IV is a recap of Tables II, III and any additional values whose classifications were outside of Tables II and III by UTA within each city or township. Table IV reflects the total tax capacity of each UTA for the current assessment year and is used to calculate the local tax rate for each jurisdiction. This table is prepared twice, once as a part of the process in preparing the Assessment Abstract due on September 1 and secondly in the calculation of the final values for tax purposes in January.

**Table V – Contribution Tax Capacity** – Table V is a table that contains the total C/I net tax capacity from the base year, the total adjusted C/I net tax capacity from the previous year (Supplemental Table V), the increase, and 40% of the increase or the current payable year initial contribution value by city and township totals. This table is submitted to the Fiscal Disparity Administrative Auditor on or before July 15 of each year.

**Table V- Supplemental – Adjustments to Previous Year(s)** – Supplemental Table V is used to adjust the previous year’s C/I tax capacity values, due either to values being omitted or court ordered decreases and/or abatements. Adjustments to values accrued during the 12 month period ending on May 1 are compiled by each county and entered onto this table. Final adjustment totals are transferred onto Table V in order to determine the final contribution values for each city and township. This table is submitted to the Fiscal Disparity Administrative Auditor on or before July 15 of each year.

**Table VI – Determination of Fiscal Capacity** - This table gives the computed indicated market value (taxable market values divided by the sales ratio) divided by the population giving the total “fiscal capacity” of each city and township in the fiscal disparity area as well as an average “fiscal capacity” for the entire area. Fiscal capacity is defined as the equalized market value per capita. Equalized market value is the market value adjusted for differential assessment levels between jurisdictions. This table is prepared by the Department of Revenue who returns it to the administrative auditor on or before August 10.

**Table VII – Determination of Distribution Indices** – Table VII is the calculation of distribution values for each city and township in the seven county metro and iron range areas that are subject to fiscal disparities. This table uses the population and fiscal capacity as determined in Table VI as well as the area-wide values and computes the adjusted area tax base distribution for each city and town. If a municipality’s fiscal capacity is the same as the average capacity, its share will be equal to its population as a percentage of the entire area’s population. If its fiscal capacity is above average, its share will be smaller; if its fiscal capacity is below average, its share will be larger. The administrative auditor prepares this table and submits it to the counties in the fiscal disparity area by August 16.

**Table VIII – Distribution Levies** – Table VIII is the calculation of the distribution levy for each governmental unit, or portion thereof, contained within each county. The distribution levy is the product of the distribution value and the prior year’s local tax capacity rate. The total of all the taxing districts distribution dollars for each area (metro or iron range) that is subject to fiscal disparities divided by the total areas contribution value equals the Area-Wide Tax Capacity Rate. The counties prepare and submit this table to the administrative auditor by August 25.

**Certification of Area-Wide Rate** - By September 1, the administrative auditor must calculate and certify the area-wide tax rate to the counties in the area.

**Table IX – Determination of Taxable Value** – Table IX is the calculation of the local tax capacity value. This tax value is used in determining the Initial Tax Rate. The local tax capacity is the total tax capacity for the current taxable year, less the captured tax increment value, less the fiscal disparity contribution value, less tax capacity used to generate power line credits, when applicable. This table is prepared each time a County is calculating tax rates, (for both the proposed and final tax statements).

**Table X – Calculation of Local Tax Rate** – Table X is the calculation of the local tax capacity rate for each governmental unit, based upon the tax capacity values and tax levies of the governmental units. Table X includes columns of data, broken down to the fund level, in this order: each governmental units certified levy; the fiscal disparities area wide distribution levy from Table VIII; the local levy (which is the certified levy less the area wide distribution levy); the local tax capacity of the governmental unit; the initial tax rate; the disparity reduction rate; and the local tax rate. The local tax rate is used to determine the tax liability on a parcel basis, before any credits. This table is prepared each time a county is calculating tax rates, (for both the proposed and final tax statements).

The tables were designed at a time when many of these tasks were manually filled out and calculated. For most counties, these Tables are now automated. Tables V and supplemental V, VII and VIII are shared between counties and so are distinct reports produced each year. The other tables, in certain systems, have been rolled into automated valuation summaries, tax base determinations and tax rate calculations. For these counties, some of these tables no longer exist because the functionality associated with the tables has been rolled into other parts of the system.

An administrative auditor helps coordinate fiscal disparity activities between the counties. The current administrative auditor for the metro area is Anoka County and for the Iron Range is St. Louis County.

**Table V and Supplemental V (Contribution Values)**

**Description**

The Supplemental Table Vs are used to determine the adjusted commercial-industrial values for the prior year. Table Va covers adjustments for the current and two prior tax years. Table Vb was added to allow adjustments for earlier tax years. Values are accumulated by city/township with a total for the county.

If class rates have changed for commercial-industrial property for any of these tax years, the adjustments need to be equalized to the commercial-industrial values for the prior year. This is accomplished by determining how the current class rate compares to the class rate for the tax year in question and applying the resulting percentage to the net tax capacity of the adjustment. For example, if the prior year class rate for commercial

property is 1.5% and the class rate for the tax year with an adjustment is 2.5%, then an adjustment factor of  $1.5\%/2.5\%$  or 60% would be applied to the adjustment net tax capacity to equalize it.

Pre 1979 tax increment districts do not have to contribute to the fiscal disparity pool so the retained captured value for commercial-industrial for these districts is subtracted from the values on Supplemental Va.

Table V is used to calculate the initial contribution value for each city/township. Base values from Table I, as adjusted for annexations, are equalized using the same methodology described for adjustments. This equalization is intended to bring the base value in sync with the prior year adjusted commercial-industrial values. The initial contribution value is equal to 40% of the difference between the equalized base value and the adjusted prior year commercial-industrial value. The final contribution value is determined by equalizing the initial contribution value to current year class rates. This result is then certified to the administrative auditor. The sum of Table Vs for all the counties gives you the total fiscal disparity pooled value for the current year.

When TNT taxes are calculated and again when final taxes are calculated, Table V is used to determine what portion of a city/township's commercial-industrial net tax capacities will pay the fiscal disparity area-wide rate. This is determined by dividing the final contribution value for a city/township by the current year commercial-industrial net tax capacity from Table II. This percentage can then be applied to the commercial-industrial value of each parcel in that city/township to determine what portion of the parcel's value will pay the fiscal disparity tax.

#### Use(s)

- Certification of adjusted contribution value for use in determining the full value of the fiscal disparity pool for that year.
- Determination of final contribution value to be used to reduce the net tax capacity of a taxing authority in order to calculate local tax rates.
- Determination of fiscal disparity sharing factor used to determine what portion of a parcel's value will be used to extend fiscal disparity taxes.

#### Who Prepares the Document

- County Auditor

#### Who Gets the Document

- Administrative Auditor and County Auditor

#### Statutory Cite

- [Minnesota Statute 473F.06](#) (Metro) & [Minnesota Statute 276A.04](#) (Iron Range)

#### Timing

The statutory due date for supplying the administrative auditor with final contribution values is on or before 7/15. The Supplemental Table Vs include prior and current year adjustments made from 5/01 in the prior year to 4/30 in the current year. The fiscal disparity sharing factor portion of Table V is completed for TNT and again for final tax extensions.

#### Source of Data

Starting values for the Supplemental V are taken from the prior year Table II. Pre-1979 captured tax increment values are pulled from the TIF parcel list or equivalent. Adjustments are pulled from adjustment summaries and/or source documents. Base values adjusted for annexations are taken from Table I. Initial and final

contribution values are determined from these elements. The final contribution value and the current year values from Table II are used to calculate the fiscal disparity sharing factors.

**Table VIII (Distribution Dollars)**

**Description**

Table VIII is used to allocate fiscal disparity distribution values to each taxing authority and then to determine the fiscal disparity distribution levy to be generated from the fiscal disparity pool. To determine the distribution value for each taxing authority, the distribution values for each city/township from Table VII are multiplied by the percentage of residential property located in each UTA as shown on the prior year Table III.

The resulting distribution values are multiplied by the prior year local tax rate for that authority to arrive at the distribution levy. Since distribution values are available by taxing authority by UTA, authorities that have different local tax rates are not a problem since the local tax rate for that UTA can be applied to the appropriate distribution value for that UTA.

Market value based rates for schools are also used for calculating distribution levies. The previous year’s market value rate is converted to a tax capacity based equivalent and this resulting rate is applied to the distribution value of the school to arrive at the distribution levy that will be applied to current year market based taxes for the school.

In a couple circumstances, the legislature has added levies to the fiscal disparity distribution levy that were not the result of the prior year tax rate process described above. The two levies that fit this category are a \$5,000,000 Livable Community levy for the Metropolitan Council and a levy for Bloomington highway bonds for work associated with the Mega-mall. The Bloomington highway bonds process includes a provision for payback of previous dollars received for this purpose starting with payable 2009 taxes.

Since this calculation is done in August, one complicating factor can occur when a taxing authority levies in a prior levy but not in the current year. A fiscal disparity distribution levy is generated but there is no levy to apply it to. If this is simply a matter of a taxing authority not levying for a particular fund, the distribution levy can be applied to other levies of the authority. However, if the taxing authority is not levying at all, the distribution levy should be distributed in the settlement to county revenue and an adjustment should be made for the fiscal disparity distribution determination for the county in the following year to reflect the fact that excess funds were received in the prior year.

**Use(s)**

- Certifies fiscal disparity distribution levies for each taxing authority in the county for use in calculating the area-wide tax rate.
- Provides the fiscal disparity distribution levies that will be used to reduce certified tax levies for the purpose of calculating local tax rates and market-based rates for schools.
- Provides the initial distribution levy amount used for distributing fiscal disparity tax collections in the tax settlement process.
- Provides the distribution values needed for the assessment abstract.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Administrative Auditor

**Statutory Cite**

- [Minnesota Statute 473F.08](#) (Metro) and [Minnesota Statute 276A.08](#) (Iron Range)

**Timing**

Statutory due date is on or before 8/25. Table VII needed to prepare this table is due on or before 8/15.

**Source of Data**

Distribution values by city/township are pulled from Table VII. The percentage of residential property in each UTA is pulled from the prior year Table III. The prior local tax rates are pulled from the prior year rate summary or equivalent. The school district equivalent local tax rates (converted market value based rate) are certified by the administrative auditor each year.

**Table II, III, IV (Tax capacities by type of property)****Description**

Table II shows commercial/industrial tax capacities and the percentage of those tax capacities within each UTA within each city/township. Table III shows the same type of information but for residential property. Table IV includes the total tax capacities from Table II and III and adds the tax capacities for classes of property not included on those two tables to arrive at a total tax capacity (before fiscal disparity, tax increment and powerline adjustments) for each UTA within each city.

**Use(s)**

- The total tax capacity for each city/township on the prior year Table II is used as the starting point for the supplemental Table Va.
- The total tax capacity for each city/township on the current year Table II is used for calculating the fiscal disparity sharing factor on Table V for both TNT and final tax calculations.
- The percentage of commercial/industrial property within each UTA from the prior year Table II is used for allocating the contribution value to overlapping taxing authorities in Table Ixb.
- The percentage of residential property within each UTA from the prior year Table III is used for allocating the distribution value to overlapping taxing authorities on Table VIII.
- The total tax capacities on Table IV can be used as the starting values on Table X or a Table X equivalent for the purpose of calculating local tax rates for TNT and final.

**Who Prepares the Document**

- County Assessor – although in many counties the County Auditor may generate these reports.

**Who Gets the Document**

- County Auditor

**Timing**

Generated at TNT and again for final tax calculations.

**Source of Data**

Tax capacities can be pulled from the assessment abstract or another similar valuation summary.

## Table I (Original base values)

### Description

For metro counties, Table I was originally prepared showing the 1971 (payable 1972) assessed value of commercial and industrial property in each city and township in the seven county metropolitan area. The Iron Range program uses 1995 as the base year.

The base values on Table I remain constant unless there is an annexation or other similar change to a city or township boundary. If such a change occurs, the county assessor must determine the adjusted base value to be removed from the original community and added to the new community.

### Use(s)

- Reporting original fiscal disparity base values for use in determining fiscal disparity contribution values on Table V.
- Reporting adjustments in base value due to annexation or other similar adjustments to a city or township boundary.

### Who Prepares the Document

- County Assessor

### Who Gets the Document

- County Auditor

### Timing

Any adjustments must be identified before Table Vs can be completed so ideally any adjustments would be handled in early July but in no case later than 7/15.

### Source of Data

If an annexation involves commercial or industrial property, original parcel lists should be reviewed to determine how much base value should be shifted from one community to another. If no annexations or similar boundary changes occur, the values on the report do not change from year to year.

## Table IX (Allocation of Contribution Values)

### Description

Table IX is used to determine the tax capacities that will be used for determining local tax rates. Table IXb is used for overlapping taxing authorities and includes an allocation process for final contribution values based on the prior year's percentage of commercial/industrial property within each UTA. Table IXa is used for taxing authorities that do not require an allocation of the final contribution values.

### Use(s)

- Allocates final contribution values for overlapping taxing authorities.
- Provides the adjusted tax capacity values needed for calculating local tax rates.
- Provides final contribution values by UTA for the assessment abstract.

### Who Prepares the Document

- County Auditor

**Who Gets the Document**

- County Auditor

**Timing**

Is needed for TNT (October) and again for final tax rate calculation (February/March). Tax capacities and tax increment calculations need to be complete before this table can be completed. This table is typically one of the last steps performed before local tax rates are calculated.

**Source of Data**

Total tax capacities come from Table IV or the assessment abstract or similar valuation report. Tax increment captured values come from the TIF parcel list and TIF captured value calculation or equivalents. The current year final contribution value for each city/township is pulled from Table V. Percentages of commercial/industrial tax capacity by UTA are pulled from the current year Table II.

**Table X (Local tax rate calc)****Description**

Table X provides the components for calculating local tax rates and is used for calculating those rates. Most counties use a tax rate calculation program (sometimes called a Table X equivalent) to perform this task.

**Use(s)**

- Used to calculate local tax rates.
- Can be used as an independent test of tax rate calculation programs.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- County Auditor

**Timing**

This report (or equivalent) is generated for TNT (October) and again for final tax calculation (February/March). This is typically one of the last steps before tax calculation and extension.

**Source of Data**

Certified local tax levies can be pulled from taxing district levy certifications. Fiscal disparity distribution levies are pulled from Table VIII. The fiscal disparity distribution levy for a particular taxing authority is allocated based on proportionate shares of the authority's tax capacity based levy. The tax capacity used to calculate the local tax rate is taken from Table IX or equivalent. The disparity reduction rate can be pulled from the disparity reduction rate calculation or equivalent.

**Table VII (Certification of distribution value)****Description**

Table VII is used to calculate fiscal disparity distribution values by city/township. Fiscal capacities (average market values per capita) are pulled from Table VI and then indexed across the counties in the pool. Fiscal capacity is used as a measure of need based on how much tax base is available for taxing purposes. City/townships receive less distribution value if their fiscal capacity is higher than the average for the region.

Conversely, a city/township will receive more distribution value if their fiscal capacity is less than the average for the region.

**Use(s)**

- Along with prior year local tax rates, is used to calculate fiscal disparity distribution levies on Table VIII.

**Who Prepares the Document**

- Administrative Auditor

**Who Gets the Document**

- County Auditors

**Statutory Cite**

- [Minnesota Statute 276A.05](#) (Iron Range)
- [Minnesota Statute 473F.07](#) (Metro)

**Timing**

Statutory due date is on or before 8/15. However, Table VI which is needed to produce this report has a statutory due date of 8/10.

**Source of Data**

Populations by city/township are provided by the state demographer. Fiscal capacities are determined by the Department of Revenue and supplied on Table VI. The total pool value for allocation is supplied by accumulating final fiscal disparity contribution values from Table Vs for the region.

**Area-wide Tax Rate****Description**

This is the certification of the fiscal disparity area-wide tax rate that will be applied to a portion of the value for all commercial/industrial properties in the region to arrive at the fiscal disparity tax on those properties.

**Use(s)**

- Calculation of fiscal disparity taxes.

**Who Prepares the Document**

- Administrative Auditor

**Who Gets the Document**

- County Auditor

**Statutory Cite**

- [Minnesota Statute 276A.06](#)
- [Minnesota Statute 473F.08](#)

**Timing**

On or before 9/01. Table VIII is needed to perform this calculation. Table VIII has a statutory due date of 8/25. This area-wide rate is used for both TNT and final tax calculations.

**Source of Data**

Final contribution values are pulled from Table Vs for all the counties in the region. Distribution levies are pulled from Table VIIIs for all the counties in the region. Areawide rate is total levies divided by total pooled value.

**Certification of Area-wide Tax Levies****Description**

This certification shows the amount of fiscal disparity contribution taxes that should be generated in each county in the region. The certification also shows the fiscal disparity distribution dollars that are due to each county.

If the amount contributed exceeds the amount distributed, the county is a net contributor and must make payment of the difference to the administrative auditor. The certification tells these counties how much they need to pay and by when.

If the amount contributed is less than the amount distributed, the county is a net gainer and will receive checks in the first and second half settlements from the administrative auditor to make up the difference. The certification tells the county how much they will receive and when.

**Use(s)**

- Tells each county in the region how much they will receive from or how much they need to pay into the fiscal disparity pool.
- Provides a summary of contribution values and taxes, and distribution values and taxes for each county in the region for that tax payable year.

**Who Prepares the Document**

- Administrative Auditor

**Who Gets the Document**

- County Auditor

**Statutory Cite**

- [Minnesota Statute 276A.06](#)
- [Minnesota Statute 473F.08](#)

**Timing**

On or before 5/16. If net contributor, county treasurer makes payment of one-half of the excess on or before 6/15 and 11/15.

**Source of Data**

Contribution values are accumulated from Table Vs for counties in the region. Distribution values are accumulated from Table VIIIs. Distribution levies are accumulated from Table VIIIs. Contribution taxes are determined by multiplying the contribution value by the area-wide tax rate.

## Recording

### Current Taxes Paid – CIC Declarations

#### Description

This certification is needed in order to record a declaration creating a new common interest community. The declaration cannot be recorded without certification that the property taxes payable in the current year for the real estate included in the proposed common interest community have been paid.

This certification requirement does not apply in the case of preexisting common interest communities if the instrument does not create or change unit or common area boundaries and one of the following apply: 1) the declaration simply subjects the CIC to [Minnesota Statute 515B](#); 2) the declaration changes the form of the CIC pursuant to [Minnesota Statute 515B.2-123](#); or 3) the document is an amendment to or restatement of the declaration, bylaws, or CIC plat.

#### Use(s)

- Needed before a CIC declaration can be recorded.
- Helps to make sure that property taxes are paid before a property is split or new PIN numbers assigned.

#### Who Prepares the Document

- County Treasurer

#### Who Gets the Document

- County Recorder/Registrar of Titles

#### Statutory Cite

- [Minnesota Statute 515B.1-116](#)

#### Timing

- Upon request

#### Source of Data

- Current tax records of the county

### Current Taxes Paid – Transfer of Less than a Whole Parcel

#### Description

This certification applies to any deed or other conveyance that transfers property that is less than a whole parcel in the current tax list. The county auditor cannot transfer or divide the property on the tax rolls and the county recorder cannot record the document unless the county treasurer has certified that the current taxes are paid.

This certification is not needed if the property is being conveyed to a governmental agency or if the property is not subject to the delinquent tax certification due to the exceptions contained in [Minnesota Statute 272.12](#).

#### Use(s)

- Needed before a conveyance that transfers part of a parcel can be recorded.
- Helps to make sure that property taxes are paid before a property is split or new PIN numbers assigned.

**Who Prepares the Document**

- County Treasurer

**Who Gets the Document**

County Recorder/Registrar of Titles

**Statutory Cite**

- [Minnesota Statute 272.121](#)

**Timing**

- Upon request

**Source of Data**

- Current tax records of the county

**Current Taxes Paid – Registered Land Surveys****Description**

Before a registered land survey can be recorded, the document must contain a certification from the county treasurer that the current taxes on the property involved in the survey have been paid. The delinquent certification is also needed for this type of document.

**Use(s)**

- Needed before a registered land survey can be recorded.
- Helps to make sure that property taxes are paid before a property is split or new PIN numbers assigned.

**Who Prepares the Document**

- County Treasurer

**Who Gets the Document**

- Document presented for recording

**Statutory Cite**

- [Minnesota Statutes 508.47](#) and [508A.47](#)

**Timing**

- Upon request

**Source of Data**

- Current tax records of the county

**Delinquent Tax Certification****Description**

Before property can be transferred on the auditor's books and the associated document recorded, the county auditor must determine that there are no delinquent taxes on the property involved and attest to this fact on the document. This certification requires the statement "no delinquent taxes and transfer entered" and the auditor's official signature to be placed on the document.

**This requirement applies to the following conveyances:**

- Deeds or other instruments conveying land,
- Plat of any town site or addition thereto,
- Registered land survey,
- Condominium plat or declaration,
- Common interest community plat or declaration,
- Assignment of a sheriff’s or referee’s certificate of sale, when the certificate of sale describes real estate; and
- Certificates of redemption from mortgage or lien foreclosure sales, when the certificate of redemption encompasses real estate and is issued to a junior creditor.

**Please Note:** see [Minnesota Statute 272.12](#) for exceptions

If a conveyance transfers only a portion of a property as described on the county auditor records and the underlying property has delinquent taxes, the auditor can still certify no delinquent taxes as long as a proportional portion of the delinquent taxes are paid.

**Use(s)**

- Needed for most conveyances before property can be transferred on the auditor’s books.
- Needed for most conveyances before the document can be recorded.
- Helps make sure that delinquent taxes are paid by requiring payment before recording.
- Helps make sure that a new property owner does not unknowingly acquire a property with a delinquent tax lien.

**Who Prepares the Certification**

- County Auditor

**Who Gets the Certification**

- County Recorder/Registrar of Titles

**Statutory Cite**

- [Minnesota Statutes 272.12](#) and [272.14](#)

**Timing**

- Upon request

**Source of Data**

- Delinquent tax records of the county

**Notification of Parcel Identification Number (“PIN”)**

**Description**

When a county first moves to a parcel identification numbering system, the county must notify each property owner by certified mail of the legal or tax description associated with the PIN(s) for his or her property. Subsequent to this, if a conveyance is presented to the county auditor for transfer, instead of sending notification by certified mail the county auditor may make a notation on the document over official signature.

**Use(s)**

- Lets the property owner know what PIN will be associated with their property.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Property Owner

**Statutory Cite**

- [Minnesota Statute 272.194](#)

**Timing**

- Ongoing

**Source of Data**

- Conveyances and the county's parcel numbering system

**Parcel Identification Number/Tax Description Cross-reference****Description**

The statute requires that the county auditor maintain a record that associates the legal or tax description of a parcel with the county assigned identification number for that parcel. For most, if not all counties, this requirement is met by computer systems that keep this information associated with a given piece of property.

**Use(s)**

- Clarifies what property is described by a parcel identification number.
- May provide a link between records stored in the county recorder's office vs. the county auditor's office.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- County Auditor

**Statutory Cite**

- [Minnesota Statutes 272.192](#) and [272.191](#)

**Timing**

- Ongoing

**Source of Data**

- Conveyances and the county's parcel numbering system

## Schools

The statutorily prescribed method for determining levy limits for schools is extremely complicated. The county auditor plays a role in reporting information on abatements, tax extensions, and credits that the Minnesota Department of Education and school districts need for calculating certain types of levy limits. Some of this information is also needed by the school districts for preparing their annual financial statements ("CAFRs").

Since many school districts extend across county lines, the process of preparing these reports often involves cross-county cooperation and data sharing. The home county auditor will accumulate data for the school district as a whole.

## 6 Month School Abatement Report

### Description

Report of the abatements that have occurred within the first six months of the calendar year for a particular school district. The word abatement here refers to any adjustment to the amount of taxes due that varies from the amounts originally extended. Consequently, the report includes, but is not limited to, the following adjustment types: reductions due to abatements or tax court petitions as well as increases due to omitted property.

The report includes the amount of taxes adjusted and the associated value adjustment (net tax capacity or referendum market value). Tax adjustment amounts are grouped by the tax base type, showing decreases and increases separately, with subtotals by county. The amounts shown can be for multiple tax payable years as long as the adjustment was finalized in the first six months of the year.

### Use(s)

- Gives the school district information to determine if they want to levy for lost revenue.
- If they choose to levy for lost revenue, the Department of Education uses this information for determining levy limits for the schools.

### Who Prepares the Document

- County Auditor

### Who Gets the Document

- Department of Education. Each school district gets a copy of their report. If you are not the home county auditor for a school district, you need to complete the form for your county and forward it to the home county auditor.

### Statutory Cite

- [Minnesota Statute 126C.46](#)

### Timing

Statutory due date is 7/15. Since the report includes adjustments through 6/30, it must be prepared after that date.

### Source of Data

Data on adjustments can be pulled from the adjustment summary or equivalent. If such a summary does not exist, the information can be pulled from the adjustment source documents. Cross-county data is certified to the home county auditor.

### Sample

[Six-Month School Abatement Report](#)

## Yearly School Abatement Report

### Description

Report of the abatements that have occurred within the prior calendar year for a particular school district. The definition of abatement is the same as for the six-month report.

The report has the same data groupings as the six-month report. Unlike the six-month report, this report also includes the amount of interest paid on adjustments (tax court petitions).

### Use(s)

- Used by the Department of Education to calculate school abatement levies and abatement aids.

### Who Prepares the Document

- County Auditor

### Who Gets the Document

- Department of Education. Each school district gets a copy of their report. If you are not the home county auditor for a school district, you need to complete the form for your county and forward it to the home county auditor.

### Statutory Cite

- [Minnesota Statute 127A.49](#)

### Timing

Statutory due date of prior to 2/01. Includes adjustments through 12/31 of the prior year so the report cannot be started until after that date.

### Source of Data

Data on adjustments can be pulled from the adjustment summary or equivalent. If such a summary does not exist, the information can be pulled from the adjustment source documents. Cross-county data is certified to the home county auditor.

### Sample

[Yearly School Abatement Report](#)

## School Tax Report

### Description

The School Tax Report shows the values, levies and resulting rates used for extending school district taxes for that year. Values are split between tax capacity and referendum market value components. The second page shows the certified levy by purpose along with levy adjustments. This page also shows the resulting tax rate and tax extensions for that levy.

### Use(s)

- Provides final levy certification for use in audits and future levy limit calculations.

### Who Prepares the Document

- County Auditor

**Who Gets the Document**

- Department of Education

**Statutory Cite**

- [Minnesota Statute 275.124](#)

**Timing**

Statutory due date prior to 4/01. Tax rates must be finalized and taxes extended before this report can be generated.

**Source of Data**

Values can be pulled from the final assessment abstract run when final tax calculations are taking place. It will be helpful to run the report by school district.

Levies will be taken from the school's final levy certification by type of levy. The county auditor levy adjustments are taken from this same form. These adjustments are required reductions to debt service levies because of existing debt service excess fund balances. The fiscal disparity adjustment is the fiscal disparity distribution dollars from Table VIII allocated proportionately based on the certified levy as adjusted for excess debt service. The distribution dollars resulting from market value based levies are allocated separately from tax capacity based levies.

Rates can be pulled from the tax rate calculation source used by the county. The computed levies should match the abstract of tax list lines shown on the report.

Cross-county data will be certified to the home county auditor.

**Sample**

[School Tax Report](#)

**School Tax Receivable (Form 51)****Description**

School district fiscal years run from July 1 to the following June 30. This report shows the amount of taxes receivable for a particular school district in your county as of June 30 by tax payable year. The report includes amounts for real estate, personal property and manufactured home taxes even though manufactured homes were not part of the levy certification or rate calculation process.

For prior tax payable years, the report shows the balance from the prior year's form 51, any adjustments (split between additions or reductions) and a breakdown of advances, partial settlements and settlements paid to the school district for each tax payable year. The bottom line is the amount still owed to the school district for that tax payable year as of the end of the school's fiscal year.

For the current tax payable year, the main difference is that the total levies, credits and aids must be shown to reflect the original balance due. The report also includes amounts that have been received by the county that may not have been disbursed yet to the school district as part of the first half tax settlement typically paid in early July.

**Use(s)**

- To provide school districts with information needed to properly record current and delinquent taxes receivable balances as of June 30, including adjustments as needed for the school district's financial statement (CAFR).
- To provide the Department of Education with tax distribution information to calculate tax shift and school aid limitations.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- School district
- Department of Education

**Statutory Cite**

- This is an administrative report from the Office of the State Auditor.

**Timing**

Since the report reflects activity through June 30, it can't be completed until after that date. The report is typically prepared in July.

**Source of Data**

Beginning balances for prior tax years come from the prior year Form 51. For the current year, beginning adjusted levies can be taken from the school tax report. Manufactured home levies can be taken from the manufactured home tax extension or equivalent.

Current year aids/credits will come from certifications from the Department of Revenue and from the credit portion of tax extension reports from your system. Prior year aid/credits will come from the adjustment summary or equivalent. If such a summary does not exist, the information can be pulled from the adjustment source documents. Additions or reductions to levies come from this same adjustment source.

Disbursement information can be pulled from the [School Tax Settlement Report – Form 52](#).

Balances as of June 30 can be tied to the sum of balances for real estate and personal property in the levy book plus the balances for manufactured homes in the manufactured home levy book.

**Sample**

[School Property Taxes Receivable Report – State Auditor Form 51](#)

**Taconite Credit Report****Description**

This report summarizes the amounts of taconite homestead credit and supplementary taconite homestead credit attributable to all the school districts in the county by school district by fund. Page 2 of the report shows the total amount of the credit(s) by government unit by type of credit with actual amounts received for the prior year and estimated amounts to receive for the current year. The report must be completed by counties in the taconite tax relief area that currently includes all or a portion of Cook, Lake, St. Louis, Itasca, Koochiching, Aitkin and Crow Wing Counties.

**Use(s)**

- Provides data needed by the Department of Education for future levy limit calculations.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Department of Education

**Timing**

Requested date of 4/01 each year. Tax rates must be finalized and taxes extended for the year before this report can be finalized.

**Source of Data**

The calculation of credits on individual properties or a credit summary from the computer system.

**Sample**

[Taconite Credit Report](#)

**School Referendum Notice****Description**

This notice shows the estimated impact of a proposed school referendum. The notice must project the anticipated amount of tax increase in annual dollars and annual percentage for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

While not directly responsible for generating this notice, the county auditor/treasurer nevertheless plays a role in its development. The notice must be sent to taxpayers and interested parties shown on the county's records. Unless this mailing information is supplied automatically through access to GIS or other similar means, the school district will need to get the mailing information from the county.

The school will also likely approach the county auditor for net tax capacities and referendum market values needed for determining estimated tax rates associated with the proposed referendum. School officials may not be familiar with tax rate calculation and tax extension procedures and may need assistance.

It is not unusual for the county auditor to get questions from taxpayers when these notices are mailed. The best approach is to forward these questions to the school district. Be careful about getting pulled into discussions of those for and against the referendum and providing tax impacts that are different from those generated by the school district.

**Use(s)**

- Notifies voters and taxpayers of the estimated tax impact of a proposed levy referendum.

**Who Prepares the Document**

- School district

**Who Gets the Document**

- Taxpayers in the school district

**Statutory Cite**

- [Minnesota Statute 126C.17](#)

**Timing**

At least 15 days but no more than 30 days before the day of the referendum.

**Source of Data**

For the purpose of giving mailed notice under this subdivision, owners must be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose.

Estimated values used for calculating estimated tax rates can be pulled from the most recent assessment abstract.

## Tax Levies and Rates

The county auditor performs several different roles related to the levy process. Auditors have a control/audit function in making sure that levies are timely and do not exceed applicable levy limits and that debt levies are levied as required. They have an administrative role in collecting the levies for all taxing authorities within their boundaries since levies are needed to calculate tax rates and will ultimately be used as a basis for the distribution of collected taxes (two county auditor tasks). Auditors also report levies for use in statewide reports often used by the legislature for making tax policy changes.

The auditor calculates local tax rates and referendum market value based tax rates for use in calculating tax extensions. The auditor calculates rates for taxing authorities for which he/she is home auditor and receives tax rates from other counties for taxing authorities where he/she is not the home auditor. The auditor also reports these rates to the state (via PRISM) and to taxpayers and other interested parties through tax rate summaries or other similar reports.

The Department of Revenue determines the state general tax rates and certifies them to all counties. The Department of Revenue also supplies aids paid by the state for use in calculating rates used to determine state paid aid amounts that appear on tax statements.

**Final Tax Levy Certification****Description**

Shows the final tax levy by fund by tax base for a taxing authority. Also includes certified resolutions of the governing body that set the levy/levies.

**Use(s)**

- Standardized form for providing final tax levies.
- Checklist(s) to make sure that all documents are provided that are needed.

- List of outstanding debt levies to make sure that these levies are appropriately made or adjusted.
- Used with taxable values to determine local tax rates and referendum market value based rates.

**Who Prepares the Document**

- The county, cities, townships, school districts and special taxing districts in the county. The attached samples can be generated by the county auditor to help with this certification.

**Who Gets the Document**

- County Auditor

**Statutory Cite**

- [Minnesota Statute 275.07](#)

**Timing**

On or before five working days after December 20. Failure to certify a levy by that date requires the county auditor to use the final levy for the prior tax year.

**Source of Data**

Official resolutions of the taxing authority setting the final property tax levy and any adjustments to debt service levies.

**Sample**

<b><u>CHECKLIST</u></b>	
FOR TAX LEVIES PAYABLE IN 2018	
For	
<b>GOVERNMENTAL UNIT:</b> _____	
_____	Completed and signed Final Levy Certification
_____	Certified copy of resolution adopting final tax levy.
_____	Signed "Certificate of Payable 2018 Debt Levy". (Copy attached if applicable)
_____	Copies of resolutions authorizing reductions or additions to Debt Levy (if applicable)
_____	Please include your Certification of delinquent annual assessments if they haven't already been certified. (i.e. snow removal, delinquent sewer and water, false alarms)
_____	An estimate of the number of people that attended your Truth in Taxation levy meeting (If applicable).

**COUNTY, CITY AND SPECIAL TAXING DISTRICT LEVY CERTIFICATION  
FINAL TAXES PAYABLE IN 2018**

FOR \_\_\_\_\_  
(Governmental Agency)

LEVY PURPOSE	CERTIFIED FINAL TAX LEVY
<b>NET TAX CAPACITY BASED LEVIES</b>	
1) General	\$
2) Debt	
3) Other (Please Specify)	
4)	
5)	
6)	
7)	
8)	
9)	
10) Total Net Tax Capacity Based Levies (Total 1 through 9)	\$
<b>MARKET VALUE BASED LEVIES</b>	
11)	\$
12)	
13) Total Market Value Based Referendum Levies (Total 11 & 12)	\$
14) Total Certified Levy (Total 10 & 13)	\$

I, the authorized representative of the above mentioned Governmental Agency, certify that the foregoing information is accurate to the best of my knowledge.

\_\_\_\_\_  
Signature of Authorized Representative Title Date

Phone Number of Contact Person \_\_\_\_\_

**Outstanding Debt Levies**

City of Spruce  
 =====

BOND ISSUES	ORIGINAL PRINCIPAL	DATE ISSUED	PAYABLE 2007 DEBT LEVY	ADDITIONS OR REDUCTIONS BY RESOLUTION	CERTIFIED DEBT LEVY
GO IMP 17	2,000,000	1-Mar-91	\$221,923.00		
GO IMP 19	2,300,000	11-Feb-93	181,486.85		
GO IMP 20	2,900,000	10-Feb-94	200,000.00		
GO IMP 22	2,100,000	15-May-96	127,246.00		
GO IMP 23	2,750,000	21-Mar-97	135,816.00		
GO IMP 25	2,500,000	16-Feb-99	155,158.00		
GO bldg 2003A	9,700,000	1-Mar-03	918,627.94		
GO REFUNDING IMP 2004A	1,725,000	1-Apr-04	156,613.13		
			\$2,096,870.92		

I hereby certify that the above schedule of bond levies to be spread on the payable 2007 tax rolls agrees with the City records and is true and correct. Copies of any resolutions which increase or reduce these levies are attached.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

**Proposed Tax Levy Report**

**Description**

Shows proposed tax levies for TNT for all local taxing authorities for which the county is home auditor. The final levy for the current year is compared to the proposed tax levy for the following year. Levies are broken out between net tax capacity based and referendum market value based levies (no fund breakdown is given, totals only). For cross-county taxing authorities, the entire levy is shown – not just the portion related to the home county. For metro and iron range counties, fiscal disparity distribution dollars are also provided.

**Use(s)**

- Used by the Department of Revenue to generate statewide reports estimating the changes in tax levies and resulting property taxes.
- Used as a control to make sure that the county, cities and schools do not increase final levies above the TNT proposed maximums except as allowed by statute.
- Can be provided to the media, taxpayers and local taxing authorities for levy comparison purposes.
- With the final tax levies, may be used as an indicator of the effectiveness of the TNT process in holding down property tax levies.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Department of Revenue

**Statutory Cite**

- [Minnesota Statute 275.07](#)

**Timing**

Statutory due date is 10/08.

**Source of Data**

Levy certifications from local taxing authorities

**Final Tax Levy Report****Description**

Shows final and proposed tax levies for the current tax year and the final levy for the prior tax year for each taxing authority in the county for which the county is home auditor. Levies are broken out between tax capacity based and referendum market value based levies. Only totals are provided (no fund breakdown). For cross-county taxing authorities, the entire levy is shown – not just the portion related to the home county.

**Use(s)**

- Provides levies for estimating tax impacts in legislative research models.
- Allows the Department of Revenue to generate state-wide tax levy reports for comparison and historical purposes.
- Together with proposed tax levies, makes sure that final levies don't exceed TNT maximum limits except as provided by statute.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Department of Revenue

**Statutory Cite**

- [Minnesota Statute 275.07](#)

**Timing**

Statutory due date is 1/15.

**Source of Data**

Final levy certifications from local taxing authorities

## Property Tax Levy Report

### Description

Each county government, each city over 2,500 population and each town over 5,000 must annually submit a report to the Department of Revenue concerning its final certified property tax levy.

### Use(s)

- Provides tax levies, by use of the levy, for the purpose of generating state-wide reports showing total tax levies for a specific purpose and for comparisons from jurisdiction to jurisdiction.
- Provides data needed for allocating taconite municipal aid.

### Who Prepares the Document

- Each county government, each city over 2,500 population and each town over 5,000.

### Who Gets the Document

- Department of Revenue

### Statutory Cite

- [Minnesota Statute 275.62](#)

### Timing

Due 12/30

### Source of Data

Resolutions/budgets which show the official action of the governing body of the taxing authority.

### Sample

[Property Tax Levy Report](#)

## Schedules of Taxes Levied

### Description

Shows levies, aids, and rates by fund for a particular taxing authority. For metro and iron range counties, fiscal disparity distribution dollars are also shown. Essentially provides information needed to calculate or verify tax rates and tax extensions.

### Use(s)

- Provides verification to external auditors of tax rates and taxes receivable used for taxing authority financial statements.

### Who Prepares the Document

- County Auditor

### Who Gets the Document

- Requesting local tax authority or its external auditor.

**Timing**

May be requested by auditors of a particular taxing authority. For the county, cities, townships and special taxing districts this request will typically be received in January for taxes extended in the prior year. For school districts, the request typically will arrive in July for taxes payable in the current year.

**Source of Data**

Tax capacities and referendum market values from PRISM. For iron range and metro counties, fiscal disparity distribution information comes from Table VIII. Levies come from the final levy certification. Disparity reduction aid is certified by the Department of Revenue. Tax rates are pulled from your tax rate calculation process.

**Cross County Tax Rates****Description**

Shows tax rates by fund by tax base and aid rates for a particular taxing authority.

**Use(s)**

- Provides tax rates needed for calculating property tax amounts for taxing authorities for which the auditor is not the home auditor for the taxing authority.
- Provides aid rates needed for calculating state-paid aid amounts that appear on property tax statements.

**Who Prepares the Document**

- Home County Auditor

**Who Gets the Document**

- County Auditors that overlap a particular taxing authority who are not the home auditor.

**Statutory Cite**

- For TNT rates – [Minnesota Statute 275.065](#)
- For final rates – [Minnesota Statute 275.08](#)

**Timing**

For TNT – statutes provide a due date of 10/05. For final rates – statutes provide a due date of 1/15. Getting finalized values by these due dates may be problematic for a number of counties. In practice, these rates are typically shared after the statutory due dates in an agreed upon schedule between the affected counties to allow all of the counties to timely generate their TNT notices and tax statements according to their particular printer's schedule.

**Source of Data**

Tax rate and aid rate calculation processes.

**Tax Rate Publication****Description**

Rates of taxation and amounts raised for each specific purpose.

**Use(s)**

- Public notification of tax rates and corresponding levies.

**Who Prepares the Document**

- County Treasurer

**Who Gets the Document**

- Newspaper

**Statutory Cite**

- [Minnesota Statute 276.015](#)

**Timing**

Upon request of county board, three weeks published notice.

**Source of Data**

Tax rate calculation process

**Tax Rate Summary****Description**

While not required by statute, it can be very handy to have a summary of all tax rates needed to calculate taxes for a given tax payable year. Local tax rates and referendum market value based rates are provided by UTA by major taxing authority. Detail is supplied to determine the taxing authorities included in the special taxing district category. Information is also provided to calculate state general taxes, fiscal disparity taxes and tax increment taxes.

**Use(s)**

- Provides a handy source for tax rates for estimating or calculating property taxes.
- Allows for easy historical comparison.
- Provides an easily exchanged document so that those outside of the county can verify/validate tax extensions.
- Assists taxing authorities or consultants in calculating estimated revenue streams for tax increment financing districts.
- Can be used as electronic input for applications designed to check tax calculations on the primary tax system for the county.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Internal staff, taxing authorities, media, consultants, taxpayers

**Timing**

Once final tax are extended for a given tax year – typically March. A rate summary may also be generated in October for the TNT process.

**Source of Data**

Tax rate calculation process. For iron range and metro counties, fiscal disparity sharing factors on Fiscal Disparity Table V. Tax increment sharing factors from Tax Increment Captured Value Calculation or equivalent.

**Manufactured Home Tax Extension****Description**

Taxes on manufactured homes that are treated as personal property are not part of the certified levies of a taxing authority. The taxes are based on local tax rates and referendum market value based rates for the current tax payable year. Unless the taxing authority is notified of the amount of the manufactured home tax extended for the taxing authority, they do not know how much to expect or to budget for.

**Use(s)**

- Provides amounts for establishing manufactured home taxes receivable.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Taxing authorities that have manufactured homes within their boundaries.

**Timing**

After tax rates are finalized (typically March), after manufactured home taxes are calculated (sometime between March and July).

**Source of Data**

Manufactured home tax extensions.

**Levy Certification – County, City & Special Taxing District****Description**

Shows the proposed tax levy by fund by tax base for a taxing authority. Also includes certified resolutions of the governing body that set the levy/levies.

**Use(s)**

- Standardized form for providing proposed tax levies.
- Used with taxable values to determine local tax rates and referendum market value based rates.

**Who Prepares the Document**

- The county, cities, townships, school districts and special taxing districts in the county. The attached form can be provided by the county auditor to help with this certification.

**Who Gets the Document**

- County Auditor

**Statutory Cite**

- [Minnesota Statute 275.065](#)

**Timing**

On or before 9/15

**Source of Data**

Official resolutions of the taxing authority setting the proposed property tax levy.

**Levy Certification – School****Description**

This certification is part of a much larger document generated by the Department of Education to determine school district levy limits. The school district fills in the actual levies by fund on the form.

For proposed tax levies, the school district may simply certify the “maximum” levy and the county auditor will use the maximum levy limit for each fund to determine tax rates. For TNT, the county auditor may want to check the Department of Education’s website after 9/30 because they will often change levy limits after that date as new information becomes available. The rate calculation process schedule in your county will dictate how long you can wait to finalize levies for school districts.

**Use(s)**

- Provides school district levies by fund needed to calculate tax rates.
- Provides school levy limits by fund and allows the county auditor to verify that the school levy meets the appropriate levy limits.

**Who Prepares the Document**

- Levy limits are determined by the Department of Education. Levies are provided by each school district in the county.

**Who Gets the Document**

- County Auditor

**Statutory Cite**

- [Minnesota Statute 275.065](#)
- [Minnesota Statute 275.07](#)

**Timing**

Proposed tax levies must be certified by 9/30. Final tax levies must be certified on or before five working days after 12/20.

**Source of Data**

Official action of the governing body of the school district.

**Disparity Reduction Aid****Description**

Aid amounts are certified by county, township and school district by UTA for each taxing authority eligible for this aid.

**Use(s)**

- Provides numbers needed to calculate disparity reduction rate reductions for counties and schools (as appropriate) for TNT and final tax statements.
- Disparity reduction rates are also used in the calculation of state paid aid amounts that appear on tax statements.
- Disparity reduction rates are used to determine the actual amount for reimbursement by the state (reported on PRISM)

**Who Prepares the Document**

- Department of Revenue

**Who Gets the Document**

- County Auditor

**Statutory Cite**

- [Minnesota Statute 273.1398](#)

**Timing**

Before 9/01

**Source of Data**

Original aid as adjusted according to statute.

**State General Tax Rates****Description**

The Department of Revenue supplies the rate needed to calculate the state general taxes.

**Use(s)**

- Provides the rate needed to calculate the state general tax.

**Who Prepares the Document**

- Department of Revenue

**Who Gets the Document**

- County Auditor

**Statutory Cite**

- [Minnesota Statute 275.025](#)

**Timing**

The Department of Revenue must supply proposed rates by 10/01. Final rates must be certified 1/01.

**Source of Data**

The previous year's state-wide levy and allowable adjustments, and values from PRISM for all counties.

## Tax Settlement

The tax settlement refers to the process of taking taxes that have been collected, allocating them to the appropriate taxing authorities, making payment to these authorities and reporting the detail of what has been paid. Prior to the development of computer systems for this purpose, this process was both tedious and time-consuming. Computer systems that allocate taxes have made this process quicker and automatic. New legislative programs involving new tax bases and types of taxes have made the programming and auditing processes more complex.

The state auditor has an expectation that counties will be able to tell how much money is due and payable to each taxing authority at any given time. This has led to computer systems that allocate payments, adjustments and refunds to the various taxing authorities at the point that a transaction occurs. The settlement process then becomes a step of adding together all the amounts that have been allocated to each taxing authority at the transactional level for transactions that occurred within the timeframe covered by the tax settlement. Exceptions to this transactional allocation occur in the areas of penalty and interest, fiscal disparity and manual distributions (such as various payments in lieu of tax – “PILT” or “PILOT”) that are not covered within the tax system.

Allocations of penalty and interest collections that are made early in the year cannot be made at the transaction level at the time of the transaction because the information needed to make the allocation is not available at that time. Part of the penalty and interest collections are allocated to the schools. The school portion is allocated to all schools in the county based on proportionate shares of net tax capacities for the current year. Since these tax capacities are not finalized in January, penalty and interest collected at this time is put into a suspense account and then allocated to the appropriate taxing authorities when the valuation information becomes available or at the time that the formal allocation (distribution) of funds is made for the settlement.

The fiscal disparity distribution process involves adjusting expected payout dollars for expected but uncollected (or over-collected) dollars paid into the fiscal disparity pool. You need to know what has been uncollected or over-collected in the fiscal disparity tax for the settlement period before you can allocate the payments to the appropriate taxing authorities. The fiscal disparity taxes are put into a suspense account and allocated at the time of the settlement.

There are many PILT programs in statute, each with their own distribution methodology. Rather than programming the allocation methodologies for these various programs, most county systems (if not all) handle these PILT payments in a manual allocation and add the results to the appropriate taxing authorities in the settlement process.

Some counties don't allocate payments at the time of the transaction. Instead, payments are accumulated by tax type by unique taxing jurisdiction and are reported in total for the settlement period. These aggregated numbers are then allocated at the time of the settlement. This approach can greatly reduce the amount of memory needed to store transactional data and the processing time involved with allocating payments each time a transaction occurs; however, this approach does not easily allow for the state auditor goal of knowing how much is due to each taxing authority at any given time. This approach used to be the norm, but low-cost memory and high-speed processors have made the transactional allocation model the most-used approach.

## May Tax Settlement with County Auditor

### Description

The May tax settlement is the first settlement of the year and covers all tax receipts collected from January 1 to May 20. It is not unusual for a county to settle receipts for a slightly different timeframe. Some counties strictly adhere to the May 20 end date. Some use the May 20 cutoff for current year tax collections but a May 31 cutoff for all other collections. Some use May 31 for all collections.

It's important to make a distinction between the collection date and the date that a payment is applied. Funds collected by May 20 or postmarked by May 15 should be included in the May settlement. For some counties, it may take weeks to actually post these payments to the tax system.

### Use(s)

- Provides a summary of taxes collected and payable to each taxing authority for the settlement period.
- Provides different levels of detail for auditing tax allocations.

### Who Prepares the Document

- County Treasurer

### Who Gets the Document

- County Auditor

### Statutory Cite

- [Minnesota Statute 276.09](#)

### Timing

Later of May 20 or 26 days after the postmark date on the envelopes containing the tax statements.

### Source of Data

Tax collection data as allocated to each taxing authority.

## May Tax Settlement – Remittance Advice

### Description

The remittance advice shows the breakdown of the amount paid to the taxing authority. It should be broken down by fund, by tax type and by tax payable year (although for some taxing authorities, current vs. delinquent may be a sufficient level of detail).

The most detailed tax settlement report can be used as remittance advice. The state auditor developed a settlement report a number of years ago that is still in use in some counties. The state auditor report for a city typically needs separate reports for special assessment and tax increment financing detail because the form does not accommodate the volume of these tax types that may exist in a city.

### Use(s)

- Provides the detail needed to post tax receipts on the books of the taxing authority.
- Provides a justification of the amount paid.

**Who Prepares the Document**

- County Treasurer

**Who Gets the Document**

- Taxing authorities receiving taxes.

**Statutory Cite**

- [Minnesota Statute 276.11](#)

**Timing**

The treasurer must make payment within 60 days of May 20 (or at a later date if tax statements were mailed after the statutory timeline). After 45 days, interest accrues on the settlement amount at an annual rate of 8%. See also Advances and Partial Settlements for required payments to school districts and optional payments to other taxing authorities.

**Source of Data**

Tax settlement reports from the computer system as adjusted for advances and partial settlements, and manual distributions.

**October Partial Tax Settlement – Remittance Advice****Description**

Covers tax collections in the time period from the end of the May Tax Settlement to October 20 and estimated tax collections from October 20 to November 20.

**Use(s)**

- See May Tax Settlement – Remittance Advice

**Who Prepares the Document**

- County Treasurer

**Who Gets the Document**

- Taxing authorities receiving taxes

**Statutory Cite**

- [Minnesota Statute 276.111](#)

**Timing**

Payment must be made within ten business days after November 15. There is no penalty for late payment. See also Advances and Partial Settlements for required payments to school districts

**Source of Data**

Tax settlement reports from the computer system as adjusted for advances and partial settlements, and manual distributions.

## Final Tax Settlement with County Auditor

### Description

Covers collections from November 20 to December 31 and any other funds collected during the year that have not already been paid out.

### Use(s)

- Provides a summary of taxes collected and payable to each taxing authority for the settlement period.
- Provides different levels of detail for auditing tax allocations.

### Who Prepares the Document

- County Treasurer

### Who Gets the Document

- County Auditor

### Statutory Cite

- [Minnesota Statute 276.111](#)

### Timing

On or before 1/05

### Source of Data

Tax collection data as allocated to each taxing authority.

## Final Tax Settlement – Remittance Advice

### Description

Covers collections from November 20 to December 31 and any other funds collected during the year that have not already been paid out.

### Use(s)

- See May Tax Settlement – Remittance Advice

### Who Prepares the Document

- County Treasurer

### Who Gets the Document

- Taxing authorities receiving taxes.

### Statutory Cite

- [Minnesota Statute 276.111](#)

### Timing

Payments must be made on or before 1/25. Interest accrues at an annual rate of 8% for any taxes not paid out by 1/25.

**Source of Data**

Tax settlement reports from the computer system as adjusted for manual distributions.

**Advances and Partial Settlements****Description**

A distinction is made here between an advance and a partial settlement. For this purpose, an advance describes a payment made for cash flow purposes where the amount paid is not broken out by fund or tax type – typically the entire amount is paid to the general revenue account of the taxing authority. The amount advanced is reversed when the settlement or partial settlement is paid to the taxing authority, resulting in a net payment (settlement less advance).

A partial settlement is made prior to the May and final settlements and contains the full fund and tax type breakout. The May and final settlement reflect the net amounts not already paid to the taxing authorities.

Counties can choose to handle the payments required here as either advances or partial tax settlements.

The statutes provide that taxing authorities (other than school districts) can provide a written request for an advance of the May Tax Settlement and that the county should make payment of at least 70% of tax collections in this circumstance. Some counties will provide these advances automatically without requiring a written request. Some counties will also make advances on the October partial settlement if requested, even though the statutes do not specifically provide for advance process in this case.

Remittance advice documents should be provided for either advances or partial settlements in the same form as used for the tax settlements themselves.

**Use(s)**

- Provides the detail needed to post tax receipts on the books of the taxing authority.
- Provides a justification of the amount paid.

**Who Prepares the Document**

- County Treasurer

**Who Gets the Document**

- School Districts or taxing authorities requesting advances

**Statutory Cite**

- [Minnesota Statute 276.11](#) for school advances for the May tax settlement and written requests from other taxing authorities.
- [Minnesota Statute 276.111](#) for school advances for the October partial settlement.

**Timing**

**May Tax Settlement** – 50% of school district collections is paid within 7 business days after May 15. Another 50% of school district collections is paid within an additional 7 business days. At least 70% of collections is paid to a taxing authority that requests an advance. Payment is made within 30 days of May 20.

**October Partial Tax Settlement** – 50% of school district collections is paid within 7 business days after October 15. Another 50% of school district collections is paid within an additional 7 business days.

**Source of Data**

Tax settlement reports run at an intermediate point in the tax settlement process.

**School Apportionment****Description**

This report shows the amounts apportioned to schools based on proportionate shares of the net tax capacities for all school districts in the county. School district allocations of penalty and interest fit this category as do school portions of transmission and distribution line taxes. The penalty and interest are allocated in the May and Final Tax Settlements. The transmission and distribution line taxes are allocated entirely in the May Tax Settlement.

The report shows the amount apportioned, the source of funds, and the net tax capacity of each school district in the county. The net tax capacity used is the prior year's assessment for taxes payable in the current year.

**Use(s)**

- Provides the Department of Education and school districts with amounts needed to adjust school district levy limits.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Department of Education
- School Districts

**Statutory Cite**

- [Minnesota Statute 127A.34](#). [Minnesota Statute 123B.19](#) provides a \$50 penalty for failure to report an apportionment to the Department of Education as required by law.

**Timing**

The statutory due date is the first Wednesday after the funds are apportioned.

**Source of Data**

Tax settlement information for school districts

**Sample**

[School Apportionment](#)

**Tax Increment Excess Paid to Schools****Description**

This report shows the amount of tax increment excess and/or surplus paid to each school district in the last tax settlement. This would include funds due to base rate excess, money returned by tax increment districts to the county auditor and tax increment funds collected after a tax increment district has been decertified.

**Use(s)**

- Used to lower a school's state aid payments

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Department of Education

**Statutory Cite**

- [Minnesota Statute 469.176](#)
- [Minnesota Statute 469.177](#)

**Timing**

Statutory date is within 30 days of the distribution of funds

**Source of Data**

Tax settlement data related to school portion of tax increment excess or surplus

**School Tax Settlement Report (Form 52)****Description**

The school tax settlement report provides remittance advice information for tax settlements to school districts in the county.

State auditor forms are available at <http://www.osa.state.mn.us/>

**Use(s)**

- Provides the detail needed to post tax receipts on the books of the school district.
- Provides a justification of the amount paid.

**Who Prepares the Document**

- County Treasurer

**Who Gets the Document**

- School districts within the county

**Timing**

At the time that the May Settlement, the October Partial Settlement and January Final Settlement are paid.

**Source of Data**

Tax settlement data related to payments made to schools

**Sample**

[School Tax Settlement Report \(Form 52\)](#)

## State Share of Deed and Mortgage Registration Taxes

### Description

The state gets 3% of amounts collected for deed and mortgage registration taxes charged when documents are recorded. Funds collected are remitted to the state on a monthly basis. The remittance report shows the total amount collected for each type of tax and provides detail on any adjustments made or refunds issued.

### Use(s)

- Provides data to support the amount paid to the state.

### Who Prepares the Document

- County Treasurer

### Who Gets the Document

- Payment and report to Department of Revenue

### Statutory Cite

- [Minnesota Statute 287.29](#) for state deed.
- [Minnesota Statute 287.12](#) for mortgage registration.

### Timing

On or before the 20th of each month for receipts collected in the prior month. Receipts through June 25 and estimated collections for the rest of June must be remitted on or before two business days before June 30.

### Source of Data

Receipt reports related to tax collections for deed or mortgage registration taxes.

## State General Property Tax

### Description

These reports show the amount of state general tax being paid by the county for current vs. delinquent tax years.

### Use(s)

- Provides written backup to the electronic transfer of fund.

### Who Prepares the Document

- County Treasurer

### Who Gets the Document

- Department of Revenue

### Statutory Cite

- [Minnesota Statute 276.112](#)

### Timing

1st half tax settlement – on or before 6/29. 2nd half settlement through November 20 – on or before 12/02. Final settlement – on or before 1/25. Go to our [website](#) for specific due dates.

**Source of Data**

Tax settlement reports related to allocations to the state general tax

**Sample**

Access reports through our [website](#).

**State Share of Contamination Tax****Description**

Contamination taxes collected on parcels that have an approved clean-up plan are remitted to the state except for a 5% administrative fee retained by the county.

**Use(s)**

- Provides a breakdown of contamination tax amounts remitted to the state.

**Who Prepares the Document**

- County Treasurer

**Who Gets the Document**

- Department of Revenue

**Statutory Cite**

- [Minnesota Statute 270.96](#)

**Timing**

Same time as tax settlements.

**Source of Data**

Tax settlement information related to contamination tax allocations

**Sample**

[Contamination Tax Return](#)

**State Auditor Tax Increment Fee****Description**

Shows the amount of the state auditor fees (currently 0.36% of tax increment distributed) being paid to the state for the current tax settlement.

**Use(s)**

- Provides an itemization by type of revenue for payments made to the state

**Who Prepares the Document**

- County Treasurer

**Who Gets the Document**

- Minnesota Management and Budget

**Statutory Cite**

- [Minnesota Statute 469.177](#)

**Timing**

Same time as tax settlements

**Source of Data**

Tax settlement information related to state auditor tax increment fees

## Tax Statements and TNT Notices

One of the primary goals of a property tax system is to generate property tax revenues. The tax statement is the tool used to bill taxpayers for amounts owed. All the prior work in determining taxable values, tax rates and taxes culminates in this document sent to all taxpayers in the county.

Minnesota has a process of notifying taxpayers of estimated property taxes for the subsequent year and inviting those taxpayers to attend public hearings to express their views on proposed local tax authority budgets and tax levies. This process generates a proposed tax notice that is often referred to as a Truth in Taxation or TNT. The published notice and statement of compliance for the TNT process are also included in the section.

**Tax Statement – Real Estate and Personal Property**

**Description**

The property tax statement serves as the combined bill for the amount of real and personal property tax owed to each taxing authority levying a tax on the property in the current year.

There are six main sections to the statement:

1. **Property Tax Amounts:** Provides property address and partial legal description information to help identify which property is covered by the statement. The statement shows the breakdown of the current year property taxes by major governmental authority or tax program, including a breakdown of special assessments or service charges. Comparable property tax amounts for the prior tax year are shown for comparison purposes.
2. **Valuation Information:** This section shows the market values and property classification(s) upon which the property taxes that appear on the statement are based. Property owners previously had a chance to appeal this information when they received their [Valuation Notice](#).
3. **1st and 2nd Half Stubs:** The stubs are to be included with payments sent to the county. The stubs show the amount of taxes due and the dates by which payments must be received to be considered timely. If county records show that the taxes are paid by an escrow company, many counties will note this on the tax stub and forward the amounts due to the escrow company.
4. **Refund Information:** This section is used along with the state [form M1PR](#) for requesting a property tax refund. Information on how to file for a refund is included on the statement.
5. **Penalty and Interest Table:** The back of the statement has a table that shows the penalty and interest rates that apply if tax payments are not made on a timely basis.
6. **Senior Citizens’ Property Tax Deferral:** This section provides information on how to qualify and apply for the Senior Citizens’ Deferral loan program.

**Use(s)**

- Provides a combined bill for all taxing authorities levying property taxes against the property for the current year.
- Provides a breakdown of the amounts charged by each authority as well as comparable amounts for the prior year for comparison purposes.
- Specific lines on the statement are used for calculating property tax refunds.
- Provides the direct financial costs of not paying property taxes on time.

**Who Prepares the Document**

- Auditor prepares. Treasurer prints and mails.

**Who Gets the Document**

- All taxpayers for each property owned.

**Statutory Cite**

- [Minnesota Statute 276.04](#)

**Timing**

Property tax statements are to be mailed no later than March 31 of each year. Mailing after this date may impact the timing of the first half due date and the timing of completing other components of the statement. Take a look at the section on [tax levies and rates](#) for the timing of some of the more important component pieces.

**Source of Data**

By January 1, the Department of Revenue receives the amounts of state aids that will appear on the statement. By that date the final state general levy rate certified by the Department will also be available. Mailing addresses, values, classifications, taxes, and special assessments come from the tax lists or the system/process used to generate the tax lists.

**Sample**

[Property Tax Statement](#)

**Tax Statement – Manufactured Homes****Description**

Manufactured homes are assessed and taxed in the same year. The manufactured home tax statement is typically mailed by the county to manufactured home owners in July of each year. This statement serves as a combined bill for the amount of property tax owed to each taxing authority in the current year.

**Use(s)**

- See Tax Statement above

**Who Prepares the Document**

- Auditor prepares. Treasurer prints and mails.

**Who Gets the Document**

- All manufactured home taxpayers

**Statutory Cite**

- [Minnesota Statute 273.125](#)

**Timing**

Property tax statements for manufactured homes are to be mailed no later than July 15<sup>th</sup> of each year. Technically, the statements could be mailed once valuation notices have been mailed and the appeals time limits have passed. The tax rates for real and personal property must have been finalized.

**Source of Data**

The tax rates determined for calculating real and personal property taxes are applied to the net tax capacities and referendum market values.

**Truth in Taxation Notice****Description**

The Truth In Taxation notice (TNT), also called the Proposed Tax Notice, is mailed to property owners during November each year. This notice indicates the anticipated property tax for the following year if local jurisdictions approve the budget amounts they are considering. Property owners are also informed of time and place of meetings held by their local jurisdictions where they can express their opinions on local budgets.

**Use(s)**

- Serves as a means to provide taxpayers with a general idea of the amount of property tax they will be responsible for in the following year.
- Provides a mechanism for public comment on proposed levies and budgets through the TNT hearings or written comments.

**Who Prepares the Document**

- Auditor prepares. Treasurer mails.

**Who Gets the Document**

- All real estate and personal property taxpayers

**Statutory Cite**

- [Minnesota Statute 275.065](#)

**Timing**

Must be received after 11/10 and no later than 11/24. Relies on a number of predecessor steps – see especially the section on [tax levies and rates](#).

**Source of Data**

Preliminary state general levy rate certified by Department of Revenue on or before 10/01. There are many other sources for component pieces.

**Sample**

[Truth in Taxation](#) (Proposed Tax Notice)

## Truth In Taxation Levy Certification & Statement of Compliance

### Description

The form serves as a certification that each step in the TNT process was completed in compliance with TNT statutes. The form is submitted to the Department of Revenue after a local jurisdiction has adopted its final levy and certified the final levy to the county auditor. As a local taxing authority, the county is required to fill out this form.

### Use(s)

- To certify to the Department of Revenue that each required step in the truth in taxation process was completed in accordance with [Minnesota Statutes 275.065](#).

### Who Prepares the Document

- Counties, cities with a population over 500, school districts, regional library authorities established under [Minnesota Statute 134.201](#), the Metropolitan Council, the Metropolitan Airports Commission, and the Metropolitan Mosquito Control Commission

### Who Gets the Document

- Department of Revenue

### Statutory Cite (if any)

- [Minnesota Statute 275.065, subd. 7](#) (Certification of Compliance)

### Timing

At the time that the authority certifies its final levy (no later than five working days after 12/20).

### Source of Data

Levy, publication and hearing information

### Sample

[Certification of Truth In Taxation Compliance](#)

## Valuation and Reporting Values

The assessor (county and/or local) assigns market values and classification(s) to each property in his or her jurisdiction. These values are the basis for determining the tax base for calculating rates and for calculating taxes on individual parcels. It can be helpful to the county auditor to understand where these values come from and to be familiar with the valuation notice that informs each taxpayer of the proposed values that will be used for taxes in the subsequent year.

The county auditor duties related to values are varied. The county auditor has several statutory responsibilities to certify values – primarily in the areas of abstracts, rate calculation, and debt issuance. The county auditor also acts as a clerk to boards of equalization – supplying requested data to the state board and reporting on actions taken by the county board. The county auditor may supply the assessment books used by the assessor to record values. The auditor also issues bills to cities or townships for county assessment of property when a city or township fails to appoint a local assessor or the local assessor fails to appropriately perform the task of valuing property.

More information on these assessor duties can be found in the [Property Tax Administrator's Manual](#).

## Valuation Notice

### Description

The Notice of Valuation and Classification (“valuation notice”) is the taxpayer’s starting point for the determination of property taxes for the subsequent tax year. The notice informs each taxpayer of the following types of value related to his or her property: estimated market value, value of new improvements, green acres value, plat deferment, homestead market value exclusion, and taxable market value. The notice also informs the taxpayer of the assessor’s determination of the use of the property as reflected in the classification(s) assigned. The notice includes the processes that can be used to appeal the valuation or classification.

### Use(s)

- Notify the taxpayer of the values and classifications that will be used for determining the subsequent year’s property taxes (except for manufactured homes where the values will be used for the current year’s taxes).
- Provide the options for appealing the valuation and classification of the property.
- Provides the prior and current assessment year information (some counties supply two prior years) so that taxpayers can see the recent valuation trends on their property.

### Who Prepares the Document

- Assessor

### Who Gets the Document

- Taxpayer

### Statutory Cite

- [Minnesota Statute 273.121](#) for real estate
- [Minnesota Statute 273.125](#) for manufactured homes

### Timing

Mailed at least 10 days before the local or county board of equalization

### Source of Data

Assessment records of the local or county assessor.

### Sample

[Valuation Notice](#)

## Cross County Values

### Description

Some taxing authorities overlap county boundaries. In order to calculate tax rates for these authorities, the home county auditor needs tax capacities and referendum market values from other counties which also have this authority. For metro and iron range counties, the fiscal disparity distribution dollars are also needed.

This is an area where it is important for the county assessor and auditor to coordinate the sharing of value information. The statutes put the responsibility of sharing value information on the auditor but first the auditor

needs to get the underlying valuation data from the assessor. The auditor needs to be clear about when valuation data is needed. In the absence of final numbers, if the home county auditor requests it, the auditor must supply estimates.

**Use(s)**

- Supplies tax capacities and referendum market values needed to determine tax bases for calculating rates for cross county taxing authorities.
- For metro and iron range counties, supplies fiscal disparity distribution dollars used to reduce needed levy dollars for calculating tax rates.
- Correctly determining value amounts for purposes of calculating homestead exclusions, credits, and/or tiers for linked properties.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Home County Auditor

**Statutory Cite**

- Related to [Minnesota Statute 275.065](#) (for proposed tax notices)
- [Minnesota Statute 275.08](#) for tax statements

**Timing**

Upon request, by October 5 for proposed tax notices and by January 15 for tax statements.

**Source of Data**

Tax capacities and referendum market values are typically pulled from the assessment abstract or other similar report rerun at the time values are needed for TNT or final tax rate calc. Fiscal disparity distribution dollars are pulled from Table VIII.

**First Class Cities Market Values and Net Tax Capacities****Description**

This report provides a breakdown of tax capacities and market values by class of property within a 1st class city (Duluth, Minneapolis, St. Paul, Rochester).

**Use(s)**

- Provides the city with some of the information needed to issue debt or to verify that overall debt limits have not been surpassed.
- May help with preparation of the city's financial statement.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Finance officers for a city of the first class

**Statutory Cite**

- [Minnesota Statute 475.53](#)

**Timing**

Can be generated once values have been finalized for a given tax payable year. Typically March/April.

**Source of Data**

The valuation data needed is at a finer level than provided on the assessment abstract so a different type of valuation report or data extract is needed. The assessment abstract run at the time of final tax calculations can be used for checking results.

**Special Service District Net Tax Capacity****Description**

Supplies the most recent net tax capacity of the taxable property subject to service charges within the special service district. Tax capacity as defined for this purpose is not adjusted for tax increment captured values or for fiscal disparity contribution or distribution values.

**Use(s)**

- Used by the city to determine the rate for the service charge for the public notice.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- City

**Statutory Cite**

- [Minnesota Statute 428A.03](#)

**Timing**

Upon city request

**Source of Data**

Typically this is generated by a special data extract. If a small number of parcels are involved, it may be easier to look up the data for the individual parcels and then accumulate the data.

**State Board of Equalization – Request for Assistance****Description**

When it would be of assistance in equalizing values the board may require any county auditor to furnish statements showing assessments of real and personal property of any individuals, firms, or corporations within the county.

**Use(s)**

- May be used by the State Board of Equalization to increase assessments of any individuals, firms, or corporations above amounts assigned by the county board of equalization when it appears that the

property is undervalued. This information cannot be used to reduce values below those assigned by the county board.

- Provides data on individual properties, not available from other summary valuation sources, that may improve the quality of the state's value equalization process.

#### Who Prepares the Document

- County Auditor

#### Who Gets the Document

- State Board of Equalization

#### Statutory Cite

- [Minnesota Statute 270.12](#)

#### Timing

Upon request. The board meets annually between April 15 and June 30.

#### Source of Data

A specialized extract or looking up data on individual properties.

#### State Board of Equalization Orders

##### Description

The State Board of Equalization reviews the level of assessment for all counties in the state. If the sales ratio is not between 90% and 105%, the board can make across the board changes to bring projected values within this range. The board examines ratios by type of property within a given city or township and may also review stratified ranges of values. The state board may also review county board of equalization action related to individual properties or companies. Changes to values are part of the state board of equalization orders.

If the state board determines that the average levels of assessment for counties that share a taxing authority differ by more than five percent, the board may, and if more than 10 percent shall, allocate the authority's levy using values for the prior tax year, as equalized.

##### Use(s)

- Apportionment of cross-county levies when the average levels of assessment in different counties differ by more than five percent. The levies for Metropolitan Council, Metropolitan Mosquito Control and metropolitan transit are always apportioned.
- Notifies the auditor of value changes to be made to classes of property in a given city or township or to individual properties.

#### Who Prepares the Document

- State Board of Equalization

#### Who Gets the Document

- County Auditor

**Statutory Cite**

- [Minnesota Statutes 270.12](#) and [270C.91](#)

**Timing**

Statutory due date is on or before June 30 or 30 days after submission of the spring mini abstract, whichever is later.

**Source of Data**

Sales ratio studies, including data pulled from PRISM and eCRVs.

**Certification of Assessment Costs – Local Assessment Deficiencies****Description**

If the county assessor finds that a local assessor is deficient in the quality or quantity of his or her work and the local assessor does not correct these deficiencies within 30 days, the county assessor may complete the assessment and bill the costs back to the local authority.

**Use(s)**

- Provides a mechanism to reimburse the county for assessment costs that are not the county's direct responsibility.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Township or city.

**Statutory Cite**

- [Minnesota Statute 273.064](#)

**Timing**

Costs shall be certified by August 1 each year. If unpaid as of September 1, the county auditor shall levy a tax to pay the costs.

**Source of Data**

Actual costs of the county assessor in performing work that the local assessor should have handled.

**List of Contamination Values****Description**

The contamination value is based on the difference in value between what a property is worth with contamination and what it would be worth without the contamination. A contamination tax is charged against this value with different tax rates depending on whether or not the current owner is a "responsible party", as that term is used in pollution control statutes, and whether or not an approved clean-up plan is in place. The contamination tax appears on the tax statement and is collected like a property tax.

The county or local assessor is responsible for determining the contamination value and the tax rate category (responsible or non-responsible, clean-up plan or no clean-up plan). This information is then reported to the county auditor.

The county auditor then prepares a summary listing for the whole county. The list shows each contaminated parcel with the contamination value(s) shown by tax rate category. The report is summarized by tax rate category.

**Use(s)**

- Used for calculating contamination taxes to appear on the tax statement.
- Used for balancing contamination tax extensions.
- Used to establish contamination taxes receivable for the state, county and local taxing jurisdictions.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Summary data provided to Department of Revenue on the abstract of tax lists. Detail listing is used internally.

**Statutory Cite**

- [Minnesota Statute 270.96](#)

**Timing**

The assessor is required to notify each property owner of a contaminated property of his or her contamination value by the later of June 1 of the assessment year or 30 days after the reduction is granted. The assessor can notify the auditor after that point. Contamination values are not needed for TNT. This list should be generated when values are being finalized for determining final tax rates – typically in January.

**Source of Data**

List of contaminated parcels supplied by county and local assessors.

**Electronic Certificate of Real Estate Value (eCRV)****Description**

An eCRV must be created when a property is sold for more than \$3,000 (provided that the property is not being conveyed to a governmental unit). The eCRV shows information such as who the buyer(s) and seller(s) are, the sales price and financing information, the value of any personal property involved in the sale, the intended use of the property, and property classification information. Per statute, social security numbers (or the FEIN) of the buyer(s) and seller(s) are also required.

The eCRV system allows county auditors to fulfill the statutory requirement of sending the eCRV to the assessor so the most recent market value and year of construction can be added to the certificate.

**Use(s)**

- Sales data is used as part of the sales ratio study to determine whether the assessment meets statutory requirements or whether the state board of equalization needs to make adjustments.
- Sales ratios are used for equalizing state education aid formulas.

- Sales ratios are used for equalizing tax levies of taxing authorities that cross county boundaries if the average levels of assessment in the counties differ by more than 5%.
- The homestead status is removed unless a new homestead application is filed and the new owner qualifies for homestead status.
- For property transactions where an eCRV was required, homestead status cannot be granted unless an eCRV was filed with the county auditor.

**Who Prepares the Document**

- Anyone can submit an eCRV. Submitters most commonly are either a title company employee, a seller, and/or a buyer.

**Who Gets the Document**

- County staff, including assessors, auditors, and treasurers, receive and process the eCRV before sending it to the Department of Revenue for final processing.

**Statutory Cite**

- [Minnesota Statute 272.115](#)

**Timing**

Ongoing

**Source of Data**

Terms of the sale of the property.

**Sample**

The [eCRV area](#) of the Department of Revenue website offers user resources for submitters in the Submit section. The eCRV County and City Help pages are in the Local Government section.

**Assessment Books****Description**

Does not apply to counties that have implemented an electronic data processing system for assessment and tax accounting or that maintain a unit card ledger system. The assessment book shows a list of all property subject to taxation in each assessment district including the names of the owners, the number of acres and the tax description for each property.

**Use(s)**

- Identifies all properties that need to be valued by the assessor and provides a vehicle for reporting those values.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- County and local assessors

**Statutory Cite**

- [Minnesota Statute 273.03](#)

**Timing**

On or before the first Monday in December

**Source of Data**

Auditor ownership records.

**Proceedings of the County Board of Appeal and Equalization (CBAE)****Description**

The county auditor acts as the clerk to the CBAE to record the minutes of their actions in addressing valuation appeals. This report is the public record of those meetings.

**Use(s)**

- Public record and notification of actions taken by the CBAE.
- Allows the Department of Revenue to verify that the CBAE has not reduced values more than is allowed by statute.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Submitted electronically to the Department of Revenue online here:  
<https://www.revenue.state.mn.us/county-boards-appeal-and-equalization>

**Statutory Cite**

- [Minnesota Statute 274.14](#) (see [Minnesota Statute 270C.89](#) for county assessor reporting requirements)

**Timing**

The county board of equalization meets for up to ten consecutive days after the second Friday in June and on or before June 30. The record must be submitted to the Department of Revenue within five days of the final action of the board.

**Source of Data**

Actions taken on valuation appeals made to the county board of equalization.

**Township Assessment Rolls****Description**

A copy or abstract of the latest available real estate assessment roll of the town, as equalized by the county and state boards of equalization.

**Use(s)**

- Can be used for mailings to township residents.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Town Clerk

**Statutory Cite**

- [Minnesota Statute 274.18](#)

**Timing**

Upon request

**Source of Data**

County auditor ownership and address information. Valuation data comes from the assessor as modified by the county and state boards of equalization.

## Senior Citizens' Property Tax Deferral Program

**Application for Senior Citizens' Property Tax Deferral Program****Description**

Taxpayers that are least 65 years old, with household incomes of \$96,000 or less, can apply for a deferral of a portion of their yearly property taxes through the senior citizens' deferral program. The program is voluntary. The amount of the deferral is based upon the taxpayer's income. The state pays a portion of the property taxes and then recoups those funds when the property is sold. The application contains the following:

- Name, address, and social security of the owner(s)
- The initial year of ownership and occupancy as a homestead
- The owner's household income for the previous calendar year

In the case of a married couple, at least one of the spouses must be at least 65 years old in the year they apply for the program and the other spouse must be at least 62 years old.

In addition, the taxpayers must supply a copy of their current year property tax statement and a report showing all mortgages and/or liens against the property.

**Use(s)**

- To apply for and qualify for a senior citizens' property tax deferral

**Who Prepares the Document**

- Taxpayer who is at least 65 years old

**Who Gets the Document**

- Department of Revenue

**Statutory Cite**

- [Minnesota Statute 290B.04](#)

**Timing**

Application must be received on or before November 1 to qualify for a property tax deferral for the following years' taxes.

**Source of Data**

Taxpayer property tax, income, mortgage and lien information.

**Sample**

[Property Tax Deferral for Senior Citizens](#)

**Senior Citizens' Property Tax Deferral – Yearly Notification to Taxpayer****Description**

Provides yearly notification to the taxpayer of the new deferred tax amounts and the cumulative total deferred up to that date.

**Use(s)**

- Keeps the taxpayer informed about the total senior citizens' deferral property tax liability against their property.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Each participant in the senior citizens' property tax deferral program.

**Statutory Cite**

- [Minnesota Statute 290B.04](#)

**Timing**

Statutory due date is on or before 7/01.

**Source of Data**

Cumulative totals maintained by the county auditor and new deferrals based on the current year's property tax and the Department of Revenue's certification of the maximum tax amount under [Minnesota Statute 290B.05](#).

**Senior Citizens' Property Tax Deferral – Yearly Notification to Department of Revenue****Description**

Notifies the Department of Revenue of the new tax deferrals for the current tax year for each property that is in the senior citizens' property tax deferral program.

**Use(s)**

- Notifies the Department of Revenue of additional tax amounts that have been deferred.
- Provides the tax deferral amounts to be paid by the Department of Revenue.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Department of Revenue

**Statutory Cite**

- [Minnesota Statute 290B.05](#)

**Timing**

Statutory due date is on or before 4/15.

**Source of Data**

Cumulative totals maintained by the county auditor and new deferrals based on the current year's property tax and the Department of Revenue's certification of the maximum tax amount under [Minnesota Statute 290B.05](#).

**Senior Citizens' Property Tax Deferral - Satisfaction****Description**

This is a recorded document that removes the senior citizens' deferral lien against the property, reflecting that the lien is satisfied and that the property owner is no longer in the deferral program.

**Use(s)**

- Removal of tax lien

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- County Recorder and property owner

**Statutory Cite**

- [Minnesota Statute 290B.08](#)

**Timing**

Commissioner of revenue notifies county auditor within ten days of receipt of full payment for deferred taxes and interest.

**Source of Data**

Department of Revenue. Original lien against property.

**Sample**

State of Minnesota – Department of Revenue  
NOTICE OF TERMINATION  
FOR SENIOR CITIZENS’ PROPERTY TAX DEFERRAL  
and  
NOTICE OF DISCHARGE OF IN REM LIEN FOR DEFERRED PROPERTY TAXES

The county auditor of \_\_\_\_\_ County hereby gives notice as required by Minnesota Statutes, section 290B.08, subdivision 2, that on \_\_\_\_\_ the homeowner and property identified below terminated participation in the Minnesota senior citizens’ property tax deferral program under Minnesota Statutes, chapter 290B.

According to statute, this notice of termination also serves as a notice of discharge of lien for any property taxes deferred under the Minnesota senior citizens’ property tax deferral program. This includes the filing fees owing to the county as required by Minnesota Statutes, section 290B.04.

Name and address of qualifying homeowner applicant:

Legal Description of Property:

County’s property identification number:

Document number:

Recording Date:

Signed on behalf of the County \_\_\_\_\_ by \_\_\_\_\_ the County Auditor for  
\_\_\_\_\_, on \_\_\_\_\_ by:

\_\_\_\_\_, County Auditor

**Form PT01: Annexations Affecting DRA**

**Description**

Disparity reduction aid is calculated at the UTA level and is based, in part, on tax capacity valuation, which means changes in boundaries of the underlying municipalities can impact the amount of aid. This report provides any changes in municipal incorporation, consolidation, annexation, detachment, dissolution or township organization occurring between July 1 of the previous year and June 30 of the current year.

**Use(s)**

- Provides municipal boundary changes needed for calculating changes to the disparity reduction aid.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Department of Revenue

**Statutory Cite**

- [Minnesota Statute 273.1398](#)

**Timing**

Due August 1, only required if certain conditions are met. The form is for boundary changes that occurred during the 12-month period ending June 30 of the year the form is submitted.

**Source of Data**

Annexation or change in organization documents filed with the county auditor.

**Sample**

[Annexations Affecting DRA – PT01](#)

## Certification of Disparity Reduction Credits

**Description**

When the legislature created the disparity reduction aid program in 1988, an additional credit was created for certain border counties with cities that are adjacent to a large city in a neighboring state. The credit reduces taxes on apartment and commercial/industrial property in that city to 1.6 percent of the property's market value.

**Use(s)**

- Provides credit amounts to be reimbursed by the state.

**Who Prepares the Document**

- County Auditor

**Who Gets the Document**

- Department of Revenue

**Statutory Cite**

- [Minnesota Statute 273.1398](#)

**Timing**

Reported on PRISM Submission 3 due 4/01.

**Source of Data**

Tax and credit calculations on parcels subject to the credit.

## Aggregate Material Production Tax (“Gravel Tax”)

### Description – Quarterly Payment Report

The aggregate material tax is a production tax on the removal of aggregate material defined as nonmetallic natural mineral aggregate including, but not limited to, sand, silica sand, gravel, stone, boulders, crushed and uncrushed rock, including landscape rock, rip-rap, crushed granite, crushed limestone and borrow (but only if the borrow is transported on a public road, street or highway). In the 1980s, this tax was in effect in 22 counties. Legislation passed in 2001 allowed any county to impose the tax.

Both operators and importers are responsible for the tax. An operator is any person removing aggregate material from the ground for the purpose of sale. An importer is any person who buys aggregate material from another state or a county that does not impose the tax and imports this aggregate material to a county that does impose the tax.

This report provides the quantity of aggregate material removed or imported during the previous quarter and is accompanied by payment for the amount of tax due.

If the aggregate material is transported directly from the extraction site to another county that imposes the tax by a mode of transportation other than a highway, street or road (such as a railway or waterway), the tax is split equally between the originating and the destination counties. The quarterly report requires that the amount of aggregate material sent by this means to a destination county be identified separately.

### Use(s)

- Provides the quantity of aggregate material removed or imported for verification of the amount of tax paid.
- Provides the amount of the tax to be split between the originating and destination counties. The county auditor notifies the county treasurer of the amount to pay to another county.

### Who Prepares the Document

- Operator or Importer

### Who Gets the Document

- County Auditor

### Statutory Cite

- [Minnesota Statute 298.75](#)

### Timing

By the 14th day after the end of a quarter – April 14, July 14, October 14 and January 14. In the case of taxes that must be paid to a destination county, the county treasurer is required to make payment within 30 days of notification by the county auditor of the amount to be paid.

### Source of Data

Company records of aggregate material either extracted or imported. These records can be audited by the county auditor.

### Gravel Tax – Notification of Failure to File Quarterly Payment Report

If the report described earlier is not timely filed or the county auditor determines that it is erroneous, the county auditor sends an estimate of the amount of tax due to the operator or importer. After payment of this tax, the operator or importer may appeal the tax amount within 30 days of the date that this notice was mailed by the auditor in the same manner as a tax court petition.

Penalties accrue at \$5 per day for the first 30 days after the due date for failure to file the report and provide payment. The penalty is increased to \$10 per day for the next 30 days. After 60 days, the operator or importer that failed to file a report with payment is guilty of a misdemeanor.

#### Use(s)

- Provides the operator or importer with the estimated amount of tax to pay.

#### Who Prepares the Document

- County Auditor

#### Who Gets the Document

- Operator or Importer of Aggregate Material

#### Statutory Cite

- [Minnesota Statute 298.75](#)

#### Timing

Within 14 days after the due date for the quarterly report

#### Source of Data

Historical data on aggregate material production or importation.

### Gravel Tax – Annual Department of Revenue Report

This report shows the total amount of aggregate material tax collected during the prior calendar year and how it was allocated to the various taxing authorities.

#### Use(s)

- Provides information for state-wide reports on taxes generated by mining related activities.

#### Who Prepares the Document

- County Auditor

#### Who Gets the Document

- Department of Revenue, Minerals Tax Office, Eveleth

#### Timing

Typically produced in March.

#### Source of Data

Quarterly reports from the operators and importers and the distribution of these funds by the county auditor.

## Homestead Credit Refund (Form M1PR)

### Description

There are two types of property tax refund. The circuit breaker refund (available to homestead property taxpayers or renters) applies when the property taxes are disproportionate to a taxpayer's income. The targeting refund (available to homestead property taxpayers) applies when property taxes increase by at least 12% and \$100 from the prior year's property taxes.

The homestead credit refund is the primary point in the property tax process where a person's ability to pay comes into play. The taxpayer claims the refund on the form shown below and the state reimburses the taxpayer based on the refund calculation. The county auditor and county treasurer are not directly involved in this process.

However, the county auditor does generate the property tax statement which contains the qualifying tax amounts used on the form and shows whether the taxpayer has any delinquent taxes that would disqualify him or her from a refund. The tax statement also contains information on how to file for a property tax refund. The state copy of the property tax statement must accompany the refund request.

So while the property tax refund is handled by the state, staff at the county often will get calls about how to file for the refund or to request a duplicate tax statement to send with the refund request.

### Use(s)

- Provides a calculation of the amount of any property tax refunds available to the taxpayer.
- Provides a means to claim the refund.

### Who Prepares the Document

- Homestead property taxpayer or renter

### Who Gets the Document

- Department of Revenue

### Statutory Cite

- [Minnesota Statutes, Chapter 290A](#)

### Timing

Refund requests should be filed by August 15 of the year in which the property taxes are paid. There is a grace period that allows a taxpayer to claim the refund until August 15 of the following year.

Renters and mobile home owners typically start to receive refunds in mid-August. Homeowners start to receive refunds at the end of September.

### Source of Data

Property tax statement. Income tax forms.

### Sample

[Form M1PR](#)

## Mortgage Registry and Deed Tax – Exemption or Minimum Tax Claim

The mortgage registry tax is a tax imposed for the privilege of recording a mortgage. There are exemptions to this tax provided for in statute. Form MRT1, found on the [Mortgage Registry Tax webpage](#), can be used to claim an exemption.

The deed tax is applied on “each deed or instrument by which any real property in this state is granted, assigned, transferred, or otherwise conveyed” ([Minnesota Statute 287.21](#)). There are exemptions to this tax or the transaction may be subject to a minimum tax. Form DT1, found on the [Deed Tax webpage](#), can be used to claim an exemption or to justify a minimum tax.

Form DT2, also found on the [Deed Tax webpage](#), is used for those parties that previously used DT1 to claim a minimum tax but which no longer qualify based on subsequent transactions/circumstances. This is often called a retroactive deed tax.

### Use(s)

- Provides the reasons for an exemption of the mortgage registration tax.
- Provides the reasons for an exemption or minimum tax payment of the deed tax.

### Who Prepares the Document

- Property owners or their representatives presenting mortgages and/or deeds for recording.

### Who Gets the Document

- County Treasurer (in some counties, the county recorder handles this as part of the recording process).

### Statutory Cite

- Mortgage Registry Tax – [Minnesota Statute 287.08](#)
- Deed Tax – [Minnesota Statute 287.241](#)

### Timing

These forms are included when the underlying documents are presented for recording. Mortgages and deeds cannot be recorded unless the tax is paid or the county treasurer has certified that the transaction is exempt from the tax(es).

### Source of Data

Details of the transaction presented for recording.

### Samples

Go to:

[Mortgage Registry Tax webpage](#)

[Deed Tax webpage](#)

# Chapter 7: Tax Collection – Real and Personal Property

## Tax Collection Overview

This chapter details the process of collecting taxes including general requirements in statute regarding the tax collection process, property tax statements, payments, penalties, and special assessments and other charges. The last section will review the receipt and distribution of PILT, or payments in lieu of taxes.

### Delivery of Lists to Treasurer

On or before the first business day in March each year, the county auditor shall deliver or make available the lists of the districts of the county to the county treasurer. The lists must show the total amount of taxes that are due, along with the names and addresses of the taxpayers. These lists are the authority for the treasurer to collect the taxes shown on the list ([Minnesota Statute 276.01](#)).

### Publication of Tax Rates

After receiving the tax lists from the county auditor, the county treasurer shall give three weeks' published notice of the tax rates if directed by the county board. This notice must be given in a newspaper and must specify the rates of taxation for all general purposes as well as the amounts raised for each specific purpose ([Minnesota Statute 276.015](#)).

### Treasurer to Collect Taxes

The county treasurer will collect all taxes extended on the tax lists of the county and credit them to the proper funds. Taxes, interest, and penalties must be paid with United States currency by check or money order drawn on a bank or other financial institution in the United States. The county board may authorize the treasurer to impose a charge for any dishonored checks. The county board may also authorize the treasurer to accept payments of real property taxes by credit card, provided that a fee is charged for its use ([Minnesota Statute 276.02](#)).

### Treasurer to Collect Local Assessments

The county treasurer will collect all assessments for local improvements made or levied and certified to the treasurer by the city against any specific tract or parcel of land. The assessment must be collected at the same time as taxes levied against that tract or parcel of land ([Minnesota Statute 276.03](#)).

### Filing to Receive Notice of Delinquent Taxes

Fee owners, vendees, mortgagees, lienholders, escrow agents, and lessees of real property may file their names and current mailing addresses with the county auditor in the county where the land is located for the purposes of receiving notices affecting that land, such as property tax statements, notices of expiration of redemption, and notices of delinquent taxes. Any person wishing to file to receive these notices shall pay a filing fee of \$15 to the county auditor for each parcel. These filings expire after three years. The auditor is required to give a copy of this list to the treasurer. Taxpayers of record with the county and mortgagees who remit taxes on their behalf should receive tax statements and other notices and are not required to file and pay such fees ([Minnesota Statute 276.041](#)).

## Property Tax Statements

### Contents of Tax Statements

The treasurer is responsible for printing the tax statements under [Minnesota Statute 276.04](#). The Department of Revenue prescribes the form of the property tax statement and its contents. Detailed property tax statement instructions and materials can be found on the Department of Revenue’s [website](#).

The statement must contain a tabulated listing of the dollar amount due to each taxing authority and the amount of the state determined school tax from the parcel of real property for which the tax statement is prepared. The dollar amounts attributable to the county, state general tax, voter approved school tax, other local school tax, township or municipality, and total of the metropolitan special taxing districts must be listed separately. The amounts due to all other special taxing districts, if any, may be aggregated.

The amount of tax on homesteads qualifying under the Senior Citizens’ Property Tax Deferral Program is the total amount of property tax before subtraction of the deferred property tax amount. Taxpayers in this program need to be informed of the portion of taxes they still need to pay. This can be done by noting on the payment stubs the portion the state will pay towards each half and the balance due by the taxpayer. Or a separate payment or bill stub could either be included with the tax statement or sent separately.

The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. Whole, odd numbered dollars may be adjusted to the next higher even-numbered dollar.

For more information on the specific requirements for property tax statements, see the instructions and sample statements on the Department of Revenue’s [website](#).

If the county uses envelopes for mailing property tax statements and the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decided to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

### Qualifying Tax Amount (QTA)

The qualifying tax amount, or QTA, is the amount that a taxpayer will use when filing for the property tax refund. This amount is listed in Line 1 of the tax detail section of the property tax statement.

Property must be classified as residential homestead in order to be eligible for the refund. Residential real estate that is occupied and used for the purpose of a homestead by its owner, who must be a Minnesota resident, is a residential homestead. For the purposes of QTA, homestead property includes property used for the purpose of homestead but is separated by a road, street, lot, waterway, or other similar intervening property. Property used for the purpose of the homestead includes, but is not limited to, uses for garden, garages, or other outbuildings, but does not include vacant land held for future development.

The QTA is generally calculated using the tax capacity of that portion of the parcel used as the owner's homestead. The QTA is limited to the taxable market value on a maximum of ten acres for residential property.

When a parcel is classified as a homestead and is larger than ten acres in size, the QTA is calculated from that ten-acre portion that surrounds the home or is most contiguous to the home. If other buildings or improvements are used for the purposes of the homestead and are located within the ten-acre limit, the taxable market value of these buildings or improvements is included in the calculation of the QTA. Buildings or improvements on parcels that are not included in the ten-acre area are not used in calculating the QTA.

### *Calculating the QTA*

For **full residential homesteads**, the QTA is equal to the total taxable market value of the property, limited to the amount on a maximum of ten acres.

For **fractional residential homesteads**, the QTA is equal to the taxable market value of both homestead and nonhomestead residential classes up to a maximum of ten acres. This is an exception to the general rule for calculating the QTA. For fractional homesteads only, the QTA is calculated using the total taxable market value of the residential portion of the property up to the ten-acre maximum. For homesteads that are part owner-occupied and part relative homestead (where a property is owned by two or more relatives and occupied by at least one owner), the qualifying tax amount is not reduced, fractionalized or otherwise apportioned.

For **split classification residential homesteads**, the QTA is equal to the taxable market value on only the homestead portion of the property, up to a maximum of ten acres.

For **agricultural homesteads**, the QTA is equal to the taxable market value of the house, garage and one acre of land (HGA).

For **fractional agricultural homesteads**, the QTA equal to the total taxable market value on the house, garage, and one acre of land, for both the homestead and nonhomestead class rates. This is an exception to the general rule for calculating the QTA. For fractional homesteads only, the QTA is calculated using the total taxable market value of the residential portion of the property up to the ten-acre maximum.

For **split class agricultural homesteads**, the QTA is equal to the taxable market value of the house, garage, and one acre of land.

### *Applying the Homestead Market Value Exclusion to the QTA*

The whole market value exclusion should be applied to the first ten acre, the QTA portion, of the homestead. Only if the exclusion exceeds the value of the first ten acres should it carry over to the non-QTA portion of the property. This also holds true for the application of the exclusion to linked parcels. The entire exclusion amount must be applied first to the base parcel. Only if the exclusion amount exceeds the actual homestead value of the base parcel can the remaining exclusion be carried over to the second parcel or be further applied in order of the chain until the exclusion is exhausted.

### **Mailing of Tax Statements**

The county treasurer will mail to each taxpayer a statement of their real estate and personal property taxes due no later than March 31, except in the case of manufactured homes and sectional structures taxed as personal property. The validity of the tax shall not be affected by failure of the treasurer to mail the statement ([Minnesota Statute 276.04](#)).

**Collection Site**

If so directed by the county board, the treasurer shall visit places in the county for the purpose of receiving taxes, and the county board is authorized to pay the expenses of such visits and of preparing duplicate tax lists ([Minnesota Statute 276.04](#)).

**Providing Copies**

Based on [Minnesota Statute 290A.14](#), the county treasurer is required to prepare and send a sufficient number of copies of the property tax statement to the owner to enable the owner to comply with the filing requirements of the property tax refund and to retain one copy as a record. This has historically meant two copies must be sent, one of which was typically provided as a tear-off stub for refund filing purposes. However, with the growth of electronic filing where the attachment of paper copies is not possible, the Department of Revenue now requires counties to provide an electronic homestead file for the purposes of verifying and auditing property tax refund claims. The Department of Revenue’s interpretation of statute is that one copy is now sufficient to enable the owner to comply with filing requirements. The Department of Revenue may request copies of some statements in order to process refunds where information is incomplete or insufficient.

*PTR Homestead File*

Since taxes payable in 2007, counties must submit a property tax refund homestead file by April 30 of each year to the Department of Revenue. This file replaces the state copy requirement. Instructions can be found on our [website](#).

## Payments and Penalties

**Timely Payments**

When a payment is required to be made to a county on or before a certain date, the payment is considered timely if received by the county on or before that date or if mailed on or before that date. This applies to the payment of current or delinquent real or personal property taxes, any other amount shown as payable on a property tax statement, and all related penalties, interest or costs.

Mailing is timely under this section only if the payment was in the mail on or before the due date, in an envelope or other appropriate wrapper with the postage prepaid and the property addressed. Proof of timely payment can be established by:

- Postmark of the postal service
- Registration mark of the postal service
- Records of a courier or delivery service

If the payment is deemed to not have been made timely, the date the payment is received determines the amount of penalty, interest, or cost that is due ([Minnesota Statute 276.017](#)).

**Due Dates**

Generally, **real property** taxes that are greater than **\$100** are due in two installments: the first half by **May 15** and second half by **October 15**. Below are the due dates for the different types of real property and personal property.

**Table 7-1: Property Tax Due Dates**

Type of Property Taxes	Due Date	Minnesota Statutory Reference
*†Real property \$100 and under	In full by May 15	279.01, subd. 1(a) and (c)
‡Agricultural property \$100 and under	In full by May 15	279.01, subd. 3
Solar and Wind energy production \$50 and under	In full by May 15	272.0295, subd. 6 272.029, subd. 5 277.01, subd. 3
*Personal property that is not exempt	In full by May 15	277.01, subd. 1
Taxable improvements made on exempt property \$50 and under	In full by May 15	277.01, subd. 3
Utility	In full by May 15	272.03, subd. 2 (5)
Power line	In full by May 15	272.03, subd. 2 (5)
Manufactured homes assessed as personal property \$50 and under	In full by August 31	273.125, subd. 3
†Real property over \$100	1st half by May 15 2nd half by October 15	279.01, subd. 1(a)
Solar and Wind energy production over \$50	1st half by May 15 2nd half by October 15	272.0295, subd. 6 272.029, subd. 5 277.01, subd. 3
Exempt property leased/loaned/made available to private entity for profit	1st half by May 15 2nd half by October 15	272.01, subd. 2(a) and (c); 277.01, subd. 1
Government property leased/loaned/made available to private entity	1st half by May 15 2nd half by October 15	272.01, subd. 2(a) and (d); 277.01, subd. 1
Taxable improvements made on exempt property over \$50	1st half by May 15 2nd half by October 15	277.01, subd. 3
‡Agricultural property over \$100	1st half by May 15 2nd half by November 15	279.01, subd. 3
Manufactured homes assessed as personal property over \$50	1st half by August 31 2nd half by November 15	273.125, subd. 3

\*In the case of a property owner with multiple personal or real property tax statements with the aggregate taxes exceeding \$50 or \$100, respectively, counties may allow payments to also be made in two installments (May 15th and October 15th).

†Real property includes 2b rural vacant property that is not attached to an agricultural homestead.

‡Agricultural property here includes class 1b agricultural homestead, class 2a agricultural homestead and nonhomestead property, and class 2b rural vacant land that is attached to an agricultural homestead.

When taxes on any parcel exceed \$100, except when otherwise noted, one half of the taxes are due by May 15 or 21 days after the postmark on the tax statements, whichever is later. The remaining one half of the tax must be paid by October 15, except in the case of agricultural property, the second half of which is due by November 15.

Net tax payable amounts should be rounded to the nearest even whole dollar and divided equally between first- and second-half payments.

#### *Due Dates on a Saturday, Sunday, or Holiday*

When a payment is due on or before a prescribed date and that date falls on a Saturday, Sunday or legal holiday, the payment is considered to be paid timely if it is made on the next business day.

#### *Weekend and Holiday Payment Dates*

If a payment is prescribed to be due on a Saturday, Sunday, or legal holiday, statute allows for the delivery of the payment on the next day following the prescribed date which is not a Saturday, Sunday, or holiday.

Generally, the Department of Revenue follows certain practices with regards to these dates.

- If a payment date falls on a Saturday, the payment date is Friday.
- If a payment date falls on a Sunday, the payment date is Monday.
- If a payment date falls on a holiday, the payment date is the day preceding the holiday.
- If a payment date falls on a Saturday, and a holiday falls on the Friday before it, the payment will be made on Thursday.
- If a payment date falls on a Sunday, and the following Monday is a holiday, payment will be made on Friday.

#### **Penalties for Late Payments**

(See [Minnesota Statute 279.01](#))

Except as otherwise noted, on May 16 or 21 days after the postmark date of the property tax statement, whichever is later, a penalty shall accrue and be charged upon all unpaid taxes on property on the current tax lists.

If the due date was extended beyond May 15 as the result of any delay in mailing property tax statements, no additional penalty will accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties shall be determined with regard to the later due date.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. If the accepted payment is less than the amount due, payments must be applied first to any penalty accrued for the year the payment is made. Acceptance of partial payment of tax does not constitute a waiver of a minimum payment nor does it affect the order of payment of delinquent taxes.

#### *Homestead Property*

The penalty on homestead property is 2% until May 31 and 4% starting on June 1. On each subsequent first day of each month beginning July 1, up to and including October 1, an additional penalty of 1% for each month will accrue and be charged on all unpaid taxes.

The second-half taxes must be paid before October 16. If not paid, a penalty of 2% will accrue until October 31. On November 1, an additional 2% will accrue, and on December 1, an additional 1% will accrue and be charged on all unpaid taxes.

#### *Seasonal Residential Recreational Property*

Penalties for class 4c seasonal residential recreational property which is not used for commercial purposes (cabins) shall accrue and be charged at the same time and rates as homestead property.

#### *Nonhomestead Property*

The penalty on nonhomestead property is 4% until May 31 and 8% starting on June 1.

For commercial uses of seasonal residential recreational property classified as class 1c or 4c and for class 3a property where over 60% of gross income is earned during the months of May through August, penalties do not accrue until June 1 or 21 days after the postmark date of the property tax statement, whichever is later. Class 3a property owners who make their first half-payment after May 15 and before June 1 must submit documents attesting to their compliance with the 60% income provision in order to forgo the penalty.

On each subsequent first day of each month beginning July 1, up to and including October 1, an additional penalty of 1% for each month will accrue and be charged on all unpaid taxes.

The second-half taxes must be paid before October 16. If not paid, a penalty of 4% will accrue until October 31. On November 1, an additional 4% will accrue, and on December 1, an additional 1% will accrue and be charged on all unpaid taxes.

#### *Agricultural Property*

In the case of class 1b agricultural homestead, class 2a agricultural homestead property, class 2a agricultural nonhomestead property, and class 2b rural vacant land that is part of an agricultural homestead, no penalties will accrue on the second half-payment if paid by November 15. (If a class 2b property is linked by a homestead chain to a class 2a property, then the class 2b property should also receive the November 15 due date. If a class 2b property is not linked for homestead purposes, then it should be subject to the October 15 due date). Starting November 16 for agricultural homestead property, a penalty of 2% will accrue, and on December 1, an additional 2% will be charged on all unpaid taxes. Starting November 16 for agricultural nonhomestead property, a penalty of 4% will accrue, and on December 1, an additional 4% will be charged on all unpaid taxes.

#### *Manufactured Homes*

The county treasurer must mail the statement of tax due on a manufactured home to the taxpayer by July 15. The taxes are due by August 31 or 20 days after the postmark date of the tax statement, whichever is later. If the tax exceeds \$50, one-half of the tax may be made by August 31 and the remaining one-half by November 15. Taxes not paid by the due date will accrue a penalty of 8% ([Minnesota Statute 273.125](#)).

#### *Personal Property*

Except as otherwise noted, all unpaid personal property taxes will be considered delinquent on May 16 or 21 days after the postmark date on the property tax statement, whichever is later. A penalty of 8% will attach and be charged on all unpaid taxes. For aggregate taxes exceeding \$50, a county may allow payments to be made in two installments, one-half due by May 15 and one-half due by October 15 ([Minnesota Statute 277.01](#)).

*Real Estate and Personal Property on Leased Government Land*

In the case of unpaid taxes on personal property, excluding manufactured homes, leased from a tax-exempt entity (such as a governmental agency), are penalized at the same rate and time as real property ([Minnesota Statute 277.01](#)).

*Delinquent Penalty*

On the first business day in January, any real property with unpaid taxes will become delinquent and accrue an additional 2% penalty. The county auditor must then begin the delinquency cycle which is discussed in greater detail in the Department of Revenue’s [Delinquent Property Tax and Tax Forfeiture Manual](#).

**Table 7-2: Example Property Tax Penalty Schedule**

Property Type:	2019											2020
	May 16	June 1	July 1	Aug 1	Sep 1	Sep 4	Oct 1	Oct 16	Nov 1	Nov 16	Dec 1	Jan 2
<b>Homesteads and Cabins</b>												
1st half	2%	4%	5%	6%	7%	-	8%	8%	8%	-	8%	10%
2nd half	-	-	-	-	-	-	-	2%	4%	-	5%	7%
Both Unpaid	-	-	-	-	-	-	-	5%	6%	-	6.5%	8.5%
<b>Agricultural Homesteads</b>												
1st half	2%	4%	5%	6%	7%	-	8%	8%	8%	8%	8%	10%
2nd half	-	-	-	-	-	-	-	-	-	2%	4%	6%
Both Unpaid	-	-	-	-	-	-	-	-	-	5%	6%	8%
<b>Nonhomesteads</b>												
1st half	4%	8%	9%	10%	11%	-	12%	12%	12%	-	12%	14%
2nd half	-	-	-	-	-	-	-	4%	8%	-	9%	11%
Both Unpaid	-	-	-	-	-	-	-	8%	10%	-	10.5%	12.5%
<b>Agricultural Nonhomesteads</b>												
1st half	4%	8%	9%	10%	11%	-	12%	12%	12%	12%	12%	14%
2nd half	-	-	-	-	-	-	-	-	-	4%	8%	10%
Both Unpaid	-	-	-	-	-	-	-	-	-	8%	10%	12%
<b>Personal Property</b>	8%	8%	8%	8%	8%	-	8%	8%	8%	8%	8%	8%
<b>Manufactured Homes</b>												
1st half	-	-	-	-	-	8%	8%	8%	8%	8%	8%	8%
2nd half	-	-	-	-	-	-	-	-	-	8%	8%	8%

*Penalty Abatement*

The county treasurer is required to abate a penalty for late payment of property tax if the envelope containing the payment is postmarked within one business day of the due date. If the envelope containing the payment does not include a postmark or the postmark is illegible, proof of mailing within one business day of the due date may be provided by affidavit of the property owner. County treasurers should only grant this abatement on a onetime only basis per taxpayer ([Minnesota Statutes 279.01](#)).

Proof of timely payment cannot be established by an electronic stamp purchased online.

The county board may allow the county treasurer the power to generally abate the penalty for late payment of taxes in the current year if the treasurer finds the penalty to be unreasonable and unjust ([Minnesota Statutes 279.01](#)).

#### *Federal Active Service Property Tax Grace Period*

Minnesota law provides a four-month grace period for complying with property tax due dates for **homestead** property owned by a qualifying individual who is on federal active service. No late fees or penalties may be assessed during the grace period. A qualifying taxpayer will not be deemed delinquent if payment is made by the end of the grace period. The taxpayer must provide certain documentation that they were on active federal service on the date the payment was originally due. ([Minnesota Statutes, sections 279.01, subdivision 5](#) and [279.02, subdivision 2](#))

Please see [Minnesota Statutes, section 190.05, subdivision 5c](#) for the definition of “Federal active service”. County staff should make it clear this grace period applies only to **homestead** property. It does not apply to, for example, nonhomestead, seasonal recreational residential, or commercial properties an individual on federal active service may own.

A taxpayer making a payment under this provision must accompany the payment with a signed copy of the taxpayer’s orders or form DD214 showing the dates of active service. The document must clearly indicate the taxpayer was on active service on the date the payment was due.

#### *Property Tax Due Dates and Penalties*

The modified payment due date under the grace period for the first half of property taxes (or full payment if less than \$100) for homestead property is September 15. The modified payment due date for the second half is February 15 of the following year. See below for a modified unpaid taxes penalty schedule that applies to qualifying individuals for taxes payable in 2020.

#### *Delinquency*

Homestead property owned by a qualifying individual is not to be deemed delinquent and no late fees or penalties can be applied if the taxes are paid by the modified due dates.

The delinquency schedule is pushed back along with the due dates and unpaid taxes penalty schedule. This means that in taxes payable year 2020, property owned by a qualifying individual would not be deemed delinquent until the first business day in January 2022. Interest applied when property becomes delinquent would also not start until this time.

The law does not require advance notification to a county from a qualifying individual. Such an individual need only provide the necessary paperwork described above when making the payment. It is possible a county will commence delinquency proceedings on a property unaware the taxpayer qualifies for the modified due dates. When a qualifying individual makes a payment and provides the proper documentation, the county must cancel or adjust any penalties according to the modified unpaid taxes penalty schedule.

Because a county treasurer will be preparing the delinquent tax list before the second-half taxes are due under the grace period, a county may wish to include a statement when its list is published noting that individuals who may qualify for the modified due dates may be included on the list and assuring any such individual that if payment is made, along with the proper documents, or if the proper documents are submitted without a payment during the grace period, the delinquency proceedings for that year will be cancelled. Full payment after

the grace period may include late fees and penalties. If the taxes remain unpaid, they will be included on the delinquent tax list in the next year, and the property will be subject to forfeiture.

### Questions and Hypothetical Situations

Question 1: How does this provision affect the November 15 due date for agricultural homestead second-half taxes?

The grace period for a qualifying individual who owns agricultural homestead property that qualifies for the November 15 deadline would have until March 15 of the following year to pay their taxes.

Question 2: Does this provision apply to property owned by an LLC, partnership, trust, family farm corporation, or other similar type of entity where a member of the entity may qualify?

It does not apply.

This provision describes a particular type of individual, not a general “person” as it is used elsewhere in statute to include various types of taxpayers, including entities like an LLC. The law requires the taxpayer to provide certain paperwork, service orders or form DD214, which an LLC or other non-human entity would not be able to provide. A member of one of these entities might qualify individually, but that does not extend to the entity as the taxpayer.

Question 3: Does property qualifying for homestead under the relative homestead provisions qualify for the modified due dates?

If a qualifying individual is the owner of the property receiving the relative homestead, yes, the modified due dates would apply. If a service member is the relative living on the property but does not own it, the modified due dates do not apply.

Hypothetical 1: A property is classified as residential nonhomestead for taxes payable in 2020. February 1, 2020, a member of the National Guard purchases the property. On March 1, 2020, the new owner moves in and applies for the homestead classification. On April 1, 2020, the new owner reports to active duty. Does this property qualify for the modified due date for taxes payable in 2020 if he/she is still on active duty status on the applicable due dates?

Yes. For the purposes of this provision, as long as homestead application has been made prior to the due date, the modified payment dates apply the same payable calendar year. The law is not clear on whether the property needs to be considered homestead for the assessment year or taxes payable year, so as long as there is at least homestead application made during that payable calendar year, it is considered homestead property for the modified payment due dates.

Hypothetical 2: A property is classified as residential nonhomestead for taxes payable in 2020. April 1, 2020, a member of the National Guard **on active service** purchases the property and applies for homestead classification. Does this property qualify for the modified due dates for taxes payable in 2020 if he/she is still on active service status on the applicable due dates?

Yes. The reasoning is the same as above. As long as homestead application has been made by the due date, the modified payment dates apply the same payable calendar year.

Modified unpaid taxes penalty schedule

Active Service Member Taxpayer Penalties when Grace Period Applies – Taxes Payable 2020

Property Type	2020							2021							
	May 16	June 1	July 1	Aug 1	Sep 16	Oct 1	Nov 1	Dec 1	Jan 1	Feb 1	Feb 16	Mar 1	Mar 16	Apr 1	May 1
<b>Homestead</b>															
1st half					2%	4%	5%	6%	7%	8%	8%	8%	-	8%	10%
2nd half					-	-	-	-	-	-	2%	4%	-	5%	7%
Both unpaid					-	-	-	-	-	-	5%	6%	-	6.5%	8.5%
<b>Agricultural homestead</b>															
1st half					2%	4%	5%	6%	7%	8%	8%	8%	8%	8%	10%
2nd half					-	-	-	-	-	-	-	-	2%	4%	6%
Both unpaid					-	-	-	-	-	-	-	-	5%	6%	8%
<b>Personal Property (homestead only)</b>					8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%

### Special Assessments and Other Charges

Local governments, when given the authority through statute, have the ability to have projects that provide benefit to properties assessed for a portion or all of a projects cost. Some examples of local governments that have the authority to levy special assessments are as follows:

- Cities;
- Townships;
- Counties;
- Metropolitan Council;
- Water Management Organizations;
- Minnesota Department of Health;
- Lake Improvement Districts; and
- All others given the authority under Minnesota Statutes.

In many cases, governments realize a partial benefit to an entire community or taxing area and may have some of the costs of the project funded through ad valorem taxes and the rest funded through the imposition of a special assessment against benefited property. Water Law, as indicated further in this chapter, has funding capabilities in a multitude of ways. Except in the case of the establishment of, improvement to or repair of a county drainage system, which has project costs entirely funded through ditch assessments, other water districts or organizations have the ability to impose special assessments and ad valorem taxes. Another mechanism for local governments to receive reimbursement is to certify unpaid water and utility bills and/or service charges to the county to be added to the assessment roll for the next year. Each of these, in further detail, will be discussed throughout this chapter.

**Special Assessments – [Minnesota Statutes, Chapter 429](#)**

*Improvements to Property*

An improvement to property means any type of improvement made by a municipality, (city or township), as indicated below, and in the case of a county, is limited to the construction, reconstruction, or improvement of a county state-aid highway or county highway including curbs and gutters and storm sewers, and to the purchase, installation, or maintenance of signs, posts, markers for addressing related to the operation of enhanced 911 telephone service, and in the case of the abatement of nuisances. A county, outside of the metro area, may petition the district court for the authority to acquire, construct, finance, operate and maintain a water or sewer system or combined water and sewer system in any area of the county or judicial district not organized into cities. If granted, the county will follow this chapter in assessing properties for the cost of the project. Special taxing districts as defined in [Minnesota Statutes 275.066](#) and [275.067](#) organized on or before July 1 in a calendar year may certify a levy to the county auditor in that same year for property taxes or special assessments to be payable in the following calendar year to the extent that the special taxing district is authorized by statute or special act to levy taxes or special assessments. Special taxing districts organized after July 1 in a calendar year may not certify a levy of property taxes or special assessments to the county auditor under the powers granted to them by statute or special act until the following calendar year. See [Minnesota Statute 429.021](#) for a list of improvements allowed.

*Authority to Give Notice & Provide Hearings & Property Owners Right to Appeal*

Prior to any project taking place, the authority who is initiating the project must hold a public hearing after two publications in the newspaper. The publications must state the date and time of the hearing, the improvement project, an estimate of cost in total and the area to be assessed. In addition, not less than 10 days before the hearing, all owners (owners being those indicated on the records of the county auditor/treasurer), must receive a notice of the proposed project, hearing date and time and it must indicate that an estimate of the impact of the assessment. Failure to receive the notification does not invalidate the proceedings.

The law varies by authority on who all needs to approve the improvement and by how much of a vote is needed in order for the resolution to be adopted. In cases where all the owners petition for an improvement, and agree that 100% of the costs will be paid by them, the authority may pass a resolution, without holding a public hearing, to grant the improvement. Property owners may appeal the amount of their assessment to the court administrator of the district court, but must do so within thirty days after the adoption and publication of the resolution.

An amateur sports facility is exempt from all ad valorem taxes ([Minnesota Statute 240A.03](#)), but is subject to special assessments. Assessments are subject to confirmation by the Sports Commission, whose determination of the benefits is subject to court review. Real or personal property acquired, owned, leased, controlled, used, or occupied as a baseball park by a major league professional baseball team is exempt from taxation but the property is subject to special assessments levied by a political subdivision under [Minnesota Statutes, Chapter 429](#). A use of the property in any manner different from its use as a baseball park must not be considered in determining the special benefit under [Minnesota Statutes, Chapter 429](#) received by the properties.

All lands and property of any cemetery association are exempt from taxes and assessments ([Minnesota Statute 306.14](#)). The owners of cemetery lots, their heirs or legal representatives, may continue to have the lots exempt as long as the lots are used for a cemetery. No road or street can be placed through a cemetery without the consent of the trustees ([Minnesota Statute 307.09](#)). When a cemetery association levies special assessments against lots for the care, upkeep and maintenance of the lots and the assessments are not paid within five years

by the owners of the lots to the association, any unused portion of the lots reverts to and becomes the property of the cemetery association ([Minnesota Statute 306.55](#)).

*Apportionment of Costs*

After the proper bid process, awarding of the bid, and completion of the work has taken place, the costs of the project may be assessed upon the property that has benefited by the improvement. The property does not need to abut the improvement directly in order to have the determination that a benefit is received.

An authority can pay for the improvement in a couple of ways or combination of ways. They may pay for the improvement through the use of ad valorem taxes, other revenues on hand, from set aside funds and/or by the certification of special assessments. After the authority(s) determine the amount that will be assessed to the benefited properties, a notice is created that informs the public that the council will be meeting to consider the proposed assessment. The notice is both published and mailed to the owner of each property described in the assessment roll and will state the date, time and place of the meeting, the nature of the improvement, the area proposed to be assessed, the total assessment, and that the assessment roll is on file with the clerk of the authority and the owner may object to the authority, prior to the hearing, either in writing or orally. Only those objections made timely will be addressed at the hearing. The owner may still appeal the assessment costs within thirty days of the adoption of the resolution to the court administrator of the district court. The notice must also state the following:

1. the amount to be specially assessed against that particular lot, piece, or parcel of land;
2. adoption by the council of the proposed assessment may be taken at the hearing;
3. the right of the property owner to prepay the entire assessment and the person to whom prepayment must be made;
4. whether partial prepayment of the assessment has been authorized by ordinance;
5. the time within which prepayment may be made without the assessment of interest; and
6. the rate of interest to be accrued if the assessment is not prepaid within the required time period.

If any changes are made to the adopted assessment to comparison to the proposed assessment on the above items, additional notice must be given to the property owner.

*Assessments on Publicly Owned Property Excluding the State*

Any city or any town having authority to levy special assessments may levy special assessments against the property of a governmental unit benefited by an improvement to the same extent as if the property were privately owned, but no assessments, except for storm sewers and drain systems, can be levied against a governmental unit for properties used or to be used for highway rights-of-way. A "governmental unit" means a county, city, town, public corporation, a school district and any other political subdivision, except a city of the first class operating under a home rule charter and the school district, park board or other board or department of such city operating under such charter. If the amount of any assessment, except one against property of the state, is not paid when due, it may be recovered in a civil action brought by the city or such town against the governmental unit owning the property assessed. Assessments against governmental units are not to be certified as tax liens to the county auditor to be collected with the next year's taxes. The federal government is exempt from all forms of special assessments.

*Assessments on State Owned Property*

In cases of property owned by the state or any agencies of the state, the municipality can determine the benefits if the property had been taxable. A notice of public hearing on the assessment must be given to the appropriate state agency by registered or certified mail at least two weeks before the hearing is held. The agency may pay the assessment if funds are available. If no funds are available and the agency if funded in

whole or part by the state’s general fund, the amount needed to pay the assessment will be included in the next year’s budget. No state agency or department can be bound by the assessment of the municipality and they may pay or recommend payment of a lesser amount as they determine the benefit on the land of the improvement. Assessments against the state or its agencies are not to be certified as tax liens to the county auditor to be collected with the next year’s taxes.

*The Assessment Roll*

The assessment is a lien upon the property and shall accrue interest from the date of the resolution adopting the assessment. The assessment is to be collected along with property taxes on each parcel of property. Minnesota statutes state that the assessment should be collected in equal annual installments unless otherwise indicated in the resolution. Some authorities collect the assessment with calculations of equal principal payments. The assessment is to be extended over a period indicated in the resolution, but not to exceed thirty years and is payable on the first Monday in January in each year following the adoption of the resolution. The number of installments need not be uniform for all assessments included in a single assessment roll if a uniform criterion for determining the number of installments is provided by the resolution. Assessments on property located in a targeted neighborhood as defined in [Minnesota Laws 1987, Chapter 386](#), article 6, section 4, may be payable in variable annual installments if the resolution provides for a variable payment.

Examples of the calculation methods, equal annual payment or equal principal, are shown below.

The following information is assumed for both examples:

- Date of Resolution: June 15, 2005
- Assessment Amount: 6,000
- Years to run: 5
- Interest Rate: 5%
- Parcel: XX.XXX.XXXX.XX

**Example 7-1: Equal Annual Payment Method**

EQUAL ANNUAL PAYMENT – To the first installment shall be added interest from the date of the resolution adoption

Parcel	Year	Principal	Interest	Total	Balance
XX.XXX.XXXX.XX	2006	1,085.85	463.56	1,549.41	4,914.15
	2007	1,140.14	245.71	1,385.85	3,774.01
	2008	1,197.15	188.70	1,385.85	2,576.86
	2009	1,257.01	128.84	1,385.85	1,319.85
	2010	1,319.85	65.99	385.84	0

**Example 7-2: Equal Principal Payment Method**

EQUAL PRINCIPAL PAYMENT – To the first installment shall be added interest from the date of the resolution adoption

Parcel	Year	Principal	Interest	Total	Balance
XX.XXX.XXXX.XX	2006	1,200.00	463.56	1,663.56	4,800.00
	2007	1,200.00	240.00	1,440.00	3,600.00
	2008	1,200.00	180.00	1,380.00	2,400.00
	2009	1,200.00	120.00	1,320.00	1,200.00
	2010	1,200.00	60.00	1,260.00	0

*Certification to County Auditor*

An assessment roll for all improvements must be certified to the county auditor no later than November 30 in each year prior to the payment of the first installment. The assessment roll must contain each installment or number of years to run, the interest rate to be extended, each parcel of property to receive an assessment, and the amount of the assessment for each parcel. The assessment roll should be accompanied by the resolution, which should indicate whether additional interest is being added to the first installment from the date of the adoption of the resolution, and whether the equal principal or equal installment method is being used. If the resolution does not indicate the method or the additional interest, statute prevails and the county auditor is to use the equal installment method and add additional interest to the first installment from the adoption of the resolution by the council or board.

*Assessment Prepayment or Payoff*

The owner of property may pay off the total amount of the assessment without interest to the treasurer of the authority who adopted the assessment if paid within 30 days from the adoption of the resolution. After the thirty-day period and prior to November 15, the assessment may still be paid off but interest shall be added to the payment from the adoption of the resolution until the payment date. After November 15, the interest added to the assessment shall be calculated through December 31. Some authorities, by ordinance, accept partial payments of assessment balances. Any part of the assessment that is certified to the current payable taxes must be paid to the county treasurer and the remaining principal balance to the authority/municipal treasurer. Some counties have made agreements with their cities and townships to accept payoff balances of assessments for them. In these cases, the assessment balance payoffs received are then settled to the city or township at the time of the next tax settlement unless the county and city/township agree to something different.

**Deferral of Assessment Principal and Interest**

*Unimproved Property*

Authorities have the ability to defer assessments on unimproved property by resolution until sometime in a future year, until the property is platted or until the property has been constructed with an improvement. The authority must record, in the county recorder’s office, a certificate indicating the legal description of the property and the amount to be deferred. When the property no longer qualifies for deferment, the assessment shall be divided into the number of years remaining on the assessment roll. The interest, if deferred, can be either forgiven to December 31 of the year before the first installment is payable, or can be added to the

principal amount of the assessment. The authority has the ability to not have the interest deferred and instead make it payable annually at the same time the principal installments would have been payable if they were not deferred.

*Agricultural Property-Green Acres Property*

If the real property qualifies for the green acre status under [Minnesota Statute 273.111](#), the payment of special local assessments and interest levied after June 1, 1967 shall be deferred as long as the property meets the qualifications under that section or is transferred to an agricultural preserve program. If special assessments against the property have been deferred, the governmental unit shall file with the county recorder in the county in which the property is located a certificate containing the legal description of the affected property and of the amount deferred. When such property no longer qualifies, all deferred special assessments plus interest shall be payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest shall be payable within 90 days. The provisions of [Minnesota Statute 429.061](#), apply to the collection of these installments. Penalty shall not be levied on any such special assessments if timely paid. The deferment shall not apply to any special assessments levied at any time by a county or district court under the provisions of [Minnesota Statutes, Chapter 116A](#).

*Agricultural Property-Agricultural Preserve Program*

Notwithstanding [Minnesota Statutes, Chapter 429](#), construction projects for public sanitary sewer systems and public water systems benefiting land or buildings in agricultural preserves shall be prohibited. New connections between land or buildings in agricultural preserves and sanitary sewers or water systems shall be prohibited. Public sanitary sewer systems, public storm water sewer systems, public water systems, public roads, and other public improvements built on, adjacent to, or in the vicinity of agricultural preserves after August 1, 1993, are deemed of no benefit to the land and buildings in agricultural preserves ([Minnesota Statute 473H.11](#)).

When land that has been receiving the special agricultural valuation and tax deferment provided in [Minnesota Statute 273.111](#) becomes an agricultural preserve under [Minnesota Statutes, Chapter 473H](#), the recapture of deferred tax and special assessments, shall not be made. Special assessments deferred under [Minnesota Statute 273.111](#) shall continue to be deferred for the duration of the preserve. For purposes of this section, “deferred special assessments” shall include the total amount of deferred special assessments, including any portion of the deferred special assessments that have not yet been levied at the time the property transfers to the agricultural preserves program under this chapter. All special assessments deferred shall be payable within 90 days of the date of expiration unless other terms are mutually agreed upon by the authority and the owner. In the event of early termination of a preserve or a portion of it, all special assessments accruing to the terminated portion plus interest shall be payable within 90 days of the date of termination unless otherwise deferred or abated by executive order of the governor. In the event of a taking, all special assessments accruing to the taken portion plus interest shall be payable within 90 days of the date the final certificate is filed with the court administrator of district court ([Minnesota Statute 473H.18](#)).

*Hardship Assessment Deferrals for Seniors, Disabled, or Military Persons*

Any county, city or town making a special assessment may defer the payment for any homestead property owned by a person 65 years of age or older or retired due to a permanent and total disability or a person who is a member of the Minnesota National Guard or other military reserves who is ordered into active military service, if they determine the payment of the assessment would be a hardship. Each municipality electing to defer the assessment has to have established an ordinance outlining the standards and guidelines for determining the existence of a hardship and existence of a disability, but nothing disallows the municipality from

determining the hardship based on exceptional and unusual circumstances not covered by the standards and guidelines as long as the determination does not give the applicant an unreasonable preference or advantage over other applicants.

The county auditor prescribes the form on which applications for deferment due to hardships are to be submitted. If the deferment is granted, the auditor must record the notice of deferment with the county recorder. The taxing authority may determine by ordinance or resolution, the amount of interest, if any, on the deferred assessment and the rate shall be recorded by the auditor along with and in the same manner as the assessment.

The option to defer the payment of special assessments shall terminate and all amounts accumulated plus applicable interest, shall become due if any of the following takes place: (a) the death of the owner, provided that the spouse is otherwise not eligible for the benefits; (b) the sale, transfer or subdivision of the property or any part thereof; (c) if the property should for any reason lose its homestead status; or (d) if for any reason the taxing authority deferring the payments determines that there would be no hardship to require immediate or partial payment.

 **NOTE**

Most counties have an established relationship with their assessment authorities and deal with assessment administration, collection and payoffs with input and direction from their authorities. Additional agreements between counties and their respective cities, townships and other assessment authorities, do exist, outside of statute, on how assessments are handled.

*Senior Citizens' Property Tax Deferral*

A taxpayer meeting the program qualifications under [Minnesota Statute 290B.03](#) may apply to the commissioner of revenue for the deferral of taxes. Upon approval of a senior citizen's initial application, the commissioner of revenue shall pay to the treasurer of the county where the property is located the amount of any delinquent property taxes, penalties, interest, and delinquent special assessments and interest on the property that is the subject of the application. For this purpose, "special assessments" includes any assessment, fee, or other charge that may by law, and which does, appear on the property tax statement for the property for collection under the laws applicable to the enforcement of real estate taxes. Any tax attributable to new improvements made to the property after the initial application has been approved, must be excluded when determining any subsequent deferred property tax amount. The county auditor shall annually, on or before April 15, certify to the commissioner of revenue the property tax deferral amounts determined under this subdivision by property and by owner ([Minnesota Statute 290B.05](#)).

**Collection**

The collection of any installment of a special assessment, which is certified to the current year's tax roll, is made at the same time as the collection of taxes. Counties vary in how they process current year assessment installment payments when they are received in full prior to their due date. Some counties apply the payment of the assessment against the parcel and let the system allocate it between the total tax and special assessment payment due, and some Counties post the payment specific to the assessment for both the first half and second half. In the second situation, the taxpayer must also make the appropriate first and second half tax payments as well, in order for no penalty to calculate.

The collection of assessments on exempt property differs from that of taxable property. The clerk of the authority levying a special assessment against exempt property needs to send a notice to the county auditor, for county property, the clerk of any other political subdivision, or the owner of any right-of-way, specifying the amount due for that years principal and interest installment. After 30 days have elapsed, the authority may

charge penalty. If the assessment is not paid in its entirety, the authority must continue to mail notices on an annual basis of that year's installment amount until the assessment has been paid in full.

#### *Cancelation of Assessments due to Project Incompletion*

When a local improvement proposed to be made by any municipality under any procedure is abandoned before it is completed to an extent sufficient to result in benefits equal to special assessments which have been levied for the improvement, the municipality shall notify the municipal treasurer or the county auditor, whichever is acting as collecting agent for the special assessments, of such fact. Upon such notification, all installments of the assessments and interest that are not already collected or in the process of collection shall be canceled. However, nothing shall prevent the municipality from making a reassessment of any amount not exceeding the special benefits that actually accrue from the improvement to part or all of the properties originally assessed, and nothing shall affect the obligations of the municipality to provide funds sufficient to pay any bonds issued to finance the improvement and the interest.

#### *Cancelation of Assessments due to Tax Forfeiture*

When properties forfeit to the state of Minnesota due to nonpayment of real estate taxes, all taxes and assessments, both current and delinquent are canceled. The county auditor must include in the notice for public sale the amount of any special assessments that may be the subject of a reassessment or new assessment or which may result in the imposition of a fee or charge pursuant to [Minnesota Statutes, Chapter 429](#). See the [Delinquent Property Tax and Tax Forfeiture Manual](#) for more information.

#### *Administrative Expenses*

The county has the statutory ability to recoup all administrative expenses incurred when certifying the assessment roll to the tax roll.

#### *Reapportionment of Special Assessments upon Land Subdivisions ([Minnesota Statute 116A.18](#))*

When a plat or other type of document is recorded that will subdivide the property on which a special assessment resides, the council or board of the authority who levied the special assessment may reapportion the assessment balance to the tracts remaining after the plat or subdividing document is recorded. The county will need to communicate with the authority to find out whether a reallocation resolution is going to be filed with the county auditor or whether the authority requires full payment of the assessment balance to them prior to the recording of any instrument that subdivides property.

#### *Unpaid Service Charges ([Minnesota Statute 116A.22](#))*

When an authority has unpaid service charges, they may certify them to the county auditor, similar to the mechanism by which they certify special assessment improvements. Charges that can be certified to the county for collection with the next year's property taxes can be found in [Minnesota Statute 429.101](#).

The council or board of the authority may give notice to the owner, in some cases where it is reasonable, that gives them the ability to do the work themselves or to pay the amount of the service charge prior to it being certified to the county auditor as a special assessment.

#### *Service Charge to Dispose of Garbage in Certain Cities*

The council of any statutory city or city of the fourth class that provides by contract or otherwise for regular collection and disposal of garbage or refuse from dwellings and places may by ordinance obligate the owners of all property served to pay the proportionate cost of the service to their respective properties, and in default of payment the city council may annually levy an assessment equal to the unpaid cost as of September first of each

year, against each lot or parcel of land served for which the service charge is unpaid. The assessment may include a penalty not to exceed ten percent of the amount and shall bear interest at a rate not to exceed six percent per annum. The assessment shall be certified to the auditor of the county in which the land assessed is situated and shall be collected and remitted to the city treasurer in the same manner as assessments for local improvements ([Minnesota Statute 443.015](#)).

#### *Service Charge for Sanitary Sewer & Storm Sewers*

For the purpose of paying the cost of building, constructing, reconstructing, repairing, enlarging, improving, or in other manner obtaining the facilities or any portion of them, and of obtaining and complying with permits required by law, a municipality or county may issue and sell its general obligations, which may be made payable primarily from taxes or from special assessments to be levied to pay the cost of the facilities or from net revenues derived from facilities service charges or from other nontax revenues pledged for their payment under charter or other statutory authority, or from two or more of the sources; or it may issue special obligations, payable solely from taxes or special assessments or from revenues, or from two or more of the sources. Real estate tax revenues should be used only, and then on a temporary basis, to pay general or special obligations when the other revenues are insufficient to meet the obligations ([Minnesota Statute 444.075](#)).

When the facility service charges for the use of sewer and water services to individual properties go unpaid, the governing body may make the charge assessable against the owner, lessee, occupant or all of them and may certify the unpaid charge to the county auditor for collection on the real estate in the following year with other taxes collected on the property.

#### *Payment of Unpaid Service Charge Assessment*

Payment of the unpaid service charge will be a single installment payment unless the council or board indicates otherwise up to a maximum of ten years.

### **Water Law**

#### **Water Management Organizations, Watershed District, Lake Improvement District, Soil and Water Conservation Districts and County Drainage Systems**

Minnesota Statutes, Chapters [103A](#), [103B](#), [103C](#), [103D](#), [103E](#), [103F](#), and [103G](#) constitute the water law of this state and may be cited as the Water Law.

The Minnesota Board of Water and Soil Resources (BWSR) maintains information and guidance on these statutes for local government units on its website. Go here: [BWSR - Local Government Units and Partner Agencies](#)

The [Minnesota Public Drainage Manual](#) is a comprehensive guide of the public drainage process, including a chapter on the funding, collection, and payment of drainage system costs.

#### **Assessments Outside of Minnesota Statutes, Chapters 103 and 429**

##### *Prevention of Local Pest Control ([Minnesota Statute 18G.13](#))*

A city council, town board or county board of commissioners may, by resolution or ordinance, enforce regulations to control or prevent the spread of plant pests and diseases. The regulations allow for employees to:

1. enter and inspect any public or private place that might harbor plant pests

2. provide for the removal of diseased trees from any public or private place in order to prevent the spread of the disease
3. require the owner to destroy or treat plant pests, diseased or invasive plants or other infested material
4. provide for the work at the expense of the owner

The expense must be a lien upon the property and collected as a special assessment as provided by [Minnesota Statute 429.101](#). “Private place” carries the definition of every place except a private home.

*Wild Fire and Forest Fire Prevention & Extinguishment*

Owners of property may petition the county auditor to improve or clear tracts of land. The petition will describe each tract of land that is to be improved or cleared, by 40 acre tracts or government lots; specify the number of acres within each tract that will be improved, not to be less than five or more than twenty (or a proportionate amount in smaller subdivisions); and, list the nature of the title of the petitioners. The county auditor, after the receipt of the petition along with bond, shall designate the proceeding as “County Land Improvement No. ....” and all references in subsequent proceedings shall refer to the petition by this title and number.

Upon the filing, the county auditor must notify the county board who in turn, within 30 days, must appoint an engineer to examine the land and submit on a tabulated form the following, identified by tract: kind of trees, brush, stumps or other materials and debris that is to be removed; nature of the soil on each tract; estimation of costs; value of any material removed; and the means by which the improvement will be done. The county board shall also appoint three appraisers who are residents of the state, but are uninterested parties in the land described in the petition, who must, within ten days after the filing of the engineers report, be furnished, by the county auditor, a copy of the engineers report. They must personally visit each tract of land described in the report, and within 30 days of their appointment or the filing of the engineers report, file with the county auditor a tabulated statement and report indicating, by 40 acre tract or government lot, the following: the condition of and amount already cleared or under cultivation; the amount proposed to be cleared; the value of the land at the time of the appraisal; the value after the completion of the improvement; and the aggregate benefits of damages that will result to each 40 acre tract or governmental lot in consequence of the improvement; and show the total cost of the improvement and total benefits or damages that will result together with any other facts affecting the value or use of the land.

The county auditor, after receipt of the appraisers report, must set a date for a final hearing of the petition and give notice, as required by law, calling for a special meeting. The notice shall be given to all interested parties. Specifications of the notice can be found in [Minnesota Statute 88.33](#). At the conclusion of the hearing, the county board determines that the proposed improvements will be of public benefit and aid in preventing or abating forest fires, it may grant the petition in accordance with the reports of the appraisers and engineer. The county auditor will establish a time and place for receiving bids for the improvement. After the completion of the work, and certification of work by the engineer, the auditor must set a hearing and notify the owners of the completion of work and cost of the project. The county auditor must make a tabular form and statement showing the cost of the improvements to each tract and the proportionate share of the total expense of the project to each tract. Where ever the term “ditch” or “drainage ditch” appears in the General Statutes 1923, section 6703, the same for [Minnesota Statutes 88.26 to 88.46](#) shall be construed as reading ‘improvement’. After completion of the tabular form, the county auditor shall record the lien statement in the office of the county recorder.

*Individual Sewage Treatment System or Water Well Programs* ([Minnesota Statute 115.570](#))

A Township, City or County may, by ordinance, establish a program by which loans can be provided to private owners for the purpose of site evaluation, design, installation, repair, or replacement of individual sewage treatment systems or for the sealing or replacement of wells on privately owned property. Loans cannot be used to facilitate new building construction, which includes increasing the capacity of a sewage system beyond what is required to serve the existing structures.

All amounts that are loaned are to be priority liens against the real property which has received a benefit unless the amount of the loan is prepaid. All owners of property who have taken advantage of the loan program are to receive a notice of assessment. The notice must contain the following information:

1. the amount to be specially assessed against the property;
2. the right of the property owner to prepay the entire assessment;
3. the public official to whom prepayment must be made;
4. the time within which prepayment must be made without the assessment of interest;
5. the rate of interest to be accrued if the assessment is not prepaid within the required time period; and
6. the period of the assessment.

*Solid Waste Management & Household Hazardous Waste*

Solid waste management services includes recycling and waste reduction services, collection, processing, and disposal of solid waste, closure and postclosure care of a solid waste facility, and response to releases from a solid waste facility or closed solid waste facility ([Minnesota Statute 400.08](#)).

By June 30, 1992, each metropolitan county is to have developed and implemented a permanent program to manage household hazardous waste. Each program must include at least quarterly collection of wastes ([Minnesota Statute 473.804](#)).

The county board by resolution may establish and determine the boundaries of solid waste management service areas in the county. Before the adoption of the resolution the county board is to hold a public hearing on the question. If a service area is established, the county board may impose service charges for solid waste management services for the area and may levy a tax on all the property in the area, or any combination of charges and taxes ([Minnesota Statute 400.08](#)).

The county may establish by ordinance and collect just and reasonable rates and charges for solid waste management services provided by the county or by others under contract with the county.

On or before October 15 in each year, the county board may certify to the county auditor all unpaid outstanding charges, and a description of the lands against which the charges arose. It shall be the duty of the county auditor, upon order of the county board, to extend the assessments, with interest not to exceed the interest rate provided for in [Minnesota Statute 279.03](#), upon the tax rolls of the county for the taxes of the year in which the assessment is filed. For each year ending October 15 the assessment with interest shall be carried into the tax becoming due and payable in January of the following year, and shall be enforced and collected in the manner provided for the enforcement and collection of real property taxes in accordance with the provisions of the laws of the state. The charges, if not paid, shall become delinquent and be subject to the same penalties and the same rate of interest as the taxes under the general laws of the state ([Minnesota Statute 400.08](#)).

*Contracted Fire Service*

A town board may enter into a contract for fire protection and operation and upkeep of fire apparatus with the town's county or a nearby home rule charter or statutory city. The town board may also enter into the same

kind of contract with a volunteer fire department or association if the volunteer fire department or association is not, by charter or ordinance, an official part of a city government ([Minnesota Statute 365.181](#)).

If a tax is not levied or if the tax does not raise enough to pay for a year's contracted fire service the town board may levy an assessment for fire service. The assessment must be levied on each real estate parcel that required fire service during the year. The assessment must not be more than the cost of service. The parcel owners must be given ten days' mailed notice of the time and place of the town board meeting that is called to consider the assessments. The county auditor's records must be used to determine ownership of the parcels ([Minnesota Statute 365.181](#)).

The assessment is a lien on the assessed parcel and is due and payable to the town treasurer 30 days after the assessment levy. A parcel's assessment that is not paid when due must be certified by the town treasurer to the county auditor. The auditor shall add the assessment plus a ten percent penalty to the real estate taxes on the parcel for the next year ([Minnesota Statute 365.181](#)).

*Unpaid Governmental Service Charges*

A town may impose a reasonable service charge for emergency services, including fire, rescue, medical and related services provided by the town or contracted for by the town. If the service charge is not paid within 30 days after a notice of delinquency is sent to the recipient of the services, ([Minnesota Statute 366.011](#)) and if the recipient owns any real estate in any part of the state of Minnesota, the town board can certify to the county auditor in the county where the recipient or the recipient's representative or real estate resides, the amount of the service charge, which is to be collected together with property taxes levied against the property. The charge must be certified to the county on or before October 15th in the year prior to its extension onto the tax rolls. The owner must have been notified of the charge and the town boards intent to certify the charge to the property on or before September 15th. The service charge is subject to all penalties and interest provided for the collection of property taxes ([Minnesota Statute 366.012](#)).

A city may exercise the power under [Minnesota Statute Sections 366.011](#) and [366.012](#) relating to charges for emergency services only if the city adopts an ordinance authorizing the manner and amount of charging for those services ([Minnesota Statute 415.01](#))

*Special Service Districts*

"Special service district" means a defined area within the city where special services are rendered and the costs of the special services are paid from revenues collected from service charges imposed within that area ([Minnesota Statute 428A.01](#)). Special services may not include a service that is ordinarily provided throughout the city from general fund revenues of the city unless an increased level of the service is provided in the special service district. Only property that is classified under [Minnesota Statute 273.13](#) and used for commercial, industrial, or public utility purposes, or is vacant land zoned or designated on a land use plan for commercial or industrial use and located in the special service district, may be subject to the charges imposed by the city on the special service district. Other properties may be included in the district, but are not subject to the service charges. If parcels have split classifications, of which 50% or more of the parcels market value is one that qualifies for charge as listed above, the entire market value and capacity are used in determining the service charge. In determining the rate by which the service charge is to be enforced, the taxable property's net tax capacity before TIF and fiscal disparities is to be used.

In order to establish this type of district, a petition requesting the district and to hold a public hearing must be signed and filed by at least 25% of the owners of the property and 25% of the net tax capacity of property that would be subject to the service charge. This is true for any other action, such as the adoption of the ordinance to

establish the district. There is also a veto authority for the district. This requires the objections of at least 35% of the owners of the property including at least 35% of the net tax capacity of the property within the boundaries of the proposed district.

If the district is approved, service charges may be imposed on the basis of the net tax capacity of the property on which the service charge is imposed but must be spread only upon the net tax capacity of the taxable property located in the geographic area described in the ordinance. Service charges based on net tax capacity may be payable and collected at the same time and in the same manner as provided for payment and collection of ad valorem taxes. When made payable in the same manner as ad valorem taxes, service charges not paid on or before the applicable due date shall be subject to the same penalty and interest as in the case of ad valorem tax amounts not paid by the respective due date. The due date for a service charge payable in the same manner as ad valorem taxes is the due date given in law for the real or personal property tax for the property on which the service charge is imposed. Service charges can be authorized for more than one year, and if the ordinance passes, owners do not have any veto authority for the charges extended, and included in the resolution, for the future years.

A new special service district cannot be created after June 30, 2028, without the enactment of a special law.

### *Housing Improvement Area*

Housing improvement area means a defined area within the city where housing improvements are made or constructed and the costs of the improvements are paid in whole or in part from fees imposed within the area.

As with a special service district, a petition must be filed to establish this type of district by at least 25% of the owners of the housing units that would be subject to the fee. A public hearing must also be held and the “but for” test for the need of the district and fees must be established. An owner who feels they should be excluded from the district can file an objection with the city clerk prior to the adoption of the ordinance establishing the district or if they failed to file the objection prior to the adoption, they may still file one with the district court within 30 days after the adoption. If residents of 35% or more of the housing units in the area subject or 35% or more of the housing units' tax capacity subject to the fee file an objection to the ordinance adopted by the city with the city clerk before the effective date of the ordinance, the ordinance does not become effective.

The fee can be imposed on the basis of the tax capacity of the housing unit, or the total amount of square footage of the housing unit, or a method determined by the council and specified in the resolution. Before the imposition of the fees, a hearing must be held and notice must be published in the official newspaper at least seven days before the hearing and shall be mailed at least seven days before the hearing to any housing unit owner subject to a fee. For purposes of this section, the notice must also include:

1. a statement that all interested persons will be given an opportunity to be heard at the hearing regarding a proposed housing improvement fee;
2. the estimated cost of improvements including administrative costs to be paid for in whole or in part by the fee imposed under the ordinance;
3. the amount to be charged against the particular property;
4. the right of the property owner to prepay the entire fee;
5. the number of years the fee will be in effect; and
6. a statement that the petition requirements have either been met or do not apply to the proposed fee.

A new housing improvement area cannot be created after June 30, 2028, without the enactment of a special law.

*Establishment of a Boundary Commission and Fees Appropriated*

By resolution, the city council of a statutory or home rule charter city, town board, or county board may create a boundary commission. Members of the commission shall be residents of the county or counties in which the city or town is located who are familiar with real property. Upon initiation by resolution of the governing body or upon petition of an adjoining or affected property owner, the boundary commission is to review property descriptions of the disputed areas in the respective jurisdiction. Upon mailed notice to all known parties having an interest, the commission shall attempt to establish agreements between adjoining landowners as to the location of common boundaries as delineated by a certified land survey. If an agreement cannot be reached, the commission is to make a recommendation as to the location of the common boundaries within the disputed area. The commission shall prepare a plan designating all agreed and recommended boundary lines and report to the city council, town board, or county board.

Upon receipt of the plan and a report from the commission, the city council, town board, or county board shall hold a public hearing. The council, town board, or county board shall give mailed notice to all known parties in interest and published notice 20 days prior to the hearing. The council, town board, or county board shall hear all interested parties and may make adjustments to the proposed plan that it deems just and necessary.

Following the public hearing, the council or board may petition the district court for judicial approval of the proposed plan. If any affected parcel is land registered under chapter 508, the petition must be referred to the examiner of titles for a report. The council or board shall provide sufficient information to identify all parties in interest and shall give notice to parties in interest as the court may order. The court shall determine the location of any contested or disputed boundary and shall determine adverse claims to each parcel as provided in chapter 559. After hearing and determining all disputes, the court shall issue its judgment in the form of a plat complying with chapter 505 and an order designating the owners and encumbrances of each lot. Real property taxes need not be paid or current as a condition of filing the plat.

(See [Minnesota Statute 465.79](#))

The City or Board may assess part or all of the cost incurred by it against the benefited properties on a per parcel basis as provided in Chapter 429.

**Assessments Due by State Agencies and Departments**

State departments and agencies, including state universities and colleges, are subject to special assessments for improvements that benefit their property. If a state department or agency feels that the assessment was improper or unfair, they must notify the Committee of Finance in the Senate and the Committee on Ways and Means of the House of Representatives for a review. Prior to the beginning of any improvement projects that would benefit state owned property; agencies or departments of the state should negotiate the costs with the appropriate municipality or county ([Minnesota Statute 3.754](#)).

If the Department of Natural Resources acquired an interest in property prior to a cancelation of a certificate of sale, the state must make a provision for the payment of all taxes, interest, costs, penalties and assessments. The commissioner of natural resources must request the vendee to pay the above costs, but if the commissioner determines that the vendee refuses or is unwilling to pay, the state may pay the debt and seek legal action against the vendee. In cases where certificates of sales or state deeds revert back to the state voluntarily, the vendee must pay all real estate taxes, assessments, penalties, interests and costs prior to the reversion. In unvoluntary situations, the commissioner may request the vendor to pay all debt, but if the commissioner

determines the vendee either refuses or cannot pay the debt, the state may pay the debt and seek legal action against the vendee ([Minnesota Statute 92.72](#)).

In cases of eminent domain proceedings or condemnations where the Department of Transportation is involved, a provision in the taking must include a payment of all taxes, including all assessments and future installments of assessments ([Minnesota Statute 117.135](#)). Taxes and assessments that are levied shall not be abated. If only a portion of a parcel is taken, the Department of Transportation may make provisions for the payment of assessments and taxes for a portion of the amount. If the payment of taxes and assessments is not made to the county, the county auditor is to notify the commissioner of management and budget and the commissioner is to divert moneys needed from the highway fund and pay the county treasurer the amount necessary to cover the unpaid taxes and assessments. One of the areas that cause frustration to the county and the owners of property, who are involved in these proceedings, is the lack of full communication about the taxes and assessments with the Department of Transportation. According to the Attorney General’s Office, the issues are discussed when the condemnation is taking place. The county, municipality, and other affected companies such as utility companies are not made aware of the discussions around the taxes and assessments. The state of Minnesota is now naming the county and in many cases, the municipality and utility companies as additional payees to the owners of the real estate on the checks for damages. Counties should call the Attorney General’s Office to verify that the check includes funds necessary to cover all taxes and assessments that are due. If they are included, endorsement on the check is not to take place until payment of those amounts is made.

When the state or a political subdivision of the state, except the Department of Transportation, acquires a fee interest in property before forfeiture, by any means, provision must be made to pay all taxes, including all unpaid special assessments and future installments, unpaid on the property at the date of acquisition. The date of acquisition is the date on which the acquiring authority is entitled under law to take possession of the property except in cases of condemnation, the date of acquisition is the date of the filing of the petition in condemnation. Taxes that become a lien on property after the date of acquisition and before the condemning authority are entitled to actually take possession shall, if paid by the owner, be added to the award, and if not so paid, shall be paid by the condemning authority. Taxes lawfully levied shall not be abated. The state or a subdivision acquiring property may make provisions for the apportionment of the taxes and unpaid assessments if less than a complete parcel is acquired. If accrued taxes and unpaid assessments are not paid as required, then the county auditor of the county shall notify the commissioner of management and budget. The commissioner of management and budget is to divert an amount equal to the accrued taxes and unpaid assessments from any funds which are to be distributed by the commissioner of management and budget to the acquiring authority, and shall pay over such diverted funds to the county treasurer of the county in which the acquired property is located in payment of accrued taxes and unpaid assessments ([Minnesota Statute 272.68](#)).

*Assessments under Bankruptcy*

When a property owner files for bankruptcy, the ability for the county to proceed with delinquency and forfeiture processes is discontinued as is the ability for cities and towns for payment of assessments and service charges. The bankruptcy court sends out proofs of claims to counties, cities and towns to complete and return to the court.

## Receive and Distributed PILT

In some circumstances, the county treasurer will receive payments in lieu of property tax from federal, state and local governmental units. Generally, these payments are to compensate taxing jurisdictions when property,

normally taxable, is exempt from property taxes because it is owned by a governmental unit. The method used to calculate and allocate a payment in lieu of tax depends on the source of the payment.

**Department of Interior, Refuge Revenue Sharing Act**

Counties receive payments in lieu of taxes from the U.S. Fish and Wildlife Service under the Refuge Revenue Sharing Act. Payments are determined based on two criteria:

1. on acquired land, the greatest amount calculated on the basis of 75 cents per acre, three-fourths of one percent of the appraised value, or 25 percent of the net receipts produced from the land, and
2. on land withdrawn from the public domain, 25 percent of net receipts and basic payments under Public Law 94-565, payment in lieu of taxes on public lands.

*Distribution*

Counties are required to distribute these payments on a proportional basis to local government units that have lost real property tax revenues due to the existence of the area. The proportion may be determined by any suitable method to achieve an equitable result. Local government units may use the proceeds of these payments for any purpose. Counties must distribute the payment within 90 days of receipt.

**Natural Resources Land**

The state makes payments to counties and towns to offset expenses incurred in the support of natural resource lands. The statutes referencing these natural resource payments can be found in [Minnesota Statutes 477A.11 to 477A.14](#) and [477A.17](#). These payments were created to compensate:

1. compensate local government units for the loss of tax base from state ownership of land and the need to provide services for state land;
2. to address the disproportionate impact of state land ownership on local governments with a large proportion of state land; and
3. to address the need to manage state lands held in trust for the local taxing districts.

**Acquired natural resources land is land**, other than wildlife management land, presently administered by the Department of Natural Resources which the state acquired by purchase, condemnation, or gift a fee title interest in lands which were previously privately owned; or certain lands dedicated to conservation and designated as state parks, state recreation areas, scientific and natural areas, or wildlife management areas. The amount of payment is the total acreage of acquired natural resource land within the county multiplied by \$5.133, or at the county’s option, 0.75% of the appraised values of such lands, whichever is greater.

**DNR-administered other natural resources land** is any other land, other than acquired natural resource land or wildlife management land, presently owned in fee title by the state and administered by the Department of Natural Resources, other than land utilization project land. The amount of payment is the total acreage of county administered other natural resources land within the county multiplied by \$1.50. The amount increases to \$2.00 for payments made in 2018 and thereafter.

**County-administered other natural resources land** is any tax-forfeited land in towns and tax-forfeited unplatted land within cities. The amount of payment is the total acreage of county administered other natural resources land within the county multiplied by \$1.50. The amount increases to \$2.00 for payments made in 2018 and thereafter.

**Land utilization project land is land** leased by the state from the United States through the United States Secretary of Agriculture according to Title III of the Bankhead Jones Farm Tenant Act and that is administered by the Department of Natural Resources. The amount of payment is the total acreage of land utilization project land within the county multiplied by \$5.133, or at the county’s option, 0.75% of the appraised values of such lands, whichever is greater.

**Military game refuge** is land owned in fee by another state agency for military purposes and designated as a state game refuge under [Minnesota Statute 97A.085](#). Currently military refuge lands exist solely within Camp Ripley. The amount of payment is the total acreage of military game refuge land within the county multiplied by \$2.5665 (50% of the acquired natural resources land per acre value).

**Transportation wetland** is land administered by the Department of Transportation from a private owner for the purpose of replacing wetland losses caused by transportation projects. The state will only make payments to counties for this type of land if the county contains more than 500 acres of such land. Currently transportation wetlands exist solely within Polk County. The amount of payment is the total acreage of transportation wetland within the county multiplied by \$5.133, or at the county’s option, 0.75% of the appraised values of such lands, whichever is greater.

**Wildlife management land** is land administered by the Department of Natural Resources in which the state acquired, from a private owner by purchase, condemnation, or gift, a fee interest under the authority granted in [Minnesota Statutes, Chapter 94](#) or [Minnesota Statutes, Chapter 97A](#) for wildlife management purposes and actually used as a wildlife management area. The amount of payment is the total acreage of wildlife management land within the county multiplied by \$5.133, or at the county’s option, 0.75% of the appraised values of such lands, whichever is greater.

**Lake Vermillion and Soudan Underground Mine state park land** is acquired natural resource land administered by the Department of Natural Resources in which the state acquired for the creation of the Lake Vermillion and Soudan Underground Mine state park land located within St. Louis County and acquired in 2008. The amount of payment is 1.50% of the appraised value of the Lake Vermillion/Soudan Underground Mine state park lands. The appraised value of this land shall not be reduced below the 2010 appraised value of the land.

**Ditch assessments of state owned lands in consolidated conservation areas** are for the drainage projects affecting state-owned lands within a game preserve, conservation area, or other areas so far as the Department of Natural Resources determines that the lands will benefit from the drainage project. \$300,000 is appropriated annually for these local assessments.

In July of the year prior to the payment year the county auditor certifies to the department of natural resources the number of acres of county-administered other natural resources land within the county.

The appraised value for the county-optional methods is the purchase price for five years after acquisition. In the case of donated land, the appraised value is the value determined for the commissioner of natural resources by a licensed appraiser or the county assessor’s estimated market value. The county assessor will determined the appraised value every six years after acquisition.

The amounts determined are certified by the Department of Natural resources to the Department of Revenue by March 1 of the payment year (except for ditch assessments, which are to be certified by July 15 of the payment year). Payments for natural resources land are made by the Department of Revenue with the first installment of local government aid.

*Distribution*

Go to our [website](#) for the most current information and instructions for the distribution of PILT for natural resource land.

**Property Acquired by the State or Other Political Subdivision**

Generally, when the state or political subdivision of the state acquires property and subsequently permits a person to occupy the property, it must charge a reasonable rental and pay the county treasurer 30% of the rental received to be distributed in the same manner as property taxes.

Leased municipal airport property that is not located at the airport operated by the metropolitan airports commission is not subject to this payment in lieu of tax ([Minnesota Statute 272.01](#)).

*Housing Redevelopment*

As long as a housing redevelopment authority has existing financing obligations for a project, receives federal contributions or is obligated by contracts with the federal government to maintain a project as a low-income housing project, the project property is exempt from taxation. In spite of this exemption, the authority is subject to a service charge, based on the rentals of the preceding year, and treated as a payment in lieu of tax. On or before April 15 of each year, the authority must file with the assessor a statement of aggregate shelter rentals of the project collected in the preceding year. Unless a greater amount has been agreed upon between the authority and the governing body or bodies for which the authority was created, the service charge is 5% of the aggregate rentals, exclusive of any charge for utilities and special services. The service charge may not exceed the amount which would be payable in taxes were the property not exempt ([Minnesota Statute 469.040](#)).

The amount collected is allocated to the various taxing jurisdictions in the same proportion as the tax rate of each bears to the total rate. The payment is distributed using the current year property tax settlement percentage.

In the metropolitan area, when the project contains units subject to Section 5 of the United States Housing Act of 1937 as the result of the implementation of a federal court order or consent decree, the service charge is limited to an amount equal to the ratio of the number of units subject to the Act to the total number of units, multiplied by the aggregate rentals.

**Seaway Port Authorities**

When the annual rental received by a seaway port authority for property leased to a private individual, association or corporation exceeds:

1. An amount reasonably required for administration, plus;
2. The annual promotional expense for the authority not to exceed \$100,000, plus;
3. An amount sufficient to pay all installments of principal and interest due, or to become due, during such calendar year and the next succeeding year on any revenue bonds issued by the authority, plus
4. 25% of the gross annual rental to be retained by the authority for improvement, development or other contingencies;

The authority must make a payment in lieu of tax of a reasonable portion of the remaining annual rental to the county treasurer ([Minnesota Statute 272.01](#)).

If the authority has received funds from the state or funds from any city and county under Laws 1957, chapters 648, 831, and 849 then the payment will be allocated equally among the state, county and city. Otherwise, the payment will be allocated to the various taxing jurisdictions on the same basis as real estate taxes.

### **Other Payments in Lieu of Tax**

#### *Specific Property Tax Exemptions*

Specific legislation granting a property tax exemption may include a provision that the owner have an agreement with the county, city or township, and school to make payments in lieu of tax. The manner in which the payments are made should be included in the terms of the agreements.

#### *Tax Increment*

If a tax increment financing authority leases property within a redevelopment project area to an individual or firm which previously owned property within the area it may retain its tax exempt status by agreeing to make payments in lieu of tax. The property may not be used for development in connection with the project. The lease must be for temporary use pending relocation of the former owner's residence or business ([Minnesota Statute 469.042](#)).

# Chapter 8: Settlement and Distribution – Real and Personal Property

## Settlement and Distribution

This section deals with the manner by which tax, special assessment, and other collections are allocated and paid to the appropriate taxing jurisdictions or government entities. For many taxes and fees, such as real and personal property taxes, the timing and method of apportioning the receipts is prescribed in law. For each type of tax receipt there are 3 questions that must be answered:

- When should the receipts be settled?
- How should the receipts be apportioned and distributed?
- When should payment to the various taxing jurisdictions occur?

### Definition of Terms

*Settlement* is the process by which the county treasurer makes complete returns of the tax receipts on the current tax list. Through settlement, the county auditor is notified of the amount collected on account of the several funds included on the list.

*Apportionment and distribution* are the processes by which the county treasurer and auditor distribute all undistributed funds in the treasury. Using the appropriate method of apportionment, the funds are credited to the town, city, school district, special taxing district and each county fund.

*Payment* is the act of paying to the treasurer of a town, city, school district, or special taxing district all receipts of taxes levied by the taxing district and included in the most recent settlement. Payment is generally made by warrant, check or electronic funds transfer.

### Settlement Dates

Two dates are defined in statute as “settlement dates” ([Minnesota Statute 276.09](#)). Two additional dates (October 20 and November 20) are, effectively, “settlement dates” based on the language in statute ([Minnesota Statute 276.111](#)). For the purposes of this section the following are defined as Settlement Dates:

- The later of May 20 or 26 calendar days after the postmark date on the envelopes containing property tax statements (May Settlement Date)
- October 20 (October Settlement Date)
- November 20 (November Settlement Date)
- December 31 (Final Settlement Date)

### Payment Dates ([Minnesota Statute 276.111](#))

Generally, as soon as practical after the May Settlement Date, the county treasurer shall pay to the treasurer of a town, city, school district, or special taxing district all receipts of taxes levied by the taxing district. Upon written request of a taxing district, except school districts, to the extent practicable, the county treasurer shall make partial payments of amounts collected periodically in advance of the next settlement and distribution. In addition, several payment dates are specified in statute and apply to a variety of tax types. Estimated collections include taxes, special assessments, penalties and interest.

**May Settlement 70 Percent Advance Payment**

Upon written request of the taxing district, except school districts, the county treasurer shall pay at least 70 percent of the estimated collections within 30 days after the May Settlement Date.

**May Settlement School District First Advance Payment**

Within 7 business days after the due date, or 28 calendar days after the postmark date on the envelopes containing the tax statements, whichever is latest (May Settlement School District First Advance Payment Date), the county treasurer shall pay to the treasurer of the school districts 50 percent to the estimated collections arising taxes levied and belonging to the school district. If there is a delay in mailing tax statements, the school district may elect to make a proportionate reduction to reflect any loss in collections as the result of the delay.

**May Settlement School District Second Advance Payment**

The remaining 50 percent of the estimated collections must be paid to the treasurer of the school district within the next seven business days of the May Settlement School District First Advance Payment Date (May Settlement School District Second Advance Payment Date). If the school district elected to make a proportionate reduction to reflect losses due to a delay in mailing tax statements, the May Settlement School District Second Advance Payment Date must be within 14 days of the due date.

**May Settlement Final Payment**

The county treasurer shall pay the balance of the amounts collected to a municipal corporation or other body within 60 days after the May Settlement Date (May Settlement Final Payment Date). After 45 days interest at an annual rate of 8 percent accrues and is payable to the taxing district.

**October Settlement School District First Advance Payment**

Within seven business days after October 15, the county treasurer shall pay to the school districts, 50 percent of the estimated collections arising from taxes levied by and belonging to the school district from the May Settlement Date to the October Settlement Date. (October Settlement School District First Advance Payment Date)

**October Settlement School District Second Advance Payment**

The remaining 50 percent of estimated tax collections must be paid to the school district within the next seven business days of the October Settlement School District First Advance Payment Date.

**November Settlement School District Payment**

Within 10 business days after November 15, the county treasurer shall pay to the school district 100 percent of the estimated collections arising from taxes levied by and belonging to the school districts from the October Settlement Date to the November Settlement Date. (November Settlement School District Payment Date)

**November Settlement Payment**

Within 10 business days after November 15, the county treasurer shall pay to each taxing district, except school districts, 100 percent of the estimated collections arising from taxes levied by and belonging to each taxing district from the May Settlement Date to the November Settlement Date. (November Settlement Payment Date)

**December Settlement Payment**

After subtracting any payments that have been made to the taxing districts in October and November, the county treasurer shall pay to each of the taxing districts on or before January 25, the balance of the tax amounts collected on behalf of the taxing district. Amounts not paid by January 25 accrue interest at an annual rate of 8 percent which is payable to the taxing district.

## Specific Tax Information

The following sections contain information specific to various types of collections. Payments should be made according to the “Payment Dates” section unless otherwise noted.

### *Current Real Estate Property Tax*

#### **Settlement**

Current Real Estate Property Tax receipts are settled on the:

- May Settlement Date
- October Settlement Date
- November Settlement Date
- December Settlement Date

#### **Apportionment and Distribution**

Current Real Estate Tax is apportioned by first dividing the amount of the payment or group of payments into portions by tax basis type (i.e. tax capacity, referendum market value). The resulting portions are further allocated by fund using the ratio of the fund tax rate to the total tax rate. Fund portions are aggregated by taxing districts and credited to the appropriate account for each taxing district.

### *Current Personal Property Tax*

#### **Settlement**

Current Personal Property Tax receipts are settled on the:

- May Settlement Date
- October Settlement Date
- December Settlement Date

#### **Apportionment and Distribution**

Current Personal Property Tax is apportioned by first dividing the amount of the payment or group of payments into portions by tax basis type (i.e. tax capacity, referendum market value). The resulting portions are further allocated by fund using the ratio of the fund tax rate to the total tax rate. Fund portions are aggregated by taxing districts and credited to the appropriate account for each taxing district.

### *Current Manufactured Home Tax (Personal Property)*

#### **Settlement**

Current Manufactured Home Tax receipts are settled on the:

- October Settlement Date
- December Settlement Date

#### **Apportionment and Distribution**

Current Manufactured Home Tax is apportioned by first dividing the amount of the payment or group of payments into portions by tax basis type (i.e. tax capacity, referendum market value). The resulting portions are further allocated by fund using the ratio of the fund tax rate to the total tax rate. Fund portions are aggregated by taxing districts and credited to the appropriate account for each taxing district.

### *Delinquent Real Estate, Personal Property and Manufactured Home Tax*

#### **Settlement**

Delinquent Real Estate Tax receipts are settled on the:

- May Settlement Date
- October Settlement Date
- December Settlement Date

#### **Apportionment and Distribution**

Delinquent Real Estate Tax is apportioned by first dividing the amount of the payment or group of payments into portions by tax year and tax basis type (i.e. tax capacity, referendum market value). The resulting portions are further allocated by fund using the ratio of the fund tax rate to the total tax rate for each year. Fund portions are aggregated by taxing districts and credited to the appropriate account for each taxing district. Alternatively, the county auditor may use the local tax rates for the year before the distribution is made to apportion and distribute the tax if the composition of the previous year's local tax rate between taxing districts is not significantly different from the local tax rate that existed for the year of the delinquency.

### *Special Assessments*

#### **Settlement**

Special Assessment receipts are settled on the:

- May Settlement Date
- October Settlement Date
- November Settlement Date
- December Settlement Date

#### **Apportionment and Distribution**

Special Assessments are apportioned and distributed to the levying authority.

### *Penalty*

#### **Settlement**

Penalty is settled on the:

- May Settlement Date
- October Settlement Date
- December Settlement Date

#### **Apportionment and Distribution**

Penalties collected on special assessments for real and personal property are distributed to the taxing jurisdiction that levied the assessment.

Penalties collected on other taxes are distributed:

- 50% to the county
- 50% to the county general school fund (see School District Apportionment)

### *Interest*

#### **Settlement**

Interest is settled on the:

- May Settlement Date
- October Settlement Date

- December Settlement Date

**Apportionment and Distribution**

Interest collected on special assessments for real and personal property are distributed to the taxing jurisdiction that levied the assessment.

Interest on taxes that have been delinquent for one year or less:

- 50% to the county
- 50% to the county general school fund (see School District Apportionment)

Interest on taxes that have been delinquent for more than one year

- 50% to be divided between the county and city. The city receives an amount equal to the proportion that the city's or town's local tax rate for the year that the interest was collected, is to the sum of the city's or town's local tax rate and the county's local tax rate for the year that the interest was collected. The county receives the balance
- 50% to the county general school fund (see School District Apportionment)

*Power Line Taxes*

**Settlement**

Power line tax is settled on the:

- May Settlement Date
- October Settlement Date
- November Settlement Date
- December Settlement Date

**Apportionment and Distribution** ([Minnesota Statute 273.42](#))

Power line tax is apportioned:

- 50% to the county
- 50% to the county general school fund (see School District Apportionment)

*School District Apportionment*

**Settlement**

School District Apportionment is settled on the:

- May Settlement Date
- October Settlement Date
- November Settlement Date
- December Settlement Date

**Apportionment and Distribution**

Penalties and power line taxes allocated to the county general school fund are apportioned to the school districts in the county based on each school district's proportion of net tax capacity within the county in the prior year ([Minnesota Statute 127A.34](#)).

*Solar and Wind Energy Production Tax* ([Minnesota Statutes 272.029 and 272.0295](#))

**Settlement**

Solar and Wind Energy Production Tax is settled on the:

- May Settlement Date
- October Settlement Date
- November Settlement Date

- December Settlement Date

**Apportionment and Distribution**

Solar and Wind Energy Production Tax is apportioned:

- 80% to the county
- 20% to the city

## Chapter 9: Delinquent Tax and Tax Forfeiture

This section presents a broad overview of delinquent taxes and tax forfeiture for both real and personal property. The Department of Revenue provides two manuals that cover these topics in depth:

1. [Delinquent Real Property Tax and Tax Forfeiture Manual](#)
2. [Delinquent Personal Property Tax Manual](#)

Please refer to these manuals for more detailed information on delinquent taxes and tax forfeiture.

### How Real and Personal Property Taxes Differ

There are some interesting differences between delinquent personal property taxes and delinquent real property taxes.

1. Who collects the delinquent taxes. The county auditor is responsible for collecting delinquent real property taxes. The responsibility of collecting delinquent personal property taxes is in the hands of the county treasurer.
2. When taxes become delinquent. Real property taxes that are not paid on time are considered to be “late” for the remainder of the year in which they are due. A penalty is charged for paying the taxes late. Real property taxes do not become delinquent until the January following the year in which they are due. Interest is charged on the unpaid tax and penalty beginning with that same January.

In contrast, personal property taxes become delinquent the day after they are due. The term “delinquent” applies to all of the steps in the collection of the unpaid personal property taxes, from the day after they are due to the time when they are collected or canceled. A penalty is charged on the unpaid taxes on the day when they become delinquent. Interest is charged on the delinquent tax, penalty, and costs beginning with the January after the year when the taxes were due and became delinquent.

3. Treatment of the tax lien. When real property taxes become delinquent, the county auditor files the list of delinquent taxes with the court administrator, notifies the taxpayers of the delinquency, and warns the taxpayers of the expiration of the time period for paying them. Once these passive tasks have been completed and the time period to pay has expired, the specific parcel of real property on which the taxes were assessed automatically forfeits to the state in trust for the local taxing districts.

This automatic forfeiture is possible because a real property tax lien is *in rem*. This means that the tax lien attaches to the specific parcel of real property that has been assessed regardless of who owns it. It does not attach to the taxpayer and all of the property owned by the taxpayer ([Minnesota Statute 272.31](#)). When the payment period expires, the specific parcel of real property automatically forfeits and can be sold with the revenues going to the local taxing districts.

With personal property taxes, there is no automatic forfeiture of a specific parcel of property at the end of a designated time period. This is true because a personal property tax lien attaches to the taxpayer and all of the personal and real property owned by the taxpayer. This is called *in personam*. The tax lien follows the person and not the specific parcel of property on which the taxes were originally assessed.

Because there is no automatic forfeiture, the county treasurer must take an active role in the collection of delinquent personal property taxes. If the county treasurer does not take direct action to collect the delinquent taxes by having the taxpayer’s money or property confiscated, nothing will happen. The taxes will remain unpaid, and no property will automatically be available to sell in order to reimburse the local taxing districts for their lost tax revenue.

To assure that action is taken, statute gives the following mandate to the county treasurer:

“If a tax assessed on personal property or manufactured homes and collectible under this chapter is not paid when due, the county treasurer shall, as soon as practicable, take action the county treasurer considers necessary and reasonable to collect the delinquent tax” ([Minnesota Statute 277.21](#)).

**Real Property**

*Delinquency*

In general, the delinquent real property tax laws consist of a set of provisions for attempting to collect unpaid real property taxes and for ultimately confiscating the taxpayer’s real property in lieu of the real property taxes when they remain unpaid.

Technically, the term “delinquent” only applies to the unpaid real property taxes from the time they are declared by law to be delinquent to the end of the time period given by law to pay them. After that time, the unpaid taxes are canceled, and the title to the real property is taken over by the state. This final stage of the process is more accurately referred to as “tax forfeiture.”

However, for the sake of brevity and clarity, the term “delinquent” will be used throughout this part of the manual to refer to the complete process of trying to collect the unpaid (delinquent) real property taxes and finally confiscating the taxpayer’s real property in lieu of the taxes when they remain unpaid (tax-forfeiture).

The term “delinquent tax amount” refers to the sum of the separate amounts which must be paid in order to remove a parcel of real property from the delinquent tax list.

“Delinquent tax amount” means the combination of the following:

1. The delinquent real property taxes which remain unpaid.
2. Special assessments which were included on the tax statement and remain unpaid.
3. The penalties which accrued on the unpaid real property taxes during the year when they were due.
4. The interest which accrued on the unpaid taxes since they became delinquent.
5. The county costs of administering the steps in the delinquent tax process.

**Personal Property**

*Dates and Penalties*

The first step in the process of collecting delinquent personal property taxes, including manufactured homes, is to determine:

- when the taxes become delinquent
- what penalty to charge after the taxes become delinquent
- when to charge interest on the unpaid taxes, penalties, and costs

The term “delinquent” is defined differently for personal property taxes than it is for real property taxes. When real property taxes are not paid by the due date, they are referred to as being “late” and are subject to a penalty. They do not become officially “delinquent” until January of the year following the year when they are due.

In contrast, personal property taxes are declared “delinquent” the day after the due date. There is no equivalent period of time when they are referred to as “late.” The penalty is added to the unpaid taxes on the day they become “delinquent.”

There is no one set of due dates, delinquent dates, and penalty rates for all personal property taxes. For example, taxes on manufactured homes are due at different times than other personal property taxes. Nonmunicipal utility companies and owners of elevators and warehouses located on leased railroad right-of-way land must pay their personal property taxes at a different time than parties leasing government property. The penalty is also different for delinquent taxes on leased government property than it is for all others.

#### *Penalty: 8%*

When they become delinquent, a penalty of 8% of the unpaid personal property tax must be added to the unpaid tax. At that time, the total delinquent tax amount due is the sum of the unpaid personal property tax plus the 8% penalty. This is the same penalty rate used for delinquent personal property taxes on manufactured homes.

#### *Interest*

In contrast to the different delinquent dates and penalty rates, there is only one interest rate that applies to all types of delinquent personal property taxes. It is the same interest rate that is charged on delinquent real property taxes under statute.

#### *Basis of the Interest*

An annual rate of interest must be charged on the sum of the following amounts which have accumulated up to the date of the payment: (1) the delinquent tax, (2) the penalty, and (3) the county costs; e.g. the fees for filing and releasing a tax lien, the sheriff’s fees, and the court costs ([Minnesota Statute 279.03](#)).

#### *Method of Charging Interest*

The county treasurer must charge interest on delinquent taxes regardless of whether or not a court judgment is obtained. The annual interest rate begins to accrue on January 1 of the year after the year when the taxes were due and not paid. The interest continues to accrue from January 1 through the month when the total delinquent tax amount is paid ([Minnesota Statute 277.15](#)).

The annual rate of interest must be prorated monthly. This means that 1/12 of the annual interest rate is charged for each month of the year the total delinquent tax amount due remains unpaid. A portion of a month is considered to be a whole month.

#### *Adjusted Prime Rate*

The adjusted prime rate that is to be used for delinquent personal property tax purposes (including manufactured homes) is subject to a 14% maximum. Beginning in 2024, a county board, by resolution, may establish an interest rate lower than the interest rate determined by the Department of Revenue.

*Source of Adjusted Prime Rate*

Each December, the Property Tax Division of the Department of Revenue certifies the new adjusted prime rate for the next calendar year to each county treasurer and auditor on its [website](#).

# Chapter 10: Tax Adjustments

## Abatements

Abatements, as provided in [Minnesota Statute 375.192](#), are an administrative method of correcting errors in valuation or classification. The assessor can make no changes in valuation or classification that are intended to correct errors in judgment after the County Board of Appeals and Equalization adjourn, except for the correction of clerical errors and the extension of homestead status ([Minnesota Statute 274.01](#)). Subsequently, any changes made after the conclusion of the County Board of Appeal and Equalization must be handled by abatement or tax court petition. A tax amount is not necessary for the abatement to be processed. For more information about the appeals and equalization process, see the Local Board of Appeal and Equalization section of the [Property Tax Administrator's Manual](#).

 **NOTE**

“Clerical” errors are narrowly defined in that they are made by someone doing the work of a clerk. These include math errors, transposition of numbers, keypunch errors, and coding errors. Clerical errors do NOT include poor estimations or incorrect data used in making the estimations, such as an incorrect record of the actual square footage or the number of bathrooms. These errors would be “errors in judgment.”

Upon written application by the owner of any property, the county board may grant the reduction or abatement of estimated market value or taxes and any costs, penalties or interest on them as the board deems just and equitable and order the refund in whole or in part of any taxes, costs, penalties or interest when they have been erroneously or unjustly paid.

### *Powers and Restrictions*

Court rulings dictate that while abatements are discretionary, counties must consider all applications for abatements. Taxpayers must be allowed to file an application for abatement even if there is a certainty it will be turned down. Counties should not charge taxpayers to apply for abatements as no explicit authority exists for doing so, especially if the abatement is due to a county error.

Except as allowed in [Minnesota Statute 375.194](#) (special economic development tax abatements), the county board may not grant an abatement to provide an incentive for economic development or redevelopment. (Economic development abatements are reviewed in [Chapter 11](#)).

The county board may grant abatements for current taxes payable year and two prior years. Abatements may be granted for the current taxes payable year for virtually any legal reason that the county deems just and equitable. It should be noted that taxes accurately extended cannot be abated. However, abatements for the two prior years may only be granted:

1. to correct clerical errors, or
2. when the taxpayer fails to file for adjustment due to hardship.

Once again, clerical errors are limited to errors of a clerical nature, such as inputting incorrect codes, transposing numbers, keypunch errors, and mathematical errors. Errors that occur when making estimations during the inspection and appraisal process (judgment errors) are not considered to be clerical errors.

Hardship is more difficult to define. The Department of Revenue encourages the counties to develop their own written policies as to what constitutes a hardship. In the absence of a written hardship policy, auditors and assessors should defer to the county board to determine the existence of hardship on a case by case basis. If an application for abatement exceeds \$10,000 in tax, penalty and interest, the county board must give notice within 20 days to the school and the municipality in which the property is located. In these cases, the city or town and/or school can choose to challenge the abatement. Still, the abatement is at the discretion of the county board. School districts and cities can levy for revenue that is lost due to abatements. County governments cannot levy for revenue that is lost due to abatements.

Decisions on abatements cannot be appealed to tax court or to either the local or the county board of appeal and equalization.

Subject to the approval of the commissioner of revenue, the county board may authorize the county auditor to grant homestead credits that were denied for failure to file a Certificate of Real Estate Value if the eCRV is filed with the county auditor. These requests shall not be heard after May 31 of the taxes payable year.

#### *Auditor and Treasurer Approvals*

Abatements must be approved by the county assessor (or the city assessor, if the property is in a city of the first or second class and has its own city assessor) and by the county auditor before being considered by the county board. However, approval of the county assessor is not required for an abatement of penalty and interest. Any part of an abatement application, which is for penalty and interest, must be approved by the county auditor and the county treasurer. If any of the required parties (assessor, auditor, treasurer, or county board) denies the application for abatement, it is not granted.

As described above in the [penalty abatement](#) section, there is a separate statute ([Minnesota Statute 279.01](#)) which allows the county treasurer to have the power to abate the penalty for late payment of taxes in the current year. However, this is only possible if both the county board and the county treasurer have agreed to delegate such authority to the county treasurer.

Special assessments placed upon a parcel by a local unit of government should only be removed with the approval of the respective local unit of government. Counties should not remove these special assessments of their own volition.

#### *Delegation of Powers to the Auditor*

The county board may delegate the responsibility for approving abatements to the county auditor. However, if the county auditor is elected, the delegation of this responsibility may only be made if the auditor agrees to the delegation.

#### *Auditor to Notify Commissioner*

The county auditor is required to notify the commissioner of revenue of all abatements resulting from errors in classification of real property as nonhomestead property. For abatements relating to the current year's tax processed through June 30, the auditor must notify the commissioner by July 31 of that same year of all abatement applications granted. For abatements relating to the current year's tax processed after June 30 until the end of the year, the auditor must notify the commissioner by the following January 31 of all applications granted. The auditor must submit a form containing the social security number of the applicant and any other information the commissioner prescribes.

### *School Tax Abatement Report*

The Department of Education must also be notified twice annually through the school tax abatement reporting process. This process is outlined in greater detail in Chapter 6.

### *Commissioner's Abatement*

The commissioner of revenue has the authority to grant abatements as the commissioner deems just and equitable under [Minnesota Statute 270C.86](#). For more information about the commissioner's abatement, see the Abatements section of the [Property Tax Administrator's Manual](#).

### **Local Option Disaster Abatement ([Minnesota Statute 273.1233](#))**

When qualified destruction occurs to a property, the county board may grant an abatement of net tax for homestead and nonhomestead property (except for property appraised by the commissioner of revenue) for taxes payable in the year in which the destruction occurs. For more detailed information on this type of abatement, see the Disaster Relief section of the [Property Tax Administrator's Manual](#) and our [Disaster Relief](#) webpage.

### *Computation*

For property located in a disaster or emergency area, the abatement is limited to the difference between (1) the net tax on the property computed using the market value of the property established for the January 2 assessment in the year in which the damage occurred, and (2) the net tax computed using the reassessed market value.

For property not located in a disaster or emergency area, the abatement is limited to the result determined by multiplying (i) the difference in net tax on the property computed using the market value of the property established for the January 2 assessment in the year in which the damage occurred, and the net tax computed using the reassessed value, by (ii) a fraction representing the time its value was reduced (the number of full months in the assessment year that the structure was unusable divided by 12). If the structure was usable for a fraction of a month, that month is not included in the numerator.

If application is made after payment of all or a portion of the taxes being abated, the portion already paid must be refunded by the county treasurer as soon as practical.

### *How Applied*

To the extent that the net tax capacity and referendum market value reductions are separately computed, the abatements associated with each are separately applied to local net tax capacity based taxes, any state net tax capacity based taxes, and referendum market value based taxes.

### *Payment*

If the destruction occurs as a result of a disaster or emergency in a disaster or emergency area, the county auditor shall certify the abatements granted to the commissioner of revenue for reimbursement. The state pays the reimbursement of the abatements directly to the local taxing districts. The Department of Revenue pays each taxing district other than school districts, which are reimbursed by the Department of Education.

For abatements granted which are not eligible to be reimbursed by the state (abated tax for destruction occurring from something other than a disaster or emergency or destruction occurring outside a disaster or emergency area), local taxing authorities may levy in the following year the amount of unreimbursed tax dollars

lost due to abatements granted under this program. The levy for this purpose would be outside any existing levy or tax rate limit.

### *Reporting*

For reporting purposes it will be very important to distinguish between reimbursable abatements (those located in a disaster or emergency area) and those that are not reimbursable. Abatements should also be tracked separately from the following year credits provided under the following sections. An application for reporting reimbursements is available by contacting the Department of Revenue.

### *Relationship to Tax Rates, TIF, LMV, etc.*

Tax rates, TIF captured values, limited market value, and any other calculations based on a measure of value should use the January 2 pre-disaster value. The computed reassessed values are only used in computing the abatement and credit amounts.

## Special Valuations Tax Paybacks

Special valuations provide for the deferment of taxes and special assessments payable on real property meeting certain criteria. The laws state that property owners who qualify, can apply for deferment of higher valuations and the consequent taxes payable, and continue to have the property valued based upon a particular use.

The tax imposed is a lien upon the property assessed to the same extent and duration as other taxes imposed upon property in the state. The tax is extended by the county auditor and is collected and distributed in the same manner as for other property taxes.

When real property that has been assessed and taxed under a special valuation program with tax deferral no longer qualifies for the program in which it was entered, that portion which no longer qualifies is to be subject to additional taxes in the amount equal to the taxes which were deferred (i.e. the difference between the tax that is based upon the preferential value and the tax that is based upon the market value.) The tax that is based upon the market value is not to be greater than if the actual bona fide sale price at an arm's length transaction has been used in lieu of the market value. The additional taxes are to be extended against the property on the tax list for the current year. The actual number of years of deferred taxes that must be paid back will vary depending upon the special valuation program involved.

No interest or penalties are to be levied on the additional taxes if they are timely paid. The additional taxes are considered to be paid in a timely manner if payment occurs by December 31 of the year the payback is calculated or within 30 days, whichever is later.

Any unpaid payback is treated like any other delinquent taxes as of the first business day in January or 30 days after the payback is calculated, whichever is later. The only penalty that applies is the 2% penalty under [Minnesota Statute 279.02, subdivision 1](#), which would accrue on any amount that remains unpaid. The unpaid amount would then follow the normal delinquency provisions as provided in statute (i.e., publication, judgment, redemption, etc.), including being subject to interest under [Minnesota Statute 279.03](#).

### **Minnesota Open Space Property Tax Law ([Minnesota Statute 273.112](#))**

When real property that is or has been valued and assessed according to the Open Space law no longer qualifies, that portion which no longer qualifies is to be subject to additional taxes in the amount equal to the taxes which were deferred.

The additional taxes are to be extended against the property on the tax list for the current year and are only to be levied with respect to the last 7 years which the property had been assessed under the Open Space law. No interest or penalties are to be levied on the additional taxes if they are timely paid.

This does not apply to real property that ceases to qualify because it is acquired by the state of Minnesota or a political subdivision, agency, or instrumentality of the State, provided that the property continues to be used for a qualifying purpose for at least 5 years from the date the property was acquired.

When title to real estate that is valued and assessed under the Open Space law is transferred, no additional taxes are to be extended against the property if the property continues to qualify for Open Space and the purchaser files an application for the continued deferment of taxes within 30 days of the sale.

**Minnesota Agricultural Property Tax Law (Green Acres) ([Minnesota Statute 273.111](#))**

The Green Acres program payback will be affecting both class 2a and ‘grandfathered’ class 2b real property. There are several situations where these properties may leave the Green Acres program, and depending upon the situation there may or may not be a payback.

*Deferred Taxes*

Class 2a agricultural property will require a payback if a portion of the property is either withdrawn from the Green Acres program due to a change of use (i.e. agricultural to residential or commercial) or if after the property is sold or transferred by the owner and the new owner does not file an application for continued deferment within 30 days of sale. If the 2a property is transferred into the Agricultural Preserves program or a new property owner files for continued deferment within 30 days of sale then no additional taxes (and any deferred special assessments plus interest) are to be extended against the property. If deferred tax payback is required, then the additional taxes are only to be levied with respect to the last three years (the current year’s deferred taxes plus payment of deferred taxes for the two prior years) that the property had been valued and assessed under "Green Acres."

*Cross Compliance ([Minnesota Statute 273.111](#))*

If the owner of an enrolled property is subject to a second final enforcement action (not including verbal or written warnings) for violations of agricultural chemical ([Minnesota Statutes 18B](#), [18C](#), [18D](#)) or water protections laws ([Minnesota Statutes 103E](#), [103F](#), [103G](#), and [103H](#)) within a three year time period, may be subject to a tax penalty. The tax penalty may equal the deferred taxes on the parcel for the current year and the two previous years (i.e. equivalent to the three year payback), but not exceeding the length of time the owner has owned the property.

The penalty tax should be extended against the property on the tax list for the current year and no interest or additional penalties shall be levied if timely paid. If the property is also withdrawn from the program then any deferred special assessments (see below) must also be paid, if any, in addition to the penalty.

*Deferred Special Assessments*

When a payback is required, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest are payable within 90 days. The provisions of [Minnesota Statute 429.061](#), apply to the collection of these installments. Penalties are not imposed on any such special assessments if timely paid.

The payment of special local assessments levied after June 1, 1967, for improvements made to any real property under "Green Acres" together with the interest will, on timely application, be deferred as long as the property qualifies for "Green Acres" or is transferred to an Agricultural Preserve. If special assessments are being deferred, the governmental unit is to file a certificate containing the property's legal description and the amount deferred with the county recorder of the county in which the property is located.

When the property no longer qualifies for the deferment, all deferred special assessments, plus interest, are to be paid in equal installments spread over the time remaining until the last maturity date of the bonds issued for the improvements. If the bonds have matured, the deferred special assessments plus interest are to be paid within 90 days. Penalties are not to be levied on the special assessments if timely paid.

**Rural Preserve Property Tax Law ([Minnesota Statute 273.114](#))**

The Rural Preserve program payback will be affecting only class 2b real property. Since the Rural Preserve program follows the land rather than the owner (unlike Green Acres), payback is only required when the land no longer qualifies due to the owner having development plans for the future use of the property.

*Deferred Taxes*

When the property is withdrawn or no longer qualifies, the additional taxes are only to be levied with respect to the last three years (the current year's deferred taxes plus payment of deferred taxes for the two prior years) that the property had been valued and assessed under "Rural Preserve".

*Deferred Special Assessments*

The payment of special local assessments levied after June 1, 2011, for improvements made to any real property under "Rural Preserve" together with the interest will, on timely application, be deferred as long as the property qualifies for "Rural Preserve". If special assessments are being deferred, the governmental unit is to file a certificate containing the property's legal description and the amount deferred with the county recorder of the county in which the property is located.

When the property no longer qualifies for the deferment, all deferred special assessments, plus interest, are to be paid in equal installments spread over the time remaining until the last maturity date of the bonds issued for the improvements. If the bonds have matured, the deferred special assessments plus interest are to be paid within 90 days. The provisions of [Minnesota Statute 429.061](#), apply to the collection of these installments. Penalties are not to be levied on the special assessments if timely paid. Special assessments levied for under public water and sewer system ([Minnesota Statute 116A](#)) or watershed districts ([Minnesota Statute 103D](#)) are not required to be paid under this section.

**Aggregate Resource Preservation Property Tax Law ([Minnesota Statute 273.1115](#))**

When real property that is or has been valued and assessed according to the Aggregate Resource Preservation Property Tax law no longer qualifies, that portion which no longer qualifies is to be subject to additional taxes in the amount equal to the taxes which were deferred.

This additional tax is determined by computing the difference between the current year's taxes based upon the agricultural valuation and an amount determined by the assessor based upon the property's current year's estimated market value of similar real estate at its highest and best use and the appropriate local tax rate and then multiplying that difference by the number of years the land was enrolled in Aggregate Resources.

The market value determined by the assessor for this calculation must not be greater than if the property was sold in an arms-length transaction. The additional taxes must be extended on the current tax lists and no interest or penalties are due if timely paid.

Additional taxes must not be imposed on that portion of the property which has been actively mined and subsequently removed from the program.

When property under the Aggregate Resources program is sold additional taxes must not be extended against the property, and if the property continues to qualify after the sale then the new owner may file an application with the assessor for continued deferment within thirty days of the sale.

## Corrections

### Correction of Levies

The statutory remedy for fixing incorrect levies caused by county auditor error, inadvertence or the use of estimates in determining tax rates is for the taxing authority to levy the additional amount needed in the following year ([Minnesota Statute 275.075](#)). This additional levy is outside of levy limitations for that year, assuming that the taxing authority would have met levy limitations in the prior year had the correct amount been originally levied. The Department of Revenue should be made aware of significant corrections. There are also scenarios that have no explicit statutory remedy, and the Department of Revenue should be contacted to work out solutions in these cases.

This statute, in conjunction with [Minnesota Statute 275.28](#), has been used generally to provide that the method for fixing county auditor administrative errors is to correct it in the following year. Occasionally errors or changes in tax increment amounts, fiscal disparity values or other similar issues will be discovered after taxes have been extended. [Minnesota Statute 275.28](#) provides that tax rolls are deemed complete as of January 1 each year (also known as the “presumptive date”).

If an error is made by the county auditor in recording the levy of a township lower than the levy certified by the township, the governing body of the county in which the error was made shall appropriate and disburse to the affected township sufficient funds to make up for the difference created by the error. This shall be done within 30 days of notification of the error. The difference between the correct levy and the erroneous levy shall be added to the township levy for the subsequent levy year; provided that if the amount of the difference exceeds 0.12089 percent of taxable market value, the excess shall be added to the township levy for the second and later subsequent levy years not to exceed an additional levy of 0.12089 percent of taxable market value in any year until the full amount of the difference has been levied. The funds collected from the corrected levies shall be used to reimburse the county for the payment that was required ([Minnesota Statute 275.077](#)).

### Correction of TIF Errors

Before 2008, if an error was made concerning the certification or decertification of a tax increment financing (TIF) district or if tax increment revenues were incorrectly computed, there was no explicit direction on how to make a correction. In 2008, the legislature enacted [Minnesota Statute 469.177, subdivision 13](#), to establish procedures that allow a county auditor to correct an error or mistake in a TIF district.

An error or mistake may have occurred, among other reasons, because of factual miscommunication between the TIF authority and the county auditor, a mix-up in property identification numbers (PINs) of parcels in the TIF district, inaccurate reporting of district terms, incorrect calculation of the original or captured tax capacity, classification rate, or local tax rate.

The county auditor may correct an error by taking one or more of the following actions:

1. The original tax capacity of affected parcels can be certified at the appropriate value for a later taxes payable year and the duration of the district can be extended to compensate.
2. Affected parcels in the district can be recertified and the duration of the district can be extended to compensate.
3. The original tax capacity rate for the district can be recertified or corrected.
4. The tax rates of one or more of the taxing districts imposing taxes on the TIF district (county, city, or school district) can be adjusted for one or more years to recoup revenues advanced by the county or other entity to replace reduced increments (see [Chapter 5](#) for further detail).
5. Other appropriate action can be taken so the amount of increment compensates for or offsets any error or mistake. The action must correctly reflect application of the law.

An authority or municipality often discovers an error and initiates a request to the county auditor for the correction. The decision as to whether to correct the error or mistake is made by the county auditor. The county auditor may request assistance from the Department of Revenue in working out a viable change or adjustment before deciding to make a correction.

At least 30 days before the county auditor exercises authority to correct an error, the county auditor must notify the development authority and the municipality, in writing, of the auditor's intent. This written notification must include supporting information describing the reason for the proposed correction. If the municipality or authority objects within the 30-day notification period, the matter is then submitted to the commissioner of revenue and the Office of the State Auditor before making a decision or resolving the dispute.

Once a correction is made, documentation of the correction must be provided to the commissioner of revenue and the Office of the State Auditor. The final correction is then incorporated into the Department of Revenue's PRISM Submission 3.

# Chapter 11: Economic Development and Special Programs

## Tax Increment Financing

Tax increment financing (TIF) is a method of financing real estate development costs to promote development, redevelopment, and housing in areas where it would not otherwise occur, as established under [Minnesota Statutes 469.174 to 469.1799](#), often referred to as the TIF Act. TIF authorities such as cities, city or county housing and redevelopment authorities, port authorities, economic development authorities, or rural development financing authorities use TIF revenues to encourage developers to invest in new projects. These projects include constructing buildings or other private improvements, cleaning polluted areas, redeveloping areas that contain blight, or paying for public improvements such as streets, sidewalks, sewer and water, and similar improvements.

The Office of the State Auditor provides a checklist for county officials in the [Tax Increment Financing County Guide](#). The checklist is not a complete list of everything that is statutorily required, but it highlights some of the most important tasks for a county when administering a TIF district. Additionally, more information on TIF can be found on the Office of the State Auditor's [website](#).

A glossary of TIF terms is available at the end of this section for reference.

There are many special rules and exceptions in TIF law. This section is an overview of TIF law as a whole. Consult statute, your county's legal department, the State Auditor's Office, or the Department of Revenue for more specific information.

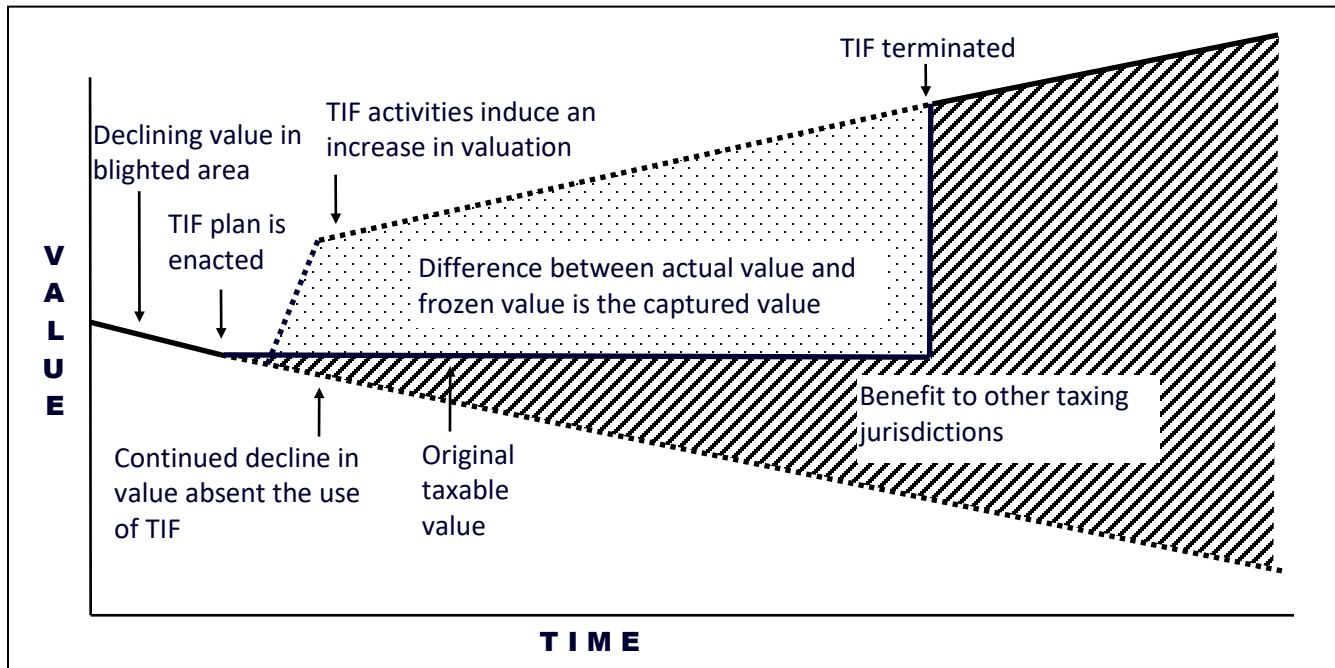
### The TIF Concept

TIF finances development by "capturing" the incremental property taxes generated by the increased value of new development. Without development, there is no increment to capture, but once there is development, tax increment provides a revenue stream that can be used to finance a project directly or reimburse qualifying expenditures.

TIF is used as an economic development tool. Proponents argue that TIF is an appropriate tool for jurisdictions to use to correct market failures, while opponents object to the subsidies being granted. Figures 11-1 through 11-3 illustrate these different perspectives.

Figure 11-1 shows a classic example illustrating the benefits of TIF. In this example, the value of the property is on a trend to decline or stagnate over time without any intervention. The implementation of TIF freezes the value for tax purposes, and the investments raise the value of the property, placing it on a more positive long-term trend. The taxes associated with the increased value are captured to pay for the investments, but other taxing districts benefit from the prevention of further tax base erosion and additional tax base upon the termination of the district.

**Figure 11-1: Classic Example of TIF**



Figures 11-2 and 11-3 display more critical examples of the impact of TIF. Figure 11-2 is based on the premise that the value would increase over time, with or without TIF activities, and the freezing of the taxable value essentially takes value away from the taxable base of the taxing districts. In this scenario, there is some benefit down the road after the TIF district terminates, but it must be weighed against the cost of the lost tax base in the interim.

**Figure 11-2: Critical Example of TIF**

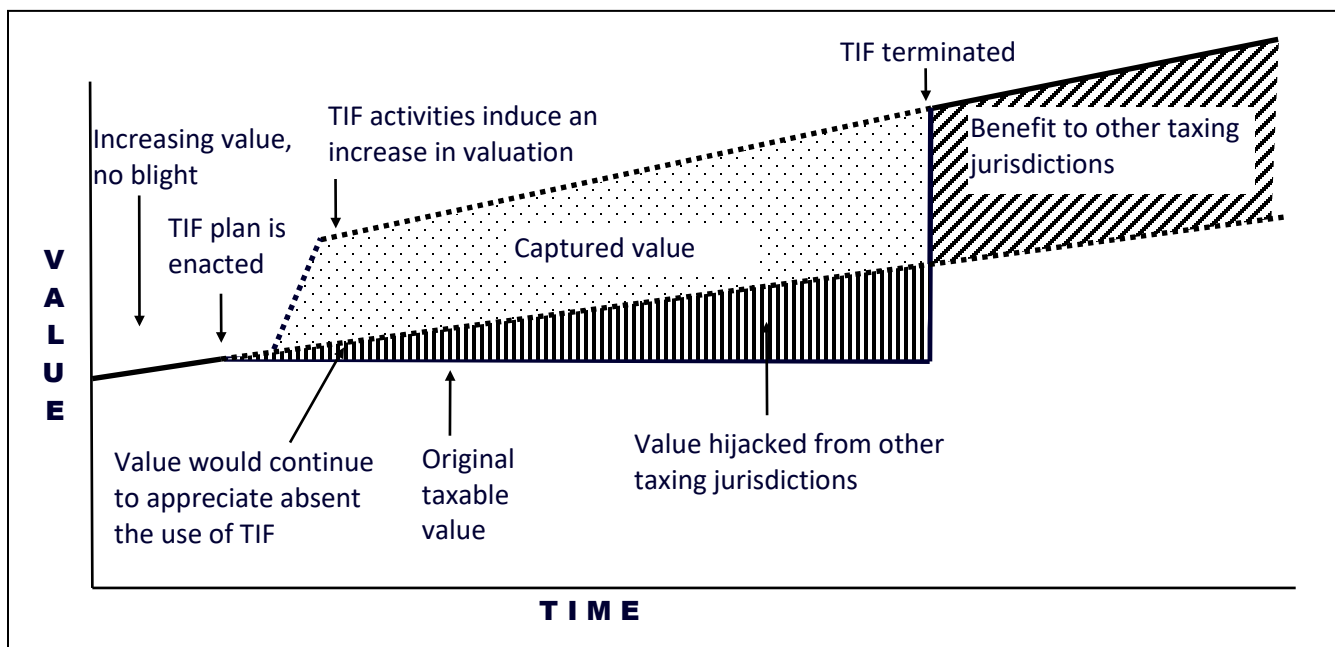
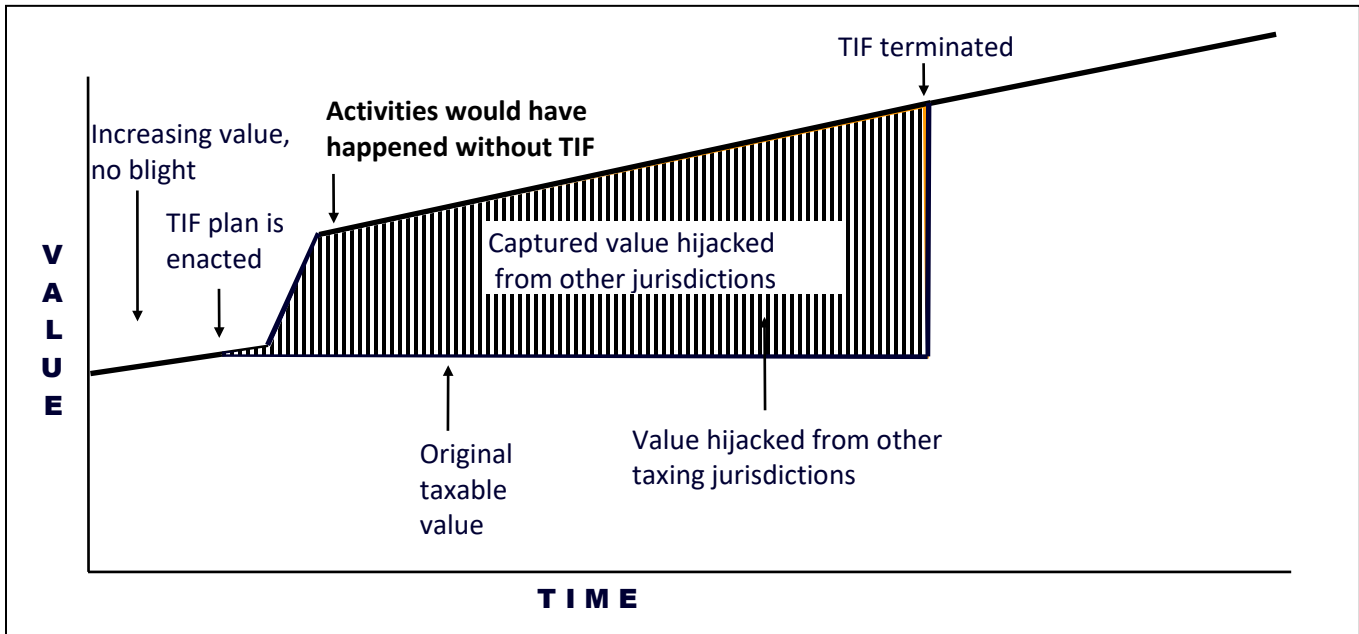


Figure 11-3 is the most critical view of TIF, illustrating an example where development would have occurred without TIF, and therefore all of the captured value is a loss to the affected taxing districts and there is no positive benefit associated with what amounts to a pure subsidy.

**Figure 11-3: Most Critical Example of TIF**



Each of these scenarios has the potential to be true, ultimately making TIF a good tool only to the extent that it is prudently and appropriately used. TIF might be best employed for redeveloping blighted areas or developing property where the free market has failed to produce appropriate investment. Entities that use TIF must understand that capturing the tax base to pay for development may prevent being available to lower taxes for general purposes.

**Typical Uses of TIF**

TIF was created for the purpose of redeveloping urban areas with old or worn-out buildings in need of replacement or rehabilitation and initiated as a tool to help with urban renewal. Its use has spread to other purposes. TIF in Minnesota is generally used to:

- Redevelop areas occupied with substandard buildings
- Build housing for low-income and moderate-income families
- Clean up pollution
- Provide general economic development incentives
- Finance public infrastructure, such as streets, sewer, water, sidewalks, and similar improvements

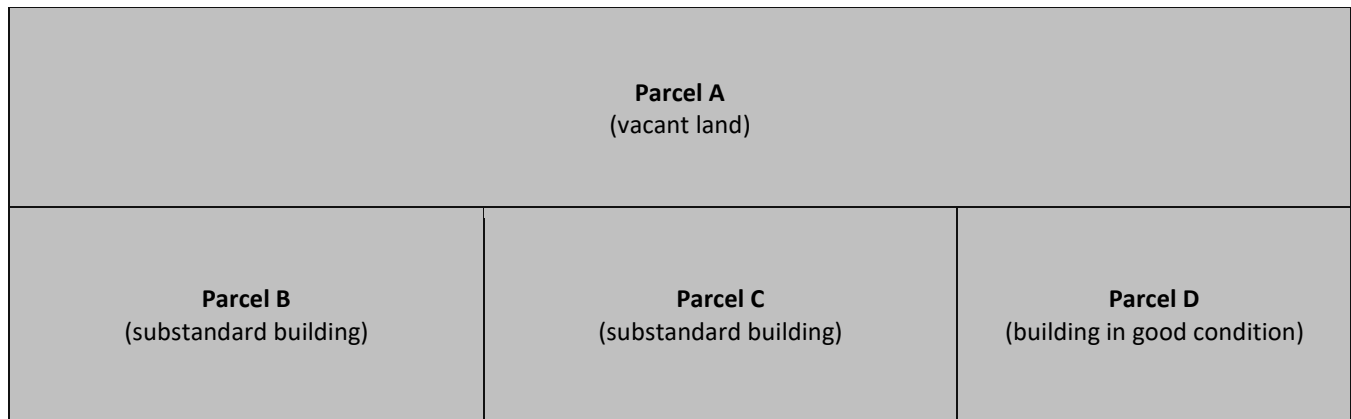
*An Example of How TIF is Used*

A developer is considering building an office building. The city would like to redevelop a site that consists of three parcels of property (parcels A, B, and C). Parcel A is vacant and parcels B and C contain substandard commercial buildings. Parcel D contains a building in good shape. Construction of the office building will require demolition of the two buildings, installing new utilities (sewer and water), and closing an alley. The cost of acquiring the property, demolishing the substandard buildings, and putting in the utility and alley improvements is \$1.5 million. However, the developer could obtain a comparable site elsewhere in the area for \$500,000,

including special assessments for utilities. Parcels A, B, and C together have a tax capacity of \$24,000 and pay \$33,600 a year in property taxes at a 140.000% tax rate. If the developer builds the planned \$5 million office building, the tax will rise to \$304,000 per year, an increase of \$280,000.

To induce the developer to build on the site, the city designates a project area and creates a TIF district that includes the development site. The district consists of parcels A, B, C, and D (illustrated below in Figure 11-4). Parcel D must be included to permit the site to qualify as a redevelopment district under state law. The city agrees with the developer to acquire the site, demolish the substandard buildings, and put in the utility improvements and vacate the alley. The city, in turn, sells the site to developer for its market value of \$500,000. This is commonly called "writing down" the cost of the land. The city's \$1.5 million cost is "written down" to \$500,000. The city could also write it down to zero, effectively giving the land to developer. The computation of the increment is shown in the Table 11-1 below.

**Figure 11-4: Example TIF District**



**Table 11-1: Example Computation of Tax Increment**

Parcel	Original Tax Capacity	Post Development Tax Capacity	Captured Tax Capacity
A	\$18,000	\$224,000	\$200,000
B	\$3,000	-	-
C	\$3,000	-	-
D	\$124,000	\$124,000	\$0
Total	\$148,000	\$348,000	\$200,000
Tax Rate	140.000%	140.000%	140.000%
Tax Increment			\$280,000

**Source of Financing**

TIF districts capture the additional property taxes paid as a result of new development in the district to pay for part of the development costs. With redevelopment or new construction, the market value of the property and its property taxes typically rise. The tax revenue that is generated and collected on the new development is not distributed as provided in general law to the county, school district, city or township, and special taxing districts. The tax revenue is instead distributed to the TIF authority that created the district.

The "tax increment" or "increment" for the district is determined by multiplying the original tax rate, before the TIF district was established, by the captured retained net tax capacity. Increment roughly equals the taxes paid by the captured tax capacity or the increase in taxes that occur as a result of the development.

**Creation of the Project Area and TIF District**

*Project Area*

Before a TIF district can be formed, a project area must be created. A project area is a specific region that has been designated and separately numbered by the governing body. This specified project area limits where increment may be spent. When a TIF district is formed within a project area, the geographic boundaries of the TIF district limit where the tax increment may be captured. Within one project area, multiple TIF districts may exist.

*Tax Increment Financing District*

The TIF district is defined as a contiguous or noncontiguous area within a project area, from which some or all of the properties will have tax increment generated from the captured retained net tax capacity. The tax increment financing plan should always include the legal descriptions of all the properties that are contained within the plan, along with a map defining the boundaries. The county auditor should make sure that the legal descriptions in the plan are accurate. If they are not, the county auditor will need to contact the TIF authority to correct the error.

*TIF Plan*

A tax increment financing plan is a critical piece of information that details an entire project and guides the activities that will take place. TIF projects must adhere to all requirements, expenditures, improvements or other objectives listed within the plan.

TIF plans must contain the following information ([Minnesota Statute 469.175](#)):

1. Statement of objectives of an authority for a project
2. Statement of property within the project that the authority intends to acquire
3. List of proposed development activities for the project, for which the authority has entered into an agreement or designated a developer
4. Description of any other development likely to take place in the project and the date when they will likely occur
5. Estimates of:
  - a. The cost of the project
  - b. The amount of bonds to be issued
  - c. The original net tax capacity of the property within the district
  - d. The captured net tax capacity of the district at completion
  - e. The duration of the district
6. Statements on the alternate estimates of the impact on other taxing jurisdictions
7. Description of satisfaction of the "but-for" findings, i.e. that development would not occur "but-for" this TIF district (except for housing districts)
8. Identification of all parcels included in the district

TIF plans should also include:

1. Identification of the type of district
2. Selection of the fiscal disparities computation method
3. Description of the TIF plan’s conformity to the municipality’s plans for development or redevelopment as a whole
4. Certification that no permits have been issued in the past 18 months
5. TIF plan budget
6. Minimum assessment agreements, if any
7. Cost of county road improvements, if any

 **NOTE**

If a TIF plan is later modified, the modification statute may require the municipality to make all required findings again. These findings must also be supported by adequate documentation ([Minnesota Statute 469.175](#)).

Additional documentation to support any of the above information may also be included in the TIF plan, including studies, analyses, reports, letters, and maps.

Additionally, there are other statutory requirements that a TIF district must adhere to, many of which should have information included in the TIF plan. The following are some of those requirements:

- Reporting Requirements
- Four-year knockdown rule
- Five-year expenditure limitations
- Pooling restrictions
- Excess increment rules
- Administrative expense limits
- Modification requirements
- Developer agreement limitations

**Notice and Opportunity to Comment on TIF Plan**

Before a TIF plan becomes final, the TIF authority must provide the county auditor and the clerk of the school board with the proposed plan for the district. The TIF authority must also provide the plan to each county commissioner who represents the area if the TIF district is a housing or redevelopment district. In most cases, the TIF authority provides a copy of the proposed plan to the chair of the county board, regardless of the type of district.

The county auditor and the school board clerk may be required to provide the TIF plan to the entire county board and school board.

The county must have at least 30 days during which it can comment on the plans before the public hearing. The 30-day requirement is waived if the boards of the county and school district submit written comments on the proposal and any modification of the proposal to the TIF authority ([Minnesota Statute 469.175](#)).

In many counties, the board of commissioners has not been active in commenting on proposed TIF districts, in part because the TIF authority is not required to respond to those comments. Some boards, however, with assistance from their county auditors, have closely examined proposed TIF districts and provided comments about them. Comments surrounding potential districts have often raised the public’s concern about the proposed districts to an extent that the TIF authority either modifies components of the TIF plan or reconsiders going forward with the creation of the district altogether. Ultimately, the ability for counties to review the plans have proven helpful in detecting substantive or typographical errors and provides the TIF authority the opportunity to correct the errors prior to the approval of the district.

Following are several things that counties should pay special attention when reviewing a proposed TIF plan:

#### *County Road Costs*

The county should examine the impact of the proposed development or redevelopment on county roads. The county board may require the authority to pay all or a portion of the cost of county road improvements out of tax increment revenues if the development will result in a substantial increase in the use of the county roads and if the improvements to the road were not scheduled for reconstruction within the five-year county capital improvement plan. If the county chooses to use increments to finance the road improvements, it must notify the TIF authority within 45 days after receiving the TIF plan of the estimated costs of the road improvements and a schedule for reconstruction and payment of the costs ([Minnesota Statute 469.175](#)).

#### *Development District and TIF District Boundary Line Determinations*

The county auditor should verify that the parcel numbers, legal descriptions, and maps all coincide with each other. If there are any variances between the three of them as indicated in the TIF plan and/or with the county records as they pertain to the county records, the county should contact the TIF authority immediately upon detection of the issues. The county auditor should make sure that the legal descriptions and parcels identified to be within a TIF district are entirely within the district. If any portion of the property is not included in the district, the entire parcel is excluded from the district. In many cases, a subdivision or plat is planned to be filed. The subdivision or plat must be filed and the parcel(s) created prior to the TIF district's final plan and request for certification received by the county.

#### *Identification of Value, Classification, Tax Capacity, and Minimum Assessment Agreements*

The county auditor should review the values and rates used in the proposed TIF plan and makes sure that the correct values are used when determining anticipated TIF revenues. The market value, tax capacity, and local tax rates that are used as the base values for the district are dependent upon the date the county auditor receives the request for certification of the final TIF district. If the county auditor receives a request for certification on or before June 30, the current payable year's estimated market value and local tax rate should be considered the base values and rate. If the request for certification is expected to be received by the county auditor after June 30, the current assessment year's estimated market value and the following year's local tax rate are considered to be the base value and rate ([Minnesota Statute 469.177](#)).

#### *Examination of Permits*

The TIF plan must certify that no building permits had been issued on any of the affected parcels for 18 months prior to the request for certification of the district. If permits have been issued on any of the affected parcels, the improvement is not to be included within the retained portion of the TIF District.

#### *Examination of any Assessment Agreements*

In some TIF plans, a certification of a minimum market value or assessment agreement is included. The minimum assessment agreement may be referred to in a plan, which is generally recorded with the county recorder. In any case, the county auditor should check with the assessor as to whether the office had certified a minimum assessed value based upon the plan. If nothing has been provided to the assessor, the county auditor should contact the TIF authority and question the validity of the agreement.

#### *Financial Analysis*

The county auditor should review the assumptions and financial analysis sections of the TIF plan. Particular sections requiring closer review include:

- Projected tax increment dollars

- Sharing of increment
- Fiscal disparity election
- Bonded debt
- Percentage of NTC already in TIF in municipality & county in comparison to total

*District Type and Duration*

The county should verify that the project’s intended plans and district types are agreeable. The county should verify that the duration dates and planned decertification dates are within the statutory guidelines. TIF authorities may indicate a decertification date/year that is less than the maximum amount of years to run. In some instances, TIF plans assume a possible decertification date that is earlier than the maximum but do not indicate that the district will definitely decertify upon that date. Table 11-2 below outlines the district types, their durations, and their characteristics.

**Table 11-2: Limits and Characteristics of TIF Districts**

District Type	Duration Limit (after receipt of first increment)	Geographic Areas that Qualify	Permitted Uses of Increments
Economic Development	8 years	No restrictions	<ul style="list-style-type: none"> <li>▪ Manufacturing</li> <li>▪ Warehousing</li> <li>▪ R&amp;D facilities</li> <li>▪ Telemarketing</li> <li>▪ Tourism in qualifying counties</li> <li>▪ Commercial developments in small cities</li> <li>▪ Workforce housing projects</li> </ul>
Housing	25 years	No restrictions	Housing for low- or moderate-income renters or homeowners
Hazardous Substance Subdistricts	25 years	Parcels in a TIF district containing polluted sites and contiguous parcels	Site acquisition and cleanup
Redevelopment	25 years	<ul style="list-style-type: none"> <li>▪ 70% occupied by buildings, 50% of which are substandard</li> <li>▪ Certain rail yards</li> <li>▪ Tank facilities</li> </ul>	Correction of conditions justifying creating district
Renewal and Renovation	15 years	70% occupied by buildings, 20% of which are substandard and another 30% require renovation	Correction of conditions justifying creating district
Soils Condition	20 years	Site contains pollution and cost of cleanup exceeds lesser of \$2/sq. ft. or the fair market value of the land	Site acquisition and cleanup

\*There are also "Uncodified Districts". These TIF districts are created by special legislations for unique purposes, such as housing transition districts and distressed rental properties districts. The authorities for these must make findings in their respective laws.

## Certification of New District or Modifications to Existing Plan

### *New District*

After the 30-day period for the county to comment has passed and the TIF authority has held the statutory public hearing and received approval of the TIF district, the request for certification of value and local tax rate is sent to the county auditor ([Minnesota Statute 469.175](#)). If the request is filed after June 30, the county auditor cannot complete the certification until after the local tax rate for the next payable year is established ([Minnesota Statute 469.177](#)). This will cause a delay in the certification of values and rates, and the district will not become an active district by which increment will be collected until the payable year following the year from which rates and values are certified.

When a TIF district is created, the county auditor certifies the current tax capacity of the properties in the district as the TIF district's "original net tax capacity." The portion of the school rate attributable to the general education levy is excluded from the certified original tax rate ([Minnesota Statute 469.177](#)). A TIF district can overlap many unique taxing areas so the county auditor may need to certify more than one set of rates.

When a district is certified, the TIF authority will ask the county auditor to complete two forms. Samples of both are included on the following pages. One form is a certification request supplement (Form 11-1) which is sent to the county with the final TIF plan and should be completed and sent back to the TIF authority. The other form is the certification as to original net tax capacity and original local tax rate for properties located in the TIF district (Form 11-2), and this form is completed in part by both the TIF authority and the county auditor. One copy of this form should be kept by the county, one should be sent back to the TIF authority and the original should be sent to the Department of Revenue.

### *Modification to an Existing TIF Plan*

Modifications to an existing TIF plan can be made only after notice and discussion. Sound findings for the modification must be presented and a public hearing must be held.

Any of following modifications may be made to an existing TIF plan:

- Reduction or enlargement of the geographic area of the project or district
- Increase in the amount of bond indebtedness to be incurred
- A determination to capitalize interest on the debt, if not already determined
- Increase in the portion of the captured net tax capacity to be retained by the authority
- Increase in the estimated cost of the project
- Designation of additional property to be acquired

If a TIF district is expanded, the TIF authority will need to request the county auditor to recertify the local tax rates to include the areas of expansion. Note, however, that the geographic area of a TIF district may not be enlarged after five years following the date of certification of the original net tax capacity.

A TIF authority cannot modify an original TIF plan with the intent to change the type of the district to another type. Instead, a new plan and district will need to be adopted ([Minnesota Statute 469.175](#)).

### **Creation of a Hazardous Substance Subdistrict**

A TIF authority can establish a hazardous substance subdistrict (HSS) within a TIF district by certifying to the county auditor at the time a TIF plan or modification is adopted that a response action plan for the removal or remedial actions has been approved by the Minnesota Pollution Control Agency. The subdistrict consists of the parcels designated as hazardous and any other parcels contiguous to hazardous parcels ([Minnesota Statute 469.175](#)).

The original net tax capacity of hazardous substance subdistrict is equal to the net tax capacity of the subdistrict minus the estimated costs of removal or remedial actions. After the subdistrict meets the requirements laid out in the response action plan, the original net tax capacity is increased by the amount it was reduced ([Minnesota Statute 469.174](#)).

**Form 11-1: Sample Certification of Original Net Tax Capacity and Original Local Tax Rate**

STATE OF MINNESOTA  
STEWARTVILLE COUNTY

**COUNTY AUDITOR’S CERTIFICATION  
AS TO ORIGINAL NET TAX CAPACITY AND  
ORIGINAL LOCAL TAX RATE FOR PROPERTIES  
WITHIN THE TIF DISTRICT NO. 4-1  
IN THE CITY OF STEWARTVILLE, MINNESOTA**

I, the undersigned, being the duly qualified and acting County Auditor of Stewartville County, Minnesota (the “County”), DO HEREBY CERTIFY to the City of Stewartville in said County (the “City”), pursuant to the provisions of Minnesota Statutes, Section 469.177, Subdivision 1, that the ‘original net tax capacity’ of all taxable property within the tax increment district designated as TIF District No. 4-1 (the “District”) of said City, as described in the Tax Increment Financing Plan for the area approved by resolution of the City Council dated May 30, 2018, is 926.

I also certify that such original net tax capacity is composed of the tax capacity of each parcel of taxable property within the District as determined by the assessment thereof in 2017 for taxes payable in 2018, this being the tax capacity most recently certified by the State of Minnesota as of the date when this certification was requested.

I also certify pursuant to the provisions of Minnesota Statutes 469.177, Subdivision 1a, that the “original local tax rate” that applies to the District is 100.956, this being the local tax rate for taxes payable in 2018.

WITNESS my hand and the seal of the County this 30<sup>th</sup> day of May, 2018.

\_\_\_\_\_  
Stewartville County Auditor

(SEAL)

City’s record of request for certification date:  
May 16, 2018.

Please indicate the identification  
Number assigned by the County:

\_\_\_\_\_

Please indicate the “Certification Request  
Date” you placed on the County’s systems:

\_\_\_\_\_

Actual Certification Date:

\_\_\_\_\_

### Adjustments of Values and Rates

The original net tax capacity and other values and rates may be adjusted in certain cases. The law anticipates these changes and provides a mechanism to make adjustments as needed. The following are circumstances where the county auditor and county assessor must adjust the original value or rate of a TIF district.

#### *Changes to Classification*

If a property’s classification changes under [Minnesota Statute 273.13](#), creating a different assessment ratio, the original net tax capacity of the TIF district in which the property is located must be re-determined as if the property had originally been classified as its new classification after its use change ([Minnesota Statute 469.177](#)).



**NOTE**

The determination of a classification change can be complicated by splits, combinations, new plats, or other similar divisions where the change in classification may not be readily apparent.

Any increase or decrease in net tax capacity as a result of changes to any law regarding classification or percent of market value assessed for taxes must be applied proportionately to the original net tax capacity and captured net tax capacity of any TIF district in all of the following years. Changes for which this provision applies include changes in class rates, changes in tier thresholds, and the elimination of a classification. This applies to all districts regardless of when they were created.

#### *Changes in Geographic Area*

If a TIF district is enlarged by a TIF plan modification, the net tax capacity of the added property should be added to the original net tax capacity.

If there is a reduction in the geographic area of a TIF district, the original net tax capacity of the property being removed from the district should be subtracted from the district’s original net tax capacity.

#### *Changes in Exclusion Status*

If a property no longer qualifies for the homestead market value exclusion, green acres, open space, metropolitan agricultural preserve, or rural preserves programs, the increased net tax capacity is added to the original net tax capacity of the TIF district ([Minnesota Statute 469.177](#)).

The law does not provide for the original net tax capacity to be increased when a property no longer qualifies for the market value exclusion for veterans with a disability, or mold or lead reductions. In other words, if a parcel qualified for an exclusion other than the homestead market value exclusion at the time the original net tax capacity was certified, and then lost its qualification for the exclusion, the increase from losing the exclusion should not be added to the original net tax capacity.

If a property begins to qualify for an exclusion, the amount of original net tax capacity of the property which becomes excluded will be deducted from the original net tax capacity of the district. Properties in the green acres, open space, metropolitan agricultural preserve, or rural preserve programs cannot be included in TIF plans ([Minnesota Statute 469.176](#)).

The consequences of changes in exclusion status apply to all TIF districts regardless of when they were created. Note that the exclusion has to apply to the base year in order to require an adjustment to the original net tax capacity.

Please see the examples on the following two pages for illustrations of property gaining and losing the homestead market value exclusion.

**Example 1: Gaining the Homestead Market Value Exclusion**

		Original NTC Values							
Before Exclusion	Original Class	Current Class	EMV	Exclusion Amount	TMV	Class Rate	ONTC		
	Parcel 1	Homestead	Homestead	\$ 300,000	\$ -	\$ 300,000	1.00%	\$ 3,000	
Parcel 2	Homestead	Homestead	\$ 300,000	\$ -	\$ 300,000	1.00%	\$ 3,000		
Parcel 3	Non-Homestead	Homestead	\$ 100,000	\$ -	\$ 100,000	1.00%	\$ 1,000		
Parcel 4	Non-Homestead	Homestead	\$ 100,000	\$ -	\$ 100,000	1.00%	\$ 1,000		
Parcel 5	Non-Homestead	Homestead	\$ 100,000	\$ -	\$ 100,000	1.00%	\$ 1,000		
Parcel 6	Homestead	Non-Homestead	\$ 100,000	\$ -	\$ 100,000	1.25%	\$ 1,250		
<b>Total</b>			\$ 1,000,000	\$ -	\$ 1,000,000		\$ 10,250		
After Exclusion	Original Class	Current Class	EMV	Exclusion Amount	TMV	Class Rate	ONTC	Decrease in ONTC	
	Parcel 1	Homestead	Homestead	\$ 300,000	\$ 10,240	\$ 289,760	1.00%	\$ 2,898	\$ 102
Parcel 2	Homestead	Homestead	\$ 300,000	\$ 10,240	\$ 289,760	1.00%	\$ 2,898	\$ 102	
Parcel 3	Non-Homestead	Homestead	\$ 100,000	\$ 28,240	\$ 71,760	1.00%	\$ 718	\$ 282	
Parcel 4	Non-Homestead	Homestead	\$ 100,000	\$ 28,240	\$ 71,760	1.00%	\$ 718	\$ 282	
Parcel 5	Non-Homestead	Homestead	\$ 100,000	\$ 28,240	\$ 71,760	1.00%	\$ 718	\$ 282	
Parcel 6	Homestead	Non-Homestead	\$ 100,000	\$ -	\$ 100,000	1.25%	\$ 1,250	\$ -	
<b>Total</b>			\$ 1,000,000	\$ 105,200	\$ 894,800		\$ 9,198	\$ 1,052	

**Parcels 1 & 2**

When the exclusion is applied to the ONTC values for these parcels, the amount of ONTC attributed to the exclusion will be subtracted from the ONTC. In this case, the ONTC column from the after exclusion section was subtracted from the ONTC column from the before exclusion section to arrive at the amount the ONTC should be reduced due to the exclusion.

**Parcels 3-5**

The parcels would now qualify for the homestead market value exclusion. The exclusion should be applied to the ONTC values for these parcels and the amount of ONTC attributed to the exclusion should be subtracted from the ONTC. In this case, the ONTC column from the after exclusion section was subtracted from the ONTC column from the before exclusion section to arrive at the amount the ONTC should be reduced due to the exclusion.

**Parcel 6**

Even though this parcel would have qualified for the exclusion at the time the district was certified, it is now classified as nonhomestead and would not receive the exclusion. The ONTC does not need to be adjusted.

**Example 2: Losing the Homestead Market Value Exclusion**

		Original NTC Values							
Before Exclusion Removed		Original Class	Current Class	EMV	Exclusion Amount	TMV	Class Rate	ONTC	
		Parcel 1	Homestead	Non-Homestead	\$ 300,000	\$ 10,240	\$ 289,760	1.00%	\$ 2,898
	Parcel 2	Homestead	Non-Homestead	\$ 300,000	\$ 10,240	\$ 289,760	1.00%	\$ 2,898	
	Parcel 3	Non-Homestead	Non-Homestead	\$ 100,000	\$ -	\$ 100,000	1.25%	\$ 1,250	
	Parcel 4	Non-Homestead	Non-Homestead	\$ 100,000	\$ -	\$ 100,000	1.25%	\$ 1,250	
	Parcel 5	Non-Homestead	Non-Homestead	\$ 100,000	\$ -	\$ 100,000	1.25%	\$ 1,250	
	Parcel 6	Non-Homestead	Non-Homestead	\$ 100,000	\$ -	\$ 100,000	1.25%	\$ 1,250	
	<b>Total</b>			\$ 1,000,000	\$ 20,480	\$ 979,520		\$ 10,796	
After Exclusion Removed									Decrease in ONTC
	Parcel 1	Homestead	Non-Homestead	\$ 300,000	\$ -	\$ 300,000	1.00%	\$ 3,000	\$ 102
	Parcel 2	Homestead	Non-Homestead	\$ 300,000	\$ -	\$ 300,000	1.00%	\$ 3,000	\$ 102
	Parcel 3	Non-Homestead	Non-Homestead	\$ 100,000	\$ -	\$ 100,000	1.25%	\$ 1,250	\$ -
	Parcel 4	Non-Homestead	Non-Homestead	\$ 100,000	\$ -	\$ 100,000	1.25%	\$ 1,250	\$ -
	Parcel 5	Non-Homestead	Non-Homestead	\$ 100,000	\$ -	\$ 100,000	1.25%	\$ 1,250	\$ -
	Parcel 6	Non-Homestead	Non-Homestead	\$ 100,000	\$ -	\$ 100,000	1.25%	\$ 1,250	\$ -
	<b>Total</b>			\$ 1,000,000	\$ -	\$ 1,000,000		\$ 11,000	\$ 204

**Parcels 1 & 2**

When the exclusion is removed from these parcels, the amount of ONTC increase attributed to the exclusion’s removal will be added to the ONTC. In this case, the ONTC column in the before exclusion removed section should be subtracted from the ONTC column in the after exclusion removed section to arrive at the amount the ONTC should increase.

**Parcels 3-6**

These parcels did not change classification (therefore, not eligible for the homestead market value exclusion). The ONTC does not need to be adjusted.

*Exempt to Taxable*

When a property changes classification from exempt to taxable, the original net tax capacity must be re-determined by adding the most recently assessed net tax capacity of the property.

If improvements are made to an exempt property after the municipality approves the TIF district and before the property becomes taxable, the assessor must value the improvements separately, and the auditor must exclude the value of the improvements when adding the net tax capacity of the parcel to the original net tax capacity of the district.

There are times that a parcel in a TIF district becomes exempt as a result of the TIF authority acquiring it through forfeiture, foreclosure, or a similar lease or revenue agreement. If substantial improvements were made to the parcel after certification of the TIF district, and the property later becomes taxable again, the value of the parcel when it was first certified is the amount to add to the original net tax capacity of the district ([Minnesota Statute 469.177](#)).

**NOTE**

Counties should be attentive to ownership changes as the process can get complicated if a parcel becomes partially taxable, if the portion of the property that is exempt changes from one year to the next, or if the property changes from taxable to exempt and back to taxable all within the same year.

*Taxable to Exempt*

If a taxable property in a TIF district becomes exempt, the original net tax capacity of the property must be subtracted from the original net tax capacity of the district ([Minnesota Statute 469.177](#)).

*Ordered and Voluntary Adjustments*

If the net tax capacity of property located in a TIF district is reduced because of a court-ordered abatement, stipulation agreement, voluntary abatements from the assessor or auditor, or order by the Department of Revenue, the county auditor must apply the reduction to the TIF district. If the property has not been improved since the date of certification of the TIF district, the reduction is applied to the original net tax capacity. If the abatement relates to improvements made after the date of certification, the reduction is applied to the captured net tax capacity ([Minnesota Statute 469.177](#)).

*Substandard Buildings*

If a parcel contained a substandard building that was removed, and the TIF authority chooses to treat the parcel as having been occupied by a substandard building, the auditor must adjust the original net tax capacity to equal to the greater of: 1) the current net tax capacity of the parcel or 2) the value of the parcel for the year that the building was removed, using the current class rates ([Minnesota Statute 469.177](#)).

*Qualified Disaster Areas*

For qualified disaster areas in TIF districts, the original net tax capacity must be adjusted for the loss of value for any building that suffered substantial damage. The county auditor must certify the value of the damaged land as the original tax capacity of the parcel. Adjustments are made for taxes payable in the first calendar year beginning at least four months after the date of the disaster determination ([Minnesota Statute 469.177](#)).

**Limitations of TIF**

*Increment vs. Full Taxes*

The increment does not always equal the full taxes paid from the captured value. The original tax rate limits increment to the taxes generated by the tax rates in effect when the district was created. So if the local governments increase their tax rates, the increased rates do not yield more increment.

Furthermore, in the metropolitan area and in the taconite tax relief area, increment may be reduced by the fiscal disparities contribution for the district's properties if the city chooses that option.

*Factors Influencing Increments*

Increments may be attributed to:

- New construction
- Improvements
- Overall inflation in property values unrelated to development
- Market effects attributable to the TIF development
- Market effects that are unrelated to the TIF development

**Local Governments and TIF**

Different types of governmental units have different roles with TIF law.

### *Development Authorities*

Development authorities, such as housing and redevelopment authorities, make nearly all of the important TIF decisions. They decide whether to use TIF, determine how it will be used, and adopt TIF plans. Development authorities also implement TIF decisions and enter into development and contract agreements for TIF work.

### *Municipalities*

The municipality, usually a city, must approve some of the TIF decisions initially made by the development authority. More often than not, the municipality is charged with making direct TIF findings or decisions. In many cases, the municipality controls the development authority or is the development authority.

### *Counties*

The county is responsible for administering much of the TIF law that relates to the collection and distribution of increments. Besides that, the county's role is limited to making advisory comments on major TIF decisions made by the development authority.

### *School Districts*

The role of school districts in TIF is largely limited to making advisory comments on major TIF decisions made by the development authority.

### *Counties and TIF*

As noted above, counties are responsible for much of the administration of TIF law.

County powers and responsibilities consist of three components:

1. Making comments on proposed TIF plans and major amendments
2. Charging for county road costs that are stimulated by the TIF development
3. Administering the collection and distribution of TIF revenues for the authority

### *TIF Plan*

Before approving a TIF district, the TIF authority must notify the county and provide the county auditor with a copy of the proposed TIF plan and an estimate of the impact on the county. If the county disagrees with the TIF proposal, its only power is to persuade the authority to abandon or modify its plans. It cannot veto or delay adoption of the plan ([Minnesota Statute 469.175](#)).

### *Road Costs*

The county may charge the TIF authority for county road costs if both of the following conditions occur:

1. The TIF district will, by the county's judgment, substantially increase the use of county roads requiring construction, improvements, or other costs
2. Road improvements or costs are not scheduled for construction within five years under the county plan and the county does not reasonably expect construction to be needed within the reasonably foreseeable future if the TIF plan were not implemented ([Minnesota Statute 469.175](#)).

After receiving the TIF plan, the county has 45 days to submit the road costs to the TIF authority. The authority is required to add the improvements to the TIF plan ([Minnesota Statute 469.175](#)). Since the TIF plan can be approved within 30 days and road costs may be submitted after 45 days, this may require an amendment to the plan.

If the TIF authority is concerned about covering the costs, the authority and county can negotiate an agreement to permit financing. If they cannot agree, the dispute must be submitted to binding arbitration ([Minnesota Statute 469.1762](#)).

*Administering TIF*

Many of the tasks that county officials must perform are outlined in [Minnesota Statutes 469.176](#) and [469.177](#).

County auditors must:

- Certify and maintain an ongoing record of the original tax capacity of the TIF district
- Calculate the captured tax capacity
- Notify the Department of Education of distributions of excess increments and taxes to school districts
- Decertify districts at the end of their legal duration limits, including enforcing the four-year and five-year knock-out rules

County treasurers must:

- Determine and collect the increment for the district
- Distribute increment to the TIF authority
- Distribute excess increments and taxes to the jurisdictions

County assessors may have to certify assessment agreements, unless the city assessor is responsible for assessing the property.

The county may require the TIF authority to pay administrative costs. These costs are not subject to the percentage limitations on administration expenses. Increments from the district are generally used for this purpose.

**Four-Year Knock-Down Rule**

If no qualifying activity has occurred on a parcel located in a TIF district in accordance with the TIF plan after four years from the date of certification of the original net tax capacity, no additional tax increment can be collected from that parcel ([Minnesota Statute 469.176](#)). The original net tax capacity of the parcel should be excluded from the original net tax capacity of the tax increment financing district. Qualifying activity includes demolition, rehabilitation, or renovation of property or other site preparation such as improving a street adjacent to a parcel. Qualifying activity does not include installation of utility service such as sewer or water systems.

If the TIF authority or the owner of the parcel subsequently commences qualifying activity, the county auditor must certify the net tax capacity value as the amount most recently certified by the department of revenue and add it back to the original net tax capacity of the TIF district. The TIF authority must submit evidence of qualifying activity occurring on a parcel to the county auditor by February 1 of the fifth year after the year in which the parcel was certified as included in the district.

The county auditor is responsible for enforcing the four-year knock-down rule. The county auditor should review the TIF plan and the qualifying activity documentation to see if the two are consistent and should require information from the TIF authority that is sufficient to make this evaluation.

For districts which were certified on or after January 1, 2005, and before April 20, 2009, this four-year knock-down rule is deemed to end on December 31, 2016 ([Minnesota Statute 469.176](#)).

**Five-Year Rule**

The five-year rule essentially requires development activity for a TIF district to be completed within a five-year period beginning with the date of the certification of the district’s original tax capacity. The period ends five years and one day after this date. After this five-year period has expired, increments may only be spent to pay off obligations that were incurred to fund work done during the five-year period ([Minnesota Statute 469.1763](#)).

Development activity includes acquisition of property, clearing of land, site preparation, soils correction, removal of hazardous waste or pollution, installation of utilities, construction of public or private improvements, and other similar activities ([Minnesota Statute 469.1763](#)).

When these obligations are paid or enough money has been collected to pay them, the county auditor must decertify the district ([Minnesota Statute 469.177](#)).

The five-year rule only applies to districts where the request for certification was made after April 30, 1990, which is the effective date of the statute creating the rule.

**Six-Year Rule**

Beginning in the sixth year after the certification of the district, increments may be spent for the following reasons:

1. To pay bonds that were issued during the five-year period to fund development activity within the five-year period
2. To pay binding contracts with a third party for activities performed during the five-year period
3. To reimburse the costs of the developer or owner if costs were incurred during the five-year period
4. To pay credit enhanced bonds for which revenues from tax increments were pledged
5. To pay the amounts outlined in the TIF plan for certain housing projects
6. To defease the bonds (set aside money in a dedicated account to pay future obligations) in order to decertify the district

Once all outstanding bonds and obligations have been paid, the district must be decertified ([Minnesota Statute 469.1763](#)).

The five- and six-year rules were created to prevent development authorities from holding onto surplus tax increments rather than decertifying the district before its maximum duration limits.

For a redevelopment district or a renewal and renovation district certified after June 30, 2003, and before April 20, 2009, the five-year period is extended to ten years after the district's original certification. This extension was provided primarily to accommodate delays in development activities due to unanticipated economic circumstances ([Minnesota Statute 469.1763](#)).

**TIF Pooling**

TIF pooling refers to the use of tax increments for activities located outside of the boundaries of the district from which they were collected. The amount that may be pooled is subject to percentage limits.

Not all districts have pooling authority. The authority to pool increments depends upon when the TIF district was created and the type of TIF district. It is useful to distinguish pooling authority based on the four "eras" when different TIF pooling laws were in effect:

1. **Pre-1979 districts: pooling authority unclear.** Before enactment of the 1979 TIF Act, Minnesota had several separate laws authorizing TIF. None of these laws explicitly allowed "pooling." The statutory terminology generally treated the areas in which the increment was to be collected and spent interchangeably. However, some cities and their advisors concluded, especially in light of later explicit TIF pooling law, that pooling was permitted and acted accordingly.
2. **1979-1982 districts: no pooling.** The 1979 TIF Act's language did not allow pooling. The TIF plan was required to provide for improvement of the district, or the area certified by the county auditor for the collection of increment. Increments were required to be spent in accordance with the TIF plan. A few

lawyers disputed this view and advised cities that they could pool increments. As a result, several cities pooled increments during this period. Later legislation authorized that pooling, but prohibited future pooling or financing of new activities in these districts.

3. **1982-1990 districts: unlimited pooling.** The 1982 Legislature explicitly authorized TIF pooling and established a distinction between the TIF district and the project area. The law imposed no limit on the amount or percentage of increments that could be pooled.
4. **Post-1990: limited pooling.** The 1990 Legislature imposed percentage limits on the amount of increment that may be pooled. Pooling is permitted regardless of when the TIF district was certified.

Currently, Minnesota law permits 25% of tax increment collected in redevelopment districts to be spent on activities outside of the district but within the boundaries of the project area. Other TIF districts are permitted to spend up to 20% on out of district activities. For districts which the request for certification was made before August 1, 2001, transfers of increment from one district to another are permitted to eliminate a deficit, regardless of whether the expense is authorized in the district's TIF plan. A TIF authority may elect in the TIF plan to increase a district's pooling percentage up to 10% to pay for out of district qualified housing projects ([Minnesota Statute 469.1763](#)).

**Waiving of Increment**

A TIF authority may wish to waive or decline to receive an increment payment during the early years of the district, when only a small amount of increment may be generated, in an attempt to extend the maximum duration limit of the district. However, any action to waive or decline to receive an increment payment has no effect on the duration limit. The authority is considered to have received an increment regardless of whether the increment is paid to the authority ([Minnesota Statute 469.176](#)).

This provision only applies to economic development, renewal and renovation, and soils condition districts with certification requests dates after June 30, 2000. The duration limits of these districts may be affected by waiving or declining increment if their initial certification request was on or before June 30, 2000. The duration limits of certain housing or redevelopment districts with certification request dates after May 31, 1993 may also be affected by waiving or declining an increment.

For many economic development districts, however, statutory duration limits are often measured from the date of the approval of the TIF plan rather than the receipt of the first increments so waiving or declining increment will have no effect on a districts maximum duration. Furthermore, the only way to delay receiving increment from housing or redevelopment districts or hazardous substance sub-districts and affect the duration limits of these districts is to have included a provision in the TIF plan. The ability to include such a provision in a TIF plan was repealed effective for districts with certification request dates after July 31, 2001.

**Limitations on Use of Increment**

Minnesota law generally prohibits local governments from using increments for some government purposes even if they qualify under the authority law as project costs. For example, increments generally cannot be used to pay for providing police and fire protection, road maintenance, or similar operating costs. Increments may only be used for a limited set of project costs that are defined under the development authority enabling laws ([Minnesota Statute 469.176](#)).

TIF captures the taxes imposed by all of the levels of government, including city/township, county, school district, and special taxing districts. Cities and development authorities, however, have nearly total control over

TIF. If cities were allowed to fund their general operations with increments, costs may be shifted towards school district and county taxpayers located outside the city. Therefore, the law limits use of TIF for general government purposes.

*Public Improvements*

TIF is frequently used for public improvements, such as sewer, water, roads, sidewalks, and similar improvements. In many cases, these improvements are directly related to or part of the real estate developments that generate the tax increments, but there is no explicit requirement that these improvements relate to the development generating the increments or be located within the TIF district.

Increments cannot be used to finance the construction of government buildings. This prohibition applies to virtually any type of governmental unit, whether local, state, or federal ([Minnesota Statute 469.176](#)).

**Excess Increments**

Excess increment refers to additional increment collected from a district which exceeds the authorized expenditures for the increment under the TIF plan. The excess increment rules help ensure that overlapping taxing districts, such as the county or a school district, share in the taxes generated by the TIF district that are not needed to fund the TIF plan.

Note that excess increments and excess taxes refer to different things. Excess taxes are the additional taxes collected due to there being a greater tax rate than the certified original tax rate.

*Calculating Excess Increments*

The amount of excess increments in a district can be calculated in the following steps ([Minnesota Statute 469.176](#)):

1. Determine the total amount of increments collected from the district since its certification. This includes developer repayments of amounts funded with increments, investment income earned on increments, and so forth
2. Subtract any amount of excess increments that were distributed in a prior year
3. Subtract the total amount of costs authorized by the TIF plan to be paid with increments
4. Add the amount of authorized costs that were paid from non-increment revenues. For example, if part of the authorized costs were paid with a federal or state grant, then increments are not needed to pay these costs. This adjustment does not apply to revenues like advances or interfund loans that are to be repaid with increments.
5. Add the amount of non-increment revenues that have been received and are dedicated to paying authorized costs but have not yet been used
6. Add the amount of principal and interest payments due on bonds in future years that have not been prepaid
7. Add the amount of transfers of increment made to reduce deficits in other districts

The resulting amount is the excess increment for the district.

The TIF authority must determine whether the district has excess increments at the end of each calendar year. This determination is made based on revenues actually received by year end ([Minnesota Statute 469.176](#)).

*Use of Excess Increments*

Excess increments must be used only for the following purposes (Minnesota):

- Prepaying or discharging any outstanding bonds. This can be done directly or by funding an escrow account for the bonds.
- Distribution to the city, county, and school district in proportion to their respective tax rates. The county auditor makes these distributions.

These are the only permitted use of excess increments. If all of the contractual obligations of the district have been satisfied, the authority can also decertify the TIF district early. For districts certified before 1990, TIF authorities may amend their TIF plan to authorize new uses of increments. This would allow only future increments to be used for these new purposes, since past increments would still be considered to be excess increments.

*Reporting*

Within 30 days after making a distribution of excess tax increment to a school district, the county auditor must report to the Department of Education the amount of excess tax increment the school district received. This is intended to allow a recomputing of the school’s state aid (Minnesota).

**Deficits**

The TIF Act contains four special provisions for dealing with deficits in a TIF district.

*Special Deficit Authority*

Special authority for handling deficits under [Minnesota Statute 469.1792](#) applies only to an authority with a preexisting TIF district for which either of the following is true:

- The increments from the district are insufficient to pay preexisting obligations as a result of classification rate changes or the elimination of the state-determined general education property tax levy
- The TIF authority has a binding contract, entered into before August 1, 2001, with a person requiring the authority to pay an amount that may not exceed the increment from the district or a specific development within the district, and the authority is unable to pay the full amount because of not being able to collect enough increment due to the classification rate changes or elimination of the state-determined general education property tax levy or both.

Special deficit authority is only available to the TIF authority of districts of which the request for certification was made before August 1, 2001.

A TIF authority qualifying for special deficit authority may take any or all of the following actions to eliminate its deficit:

- Determine that the original local tax rate certified for the district does not apply anymore
- Compute the fiscal disparities contribution according to [Minnesota Statute 469.177](#), regardless of the computation method was chosen when the district was certified

Special deficit authority must be granted by municipal resolution after notice and public hearing. A TIF authority which takes these actions must do so on an annual basis and must notify the county auditor by July 1 of the year before the actions are to become effective.

*Pooling Permitted for Deficits*

The municipality of a TIF district may transfer available increment from one TIF district to another within the municipality if the transfer is necessary to eliminate a deficit. This provision is an exception to the multi-county use prohibition under [Minnesota Statute 469.176](#), and to the pooling limitations outlined in [Minnesota Statute 469.1763](#). The municipality may only use this authority after it has used all available increments in the transfer-

receiving district to attempt to eliminate the deficit and it has exercised any permitted action through special deficit authority.

#### *Duration Extension to Offset Deficits*

An authority may extend the duration limit of a TIF district under [Minnesota Statute 469.1794](#) if the increments from the district are insufficient to pay qualifying obligations due to changes in the class rates and elimination of the state-determined general education property tax levy of 2001.

A district must first exercise its special deficit authority and transfer options before extending its duration limit. Then, the district may only extend its duration limit with municipal approval after public notice and hearing. A district's duration can be extended to the lesser of the following:

- Four years
- The tax reform percentage for the district multiplied by the remaining duration of the district rounded to the nearest whole number

The county auditor calculates the tax reform percentage, which is equal to the district's original tax capacity taxes paid in 2001 minus the average of the original tax capacity taxes paid in 2002 and 2003, all divided by original tax capacity taxes paid in 2001.

If these extensions are still not sufficient to eliminate the deficit, the Department of Revenue may grant a further extension of up to two years.

#### **Delinquent Taxes from Decertified TIF Parcels**

A county auditor may distribute property tax revenue from a parcel in a former TIF district to the TIF authority as tax increment if the revenue is collected after the TIF district was decertified only if the following three conditions exist (Minnesota):

- The parcel on which the property taxes were paid must have been part of the TIF district at the time it was decertified.
- The property taxes must have been delinquent, not merely past due, at the time the TIF district was decertified.
- The failure to pay the delinquent property taxes when they were due either caused the TIF authority to be unable to pay obligations or must have forced it to use non-TIF funds to pay the obligations

If the delinquent property taxes collected after a TIF district was decertified do not meet these requirements, the county auditor should distribute the funds as ordinary property tax revenue, not tax increment.

#### **Decertification of TIF Districts**

The county auditor is responsible for decertifying TIF districts, even if the TIF authority has not sent a notification or resolution formally decertifying the district. It is important for county auditors to closely monitor TIF districts to ensure that they are decertified at the correct time.

A TIF district must be decertified at the earliest of the following times ([Minnesota Statute 469.177](#)):

- The maximum duration limit according to the TIF plan and/or statute
- Failure to comply with income requirements for housing projects
- Completion of requirements to decertify under the six-year rule
- Upon request for decertification from the TIF authority

A TIF district may be decertified after the truth-in-taxation due date, but prior to the mailing of the property tax statements. The amount of property tax shown on the taxpayer’s property tax statement will be lower than that shown on the truth-in-taxation notice. (**note:** There is one exception to this general statement. Parcels within the TIF District being decertified will not have lower property taxes on the property tax statement. However, the parcel owners must go through a legal process to have their district decertified. As long as those involved are fully aware of the effects of the decertification, then there are no transparency or disclosure issues.) This ensures that there is not a transparency or disclosure issue in regard to the property taxes.

When a county auditor or TIF authority decertifies a TIF district, the district no longer contains any parcels and the distribution of tax increments stops, except for certain delinquent taxes. The TIF authority must return any excess increment, and the county auditor must distribute the increment as excess taxes.

The county auditor must complete and file a confirmation of decertified TIF district form with the State Auditor upon the decertification of any TIF district. The form requires information and certification from both the county auditor and the TIF authority, generally accompanied by the resolution of the TIF authority decertifying the district. After completion, the County Auditor should retain a copy for their files, send a copy to the TIF authority, and send the original to the State Auditor’s Office.

This form can be found on the State Auditor’s [website](#).

**Tax Increment Financing Glossary**

**Administrative expenses are all expenditures** of a TIF authority other than the direct cost of physical improvements, including architectural and engineering fees. They include expenses such as bond counsel and fiscal consultant fees and the authority's operating costs ([Minnesota Statute 469.174](#)). The amount of increments that may be spent on administrative expenses is limited. For most districts, the limit is 10% of expenditures authorized by the TIF plan or of the total increments from the district, whichever is less. For districts certified between August 1, 1979 and July 1, 1982, the limit is 5%. These rules apply to TIF project areas rather than just the district. There is no limit on increments used to pay county administrative expenses ([Minnesota Statute 469.176](#)).

**Assessment agreements** establish a minimum market value of development in a TIF district for property tax purposes, regardless of the development's actual market value ([Minnesota Statute 469.174](#)). Assessment agreements reduce the risk to the authority and city that the tax increments will not be sufficient to pay obligations of the project. Since the liability for property taxes has priority over the mortgage lenders' liens, property taxes generally will be paid even in a foreclosure situation. Although assessment agreements reduce the risk to the city, they do not eliminate it. Increments may still fall short of projections if the legislature changes class rates or the taxing districts' tax rates drop. In addition, temporary cash shortfalls may occur if a developer goes bankrupt and the mortgage lender does not step in immediately to make property tax payments. Assessment agreements are binding on a purchaser of the property.

**Blight or blighted areas** is redevelopment jargon for areas that contain high percentages of dilapidated buildings or otherwise deteriorating and substandard structures. The term was originally used largely to refer to slum housing and its effects on the quality of housing and commercial structures in adjoining areas. TIF redevelopment districts, TIF renewal and renovation districts, and HRA project areas must meet statutory tests for blight, where a percentage of the buildings, streets, utilities, or similar structures are considered “substandard.”

The **but-for test** is a finding requirement when creating a TIF district. A municipality must find that, in its opinion, the subsidized development would not have happened but for the use of TIF.

**Capitalized interest** is the issuance of additional TIF bonds to pay the interest on the project's debt until increments begin to be received. TIF involves an inherent mismatch in costs and revenues. Most costs are incurred at the beginning of development, but increments are collected only when the development begins paying increased property taxes, at least two years later. This mismatch can be overcome by borrowing money to cover interest payments.

**Captured tax capacity** is the current property tax capacity of the parcels of property in the TIF district area, less the original tax capacity. Captured tax capacity multiplied by the original local tax rate yields the amount of increment ([Minnesota Statute 469.174](#)).

**Certification request date is the date** which a TIF district's requests to the county auditor for the certification of original values and original local tax rates for the properties comprising the increment district. For a request that is mailed to the county auditor, it is the postmark date on the mailing envelope. For a request that is hand delivered to the county auditor, it is the delivery date which should be stamped on the request by the county auditor. The certification request date is not the date that the county auditor certifies the requested original values to the increment district.

**Credit enhanced bonds** are TIF revenue bonds that are secured by pledges of increments from several TIF districts. Credit enhanced bonds are bonds used to finance improvements in a TIF district. They first rely on increments from that district for repayment, but if those increments are not sufficient, increments from other districts may be used to pay the bonds. These payments are not considered to be pooling and do not violate pooling percentage limits ([Minnesota Statute 469.174](#)).

A **development authority** or authority is a government entity authorized to exercise tax increment financing powers. Authorities include cities, economic development authorities (EDAs), housing and redevelopment authorities (HRAs), port authorities, and rural development finance authorities. The most common development authorities are HRAs and EDAs.

**District area** is the area containing properties from which increment is collected. The area is defined by the TIF plan and is part of the larger project area. The district does not need to be contiguous ([Minnesota Statute 469.174](#)).

**Economic development authorities or EDAs** are special purpose governmental entities authorized to exercise a variety of development powers, including tax increment financing powers. EDAs are typically created by cities, although most counties are now also permitted to establish EDAs either under special or general law ([Minnesota Statutes 469.174 and 469.090 to 469.1082](#)).

An **economic development district** is a type of TIF district that may be established in any geographic area. Economic development districts are not restricted to blighted areas or to areas with development difficulties. Economic development districts are to be used to keep a business in Minnesota or the city, to increase employment in the state, or to preserve and enhance the state's tax base ([Minnesota Statute 469.174](#)).

**Excess increments are** increments that exceed the amount needed to pay the costs authorized under the TIF plan for the year. Increments are not excess increments if the TIF plan still permits additional expenditures.

Excess increments must be used to pay outstanding bonds or to be shared proportionately to the city, county, and school district ([Minnesota Statute 469.176](#)).

**Excess taxes** are the additional taxes collected due to a tax rate greater than the certified original tax rate. Excess taxes are distributed proportionately to the city, county, and school district ([Minnesota Statute 469.177](#)).

The **four-year knock-down rule** requires development activity to occur on a parcel located in a TIF district within four years after its creation. If no development activity has occurred, the parcel will be dropped from the district. The parcel will be re-instated if development activity occurs, but at its current value instead of its original certification value. This rule can be satisfied by demolition, rehabilitation, or renovation on the parcel or by improvement of a public street adjacent to the parcel. Installing utilities does not qualify ([Minnesota Statute 469.176](#)).

**Fiscal disparity captured-value contribution** is the portion of a TIF district’s captured value that is contributed to a fiscal disparity pool. This only applies to municipalities in the seven-county metropolitan area or the seven-county iron range area. A municipality’s decision to contribute to the fiscal disparity pool from the TIF district is outlined in the TIF plan. This determination is outlined in the TIF plan ([Minnesota Statute 469.177](#)).

The **five-year rule** requires that, following the fifth year after the certification of the district, increments only be spent to decertify the district by paying off obligations. Increments may only be spent to pay bonds or contracts that financed improvements or to reimburse the developer for costs it paid to make improvements in the district ([Minnesota Statute 469.1763](#)).

The **general education levy** impacts the calculation of the original local tax rate and excess increment. Excess tax increment due to the general education levy is first paid to this fund. Only after the general education levy has been paid in full can excess increment be calculated in the normal manner. The general education levy does not receive proportional excess as the county, city, and school funds do ([Minnesota Statute 469.177](#)).

**General obligation municipality bonds** are TIF bonds to which the municipality pledges its general obligation. If the increment or other pledged revenues are insufficient to meet debt obligations, the city must levy a property tax to make up the difference. Although these bonds are general obligation city bonds, they are not subject to the election or referendum requirements if more than 20 percent of the cost will be paid with tax increments ([Minnesota Statutes 469.178](#) and [475.58](#)).

**General obligation authority bonds** are TIF bonds that are backed by the full faith and credit of the development authority but not the city. If the increment or other revenues prove insufficient, the development authority must use any available authority revenues to make up the difference. However, because the authority has only limited taxing authority, a general tax levy cannot be imposed to make up the shortfall ([Minnesota Statute 469.178](#)).

**A hazardous substance subdistrict** is a type of TIF district that is used to finance the clean-up cost of properties containing pollution. A hazardous substance sub-district is created within another, regular TIF district. The original tax capacity of the sub-district is reduced by the cost of clean-up, but not below zero, providing immediate increment from the existing property value. A hazardous substance site may only collect increments for as long as the time necessary to recover the cost of cleaning up the pollution. The additional increments received as a result of reducing the original tax capacity by the clean-up costs may only be used to pay clean-up and related costs. Other increments collected in the overlaying regular TIF district may also be used to pay clean-up costs ([Minnesota Statute 469.175](#)).

**Housing districts** are TIF districts created and used primarily to provide housing for low- and moderate-income families. To qualify as a housing district, 80% or more of the square footage of the development must be used for low- and moderate-income housing. In addition, specified income guidelines apply to individuals occupying the housing. Housing districts are not restricted to blighted areas ([Minnesota Statutes 469.174](#) and [469.1761](#)).

**Housing and redevelopment authorities or HRAs** are development agencies authorized to exercise TIF powers for redevelopment and housing projects. The county authorization, however, does not extend to Ramsey County or to counties with housing authorities established under special laws ([Minnesota Statutes 469.174](#) and [469.001 to 469.047](#)).

**Interest rate write-down programs** use tax increments to subsidize the interest payments on private loans to finance low- and moderate-income housing developments. Tax increments from a district may not be collected to provide interest reduction programs for more than 15 years. This limit starts with the first interest reduction payment. Interest reduction programs may not be used for owner-occupied, single-family dwellings ([Minnesota Statute 469.176](#)).

**Interfund loans** are loans or advances made by the development authority or municipality to pay TIF costs that will be repaid with tax increments. These loans must be authorized by a resolution of the authority or municipality which must be passed before the loan is made. The terms of the loan must be in writing and include the principal amount, term, and interest rate ([Minnesota Statute 469.178](#)).

A **land write-down** occurs when a TIF authority transfers property to a developer at less than authority's acquisition cost. For example, an HRA may acquire a parcel for \$1 million and spend an additional \$100,000 demolishing a building on the property. If the HRA sells the property to a developer for \$500,000, the price of the land is "written down" from the HRA's \$1.1 million cost to \$500,000. The authority may give the land to the developer, or "write it down" to \$0.

A **municipality** is the general purpose governmental unit required to approve new TIF districts, the issuance of bonds, and other major TIF decisions made initially by the TIF authority. In most cases, the municipality is the city in which the project is located, but it may be a township or a county. For projects located outside of a city or for certain multi-county projects, the municipality is the county ([Minnesota Statutes 469.174](#) and [469.175](#)).

**Original tax capacity** is the tax capacity of the TIF district at the time the TIF district is established. The original tax capacity is subject to adjustment if tax exempt property in the district becomes taxable, taxable properties become tax exempt, the legislature modifies the class rates of properties in the district, properties qualify for an exclusion, or parcels are added to or deleted from the district ([Minnesota Statute 469.174](#)).

**Original local tax rate** is the sum of the tax rates imposed by all the taxing districts in the year the TIF district is created. This rate is multiplied by the captured tax capacity to determine the amount of tax increment. These rules apply only to post-1988 districts. For pre-1988, increment is determined using the current year local tax rates. Local tax rates are after adjustment for any disparity reduction aid. The original local tax rate never changes ([Minnesota Statute 469.177](#)).

**Pay-as-you-go financing** relies on the private developer or property owner to initially finance the costs of the TIF improvements. A development agreement between the authority and the developer provides that the developer will be repaid as tax increments are collected. This method of financing allows the city or authority to avoid borrowing money to pay for the costs of up-front or capitalizing interest. The developer may only be

reimbursed for costs that increments can legally be spent on. Pay-as-you-go financing has become more popular after the federal tax law made it more difficult to use tax exempt bonds to finance many TIF costs.

**Pooling increments** is the permitted spending of increments outside of the TIF district but within the project area ([Minnesota Statute 469.1763](#)).

**Port authorities** are special purpose governmental entities authorized to exercise a variety of development powers, including TIF powers. Only a limited number of cities have port authority powers ([Minnesota Statute 469.174](#) and [469.048 to 469.089](#)).

**Pre-1979 districts** are TIF districts for which certification was requested before August 1, 1979. These districts are generally not subject to rules of the TIF Act, with some exceptions ([Minnesota Statute 469.179](#)).

**Pre-1982 districts** are TIF districts for which certification was requested before July 1, 1982. These districts do not qualify under the 1982 amendments to the TIF Act, including the authority to spend increments on activities outside the district area and to spend more than 5% of increments on administrative expenses.

**Pre-1988 districts** are TIF districts for which certification was requested before May 1, 1988. These districts are not subject to most of the restrictions that were enacted by the 1988 Legislature. These include the calculation of increment revenues based on the certified original tax capacity rate, the restrictions on soils condition districts, the requirement to pay the county's administrative costs, and a variety of other restrictions.

**Pre-1990 districts** are TIF districts for which certification was requested before May 1, 1990. These districts are not subject to most of the 1990 changes in the TIF law. Included in the 1990 changes were limitations on pooling and the five-year rule. The enforcement provisions of the 1990 act apply to all TIF districts. To qualify as a pre-1990 district, the development authority had to do one of the following by June 1, 1991: enter into a development agreement for a site in the district, issue bonds, or acquire property in the district.

**Pre-existing district** is a TIF district for which the request for certification was made before August 1, 2001. Special deficit reductions are limited to pre-existing districts ([Minnesota Statute 469.1792](#)). These deficit reduction provisions are intended to provide development authorities options for increasing increments in response to the effects of the 2001 property tax reform. The 2001 reform significantly reduced increments statewide and made it difficult for some districts to meet their contractual and bond obligations.

**Pre-existing obligations** are TIF bonds, contracts, pay-as-you-go contracts, and interfund loans that were approved or issued before August 1, 2001. The special deficit reduction provisions are generally limited to paying preexisting obligations. Contacts to issue bonds must have been approved before July 1, 2001 ([Minnesota Statute 469.1792](#)).

**Prior planned improvements** are improvements for which building permits were issued 18 months before certification of the TIF districts. The property value of these improvements may not be captured and must be added to the original tax capacity ([Minnesota Statute 469.177](#)).

**Project area** is the geographic area in which tax increment revenues may be spent. These revenues must be collected from TIF districts located in the project area. Project areas are designated by the development authority, such as the HRA, EDA, port authority, or municipal development act, under the applicable development law ([Minnesota Statute 469.174](#)).

**Qualified disaster area** is an area that was subject to disaster or emergency as declared by the federal, state, or local government in the last 18 months. The disaster must have caused substantial damage to at least half of the buildings in the area, where at least 70% of the parcels are occupied by buildings, streets, utilities, parking lots, or other similar structures. These areas can be designated a redevelopment district with an original tax capacity equal to the value of the land after the disaster ([Minnesota Statutes 469.174](#) and [469.177](#)).

**Retained captured value** is the captured value minus any portion that is shared with the taxing districts and minus any portion that is contributed to the fiscal disparity pool. The retained captured value is the value which determines the TIF district's increment. It is also the value that is excluded from a taxing district's net tax capacity in determining its taxable net tax capacity. The retained captured value is determined for an increment district in total, not on a parcel by parcel basis.

A **redevelopment TIF district** is a type of TIF district used to finance the redevelopment of areas occupied by substandard buildings and other structures or railroad properties. To qualify as a redevelopment district, 70% of the district's area must be occupied by buildings and structures and 50% of those must be structurally substandard. The area may also qualify as vacant or underused railroad property, a tank facility, or a qualified disaster area ([Minnesota Statute 469.174](#)).

A **small city** under the TIF law may use economic development districts for small commercial developments, such as retail and office space. To be considered a small city, the city's population must be 5,000 or less, and it may not be within ten miles of a city with a population of 10,000 or more. This is intended to disqualify suburbs of larger cities ([Minnesota Statute 469.174](#) and [469.176](#)).

A **soils condition** TIF district is a type of TIF district that is used to finance correction of hazardous waste or pollution removal or remediation. Clean-up costs must exceed \$2 per square foot or the market value of the property. Increments from soils condition districts may only be expended to acquire property, clean up contamination, and pay for administrative expenses ([Minnesota Statute 469.174](#) and [469.176](#)).

The **statewide median family income** is a requirement for certain types of TIF districts (i.e. economic development and housing). This figure is calculated by the United States Department of Housing and Urban Development ([Minnesota Rules, part 4900.0010](#)). Data sets are available online.

**The tax increment financing plan** states the objective of a TIF district, the activities to be undertaken, the type of district to be created, the estimated costs, and other details of a proposed district. The TIF plan must be approved by the municipality after a public hearing. The plan defines and limits the activities that may be undertaken with the increments collected from the district. The plan may be amended at any time, but a public hearing must be held before significant changes can be made. The geographic area of a TIF district cannot be increased five or more years after the district was created ([Minnesota Statute 469.175](#)).

**Tax increment revenue bonds** are payable only by revenues generated by the TIF district itself ([Minnesota Statute 469.178](#)).

**Tax increments** include the property taxes paid by the captured value of the TIF district, interest or other investment earnings on tax increments, proceeds from sale or lease of property purchased with tax increments, and repayments or the return of tax increments to the authority ([Minnesota Statute 469.174](#)).

**Tourism counties** are counties in which economic development districts may be used for tourism projects. Qualifying counties must have a median income at or below 85% of the state median and be located in

development regions 1, 2, 3, 4, 5 OR 7E. Furthermore, within tourism counties, tourism facilities must not be located in a city with a population greater than 20,000, and the facility must be acquired, constructed, or rehabilitated for a privately owned convention and meeting facility primarily serving individuals from outside the county ([Minnesota Statute 469.174](#)).

## Economic Development and Tax Abatements

A political subdivision may abate all or a portion of its current or prospective property tax on a parcel of property for economic development purposes. Property eligible for abatement includes real, personal, and machinery property. These abatements are subject to a duration limit and a limit on the amount of abatements ([Minnesota Statute 469.1813](#)).

An abatement is a deferral of taxes and/or interest and penalties. An abatement can be any of the following:

- A rebate of property taxes to the property owner
- A reallocation of taxes to pay bondholders
- A reallocation of taxes to pay for public infrastructure costs
- A deferment of property taxes

### **“Political Subdivision” and “Governing Body”**

For the purpose of the economic development tax abatement law, a political subdivision is a county, city, town, or school district. These are the local units of government that may grant economic development tax abatements. Special taxing districts are not authorized to grant economic development tax abatements. A governing body refers to a county board, city council, town board of supervisors, or a school board.

Any single political subdivision may grant only one type of abatement per parcel. More than one political subdivision may grant an abatement to the same parcel at the same time.

All property class types may qualify for an abatement, however, any real property must meet the conditions for receiving an abatement. In addition, real or personal property that is assessed subject to Minnesota Rules, Chapter 8100 (utility property), may qualify for an abatement but only to the extent that the property is specified or described in an abatement resolution.

### **Granting an Abatement**

In order to grant an abatement, the governing body must either expect the benefits of the abatement to at least equal the cost or intend for the abatement to phase in a property tax increase ([Minnesota Statute 469.1813](#)).

The governing body must also find that the abatement is in the public interest for at least one of the following reasons:

- Increasing or preserving the tax base
- Providing employment opportunities in the political subdivision
- Providing or helping the acquisition or construction of public facilities
- Helping redevelop or renew blighted areas
- Helping provide access to services for residents of the political subdivision
- Financing or providing public infrastructure
- Phasing in a property tax increase as a result of an increase of 50% or more of the EMV in one year not attributable to improvements on the parcel
- Stabilizing the tax base through equalization of property tax revenues with respect to utility property.

### *Abatement Resolution*

The governing body of a political subdivision can grant an abatement only by adopting an abatement resolution. The resolution must outline how the abatement meets the necessary qualifications stated above. The resolution must also specify the terms of the abatement, including the form of the abatement, amount of the abatement, the method of determining the abatement, the duration limit, and the effective date.

A resolution should grant only one form of abatement. For example, a resolution should grant a rebate of property taxes to the property owner or a reallocation of taxes to pay for public infrastructure costs, but not both.

The resolution may provide that the political subdivision will either retain the abatement or transfer the abatement to another political subdivision in order to pay for all or part of the cost of acquisition or improvement of public infrastructure. The use of abatement money for these purposes may include payment of special assessments on property owned by the political subdivision that is benefited by public improvements.

The resolution may provide that the abatement may not be modified or changed during its duration. Otherwise, the governing body may review and modify the abatement resolution every second year after the year of approval. Modifications to abatement resolutions may include:

- Changing the form of abatement
- Changing the amount of the abatement
- Reducing the duration of the abatement

The governing body of a political subdivision may abate the property taxes on a parcel of property without the consent of the property owner. An example of when the political subdivision may want to grant an abatement without the property owner's consent is when the abatement money will be retained by the political subdivision or transferred to another political subdivision to pay for all or part of the cost of acquisition or improvement of public infrastructure. Abatements to property valued as utility property must have the property owner's consent.

The abatement resolution may be approved by the governing body only after holding a public hearing on the proposed abatement.

### *Notice and Public Hearing*

Notice of a public hearing on a proposed abatement must be published in a newspaper of general circulation within the political subdivision at least once in the time frame of more than 10 days but not more than 30 days prior to the hearing. The newspaper must be one that is published at least once a week and must be a newspaper of general interest and readership within the community, not one of limited subject matter. This rules out "shopper" newspapers and possibly the political subdivision's own newspaper, if it has one. Basically, the newspaper selection criteria are the same as the criteria used by counties, school districts, and cities with a population over 2,500 for publishing their truth-in-taxation notices.

The published notice must indicate that the governing body is considering granting property tax abatements, identify the property or properties being considered for an abatement, and the total estimated amount of the abatement. The legal description of the property does not need to be included, but the name of the property owner and/or the property and the street address of the property may be published.

The public hearing should be conducted according to standard hearing procedures. The abatement resolution may be adopted at the public hearing, immediately following the public hearing, or on a day subsequent to the public hearing.

**Limitations on Abatements**

*Property Tax Subject to Abatement*

A political subdivision can abate its portion of the net tax capacity based property taxes on a parcel of real property, which includes the tax on both the land and buildings. A political subdivision can also abate its portion of the parcel’s area-wide fiscal disparities tax.

Market value based taxes cannot be abated under this law. Special assessments are also not subject to abatement.

*Abatements in TIF Districts*


Abatements may not be granted to property while it is located within a TIF district. Governing bodies may enter into abatement agreements for parcels presently in a TIF district, provided that no abatement will occur until after the property is no longer in the TIF district.

*Maximum Abatements*

For any particular property, the annual abatement granted by a political subdivision cannot be greater than the subdivision’s total net tax capacity tax on the property. Abatements may reduce all or part of the qualifying property tax amounts on a property.

The total abatements granted by a political subdivision in any one year may not exceed the greater of:

1. 10% of the net tax capacity of the subdivision for the taxes payable year which the abatement applies; or
2. \$200,000.

 **NOTE**  
 Total net tax capacity, for the purpose of determining abatements, is the total net tax capacity before fiscal disparity adjustments, if any.

This limit on the total abatement for a political subdivision does not apply to uncollected abatements from prior years or abatements for utility property.

*Duration Limits*

A political subdivision can grant an abatement for a period no longer than 15 years, although the period can be shorter than 15 years. If the abatement resolution does not specify a duration limit, the abatement is for 8 years. The duration period begins in the year which the abatement is paid or retained.

A second abatement cannot be granted to a property for at least 8 years after the first abatement expires. For example, if the last year of first abatement is taxes payable 2014, a second abatement for the same property is not allowed until 2023. This limitation does not apply to utility property or to improvements to property which were not subject to the first abatement.

A political subdivision proposing to grant an abatement may request, in writing, that the other political subdivisions in which the parcel is located also grant abatements. If one of the other political subdivisions declines, in writing, to grant an abatement, or if no written response is received from one of the other political subdivisions within 90 days of the receipt of the request, the duration limit for an abatement for the parcel is

increased to 20 years. If the political subdivision that declined to grant an abatement later grants an abatement to the parcel, the 20-year extended duration limit is reduced by one year for each year that the previously declining political subdivision grants an abatement to the parcel during the period of the abatement granted by the requesting political subdivision. In no case may the extended duration limit be reduced below the general duration limit.

An extended duration limit applies not only to the political subdivision that made the request, but also to any other participating political subdivision. For example, if a city proposing to grant an abatement to a parcel of property makes a request in writing to the county and to the school district that they likewise grant abatements to the parcel, and the county agrees but the school district declines, then the county’s abatement would have the 20-year extended duration limit.

Utility property may be granted an abatement for a period of up to 20 years and abatements may be granted successively.

*Other Abatement Limits*

Political subdivisions may also include other limits to abatements in their abatement resolutions. Abatements can be limited by any of the following:

- A specific dollar amount per year or in total
- A specific number of years
- The increase in property taxes resulting from improvement of the property
- The increases in property taxes resulting from increases in the market value or tax capacity of the property
- The interest and penalty that would otherwise be due on taxes that are deferred
- Inclusion or exclusion of fiscal disparity contribution
- Any other manner that the political subdivision determines is appropriate.

The governing body of the political subdivision must ensure that the abatements granted do not exceed the limits set in their abatement resolutions. It is not the county auditor’s responsibility to check on cities, towns, or school districts to make sure they are complying with these limits.

**Deferred Taxes Repayment Schedule**

If the political subdivision defers the payment of its property tax on a parcel and abates the penalty and interest that would otherwise accrue on these unpaid property taxes, it must set a schedule for repayment of the property taxes. The deferred property taxes or installments due and payable in a year must be included with the current taxes payable for that year and must be levied accordingly. A copy the repayment schedule must be sent to the county auditor.

Under this deferred tax option, the political subdivision will not be short tax dollars during the deferred tax years. The deferred taxes are defined as an abatement under the economic development tax abatement law, and the political subdivision is required to add the deferred taxes to its total levy for the current year.

The deferred property taxes are not “delinquent property taxes” for the purpose of the property tax delinquency process unless they are not paid in the year which they are due according to the repayment schedule. Deferred property taxes will be subject to penalty if not paid when they are due according to the repayment schedule, and will be subject to interest if they remain unpaid the first business day of January of the year following the year in which they were due according to the repayment schedule.

**Bonding for Abatements**

The provisions for issuing bonds for abatements are outlined in [Minnesota Statute 469.1814](#). A political subdivision may issue bonds or other obligations to cover the amount of abatements for a parcel of property. The principal amount of the bonds issued cannot exceed the estimated sum of the abatements for the property for the years authorized. The bonds may be revenue bonds, or they may be general obligation bonds if the governing body elects to pledge the full faith and credit of the political subdivision. [Minnesota Statutes, Chapter 475](#) applies to any of these bond issues, except that they are exempt from the net debt limit of the political subdivision.

If two or more political subdivisions decide to grant abatements to the same parcel of property, the city or town in which the property is located may issue bonds equal to the sum of the estimated total abatements granted by each of the political subdivisions that are party to the agreement. The governing body of each of the other political subdivisions that are a party to the agreement must guarantee and pledge to pay annually to the city or town the amount of their abatement. This guarantee and pledge is a binding obligation of the political subdivision and must be included in the abatement resolution. For example, if a county, city, and school district all decide to grant abatements to the same parcel of property, but only the county and city agreed on the bonding, the county would pay its abatement to the city but the school district would not.

The bond proceeds may be used for any of the following purposes:

- To pay for public improvements that benefit the property
- To acquire and convey land or other property relating to the parcel of property receiving the tax abatement
- To reimburse the property owner for the cost of improvements made to the property
- To pay the costs of issuance of the bonds

If bonds were issued to advance the payment of the abatement, both the form of the abatement and the amount of the abatement are not subject to periodic review as long as there are bonds to be paid off.

**Levy for Abatements**

A political subdivision must add the estimated sum of all current levy year abatements granted to its total levy for the current levy year, including taxes for the current levy year that have been deferred. The proposed levy certified to the county auditor for truth-in-taxation purposes must include these current levy year abatement amounts. The final levy adopted and certified to the county auditor must also include these current levy year abatement amounts ([Minnesota Statute 469.1815](#)).

If all or a portion of an abatement levy for a prior year was uncollected, the political subdivision may add the uncollected amount to its abatement levy for the current year.

In essence, all of the property owners within the political subdivision, including the owner of the property receiving an abatement, are paying for the abatement. The political subdivision does not lose any money on account of these abatements. The levy for economic development tax abatements is a special levy outside of overall levy limitations ([Minnesota Statute 275.70](#)).

If the class rate changes enacted in 2001 reduced an abatement granted before August 1, 2001, below the amount needed to make full payment of the preexisting bond or other obligation, the political subdivision may levy an additional amount for subsequent years. The terms of this provision can be found in [Minnesota Statute 469.1814](#).

## Statements and Payments

### *Tax Statements*

Unless the abatement is a property tax deferment, the tax notices that a property owner receives are to show the property tax before any abatement that has been granted. This includes the notice of proposed property taxes and the final property tax statement.

### *Tax Payments and Abatement Payments*

The taxes on a parcel of property receiving a tax abatement must be paid by the taxpayer when due in the same manner as other property taxes, as if there were no abatement.

After the taxes have been paid, the political subdivision must, in accordance with the abatement resolution, do one of the following ([Minnesota Statute 469.1815](#)):

- Pay the abatement amount back to the property owner
- Pay the bondholders
- Retain the abatement to pay public infrastructure costs
- Keep a record of deferments and eventually collect them, according to the repayment schedule

### **Annual Reports**

Property owners, other than owners of utility property, benefiting from an economic development abatement are recipients of a business subsidy as defined under. As recipients of a business subsidy, they are subject to the annual reporting requirements of [Minnesota Statute 116J.994](#) until their established goals are met. These reports are to be filed to the grantor of the business subsidy no later than March 1 of each year for the subsidy related activity the previous year [Minnesota Statute 116J.994](#).

If the local government agency does not receive an annual report from the property owner close to the March 1 date, it must mail a warning notice within one week of the filing date. If the property owner fails to provide a report 14 days past the postmarked warning, the owner must pay the grantor a penalty of \$100 for each subsequent day until the report is filed up to the maximum penalty amount of \$1,000.

Grantors of economic development abatements with a population of more than 2,500 and state government agencies, regardless of whether or not they have awarded any business subsidies, must file a report by April 1 of each year with the commissioner of the Department of Employment and Economic Development. Local government agencies with a population of 2,500 or less are exempt from filing this report if they have not awarded a business subsidy in the past five years ([Minnesota Statute 116J.994](#)).

### **Special Economic Development Tax Abatement by the County Board**

[Minnesota Statute 375.194](#) allows a county board located in a nonmetropolitan county to grant an economic development tax abatement to a taxpayer under certain conditions.

- The county must have a "county government average tax rate" that is at least 45 points higher than an adjacent neighboring county's "county government average tax rate".
- The eligible property must be located in the county and within 20 miles of the neighboring county and is either
  - class 3a commercial property whose estimated market value has increased by at least \$400,000 from improvements made on that property by the taxpayer after January 2, 1996, or
  - class 3a industrial property whose estimated market value has increased by at least \$100,000 from improvements made on that property by the taxpayer after January 2, 1996.

*Maximum Abatement Amount and Duration*

The maximum abatement amount under this law for any given year is the difference between the county's current year county government tax rate times the net tax capacity of the property and the neighboring county's current year county government tax rate times the net tax capacity of the property ([Minnesota Statute 375.194](#)). The county board may grant this abatement for a period of up to 10 years. The written abatement agreement must specify the percentage of the maximum tax abatement amount that will be granted for each year the property will receive an abatement. The agreement must not provide an abatement for any year that exceeds the maximum tax abatement amount calculated. The abatement agreement is binding for the duration of the agreed upon years, unless the county board and the taxpayer mutually agree upon any changes ([Minnesota Statute 375.194](#)).

*Tax Statements and Payments*

The proposed property tax statement that a property owner receives must show the proposed property tax amount before the deduction of the economic development tax abatement. The final property tax statements should reflect both the taxes before and after the tax abatement.

*Abatements in TIF Districts*

This special property tax abatement may be granted to eligible property located within a TIF district only under the following circumstances ([Minnesota Statute 375.194](#)):

- The governing body of the municipality containing the TIF district approves the written economic development tax abatement agreement, and
- The county treasurer, when making property tax settlements of the property tax collected on the property, deducts the full amount of the tax abatement from the property tax distribution made to the TIF district.

## Fiscal Disparities

The term “fiscal disparities” refers to the difference in commercial-industrial tax base wealth between taxing districts. The fiscal disparities program is a system for the partial sharing of the commercial-industrial property tax base among all jurisdictions within a geographic area.

The first fiscal disparity program, originally known as metropolitan revenue sharing, was introduced by the legislature in the seven-county metro area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties) in the early 1970s, as a way of sharing the taxes on a portion of commercial-industrial value growth throughout the region. The legislature recognized that commercial-industrial growth tends to congregate around public infrastructure such as highways and airports that are paid for by taxpayers in the region and decided that all cities should share that growth, not just those cities that directly benefited from the placement of the infrastructure. The program also had the effect of equalizing tax rates throughout the region that, in turn, helped facilitate a regional approach to development as opposed to the cutthroat and parochial actions sometimes taken in other areas of the country.

In the mid 1990s, a separate program was established for a group of counties in the Iron Range. The Iron Range program applies to property in the taconite tax relief area.

The main goals of the program are as follows:

- Support for a regional approach to development. Tax-base sharing spreads the fiscal benefit of business development spawned by regional facilities such as shopping centers, airports, freeway interchanges,

and sports stadiums. It also may make communities more willing to accept low-tax-yield regional facilities such as parks.


- Equalization in the distribution of fiscal resources. Communities with low tax bases must impose higher tax rates to deliver the same services as communities with higher tax bases. These high tax rates make poor communities less attractive places for businesses to locate or expand in, exacerbating the problem. Sharing commercial-industrial tax base can reduce this effect.
- Reduction in competition for commercial-industrial development. Communities generally believe that some kinds of commercial-industrial properties pay more in taxes than it costs to provide services to them. This encourages communities to compete for these properties by providing tax concessions or extra services, which can weaken their fiscal condition. Tax base sharing reduces the incentive for this competition.

Two fiscal disparities programs are currently in use. The first was established in 1971 under [Minnesota Statutes, Chapter 473F](#) and operates in the seven-county metropolitan area. The second was established in 1995 under [Minnesota Statutes, Chapter 276A](#) and operates in the Iron Range region of northern Minnesota.

**Fiscal Disparities Program**

*Contribution Pool*

The area-wide tax base is equal to 40% of the growth in commercial-industrial value in a region since the year of its enactment. This tax base contributes to the area-wide pool. Growth includes both new construction and increases in existing property values. Growth is reduced for abatements, tax court petitions, and other adjustments to commercial-industrial value.

 **NOTE**

The Mall of America TIF districts are exempt from contributing to the Metro Fiscal Disparities program. Tax increments in these districts include the tax that would normally be paid to the fiscal disparities pool.

Commercial-industrial properties in fiscal disparity regions are not taxed twice. The contribution value is not available for taxation by the jurisdictions where the property is located. The property tax statement for each commercial-industrial property has a local portion, taxed at the local tax rate, and a fiscal disparity portion, taxed at the area-wide tax rate.

*Pool Distribution*

Each municipality is granted a share of the area-wide tax base based on a distribution index. The distribution index compares each city’s total market value per capita to the average market value per capita for all cities and towns in the region. Generally, cities that have relatively less market value per capita receive a relatively larger distribution from the pool. Overlapping taxing authorities will receive their proportionate share of the distribution based on residential values.

*Distribution Levy*

Municipalities are allowed to tax their distribution at the same rate as the tax rate paid by its residents. All taxing jurisdictions whose boundaries encompass the municipality are also allowed to tax the municipality’s distribution value. This includes counties, school districts, and special taxing districts.

Property taxes on a distribution amount are called the distribution levy. The distribution levy is computed for each local government by multiplying its distribution amount by its prior year tax capacity rate. The distribution levy will reduce the levy used to calculate local tax rates for the next payable year because funds will be available from the fiscal disparity pool.

If a municipality is located in the Twin Cities metropolitan area but outside the transit district area and has a net fiscal disparities contribution equal to or greater than 8% of its total net tax capacity, it qualifies for a ‘underserved municipalities distribution.’ The distribution is equal to the municipality’s fiscal disparities contribution in excess of 8% its tax capacity multiplied by its tax rate. The distribution cannot exceed the amount of state general levy paid by properties within the municipality.

*Contribution Tax*

The total amount of distribution levies from every taxing authority in the region is the total fiscal disparity levy against the fiscal disparity pool. The levy divided by the pool provides the area-wide tax rate.

The portion of commercial-industrial tax base that should be charged the fiscal disparity tax rate is determined by dividing the city’s contribution value by the city’s current year total commercial-industrial value. Multiply this percentage by the net tax capacity of the commercial-industrial portion of a parcel to determine the parcel’s value subject to the fiscal disparity area-wide rate. Apply the rate to that portion to determine the fiscal disparity tax.

*Reporting*

The county auditors from within the region elect from themselves an auditor to serve as the administrative auditor. Values and rates are reported by cities and counties in a series of tables. The administrative auditor of the region is responsible for reviewing these tables and preparing other tables to be submitted to counties and the Department of Revenue.

More detailed information on these tables, reporting, and timelines of the fiscal disparities program can be found in [Chapter 6](#).

## Border City Development Zones

In order to generate jobs and industry in economic hardship areas and to keep existing businesses from moving out of the state, “Enterprise Zones” were created to accomplish this goal by means of several types of tax reductions and credits (income, sales and property). These provisions have since expired, and the tax reductions and credits are no longer funded.

However, in 1998, a close cousin to the enterprise zone was created – the Border City Development Zone ([Minnesota Statute 469.1731](#) to [469.1735](#)). The purpose of these zones was very similar: encouraging economic development; the revitalization of the designated areas; expansion of the tax base and economic activity; and job creation. Businesses that conduct activity within the zone may qualify for the property tax exemption under [Minnesota Statute 272.0212](#) (as well as the sales tax exemption under [Minnesota Statute 469.1734](#), not discussed in this manual). Six cities are authorized to designate part of their city as a zone (Breckenridge, Dilworth, East Grand Forks, Moorhead, Ortonville, and Taylors Falls).

### Property Tax Exemption

*Duration*

The border city development zones have duration of 15 years ([Minnesota Statute 469.1731](#)). Cities may also grant property and income tax incentives within the city but outside of the zone for a maximum of five years.

### *Funds Allocated*

The legislature has allocated funds to be used for border city development tax credits to the five cities designated as border city development areas ([Minnesota Statute 469.169](#)). In addition, any unused portion of the allocation provided in subdivisions 15 through 21 for border city allocations may be used.

### *Qualifying Property*

Class 1, 3, 4, and 5 (residential, commercial, industrial, public utility, and apartments) property including land is eligible ([Minnesota Statute 272.0212](#)).

### *Application*

Taxpayers apply to the city for border city development tax credits ([Minnesota Statute 469.1735](#)). The zone administrator for each of the six cities must allocate the credits to the businesses that apply. The maximum amount of tax credit certificates each city may issue over the duration of the program is equal to the allocation given to the city in [Minnesota Statute 469.169](#).

### *Tax Credit Certificates*

The city issues tax credit certificates to the taxpayer. The tax credit certificate specifies the amount of credit that the taxpayer has received for each tax type – income, new industry, and sales.

### *Property Tax*

If the city determines that the granting of the property tax exemption is necessary to enable a business to expand within a zone or to attract business to a zone, the city may grant a partial property tax exemption to the parcel(s) ([Minnesota Statute 272.0212](#)). The parcel(s) is exempt from all levies except debt levies and non-equalized school district levies.

A city may then elect to use all or part of its allocation under [Minnesota Statute 469.169](#), to reimburse the city or county or both for the property tax reduction under [Minnesota Statute 469.1735](#). If this option is elected, the city must notify the commissioner of revenue by October 1 of each year of the amount of the property tax reductions for which it requests reimbursement and the government units to which the amounts will be paid. The commissioner will pay the reimbursements by December 26 ([Minnesota Statute 469.1735](#)). The amount of tax that could have been collected should be calculated, and the amount of tax that actually is billed to the taxpayer should be subtracted. This information should be submitted to the Department of Revenue, Property Tax Division for reimbursement to the county and/or city. The Department will provide a form to be completed by the city and county.

For properties within the city but outside the zone, a city may grant a complete or partial exemption to the improvements (but not the land) for a period not exceeding five years. In addition, the city may establish an amount due as payment in lieu of taxes on the improvements. The city council must give approval to such arrangements ([Minnesota Statute 469.1734](#)). There is no state reimbursement for properties outside the zone. This exemption should be given as a valuation exclusion.

### *City Must Notify County*

The city must notify the County (and City) Assessor and County Auditor that the city has elected to give partial property tax exemption for the following payable year. The county exempts the parcel(s) located in the zone from all levies except debt levies and non-equalized school district levies per [Minnesota Statute 272.0212](#). These parcel(s) should be placed in a separate unique taxing area with a subcode of “90” through “95” as they

will have a different tax rate than the other parcels in the UTA. All values must be reported in PRISM, as they are used in Local Government Aid calculation.

The border city properties within the zone will have a tax rate for debt and non-equalized school district levies. Special assessments will apply. The county should contact the Department of Education to determine the portion of the school district rate that is non-equalized.

The properties outside the zone will have a full tax rate on the land, and a partial tax rate on the improvements as determined by the city. The partial exemption must be stated as a percentage of the total ad valorem taxes assessed.

#### *Phase-Out*

During the last three years of the duration of a border city development zone, the available exemptions, subtractions or credits are reduced by 25%, 50% and 75% per [Minnesota Statute 469.1732](#).

#### *Disqualified Taxpayers*

The individual or business is not eligible for the exemptions or credits if they owe delinquent taxes in the city or county.

#### *Relocation from Outside the Zone*

If a business located in the county relocates from outside a zone into a zone, it is not eligible for the exemptions or credits unless the governing body of the city approves the relocation.

#### *Relocation from Outside of the County*

If a business relocates more than 25 full time jobs from a Minnesota location outside of the county in which the zone is located, special provisions apply. See [Minnesota Statute 469.1733](#).

# Chapter 12: Homestead Credit Refund and Property Tax Refund Program

## Homestead Credit Refund

The homestead credit refund (previously known as the “property tax refund”) is intended to provide tax relief to those whose property tax is relatively high compared to their household income. In 1975, the state of Minnesota began offering property tax relief to homeowners from the state’s general fund. Renters may also qualify for a property tax refund because a portion of their rent goes to pay property taxes on their residence. The legislature estimates that 17% of a tenant’s rent is applied to property taxes and renters will calculate their refund accordingly.

## Special Refund

Besides the regular property tax refund, homeowners may also qualify for a Special Refund if their net property taxes rose by at least \$100 and over 12 percent from the prior year. Property tax refunds are based on the net tax of the property, line 1 of the property tax statement, rather than the total tax. The total tax includes special assessments such as recycling fees, or other assessments for street improvements, etc. that are not based on the value of the property.

## Qualifying Tax Amount (QTA)

The Qualifying Tax Amount (QTA) is generally calculated using the tax capacity of that portion of the parcel used as the owner’s homestead, and is limited to the Taxable Market Value (TMV) on a maximum of ten acres for residential property. For more detailed information regarding the QTA, see [Chapter 7](#).

## PTR Homestead File

A “PTR Homestead” file is due from counties by April 30 of each year (see [Chapter 7](#)). Instructions can be found on our [website](#).

## Filing Information

### When to File

#### *Due date*

The due date for the property tax return, M1PR, is August 15 of each year. If August 15 falls on a weekend, the due date becomes the next business day following the due date. Returns can be filed up to a year after the due date. After that, you cannot claim a refund.

#### *Timely Mailed is Timely Filed*

The return is filed on time if it is properly addressed and postmarked by the due date. An e-filed return is timely filed if the date of the confirmation time and date stamp is by the due date.

#### **Mail to:**

Minnesota Property Tax Refund  
Mail Station 0020  
St. Paul, MN 55145-0020

#### **Deliver to:**

Minnesota Department of Revenue  
600 N. Robert St  
St. Paul, MN 55101

For more information, visit the Department of Revenue’s [website](#).

## Chapter 13: Senior Citizens’ Property Tax Deferral Program

The Senior Citizens’ Property Tax Deferral Program was established under [Minnesota Statutes, Chapter 290B](#), to stabilize property taxes for senior citizens.

This voluntary deferral program provides two primary advantages for seniors:

- Limits the amount of property tax to 3% of total household income
- Provides predictability as the taxpayer’s portion of property tax does not change as long as participation in the program continues

### Qualifications

To qualify for the Senior Citizens’ Property Tax Deferral Program, all of the following qualifications must be met:

1. The property must be owned and occupied as a homestead by a person who is at least 65 years old. In the case of a married couple, at least one of the spouses must be at least 65 years old in the year they apply for the program and the other spouse must be at least 62 years old. This is true regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status.
2. The total household income of the qualifying homeowners, for the calendar year preceding the year of the initial application, cannot exceed \$96,000.
3. The property must have been owned and occupied as the homestead of at least one of the qualifying homeowners for at least 5 years prior to the year of initial application.
4. There are no state or federal liens or judgments on the property.
5. Mortgages and other liens do not exceed 75% of the assessor’s estimated market value for the year.

**“Household Income”**  
 For the purposes of this program, household income means only the income of the senior citizen, or if married, the total of both their incomes. The income of any other individuals that may live in the senior’s household would not count toward household income.

Qualifying homestead property includes the dwelling, plus any other property used for the homestead and a maximum of one surrounding acres (HGA), that is taxed as real property and is occupied as the homeowner’s principal residence. The homestead may be part of a multi-dwelling building and the land on which it is built. Property is not qualifying homestead property if a person or entity other than the applicant or the applicant’s spouse holds an interest in the property, such as a contract for deed vendor or a remainder person in a life estate. Homesteads that are part of a multi-use parcel (e.g., a storefront building with an apartment in the back) are eligible to participate in the Senior Deferral program, but only the taxes on the homestead portion are eligible for deferral ([Minnesota Statute 290B.03](#)).

Ultimately, the county auditor is responsible for ensuring that any property tax that is deferred under this program is limited to the net tax that is generated on the house, garage, and one acre of property of the residence only. If discrepancies occur between the figure calculated by the county and the one that is certified to the taxpayer by the state, the county should contact the Department of Revenue at 651-556-4803.

### Application for Deferral

Applications for this program are due by November 1 for deferral of the following year’s property taxes. A taxpayer may apply in the year in which they become 65 years old, provided that no deferral of property taxes will be made until the calendar year after the taxpayer becomes 65 years old.

Applications are made to the state, on a form provided by the Department of Revenue. The application must state the participation in the program is voluntary. It must also state that the deferred amount depends directly on the applicant's household income, and that program participation includes authorization from the taxpayer that the information regarding the annual deferred amount, the cumulative deferral, and interest that appear on each year's property tax statement is public data.

As part of the initial application, the property owner will need to provide, at their own expense, a report detailing any mortgages, liens, judgments, or unpaid property taxes on the property, even if there are none. The report must be dated within 30 days of their application.

The Department of Revenue may use any information available with the help of the county to determine or verify eligibility ([Minnesota Statute 290B.04](#)).

### **Approval & Recording**

The Department of Revenue will review all initial applications, make qualification determinations, and notify all qualifying homeowners by December 1. The Department of Revenue will notify county auditors which taxpayers are qualified for the program and the maximum amount of the deferral calculated and will record or file a notice of qualification for deferral in the county where the qualifying property is located. The notice must state that it serves as a notice of lien and includes deferrals under the Senior Citizens' Property Tax Deferral Program for future years. The homeowner must pay the recording or filing fees for the notice of lien at the time of the satisfaction of the lien.

### **Payment of Delinquent Taxes and Special Assessments**

Upon approval of a taxpayer's initial application, the Department of Revenue will pay to the county treasurer the amount of any delinquent property taxes, penalties, interest, and delinquent special assessments on the property which is the subject of the application.

### **Excess Income Certification by Taxpayer**

After initial approval, if a taxpayer's income exceeds \$96,000 in one year, the taxpayer has until July 1 of the following year to notify the Department of Revenue. No property taxes may be deferred in any year following the year in which a program participant filed (or should have filed) an excess income certification.

If a taxpayer has previously filed an excess income certification, they may resume the program if their household income for a subsequent year is \$96,000 or less and they notify the Department of Revenue by July 1 of the year following year. Once a taxpayer resumes participation in the program, participation will continue until the taxpayer files a subsequent excess income certification or until participation is terminated.

### **Penalties and Investigation**

Taxpayers whose property taxes were improperly deferred due to a false application, false certification, or failure to file an excess income certification are subject to a penalty equal to 20% of the amount of tax deferred. Taxpayers whose property taxes were improperly deferred due to the taxpayer knowingly filing a false application or certification or knowingly failing to file an excess income certification are subject to a penalty equal to 50% of the amount of tax deferred.

The Department of Revenue may conduct investigations related to initial applications and excess income certifications within the period ending 3-½ years from the due date of the application or certification.

### Maximum Property Tax Amount and Deferred Property Tax Amount

The Department of Revenue will determine each qualifying homeowner's annual maximum property tax amount following approval of the homeowner's initial application and the receipt of a resumption of eligibility certification.

The annual maximum property tax amount is equal to 3% of the homeowner's total household income for the year prior to either the initial application or the resumption of eligibility.

Following approval of the initial application, the Department of Revenue will determine the qualifying homeowner's maximum allowable deferral. The maximum allowable deferral is equal to 75% of the assessor's estimated market value for the year, less the balance of any mortgage loans and other loans secured by liens against the property at the time of application. This also includes any unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest. It does not include the property taxes payable during the current year ([Minnesota Statute 290B.05](#)).

### Certification by the Department of Revenue

By December 1 of the year of initial application, the Department of Revenue will certify to the county auditor the annual maximum property tax amount and the maximum allowable deferral.

By December 1 of any year in which a homeowner files a resumption of eligibility certification, the Department of Revenue shall certify a new annual maximum property tax amount to be used in calculating the deferral for subsequent years.

### Calculation of Deferred Property Tax

When the final property tax amounts for the next payable year have been determined, the county auditor must calculate the deferred property tax amount. The deferred property tax amount is equal to the lesser of 1) the maximum allowable deferral for the year OR 2) the total amount of property taxes and special assessments levied upon the qualifying homestead minus the maximum property tax amount.

Any special assessments levied by any local unit of government may be included in the total tax used to calculate the deferred tax amount. However, any tax attributable to new improvements made to the property after the initial application has been approved must be excluded when determining any subsequent deferred property tax amount.

**The county auditor must certify the property tax deferral amounts to the Department of Revenue by April 15 each year.** The notification to the Department of Revenue must include the information broken down by parcel number, the names of the taxpayers, and the address of the property. The total of all the individual deferments must equal the amount declared in PRISM Submission 3 that is certified to the Department of Revenue each year by April 1 ([Minnesota Statute 290B.05](#)).

### Requirement to Notify Taxpayer

Homeowners must be notified by March 31 of the portion of the year's taxes they must pay ([Minnesota Statute 276.04](#)). This can be done by noting on the tax statement the amount to be paid by the state and the balance the homeowner must pay. A separate notice may also be sent with the tax statement showing the amount they must pay to the county.

The following is an example of a separate notice that counties can use when informing taxpayers of the amount they must pay:

Spruce County Auditor's Office  
 456 Main St  
 Spruceville, MN 55555

March 1, 2025

John J. and Mary A. Anderson  
 123 Spruce Street  
 Spruceville, MN 55555

Property Address:  
 123 Spruce Street  
 Spruceville, MN 55555

Property ID: 01-025-23-140012

Dear Mr. & Mrs. Anderson:

We have received verification from the Department of Revenue that you are participating in the Senior Citizens' Property Tax Deferral Program. You have already received your tax statement in the mail reflecting the total amount of taxes and special assessments pertaining to your property. The following schedule outlines the payment amounts and due dates for 2025:

Total 2018 Tax Amount:	\$ 2,596.00	Taxpayer Liability:	\$ 916.00	State Liability:	\$ 1,680.00
Total 2018 Special Assessment:	\$ <u>4.00</u>	Taxpayer Liability:	\$ <u>0.00</u>	State Liability:	\$ <u>4.00</u>
Total 2018 Due:	\$ 2,600.00	Total Due:	\$ 916.00	Total Due:	\$ 1,684.00

First half payment due by you on 5/15/2025: \$ 458.00  
 Second half payment due by you on 10/15/2025: \$ 458.00

Please make a note on your statement that reflects the appropriate amounts that are due for both the first and second half payments. Failure to remit the taxpayer liability amounts for the first and second half payments by the due dates will result in the imposition of penalties according to Minnesota Statute 279.01.

If you have any questions or concerns regarding this notice, please feel free to call the Spruceville Auditor's Office at (555) 555-5555.

Sincerely,  
 Spruceville County Auditor

**Limitation on Total Amount of Deferred Taxes**

The sum of deferred taxes and interest on a property and the balance owed on any mortgages and any other liens on the property at the time of initial application must not exceed 75% of the property's current estimated market value ([Minnesota Statute 290B.05](#)).

## Refunds

For purposes of qualifying for the regular property tax refund or the special refund for homeowners, the qualifying tax is the full amount of the taxes, including the deferred portion of the tax. In any year in which a program participant chooses to have property taxes deferred under this program, any Minnesota income tax refund, political contribution refund, or lottery winnings, and property tax refunds will be applied as a direct credit to the total deferred property tax ([Minnesota Statute 290B.06](#)).

## Deferred Portion Lien

Under this program, the state pays the deferred portion of the property tax to the county treasurer. This is considered to be a loan from the state to the participant. Interest on the “loan” is determined by the Department of Revenue and is not to exceed 5%. Interest accrues beginning September 1 of the payable year for which the taxes are deferred. Any deferral made under this program is not to be construed as delinquent property taxes.

The lien against the property that is created under this program continues to secure payment by the taxpayer of the amount deferred, including interest, with respect to all years for which amounts are deferred. The lien for deferred taxes and interest has the same priority as any other lien, except that liens, including mortgages, recorded or filed prior to the date of approval of the initial application have priority over the lien for deferred taxes and interest.

A seller’s interest in a contract for deed, in which a qualifying homeowner is the purchaser or an assignee of the purchaser, has priority over the lien for deferred taxes and interest, regardless of when the contract for deed is filed or recorded.

The lien for deferred taxes and interest for future years has the same priority as the lien for deferred taxes and interest for the first year, which is always higher in priority than any mortgages or other liens filed, recorded or created after the approval of the initial application. When the county auditor or treasurer makes any certifications of unpaid taxes on a parcel that is subject to the Senior Citizens’ Property Tax Deferral Program, the county auditor or treasurer must always clearly distinguish between taxes payable in the current year, deferred taxes and interest, and delinquent taxes.

If a property for which taxes have been deferred under this program forfeits under [Minnesota Statutes, Chapter 281](#) for nonpayment of a non-deferred property tax amount, or because of nonpayment of amounts previously deferred following termination under this program, the lien for taxes deferred under this program, plus interest and costs, shall be canceled by the county auditor. However, any proceeds from a subsequent sale of the property must be used to first reimburse the county’s forfeited tax sale fund for any direct costs of selling the property, and then to reimburse the state for the amount of the canceled lien ([Minnesota Statute 290B.07](#)).

## State Reimbursement

The state of Minnesota shall pay the deferred amount of property tax for the total amount of taxes listed in PRISM Submission 3 to each county treasurer on or before August 31 of each year ([Minnesota Statute 290B.09](#)).

## Annual Notice to Participant

Annually, by July 1, the county auditor must notify each participant in the program of the amount of the current year’s deferred taxes, the total cumulative deferred taxes, and any accrued interest on the participant’s property ([Minnesota Statute 290B.04](#)).

The notice could include the following information:

1. The taxpayer's names and addresses as recorded on the lien
2. The parcel identification number
3. The legal description
4. The property address
5. The total prior year deferral
6. The total interest accumulated through June 30 of the current year
7. The current tax payable years deferred tax amount
8. The cumulative total
9. The reasons why termination of the program could occur

An example of a notice that can be sent to taxpayers may look similar to the following:

Spruce County Auditor’s Office  
 456 Main St  
 Spruceville, MN 55555

ANNUAL NOTICE OF DEFERRED TAXES  
 SENIOR CITIZENS’ PROPERTY TAX DEFERRAL PROGRAM  
 PAYABLE YEAR 2025

John J and Mary A Anderson  
 123 Spruce Street  
 Spruceville, MN 55555

Property Address:  
 123 Spruce Street  
 Spruceville, MN 55555

Property ID: 01-025-23-140012

This notice is to inform you of the balance that would become due if you were to terminate participation in the Senior Citizens’ Property Tax Deferral Program.

Payment has been issued by the MN Department of Revenue to Spruceville County for property taxes, penalties, interest, or special assessments in accordance with the Senior Citizens Property Tax Deferral Program. The payment is deemed a loan from the state to the program participant. Interest shall accrue September 1 of the payable year for which the taxes are deferred. The interest shown below has been calculated through June 30, 2025.

Deferred Balance from Previous Years(s).....	\$1,550.00
Interest through 6/30/2025.....	\$57.97
Deferral for Taxes Payable in 2025.....	<u>\$1,680.00</u>
Cumulative Balance at 7/01/2025.....	\$3,287.97

***This is NOT a bill!***

Termination from this program can occur for any one of the following reasons:

1. The property is sold or transferred
2. All qualifying homeowners are deceased
3. The homeowner notifies the commissioner of revenue, in writing, that he/she wishes to discontinue the program
4. The property no longer qualifies as a homestead

For more information, or for answers to specific questions, call the Property Tax Division of the Minnesota Department of Revenue at (651) 556-4803.

**Termination of Deferral**

The deferral of taxes granted under this program terminates when one of the following occurs:

- The property is sold or transferred
- The death of all qualifying homeowners
- The homeowner notifies the Department of Revenue in writing that they wish to discontinue the deferral
- The property no longer qualifies as a homestead

The property is not terminated from the program if no deferred property tax amount is determined on the homestead for any given year after the homestead's initial enrollment in the program, such as if the taxpayer's income exceeds the maximum income of \$96,000 ([Minnesota Statute 290B.08](#)).

**Payment upon Termination**

Upon termination of the deferral program, the deferred property taxes, any special assessments that may have been deferred, penalties, and any recording or filing fees will become due and payable to the state.

If a property is sold or transferred, or if the homeowner dies, payment of the total deferred amount is due within 90 days.

If a homeowner voluntarily leaves the program or the property ceases to qualify as a homestead, payment of the total deferred amount is due within 1 year.

No additional interest will be due if timely paid. If the deferral is not timely paid, the penalties, interest, lien, forfeiture, and other rules for the collection of property taxes will apply.

The Department of Revenue will notify the county auditor within 10 days of the receipt of payment of the property which has terminated the program. The county auditor must then record and file a notice of termination of deferral and mail the taxpayer a copy, notifying them that the lien has been satisfied and that the parcel is now terminated from the program.

The taxpayer is responsible for the payment for all the recording and filing fees and submits those fees to the state. The county auditor should bill the state for the recording fees for both the recording of the original lien as well as the satisfaction.

## Chapter 14: Mortgage Registry and Deed Taxes

This section is provided as a summary overview. For more detailed information please visit the Department of Revenue’s website – [Mortgage Registry Tax](#) and [Deed Tax](#).

### Mortgage Registry Tax

Mortgage registry tax (“MRT”) is imposed on the debt amount recited in a mortgage that creates a lien on Minnesota real property.

The tax rate is 0.0023 (0.0024 in Hennepin/Ramsey Counties) multiplied by the debt or portion of the debt that is being secured.

#### Major Exemptions ([Minnesota Statute 287.04](#))

- Mortgage Amendments – an instrument that does not increase the amount of debt secured
- Mortgage providing additional security for a debt amount upon which tax has already been paid
- Agricultural Mortgage
- Affordable Housing Mortgage

#### County Responsibilities

- Determine whether a document is exempt or subject to tax. If taxable, calculate the amount due.
- Provide a receipt on the document showing the amount of tax paid, or a statement declaring the document is exempt.
- Determine the amount of tax collected during each calendar month and remit that amount to the Department of Revenue by the 20th of the following month.

### Deed Tax

Deed tax is imposed on each deed or instrument by which real property in this state is granted, assigned, transferred, or otherwise conveyed. The tax rate is 0.0033 (0.0034 Hennepin/Ramsey Counties) multiplied by the net consideration ([Minnesota Statute 287.21](#)).

For transactions exempt from deed tax, please see [Minnesota Statutes 287.22](#).

#### County responsibilities:

- Determine the taxable or exempt status of each conveyance document.
- Provide a receipt on the document showing the amount of tax paid, or a statement declaring the document is exempt.
- Determine the amount of tax collected during each calendar month and remit the amount to the Department of Revenue by the 20th of the following month.

#### Requirements before recording a conveyance document

- Confirm the filing of an eCRV, if required.
- Certify there are no delinquent taxes on the property.
- If the recording of a deed creates a split, certify that the current year taxes are paid.

#### *Auditor’s certification of delinquent taxes paid*

The county recorder must not record a conveyance document that transfers legal ownership of, or creates an interest in, real property unless it contains a statement by the county auditor certifying that no delinquent taxes

are due on the property. Some documents are exempt from this requirement; e.g., a sheriff’s certificate of sale ([Minnesota Statute 272.12](#)).

*Treasurer’s statement of current taxes paid*

The county recorder must not record a conveyance document that transfers legal ownership of or creates an interest in a divided parcel (a “split”) unless it contains a statement by the county treasurer certifying that the taxes due in the current year for the whole parcel have been paid. The conveyance documents exempt from the requirement that delinquent taxes must be paid are also exempt from this requirement ([Minnesota Statute 272.121](#)).

Several of the unique situations that are exempt from the requirement under [Minnesota Statute 272.121](#) are listed below:

1. PLATS: Not covered under [Minnesota Statute 272.121](#) because not a conveyance. However, current taxes must be paid under [Minnesota Statute 505.04](#).
2. SURVEYS: Not covered under [Minnesota Statute 272.121](#) because not a conveyance. No special law requires current taxes be paid.
3. REGISTERED LAND SURVEY: Not covered under [Minnesota Statute 272.121](#) because not a conveyance. However, current taxes must be paid under [Minnesota Statute 508.47](#).
4. CORRECTIVE DEEDS: Not covered under [Minnesota Statute 272.121](#) because exempt under [Minnesota Statute 272.15](#).
5. CONDOMINIUMS: Each apartment with its undivided interests in the commons areas is defined as a whole parcel of real property under [Minnesota Statute 515.04](#). Therefore, the sale of an apartment would not be a split. The division of an apartment would be a split, and current taxes must be paid.
6. GOVERNMENT UNITS: All conveyances of splits or divided parcels of real property to a governmental unit are exempt from the requirement that current taxes on the whole parcel be paid before the conveyance of the split can be recorded ([Minnesota Statute 272.121](#)).