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[mn.gov/tax-court](http://mn.gov/tax-court)

**AT A GLANCE**

- Nine full-time staff: three judges (two appointed within the past year), three administrative staff, and three law clerks (currently two as a result of the COVID-related hiring freeze).
- Approximately 3,200 cases were filed annually during the past five years (2015 through 2020). Ninety-eight percent were appeals from property tax assessments; the remainder were appeals from orders of the Commissioner of Revenue.
- A property tax appeal is filed with the district court administrator in the county in which the property is located, then transferred to the tax court; an appeal from an order of the Commissioner of Revenue is filed directly with the Tax Court.
- FY 2020 base budget of \$1,807,000.
- The Tax Court’s Courtroom is being fitted with audio, video, and communication equipment to eliminate the use of physical documents, ensure social distancing for all in-person attendees, and allow for remote appearances, thereby increasing both safety and accessibility for taxpayers.
- When prudent, judges will resume travel throughout Minnesota to hear cases where taxpayers reside.
- The Court files written findings of fact, conclusions of law, and an explanatory memorandum in each case within three months of submission; final orders are appealable to the Minnesota Supreme Court.

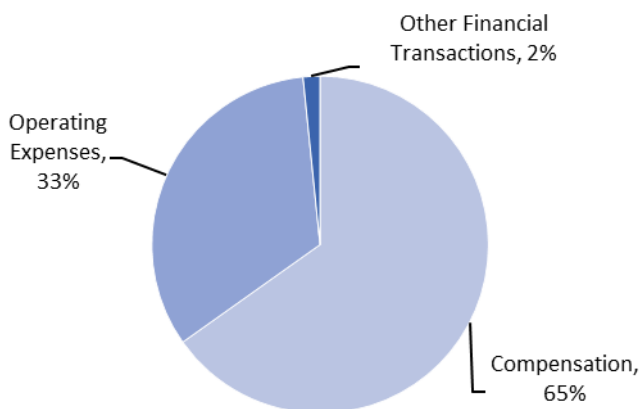
**PURPOSE**

The Minnesota Tax Court is a specialized trial court in the executive branch with statewide jurisdiction. By statute, it is “the sole, exclusive, and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state” (Minnesota Statutes section 271.01, subdivision 5).

The Tax Court resolves disputes between property owners and counties concerning the correct value and classification of real property and adjudicates taxpayer appeals from orders of the Minnesota Commissioner of Revenue. The Court’s three judges strive to ensure that the Court is managed according to best practices by working closely with the Department of Administration’s Small Agency Resource Team (SmART) and with MN.IT.

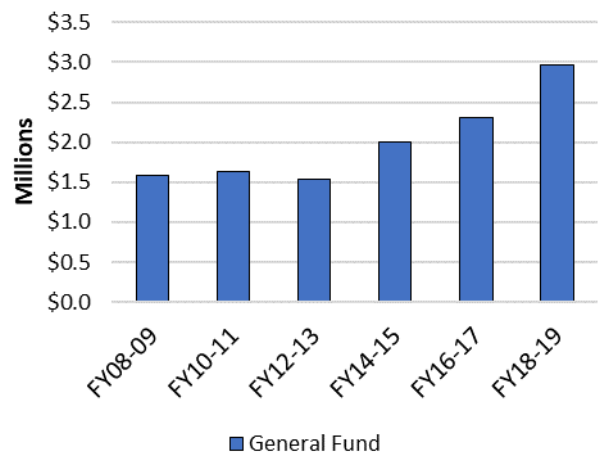
**BUDGET**

**Spending by Category  
FY 2019 Actual**



Source: Budget Planning & Analysis System (BPAS)

**Historical Spending**



Source: Consolidated Fund Statement

The Minnesota Tax Court generates approximately \$900,000 annually in non-dedicated revenue from filing fees, which are deposited into the General Fund. All funding for Tax Court operations, in turn, comes from a General Fund appropriation.

### STRATEGIES

The Tax Court is a specialized trial court. Tax Court actions are governed by the Minnesota Rules of Civil Procedure and of Evidence, and proceed in largely the same manner as civil actions filed in the Minnesota District Courts. Like other trial courts, the Tax Court resolves discovery and trial-management disputes, decides dispositive and non-dispositive motions, and conducts bench trials (jury trials are not available in Tax Court). The Tax Court files written findings of fact, conclusions of law, and an explanatory memorandum in each case submitted for decision. If dissatisfied with a Tax Court decision, a litigant may appeal directly to the Minnesota Supreme Court.

**Harness Available Resources:** To ensure the Court is managed according to best practices, we work closely with the Department of Administration’s Small Agency Resource Team (SmART) and with MN.IT. SmART assists the Court with human resources and budgeting. The Court’s budget now includes line-items for statutorily mandated services such as judicial travel to conduct hearings, the purchase of transcripts for indigent taxpayers, and translators for court proceedings. MN.IT assists the Court in maintaining its existing infrastructure and in helping to guarantee that the Court’s technology will meet its future needs.

**Upgraded Courtroom:** As of Fall 2020, the Tax Court’s courtroom is being fitted with audio, video, and communication equipment to eliminate the use of physical documents, ensure social distancing for all in-person attendees, and allow for remoted appearances. Our goal is a safe, modern, and accessible courtroom for all taxpayers.

**Active Case Management:** Filings in the Tax Court increased from approximately 1,200 in calendar year 2000 to almost 6,000 in 2010. Filings for the last five years (2015 through 2020) have averaged approximately 3,200 cases per year. Although the Court had a significant backlog for many years, that is no longer so. In addition, to facilitate settlements in Commissioner of Revenue and particularly in property tax cases (in which counties would otherwise have to request special funds to pay for an outside mediator), the judges of the Court all receive training in civil mediation. This enables parties to mediate appropriate cases (at no cost to the parties) in hopes of resolving them short of trial. Finally, the court has implemented streamlined procedures that reduce the time (and cost to the parties) of trying cases that cannot otherwise be resolved.

### RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>8/25/2015</i>	<i>8/15/2016</i>	<i>8/15/2018</i>	<i>8/15/2020</i>
Quantity	Open/Pending Cases	7,740	4,003	3,080	3,804

As used here, “Open and Pending Cases” refers to matters that have been entered into the Tax Court’s electronic case-management system, but have not yet been settled or tried.

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The Minnesota Tax Court is authorized by Minnesota Statutes Chapter 271 (<https://www.revisor.mn.gov/statutes/?id=271>).

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22 FY23		Governor's Recommendation FY22 FY23	
<b><u>Expenditures by Fund</u></b>								
1000 - General	1,432	1,533	1,325	2,290	1,808	1,808	1,827	1,841
<b>Total</b>	<b>1,432</b>	<b>1,533</b>	<b>1,325</b>	<b>2,290</b>	<b>1,808</b>	<b>1,808</b>	<b>1,827</b>	<b>1,841</b>
Biennial Change				650		1		53
Biennial % Change				22		0		1
Governor's Change from Base								52
Governor's % Change from Base								1

**Expenditures by Program**

Tax Court	1,432	1,533	1,325	2,290	1,808	1,808	1,827	1,841
<b>Total</b>	<b>1,432</b>	<b>1,533</b>	<b>1,325</b>	<b>2,290</b>	<b>1,808</b>	<b>1,808</b>	<b>1,827</b>	<b>1,841</b>

**Expenditures by Category**

Compensation	965	999	952	1,107	1,159	1,163	1,172	1,189
Operating Expenses	467	509	373	1,050	644	640	650	647
Capital Outlay-Real Property				113				
Other Financial Transaction		25		20	5	5	5	5
<b>Total</b>	<b>1,432</b>	<b>1,533</b>	<b>1,325</b>	<b>2,290</b>	<b>1,808</b>	<b>1,808</b>	<b>1,827</b>	<b>1,841</b>

**Full-Time Equivalents**

	8.46	8.62	7.50	8.50	9.00	9.00	9.00	9.00
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**Tax Court**

**Agency Financing by Fund**

*(Dollars in Thousands)*

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<b>1000 - General</b>								
Balance Forward In	0	371		482				
Direct Appropriation	1,679	1,679	1,807	1,808	1,808	1,808	1,827	1,841
Cancellations		517						
Balance Forward Out	247		482					
<b>Expenditures</b>	<b>1,432</b>	<b>1,533</b>	<b>1,325</b>	<b>2,290</b>	<b>1,808</b>	<b>1,808</b>	<b>1,827</b>	<b>1,841</b>
Biennial Change in Expenditures				650		1		53
Biennial % Change in Expenditures				22		0		1
Governor's Change from Base								52
Governor's % Change from Base								1
Full-Time Equivalents	8.46	8.62	7.50	8.50	9.00	9.00	9.00	9.00

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
<b>Direct</b>				
<b>Fund: 1000 - General</b>				
FY2021 Appropriations	1,808	1,808	1,808	3,616
Forecast Base	1,808	1,808	1,808	3,616
Change Items				
Operating Adjustment		19	33	52
<b>Total Governor's Recommendations</b>	<b>1,808</b>	<b>1,827</b>	<b>1,841</b>	<b>3,668</b>
<b>Revenue Change Summary</b>				
<b>Non-Dedicated</b>				
<b>Fund: 1000 - General</b>				
Forecast Revenues	20	20	20	40
<b>Total Governor's Recommendations</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>40</b>

## Tax Court

### FY 2022-23 Biennial Budget Change Item

#### Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
General Fund					
Expenditures	0	19	33	33	33
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	19	33	33	33
FTEs	0	0	0	0	0

#### Recommendation:

The Governor recommends additional funding of \$19,000 in FY 2022 and \$33,000 in each subsequent year from the general fund to maintain the current level of service delivery at the Minnesota Tax Court.

This represents a 1.4% change to the Tax Court's overall general fund appropriation.

#### Rationale/Background:

The FY 2021 operating reduction amount reflects the savings generated due to the state hiring freeze and other operating efficiencies in the current year.

The operating increases recommended in FY 2022 and FY 2023 fund a portion of the projected cost increases in the upcoming biennium. Each year, the cost of doing business rises—including growing costs for employer-paid health care contributions and other salary and compensation-related costs. Other operating costs, like rent and lease, fuel and utilities, IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year without enacted increases.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. To manage costs, most agencies find ways to become more efficient with existing resources.

Efficiencies will continue in the next biennium; however, cost growth will continue to put pressure on budgets and without additional resources, service delivery erodes.

#### Proposal:

The Governor recommends increasing agency operating budgets to support the delivery of current services. This increase is below the assumed level of inflation, acknowledging continued efficiencies achieved by the Tax Court. For the Tax Court, this funding will cover expected and anticipated employee compensation growth and known cost increases in rent.

#### Results:

This proposal is intended to allow the Minnesota Tax Court to continue to provide current levels of service and information to the public.