

Department of Revenue

Property Tax Division

A graphic featuring a blue silhouette of the state of Minnesota. The text 'MINNESOTA • REVENUE' is written in white across the middle of the map. To the left of the map, there are two callout boxes. The top one is dark grey with a blue arrow pointing right and the word 'MISSION' in white. The bottom one is dark green with a green arrow pointing right and the word 'VISION' in white. A large orange callout box with a 3D effect is positioned in front of the map, containing the text 'Working together to fund Minnesota's future' in dark blue. Below the 'VISION' box is a green box with white text: 'Everyone reports, pays, and receives the right amount: no more, no less.' The background is a light blue gradient. At the bottom left, there is a decorative graphic with blue diagonal lines and a black triangle.

MINNESOTA • REVENUE

MISSION

Working together to fund
Minnesota's future

VISION

Everyone reports, pays, and receives
the right amount: no more, no less.

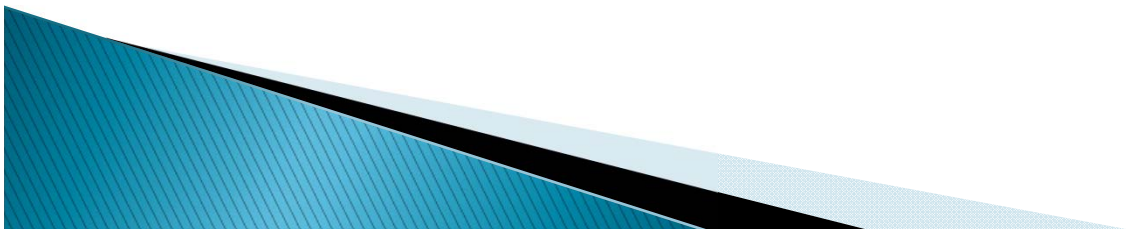
Property Tax Division

- ▶ 45 employees
- ▶ Collect over \$850 million in state general taxes
- ▶ Pay over \$950 million in aids and credits
- ▶ Oversee 87 Counties, 853 cities, 1782 towns
- ▶ Over \$8 billion in property taxes are paid every year



Major Functions

1. Oversight and Compliance
2. Valuation of State Assessed Properties
3. Aid and Credit Payments
4. Data and Information Management
5. Research and Analysis



Oversight and Compliance

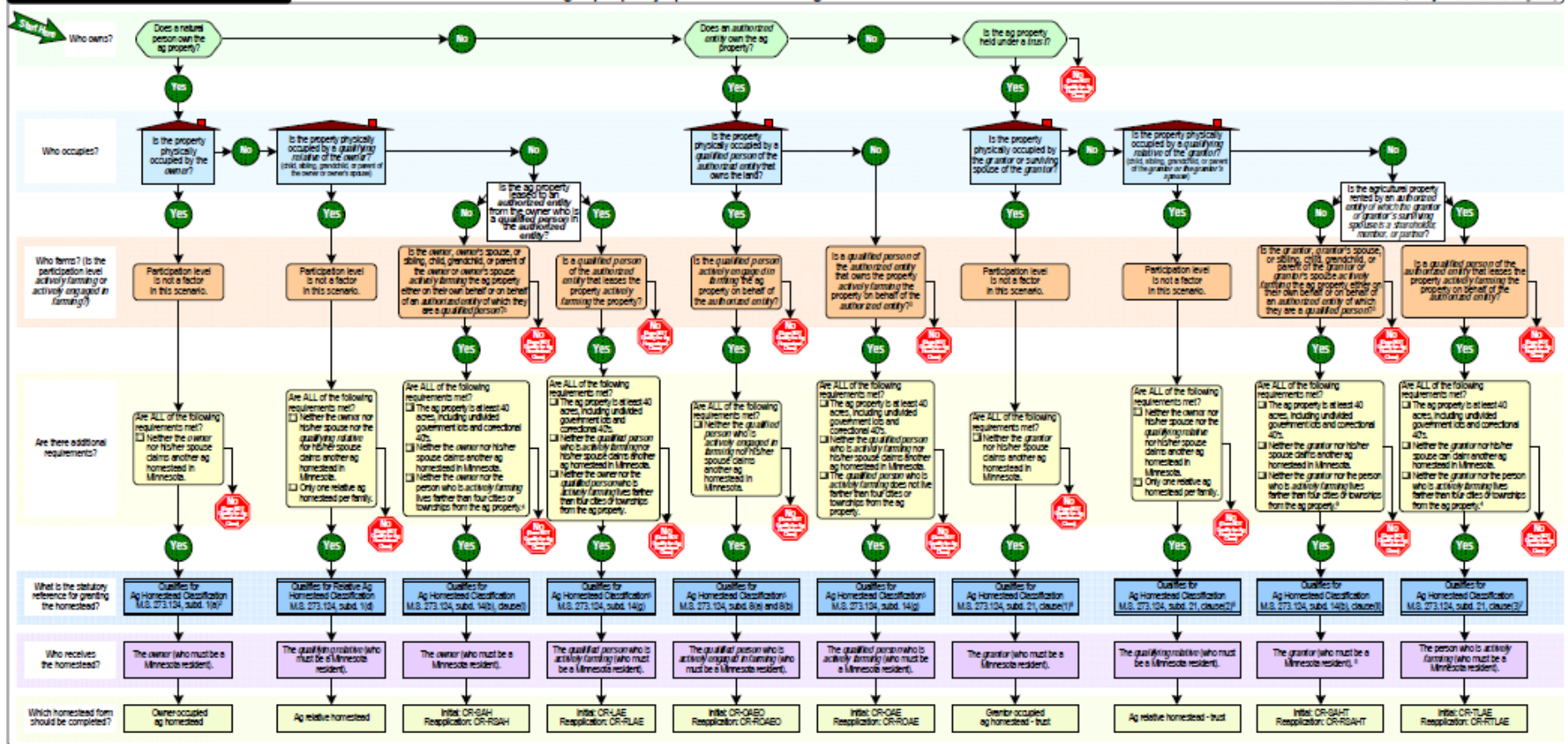
- ▶ Ensure equal application of the state's property tax assessment laws:
 - 52 property tax classifications
 - homestead laws
 - special programs (valuations, deferrals, exclusions)
 - property tax exemptions



2012 Revisions

Determining if property qualifies for the agricultural homestead¹ classification

Note: Terms in **bold, italic font** are defined in the glossary.



Footnotes

Note: Terms in **bold, italic font** are defined in the glossary

Glossary

Note: Terms used in the flow chart are defined below. See the full glossary in the agricultural bulletin for definitions of **bold**, italic words listed below.

- 1 The property must first properly qualify as agricultural pursuant to M.S. 273.13, subd. 23.
- 2 If the entire property including the HGA is leased, the property must meet the requirements of M.S. 273.124, subd. 8(c) to qualify as an owner occupied ag homestead.
- 3 In some cases, the Farm Service Agency number may be in an authorized entity's name when the person actively farming is doing so on behalf of the authorized entity.

- 4 If the *owner* or the *owner's spouse* (or *grantor* or *grantor's spouse*) is required by their employer to live in employer-provided housing, the *owner* or *owner's spouse*, whenever he actively farming the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property.
- 5 This is limited to *authorized identities* with 12 or fewer members, shareholders or partners.
- 6 If the entire property including the HGA is leased, the property must qualify under M.L.S. 273.124, subd. 21, clause (3) to qualify as an owner occupied as homestead.

⁷ This statute was amended by Laws 2005, Chapter 151, Article 5, Section 21. Previously, this provision required a *qualified* person of the authorized family to occupy the property and actively *enjoy* on behalf of the *authorized* entity to receive homestead (the *qualified* person did not have to be the grantor, spouse or the grantor or son or daughter of the grantor). Those receiving homestead under this clause to *enjoy* payments in 2005, but no longer qualify due to the 2005 law change, may continue to receive homestead as long as the requirements of this clause as it existed for taxes payable in 2005 are met.

¹⁴If the *grantor* is deceased, the property may still qualify for homestead to the benefit of the trust. The active farmer must sign the application, attesting the requirements are factually met, but the homestead is given to the land owned by the trust.

actively engaged in farming - participation in the farm on a regular and substantial basis. The person who is actively engaged in farming must be a Minnesota resident.

authorized entity - can be a family farm corporation, joint family farm venture, limited liability company, or partnership operating a family farm (M.R.C. 273.124, subdivision 8(a)). This is limited to authorized entities with 12 or fewer members, shareholders or partners. The following entities would be eligible for homestead treatment:

- authorized farm limited liability company (operating a family farm);
- authorized family farm; and
- authorized partnership (operating a family farm).

family farm - family farm corporation, family farm limited liability company (operating a family farm); family farm partnership; general

grantor - is defined as the person creating or establishing a testamentary, inter vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment (M.S. 273.124, subdivision 21). For property that is held under a trust to receive an agricultural homestead, the grantor must be a Minnesota resident, and neither the grantor nor the spouse of the grantor can claim another agricultural homestead.

owner - is defined as an individual person or multiple people who own the property (i.e. not owned by a business or entity). To receive an agricultural homestead, the owner must be a Minnesota resident, and neither the owner nor the spouse of the owner can claim another agricultural homestead.

qualified person - must be a Minnesota resident and can be a member in an authorized entity; a shareholder in an authorized entity; or a partner in an

qualifying relative or surviving relative - must be a Minnesota resident. For agricultural property a qualified relative can be a child, sibling, grandchild or parent of the owner or of the spouse of the owner or grantor of the agricultural property (M.S. 273.124, subdivision 1(d)). The list of relatives for residential property is different (M.S. 273.124, subdivision 1(c)).

trust - a fiduciary relationship under which one party holds property for the benefit of another party.

trustee - means the party that holds property rights for the benefit of

Oversight and Compliance

► Special Programs

EXCLUSION / DEFERRAL	2013 MARKET VALUE
Green Acres	\$2,106,693,719
Rural Preserve	\$521,932,887
Open Space	\$523,923,100
Homestead Market Value Exclusion	\$29,569,565,530
This Old House	\$112,492,980
Veterans Who are Disabled	\$1,653,711,583
Plat Law	\$143,991,035
This Old Business	\$47,100
Homestead Property Damaged by Mold	\$393,400

Oversight and Compliance

Tax Liability Share by Classes of Property Assessment Year 2013, Taxes Payable 2014

PROPERTIES BY CLASS	MARKET VALUE (MILLIONS)	NET TAX (MILLIONS)	MARKET VALUE SHARE	SHARE OF NET TAXES PAYABLE
Agricultural/Rural Vacant Land	139,370	735	24.1%	8.5%
Residential (Homestead and Non-homestead)	307,729	4,104	53.2%	47.5%
Apartments	22,916	420	4.0%	4.9%
Seasonal Recreational Residential	23,610	234	4.1%	2.7%
Commercial/Industrial	69,242	2,688	12.0%	31.1%
Utility/Other	15,359	464	2.7%	5.4%

Oversight and Compliance

- ▶ Our role in ensuring compliance:
 - Conducting an annual sales ratio study to understand and improve assessment quality (**State Board of Equalization**)
 - Providing information and education to property tax administrators and property owners
 - Identifying areas of non-compliance with property tax laws and addressing them
 - Maintaining comprehensive manuals for property tax administrators



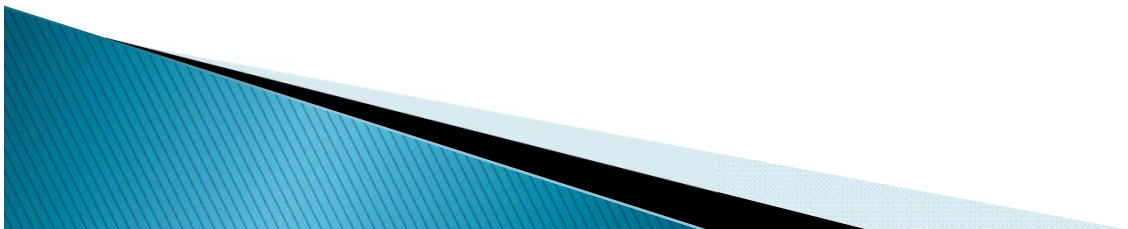
Oversight and Compliance

- ▶ Our role in ensuring compliance:
 - Auditing actions of boards of appeal and equalization for compliance with state law
 - Conduct investigations to address possible non-compliance with property tax laws
 - Training county and local board of appeal members
 - Providing an annual summary of laws passed, describing how to implement them



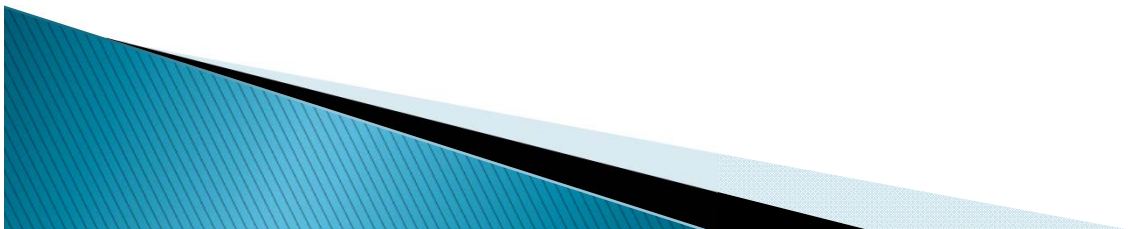
Oversight and Compliance

- ▶ Other division oversight functions include:
 - Creating templates for assessment notices, Truth-in-Taxation notices, and tax statements
 - Issuing state deeds for tax-forfeited lands
 - Administrative functions for the State Board of Assessors



State-Assessed Properties

- ▶ The Department of Revenue values certain properties of
 - gas distribution systems
 - electric utilities
 - pipelines
 - railroads
 - commercial airlines



State-Assessed Properties

- ▶ The State Assessed Properties Section
 - ensures equalized and accurate values of these properties
 - apportions the values to their taxing jurisdictions
 - handles appeals of property owners who disagree with the state's valuation



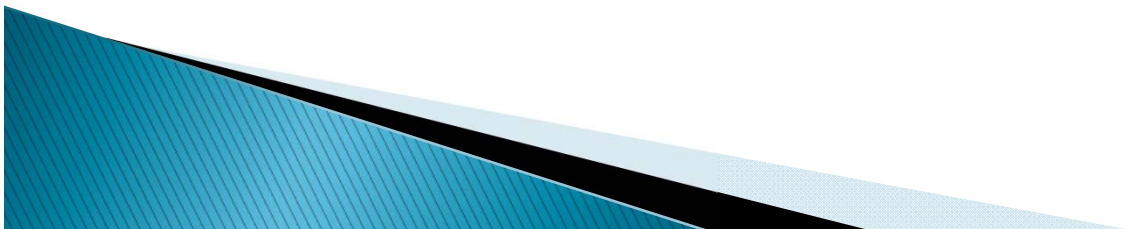
State-Assessed Properties

- ▶ The State Assessed Properties section administers two production taxes:
 - Wind Energy
 - Solar Energy



State-Assessed Properties

- ▶ The State Assessed Properties section also administers special programs:
 - Pollution Control Exemptions
 - Sliding Scale Market Value Exclusion



Aid and Credit Payments

- ▶ The division calculates and pays state aids:
 - Local Government Aid
 - County Program Aid
 - Police State Aid
 - Fire State Aid
 - Aquatic Invasive Species Prevention Aid
 - Town Aid



Aid and Credit Payments

- ▶ State Aids and Credits

2014 Aid	Payment (in millions)
County Program Aid	\$205.5
Town Aid	\$10
Local Government Aid	\$507.6
Other state aids	\$147.4

Aid and Credit Payments

▶ Credits

- Agricultural Homestead Market Value Credit
 - Supplemental Credit in 2014
- County Conservation Credits
- Disaster Credits

▶ Other state payments:

- PILT in partnership with DNR
- Taconite Aid
- etc.



Data & Information Management

- ▶ Collect property value and tax data from counties
- ▶ Currently, 9 separate abstracts of summary data
- ▶ PRISM: we are transitioning to parcel-level data collection, which will enhance our oversight and analysis



Data & Information Management

- ▶ Sales data comes from the department's online Certificate of Real Estate Value (eCRV)



- ▶ Use property sales data for a number of duties:
 - Determining agricultural market values in consultation with the University of Minnesota
 - Research reports and revenue estimates
 - Sales ratio studies



Data & Information Management

Sales Ratio studies compare real estate sales to assessments. These are used for:

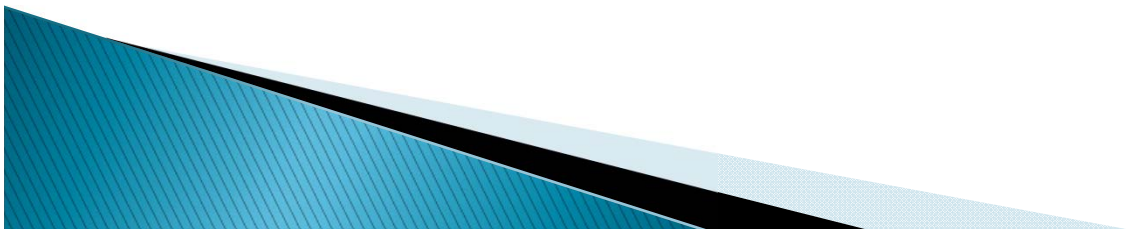
- ▶ Equalizing assessments through the State Board of Equalization
- ▶ Adjusting tax bases for differences in assessment levels when distributing a variety of aids to local governments and property tax levies
- ▶ Measuring fiscal capacities for bond rating agencies



Research and Analysis

Prepare **revenue estimates** for bills that affect the property tax system:

- ▶ Cost or savings to the state's general fund
- ▶ Taxpayer impacts
- ▶ Does the proposal make the property tax system more or less understandable, efficient, equitable, stable, competitive, and responsive?



Research and Analysis

- ▶ **Forecast** the state property tax, aids, credits and refunds
- ▶ **Provide information** about the property tax system:
 - Mandated studies
 - Property Tax Refund tables
 - Property Tax Burden Reports (Voss reports)



Research and Analysis

2011 Tax Burden by Income

Income range*	Median Burden	
	Before PTR	After PTR
\$10,000 – \$30,000	6.2 %	3.6 %
\$30,000 – \$45,000	4.1	3.2
\$45,000 – \$65,000	3.3	3.0
\$65,000 – \$90,000	2.7	2.7
\$90,000 – \$125,000	2.4	2.4
\$125,000 or more	1.9	1.9
Overall	2.9	2.7

**Homesteads with income under \$10,000 not shown due to data issues*



Welcome to the Minnesota Department of Revenue

For Individuals



- ➔ e-Services Information
- ➔ Make a Payment
- ➔ File & Pay Income Tax
- ➔ Where is my refund?
- ➔ Property Tax Refund
- ➔ Forms & Instructions
- ➔ Members of the Military
- ➔ Free Tax Preparation Sites

[more >](#)

For Businesses



- ➔ e-Services Information
- ➔ Make a Payment
- ➔ Sales & Use Tax
- ➔ Withholding Tax
- ➔ All Business Taxes
- ➔ Forms & Instructions
- ➔ Starting a Business
- ➔ Update Business Information

[more >](#)

For Tax Professionals



- ➔ e-Services Information
- ➔ Approved Software
- ➔ Rejection Error Codes
- ➔ Bulk Filing
- ➔ Forms & Instructions
- ➔ Fact Sheets
- ➔ News for Tax Preparers
- ➔ Software Vendors

[more >](#)

For Local Governments



- ➔ e-Services Information
- ➔ File & Pay
- ➔ Tax Administration
- ➔ Clients (Other Agencies)
- ➔ e-Services for Libraries
- ➔ eCRV
- ➔ Minnesota State Board of Assessors

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News Flash... Income tax filing season opens January 20, 2015 [See all >](#)

The Minnesota Department of Revenue announced that it will open state income tax filing season on January 20, 2015. For... [More >](#)

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