CITY OF MINNEAPOLIS

Property Tax Overview

Ways & Means Committee

May 5, 2014

Property Tax Overview

- What is Property Tax?
- Who Levies Property Tax?
- Who Pays Property Tax?
- How is it Calculated?
- Minneapolis Property Taxes

Property Tax Overview

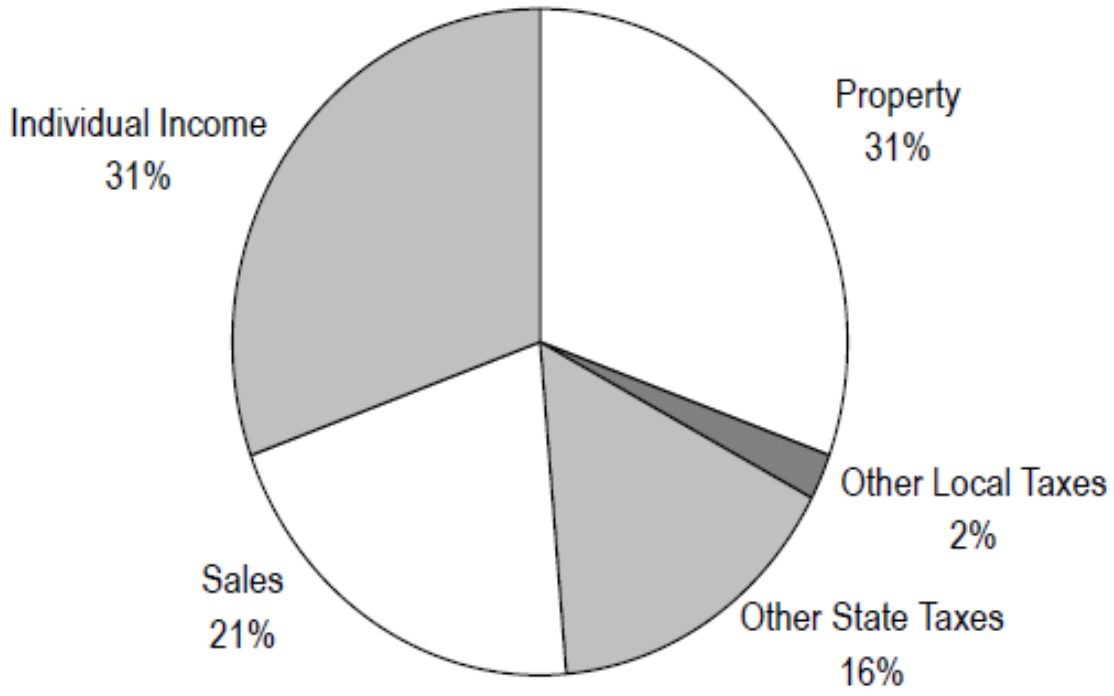
What is Property Tax?

- Property Tax: A tax assessed upon a parcel of **real** property (real estate) based upon its valuation (ad valorem)
  - Real Property: For the purposes of taxation, real property includes the land, all buildings, structures, improvements, or other fixtures on it, and the right to occupy the real estate, sell it, lease it, enter it, give it away, or borrow against it.
- Any property that is not **real** property is deemed **personal** property
  - Personal Property: Anything that is not real property is personal property. The main characteristic of personal property is that it is movable without causing damage to itself or the real estate. In Minnesota, personal property is generally exempt from property taxes.

Property Tax Overview

What is Property Tax?

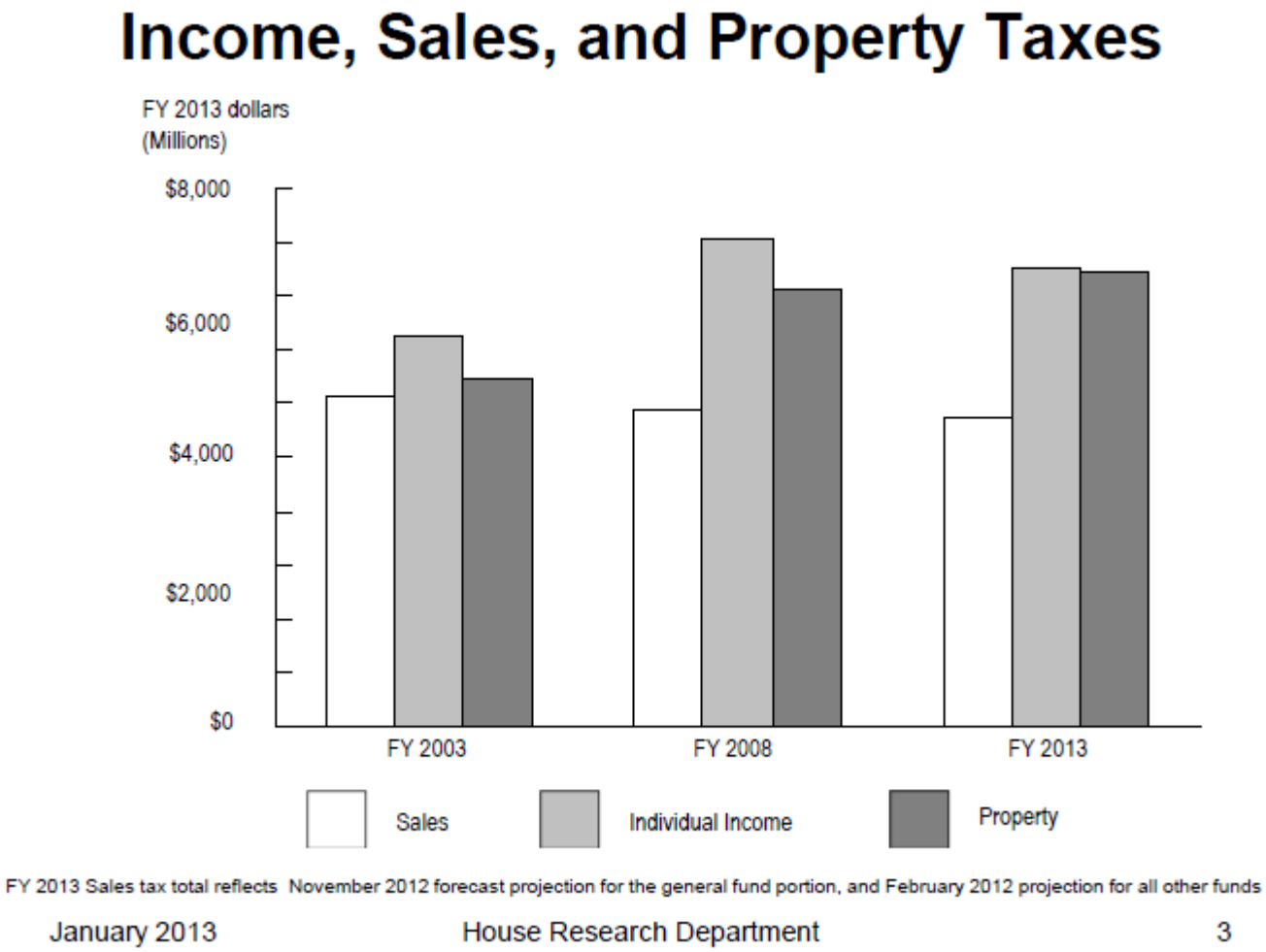
State and Local Taxes
($27,559 million in FY 2013)



Estimates for taxes reported in funds other than the general fund rely on projections from the February 2012 economic forecast.

Property Tax Overview

What is Property Tax?



Property Tax Overview

Who Levies Property Taxes?

- Political Subdivisions of the State of MN
  - Cities
  - Townships
  - Counties
  - Schools
  - Special Districts (WMO, Met Council, RRA, HRA)

Property Tax Overview

Who Pays Property Taxes?

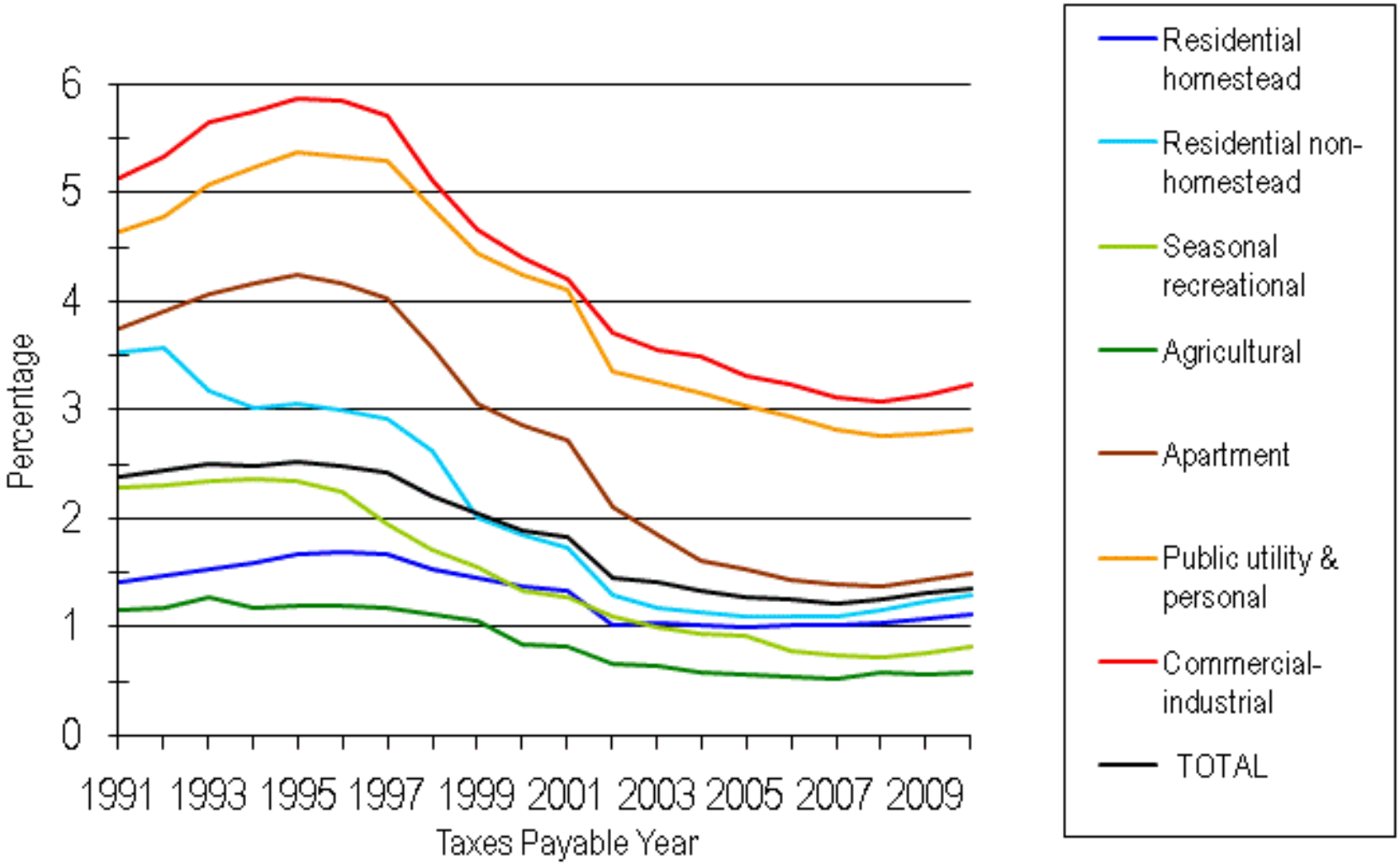
- Property Owners for Various Property Classes
  - Commercial
  - Industrial
  - Residential
  - Apartments
  - Recreational/Cabin
- Exclusions:
  - Other Government
  - Non-profit
  - Payment in lieu of taxes (PILOT)

Property Tax Overview

Who Pays Property Taxes?

- Each property class has a different class rate
  - Proportion of taxable value subject to property tax
  - Determined by legislature
  - > 30 different property classes
  - http://www.house.leg.state.mn.us/hrd/issinfo/clsrates.aspx?src=21

Statewide Effective Tax Rates, 1991 to 2010



Property Class Rates

Trivia: What were the class rates in 1996?

- Residential = 1.0%
- Apartment = 3.4%
- Commercial = 4.6%

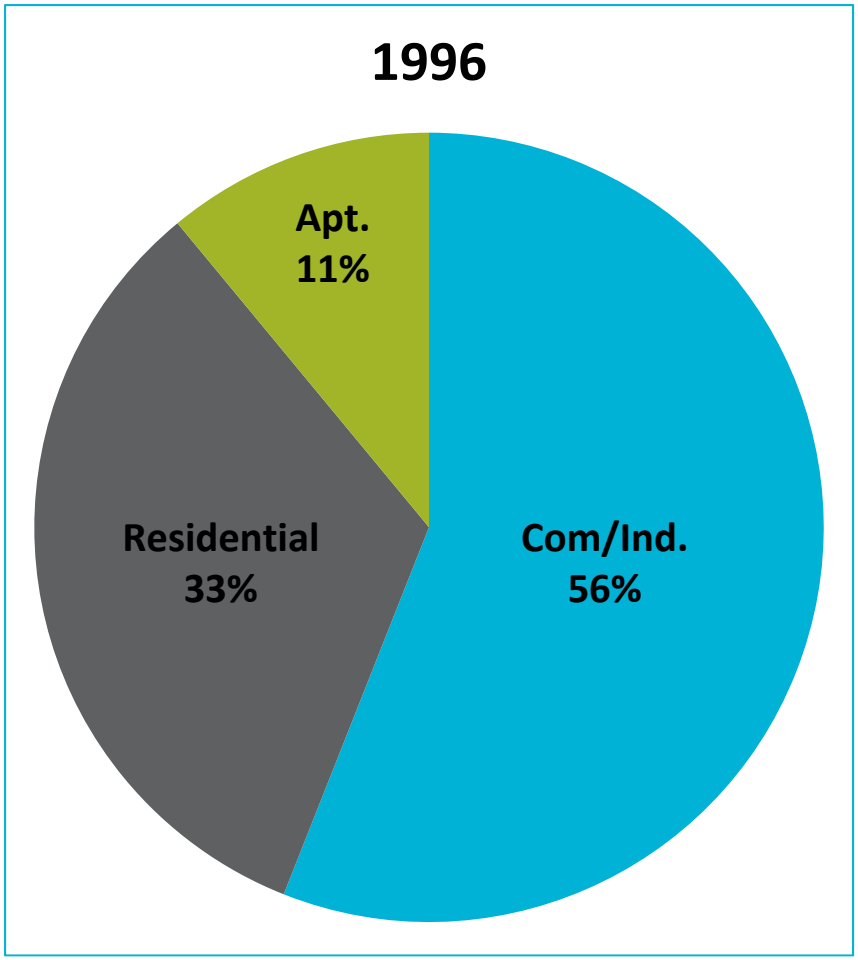
Trivia: What were the class rates in *2014?*

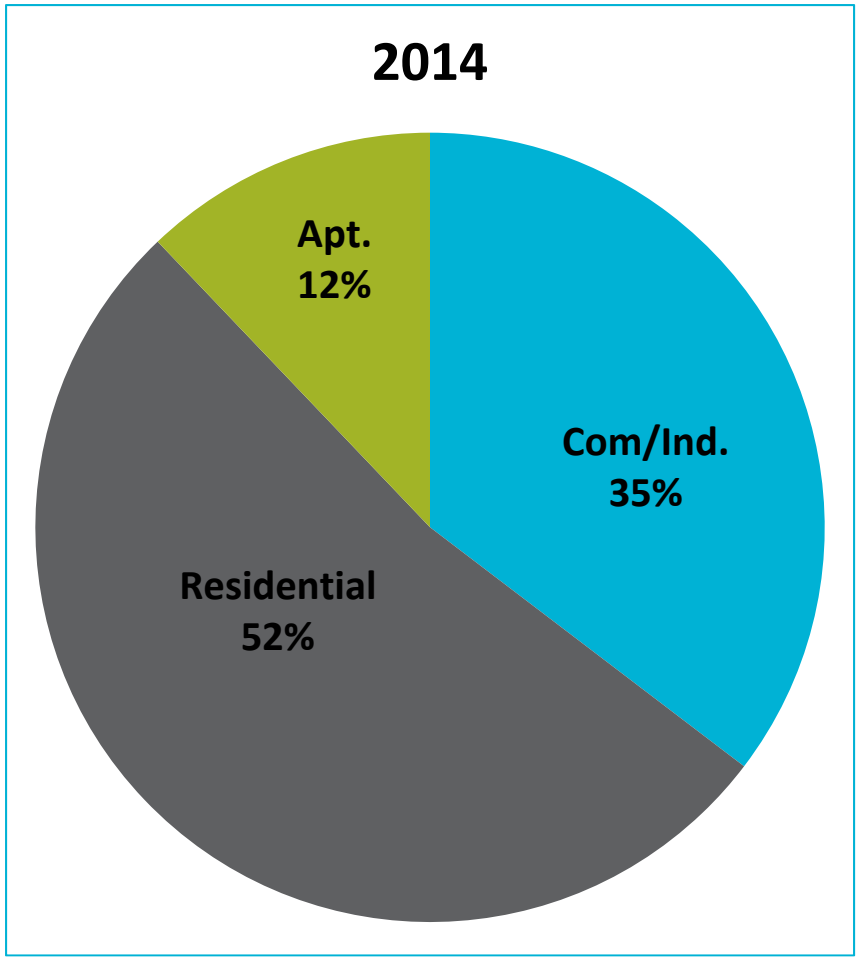
- Residential = 1.0%
- Apartment = 1.25%
- Commercial = 1.5% - 2.0%

18 Year Comparison

Type	Year	Value
Residential	1996	$7.9 billion
	2014	$23.5 billion
	% Increase of:	197%
Commercial	1996	$4.1 billion
	2014	$7.5 billion
	% Increase of:	83%

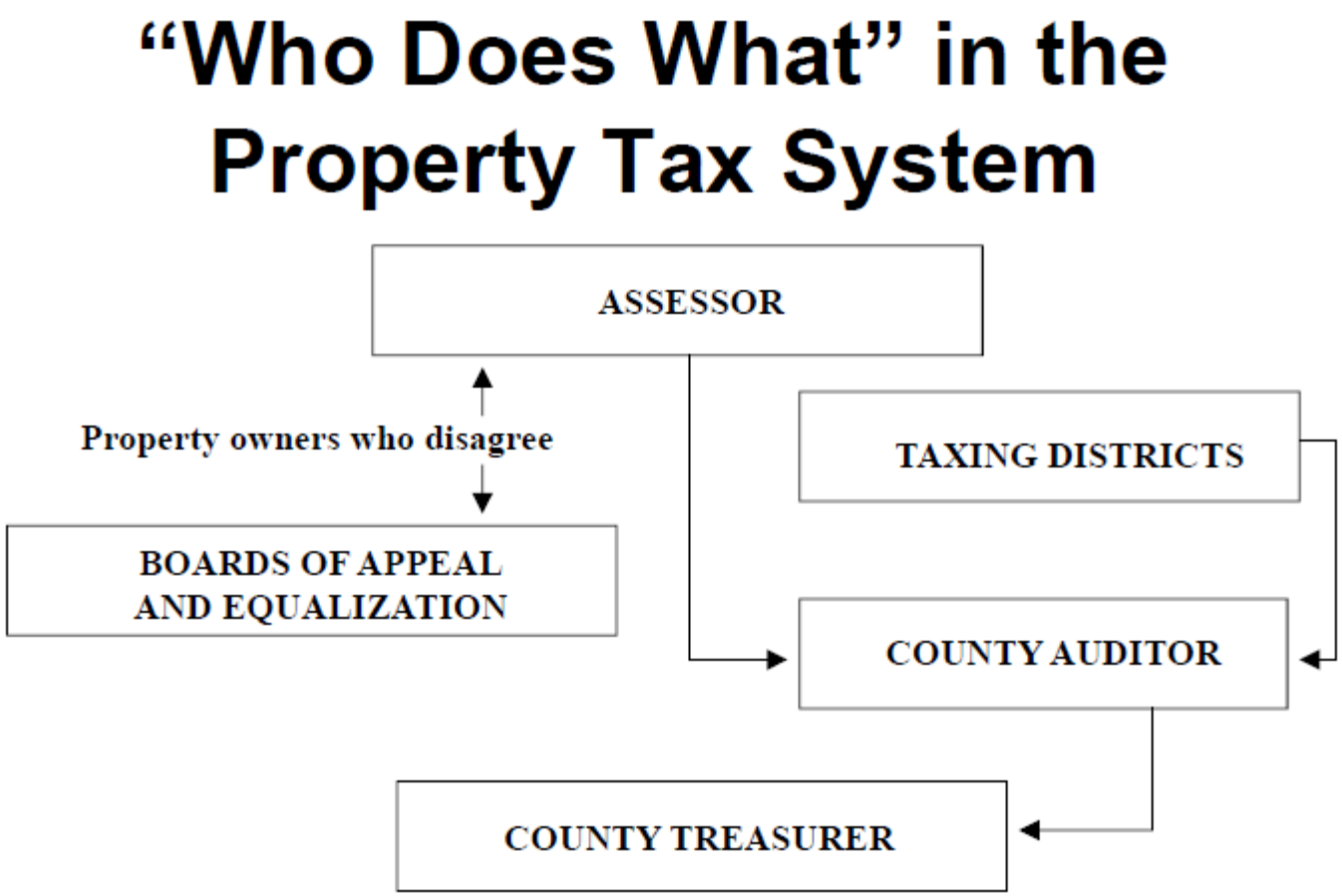
Property Tax Shift





Property Tax Overview

How Are Property Taxes Calculated?



Property Tax Overview

How Are Property Taxes Calculated?

- Role of Assessor
- Property Valuation
- Taxable Market Value

Role of the Assessor's Office

We do… *Values*

- Determine Estimated Market Value for each property
- Assign Classification (i.e. Property Type)
- Determine taxable status of each property

We don't do… *Taxes*

- Calculate Taxes (Henn. Cty. Taxpayers Service)
- Print or Mail Tax Statements (Henn. Cty. Taxpayers Service)
- Collect Taxes (Henn. Cty. Taxpayers Service)
- Special Assessments (Reg. Services & Public Works)

Annual Assessment Cycle for 2014

<u>2/10/2014</u>: 80,000 Value Notices mailed

<u>2/18/2014</u>: 30,000 Additional Value Notices mailed

<u>3/11/2014</u>: 19,000 Additional Value Notices mailed

Thirty days (30) for Reviews and Inspections

<u>Mid-March</u>: Tax statements are mailed

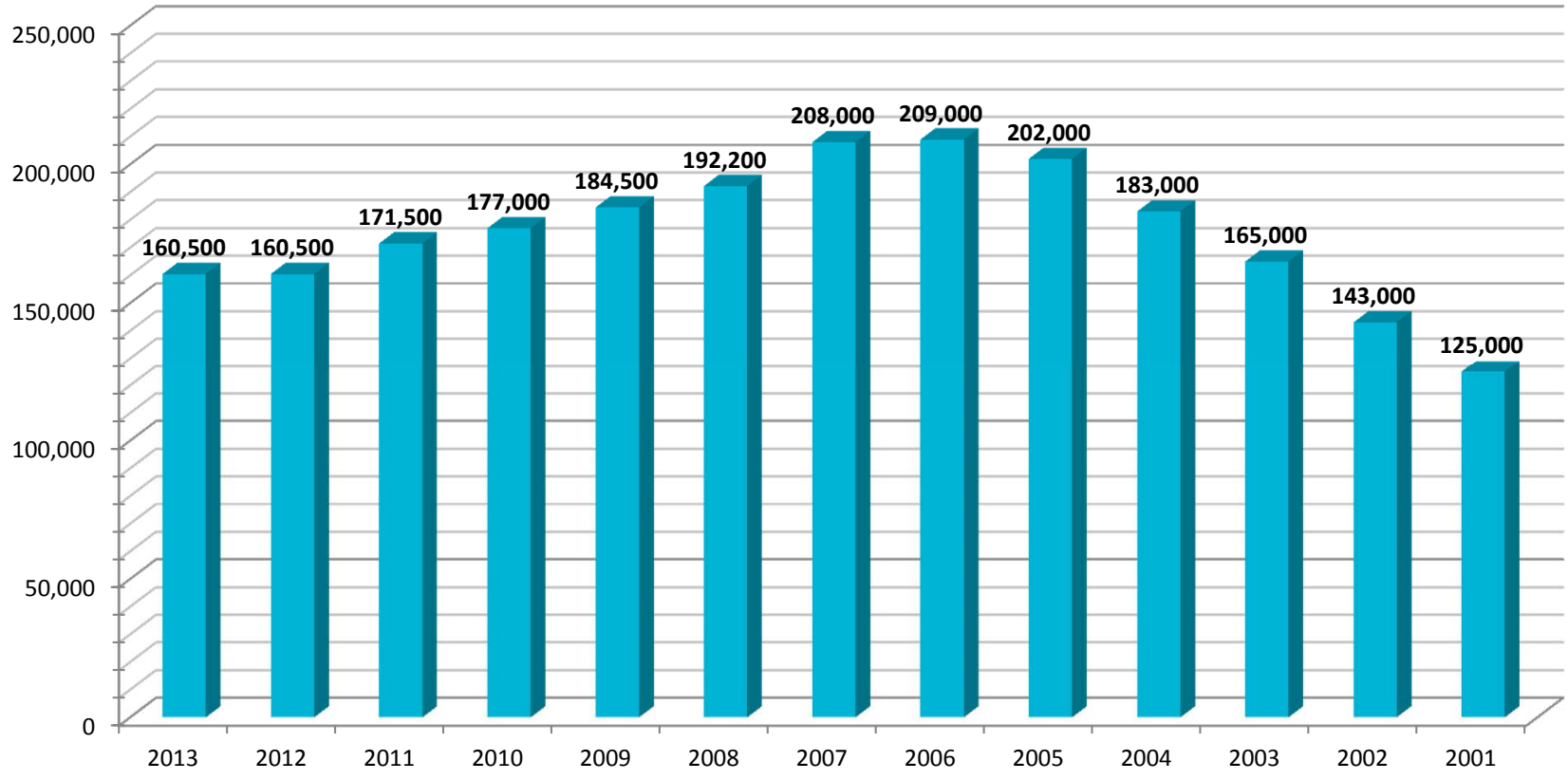
<u>4/28/2014</u>: Local Board of Appeal and Equalization

<u>6/16/2014</u>: County Board of Appeal and Equalization

<u>11/2014</u>: Truth-in-Taxation (TNT) Statements are mailed

Residential Median Value Trend

2001 - 2013



Property Tax Overview

How Are Property Taxes Calculated?

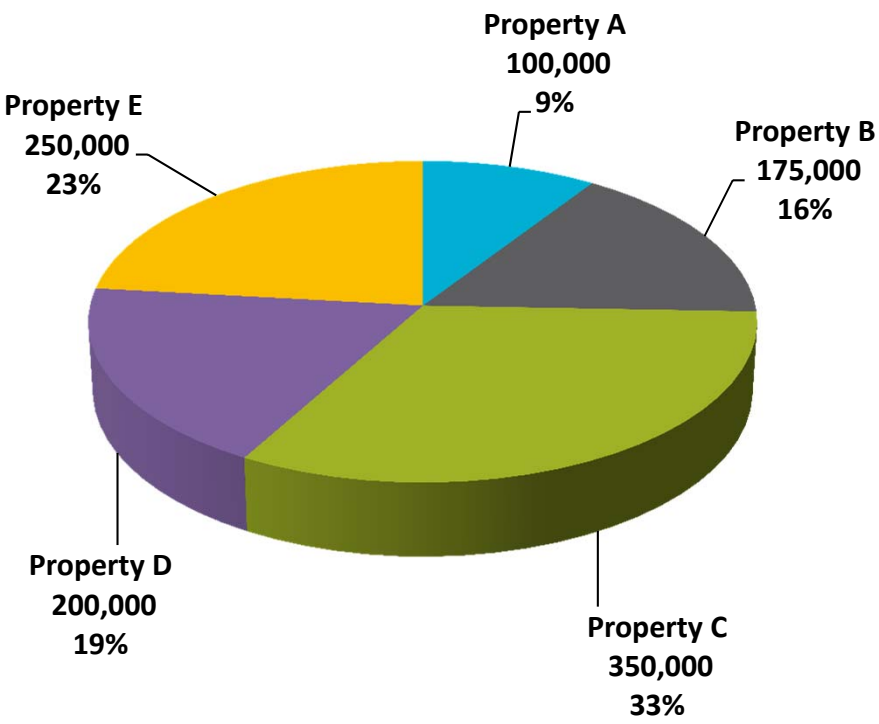
- Total amount determined by local jurisdiction

Total Proposed Local Budget
-All non-property tax revenues (LGA, fees, grants)
=Property tax revenue needed (levy)

- Levy certified to County by September 15
  - Proposed/Maximum Levy
- Truth-in-Taxation
- Levy Adopted in December

Property Tax Overview

How Are Property Taxes Calculated?



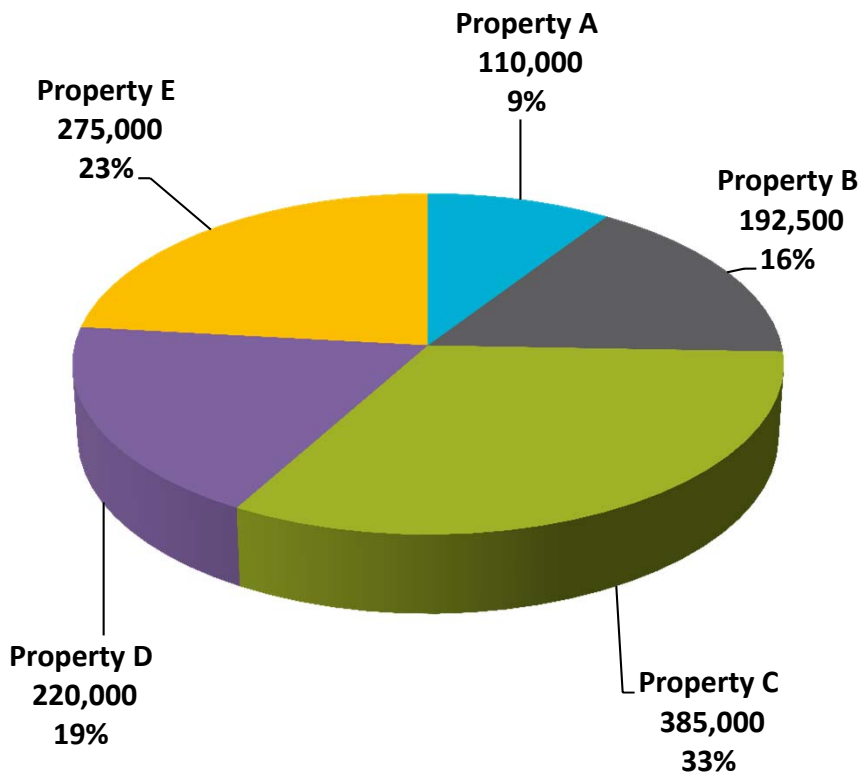
- **Total Levy = $10,000**
- **Total Value = $1,075,000**
- **Tax Rate ($10,000/$1,075,000)=.0093**

	Value x Rate
Property A	$ 930.23
Property B	$ 1,627.91
Property C	$ 3,255.81
Property D	$ 1,860.47
Property E	$ 2,325.58
Total Tax	$10,000.00

Property Tax Overview

How Are Property Taxes Calculated?

When property values increase 10%



- **Total Levy = $10,000**
- **Total Value = $1,182,500**
- **Tax Rate ($10,000/$1,182,500)=.0085**

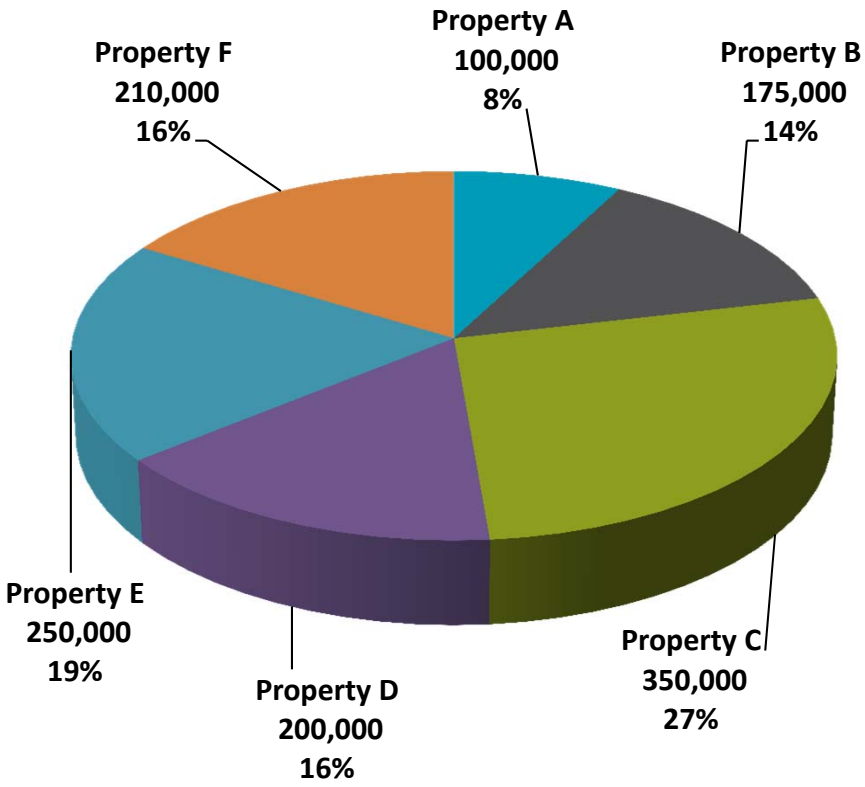
Property A	$ 930.23
Property B	$ 1,627.91
Property C	$ 3,255.81
Property D	$ 1,860.47
Property E	$ 2,325.58
Total Tax	$10,000.00

Property Tax Overview

How Are Property Taxes Calculated?

When another property is added

- Total Levy = $10,000



	Before	After
Property A	$ 930.23	$ 778.21
Property B	$ 1,627.91	$ 1,361.87
Property C	$ 3,255.81	$ 2,723.74
Property D	$ 1,860.47	$ 1,556.42
Property E	$ 2,325.58	$ 1,945.53
Property F	$ -	$ 1,634.24
Total Taxes	$10,000.00	$ 10,000.00

Property Tax Overview

Minneapolis Property Tax Overview

- Several Components:
  - City
  - Park Board
  - Municipal Building Commission
  - Teachers' Retirement

Property Tax Overview

Minneapolis Property Tax Overview

		2013		2014	Change
City	$	219,634,000	$	215,904,000	-1.70%
MBC	$	4,410,000	$	4,594,000	4.17%
Park Board	$	48,616,000	$	49,627,000	2.08%
Library	$	9,300,000	$	9,300,000	0.00%
Public Housing	$	200,000	$	-	-100.00%
TRA	$	2,400,000	$	2,300,000	-4.17%
Total Levy	$	284,560,000	$	281,725,000	-1.00%

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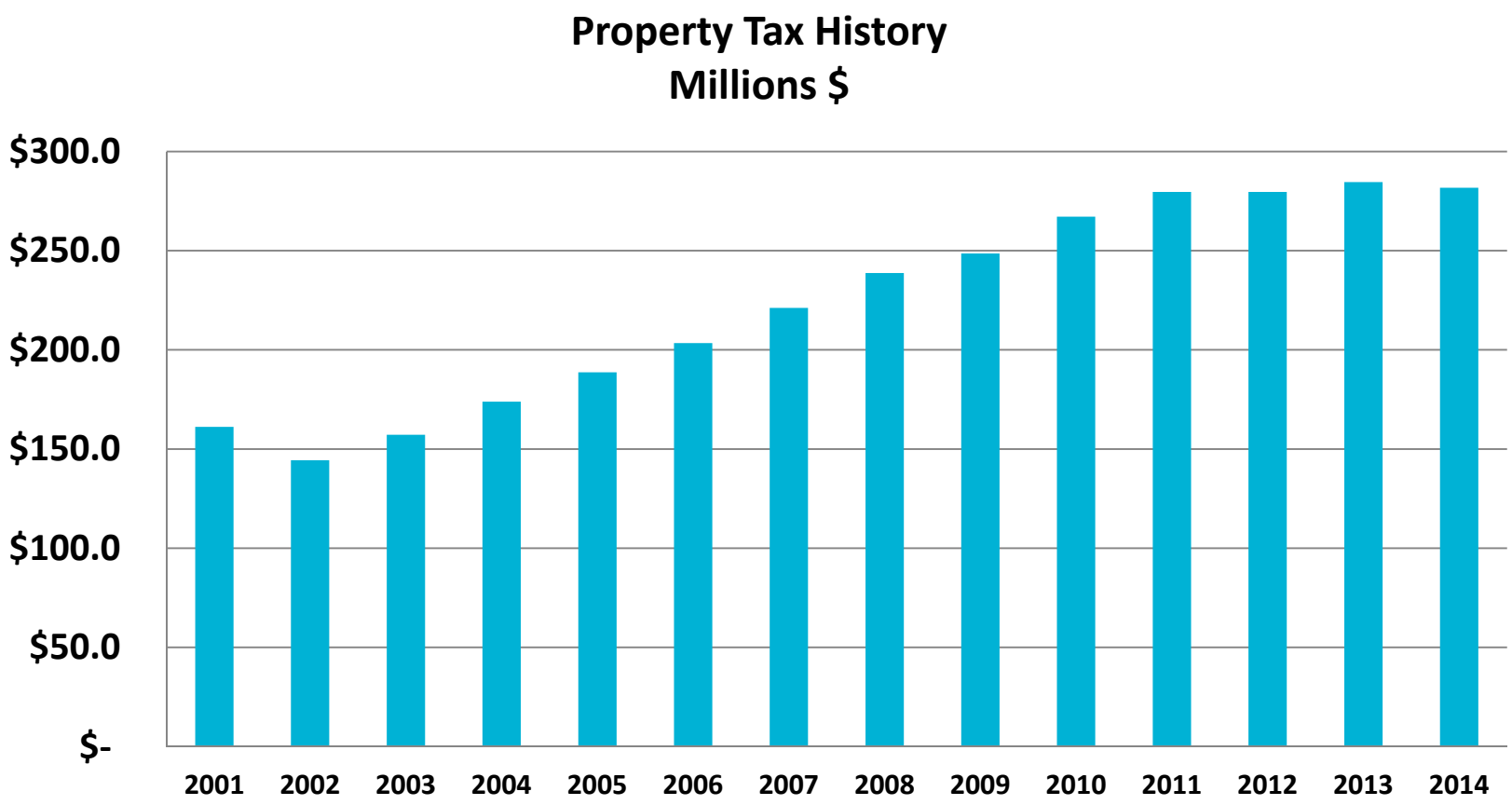
Minneapolis Property Tax Overview



Property Tax Overview

What is Property Tax? Terms

- The county or city assessor determines each property's **estimated market value**
- For homesteads, the homestead market value exclusion is subtracted to determine **taxable market value**
- **Net tax capacity** equals **taxable market value** times **class rate**
- Each local jurisdiction sets its **levy**; levy divided by total net tax capacity equals the jurisdiction's **tax rate**
- **Net property tax** equals the property's **net tax capacity** times the **tax rates** of all relevant taxing jurisdictions, plus the market value tax

Property Tax Overview-Links

- http://www.revenue.state.mn.us/propertytax/Pages/factsheets.aspx
- http://www.house.leg.state.mn.us/hrd/pubs/ss/ssptterm.pdf
- http://www.house.leg.state.mn.us/hrd/pubs/ss/ssptadm.pdf
- http://www.house.leg.state.mn.us/hrd/pubs/ss/ssptvart.pdf
- http://www.house.leg.state.mn.us/hrd/pubs/ss/ssproptax.pdf
- http://www.house.leg.state.mn.us/hrd/issinfo/clsrates.aspx?src=21
- http://www.house.leg.state.mn.us/hrd/issinfo/2013proptaxbriefing.pdf
- http://www.house.leg.state.mn.us/hrd/issinfo/mvcredit.aspx?src=21

CITY OF MINNEAPOLIS

Property Tax Overview

Questions

Sources:

Minnesota Department of Revenue

Minnesota House Research

League of Minnesota Cities