Understanding Your Property Tax Changes:

Know Why Your Tax Bill is Changing…And What is Responsible

AN EDUCATIONAL GUIDE

NOVEMBER 2014

MINNESOTA CENTER for
Fiscal Excellence
Sound tax policy. Efficient spending. Accountable government.

MINNESOTA FOUNDATION FOR FISCAL EXCELLENCE

Acknowledgements

Contributions to the Minnesota Foundation for Fiscal Excellence, the supporting research and education arm of the MCFE, made this publication possible. MCFE is solely responsible for the contents of *Understanding Your Property Tax Changes*.

About the Minnesota Center for Fiscal Excellence

The Minnesota Center for Fiscal Excellence was founded in 1926 to promote sound tax policy, efficient spending, and accountable government.

We pursue this mission by

- educating and informing Minnesotans about sound fiscal policy;
- providing state and local policy makers with objective, non-partisan research about the impacts of tax and spending policies; and
- advocating for the adoption of policies reflecting principles of fiscal excellence

MCFE generally defers from taking positions on levels of government taxation and spending believing that citizens, through their elected officials, are responsible for determining the level of government they are willing to support with their tax dollars. Instead, MCFE seeks to ensure that revenues raised to support government adhere to good tax policy principles and that the spending supported by these revenues accomplishes its purpose in an efficient, transparent, and accountable manner.

The Center is a non-profit, non-partisan group supported by membership dues. For information about membership, call (651) 224-7477, or visit our web site at www.fiscalexcellence.org

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Understanding Your Property Tax Changes: November 2014 Edition

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Introduction

Do property taxes irritate you? That's not surprising. Countless surveys have found that property taxes are the most hated form of taxation. No other tax has been the target of more citizen "revolts" around the country, and no other tax has been the subject of more attempts to limit actual collections.

For taxpayers property taxes are complicated, confusing, unpredictable, and – perhaps most significantly – extremely visible. Unlike sales tax payments to government that dribble out of your pocketbook over the course of a year or income tax withholdings which never show up in your checking account in the first place, the property tax is an "in your face" lump sum which many have to write big checks for twice a year.

At the same time, property taxes are the most indispensible form of tax revenue for local government and will stay that way for many good reasons. For local governments it is highly stable revenue – economic conditions generally won't affect collections. It is highly predictable revenue – local governments themselves determine the amount of property taxes they collect. It helps insulate local governments and their budgets from the decisions of lawmakers in St. Paul. It is essentially impossible to avoid. And perhaps above all, it does a fantastic job of matching taxpayers' expectations of government with their willingness to pay for it.

For these reasons – like it or not – property taxation is here to stay. It will always be an important and integral part of our tax system. As a result, greater public understanding, acceptance, and trust of the property tax is not really an option but an absolute necessity.

That process begins at the ground level – with your own property tax bill and your ability to understand the reasons why that bill changes every year. That's the objective of this "how to" guide.

In a step-by-step, question-and-answer format this guide explains how to break down your property tax bill and identify the reasons why your property taxes change. By understanding the reasons for change you can identify the people, places and issues that are having the biggest influence on your property tax bill. That's the final payoff – using this understanding to become a more engaged and knowledgeable participant in your local government's budget and levying processes and gaining more influence over your property tax bill as a result.

Are you ready to start? Let's go!

Getting Started: Understanding the Basics

Q: All right, I'm game. Where do we start?

A: Before breaking down your own property tax bill, it's important to have some basic understanding of three basic parts of the property tax system all of which affect your property tax bill.

Q: OK, what's first?

A: Let's start with the most important part: **the local levies**. Your property is located in a city or township, a county, a school district, and probably one or more "special taxing districts" (like a watershed district). These are all called "jurisdictions". Each jurisdiction in Minnesota independently determines how much money it wants to spend during the upcoming year and sets the amount of property taxes it wants to collect in the upcoming year (a "levy") to help finance that level of spending. Most of the time elected officials set the levy after seeking citizens' input but occasionally voters themselves have the opportunity directly approve a levy. Your total property tax bill is really a collection of bills from all these different local governments. (Property tax trivia: there are actually 6,152 different combinations of local taxing jurisdictions – or "unique taxing areas" – in Minnesota!)

Q: What affects decisions about how much property taxes to levy?

A: A lot of things. The biggest influence is the type, amount and quality of services locally elected officials decide to provide to satisfy their citizens' needs, wishes, and expectations. But levy decisions are also heavily influenced by:

- local governments' ability to raise money from non-property tax sources, like fees for services or other charges
- the use of budget reserves (or a desire to increase reserves)
- the level of financial support state government provides
- cost inflation in the delivery of government services
- various mandates which the state and federal government impose that require local governments to do certain things, deliver particular types of services, or deliver services in a certain way. In many cases, aid payments only partially reimburse local governments for the cost of these mandates – if they are reimbursed at all.

In short, there are a lot of factors which go into the levy setting process.

Q: OK, that all makes sense. What's the second part?

A: After the levy, the second big part is **the change in property values**. Governments need a way to spread out that levy among all the property owners in their jurisdiction. That's where property values come in. It's useful to think of property values as what determines the size of your piece of the property tax levy pie.

Q: So if my property value goes up my taxes will go up and if my property value goes down my taxes will go down?

A: ***NO***, and we can't emphasize this enough! This is one of the biggest and most common misunderstandings citizens have about property taxes. Always remember, **local officials decide the overall size of the levy pie**. Because they just distribute the levy, higher property values don't create new property taxes and lower property values don't wipe out property taxes. In other words – ***changes in property values only change everyone's slice of the pie – they don't change the size of the pie itself***.

And unlike a change in the levy – which affects all properties in the same way – property values change in different ways for different properties. Market conditions cause the values of different types of property (for example, homes versus retail) to increase or decrease at different rates. Location will also cause property values to grow faster or slower than others. Remodeling can add substantial value to property. And new construction and property demolitions add to and subtract from the property tax base.

Why does this matter? Each year based on property assessments, the local levy gets redistributed based on everyone's relative share of total taxable value. If the taxable value of your property grows faster than overall growth in total taxable value, then your property becomes a bigger share of the tax base, and you pay a bigger portion of the overall levy. The opposite is also true – if the taxable value of your property grows more slowly than total taxable value, then your property becomes a smaller share of the tax base and you pay a smaller portion of the property tax levy.

What About Property Tax Rates?

If you've ever attended a Truth in Taxation hearing or looked at local governments' budget presentations, you've probably seen your property tax rates compared (probably favorably) to other communities. So you may be asking, how much attention should I pay to property tax rates when I try to understand the changes to my property tax bill?

Our advice is simple: **Ignore Them**

Property tax rates aren't like income and sales tax rates, which influence the amount of revenues government collects. Property tax rates are determined by taking a ***set amount of money that a government decides to collect*** (the levy) ***and dividing it by the taxable value in its jurisdiction***. Property tax rates are just something local governments need to properly allocate tax burden across property owners. They don't tell you why property taxes are changing.

Don't get distracted by cogs in the system. Keep your eye on the levy decisions, which determine the actual amount of property tax dollars a local government will collect.

Q: So if I understand you correctly, my property value might rise but if other properties' values rise faster, I might get a tax cut?

A: That's certainly possible. Of course the opposite could also happen – if your property's taxable value declines, but a recession causes other values to decline by more, you might see a tax increase.

Q: Wait a minute, you just mentioned "taxable value". Is that different from the assessed value of my property?

A: Yes, and that is the final part of the property tax system. Minnesota's property tax system has a long history of treating certain types of property favorably. Generally speaking, this favoritism – called "classification" – favors lower-valued homes, cabins, and farms at the expense of commercial and industrial property, utility property, and railroad property. The result is that the property values used to distribute the property tax levy are different than market values the local assessor assigns to your property.

It's easy to get lost in the incredibly complicated ways Minnesota uses to turn assessed value into taxable value, but the important point to remember is this: whenever policymakers change how taxable values are calculated, the practical effect is the same as market value changes: **tax burden gets shifted around among property owners**. Policymakers don't change this very often, but when they do it can have a significant impact on individual property tax bills.

Q: So two things – changes in the property tax levy and relative changes in value – are basically what create the change in my property tax bill?

A: Yes, but remember that your property tax bill is actually a collection of bills from several different governments. Each jurisdiction has its own levy and tax base.

Q: OK, let's get down to the issue I'm most interested in. Just how do I figure out what's responsible for changes in my property tax bill?

A: Figuring this out is a two-step process.

STEP ONE: Split the total change in your property tax bill between the change created by increases or decreases in the property tax levy, and the change created by relative changes in value.

STEP TWO: For jurisdictions where levy-induced changes have a noticeable impact on your property tax bill (you get to determine what is "noticeable"), determine WHY the levy is growing.

We'll now walk you through the tasks associated with both of these steps.

STEP ONE: Split Your Property Tax Change Into Levy Effects & Valuation Effects

Q: How do I get started?

A: To assign responsibility between levies and values for the changes in your property tax bill for the upcoming year you need two pieces of information. The first is the "Truth-in-Taxation" (T-n-T) statement that local governments send out every November (see below for an example) which shows both the property taxes for the current year and the proposed property taxes for the upcoming year on your property.

Spruce County
Jane Smith, Auditor-Treasurer
345 12th Street East, Box 78
Spruceville, MN 55555-5555
(555) 345-6789
www.co.spruce.mn.us

TAXPAYER(S):
John and Mary Johnson
123 Pine Rd S
Spruceville, MN 55555-5555

Property Information

PIN Number:
01.234.56.789.R1

Property Address:
789 Pine Rd S
Spruceville, MN 55555

Property Description:
Lot 1, Block 1, Spruce Acres Subdivison

PROPOSED TAXES 2015

THIS IS NOT A BILL. DO NOT PAY.

Step 1 — VALUES AND CLASSIFICATION

Taxes Payable Year	2014	2015
Estimated Market Value	$125,000	$150,000
Homestead Exclusion	$	$23,800
Taxable Market Value	$125,000	$126,200
Class	Res NHmstd	Res Hmstd

Step 2 — **PROPOSED TAX**

Proposed Tax $1,550.46

Step 3 — PROPERTY TAX STATEMENT

Coming in 2015

The time to provide feedback on PROPOSED LEVIES is NOW

It is too late to appeal your value without going to Tax Court.

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2014	Proposed 2015	
State General Tax	No public meeting	$0	$0	
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 9, 7:00 PM	$438.06	$484.18	
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7654	December 1, 6:30 PM Spruceville City Hall	$273.79	$312.06	
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789	December 2, 7:00 PM Spruceville High School Cafeteria			
Voter Approved Levies		$289.35	$296.68	
Other Levies		$340.11	$374.60	
Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2015 may be higher than the proposed amount shown on this notice.				
Metro Special Taxing Districts		$57.76	$58.70	
Metro Council www.metrocouncil.org (555) 123-4678 St. Paul, MN 55101	December 8, 7:30 PM Mears Park Centre 230 East Fifth St			
Other Special Taxing Districts	No public meeting	$12.80	$13.02	
Tax Increment Tax	No public meeting	$10.15	$11.22	
Total excluding any special assessments		**$1,422.02**	**$1,550.46**	**9.0%**

Source: Minnesota Department of Revenue

The other piece of information you need is the proposed levy change – in percent – for the governments that tax your property. Your best bet is to go to the property tax area on your county's website. Because counties administer property tax billing and collections, they have information about recent and proposed levies for jurisdictions in the county, and will often publish that information on their websites.

One good example of this information, which you can see below, comes from Washington County's website. If you can't find this information electronically, you will need to call your local governments to find out what their proposed levies are.

Total of Tax Capacity and Market Value Levies for Washington County Taxing Districts*
Five Year Comparison - Pay 2011 to 2015

Taxing District	Pay 2011 Total Levy	% Chg	Pay 2012 Total Levy	% Chg	Pay 2013 Total Levy	% Chg	Pay 2014 Total Levy	% Chg	Proposed 2015 Total Levy	% Chg	5 year 2011-2015
82 Washington County	$86,783,800	0.0%	$86,523,700	-0.3%	$86,523,700	0.0%	$87,713,700	1.4%	$90,738,000	3.4%	4.6%
100 Afton	$1,560,836	2.9%	$1,573,323	0.8%	$1,602,769	1.9%	$1,634,824	2.0%	$1,704,183	4.2%	9.2%
200 Bayport	$1,113,798	6.9%	$1,135,560	2.0%	$1,159,981	2.2%	$1,159,981	0.0%	$1,184,783	2.1%	6.4%
300 Birchwood	$323,000	0.0%	$325,000	0.6%	$336,013	3.4%	$326,299	-2.9%	$326,299	0.0%	1.0%
400 Scandia	$2,013,651	5.0%	$2,055,174	2.1%	$2,171,074	5.6%	$2,171,074	0.0%	$2,217,509	2.1%	10.1%
500 Dellwood	$350,016	3.0%	$378,020	8.0%	$393,141	4.0%	$490,025	24.6%	$570,032	16.3%	62.9%
600 Forest Lake	$6,895,556	-1.9%	$7,166,528	3.9%	$7,163,901	0.0%	$8,039,421	12.2%	$8,943,358	11.2%	29.7%
700 Hugo	$4,838,778	-7.3%	$4,959,583	2.5%	$4,749,083	-4.2%	$4,940,809	4.0%	$5,717,021	15.7%	18.2%
800 Lake Elmo	$2,789,559	1.7%	$3,113,017	11.6%	$3,163,359	1.6%	$3,163,359	0.0%	$3,137,663	-0.8%	12.5%
900 Lakeland Shores	$120,292	10.4%	$127,325	5.8%	$134,417	5.6%	$139,744	4.0%	$145,880	4.4%	21.3%
1000 Mahtomedi	$3,386,999	3.8%	$3,309,583	-2.3%	$3,231,393	-2.4%	$3,399,916	5.2%	$3,768,385	10.8%	11.3%
1100 Marine on St Croix	$602,995	1.1%	$628,956	4.3%	$686,394	9.1%	$705,991	2.9%	$751,938	6.5%	24.7%
1200 Newport	$2,291,000	16.2%	$2,311,000	0.9%	$2,351,000	1.7%	$2,415,691	2.8%	$2,467,476	2.1%	7.7%
1300 St Paul Park	$1,655,427	10.7%	$1,779,467	7.5%	$1,872,241	5.2%	$1,942,659	3.8%	$1,991,284	2.5%	20.3%
1400 Landfall	$285,556	-16.1%	$279,710	-2.0%	$284,620	1.8%	$256,741	-9.8%	$268,760	4.7%	-5.9%
1500 Stillwater City	$10,158,367	0.5%	$10,246,597	0.9%	$10,406,507	1.6%	$10,624,986	2.1%	$11,371,253	7.0%	11.9%
1600 Willernie	$184,907	3.3%	$192,303	4.0%	$201,918	5.0%	$209,995	4.0%	$220,495	5.0%	19.2%
1700 Oak Park Heights	$3,964,704	5.6%	$4,228,062	6.6%	$4,538,193	7.3%	$4,784,896	5.4%	$5,082,731	6.2%	28.2%
1800 St Mary's Point	$181,786	3.1%	$181,786	0.0%	$181,786	0.0%	$181,775	0.0%	$181,658	-0.1%	-0.1%
1900 Lakeland	$1,031,076	3.1%	$1,006,076	-2.4%	$996,076	-1.0%	$995,817	0.0%	$985,988	-1.0%	-4.4%
2000 Lake St Croix Beach	$487,549	-2.0%	$487,458	0.0%	$495,999	1.8%	$466,500	-5.9%	$480,500	3.0%	-1.4%
2100 Pine Springs	$38,000	0.0%	$40,000	5.3%	$40,000	0.0%	$40,000	0.0%	$40,000	0.0%	5.3%
2200 Cottage Grove	$12,241,250	0.7%	$12,241,250	0.0%	$12,241,250	0.0%	$12,699,130	3.7%	$13,402,100	5.5%	9.5%
2500 Woodbury	$27,915,979	2.8%	$27,915,979	0.0%	$28,603,229	2.5%	$29,399,293	2.8%	$30,238,368	2.9%	8.3%
2600 Oakdale	$9,980,088	2.0%	$9,880,974	-1.0%	$9,879,444	0.0%	$10,088,705	2.1%	$10,270,522	1.8%	2.9%
2700 Grant	$911,803	2.0%	$938,570	2.9%	$965,245	2.8%	$994,202	3.0%	$1,054,678	6.1%	15.7%
Total Cities:	$95,322,972	1.8%	$96,501,301	1.2%	$97,849,033	1.4%	$101,271,833	3.5%	$106,522,864	5.2%	11.7%
2 Baytown	$332,950	0.0%	$337,800	1.5%	$339,450	0.5%	$339,250	-0.1%	$354,940	4.6%	6.6%
4 Denmark	$441,213	-10.4%	$445,327	0.9%	$431,522	-3.1%	$428,331	-0.7%	$428,436	0.0%	-2.9%
9 May	$648,887	-4.5%	$657,649	1.4%	$648,188	-1.4%	$641,695	-1.0%	$641,695	0.0%	-1.1%
11 Grey Cloud Island	$117,235	-0.9%	$116,084	-1.0%	$108,099	-6.9%	$108,786	0.6%	$109,493	0.6%	-6.6%
14 Stillwater Twp	$748,650	-2.6%	$748,650	0.0%	$748,650	0.0%	$763,297	2.0%	$784,080	2.7%	4.7%
17 West Lakeland	$330,000	5.4%	$450,000	36.4%	$450,000	0.0%	$450,000	0.0%	$450,000	0.0%	36.4%
Total Towns:	$2,618,935	-3.2%	$2,755,510	5.2%	$2,725,909	-1.1%	$2,731,359	0.2%	$2,768,644	1.4%	5.7%
831 Forest Lake	$15,561,473	3.8%	$15,554,859	0.0%	$17,028,056	9.5%	$17,148,538	0.7%	$16,930,154	-1.3%	8.8%
832 Mahtomedi	$11,671,125	13.7%	$11,694,928	0.2%	$10,790,675	-7.7%	$11,046,870	2.4%	$10,725,411	-2.9%	-8.1%
833 South Washington County	$53,693,352	-0.2%	$53,425,585	-0.5%	$54,060,361	1.2%	$55,941,324	3.5%	$58,288,601	4.2%	8.6%
834 Stillwater	$30,592,840	7.7%	$31,781,615	3.9%	$29,539,503	-7.1%	$35,332,944	19.6%	$37,751,071	6.8%	23.4%
Total School Districts:	$111,518,790	3.8%	$112,456,987	0.8%	$111,418,595	-0.9%	$119,469,676	7.2%	$123,695,237	3.5%	10.9%
505 Metropolitan Council	$2,437,565	-4.4%	$2,537,877	4.1%	$2,641,677	4.1%	$2,787,821	5.5%	$2,839,077	1.8%	16.5%
507 Metro Mosquito Control	$1,444,928	-3.0%	$1,456,983	0.8%	$1,479,201	1.5%	$1,476,606	-0.2%	$1,476,522	0.0%	2.2%
509 Met Council Transit	$3,142,983	-3.2%	$3,238,058	3.0%	$3,365,409	3.9%	$3,225,001	-4.2%	$3,218,367	-0.2%	2.4%
Total Metro Special Districts:	$7,025,476	-3.6%	$7,232,918	3.0%	$7,486,287	3.5%	$7,489,428	0.0%	$7,533,966	0.6%	7.2%
10 Carnelian Marine WS	$428,500	-12.1%	$407,000	-5.0%	$407,000	0.0%	$407,000	0.0%	$503,085	23.6%	17.4%
14 South Washington WS	$687,279	0.0%	$711,044	3.5%	$718,025	1.0%	$746,293	3.9%	$777,591	4.2%	13.1%
34 R-W Metro WS	$825,672	6.3%	$853,071	3.3%	$1,180,787	38.4%	$1,177,084	-0.3%	$1,331,621	13.1%	61.3%
38 Rice Creek WS	$659,065	4.5%	$827,630	25.6%	$845,733	2.2%	$833,065	-1.5%	$842,065	1.1%	27.8%
54 Valley Branch WS	$675,503	23.5%	$704,373	4.3%	$774,953	10.0%	$735,400	-5.1%	$735,400	0.0%	8.9%
69 Brown's Creek WS	$720,000	-1.1%	$752,200	4.5%	$766,173	1.9%	$782,140	2.1%	$833,940	6.6%	15.8%
71 Comfort Lk-Forest Lk WS	$593,866	-2.0%	$596,568	0.5%	$601,019	0.7%	$594,973	-1.0%	$600,943	1.0%	1.2%
187 Washington County HRA	$3,332,236	0.0%	$3,332,236	0.0%	$3,332,236	0.0%	$3,432,203	3.0%	$3,549,203	3.4%	6.5%
316 Woodbury HRA	$250,000	-28.6%	$250,000	0.0%	$250,000	0.0%	$250,000	0.0%	$250,000	0.0%	0.0%
519 Washington County RRA	$574,800	1.5%	$574,800	0.0%	$574,800	0.0%	$616,600	7.3%	$638,100	3.5%	11.0%
Total Other Special Districts:	$8,746,921	0.4%	$9,008,922	3.0%	$9,450,726	4.9%	$9,574,758	1.3%	$10,061,948	5.1%	15.0%
Washington County Total*	$312,016,894	1.8%	$314,479,338	0.8%	$315,454,250	0.3%	$328,250,754	4.1%	$341,320,659	4.0%	9.4%

* This table only includes taxing districts for which Washington County calculates a tax rate. The following districts are not included:
Cities of Hastings, White Bear Lake; SDs 200, 622, 624, 2144; Hastings HRA
For Watershed Districts that cross county lines the levy shown is only the portion applicable to Washington County. For all other districts that cross county lines, the levy shown is the total levy for the district for all counties.

10/14/2014 Department of Property Records and Taxpayer Services Taxation Division

Q: It looks like my Truth in Taxation statement combines several small individual levies together and labels them "Other Special Taxing Districts". Is this an issue?

A: Probably not. These are typically smaller units of government (like watershed districts) with minor levies that don't impact your property tax bill very much. We suggest focusing on the largest jurisdictions – usually your **city, county and school** – since they are likely to have the biggest impact on your bill. (If you still want to include these smaller levies in your investigation, your most recent property tax bill will list each specific taxing jurisdiction you pay property taxes to).

Q: Okay, I have all the information you described. Now what do I do?

A: Levy changes affect each property the same because the change would be spread evenly across all properties if the tax base didn't change. Value changes then redistribute that new levy amount. Figuring out how much of your property tax change to assign to each of these factors is easy to do. We'll walk you through it using a real example.

1. **To find the effects of levy changes on your bill: look on the T-n-T statement for the property taxes each government imposed on your property this year. Then multiply each amount times the percent change the relevant government has proposed for its levy in the upcoming year**. Some jurisdictions (especially schools) will have more than one levy listed – be sure to add them together before you start.

   This shows the change in taxes on your property local officials are creating by adjusting overall levies – before any accounting for any value changes. In this example, proposed levy changes alone – before accounting for any new school levies – will trigger a roughly $132 drop in property taxes. *(Wondering about the school levy change in the table below? The sidebar on the next page explains this and talks about why your T-n-T statement can differ from the property tax bill you end up getting.)*

Jurisdiction	Current Taxes	Proposed Levy Change	Resulting Tax Change
Washington County	$1,060.18	1.37%	**$14.52**
City of Woodbury	$1,292.29	2.78%	**$35.93**
South Washington Schools	$1,953.77	(9.40%)	**($183.65)**
Metropolitan Council	$101.63	0.04%	**$0.04**
Total	**$4,407.87**		**($133.16)**

2. **To find the effects of value changes: look on the T-n-T statement for the tax amounts each government proposes to levy against your property in the upcoming year. From that, subtract BOTH the current year taxes and the proposed property tax changes created by changes in the various property tax levies that you found in the last step.** What's left is the impact that changes in property values are having on the proposed change in your property tax bill.

Continuing our example from above, value changes in this homeowner's community reduced his or her home's share of the total property tax base in every instance. Changes in value led to an additional $185 or so in property tax reductions.

Jurisdiction	Proposed Taxes for Upcoming Year	Minus Taxes for Current Year	Minus Proposed Tax Change Due to Levy Changes	Equals Proposed Tax Change Due to Value Changes
Washington County	$1,050.49	$1,060.18	$14.52	($24.21)
City of Woodbury	$1,277.10	$1,292.29	$35.93	($51.12)
South Washington Schools	$1,664.74	$1,953.77	($183.65)	($105.38)
Metropolitan Council	$97.72	$101.63	$0.04	($3.95)
Total	**$4,090.05**	**$4,407.87**	**($133.16)**	**($184.66)**

Q: So if I understand the example correctly this homeowner's property tax bill is projected to go down by $318 next year. About $133 of that drop is due to local levy changes and about $185 is due to value changes that change the size of everyone's piece of the levy pie?

A: You got it! Congratulations!

"My Final Property Tax Bill Looks a Lot Different Than My T-n-T Statement!"

There's one thing to keep in mind when using your T-n-T statement to discover the reasons for your property tax changes: your November T-n-T statement may differ from the actual property tax bill you'll receive in early 2015. There are three main reasons for this.

The first is that **T-n-T statements are based on proposed changes** for the coming year. Local governments can still tweak their budgets a bit based on public input before making final decisions. But these tweaks won't have a major impact on your tax bill. The reason: by the time T-n-T statements are mailed, local governments' lengthy budgeting processes are nearly complete. T-n-T statements and any accompanying hearings are really designed to ***explain*** budget decisions rather than give you the opportunity to ***influence*** decisions. Any last minute adjustments to levies – which impact your property tax bill – are likely to be small.

A second and very common reason for a notable difference between your T-n-T statement and your final tax bill concerns **voter-approved referendum levies**. Citizens vote on these levies in November and the timing prevents the results from being included in the T-n-T statements.

Referendum levies can make a big difference on your property tax bill. For instance, in the example we are using, the T-n-T statement projects the South Washington School District levy will fall by 9.40%. However, that assumes that a voter-approved levy would end – which voters instead replaced and enhanced that year. The result is that the final school levy actually increased by 3.48%, meaning that the school district taxes only fell by about $5 on the final property tax bill. That makes the school property tax bill $284 higher than what the T-n-T statement said it would be!

Here's the good news: you can use the same process this guide lays out to identify the reasons for your final property tax changes. Just substitute your actual property tax bill for your T-n-T statement. At the end of this guide is an example of what a final property tax bill looks like. As you can see, all the information you need is there too.

So, should you use the T-n-T statement or your property tax bill to understand your property tax changes? It depends on the timeframe you want to look at. Using a T-n-T statement is forward looking. It will help you understand why the taxes you are going to pay in the coming year are changing, but the numbers aren't final and may exclude some big chunks of property tax which will eventually appear on your bill. Using your actual tax bill will help you understand the reasons for change but you will be looking at actions that have already happened.

The final reason for the difference is that **special assessments aren't included** on T-n-T statements. Local governments charge these assessments to a property owner to pay for work that benefits your specific property – like street or sewer projects. Most property owners pay these assessments over several years. Because the annual payments don't change from year to year, special assessments only change the property tax bill when they start and when they end.

Q: It seems to me that when real estate markets are really volatile, relative valuation changes can have a huge influence on my property tax bill. Am I right?

A: Absolutely, and the way Minnesota's property tax system is set up makes that volatility even worse. For example, the way Minnesota changes market values into taxable values causes business properties to get taxed at about twice the rate homes do. This generally protects homeowners from higher property tax burdens when property values are rising. But when a recession hits and business properties fall in value faster than homes do, the "extra" burden they carry usually sloshes over to homeowners.

Always remember this: valuation shifts can "mask" changes in your property tax bill caused by levy decisions by shifting more tax away from (or more tax toward) your property than levy changes do. Know how changes in your property's value are influencing your property tax bill.

Q What should I do if I disagree with the value my county assessor puts on my property?

A: Although property assessment is based on sophisticated methods and modeling and there are strict standards that assessors have to follow, assessing property values is still partly an art form. Assessors sometimes overvalue a property, which leads to tax bills that are higher than they should be. If you think the value of your home or business is overstated, you can appeal the assessment by contacting your county assessor's office. We have outlined the appeals process at the end of this guide.

STEP TWO: Break Down Your Local Levy Decisions

Q: OK, now I know how much of my property tax change is being driven by levy effects and how much is being driven by valuation effects. Why do I need to know more about why the levies are changing?

A: First things first. If you're still reading this guide, it's probably because your property tax levies are going up. Even though everything from this point forward is important whether levies go up or down, we'll talk about levy decisions assuming the choice has been to go higher.

You need to know more about this because when levy increases trigger property tax increases, the result is too often a "blame game" with little accountability. One of the biggest challenges in assigning responsibility for levy increases is that it is very easy to point the finger at someone else. For example, one person claims levies are going up because state aids are insufficient. Someone else claims state mandates are the problem. Yet someone else claims the real problem is a lack of spending restraint by locally elected officials. Who are you supposed to believe?

Remember our earlier discussion about the different factors affecting property tax levy decisions? It's not really possible to assign a specific levy amount to each of them. BUT with a little effort (and some assistance from your local governments) you can get a much clearer understanding of what is driving the increases in your local levies. Importantly, this will help you assign responsibility for property tax increases to the right places.

Even armed with this information assigning responsibility for tax increases due to higher levies will always be a judgment call. But it's important to have the relevant facts to make an informed judgment. With a little effort, you can put the pieces of this puzzle together and evaluate the situation for yourself.

Q: How do I start?

A: Begin by understanding how the levy total was derived. You may have asked yourself in the past just how your local government determines the amount it needs to levy. To answer this, you need some understanding about how local officials create their annual budgets.

The most important thing to keep in mind is that for local officials, the property tax is the revenue of "last resort". In the budgeting process, elected officials and their staff figure out how much they want to spend to provide the goods and services they think citizens demand (some of which the state requires them to provide). They then determine how much of the spending can be financed outside of the property tax. These financing sources include things such as the use of reserves, aid payments, charges for services, fees, and fines. The financing hole that remains must be filled with the property tax – as a "last resort".

Local officials may go through this process several times if they think the balance between spending and revenues isn't right and the resulting "revenue source of last resort" will be unacceptably high to citizens. But ultimately, their final budget will reflect their best efforts to balance property tax burden with local needs and expectations.

Q: Talk more about aid payments from other governments. I've heard that my property taxes rise when state aid to local governments falls and that taxes fall when the state increases those aids. Is that true?

A: Generally speaking, aids from the state are an important revenue source for many local governments (and are absolutely HUGE for school districts). The state provides two different kinds of aids for cities and counties. There are "general purpose" aids – like Local Government Aid (LGA) – that can be spent on anything. Then there are "categorical" aids that must be used to fund very specific items, often related to human services or highways. When the state cuts these aids, local governments are often still required to deliver the service they paid for, which increases the pressure on property taxes.

BUT…just because the state increases or decreases aid to local governments does NOT mean that property taxes have to go up or down in response. When the state cuts aids, local governments must either reduce spending, find replacement funding from another source, or some combination of the two. When the state increases aids, local governments can either increase spending and/or reduce other burdens, like property taxes. Determining whether and how aid changes really trigger property tax changes requires some investigation into your local governments' revenue and spending decisions.

Q: That helps a lot. So spending changes, aid changes, and changes in other non-property tax revenues all work together to influence the change in a local government's property tax levy. How do I figure out what's going on?

A: First, keep in mind the "math" behind the levy:

Total Spending and Revenues Being Saved For Future Use
MINUS State and Federal Aids
MINUS Local Non-Property Tax Revenues and Use of Savings
EQUALS Property Tax Levy

To plug the numbers into this formula, you need to get spending and revenue data for your local governments. We won't kid you – finding information on a proposed budget for the upcoming year can be difficult.

Start by looking for the budget or finance area of your local governments' websites. If you are lucky you might find all the data you need posted cleanly and simply on a webpage. Washington County's website provides one example of an excellent budget summary with all the information you need. So that you can see what we're talking about, we've reprinted their information on this page and the next.

		Actual	Actual	Budget	Adopted
Revenues					
	Property Taxes	$82,531,979	$85,836,286	$87,098,500	$88,330,300
	Tax Increments	$189,139	$203,766	$0	$0
	All Other Taxes	$11,714,535	$10,462,571	$8,653,700	$10,229,000
	Special Assessments	$0	$0	$0	$0
	Licenses and Permits	$3,868,240	$4,121,501	$4,102,200	$4,032,700
	Federal Grants	$28,197,885	$18,629,125	$16,141,900	$15,572,800
	State General Purpose Aid	$5,506,651	$5,506,651	$6,818,700	$9,064,500
	State Categorical Aid	$21,127,423	$18,789,034	$22,848,600	$27,893,700
	Grants from County / Other Local Units	$3,603,456	$7,613,253	$4,623,700	$3,626,600
	Charges for Services	$20,032,547	$15,426,394	$13,269,100	$13,529,800
	Fines and Forfeits	$417,706	$266,438	$287,200	$286,700
	Interest on Investments	$1,076,428	$1,338,682	$796,400	$769,800
	All Other Revenues	$11,418,823	$10,438,923	$9,423,500	$9,622,600
	Total Revenues	**$189,684,812**	**$178,632,624**	**$174,063,500**	**$182,958,500**
	Proceeds from Bond Sales	$41,196,164	$0	$0	$0
	Other Financing Sources	$0	$0	$0	$0
	Net Operating Transfers In/Out	$0	$0	$0	$0
	Total Revenues and Other Financing Sources	**$239,880,976**	**$178,632,624**	**$174,063,500**	**$182,958,500**

Expenditures by Expenditure Type					
	Client/Citizen Related Support	$16,143,072	$16,735,366	$16,751,900	$19,214,200
	Wages	$61,009,333	$61,285,233	$64,270,100	$66,082,100
	Benefits				
	Public Employee Retirement	$4,899,120	$4,914,215	$5,009,900	$5,052,500
	Social Security	$4,104,228	$4,095,445	$4,371,700	$4,431,800
	Medical Insurance	$6,292,499	$6,267,987	$6,786,100	$6,596,500
	Other Benefits	$6,732,664	$7,008,166	$7,115,800	$7,413,800
	Services & Charges	$34,943,077	$31,028,404	$31,828,100	$32,686,200
	Materials & Supplies	$7,585,820	$7,218,865	$6,680,900	$6,739,000
	Capital Outlay	$38,696,323	$25,680,163	$18,272,100	$22,426,200
	Debt Service	$8,407,755	$12,524,624	$12,097,900	$11,190,600
	Other Financing Uses	$108,549	$0	$0	$0
	Total Expenditures by Type	**$188,922,440**	**$176,758,468**	**$173,184,500**	**$181,832,900**

Expenditures by Function					
Current Expenditures					
	General Government	$24,158,394	$18,875,981	$21,011,800	$23,165,500
	Public Safety	$42,035,675	$43,038,516	$43,829,000	$44,729,400
	Streets and Highways	$10,460,184	$9,326,365	$10,261,900	$10,424,200
	Sanitation	$5,494,702	$5,210,939	$6,184,900	$6,432,500
	Human Services	$31,635,040	$32,343,959	$34,431,200	$35,286,800
	Health	$7,328,502	$6,217,977	$6,584,400	$7,725,100
	Culture and Recreation	$8,795,834	$8,692,104	$9,105,400	$9,295,500
	Conservation of Natural Resources	$64,934	$42,217	$0	$260,300
	Economic Development and Housing	$4,852,943	$4,912,219	$4,330,300	$3,902,300
	All Other Current Expenditures	$6,323,330	$5,920,526	$7,075,600	$6,984,500
	Total Current Expenditures	**$141,149,538**	**$134,580,803**	**$142,814,500**	**$148,206,100**
	Debt Service - Principal	$3,355,000	$5,600,000	$5,015,000	$5,585,000
	Interest and Fiscal Charges	$5,054,121	$6,924,625	$7,082,900	$5,605,600
	Streets and Highways Capital Outlay	$20,731,359	$12,393,172	$13,864,400	$17,274,700
	All Other Capital Outlay	$18,523,873	$17,259,868	$4,407,700	$5,161,500
	Other Financing Uses	$108,549	$0	$0	$0
	Transfers to Other Funds	$0	$0	$0	$0
	Total Other Expenditures and Financing Uses	**$47,772,902**	**$42,177,665**	**$30,370,000**	**$33,626,800**
	Total Expenditures by Function	**$188,922,440**	**$176,758,468**	**$173,184,500**	**$181,832,900**

What's more likely, though, is that you'll find the information you want for the current year but not for the upcoming year. In that case, you'll need to contact your local government to ask for the same information for the upcoming year. You'll need to ask for information from both years if the website doesn't provide anything useful (or if there's no website at all).

The best data to use will include all the funds the government operates. You can look just at the government's General Fund if you like – but you will miss out on a part of the property tax story.

Q: Do I really need to do this for every local government on my T-n-T statement?

A: That's probably not worth the effort. Let the things you've already found out guide your investigation. If one particular local levy is growing the fastest or has the biggest impact on your property tax bill, you probably want to focus your effort there.

As we mentioned before, we recommend focusing on the "big three": **your city/township, your school district, and your county**. In most cases these governments are going to be responsible for over 90% of your local property tax bill, so looking at them gives you the best return on your investment of time.

For Some Properties, It's the "Big Three" Plus One: Minnesota's State General Tax

Although most property taxes in Minnesota fund local governments, the state does levy a tax against business properties – mostly commercial, industrial, utility, railroad, and resort properties – and cabins. Known as the "state general tax", lawmakers created this tax in 2001 and the total amount levied has grown with inflation since then.

For taxes payable in 2014 the levy on cabins across Minnesota was $42.6 million and the levy on business properties was $806.2 million. In the Twin Cities metro area, the state general levy is often the largest piece of a commercial or industrial property owner's tax bill – and it is a significant piece of the bill for properties in other portions of the state as well.

The important thing to keep in mind with the state general tax is that state lawmakers control it and use the revenues from it to pay for statewide spending needs. Lawmakers are free to raise or lower the amount they levy during their budgeting processes. If you are concerned about the growth in this part of your property tax bill, express your concerns to your state legislators.

Q: Well then, walk me through what I need to do next.

A: Let's go back to the example we've been using and our "formula." Add up the numbers, plug them in and see what it tells you.

One important tip: local governments' budget plans often include either putting aside money for the future or using savings from previous years to pay for spending now. These actions often affect changes in the property taxes local governments levy. As just one example, governments can pay for new spending with savings from prior years instead of turning to other sources – like the property tax. You want to account for this as you evaluate any increases in property tax levies.

If your local government is raising more money than it's spending, add the excess revenues to total spending ("Revenues Being Saved For Future Use") in the formula so that the math works out right. If your local government is spending money that was saved in previous years, just include that with the local non-property tax revenues ("Use of Savings") in the formula.

Returning to the example we've been using, you can see in the table below that Washington County's total proposed spending for the upcoming year is about $8.9 million higher than in the current year. $5.7 million of that higher spending – nearly two-thirds of the total – is going to be paid for with additional money from the state and federal governments. Another $1.9 million will be paid for with increased local non-property tax revenues.

But new spending is still going to outpace new non-property tax revenue growth. In other words, local officials decided to increase spending by $1.2 million more than non-property tax revenues grew. This $1.2 million gap will be filled by additional property taxes.

Washington County	Current Year	Upcoming Year	Annual Change
Total Spending plus Revenues Being Saved for Future Use	$174,063,500	$182,958,500	**$8,895,000**
Minus: State and Federal Aids	$50,432,900	$56,157,600	**$5,724,700**
Minus: Local Non-Property Tax Revenues, Including Use of Savings	$36,532,100	$38,470,600	**$1,938,500**
Equals: Property Taxes Levied	**$87,098,500**	**$88,330,300**	**$1,231,800**
Note: Includes the county's Regional Rail Authority			

Rather than make you do this math, we encourage you to contact your local governments and ask them to summarize this information in this format and make it available to citizens on their websites.

Q: I can see how this presentation provides a helpful perspective and puts the levy decision in a useful context. Now what?

A: That depends to some extent how you interpret the changes. If you're concerned that revenues aren't growing fast enough (or at all), then you'll want to know more about why non-property tax revenues are changing. If you believe the growth in spending is a potential concern, then you'll want to understand more about why spending is changing.

Q: How can I do this?

A: Let's start on the revenue side. You'll want to group revenues into two categories. One group of revenues are those the local governments don't have any control over – the aids they get from other governments, primarily the state. As we mentioned before, there are two kinds of aids – general purpose and categorical. If categorical aids have changed, look into whether the spending they're linked to has changed, too. If general purpose aids have changed, you'll want to ask local officials what their thinking was as they responded to those changes.

The other category to look into is the non-property tax revenues that your local government has some control over. This includes all sorts of things, including license or permit charges, charges for the services a government provides, fines, and use of savings. Once you've identified the biggest changes, you'll be able to ask good questions about why and how the revenues your local government depends on are changing.

Q: That doesn't seem to hard. What about the spending side?

A: Digging into spending changes is a little more complicated. You'll want to look at your local governments' proposed spending changes two different ways. The first is by **"department"** (governments sometimes describe this kind of information using the words **"function"** or **"program"**). Looking at spending by department allows you to see how much government spends on different types of services (like "public safety", "parks and recreation", "public works" etc.). This gives you an "output" perspective on government spending. Local governments usually provide excellent spending summaries by department.

The second way is less common but no less important – spending by **expenditure type**. Expenditure type reporting is an "input" perspective: summarizing government spending by <u>*what*</u> government is purchasing with public dollars – salaries, employee benefits, equipment, contracted services, etc. The example we provided back on pages 13 and 14 from Washington County's website has a good example of what we're talking about.

Each way provides different and important insights about why government spending is changing.

- Looking at spending by department/program helps you understand <u>*what*</u> governments' spending priorities are and <u>*how much*</u> these programs cost.
- Looking at spending by expenditure type tells you <u>*why*</u> the cost of government is changing.

Q: I care about the programs and services my local government offers and its spending priorities. Why should I pay attention to what governments actually buy with my tax dollars?

A: Governments – like any other organization providing a good or service – face inflationary pressures that influence the cost of the things they must purchase in order to deliver public services. Because these pressures affect the cost of providing services, they can ultimately affect your property taxes. That's important to know.

The problem with focusing only on a departmental view of spending is that you miss the influence these inflationary and cost pressures have on levies and ultimately your property tax bill. Much like how valuation shifts can "mask" levy-prompted changes in your property tax bill, looking only at outputs like "public safety" or "parks and recreation" can mask the effect these pressures have on what it costs to provide those government services.

Looking at spending by expenditure type is especially important when it comes to employee compensation, for a couple of different reasons. First, because government is fundamentally service-oriented, wages, health care benefits, retirement benefits and other forms of compensation are generally the biggest piece of a government's operating budget. Knowing how those costs are changing will tell you a lot about why the cost of government services is changing.

But looking at changes in compensation is also important because governments negotiate wages and certain benefits with their employees. This gives governments more influence and control over inflation in compensation costs than with other goods that they purchase from sellers.

Governments have a very important, challenging and often sensitive task: balancing their employees' very legitimate interests in compensation with the no less important public interest that governments spend money effectively and wisely. Taxpayers need information on spending by expenditure type to be able to evaluate how well – in their opinion – elected officials are respecting and achieving that balance.

Q: What if I can't find all this data?

A: You can often find detailed data on spending by expenditure type in hefty budget documents but it is not often summarized in an easy-to-use way. **Rather than make you go through the time and hassle of sifting through thick budget documents to create the summary you need, we encourage you to contact your local governments and ask them to summarize this information for you (like Washington County has done) and make it available on their websites or in some other form.** They won't know citizens want information this way unless you tell them so!

"What Are All These Different Funds?"

When you gather this information, you might see references to different "funds". Governments use different "funds" to hold money that is earmarked for different purposes.

Many governments will present information only for their "General Fund", which holds the money that finances their day-to-day operations. The problem is that property taxes often pay for other things too – notably construction projects and payments on government debt. Try to get information on all the funds your local government uses to finance services.

General Fund information alone will give you most of the story, but without the other funds you may miss out on something important.

Q: All right. How do I use expenditure information?

A: Again, focus your attention on issues that are having the biggest impact. Start by finding biggest spending changes using both the department and expenditure type information. Continuing to use Washington County as our example, we can see that about $7.6 million of the $8.9 million in increased spending increases are concentrated in four "functional" areas: Street and Highway Capital Spending (generally, road construction), General Government, Health, and Public Safety.

Selected Spending by Function, Washington County	Current Year	Upcoming Year	Annual Change
Street and Highway – Capital Spending	$13,864,400	$17,274,700	**$3,410,300**
General Government	$21,011,800	$23,165,500	**$2,153,700**
Health	$6,584,400	$7,725,100	**$1,140,700**
Public Safety	$43,829,000	$44,729,400	**$900,400**
Note: Includes the county's Regional Rail Authority			

The idea here is that you can identify the three or four spending areas that are having the biggest impact on the yearly change in government spending. Dig for more details in these areas – find out why these big changes are happening. Have the government's spending priorities changed? Are there large one-time projects that are creating big jumps or drops in certain spending areas? Has government reorganized its departments to provide services differently? The answers to questions like these will help you understand why spending is changing like it is.

Q: So how do I use this expenditure type information?

A: Same idea. Continuing our example, the four biggest changes in spending (both upward and downward) account for about $7.5 million of the $8.9 million in proposed new spending. About half of the increased costs come from allocating more money for purchases of big physical assets (land, buildings/construction, and such). The other major increases are in "Client/Citizen Related Support" (generally health and human service assistance to individuals) and wages for employees but lower payments on government debt will offset them.

Selected Spending by Expenditure Type, Washington County	Current Year	Upcoming Year	Annual Change
Capital Outlay	$18,272,100	$22,426,200	**$4,154,100**
Client/Citizen Related Support	$16,751,900	$19,214,200	**$2,462,300**
Employee Wages	$64,270,100	$66,082,100	**$1,812,000**
Debt Service	$12,097,900	$11,190,600	**($907,300)**
Note: Includes the county's Regional Rail Authority			

Again, the idea is that these findings will point you in the directions where you want to ask questions. If employee costs are changing, try to see what is having the biggest impact by getting more information about changes in the number of employees, and separate spending amounts for wages and benefits. If capital costs are changing – ask what new projects are being started or which other projects have been completed. If debt costs are changing – ask whether your government is taking on new debt, retiring old debt, or restructured its existing debt.

In this example, capital outlay might represent the best example of how useful it is to look at spending information through two different lenses. Capital spending can get buried when spending data is presented by department or function, because each department will spend money on new assets (street construction, police stations and fire halls are just a few examples). Showing this data by expenditure type makes it apparent that the county is planning to spend considerable new dollars on capital equipment or buildings.

Will all this work make you an expert on your local governments' budgets? No. But you don't need to be an expert to engage with your local officials about the tax and spending decisions they are making in an informed and responsible way.

STEP THREE: Getting Involved!

Q: This is all interesting information but wouldn't it just be a whole lot easier to gain control over property taxes by limiting how fast they can grow?

A: That's the path a lot of states have taken and Minnesota has done this occasionally. But experience reveals three big problems and pitfalls with this idea:

- Limits undercut the critical idea of local control. With property tax limits, local governments become more reliant on state aids that are unpredictable, usually have stipulations attached, and are often political footballs. Limits also tend to centralize even more power at the state level and make it a lot more difficult for local governments to deliver services to residents and businesses based on their needs and expectations.
- Limits incentivize highly "creative" financing of government programs, which damages government accountability and transparency.
- Policymakers often decide to make exceptions to help fund certain services. Over time, the limits can become so riddled with exemptions that they are more ornamental than functional.

As we said at the beginning of this guide, property taxes are the bedrock of local government finance for very good reasons. Minnesota needs to offer high-quality public services, and a well-functioning property tax is essential for local governments to do just that. An informed, involved public can only make the system work better.

Q: So how do I use this information to get involved? Should I go to the "Truth-in-Taxation" meetings my local governments hold in December?

A: You can go to the T-n-T meetings, but don't expect your input to result in major changes to the upcoming budget. By the time T-n-T meetings take place, the local budget process is nearly complete. There isn't enough time left before the beginning of the next budget year to make big changes. Truth-in-Taxation statements and any accompanying hearings are designed to allow local government officials to explain budget decisions to the public rather than give you the opportunity to influence decisions.

Q: If T-n-T meetings aren't the way to go, then how can I engage with my local officials and influence my property tax bill?

A: You need to involve yourself in the budget setting process. Local government officials begin planning their budgets each spring. Attending these early meetings are critical, because they set the tone for the budget by examining spending priorities and determining whether or not the budget should grow; and if so, by how much. We cannot emphasize enough the importance of taking part in these meetings if you want to influence local budgets (and by extension, property taxes). Contact your local governments to find out how to participate in the budget process from the beginning.

Q: How can I be more effective in monitoring local budget preparations?

A: Here are some ideas:

- Ask your local officials how you and your neighbors can get more involved in budgeting decisions earlier in the budget building process. Most large jurisdictions start building their budgets early in the year preceding the budget year (e.g. early 2015 for the 2016 budget). Get in on the ground floor early next year.
- You might want to organize a neighborhood budget committee. The committee can be broken down into separate task forces – one for your city budget, one for your county budget, and one for the school budget.
- Each task force could designate one or more persons to attend budget meetings and get more involved in the details of budgeting. They could regularly report developments back to the task force, and each task force could report to the full committee at certain intervals. The task forces could also be used as a way to get educated about the issues and mechanics of spending programs. Invite experts to address your group about local issues and options.
- Some jurisdictions use citizen advisory committees as a study group or sounding board on budget decisions. Ask your local officials how you can be appointed to such committees.
- Contact various community organizations for educational material that will help you understand the issues facing your local officials. Seek out your local officials and ask questions about budgeting plans. Don't be shy – you are not expected to know everything.

Q: How can I get more information about how our complicated property tax system works?

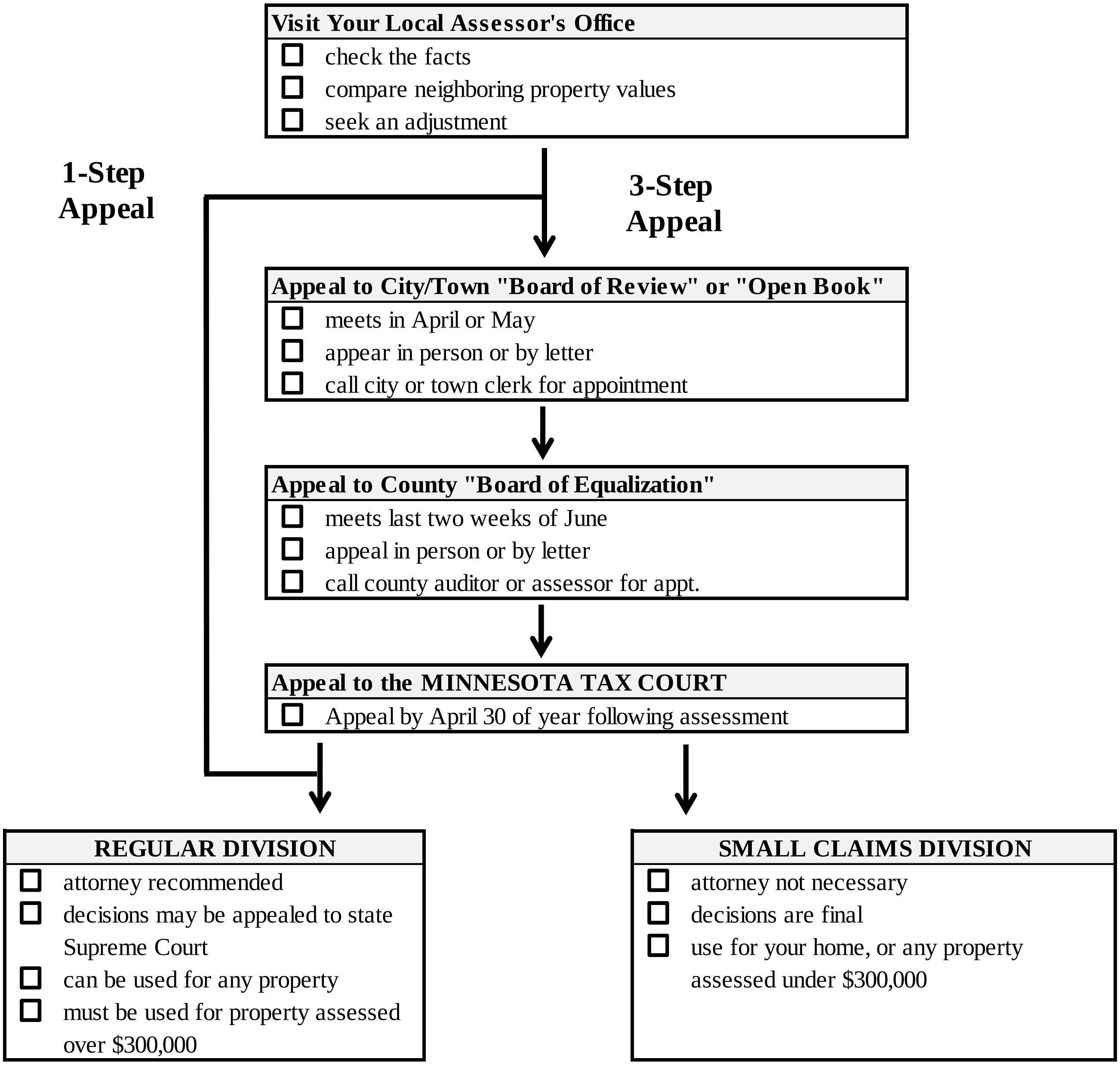
A: Previous editions of "Understanding Your Property Taxes" included more information about the property tax system design itself. If you want to know more about the system – such as how taxable values are derived or how classification schemes or homestead exemptions work – just let us know. We'd be happy to send you an older version of this guide or answer any questions you might have.

Q: Thanks for all your help – this has been really useful. But I have a question you didn't answer. What can I do about that?

A: Get in touch with us! We'd be happy to talk to you – and perhaps include your question in next year's edition!

Do You Think Your Property is Over-Assessed?

The diagram below shows the steps you need to take to contest the value your local assessor gives to your property.



For more information about the Tax Court write to Minnesota Tax Court, Minnesota Judicial Center, Suite 245, 25 Rev. Dr. Martin Luther King, Jr. Blvd., St. Paul, MN 55155; call 651-296-2806; or go to http://www.taxcourt.state.mn.us

Sample Property Tax Statement

Spruce County
Jane Smith, Auditor-Treasurer
345 12th Street East, Box 78
Spruceville, MN 55555-5555
(555) 345-6789
www.co.spruce.mn.us

TAXPAYER(S):
John and Mary Johnson
123 Pine Road South
Spruceville, MN 55555-5555

Property ID Number: 01.234.56.7890.R1

Property Description:
Lot 5, Block 13 of the Spruceville Estates Addition to the City of Spruceville.

TAX STATEMENT 2014
2013 Values for Taxes Payable in 2014

Step 1	VALUES AND CLASSIFICATION		
	Taxes Payable Year:	**2013**	**2014**
	Estimated Market Value:	$141,100	$143,000
	Improvements Excluded:	$8,000	$4,000
	Homestead Exclusion:	$25,261	$24,712
	Taxable Market Value:	$107,839	$114,488
	New Improvements/ Expired Exclusions:	$4,000	$4,000
	Property Classification:	RES HMSTD	RES HMSTD
	Sent in March 2013.		
Step 2	PROPOSED TAX		
	Proposed Tax:		$1,570
	Sent in November 2013.		
Step 3	PROPERTY TAX STATEMENT		
	First-half Taxes:		$780.55
	Second-half Taxes:		$780.55
	Total Taxes Due in 2014:		$1,561.10

$$$ REFUNDS?

You may be eligible for one or even two refunds to reduce your property tax.

Read the back of this statement to find out how to apply.

Tax Detail for Your Property:

Taxes Payable Year:	2013	2014
1. Use this amount on Form M1PR to see if you are eligible for a property tax refund. File by August 15. If this box is checked, you owe delinquent taxes and are not eligible.		$1,531.10
2. Use these amounts on Form M1PR to see if you are eligible for a special refund.	$1,428.92	
Property Tax and Credits		
3. Property taxes before credits	$1,428.92	$1,531.10
4. Credits that reduce property taxes		
A. Agricultural market value credit	$0.00	$0.00
B. Taconite tax relief	$0.00	$0.00
C. Other Credits	$0.00	$0.00
5. Property taxes after credits	**$1,428.92**	**$1,531.10**
Property Tax by Jurisdiction		
6. County	$438.06	$474.18
Regional Rail Authority	$5.96	$6.18
7. City or Town	$273.79	$302.06
8. State General Tax	$0.00	$0.00
9. School district		
A. Voter approved levies	$289.35	$296.68
B. Other local levies	$340.11	$364.60

Taxes Payable Year:	2013	2014
10. Special Taxing Districts		
A. Metropolitan special taxing districts	$64.66	$69.34
B. Other special taxing districts	$10.15	$11.22
C. Tax increment financing	$0.00	$0.00
D. Fiscal disparity	$6.84	$6.84
11. Non-school voter-approved referenda levies	$0.00	$0.00
12. Total property tax before special assessments	$1,428.92	$1,531.10
Special Assessments		
13. Special assessments		
A. Curb and street improvements	$30.00	$30.00
B.		
C.		
14. TOTAL PROPERTY TAX AND SPECIAL ASSESSMENTS	**$1,458.92**	**$1,561.10**

Source: Minnesota Department of Revenue

MINNESOTA CENTER for
Fiscal Excellence

Sound tax policy. Efficient spending. Accountable government.

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