Sue Bingham

From: Patrick Wussow [patrick.wussow@co.aitkin.mn.us]
Sent: Thursday, December 13, 2012 8:04 AM
To: 'Sue Bingham'
Cc: 'Mike Dangers'
Subject: FW: Final Report of the Property Tax Working Group
Attachments: Property Tax Working Group Final Report 12.2012.pdf

Sue

Please forward to commissioners.

Patrick

From: Mike Dangers [mailto:mike.dangers@co.aitkin.mn.us]
Sent: Wednesday, December 12, 2012 3:58 PM
To: 'Patrick Wussow'
Subject: Final Report of the Property Tax Working Group

Patrick,

Attached is a copy of this report. One of their main points is the elimination of the State General Tax which should interest the Board. Hard to say how much of this reform will actually be implemented.

Thanks,
Mike

Final Report

Property Tax Working Group

November 30, 2012

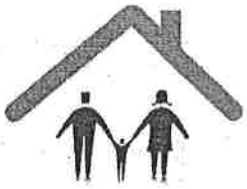
A report submitted to the Minnesota State Legislature

pursuant to

Minnesota Statutes, section 270C.991, subdivision 4

Property Tax Working Group
November 30, 2012

www.revenue.state.mn.us/propertytax/pages/workgroup



Executive Letter

November 30, 2012

Sen. Rod Skoe
Chair-elect, Senate Committee on Taxes
Capitol Building
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Rep. Ann Lenczewski
Chair-elect, House Taxes Committee
State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Dear Sen. Skoe and Rep. Lenczewski,

I am pleased to present to you the findings and recommendations of the Property Tax Working Group.

The 2010 Legislature established the Property Tax Working Group to explore the unique complexities of Minnesota's property tax system and develop the principles and recommendations set forth in this report. The Working Group, consisting of volunteer members appointed by various stakeholder organizations, including the Legislature, and two homeowners appointed by the Commissioner of Revenue, has met and deliberated for two years to develop these recommendations. I want to specially acknowledge the work and expertise of Stephen Behrenbrinker and Luayn Murphy, who served as subcommittee chairs and the assistance of Jason Nord and Jessica Harding from the Minnesota Department of Revenue, who served as staff for the Working Group.

While the challenge we faced in addressing the complexities of the Minnesota property tax resulted in differing viewpoints, this report represents the consensus of the group. We believe this report will be useful for years to come in identifying principles, goals, and direction that will lead toward a more transparent, understandable, simple, efficient, equitable, stable, predictable, accountable, competitive, and responsive property tax system.

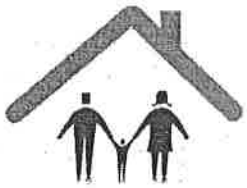
We appreciate the opportunity to help begin the process of simplifying and improving the Minnesota property tax system and encourage the Minnesota Legislature to address property tax simplification as part of its tax reform efforts.

Sincerely,

Kathleen A. Gaylord
Chair

Per Minnesota Statutes, section 3.197, any report to the legislature must contain, at the beginning of the report, the cost of preparing the report, including any costs incurred by another agency or another level of government.

This report cost $41,000.



Membership

Kathleen A. Gaylord (Chair)
Dakota County Commissioner
Association of Minnesota Counties

Rep. Denise Dittrich
Minnesota House of Representatives

Rep. Greg Davids
Minnesota House of Representatives

Sen. Rod Skoe
Minnesota Senate

Sen. Warren Limmer
Minnesota Senate

R. Thomas Mould
Homeowner (under age 65)
Minnesota Department of Revenue

Eric Sorensen
Homeowner (age 65 or older)
Minnesota Department of Revenue

Luayn Murphy
City Administrator, City of Mayer
League of Minnesota Cities

Rob Vanasek
Vanasek Consulting
Minnesota Association of Townships

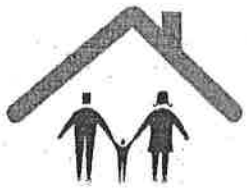
Matt Van Slooten
President, Carlson Real Estate Company
Minnesota Chamber of Commerce

Stephen Behrenbrinker
Assessor, City of St. Cloud
Minnesota Association of Assessing Officers

Chris Radatz
Public Policy Director,
Minnesota Farm Bureau
Minnesota Farm Bureau and Minnesota Farmer's Union (Joint Appointment)

Alternates* & Former Members†

- Rep. Linda Runbeck,* *Minnesota House of Representatives*
- Sen. Rick Olseen,† *Minnesota Senate*
- Jason Nord,† *Minnesota Department of Revenue*
- Cal Larson,† *Homeowner age 65 or older, Minnesota Department of Revenue*
- David Fricke† and Gary Pedersen,* *Minnesota Association of Townships*
- Craig Patterson* and Doug Fulton,* *Minnesota Chamber of Commerce*
- Bill Effertz,* *Minnesota Association of Assessing Officers*
- Thom Petersen – Government Relations Director, Minnesota Farmer's Union,* *Minnesota Farm Bureau and Minnesota Farmer's Union (Joint Appointment)*



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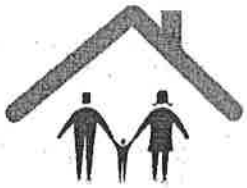


Executive Summary

The Property Tax Working Group was created in 2010 to examine the many facets of Minnesota's property tax system and develop recommendations on how to make the system more simple, understandable, transparent, accountable, and efficient. The Working Group held 20 meetings from October 2010 through November 2012.

The following summary of Guiding Principles and Recommendations established by the Property Tax Working Group are the result of two years of extensive research and debate. Full details of the principles and recommendations are provided in the full report.

Guiding Principles

- ### Defend the purpose
  The purpose of the property tax is to provide local revenue to pay for local services. The property tax is not a vehicle for state policies. The state's involvement should be limited.

- ### Base property taxes on market value (true ad valorem system)
  Property taxes should always be based on full estimated market value to minimize confusion, complexity, costs, and distortions.

- ### Base property taxes on property attributes, not ownership or occupancy
  The characteristics and use of a property should drive property tax levels, while the characteristics of an owner or occupant should be delivered via the income tax system.

- ### Defend broad-based goals from narrow interests
  Creating new classifications or benefits for individual or narrow subgroups of property should be avoided to preserve transparency, simplicity, and efficiency in the system. The cost of administering narrow preferences often outweighs the benefits received.

- ### Consider more transparent alternatives
  When evaluating new property tax proposals, legislators should consider why the special provision is needed and if there are other ways to deliver the benefit outside the property tax system. The property tax should not be used simply to avoid direct state costs.

- ### Provide sunsets to prompt review
  Any new changes in the property tax system should have a sunset date to force reevaluation over time and remove provisions that are no longer achieving their intended goals.

- ### Require value or intention statements on new legislation
  New property tax proposals should include a statement that describes why the change is necessary and valuable, what it intends to do, and what alternatives were considered. This will enrich reevaluation and decision-making when the provision is set to expire.

- ### Make simplicity and transparency a priority
  A transparent and understandable system facilitates trust and accountability. A simple system is more efficient and reduces errors, unintended outcomes, and high costs. Policymakers must defend these important principles.

- ### Require local impact notes for any property tax changes
  Local impact notes should be required for all proposed changes to the property tax system to increase accountability.

Our Recommendations

1. ### Reduce the number of classifications
   Consolidate the number of classifications from 55 to four (residential, agricultural, commercial, other). Do not target benefits to specific properties through micro classification.

2. ### Homestead benefits – Expand the Property Tax Refund (PTR) program
   Expand the Property Tax Refund program as the primary method of homestead benefit. Standardize the definition of a homestead for both residential and agricultural properties.

3. ### Avoid or eliminate tiers and parcel-linkage
   Eliminate value tiers to avoid needing to chain parcels based on ownership, thereby reducing confusion, complexity, and administrative costs.

4. ### Revamp the agricultural homestead classification process
   Enact *Recommendations 1-3* (condense classifications, standardize the homestead definition, eliminate tiers/parcel linkage) to greatly simplify the agricultural homestead process.

5. Establish an agreed upon relationship ("ratio") between classification rates

   Do not use classification rates to provide benefits to narrow groups. Establish and maintain consistent ratios; recognize that ratio changes shift burdens to other properties.

6. Consolidate reporting, application, and effective dates

   Consolidate the property tax calendar around a few key dates to increase understandability, predictability, and compliance.

7. Base assessments on the most current economic conditions

   Support recent sales analysis efforts that make the system more responsive. Encourage the transition to eCRV. Use a larger geographic area for sales comparisons.

8. Make improvements to the Truth in Taxation (TNT) process

   Show basic budget information or provide links on TNT notices and direct the public to websites with more detailed information. Modernize the process and engage taxpayers electronically.

9. Make improvements to notices and statements

   Give notices consistent branding and distribute electronically. Include websites and email contacts. Improve timing and coordination. Show estimated and taxable market values.

10. Investigate and plan for an eventual statewide computer system

    Explore the creation of a centralized tax system to support local administration of the tax, save total state and local costs, and improve accountability.

11. Convert the tax capacity system to an assessed value system

    Use assessed values and mill rates to make Minnesota's property tax system more understandable, transparent, and competitive across the nation.

12. Eliminate the use of property taxes for state funding

    Eliminate the state tax to restore property taxes as a local tax and reduce complexity. If not eliminated, designate revenues directly for local governments, not the general fund.

13. Avoid limits, caps, and freezes

    Do not impose limits, caps, or freezes on values, tax amounts or levies. This undermines budgeting and causes inequities. Let local governments be accountable to local voters.

14. Exclusions

The state should not use exclusions to avoid paying for benefits it thinks are important, nor for short-term or one-time benefits. If used, tie exclusions to properties, not owners. See full report for recommendations on specific exclusions.

15. Credits

Eliminate/phase out power line credit (high admin costs) and agricultural homestead credit (result of other recommendations). Keep disaster and disparity reduction credits.

16. Exemptions

Be selective – exemptions must accomplish public purposes, not serve special interests. Impose automatic review/sunset dates to improve accountability and verify success. See full report for recommendations on specific exemptions.

17. Aids

Allow Utility Valuation Transition Aid to naturally phase out. Sunset or phase out Disparity Reduction Aid (1988 legacy aid, may no longer achieve intended goals).

18. Special Valuations and Deferrals

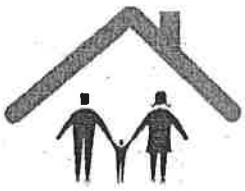
These programs increase complexity and decrease efficiency, transparency, and accountability. Impose sunset dates on all current/future programs to prompt review.

19. Refunds

Expand the homeowner Property Tax Refund (PTR) program. Keep special targeting PTR as a tool to ease impacts of other reforms. Reevaluate renter PTR with respect to class consolidations in *Recommendation 1*.

A downloadable copy of this report, along with meeting materials, research, and other information related to the Working Group can be found online at:

www.revenue.state.mn.us/propertytax/pages/workgroup



Introduction

Background

The Property Tax Working Group was established during the 2010 legislative session as one component of a broader statute (M.S. § 270C.991) enacted to address property tax system accountability and evaluation. The express purpose behind these measures was to provide state policy makers with the tools to create a more accountable and efficient property tax system.

Goals of the Property Tax Working Group

The statutory goals of the Working Group are:[1]

(1) to investigate ways to simplify the property tax system and make advisory recommendations on ways to make the system more understandable;

(2) to reexamine the property tax calendar to determine what changes could be made to shorten the two-year cycle from assessment through property tax collection; and

(3) to determine the cost versus the benefits of the various property tax components, including property classifications, credits, aids, exclusions, exemptions, and abatements, and to suggest ways to achieve some of the goals in simpler and more cost-efficient ways.

Tax Principles

The statute also laid out several basic property tax principles that should be taken into consideration in evaluating property tax proposals that come before the legislature.[2] The proposed outcomes should be:

(1) transparent and understandable;
(2) simple and efficient;
(3) equitable;
(4) stable and predictable;
(5) [conducive to] compliance and accountability;
(6) competitive, both nationally and globally; and
(7) responsive to economic conditions.

[1] Minnesota Statutes, sec. 270C.991, subd. 4.
[2] Minnesota Statutes, sec. 270C.991, subd. 2.

Meetings and Activities

The Property Tax Working Group held numerous meetings from 2010-2012 to evaluate and consider the wide array of complexities and features of Minnesota's property tax system. The Working Group also formed a pair of subcommittees to hold more detailed discussions of classification and agricultural issues. Meetings and their topics were held as follows:

Oct. 7, 2010

- First meeting, chaired by the Minnesota Department of Revenue
- Welcome and Introductions
- Review of the Group's Charge
- *Property Taxes & Complexity* – Presentation by Jason Nord, Minnesota Department of Revenue
- Election of Chair
- Discussion

Nov. 18, 2010

- *Legislative Origins of Minnesota's Property Tax Working Group* - Presentation by Katherine Schill, House Fiscal Analysis
- *Property Tax Principles, Indicators and Inventory* - Presentation by Eric Willette, Minnesota Department of Revenue
- Property Tax Inventory Report
- Work plan discussion

Dec. 9, 2010

- Members' Lists of Priorities for the Property Tax Working Group
- Discussion of ways to prioritize

Jan. 14, 2011

- Background information on the classification system
- Discussion of the classification system

Feb. 11, 2011

- Discussion of the classification system
- Review of requested alternatives for residential and seasonal business property
- Classification subcommittee formed

March 11, 2011

- *Minnesota's Agricultural and Rural Land Classifications: The Assessment of Agricultural Land and Rural Vacant Land* - Presentation by Michael Stalberger, Minnesota Department of Revenue and Jeanne Henderson, Sherburne County Assessor's Office / Minnesota Association of Assessing Officers (MAAO) Agricultural Committee Chair
- Chaining/ownership example – Tom Dybing, Houston County Assessor
- Discussion of agricultural classifications and homesteads

April 8, 2011

- Classification subcommittee update
- Letter regarding agricultural classification input from MAAO
- Review of requested agricultural model run
- Agricultural subcommittee formed

June 15, 2011

- Classification subcommittee update
- Discussion of classification
- Introduction to property tax calendar
- Discussion of the property tax calendar

Aug. 17, 2011

- Legislative changes to the Working Group
- 2011 property tax system law changes
- Exclusions and credits
- Property classifications by state
- Discussion of work strategy

Sept. 21, 2011

- Classification subcommittee update
- Minnesota property tax refund history
- Summary of tax bases
- Exclusions in other states

Nov. 16, 2011

- Agricultural subcommittee update
- Review of requested agricultural model run
- Classification subcommittee update
- Review of requested four-class model run
- Discussion of valuation notices, truth in taxation notices, and property tax statements
- Review of consensus points and preliminary draft recommendations
- Discussion

Jan. 18, 2012

- Consensus points and preliminary draft recommendations, review changes made at November meeting
- Discussion of property tax calendar
- Discussion of statements and notices
- Discussion of exclusions, credits, and exemptions

Feb. 15, 2012

- Consensus points and preliminary draft recommendations, review changes made at January meeting
- Update on property tax calendar
- Discussion of exclusions, credits, and exemptions

March 23, 2012

- Property Tax "Benefits List" – work through and discussion of items

June 20, 2012

- Consensus points and preliminary draft recommendations, review updates, work through items

July 18, 2012

- Consensus points and preliminary draft recommendations, review updates, work through items

Aug. 15, 2012

- Updates from Other Property Tax Study Groups
- *Local Government Aid (LGA) Study Group* – Presentation by Pat Dalton, House Research
- *PILT Report Commissioners' Advisory Group* – Presentation by Susan Damon, Minnesota Department of Natural Resources
- *Alternative Methods of Valuing Agricultural and Rural Vacant Land* – Presentation by Andrea Fish, Minnesota Department of Revenue
- Consensus points and preliminary draft recommendations, review updates, work through items

Sept. 19, 2012

- Updates from other Property Tax Study Groups
- *Governor Dayton's Tax Reform for a Better Minnesota* – Presentation by Susan Von Mosch, Minnesota Department of Revenue
- Review of draft report.
- Revisit classification and homestead recommendations, and other items needing further review.

Oct. 17, 2012

- Review and discussion of draft report.

Nov. 14, 2012

- Finalize report.

Classification Subcommittee Meetings

- March 28, 2011
  Discussed 'House-is-a-House' model runs and ranked scenarios. Briefly discussed going to four classes and the differences between state and local class rates. Discussed consolidating smaller classifications.
- June 7, 2011
  Reviewed previous discussions. Discussed approaches.
- Sept. 8, 2011
  Finalized recommendations on consolidation of the classification system to bring to full Working Group.

Agricultural Subcommittee Meetings

- June 15, 2011
  Reviewed previous discussions from full Working Group. Discussed approaches.
- Sept. 21, 2011
  Reviewed purpose of subcommittee. Discussed homestead linkages and benefits; HGA; ownership entities; valuation tiers, borrowing, credits, and exclusions based on use vs. ownership; properties subject to referendums; single class rate. Reviewed April 8 recommendations from MAAO.

Property Taxes in Minnesota

History

Property Tax's Pioneering Role

Minnesota and large portions of North and South Dakota were organized into the Territory of Minnesota by the Organic Act of 1849. That year—nine years before Minnesota became a state—the first territorial assembly established a property tax levy to fund schools. The levy was equal to "one fourth of one percent on the ad valorem amount of the assessment rolls made by the county assessors."[3] Property taxes would remain the main source of state revenue until motor vehicle registration and gasoline taxes were adopted in the 1920s, with individual and corporate income taxes not arriving until 1933.

In becoming a state, Minnesota's constitution provided that taxes should be equalized and uniform. It also provided exemption from taxation for:

- public-burying grounds;
- public school houses;
- public hospitals;
- academies, colleges, universities, and all seminaries of learning;
- all churches, church property used for religious purposes, and houses of worship;
- institutions of purely public charity;
- public property used exclusively for any public purpose; and
- personal property to an amount not exceeding in value two hundred dollars for each individual

Difficulties in assessment procedure and inexperienced assessors led to the creation of the State Board of Equalization in 1860. To compensate for shortfalls caused by undervaluations and assessment inequities, Governor Ramsey cut the salaries of state officials, reduced the size of the legislature and submitted a constitutional amendment to cut the length of legislative sessions as a means to cut state expenses by 36 percent.[4] Uniform assessment, ever an important principle, was a major goal throughout the late 1800s.[5]

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[3] Laws of Minnesota 1849, ch. 7, sec. 2.
[4] Kathleen A. Gaylord and Susan Chianelli Jacobson, *History of Taxation in Minnesota*, (Tax Study Commission, 1979), 11.
[5] Ibid., 12.

Uniformity and Classification

In 1905 the Legislature proposed a constitutional amendment referred to as the "wide open" amendment. Adopted by voters in 1906, the amendment removed many of the restrictions on the legislature's power of taxation, and reworded the uniformity clause to state (as it remains today) that "taxes shall be uniform on the same class of subjects."[6] This language replaced the restriction that "all taxes...shall be as nearly equal as may be" and that they be "equal and uniform throughout the state."[7]

This allowance for uniformity within classes, as opposed to stricter uniformity without classification, paved the way for a formal property tax classification system with separate classification ratios for each class. Such a classification system was first established in 1913 when the Legislature created four classes of property:

Class	Description	Ratio
1	Iron Ore Mined or Unmined	50%
2	Household Goods and Personal Effects	25%
3	Unplatted Real Estate; Livestock, Farm Produce, Inventories; and Manufacturers' Tools	33⅓%
4	All Other Property (primarily Urban Real Estate)	40%

The Great Depression brought massive delinquencies and a demand for property tax relief. Therefore, in 1933, the Legislature not only enacted income taxes as a major new source of revenue, it also enacted the three new classifications under the property tax system:

Class	Description	Tier	Ratio
3a	Agricultural Machinery and Horses Used by The Owner and Agricultural Products in the Hands of the Producer	--	10%
3b	Unplatted Real Estate Used for a Homestead	First $4,000 Excess	20% 33⅓%
3c	Platted Real Estate Used for a Homestead	First $4,000 Excess	25% 40%

These changes brought with them the concept of homestead benefits and the concept of value-based tiers within a classification.

[6] Minnesota Constitution, art. 10, sec. 1.
[7] Gaylord and Jacobson, 12.

Evolution of the Formal Classification System

The 1933 changes were the first of many changes to the state's classification system. Classifications have been changed in virtually every session dating back to 1941. Appendix B offers a summary of the evolution of the classification system, looking at snapshot points in time (1913, 1933, 1953, 1973, 1993, and 2011).

Generally, from 1933 and into the 1970s, new classifications were carved out from broader classes, and some of the terminology evolved (e.g. from "unplatted" to "rural" to "agricultural"), but existing classification ratios were not altered. This started to change in the 1970s when the existing ratios began to be adjusted in addition to the proliferation of new classifications.

Classifications have been changed in virtually every session dating back to 1941.

In 1985, the Legislature recodified the classifications into their current major groupings and organization. The class rates also changed significantly in their terminology and nominal expression when the major shift occurred from the old "assessed values and mill rates" system, to the current "net tax capacity and tax rates" system. For example, the first tier of residential homesteads went from a *ratio* of *17%* for taxes payable in 1988 to a *class rate* of *1.00%* for taxes payable in 1990.

In the late 1990s and first couple years of the new millennium, class rate compression became a focus as the spread between the higher rates on commercial/industrial property and the lower tier of homestead property was seen as too disparate.

In recent years, numerous smaller classifications have been added that generally encompass a limited number of properties. Although the classifications can be counted in many ways (by major label, by tiers, by distinct rates, etc.) the number of distinctly described classifications is as high as 55 as of taxes payable in 2012.

Property Taxes Go Local

The shift toward the income tax (and other state taxes) and away from the property tax as the major source of state revenue primarily evolved from the 1920s to the 1960s. The property tax decreased from 50% of state tax revenue in 1903 to 6% in 1962, but accounted for 97% of local tax collections in the early 1960s.[8] In 1967, the state property tax was eliminated and collection of property taxes was turned over to the counties. That same year, the state instituted the sales tax, in part to offset the loss in revenue it experienced by turning property taxes over to local governments, but also to generate money for property tax relief.

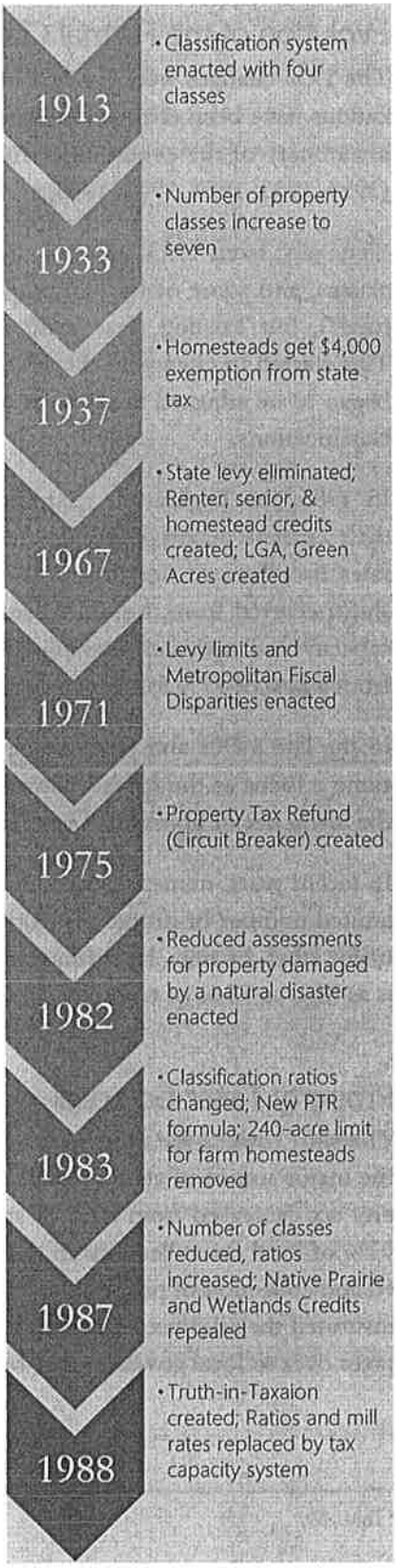
[8] Ibid., 39.

Relief in the 1960s and '70s

The 1967 *Tax Reform and Relief Act* marked a turning point in the state taking on a significant role of providing direct property tax relief and in establishing a state-and-local fiscal relationship of aid going to local governments as a means to lighten property tax burdens. The state created the Property Tax Relief Fund from the new sales and use tax, an increase in the corporate income tax, and other sources. The Act also established six programs:

- Homestead Property Tax Credit (property taxes reduced 35% up to $250)
- Renter Income Tax Credit (for a portion of rent paid)
- Senior Citizen Income Tax Credit (for property taxes paid up to $300)
- Personal Property Exemptions (relief funds reimbursed taxing districts for lost tax base)
- Elimination of the State Mill Levy (relief funds were used to reduce the mill levy for retirement costs)
- Local Government Aids (direct funds to schools and local governments)

Within the scale of these major changes it might be easy to overlook that the Green Acres program (Minnesota Agricultural Property Tax Law) was created in 1967 (it would not garner much further attention for almost 40 years). In 1969, the Open Space Property Tax Law was established. These deferral programs reduce the value on which qualifying lands are taxed, "deferring" possible paybacks until the time the land leaves the program. These programs and the advent of the Taconite Homestead Credit in 1969, however, were largely footnotes in this period of examining larger analysis of overall property tax burdens.



Property taxes were significantly reduced by the 1967 changes but continued to increase substantially in the following years focused on relief. In 1971, the Legislature responded with levy limitations on all units of government in an effort to restrain the growth in property taxes. In addition, the 1971 Legislature created the Fiscal Disparities program as a means of tax base sharing in the metropolitan area. The value basis for property taxes was also changed from an adjusted market value (generally a third of the full market value), to use the full market value. This move tripled values, but cut mill rates by a comparable scale.

Relief continued in 1973 with a first incarnation of limited market value that limited assessment increases, and with the provision of a Senior Citizen Property Tax Freeze. The limited market value program was significantly changed in 1975, and a 1979 Tax Court ruling prompted further changes and a phaseout when it found its previous structure to be unconstitutional. The senior freeze was replaced in the following years as new refund programs were developed.

In 1975, the Legislature enacted a new "income adjusted homestead credit" or "circuit breaker" that was further developed and renamed the Property Tax Refund in 1977. These programs for homeowners and renters provided state reimbursement of a share of the tax exceeding a percentage of household income. These programs would continue to see many changes over the years but maintain the same basic structure. The additional targeted refund for sharp increases in taxes arrived in 1980.

Changes Endure

From the late 1970s and into the late 1980s, the Legislature made frequent adjustments to classifications, the size of farm homesteads, and the structure of the homestead and agricultural credits. However, several new exemptions, credits, and programs came into being during this period, including: powerline credits,

wetlands exemptions and credits, native prairie exemptions and credits, and enterprise zones and credits. The wetland and native prairie credits would be short-lived and were repealed in 1987. This time period also saw the explosion of tax increment financing (TIF) which would trigger reforms and continual tinkering over the years.

A New Identity

1987-1989 brought more substantial changes. Possibly the largest single change occurred when the tax capacity system was introduced, replacing the assessed value and mill rate system. Taxes paid in 1989 served as a bridge, utilizing the concept of "gross tax capacity" before "net tax capacity" became the dominant tax base beginning with taxes payable in 1990. This design is unique to Minnesota and the class rates were meant to identify roughly appropriate levels of burden with respect to a property's value. The first tier of homesteads has had the benchmark class rate of 1.00% which serves as a measuring stick for other classes. (For example, commercial class rates have generally ranged from 2% to 5%, establishing easy to identify 2-to-1 or 5-to-1 relationships.) Tax rates were imagined to ideally center around 100%, making it easier to perceive "high" or "low" rates. However, these rates, in nominal terms, often confuse observers from other states and seem shockingly high to those still accustomed to a mill rate system.

Other significant changes in the 1987-1989 sessions included repealing levy limits in favor of the "Truth in Taxation" (TNT) process, replacing homestead and agricultural credits with Homestead and Agricultural Credit Aid (HACA), and the creation of Disparity Reduction Aid (DRA). TNT is a formalized process for establishing proposed levies, notifying taxpayers, and holding hearings at which taxpayers can react before final levies are adopted. HACA was a grandfathered aid that would be used to help facilitate class rate compression in the following decade before its repeal. DRA was meant to ease the transition to the NTC system, but it remains today as a legacy aid.

The 1990s

Aside from the theme of class rate compression that began later in the decade, the 1990s mostly featured continual incremental changes. Some of the more notable changes include: the growth of homestead eligibilities, the creation and evolution of referendum market value as an alternate tax base, the return of limited market value, the establishment of the "This Old House" exclusion, the creation of the Iron Range fiscal disparities program, the return of levy limits, the return of a homestead credit (as the education homestead credit), and the creation of the Senior Citizens Deferral program.

The Big Plan

The turn of the millennium brought some surpluses and a new governor. Governor Ventura made a push for policy and administrative reforms. The administrative component of this was a complexity tackling effort that perhaps got lost in the bigger policy discussion. The Big Plan yielded another substantial shift of the state taking over a significant share of school levies and redefining and increasing local government aids. The state general property tax levy was created, marking a return for property taxes as a state revenue source. The education homestead credit was replaced by new market value homestead credits for residential and agricultural properties that would increase and phase out according to a property's value, with reimbursement payments made to local governments.

The past several years…have largely been marked by growing stress in the state-local relationship, primarily caused by the frequent and large state deficits. As the economy has suffered, so have state and local finances.

Reactions to Fiscal Stress

The past several years in the wake of the Big Plan reforms, have largely been marked by growing stress in the state-local relationship, primarily caused by the frequent and large state deficits. As the economy has suffered, so have state and local finances. The state has made several cuts to local government aids and credit reimbursements. Pressures on property tax increases have been a source of frustration and the property tax refund program has been expanded. The 2011 session also included a replacement of the residential homestead market value credit with a new homestead exclusion, which has been the dominant issue of late.

The changing economy has also affected different classes of properties in different ways. Agricultural property taxes have been a particular area of focus. Green Acres received a fair amount of attention, complete with newly defined agricultural and rural vacant land classifications.

Other notable changes over the past decade include the Job Opportunity Building Zone (JOBZ) program and its unique partial exemption, the transfer of wind energy systems from the property tax to a production tax, the elimination of limited market value, the creation of the Sustainable Forest Incentive Act (SFIA) program, and continued classification changes.

The Property Tax System Today: Complexity Abounds

Breadth of Complexity

Minnesota's property tax is a complex system. It provides preferences to various properties in many different ways, including:

- aids to jurisdictions to reduce their property tax reliance,
- reductions in taxable value through exemptions and exclusions,
- differential weighting of taxable value through classification and multiple tax bases,
- reductions in final tax bills through credits, and
- refunds after taxes are paid.

The multitude of overlapping features and mechanisms is one trademark of property taxes in Minnesota. While taxpayers may expect that property taxes should be as simple as multiplying their property's value by the tax rate, there are many less-than-transparent ways in which the value, rate, and tax are manipulated. A common misperception is that governments adopt tax rates, but they actually adopt levies (a dollar amount of taxes to be raised). The tax rates are the result of dividing the adopted levy by the tax base.

The vast array of features that manipulate levies, tax bases, and rates generates complexity and reduces efficiency and understandability, as illustrated in Figure 1.

Depth of Complexity

Another trademark of Minnesota's complexity is not just the variety of overlapping features that are applied to affect tax calculations, but also the extent, proliferation, and detail of many of the individual features.

One of the most obvious examples of this is the extensive number of specific classes and tiers of property that are defined. Classification is used to determine the taxable value of a property by multiplying a classification percentage to the initial value. This changes relative burdens between different classes of property.

In 1913, Minnesota established just four classes of property. In recent years, numerous smaller classifications have been added that generally encompass a limited number of properties, often including detailed qualification criteria. Today, depending on how you count, there may be up to 55 different property classes and tiers (see "The Evolution of Minnesota's Classification System" in Appendix B).

Another example of the degree of intricate detail found in the system can be seen in how an agricultural homestead is determined. The growth of different ownership arrangements, and

the substantial differences between homestead and non-homestead agricultural land, have led to incredibly meticulous requirements for qualification. The flowchart in Appendix B illustrates just how complicated this process is, and begs for a greater sense of purpose in the design of the system.

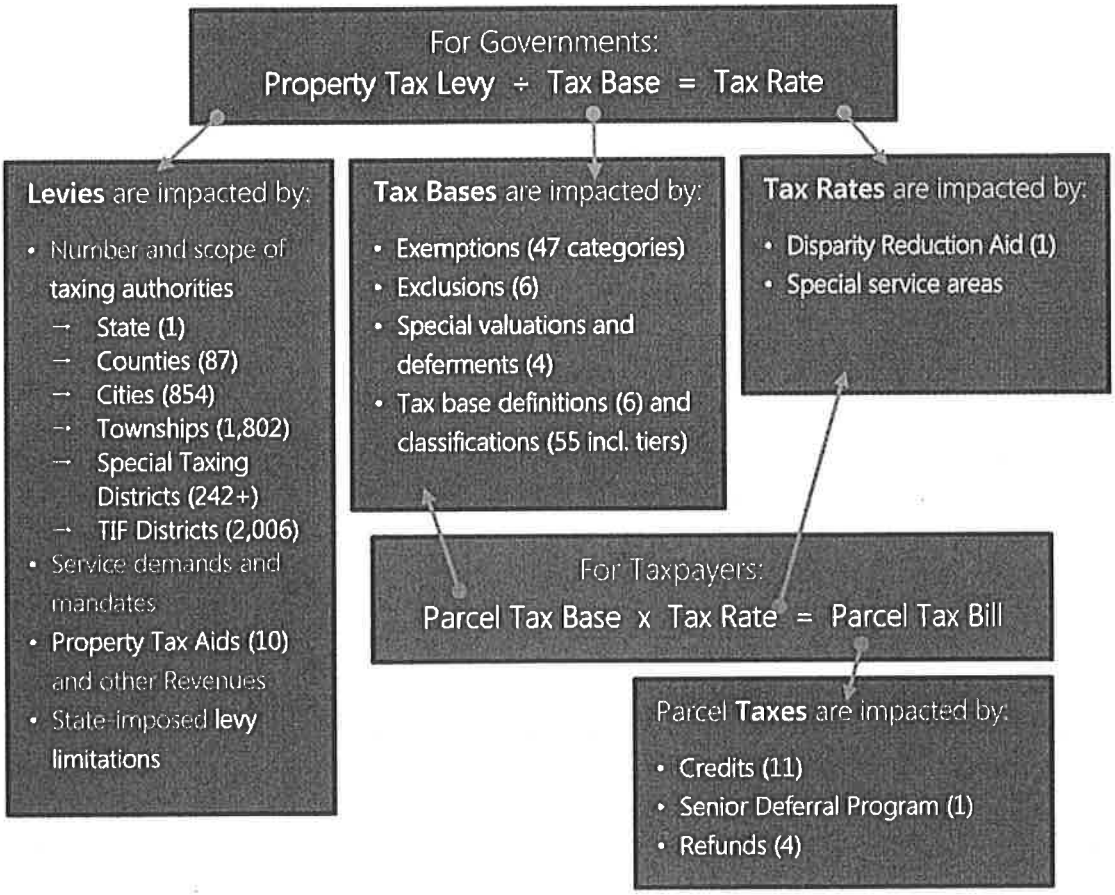


Figure 1 – Adapted from *Minnesota Department of Revenue, "Property Tax Inventory," Nov. 2010, p.3.* Counts provided in parentheses after each feature are from 2010.

A full inventory and description of the complexity of Minnesota's property tax system took a substantial share of the Working Group's two years of research and investigation. While we cannot adequately itemize all of those elements here, Appendix D and the list of Resources at the end of this report contain valuable details about many of these features.

The Consequences of Complexity and the Case for Simplification

The first reaction to demonstration of all the complexity in a tax system might often be to question:

- So what's the problem?
- Why does it matter that Minnesota's property tax system is very complex?
- If simplicity and fairness can be competing concepts, isn't fairness far more important?

These are valid questions, and certainly there is an important justification for many individual features that contribute to the complexity of the system as a whole. But, complexity does generate real problems that undermine important tax principles.

Diminished Understanding for Taxpayers

When complexity is too great, taxpayers have little hope of identifying how their taxes are specifically calculated. This breeds anger and distrust as they are expected to take it on faith that they are being treated fairly and correctly. They do not know how to keep state and local government officials accountable for outcomes and hear mixed messages that they cannot assess. They are unable to plan for and adapt to changes.

Diminished Understanding for Policy Makers

When state policy makers cannot easily learn and understand the system, they are unable to adequately assess the merits of proposals and to accurately assess the outcomes of their actions. They are unable to explain issues to taxpayers with confidence. Incremental changes for narrow interests are viewed without full understanding of their costs and consequences. The ability to grapple with broad reforms is handicapped. Policy making becomes reactionary rather than strategic. Local officials may make levy decisions with good intentions but not realize their outcomes.

Diminished Understanding for Administrators

When those who administer the system cannot easily understand the interactions and outcomes, they must place blind faith in systems. Uniformity in administration is placed at risk. The ability to proof and check outcomes is diminished. The opportunity for errors in administration increases substantially. They are unable to provide full explanations to taxpayers and proper guidance to elected officials.

Diminished Transparency and Accountability

Without understanding there cannot be transparency. Without transparency there cannot be accountability. Without accountability, a system can become ineffective, inefficient, and inequitable. Problems cannot be easily identified and addressed. Contentions cannot be readily verified and objective evaluation can be usurped by political messages.

Leads to Unintended Consequences and Inequities

The extensive interactions in a complex and non-transparent system can cause outcomes and other consequences that are not foreseen, not desirable, and not equitable. The presumed benefit cannot be fairly measured against unseen costs, and measures may be implemented that would otherwise fail the implicit cost/benefit analysis of policy makers.

Leads to Errors

Errors are difficult to avoid when understanding, transparency, and efficiency are compromised by complexity. The ability of administrators to identify, anticipate, and avoid errors of all magnitudes is increasingly compromised as the level of interactions and obscurities rise. Errors, of course, are generally costly, inefficient, unjust, and/or unfair.

Allows Incrementalism to Trump Global Principles

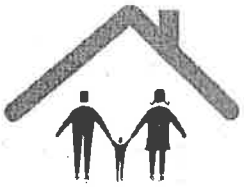
Incremental changes—where a change is made on the margin to impact a limited segment of a bigger system—are not inherently or always problematic. However, incremental changes should be made with an eye towards the broader context of more global principles so that they can be evaluated properly in terms of their consequences, trade-offs, and less tangible, cumulative costs. When the system cannot be easily understood or evaluated, the more immediately evident and more tangible "benefits" of incremental changes are viewed in a vacuum and the system can stray from broader goals and principles.

Inefficiencies and Costs Rise

The more complex the system, the more difficult and inefficient it becomes to administer. Costs rise significantly. This is especially a problem with property taxes since most of the administrative costs are born locally and are not fairly evaluated by state policy makers because it does not affect their budget constraints. The spillover costs of complexity, however, do rise for both state and local administrators and the feasibility of accurate administration diminishes in real terms.

A Call to Action

Although it might be easy to incrementally add a feature of complexity to the property tax system and realize a tangible "benefit" of marginally improved fairness while only contributing to the "costs" of complexity in a much more intangible way, the cumulative costs have a way of degrading the benefits and magnifying the costs. An inefficient system that cannot be understood, that lacks transparency and accountability to a significant degree, and that results in unintended consequences and error at a growing rate, is not an acceptable system. Periodic reform and simplification is an overdue necessity. Whether the Legislature can tackle a major redesign, or simply engage in some meaningful pruning, changes are necessary to improve the health of the overall system.



Guiding Principles

We recommend the legislature adopt the following guidelines when proposing changes to the property tax system.

Defend the purpose

The purpose of the property tax is to provide a **local** revenue source to pay for **local** services. Although the state should define a uniform structure, the tax should be accountable to local people and the state's involvements should be very limited. It should not be an arena for state legislators to serve constituent interests. The property tax is foremost a local revenue system, not a vehicle for state policies.

Base property taxes on market value (true ad valorem system)

Using a value other than the full estimated market value (by applying exclusions, limitations, or alternate values) creates confusion, complexity, costs, and distortions.

Base property taxes on property attributes, not ownership or occupancy

The characteristics and use of a property should drive property tax levels, while the characteristics of an owner or occupant should be delivered via income tax benefits or other means. Primary benefits for individuals should be via the property tax refund programs. A "house is a house" and should be taxed the same regardless of ownership or occupancy. This principle is not intended to single-out or devalue any particular group or benefit. But there may be other ways, outside of the property tax system, to achieve these same goals.

Defend broad-based goals from narrow interests

Creating new classifications or other benefits for individual or narrow subgroups of property can often be rationalized on the margin—almost everyone has a reason they should pay less. Narrowing the discussion perpetuates complexity and the incremental erosion of broad policy goals. Administrative costs can even outweigh very narrow benefits. "Commercial/industrial" is a better focus than restaurants on a lake, metro non-profit recreational property, or marinas.

Consider more transparent alternatives

When evaluating new property tax proposals, legislators should consider: 1) why the special provision is needed in the property tax system, 2) if there are other ways to deliver the benefit outside the property tax system, and 3) whether it is appropriate as a long-term benefit or a short-term fix. The property tax should not be used simply to avoid direct state costs.

Provide sunsets to prompt review

Any new changes, programs, or benefits in the property tax system should have a sunset so as to force re-evaluation over time. Sunsets will help remove provisions which are obsolete or no longer achieving their intended goals. These reviews will help promote greater efficiency and effectiveness in addressing policy goals.

Require value or intention statements on new legislation

County administration is an arm of state government and there should be a greater recognition of partnership and sensitivity to administrative costs. Therefore, when enacting new provisions, the legislature should include a statement that describes:

- why the change is necessary,
- why the change is valuable (fiscal analysis),
- what the change intends to do, and
- what alternatives were considered.

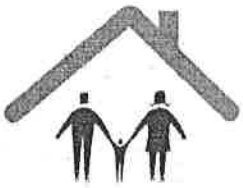
Such statements will enable the provision to be re-evaluated over time, and will enrich decision-making when the provision is set to expire.

Make simplicity and transparency a priority

This Working Group was created to simplify the system and recommend ways to make it more understandable. A transparent and understandable system facilitates trust and accountability. A simple system is more efficient and less susceptible to errors, unintended outcomes, and high costs. Policymakers need to defend these important principles.

Require local impact notes for any property tax changes

Although local impact notes (i.e. fiscal notes for local governments) may be requested by legislators at any time, such requests rarely take place. We recommend that local impact notes be required for all proposed changes to the property tax system to increase accountability.



Our Recommendations

Classification

We recommend the legislature implement the following changes related to Minnesota's classification system in order to make it more simple, efficient, understandable, and equitable for taxpayers and administrators.

1 Reduce the number of classifications

The Minnesota Constitution's Uniformity Clause allows for different types of property to be classed at different rates. Minnesota's property tax system is highly classified in comparison to other states. Although Minnesota has up to 55 different classifications and tiers, there are truly only nine different class rates assigned to the variety of distinctions. Greater consolidation around a more limited set of class rates should be pursued.

Principle-based Recommendations

Benefits targeting specific properties or owners should not be given through micro classification. This can be a hidden way to shift burdens among the tax base. A benefit on one property incrementally increases taxes on all other properties. It also encourages the further creation of new, specific classifications that narrowly pick winners and losers. Other states generally have just a few classifications. (While it can be difficult to identify and count classifications, South Dakota might be second with 14, while Wisconsin has seven, Iowa has five, and North Dakota has four.)

Strong consideration or discussion should be had as to whether the system cannot simply be based on a single classification. For what purpose is any classification needed?

At a minimum, any new classifications should have an impact on a significant number of properties/owners, not a select few.

Specific Recommendations

We recommend reducing the number of classifications and tiers from 55 to 4 broad classes (see the class rate table in Appendix C for reference):

- **Residential** 1a, 1d, 2a (HGA), 4a, 4b(1), 4b(2), 4b(3), 4b(4), 4bb(1), 4bb(2), 4c(4), 4c(5)(i), 4c(5)(ii), 4c(9) first 3 units, 4c(12), and 4d

  This includes classifications for residential homesteads; migrant housing; the house, garage, and first acre (HGA) of agricultural homesteads; apartments; various non-homestead residential classes; post-secondary student housing; manufactured home parks and coops; the first three units of bed and breakfasts; seasonal residential (cabins); and qualified low-income housing.

- **Commercial** 1c, 3a, 3b, 4c(1), 4c(2), 4c(3)(i), 4c(3)(ii), 4c(6), 4c(9) beyond first 3 units, 4c(10), and 4c(11)

  This includes "Ma & Pa" resorts; commercial, industrial, public utility, and railroad property; commercial seasonal (resorts); qualifying golf courses; non-profit community service-oriented organizations; metro non-profit recreational property; the remainder of bed and breakfast units; seasonal restaurants on a lake; and marinas.

- **Agricultural** 2a, 2b, and 2c

  This includes agricultural land, rural vacant land, and managed forest land.

- **Other** 2d, 2c (if not eliminated), 4c(7), 4c(8), 5(1), and 5(2)

  This includes private airport land; land with aggregate deposits, certain non-commercial aircraft hangars, unmined iron ore, and all other property not otherwise classified.

These classifications reflect several notions that the Working Group has embraced:

- The current residential classes make too fine of distinctions. While "apartments," "cabins", and "homestead" concepts may form arguable distinctions, there is also strong logic in the broader notion that a "house is a house." Full consolidation of residential classes would yield the greatest simplification. "Homestead" benefits do not require a classification distinction.

- The various classes of "business" or "commercial" property are also too finely specified. Even when a subgroup like a "resort" is identified, the current system goes even further by perpetuating finer categories such as bed & breakfasts, or by making distinctions based on the residency of a resort's owner. The greatest simplification argues against this proliferation of narrower classifications.

- Likewise, the notion that "agricultural land is agricultural land" provides simplification and is logically more appealing than tying agricultural classifications to ownership arrangements. A single agricultural classification would not affect the valuation of different types of land, such as forest vs. rural vacant land or tillable vs. non-tillable.

2 Homestead benefits – Expand the Property Tax Refund program

Ideally, homestead benefits would not be necessary given that they are more attributes of owners than attributes of property use. However, there are strongly held beliefs that homestead preferences serve an important role in promoting home ownership and strong communities, among other purposes.

The Working Group acknowledges the importance of homestead benefits, and recommends that such benefits be provided via the Property Tax Refund (PTR) program in order to minimize complexity. Homestead benefits currently provided in other ways, including the homestead exclusion and disabled veterans exclusion, should be moved into an expanded homeowner PTR program.

We also recommend standardizing the definition of a "homestead" to be the house, garage and one acre (HGA) for all homestead properties. These recommendations apply to both agricultural and residential homesteads.

3 Avoid or eliminate tiers and parcel-linkage

Tiers within all classifications that are based on values should be eliminated/phased-out, minimized, or be replaced by alternate forms of benefit. Tiers, and other requirements that cause multiple parcels to be linked together into groups by ownership, no longer view property on its own characteristics and instead evaluate ownership.

Parcel-linkages create significant complexity and confusion for taxpayers. For example, the agricultural tier confuses owners when one of their parcels sees a large increase in tax compared to other parcels and this is simply due to how the tiers are applied. The linkages make data programming and management substantially more difficult and costly.

Eliminating tiers removes the need to chain parcels which makes the system less complex and reduces administrative costs.

4 Revamp the agricultural homestead classification process

The process of determining agricultural and special agricultural homesteads is very burdensome and confusing for property tax administrators and taxpayers. (See chart in Appendix B.) The various ownership arrangements and the ability to chain parcels for homestead benefits has created a complicated proliferation of qualifying criteria, and simplification of this process would make for significantly more efficient and understandable administration.

Specific Recommendations

As a result of consolidating classifications and eliminating tiers in *Recommendations 1* and *3*, all agricultural land and buildings (except the residential house, garage and one acre "HGA" portion) would be taxed at a single rate, regardless of ownership and with no limitations on acreage or valuation. These simplifications mean that partial interests, special agricultural homesteads, fractional, relative, cross-country, and actively farming classifications would no longer be necessary. This would create a considerably more simple, efficient, transparent, and understandable system.

Within this vision, "homestead" requirements and benefits for agricultural properties would be the same as for non-agricultural residential properties. Homestead benefits would be limited to the HGA and would not extend beyond the first acre. Agricultural land owned by partnerships, LPs, LLCs, LLLPs, etc. would no longer qualify for "homestead," but would receive the same treatment as all other agricultural land. The HGA would be subject to all voter approved and capital improvement referendums, while agricultural land would not.

5 Establish an agreed upon relationship ("ratio") between classification rates

Policymakers have too often viewed class rates as mere numbers establishing "levels" for which "benefits" can be given. However, classification ratios should aim to establish relative property tax burdens between classifications, by identifying a percentage of value that should be taxed. This begs for broader classifications and a philosophical evaluation of relative burdens, not constant tinkering and discounting. Maintaining consistent ratios would enhance transparency. If rates change, there should be proportional or agreed upon changes in relationships.

Timing and Calendar Changes

Changes to the property tax calendar and elements of timing.

6 Consolidate reporting, application, and effective dates

There are a wide range of dates to track within the system as to when various applications and reports are due and when changes in a property's status become effective. Consolidating around a few key dates will make it easier to understand, explain, and comply. (See proposed calendar on the following page.)

Proposed Date	Items Due (Old due date in parentheses)
Jan 2	▪ Assessment date (Jan 2) ▪ Personal property classified as taxable or exempt (Jan 2)
Feb 1	▪ Local assessors to deliver assessment records to county assessor (Feb 1)
Mar 1	▪ Assessor to notify township and city clerks of local board dates (Feb 15)
Mar-Apr	▪ Valuation notices mailed (Mar-Apr)
Apr 1	▪ Last day to mail property tax statements (except manufactured homes) (Mar 31) ▪ Spring Mini abstract due (Apr 1)
Apr 1-Jun 1	▪ Local Boards of Appeal and Equalization convenes (Apr 1-May 31)
May 1	▪ Class 1c or 4c(5) resort applications (Jan 15) ▪ File for exemption (Feb 1) ▪ File tax court petition for dispute over value for current year taxes payable (Apr 30) ▪ Class 4c(3)ii, Green Acres, Class 2c applications (May 1) ▪ Assessor to return manufactured home assessment books to auditor (May 1) ▪ Homestead applications for manufactured homes (May 29) ▪ Metropolitan Agricultural Preserves applications (Jun 1) ▪ Assessors notify property owners of contamination value (Jun 1) ▪ Senior citizen property tax deferral, Disabled Veterans applications (Jul 1) ▪ Notify assessor of entity-owned property for agricultural homestead status (Jul 1) ▪ Class 1b applications (Oct 1)
May 15	▪ First-half real property taxes due (for most properties) (May 15)
May 1-July 1	▪ State Board of Equalization convenes (Apr 15-Jun 30)
Jun 1	▪ Assessor notify Revenue of changes made to Spring Mini abstract (Jun or before) ▪ Assessor sends summaries of assessment to auditor (Jun 3rd Mon)
Jul 1	▪ Commissioner of Revenue to certify changes in assessments from State Boards (Jun 30) ▪ Cut-off date for changes in taxable/exempt status for current assessment year (Jul 1) ▪ All real and personal property assessments finalized (Jul 1) ▪ Last day to mail property tax statements for manufactured homes (Jul 15)
Aug 1	▪ First-half property tax on manufactured homes due (Aug 1) ▪ Assessors certify commercial-industrial NTC to auditors for fiscal disparities (Aug 5)
Sep 1	▪ Property Tax Refund Form M1PR (Sep 1) ▪ Assessors file Abstract of Assessment, Fall Mini, Market Value by Parcel File (Sep 1)
Oct 1	▪ Assessors certify approval of Open Space applications for current year (Oct 15)
Oct 15	▪ Second-half real and personal property taxes due (including class 2a) (Oct 15, Nov 15)
Nov 1	▪ Open Space applications for next assessment year (Nov 3)
Dec 1	▪ Establish homestead, publish notice of homestead application due dates (Dec 1) ▪ County assessor may examine appraisal records of local assessors (Dec 1)
Dec 31	▪ Homestead applications for current year's assessment (Dec 15) ▪ Assessor file corrections of clerical/admin errors made after local/county boards (Dec 31) ▪ Expiration of terms of county assessors (every 4th year) (Dec 31) ▪ Add or remove tax-forfeited property (Dec 31)

7 Base assessments on the most current economic conditions

When the sales that are examined to make and evaluate assessments are based on a lagged period, or are adjusted to a time that lags behind the assessment date, the tax burdens can seem disconnected from current economic conditions and foster distrust in the system. Recent changes in the sales analysis process have been made to limit the lag. Assessments are now being measured against an estimate of the current-year market rather than an estimate of the previous-year market. Further and continued evaluation should aim to optimize the connection to the current market.

We recommend adjusting market definitions (a larger geographic area rather than a longer timeline) for sales comparison purposes. We also recommend the legislature encourage the transition to Electronic Certificates of Real Estate Value (eCRV) to improve responsiveness to economic conditions.

Truth in Taxation (TNT) and Notices

The process of communicating how budgets impact taxes needs significant changes. Current notices may be too late, budgets are established much earlier, and the most important information is not well communicated.

8 Make improvements to the Truth in Taxation (TNT) process

In addition to the recommendations for all property tax-related notices and statements listed in *Recommendation 9*, the entire TNT process should be modernized and made more transparent, understandable, timely, and efficient for taxpayers and administrators.

- Basic budget information or links should be shown on the TNT notices rather than just the property specific tax amounts. The notices should also direct taxpayers to official local government websites, where more in-depth budget information would be available.
- Any "published" information should be changed to web content on official local government websites rather than newspaper publication.
- Taxpayers should be engaged electronically (email, electronic newsletters, online forums, Twitter, etc.), rather than via in-person hearings.
- The time for constructive engagement should coincide with actual budgetary deliberations and not occur so late in the year.

9 Make improvements to notices and statements

The TNT notice, valuation notice, and tax statement need a greater sense of coordination and consistency. These tax documents should have a specific branding to improve recognition and understanding. In addition:

- Both estimated market values and taxable market values should be provided on notices.
- Websites and email contact information should be included in addition to, or in place of, addresses and phone numbers.
- Better timing/coordination of notices to maximize effectiveness should be explored.
- Notices should be available by electronic delivery.

Operational and Administrative Changes

Changes to the overall property tax system and how it is administered.

10 Investigate and plan for an eventual statewide computer system

Counties currently replicate programming and administrative overhead across a handful of consortium-based or individual systems. This duplication increases administrative costs and enables non-uniform administration. The state should explore a centralized system (whether developed or delivered via a single contracted vendor). A centralized tax system may be separate from centralized computer assisted mass appraisal system.

A state system would likely save total state and local costs, but it would transfer those costs to the state. One advantage of this would be improved accountability and a stronger disincentive to marginal changes to the property tax system, because such changes would require fiscal notes and state accountability for administrative costs. (Currently, substantial costs are borne locally and viewed without any fiscal note considerations by the state. Local impact note requests are rare.) Moving to a statewide system would help support local administration of the tax.

Such a system would take planning and a significant investment. The timing should be mindful of recent investments made by counties in their systems.

11 Convert the tax capacity system to an assessed value system

The current tax capacity system is unique to Minnesota. Along with its unfamiliar terminology, this system expresses the taxable value of a property in very small amounts that are less than 2% of a property's market value. The original notion was that these values would approximate tax levels and that total tax rates

would typically range around 100%. Such high nominal tax rates may make comparisons with other states more difficult and possibly hurt competitiveness, even if the resulting tax burdens are competitive. Other states use a system of assessed values where the taxable value of a property is expressed as a (higher) share of the total market value. By expressing taxable value in terms that fit the scale of a market value, the tax rates are much smaller in nominal terms. Tax rates are frequently expressed as mill rates (dollars raised per $1,000 of value).

Minnesota's unique system makes it less transparent to out of state businesses or new arrivals. We therefore recommend converting to a more traditional assessed value system. Although this change may cause confusion in the short term, the Working Group believes that the long term advantages outweigh the initial inconveniences. Using assessed values and mill rates could yield the same calculated tax amounts, and would just change the mathematical expressions to more traditional terms. The intended result is for a more understandable and competitive property tax system.

12 Eliminate the use of property taxes for state funding

Taxpayers see the property tax as a local tax. The state property tax – paid only by commercial/industrial and seasonal recreational properties – adds another layer of complexity to the system.

Within this vision, we recommend eliminating the state tax for the purpose of restoring property taxes as a local tax. Deliberations as to burden levels across property types and revenue compensation are outside the scope of the Working Group. The Working Group recognizes the budgetary implications of this recommendation. If the state property tax continues to be levied, the revenue should stay within the local system and be given directly to school districts and other local units of government, not deposited in the state general fund.

13 Avoid limits, caps, and freezes

Limits, caps, or freezes on **values** shift taxes, often to perverse degrees over time, resulting in unintended inequities that can be avoided by more overt classification/programs. Value limitations should be avoided.

Limits, caps, or freezes on **tax amounts** create gaps between levies and collections that undermine budgeting while also creating equity concerns. Tax limitations or freezes should be avoided.

Limits, caps, or freezes on **levies** might best constrain overall tax amounts but they can also be stimulative, overly restrictive, or ineffectively loose depending on their design, making them inefficient and undesirable. As a local tax, the state should let local governments make their own determinations and be accountable to local voters. Levy limits should not be imposed by the state.

Other Property Tax Preferences and Benefits

Specific recommendations for current programs and features of the property tax system.

14 Exclusions

Exclusions reduce the taxable market value of a property and, therefore, shift the tax base. They may be seen as an easy way to provide a benefit because they do not cost the state money. Exclusions are less transparent and less understandable for taxpayers, who may not know that they're paying for their neighbor's benefit or why the value of their neighbor's house is "lower" than their own.

Principle-based Recommendations

The state should pay for benefits that the state thinks are important (e.g. use credits or refunds, rather than exclusions or exemptions). If used, exclusions should be tied to the property, not the owner. Because exclusions are not very responsive, they should not be used to provide short-term or one-time benefits.

Specific Recommendations

Exclusion	Recommendation (or Options)	Reasons
This Old House	▪ Allow to phase out	▪ Did not necessarily achieve intended goals ▪ Not transparent
This Old Business	▪ Allow to phase out	▪ Did not necessarily achieve intended goals ▪ Not transparent
Plat Law	▪ Delete, or ▪ Phase out	▪ Let market forces determine value (true ad valorem) ▪ Developers can choose when to plat
Mold Damage	▪ State paid property or income tax credit ▪ State Refund ▪ Abatement reimbursed by the state	▪ State should pay for benefits that it finds important ▪ Exclusion is not responsive to when you pay to clean up, these other options are.
Disabled Veterans	▪ State Refund ▪ Income tax credit	▪ Based on owner, not on property ▪ Some areas with a large percentage of disabled veterans in their communities have seen a large reduction in their tax base.
Homestead Exclusion	▪ Eliminate as a consequence of other recommendations.	▪ Based on owner, not on property ▪ See Recommendation 2.

15 Credits

Credits reduce the final tax you owe. They do not shift the tax base, but they do cost the state money. Credits may be more accountable and understandable for taxpayers (tax – credits = what you pay).

Specific Recommendations

Credit	Recommendation (or Options)	Reasons
Disaster (2 credits, 1 abatement)	▪ Keep as is	▪ These credits/abatements are successful and responsive ▪ Already have built-in time limit (not everlasting) ▪ Local options allows some local control
Power Line	▪ Delete, or ▪ Phase out	▪ High administrative cost (calculating a separate tax base and rate) for relatively small benefit ▪ Possible overlapping of benefits: Properties may already have a lower valuation due to the power line and/or money from an easement for the line.
Disparity Reduction	▪ Keep as is	▪ Keeps businesses in the state. Paid for by state as a state objective. As a credit, it is accountable in the system
Agricultural Homestead Market Value Credit	▪ Eliminate as a consequence of other recommendations	▪ If HGA receives homestead benefits as a residential homestead and all "agricultural land is agricultural land" at the same rate, this credit would no longer apply.
Bovine Tuberculosis Credit	▪ Do not reinstate	▪ Example of a non-property tax related benefit in the property tax system ▪ Addressed a one-time issue and allowed to expire according to original intent

16 Exemptions

Exemptions shift the tax base but do not cost the state money. Property that is exempt is removed from the tax rolls entirely in order to accomplish public purposes (rather than to favor certain property owners over others).

Principle-based Recommendations

The legislature should be very selective as to which properties should pay no property tax at all. Permanent exemptions should not exist to serve special interests. When properties are removed from the tax rolls they can seem hidden or be forgotten, reducing accountability in the system. Therefore, real property exemptions should have automatic review/sunset dates to improve accountability and ensure they are still necessary and achieving their intended goals.

Specific Recommendations

Exemptions	Recommendation (or Options)	Reasons
Constitutional/Federal	▪ Keep as is	▪ Not changing constitutional exemptions
JOBZ	▪ Allow to phase out	▪ Phasing out was original intent.
Business Incubator Property	▪ Allow to phase out	▪ Phasing out was original intent.

17 Aids

State aids supplement property taxes for local governments. *Local Government Aid (LGA), County Program Aid (CPA), and pension aids are property-tax related, but the Working Group has not made recommendations on them because they are being worked on by other study groups.*

Specific Recommendations

Aids	Recommendation (or Options)	Reasons
Utility Valuation Transition Aid	▪ Allow to phase out	▪ Original intention is to naturally phase out after transition from utility rule change.
Disparity Reduction Aid (DRA)	▪ Sunset ▪ Phase out	▪ Created for 1988 conversion from mill rates to NTC; may not be achieving intended purpose in all areas

18 Special Valuations and Deferrals

Special valuations and deferral programs have the effect of reducing the amount of taxable value for qualifying properties. While these programs may create benefits for participants, they also increase complexity, decrease accountability and transparency, and make the system less efficient.

For example, Open Space and Green Acres establish a value for tax purposes that is less than the property's market value, which is a difficult exercise. There is also more room for problems and errors when you move away from fair market values.

All current and any future special valuation or deferral programs should have sunset dates to prompt reevaluation.

19 Refunds

After property taxes are paid, qualifying property owners may apply for a refund for a portion of their property taxes. Refunds are paid for by the state. Homeowner and renter Property Tax Refunds (PTR) are income-tested, while special targeting PTR and some other programs are not.

Principle-based Recommendations

The refund should be a key tool for addressing equity issues that relate to owners of property. The state should pay for relief that it chooses to grant, as opposed to exclusions, classifications, or other features that cause tax shifts.

Specific Recommendations

Refunds / Other	Recommendation (or Options)	Reasons
Homeowner PTR	▪ Expand use	▪ Should be the primary method of providing benefits tied to ownership or occupancy, including homestead and other benefits. ▪ Paid for by state as state objective. ▪ See Recommendation 2.
Renter PTR	▪ Reevaluate it	▪ Classifying all residential property equally lowers the rate paid by apartments and thus the refund serves less need.
Homeowner 'Targeting' PTR	▪ Keep it	▪ This may be a valuable tool to address the impacts of implementing the recommended changes.

Appendices

Appendix A: About the Property Tax Working Group

Legislative Charge

Minnesota Statutes, section 270C.991, subdivision 4

Property tax working group.(a) A property tax working group is established as provided in this subdivision. The goals of the working group are:

(1) to investigate ways to simplify the property tax system and make advisory recommendations on ways to make the system more understandable;
(2) to reexamine the property tax calendar to determine what changes could be made to shorten the two-year cycle from assessment through property tax collection; and
(3) to determine the cost versus the benefits of the various property tax components, including property classifications, credits, aids, exclusions, exemptions, and abatements, and to suggest ways to achieve some of the goals in simpler and more cost-efficient ways.

(b) The 12-member working group shall consist of the following members:

(1) two state representatives, both appointed by the chair of the house of representatives Taxes Committee, one from the majority party and one from the largest minority party;
(2) two senators appointed by the Subcommittee on Committees of the Senate Rules and Administration Committee, one from the majority party and one from the largest minority party;
(3) one person appointed by the Association of Minnesota Counties;
(4) one person appointed by the League of Minnesota Cities;
(5) one person appointed by the Minnesota Association of Townships;
(6) one person appointed by the Minnesota Chamber of Commerce;
(7) one person appointed by the Minnesota Association of Assessing Officers;
(8) two homeowners, one who is under 65 years of age, and one who is 65 years of age or older, both appointed by the commissioner of revenue; and
(9) one person jointly appointed by the Minnesota Farm Bureau and the Minnesota Farmers Union.

The commissioner of revenue shall chair the initial meeting, and the working group shall elect a chair at that initial meeting. The working group will meet at the call of the chair. Members of the working group shall serve without compensation. The commissioner of revenue must provide administrative support to the working group. Chapter 13D does not apply to meetings of the working group. Meetings of the working group must be open to the public and the working group must provide notice of a meeting to potentially interested per-

sons at least seven days before the meeting. A meeting of the working group occurs when a quorum is present.

(c) The working group shall make its advisory recommendations to the chairs of the House of Representatives and senate Taxes Committees on or before February 1, 2013, at which time the working group shall be finished and this subdivision expires. The advisory recommendations should be reviewed by the Taxes Committees under subdivision 5.

Members

Kathleen A. Gaylord (Chair)
Dakota County Commissioner
Association of Minnesota Counties

Rep. Denise Dittrich
Minnesota House of Representatives

Rep. Greg Davids
Minnesota House of Representatives

Sen. Rod Skoe
Minnesota Senate

Sen. Warren Limmer
Minnesota Senate

R. Thomas Mould
Homeowner (under age 65)
Minnesota Department of Revenue

Eric Sorensen
Homeowner (age 65 or older)
Minnesota Department of Revenue

Luayn Murphy
City Administrator, City of Mayer
League of Minnesota Cities

Rob Vanasek
Vanasek Consulting
Minnesota Association of Townships

Matt Van Slooten
President, Carlson Real Estate Company
Minnesota Chamber of Commerce

Stephen Behrenbrinker
Assessor, City of St. Cloud
Minnesota Association of Assessing Officers

Chris Radatz
Public Policy Director,
Minnesota Farm Bureau
Minnesota Farm Bureau and Minnesota Farmer's Union (Joint Appointment)

Alternates* & Former Members†

- Rep. Linda Runbeck*
  Minnesota House of Representatives
- Sen. Rick Olseen†
  Minnesota Senate
- Jason Nord†
  Minnesota Department of Revenue
- Cal Larson†
  Homeowner (age 65 or older), Minnesota Department of Revenue
- David Fricke† and Gary Pedersen*
  Minnesota Association of Townships
- Craig Patterson* and Doug Fulton*
  Minnesota Chamber of Commerce
- Bill Effertz*
  Minnesota Association of Assessing Officers
- Thom Petersen*
  Government Relations Director,
  Minnesota Farmer's Union
  Minnesota Farm Bureau and Minnesota Farmer's Union (Joint Appointment)

Appendix B: Examples of Complexity

The Evolution of Minnesota's Classification System

1913

Class	Description	Ratio
1	Iron Ore Mined or Unmined	50%
2	Household Goods and Personal Effects	25%
3	Unplatted Real Estate	33⅓%
3	Livestock, Farm Produce, Inventories	33⅓%
3	Manufacturers' Tools	33⅓%
4	All Other Property (primarily Urban Real Estate)	40%

1933

Class	Description	Ratio
1	Iron Ore Mined or Unmined	50%
2	Household Goods and Personal Effects	25%
3	Unplatted Real Estate	33⅓%
3	Livestock, Farm Produce, Inventories	33⅓%
3	Manufacturers' Tools	33⅓%
3a	Agricultural Machinery and Horses Used by the Owner and Agricultural Products in the Hands of the Producer	10%
3b	Unplatted Real Estate Used For a Homestead	
	First $4,000	20%
	Excess	33⅓%
3c	Platted Real Estate Used For a Homestead	
	First $4,000	25%
	Excess	40%
4	All Other Property	40%

1953

Class	Description	Ratio
1	Iron Ore Mined or Unmined	50%
1a	Low Recovery Iron Ore	30-48½%
1a	Blast Furnace Products	15%
2	Household Goods and Personal Effects	25%
3	Rural Real Estate	33⅓%
3	Agricultural Products, Inventories	33⅓%
3	Manufacturers' Tools	33⅓%
3	Structures on Fed/State Lands	33⅓%
3a	Agricultural Products in the Hands of the Producer	10%
3b	Rural Real Estate Used For a Homestead	
	First $4,000	20%*
	Excess	33⅓%
3c	Other Real Estate Used For a Homestead	
	First $4,000	25%*
	Excess	40%
3cc	Disabled Veterans' Special Housing	
	First $8,000	5%
	Excess	40%
3d	Livestock, Poultry, Horses, and Mules; Agricultural Tools, Implements, and Machinery	20%
-	Petroleum Refinery Real Property	27%
-	Pretroleum Refinery Personal Property	17%
4	All Other Property	40%

1973

Class	Description	Ratio
1	Iron Ore Mined or Unmined	50%
1a	Low Recovery Iron Ore	30-48½%
1a	Blast Furnace Products	15%
2	Household Goods and Personal Effects**	25%**
2a	Mobile Homes	
	Homestead First $12,000	25%
	Homestead Excess	40%
	Non-Homestead	40%
3	Agricultural Land	33⅓%
3	Tools, Implements and Machinery which are Fixtures	33⅓%
3	Personal Property on Fed/State Lands	33⅓%
3	Commercial and Non-Commercial Seasonal Residential for Recreational Purposes	33⅓%
3b	Agricultural Homestead	
	First $12,000	20%*
	Excess	33⅓%
3c	Other Real Estate Used For a Homestead	
	First $12,000	25%*
	Excess	40%
3cc	Parapalegic Vets/Blind Homestead	
	First $24,000	5%
	Excess - Agricultural	33⅓%
	Excess - All Other	40%
3d	Non-Homestead Residential	40%
3e	Timber Land	20%
3f	Owner Occupied Residences on Leased Land	(3b, 3c, 3cc)
3h	Petroleum Refinery Real Property	30%
-	Parking Ramp in Certain First Class Cities	25%
-	Housing for the Elderly or for Low and Moderate Income Families Financed by Federal Loan or Federally Insured Loan Pursuant to Title II	
	Municipalities of 10,000 or more	20%
	Municipalities under 10,000	5%
4	All Other Property	43%

*Exempt from state tax except old debt.
**1959 Law allows county boards to exempt class 2 property.

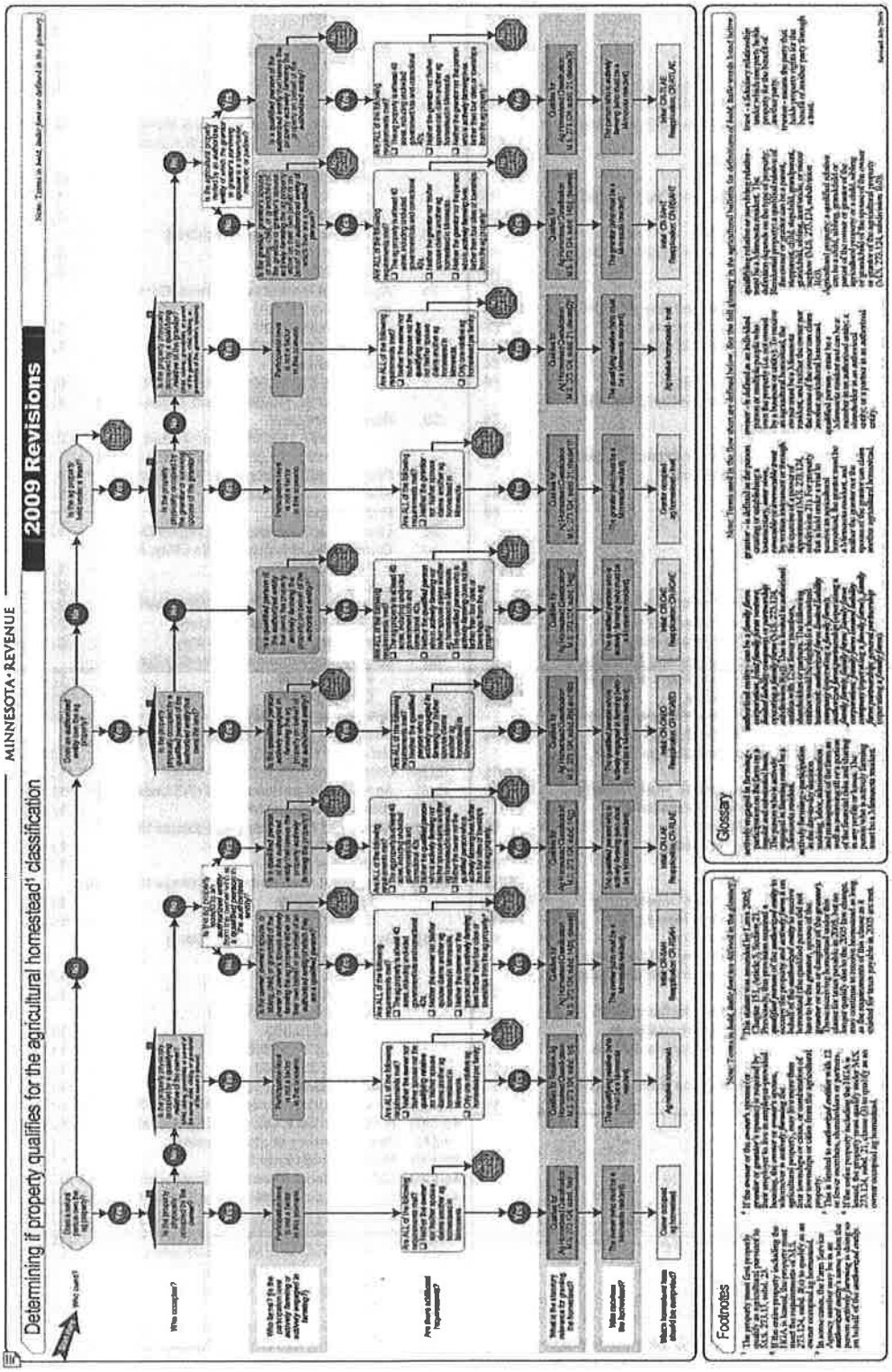
1993		
Class	Description	Ratio
1a	Residential Homestead	
	First $72,000	1.00%
	Over $72,000	2.00%
1b	Parapalegic Vets/Blind Homestead	
	First $32,000 - Agricultural & Residential	0.45%
1c	Ma & Pa Resorts (Comm. SRR including a homestead)	1.00%
2a	Agricultural Homestead	
	First $72,000	
	House, Garage, and One Acre (HGA)	1.00%
	Remainder	0.45%
	$72,000 to $115,000	
	House, Garage, and One Acre (HGA)	2.00%
	Remainder	0.45%
	Over $115,000	
	House, Garage, and One Acre (HGA)	2.00%
	Remainder to 320 acres	1.30%
	Remainder over 320 acres	1.60%
2b	Timberland	1.60%
2b	Agricultural Non-Homestead	1.60%
3a	Commercial, Industrial, Public Utility, RR	
	First $50,000	3.00%
	Over $50,000	4.70%
3b	Employment Property (Enterprise Zones)	
	Competitive City or Zone	
	First $50,000	2.30%
	Over $50,000	3.60%
	Border City	
	First $100,000	3.00%
	Over $100,000	4.70%
4a	Apartments (4+ Units)	3.40%
4b(1)	Residential Non-Homestead (1-3 Units)	2.50%
4b(2)	Unclassified Manufactured Homes	2.50%
4b(3)	Agricultural Non-Homestead (HGA)	2.50%
4c(1)	Housing for Elderly or Low and Moderate Income Families Under Title II or the MN Housing Finance Agency	2.30%
4c(2)	Housing for Elderly, Handicapped, or Lower Income Persons Under Section 8	2.30%
4c(3)	Qualified Low-Income Buildings Under Section 42	2.30%
4c(4)	Neighborhood Real Estate Trust Property	2.30%
4c(5)	Seasonal Residential Recreational	
	Commercial (Resort)	2.30%
	Non-Commercial (Cabin)	
	First $72,000	2.00%
	Over $72,000	2.50%
4c(6)	Nonprofit Comm. Service Oriented Org.	2.30%
4c(7)	Post Secondary Student Housing	2.30%
4c(8)	Manufactured Home Parks	2.00%
4d	Housing for Elderly or Low and Moderate Income Families Financed by the FHA in a City Under 10,000	2.00%
5(1)	Tools, Implements and Machinery of an Electric Generating, Transmission or Distribution System, or Pipeline System Which Are Fixtures	4.70%
5(2)	Unmined Iron Ore and Low Recovery Iron Ore	4.70%
5(3)	All Other Property	4.70%

2011			
Class	Description	Local Rate	State Rate
1a	Residential Homestead		
	First $500,000	1.00%	NA
	Over $500,000	1.25%	NA
1b	Blind/Disabled Homestead		
	First $50,000 - Agricultural & Residential	0.45%	NA
1c	Ma & Pa Resorts (Comm. SRR including a homestead)		
	First $600,000	0.50%	NA
	$600,000 to $2,300,000	1.00%	NA
	Over $2,300,000	1.25%	1.25%
1d	Migrant Housing (Structures Only)		
	First $500,000	1.00%	NA
	Over $500,000	1.25%	NA
2a	Agricultural Homestead - House, Garage, and One Acre (HGA)		
	First $500,000	1.00%	NA
	Over $500,000	1.25%	NA
2a	Agricultural Land		
	First $1,140,000 of Homestead	0.50%	NA
	Over $1,140,000 Hmstd & Non-Hmstd	1.00%	NA
2b	Rural Vacant Land		
	First $1,140,000 of Homestead	0.50%	NA
	Over $1,140,000 Hmstd & Non-Hmstd	1.00%	NA
2a/2b	Farming Entities Excess 1st Tier Hmstead	0.50%	NA
2c	Managed Forest Land	0.65%	NA
2d	Private Airport	1.00%	NA
2e	Land with a Commercial Aggregate Deposit	1.00%	NA
3a	Commercial, Industrial, Public Utility, RR		
	First $150,000	1.50%	1.50%
	Over $150,000	2.00%	2.00%
	Electric Generating Public Utility Machinery	2.00%	NA
	All Other Public Utility Machinery	2.00%	2.00%
	Transmission Line Right-Of-Way	2.00%	2.00%
3b	Employment Property (Border City Zones)		
	First $100,000	1.50%	1.50%
	Over $100,000	2.00%	2.00%
4a	Apartments (4+ Units)	1.25%	NA
4b(1)	Residential Non-Homestead (1-3 Units and Not 4bb or Previously SRR)	1.25%	NA
4b(2)	Unclassified Manufactured Homes	1.25%	NA
4b(3)	Agricultural Non-Homestead (2-3 Units G1A)	1.25%	NA
4b(4)	Unimproved Residential	1.25%	NA
4bb(1)	Residential Non-Homestead (Single Unit)		
	First $500,000	1.00%	NA
	Over $500,000	1.25%	NA
4bb(2)	Agricultural Non-Homestead (Single Unit G1A)		
	First $500,000	1.00%	NA
	Over $500,000	1.25%	NA
4c(1)	Seasonal Residential Recreational		
	Commercial (Resort)		
	First $500,000	1.00%	1.00%
	Over $500,000	1.25%	1.25%
	Non-Commercial (Cabin)		
	First $76,000	1.00%	0.40%
	$76,000 to $500,000	1.00%	1.00%
	Over $500,000	1.25%	1.25%
4c(2)	Qualifying Golf Courses	1.25%	NA
4c(3)(i)	NP Comm. Serv. Oriented Org. (Non-Rev.)	1.50%	NA
4c(3)(ii)	NP Comm. Serv. Oriented Org. (Donations)	1.50%	1.50%
4c(4)	Post Secondary Student Housing	1.00%	NA
4c(5)(i)	Manufactured Home Parks	1.25%	NA
4c(5)(ii)	MH Park Coop. (Over 50% Shareholder Occ.)	0.75%	NA
4c(5)(ii)	MH Park Coop. (50% or Less Shrhldr Occup.)	1.00%	NA
4c(6)	Metro Non-Profit Recreational Property	1.25%	NA
4c(7)	Certain Non-Comm Hangars/Leased Land	1.50%	NA
4c(8)	Certain Non-Comm Hangars/Private Land	1.50%	NA
4c(9)	Bed and Breakfast (Up to 5 Units)	1.25%	NA
4c(10)	Seasonal Restaurant on a Lake	1.25%	NA
4c(11)	Marina	1.25%	NA
4d	Qualifying Low-Income Rental Housing	0.75%	NA
5(1)	Unmined Iron Ore and Low Recovery Iron Ore	2.00%	2.00%
5(2)	All Other Property	2.00%	NA

Minnesota Department of Revenue
Property Tax Division

Corrected 2/1/11 - Original version for 2011 omitted class 1d and had incorrect class rates shown for 4c(4) & 4c(5)(i).

Determining if Property Qualifies for Agricultural Homestead Classification



Number of Tax Bases

At the most basic level, property taxes in Minnesota are levied on two types of bases:

- Referendum Market Value (RMV), and
- Net Tax Capacity (NTC)

NTC based tax bases are split into:

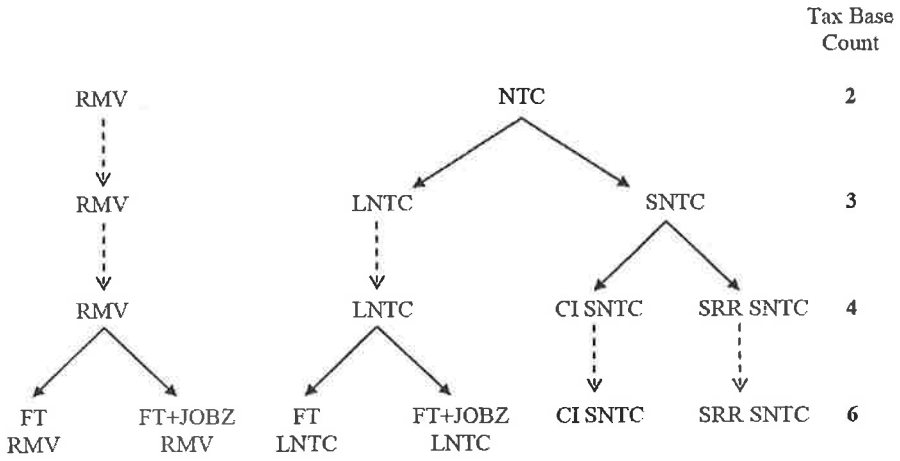
- Local Net Tax Capacity (LNTC) tax base for levies by local jurisdictions, and
- State Net Tax Capacity (SNTC) tax base for the state general property tax.

SNTC Tax Bases are further split into:

- Commercial-Industrial (CI) SNTC, and
- Seasonal Residential Recreational (SRR) SNTC[9]

RMV and LNTC tax bases are also split by:

- Fully Taxable (FT) vs JOBZ Values, and
- Exception Levy Tax Bases[10]

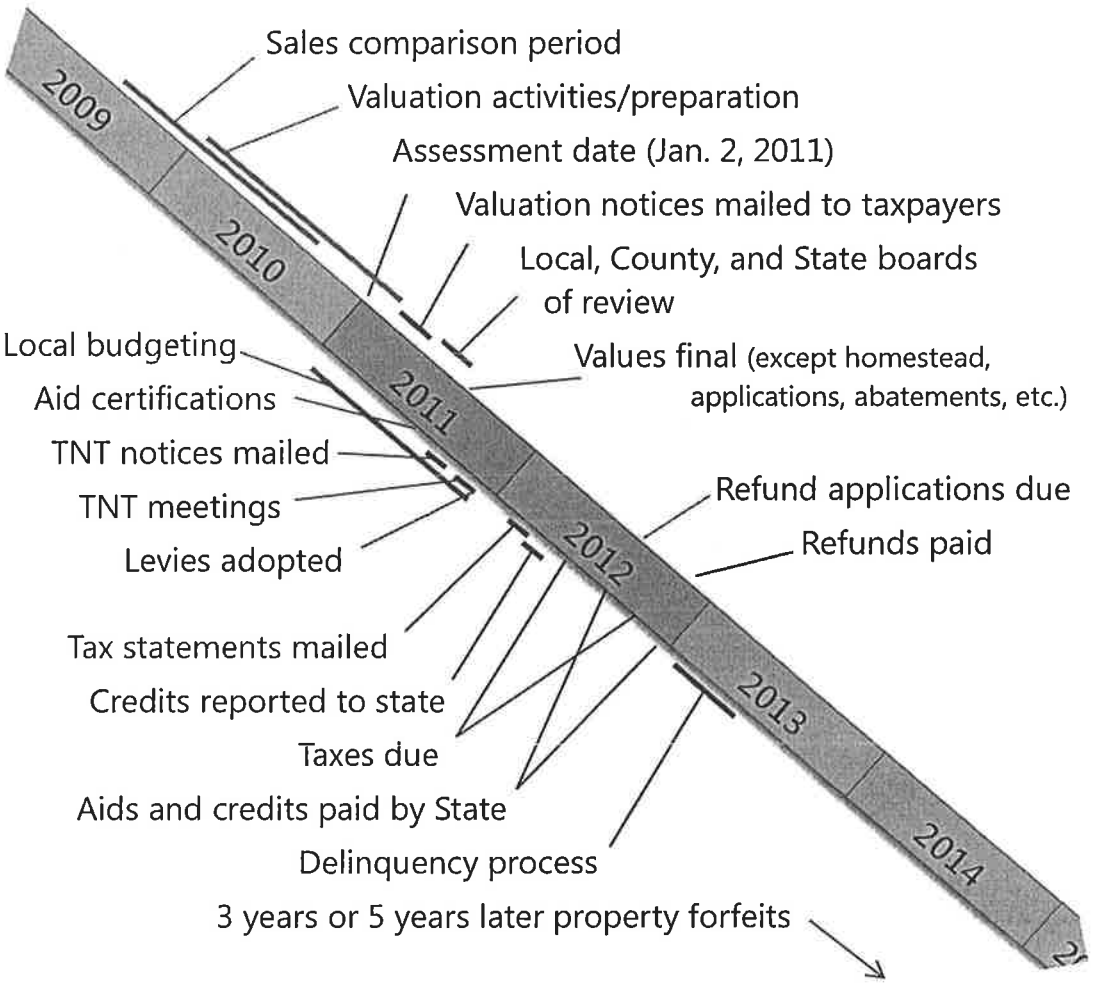


[9] The commercial-industrial tax base includes the tax capacity of all taxable property classified as class 3 (commercial, industrial, and public utility property) or class 5(1) (unmined iron ore property), except for electric generation attached machinery. The seasonal residential recreational base includes the tax capacity of tier III of class 1c (Ma & Pa resorts over $2.3 million), class 4c(1) (resorts), and class 4c(12) (cabins) except the first $76,000 of market value of cabins has a tax capacity for this purpose equal to 40 percent of its tax capacity.

[10] The taxable net tax capacity that is always taxable is referred to as the "fully taxable net tax capacity." Likewise, the referendum market value that is always taxable is the "fully taxable referendum market value." The net tax capacity in a JOBZ that is only subject to the general obligation or school district debt levies is the "JOBZ net tax capacity." The RMV in a JOBZ that may be subject to the general obligation debt levies is the "JOBZ referendum market value."

Timeline of the Property Tax Process

Example: Assessment Year 2011, Taxes Payable 2012



Appendix C: Class Rate Table, Assessment Year 2011

CLASS	DESCRIPTION	TIERS	CLASS RATE	STATE RATE
1a	**Residential Homestead**	First $500,000	1.00%	NA
		Over $500,000	1.25%	NA
1b	**Blind/Disabled Homestead** (Both Ag and Non-Ag)	First $50,000	0.45%	NA
1c	**Ma & Pa Resort** (Comm. SRR < 250 days, incl. homestead)	First $600,000	0.50%	NA
		$600,000 - $2,300,000	1.00%	NA
		Over $2,300,000	1.25%	1.25%
1d	**Migrant Housing** (Structures Only)	First $500,000	1.00%	NA
		Over $500,000	1.25%	NA
2a	**Homestead House, Garage, One Acre (HGA):**	First $500,000	1.00%	NA
		Over $500,000	1.25%	NA
2a/2b	**1st Tier Homestead Property**	First $1,210,000	0.50%	NA
2a/2b	**Farming Entities Excess 1st Tier** (Unused from homestead)	Unused 1st $1,210,000	0.50%	NA
2a	**Agricultural Land** (Hmstd Remainder & Non-Hmstd; Incl. Structures)		1.00%	NA
2b	**Rural Vacant Land** (Hmstd Remainder & Non-Hmstd; Incl.Minor Ancil. Structures)		1.00%	NA
2c	**Managed Forest Land**		0.65%	NA
2d	**Private Airport**		1.00%	NA
2e	**Land with a Commercial Aggregate Deposit**		1.00%	NA
3a	**Commercial/Industrial and Public Utility**	First $150,000	1.50%	1.50%
		Over $150,000	2.00%	2.00%
	Electric Generating Public Utility Machinery		2.00%	NA
	All Other Public Utility Machinery		2.00%	2.00%
	Transmission Line Right-Of-Way (Owned in fee by a utility)		2.00%	2.00%
3b	**Employment Property** (Border City Zones)	First $150,000	1.50%	1.50%
		Over $150,000	2.00%	2.00%
4a	**Apartment** (4+ units, including private for-profit hospitals)		1.25%	NA
4b(1)	**Residential Non-Homestead** (1-3 Units Not 4bb or SRR)		1.25%	NA
4b(2)	**Unclassified Manufactured Home**		1.25%	NA
4b(3)	**Ag Non-Homestead** (2 or 3 Units, Garage, One Acre)		1.25%	NA
4b(4)	**Unimproved Residential**		1.25%	NA
4bb(1)	**Residential Non-Homestead** (Single Unit)	First $500,000	1.00%	NA
		Over $500,000	1.25%	NA
4bb(2)	**Ag Non-Homestead** (Single Unit, Garage, One Acre)	First $500,000	1.00%	NA
		Over $500,000	1.25%	NA
4c(1)	**Commercial Seasonal Residential Recreational (Resort)**	First $500,000	1.00%	1.00%
		Over $500,000	1.25%	1.25%
4c(2)	**Qualifying Golf Course**		1.25%	NA
4c(3)(i)	**Non-Profit Community Service Oriented Organization (Non-Revenue)**		1.50%	NA
4c(3)(ii)	**Non-Profit Community Service Oriented Organization (Donations)**		1.50%	1.50%
4c(4)	**Post-Secondary Student Housing**		1.00%	NA
4c(5)(i)	**Manufactured Home Park**		1.25%	NA
4c(5)(ii)	**MH Park Cooperative (Over 50% Shareholder Occupied)**		0.75%	NA
4c(5)(ii)	**MH Park Cooperative (50% or Less Shareholder Occupied)**		1.00%	NA
4c(6)	**Metro Non-Profit Recreational Property**		1.25%	NA
4c(7)	**Certain Non-Comm Aircraft Hangars and Land: Leased Land**		1.50%	NA
4c(8)	**Certain Non-Comm Aircraft Hangars and Land: Private Land**		1.50%	NA
4c(9)	**Bed and Breakfast (up to 5 units)**		1.25%	NA
4c(10)	**Seasonal Restaurant on a Lake**		1.25%	NA
4c(11)	**Marina**	First $500,000	1.00%	1.00%
		Over $500,000	1.25%	1.25%
4c(12)	**Non-Commercial Seasonal Residential Recreational (Cabin)**	First $76,000	1.00%	0.40%
		$76,000 - $500,000	1.00%	1.00%
		Over $500,000	1.25%	1.25%
4d	**Qualifying Low-Income Rental Housing**		0.75%	NA
5(1)	**Unmined Iron Ore and Low-Grade Iron-Bearing Formations**		2.00%	2.00%
5(2)	**All Other Property Not Otherwise Classified**		2.00%	NA

Appendix D: Description of Features in Minnesota's Property Tax System

The Working Group evaluated Minnesota's property tax system over the course of two years and primarily used the 2010 data provided in this section in their research. This section is mainly adapted from the Minnesota Department of Revenue's 2010 "Property Tax Inventory" report.

Levies and Aids

How much revenue does the system produce?

Property Tax Levies

Property tax levies are the amount of property taxes collected by a county, city, school district, or other unit of government. In 2010, Minnesota state and local governments collected approximately $8.2 billion in property taxes, or $1,550 per capita.

Levies by Authority	Number of Units	2010 Levies	Levy per Capita
State	1	$782	$147
County	87	$2,627	$496
City	854	$1,828	$422
Township	1,802	$211	$217
School District	336	$2,195	$414
Special Taxing District	242	$306	$58
TIF District	2,006	$273	

Table 1 – *Minnesota Department of Revenue, Nov. 2010*

The state property tax levy increases by inflation each year, but many levies, including school district levies, are limited by state law. Counties and cities with populations over 2,500 have had levy limits in place for most of the past 40 years, although they expired with taxes payable in 2012. Most special taxing districts have limitations established in statute or session law.

Special Districts by Type	2010 Levy	Count
Rail/Transit	89,070,135	15
HRA/EDA/Port Authorities	52,317,839	117
Met Council	50,405,774	3
Watershed/Water Management	45,690,530	58
Suburban Hennepin County Parks	40,465,666	1
Hospital	6,761,840	14
Regional Development	3,071,598	11
Other	18,076,987	23
Total	305,860,369	242

Table 2 -- *Minnesota Department of Revenue, Nov. 2010*

Only those special taxing districts that directly levied property taxes in 2010 are included in Table 2. Hundreds more districts exist that receive property tax revenues indirectly through another local government.

Property taxes make up a significant portion of total revenues for local units of governments, as shown in Figure 2.

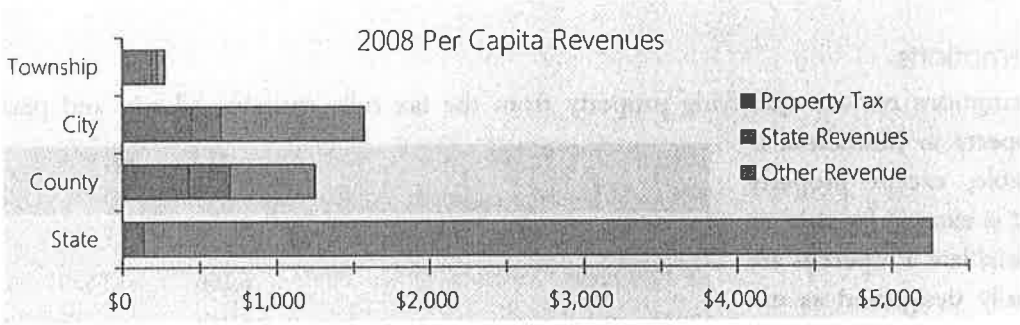


Figure 2

State Aids

State aids supplement property taxes for local governments. In the past 20 years state aids have been steadily declining as a share of total revenues for cities and counties. For schools, state aids peaked at 75% of total revenues in 2002 and have been declining since then (Figure 3).

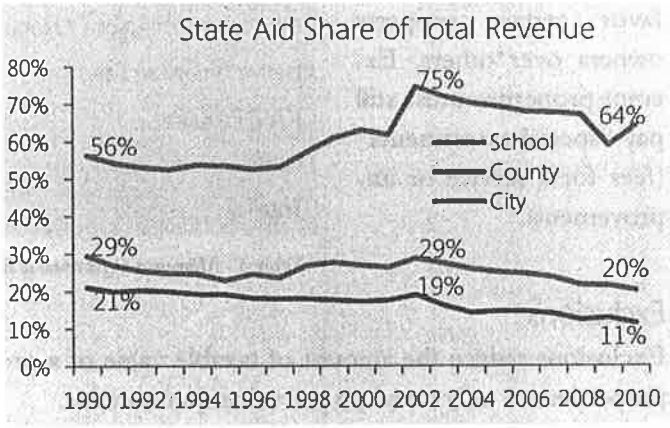


Figure 3

Program	Jurisdictions	2010 Certified (millions)	2010 Paid (millions)
Local Government Aid (LGA)	City	536.7	426.4
County Program Aid (CPA)	County	231.9	165.0
Casino Aid to Counties	County	0.75	
Performance Measurement Reimbursement	County, City	Not yet in effect	
Utility Valuation Transition Aid	City, Town	3.0	
PILT - DNR & DOT Lands	County	21.8	
Police Aid	Law enforcement agencies	57.0	
Fire Aid	Fire relief associations	22.5	
PERA Aid	Non-school local gov.	14.4	
Pension Amortization Aids	Various	6.0	

Table 3 - *Minnesota Department of Revenue, Nov. 2010*

Tax Base Preferences

How should the levies be divided among property?

Exemptions

Exemptions remove qualifying property from the tax rolls entirely. All real and personal property in Minnesota is taxable, except property that is exempt by state or federal law. Properties are usually designated as exempt from taxes in order to accomplish public purposes, rather than to favor certain property owners over others. Exempt properties must still pay "special assessments" (fees for a service or improvement).

Type of Exempt Property	Number of Parcels	Value ($ millions)	Percent of Total
Public Property (Federal, state, local)	119,020	27,252	43.4%
K-12 Schools	6,166	13,529	21.6%
Church Property	13,496	6,624	10.6%
Colleges & Universities	2,467	6,539	10.4%
Hospitals	1,130	3,768	6.0%
Charitable Institutions / Nonprofits	4,513	2,607	4.2%
Native American Lands	3,328	1,124	1.8%
JOBZ Property	151	493	0.8%
Other	15,140	791	1.2%
Total	165,411	62,727	100.0%

Table 4 - *Minnesota Department of Revenue, Nov. 2010*

Exclusions

Exclusions reduce the amount of taxable value of a property. After exclusion(s) are applied, properties are only taxed on the value that remains.

This Old House: This program gave homestead properties a 10-year exclusion on some or all of the value of qualifying improvements made to old homes. The idea was to encourage home renovation that would contribute to preserving and revitalizing old neighborhoods. The program closed to new participants Jan. 2, 2003, but continues for existing participants until their 10-year exclusion ends.

Disabled Veterans: This program provides an annual market value exclusion of up to $300,000 for homesteads of qualifying disabled veterans, their caregivers, and their surviving spouses.

Metro Vacant Land Plat Law: This law provides a property tax exclusion for vacant land platted on or after August 1, 2001 in a metropolitan county. The market value of bare land generally increases significantly when it is platted for development. This increase is phased in over three years under the law as long as the land is not transferred and not yet improved with a permanent structure.

Improvements to Certain Business Property: Two separate but similar programs exclude the value associated with improvements for certain business property. Created in 1997, the first set of provisions is commonly called "This Old Business" for its similarity to "This Old House," though it was also extended to business properties damaged in floods without any building age requirement. After floods in 2002, a second set of provisions was created. Although quite similar to the earlier provisions, there are some differences, including the dropping of the "old" option.

Exclusions	Number of Parcels	Value ($millions)	Average %Excluded
This Old House	27,323	364	6%
Disabled Veterans	8,538	1,241	81%
Metro Vacant Land Plat Law	43,346	854	32%
Improvements to Certain Business Property	*no data*		
Mold Damage	*no data*		
Lead Hazard Exclusion	*no data*		

Table 5 – *Minnesota Department of Revenue, Nov. 2010*

Mold Damage: This exclusion reduces the taxable market value of qualifying homestead properties with at least $20,000 in mold repair costs.

Lead Hazard Exclusion: A one-year exclusion equal to the actual costs of cleaning up a lead hazard (with a maximum of $20,000) for qualifying residential properties. This program ended in taxes payable 2011.

Special Valuations/Deferrals

The following programs have the effect of reducing the amount of taxable value for qualifying properties. Some establish a value for tax purposes that is less than the property's market value.

Open Space Property: This program recognizes that development pressures can jeopardize the supply of private outdoor, recreational, open space, and park lands whose valuations have increased in excess of their open space uses. This law allows owners of open space property to apply for the deferment of the market value that exceed the open space use value, and its associated taxes. Properties leaving the program must pay back the last seven years of deferment.

Green Acres (Minnesota Agricultural Property Tax Law): This program is intended to protect agricultural land from development pressures. Certain agricultural property owners can apply for deferment of higher valuations and associated taxes, and continue to have the property valued based upon its valuation for agricultural purposes. Properties that leave the program must pay back of a portion of the deferred taxes

Rural Preserve: This program defers taxes on rural vacant land in areas where the value of the land is being affected by non-agricultural factors. The land must be part of an agricultural homestead that is (or was) enrolled in Green Acres.

Special valuation / Deferral	Number of Parcels	Value ($ million's)	Average % Deferred
Open Space Property	646	668	70%
Green Acres Program	64,758	7,228	36%
Rural Preserve Program	*not yet in effect (as of 2010)*		
Aggregate Resources Preservation	*no participants*		

Table 6 - *Minnesota Department of Revenue, Nov. 2010*

Aggregate Resources Preservation Property Tax Law: This program gives property owners an incentive to remove any aggregate deposits from their land prior to development. To date this program has no participants and it is believed that most or all counties have opted out of the program.

Multiple Tax Bases

Minnesota's property tax system provides for several different tax bases. Which tax base is applied to a levy determines which properties pay the levy and what each property's share of the levy is.

Local Government Spread Levies: The general levies certified by local governments as part of the local budgeting process, less any fiscal disparities levies received by the local governments. They represent more than 70 percent of all property tax levies and are applied to the NTC tax base.

Referendum Levies: These levies are generally imposed by school districts and directly approved by voters. Cabins and some farm land are exempt from paying referendum levies.

State General Levy: The state general levy is spread statewide. 95 percent of the levy is paid by commercial and industrial property and five percent is paid by cabin property.

Levy	2010 Amount ($ millions)	Base
Local Government Spread Levies	$5,834	Net Tax Capacity (classification)
Referendum Levies	$794	Referendum Market Value (excludes cabins and some farm land)
State General Levy	$777	Only business and cabin property
Fiscal Disparities	$524	Business property in metro and iron range
Tax Increment Financing (TIF)	$273	Properties in TIF districts, uses net tax capacity
Power Line	$0.1	10% of net tax capacity of high voltage lines

Table 7 - *Minnesota Department of Revenue, Property Tax Division, Nov. 2010*

Fiscal Disparities: This program is a complex system for the partial sharing of commercial-industrial property tax base among all jurisdictions within two geographic areas. The primary one operates in the Twin Cities seven-county metropolitan area. A second version operates on the Iron Range in northern Minnesota.

Tax Increment Financing (TIF): TIF is a method of encouraging and financing public and private development projects by excluding the market value increases of properties within TIF districts from the NTC tax base.

Power Line: Ten percent of the net tax capacity of electrical transmission lines over 200KV in organized townships and cities is excluded from the net tax capacity tax base. After local tax rates are determined, the taxes produced by applying the prevailing local tax rate to the excluded 10 percent of value is then used to finance the power line credit for cities and organized townships.

Classification

Classification is the most significant feature of Minnesota's property tax system. Classification allows for different classes of property to be taxed at different rates. Most levies are spread on Net Tax Capacity (NTC), which is the taxable market value times the class rate.

Category	Class Rates	Market Value	Net Tax Capacity
Farm	.45% to 1%	94,678,815,078	743,662,192
Cabin	1% to 1.25%	26,822,154,620	272,956,278
Residential	.45% to 1.25%	374,582,021,423	3,850,304,908
Business	.5% to 2%	81,614,838,704	1,565,708,423
Personal	1% to 2%	5,510,839,650	108,249,887
Total		583,208,669,475	6,540,881,688

Table 8 – *Minnesota Department of Revenue, Nov. 2010*

Many states weight properties' values for tax purposes through classification. Minnesota's classification system is more complex than that of most states. As previously mentioned, Minnesota has up to 55 classifications and tiers (determined by use and ownership) that apply eight different class rates. Agricultural and residential properties generally have lower class rates than business properties. The various classes of property can be aggregated to five broad categories, as show in Table 8.

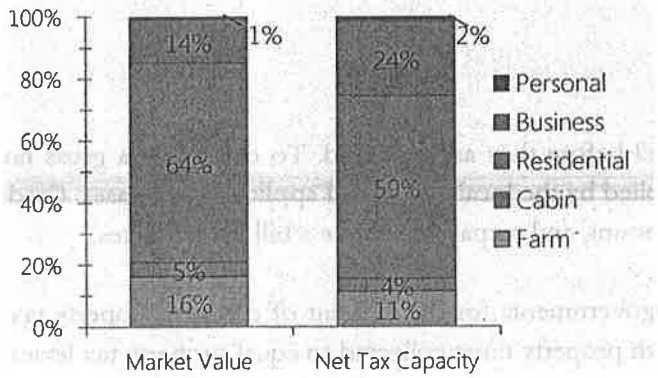


Figure 4 - *Minnesota Department of Revenue, Property Tax Division, Nov. 2010*

By spreading most property taxes on the basis of net tax capacity instead of taxable market value, the incidence of taxes is significantly shifted, as seen in Figure 4.

Tax Rate Preferences

Special rate adjustments.

Tax rate preferences apply different rates to parts of the same jurisdiction.

Disparity Reduction Aid (DRA)

The 1988 Legislature created DRA to provide relief for high tax rate areas as part of the conversion from mill rates and assessed values to net tax capacities. DRA was originally paid to all qualifying local jurisdictions, but in the mid-1990s city amounts were cancelled and shifted to LGA and special taxing district amounts were rolled into county DRA.

Different parts of the same jurisdiction may receive different amounts of DRA due to the fact that the aid is calculated and applied at unique taxing area level. First, initial tax rates are determined and then DRA is applied to further reduce the rate to the properties within the unique taxing area. DRA amounts generally remain unchanged from year to year unless the total tax rate in a unique taxing area drops below 90 percent. In 2010, the state paid $18 million in DRA to local governments. About 15 percent of Minnesota's unique taxing areas receive DRA.

Exception Rates

Occasionally, taxing districts have "exception rates," where some unique taxing areas may have a lower initial tax rate than other unique taxing areas in the same taxing district. One example of this is a rural/urban service district where a more rural part of a city that does not fully benefit from municipal services has a lower tax rate than the rest of the city.

Tax Preferences

Which properties should pay less than their 'share'?

Tax base and tax rate preferences already discussed determine each property's share of the state and local levies. Tax preferences reduce this gross tax amount to the amount actually paid by the property.

Credits

Property tax credits reduce taxes owed before they are collected. To determine a gross tax amount, a property's tax base is multiplied by the local rate for all applicable tax bases. Credits are then applied to this gross tax amount, and taxpayers receive a bill for net taxes.

The state (generally) reimburses local governments for the amount of credited property taxes. These reimbursements combine with property taxes collected to equal property tax levies.

Residential Homestead Market Value Credit: This program provided a maximum credit of $304, which was subtracted from the tax of qualifying homestead properties. The state was meant to reimburse local governments for the credit, but local governments were not always fully compensated during budget shortfalls. The credit was repealed in 2011 and replaced with a Homestead Market Value Exclusion starting with taxes payable in 2012.

Credit	# receiving	$(000)	$ avg
Market Value Homestead Credit*	1,417,268	278,581	197
Market Value Ag Land Credit	96,289	23,914	248
Power Line Credit	1,718	80	47
Disparity Reduction Credit	1,356	5,134	3,786
Disaster Credit	388	86	222
Local Option Disaster Credit	5	2	400
County Conservation Credit	1,530	199	130
Ag Preserves Credit	2,949	439	149
Taconite Homestead Credit	39,148	11,418	292
Supplemental (Taconite) Homestead Credit	18,930	5,215	275
Bovine Tuberculosis Credit	1,462	431	295

*The Residential Market Value Homestead Credit was repealed in 2011 and replaced by the Market Value Homestead Exclusion.

Table 9 - *Minnesota Department of Revenue, Property Tax Division, Nov. 2010*

Agricultural Market Value Credit: This state-funded credit (maximum $345) reduces the tax on certain class 2a agricultural homestead land, along with any contiguous class 2b rural vacant land, for qualifying owners.

Power Line Credit: This credit is given to certain types of properties that have a high voltage transmission line of greater than 200kv capacity run over the property. The credit is funded by the power line levy.

Disparity Reduction Credit: This credit reduces property taxes for commercial/ industrial, public utility, and apartment properties located in five designated border cities of Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville. The state reimburses those border cities for the reduction in property taxes.

Disaster Credits: Physically damaged homestead properties in a disaster or emergency area are eligible for disaster credits. Damaged property not eligible for the disaster credit may be eligible for the local option disaster credit if the county opts to offer it.

Agricultural Preserves Credit: This program encourages agricultural use retention on land that is within the 7-county metropolitan area and specifically zoned for long-term agricultural use by the planning board. Land owners must commit the property to provisions of the law for a minimum of 8 years and must also provide an 8-year termination notice before land can be removed from the program.

County Conservation Credit: To participate in this program, non-metropolitan counties must submit an agricultural land preservation plan to the Department of Agriculture for approval. Land located in an approved agricultural preserve is then eligible for a County Conservation Credit of $1.50 per acre. Currently, only Wright, Waseca, and Winona counties participate in this program.

Taconite Homestead Credit and Supplemental (Taconite) Homestead Credit: These credits reduce property taxes for qualifying homeowners on the Iron Range, where taconite production companies pay a production tax in lieu of certain property taxes. Homestead property located within a taconite tax relief area is eligible to receive the Taconite Homestead Credit (reimbursed from taconite production tax revenues). Homestead property in certain areas outside the taconite relief area that face similar issues are eligible to receive the equivalent supplemental credit (reimbursed from the state general fund).

Bovine Tuberculosis Credit: This credit reduced the tax on agricultural land located within a bovine tuberculosis modified accredited zone. The credit is the greater of $5 per acre on the first 160 acres of property where the herd was located, or $5 per acre times the highest number of animals tested in 2006, 2007, or 2008. The credit expired in 2012 (the taxes payable year after the state is certified tuberculosis free by the Board of Animal Health).

Economic Development Abatements

Political subdivisions may 'abate' all or a portion of taxes to one or more parcels for economic development purposes. The abatement can work as a rebate or credit of property taxes to the taxpayer, or be used to pay bondholders for an improvement, or can be used to pay for public infrastructure costs.

Senior Deferral

The senior deferral program delays when a portion of a participant's taxes are paid. This program allows senior homeowners whose property taxes are high relative to their incomes to be able to defer a portion of their property taxes (the amount greater than 3% of their household income) until some later time. The tax deferral constitutes a lien on the property, and the state reimburses counties for deferred taxes. In 2010, 273 homesteads participated. There was $838,000 of deferral in 2010, an average $3,000 per homestead.

Refunds

After the tax is paid, eligible recipients receive refunds for a portion of their property taxes. The homeowner and renter Property Tax Refund (PTR) programs are income-tested. The targeting PTR program is not.

Homeowner's Property Tax Refund Program is a state-paid refund providing property tax relief directly to homeowners whose property taxes are high relative to their incomes. The refund varies depending on the income and the property tax of the homeowner. The maximum refund is $2,350 and homeowners whose income exceeds $98,289 are not eligible (income threshold for refunds claims filed in 2010).

Renter's Property Tax Refund Program is a state-paid refund providing tax relief directly to renters whose rent and "implicit" property taxes are high relative to their incomes. The property tax portion of rent paid is assumed to be 15%. The maximum refund is $1,520 and renters whose income exceeds $53,539 are not eligible (income threshold for refund claims filed in 2010).

Refund	# claims	$ million	Average Refund
Property Tax Refund – Homeowner	404,700	$293	$725
Property Tax Refund – Renter	316,400	$187	$590
Property Tax Refund – Targeting	57,800	$7	$129
Forest Land Refunds (SFIA)	1,350	$7	$5,173

Table 10 - *Minnesota Department of Revenue, Property Tax Division, Nov. 2010*

Targeting Property Tax Refund Program is a state-paid refund providing property tax relief to homeowners whose property taxes increased more than 12% *and* $100 over the previous year's tax. There is no household income limit. The refund equals 60% of the increase over the greater of (1) 12% of the previous year's tax or (2) $100. The maximum refund is $1,000.

The Sustainable Forest Incentive Act (SFIA) allows annual payments ($7 per acre, but not more than $100,000) to be made to enrolled owners of forested land as an incentive to practice long-term sustainable forest management. The participants must be enrolled for a minimum of 8 years and a covenant is recorded.

Putting it all Together

Property tax preferences have an impact on all stages of the property tax system, from valuation to net tax, as shown in Figure 5.

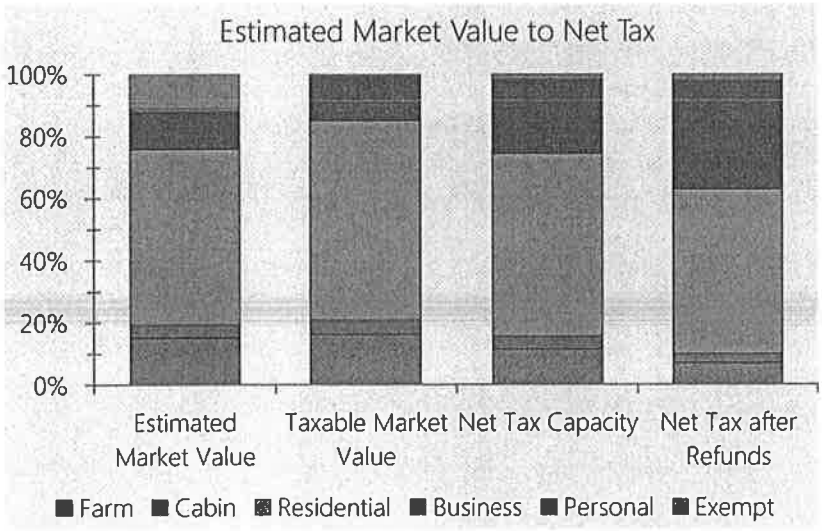


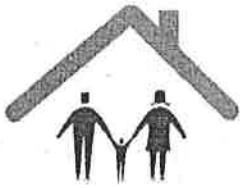
Figure 5

Appendix E: A Note About Practical Considerations

The principles and recommendations contained here will understandably be met with practical considerations that will make implementation of change a challenge for the Legislature.

The principles that the Working Group has identified should be useful and important considerations for state lawmakers for years to come. Simplification is often sacrificed when such principles are ignored. The recommendations contained in this report represent initial starting points from which discussion can commence and from which action can be taken. The Working Group does acknowledge, however, that there are many competing interests and practical considerations that must be faced in moving these ideas forward. These recommendations have not been developed into specific legislative bill drafts as such detailed deliberations are rightfully the task for legislators to evaluate.

For example, a recommendation of four classes of property may not withstand all the considerations of such a large change, and may require phasing in rates or special, temporary refunds to smooth out tax shifts. Several fallback alternatives were discussed. Moreover, the recommendation is intentionally silent on the rates that would be assigned to such classifications, recognizing that they belong as part of the necessary processes that must follow this report. The Working Group also recognizes that certain recommendations may only be feasible amidst broader changes that create property tax relief. These recommendations can, however, initiate and/or supplement the conversations that lead to real reform and real simplification.



Resources

Classification of Property (in Minnesota). (January 2011).
http://www.revenue.state.mn.us/propertytax/workgroup/201101-classification.pdf

Example Timeline for Assessment Year 2011 / Taxes Payable 2012. (June 2011).
http://www.revenue.state.mn.us/propertytax/workgroup/201106-timeline.pdf

Exclusions, Credits, and Exemptions. (Rev. February 8, 2010).
http://www.revenue.state.mn.us/propertytax/workgroup/201202-exclusions-credits-exemptions.pdf

History of Taxation in Minnesota. Kathleen A. Gaylord and Susan Chianelli Jacobson. (Tax Study Commission, 1979). http://archive.leg.state.mn.us/docs/pre2003/other/792892.pdf

Property Classifications by State. (August 2011).
http://www.revenue.state.mn.us/propertytax/workgroup/201108-classbystate.pdf

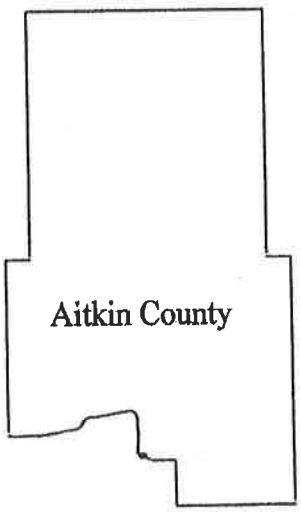
Property Tax Inventory. (November 2010).
http://www.revenue.state.mn.us/propertytax/workgroup/201011-resources-inventory.pdf.

Property Tax System Overview. (October 2010).
http://www.revenue.state.mn.us/propertytax/workgroup/resources-overview.pdf.

Property Taxes and Complexity. Presentation by Jason Nord. (October 2010).
http://www.revenue.state.mn.us/propertytax/workgroup/201010-presentation.pdf.

Additional research and information used by the Working Group can be found online at:

www.revenue.state.mn.us/propertytax/pages/workgroup



Aitkin County
Association of Townships

Serving all of Aitkin County

DEC 17 2012

The next quarterly meeting of the Association will be January 17, 2013 at the Aitkin VFW at 7:30p.m.

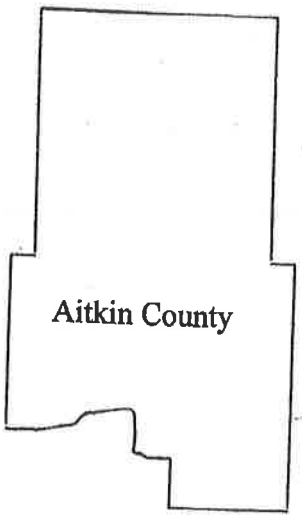
We are hoping to have someone from MAT come and give a presentation on Cemetery Rules & Regulations. This may be a repeat, but with many new officers, we felt a refresher was a good idea.

If you have ideas for speakers let us know.

Also, get your dues paid to me ASAP.

Looking forward to seeing you there,

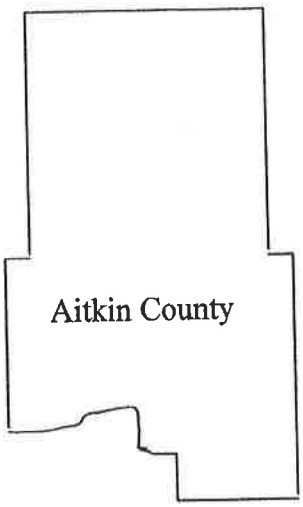
Anita
pjamande@mlecwb.net



Aitkin County Association of Townships

Serving all of Aitkin County

Date		July 19, 2012
Balance On Hand	$	5,063.91
Income		
Dues	$	-
Interest	$	0.13
Total	$	5,064.04
Expenses		
Wages	$	235.90
IRS	$	-
Mileage	$	112.11
Office Supplies	$	45.00
Refreshments/misc.	$	20.00
Door prizes	$	-
Dues paid	$	-
Convention/L & R Reg.etc.	$	165.00
Hall Rents	$	50.00
Total	$	628.01
Balance on hand	$	4,436.03
Date		October 17, 2012



Aitkin County Association of Townships

Serving all of Aitkin County

October 18, 2012
Quarterly Meeting

Alan Jensen opened the meeting with the Pledge to the flag at 7:30pm. 22 Townships were represented with Malmo having a full board there. Also in attendance were 3 visitors, Mark Ritchie (MN Secretary of State), Kirk Peysar (County Auditor, Laurie Westerlund (County Commissioner District 2), Dale Lueck, Joe Radinovich (Republican and Democrat, respectfully) running for District 10B, Bill Pratt running for Commissioner District 4.
Approve Sect. Report as mailed was made on a motion by Bill Dotzler, with a second by Lily Turner.
Approved Treasurer Report as read by Anita Anderson was made on a motion from Harriet Simonson with a second from Bill Onstad.
Correspondence: None
Reno: Annual Conference November 15th -17th in St Cloud. MAT is working on a records retention program that will require a 5 year commitment at $50.00 per month. Original records will be returned. This vendor will have a display at the convention.
MAT Conference November 15-17th, 2012. If you want to vote on anything, please fill out the proxy form and send it into MAT, ASAP.
Shamrock Township was recognized by Scott Turner (Sheriff) on them receiving the Certificate of Commendation for their response to the June flood by the Association of Minnesota Emergency Managers.
County Officials: Scott also reported that FEMA has been through the area and all the money will be on one check from the State. Malmo announced they had already received theirs. After the first of the year, he will be working on updating the Hazard Mitigation Plan for the County. Kirk reported on the results of the Primary Election. 2,106 voted which is 22%. The mail in ballots had an 86% return (10 of 12 ballots returned). General Election will have a full ballot with school boards also listed. Election

judges were asked to be mindful of that as some have more than 2 school districts. Absentee balloting going on, as of today 700 had voted, primary had 84, general election in 2010 had 600, 2008 had 1100.
Candidates for Office: up to 5 minutes each. Dale Lueck (R) District 10B spoke about his reason for running and made the statement that he has only sent out one mailing, no TV commercials, or other mailings. Joe Radinovich (D) District 10B also gave his reason for running and also in his case many mailings are going out that he has not personally done. Bill Pratt who is running against Brian Napstad for District 4, spoke about the many visits he has done and the issues he has heard. Laurie Westerlund who is running unopposed, spoke about the need to have input from townships and all she has learned.
Mark Ritchie, MN Secretary of State gave a talk on Voting in Honor of a vet, which was started last election. We will have an increase in voters this year. 30,000 election judges needed to keep the election running smooth. There are many tools of the Secretary of State website to help voters from where to cast your vote, is my registration current, to the tracking of your absentee ballot. He then spoke about the Constitutional Amendment process. 1992 the legislation shortened the information given to the news media about the reason, wording, and need. All of this has made it harder for the voter to be informed before they vote. "If they want to change policy, cannot not agree with the governor, then you vote on it". With the Voter ID, provisional voting will cost extra due to the fact that the election judges would have to come back after verification of ID is done to count ballots, which could be 10 days after the final results of the election are know (Provisional Ballot Board). With this, ID and eligibility, would need be verified before the vote is counted. His office does not have access to Drivers License ID photos and he would have to get a court order to get them. Right now, prior registration, the County Auditor verifies the eligibility before it is placed on the roster and card is issued, this is not done on same day registration. Please be an informed voter.
Thank you to Hazelton Township for having us, Next Meeting will be at the VFW in Aitkin on January 17, 2013 at 7:30 p.m.

Adjourned at 9:01pm

Respectfully submitted

Anita Anderson Secretary/Treasurer

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lorraine.little@enbridge.com

Lorraine (Grymala) Little
Sr. Manager, U.S. Public Affairs
Liquids Operations & Projects

ENBRIDGE

December 10, 2012

DEC 13 2012

Mr. J. Mark Wedel
Chair, Board of Commissioners - Dist. 1
Aitkin County
515 6Th Ave. SE
Aitkin, MN 56431

Dear Mr. Wedel :

I am writing to update you on the status of Enbridge's plans to increase the capacity of our Line 67 Pipeline that spans from North Dakota through Minnesota to Superior, Wisconsin. Completed two years ago, Line 67 was designed and built anticipating that demand for increased volumes could soon emerge as we continue to meet North America's needs for reliable and secure transportation of petroleum supplies.

Enbridge is proposing to upgrade three pump station sites by installing new pumping units and related equipment at pump stations that already provide horsepower for the Line 67 pipeline. Our work will occur at Enbridge's Viking, Clearbrook and Deer River, Minnesota, facilities located in Marshall, Clearwater and Itasca Counties, respectively. These minor station upgrades will allow Enbridge to increase the average annual capacity on Line 67 from 450,000 barrels per day to 570,000 barrels per day, delivering an additional 120,000 barrels per day of crude oil supplies to refineries and numerous marketing hubs throughout the Midwest and beyond. Pending regulatory approval, the Line 67 Upgrade Project would be in service in mid-2014.

The Line 67 Upgrade Project will not require pipeline replacement or construction outside of the pump stations. All work will be performed on lands already owned by Enbridge at the existing facilities.

In September, Enbridge submitted an application for a Certificate of Need for the Line 67 Upgrade Project with the Minnesota Public Utilities Commission (MN PUC). The MN PUC, on December 6, determined the application was complete and is now in the process of Scheduling hearings may take place in your area in the upcoming weeks. Notices will be published in local newspapers prior to the start of the hearings. In conjunction with the hearings, the MN PUC will establish a public comment period.

While the Project has very limited impact to communities or landowners, some may have questions. We have set up a toll-free phone number (**866-257-9913**) and email address (**Line67UpgradeProject@enbridge.com**) for the Project. Information is also posted on our website, www.enbridge.com, under Delivering Energy/Growth Expansion Projects. Please feel free to share these contact vehicles with your constituents.

We are also in the planning stages to prepare for another phase to expand Line 67 to its full capacity of 800,000 barrels per day. Should that project proceed and, subject to permit and regulatory approvals, the additional expansion will be associated with existing Enbridge facilities along our pipeline corridor.

In addition to the Line 67 Upgrade Project, Enbridge recently announced the Sandpiper Pipeline Project to improve our ability to transport greater supplies of light Bakken crude oil from the Williston Basin region centered in North Dakota. The Sandpiper Project is an approximately 600-mile pipeline that will increase capacity on Enbridge Pipelines (North Dakota) LLC's (EPND) crude oil pipeline system from its North Dakota system east to deliver directly to an Enbridge terminal in Superior, Wisconsin. The pipeline route, while still being planned and designed, will generally parallel existing pipeline and electric transmission rights-of-way, including the EPND's right-of-way to Clearbrook, Minnesota. From there, Enbridge is evaluating a number of route alternatives through central Minnesota to reach the Enbridge terminal in Superior, Wisconsin. Subject to regulatory approvals, we anticipate beginning construction in early 2015, with the Sandpiper Pipeline in service in 2016. We plan on expanding our outreach and communications about the Sandpiper Project in coming months; however, as the Sandpiper Project was recently publicly announced we thought you'd like preliminary information.

We will keep you informed about these projects as they progress through the permitting and planning stages. We hope you share our excitement about these needed and large investments in transportation infrastructure in the Northland. As with all large capital projects, many in the public will have questions. We hope this and other communications with you help answer questions the public may pose to you. We are dedicated to open and transparent communication within the communities where we operate, and we encourage you to contact us at any time with questions or if you wish to meet with Enbridge representatives.

Sincerely,

Lorraine Little

Lorraine Little
Senior Manager, U.S. Public Affairs, Liquids Operations & Project

Aitkin County Sheriff's Office
217 Second Street NW, Room 185
Aitkin, MN 56431
(218) 927-7435

Incident Date Reported BETWEEN 12/05/12
And 12/11/12
And Incident NCIC=MN0010000

Printed On: Thu, Dec 13, 2012

Incident Log Report

Case Number	NCIC	Date Reported	Officer	Offense
Location				
2012004928	MN0010000	12/05/2012 06:59	995	Ambulance Call
207 COOK ST, Palisade, 0600				
2012004929	MN0010000	12/05/2012 08:21	218	OFP/HRO Violation
68134 340TH AVE, HILL CITY, 6107				
2012004930	MN0010000	12/05/2012 10:47	498	Ambulance Call
29889 378TH ST, AITKIN, 3114				
2012004931	MN0010000	12/05/2012 10:46	208	Driving Complaint
2510				
2012004932	MN0010000	12/05/2012 12:33	499	Ambulance Call
32034 KESTREL AVE, MCGREGOR, 2808				
2012004933	MN0010000	12/05/2012 12:34	209	Threat Complaint
148 S 2ND ST, McGregor, 0500				
2012004934	MN0010000	12/05/2012 12:39	209	Threat Complaint
148 S 2ND ST, McGregor, 0500				
2012004935	MN0010000	12/05/2012 13:27	209	Threat Complaint
148 S 2ND ST, McGregor, 0500				
2012004936	MN0010000	12/05/2012 16:35	210	Probation Violation
21966 480TH ST, MCGREGOR, 4424				
2012004937	MN0010000	12/05/2012 19:22	224	Child Custody
42185 170TH AVE, MCGREGOR, 3923				
2012004938	MN0010000	12/05/2012 19:51	224	Assist Other Department
3320				
2012004939	MN0010000	12/05/2012 20:04	500	Ambulance Call
39 MARYHILL LN, Aitkin, 0100				
2012004940	MN0010000	12/05/2012 21:54	254	Disturbance
2 MINNESOTA AVE S, Aitkin, 0100				
2012004941	MN0010000	12/05/2012 22:39	254	Suspicion Complaint
1000 MINNESOTA AVE S, Aitkin, 0100				
2012004942	MN0010000	12/05/2012 23:23	254	Disturbance
2 MINNESOTA AVE S, Aitkin, 0100				
2012004943	MN0010000	12/06/2012 07:58	219	Property Missing and Found
28430 PARTRIDGE AVE, AITKIN, 2331				

Case Number	NCIC	Date Reported	Officer	Offense
Location				
2012004944	MN0010000	12/06/2012 08:36	251	Suspicion Complaint
216 3RD ST SE, Aitkin, 0100				
2012004945	MN0010000	12/06/2012 09:19	208	Suspicion Complaint
16546 300TH PL, ISLE, 1335				
2012004946	MN0010000	12/06/2012 12:10	208	Burglary/Theft
20453 465TH LN, MCGREGOR, 4532				
2012004947	MN0010000	12/06/2012 13:14	219	Trespass
6102				
2012004948	MN0010000	12/06/2012 13:47	221	Domestic other
50456 LILY AVE, MCGREGOR, 4511				
2012004949	MN0010000	12/06/2012 15:25	254	Accident
3030				
2012004950	MN0010000	12/06/2012 16:14	254	Traffic Stop
Aitkin, 0100				
2012004951	MN0010000	12/06/2012 17:47	254	Probation Violation
Aitkin, 0100				
2012004952	MN0010000	12/06/2012 23:39	995	Ambulance Call
23577 STATE HWY 47, AITKIN, 1929				
2012004953	MN0010000	12/07/2012 01:06	212	ATL/Welfare Check
409 COUNTRY MEADOW DR, MCGREGOR, 3825				
2012004954	MN0010000	12/07/2012 01:16	256	Disturbance
10 5TH AVE NW, Aitkin, 0100				
2012004955	MN0010000	12/07/2012 09:27	219	ATL/Welfare Check
175 TINGDALE ST N, Tamarack, 0700				
2012004956	MN0010000	12/07/2012 11:57	219	Alarm
19079 520TH LN, MCGREGOR, 4504				
2012004957	MN0010000	12/07/2012 12:04	500	Ambulance Call
36991 450TH ST, PALISADE, 3610				
2012004958	MN0010000	12/07/2012 12:50	208	Burglary/Theft
36091 400TH AVE, AITKIN, 2927				
2012004959	MN0010000	12/07/2012 14:12	219	Alarm
48434 193RD AVE, MCGREGOR, 4521				
2012004960	MN0010000	12/07/2012 14:48	208	Warrant Arrest
35720 STATE HWY 210, AITKIN, 3626				
2012004961	MN0010000	12/07/2012 15:35	261	Civil matter
333 STATE HWY 200, Hill City, 0200				
2012004962	MN0010000	12/07/2012 16:48	219	Disturbance
23577 STATE HWY 47, AITKIN, 1929				

Case Number	NCIC	Date Reported	Officer	Offense
Location				
2012004963	MN0010000	12/07/2012 17:57	212	Property Damage
410th Ave				
2012004964	MN0010000	12/07/2012 19:08	225	ATL/Welfare Check
39625 DEER ST, AITKIN, 2936				
2012004965	MN0010000	12/07/2012 20:22	995	Ambulance Call
40855 236TH LN, AITKIN, 1725				
2012004966	MN0010000	12/07/2012 19:33	219	Assist Other Department
234 US HWY 169 N, Hill City, 0200				
2012004967	MN0010000	12/08/2012 00:44	225	Drug para
4531				
2012004968	MN0010000	12/08/2012 08:58	GFR	Ambulance call
44624 230TH LN, AITKIN, 1729				
2012004969	MN0010000	12/08/2012 10:21	224	Other (Start Code)
47961 LAKE AVE, MCGREGOR, 4530				
2012004970	MN0010000	12/08/2012 12:39	224	Property Damage
69685 190TH AVE, JACOBSON				
2012004971	MN0010000	12/08/2012 10:34	219	Other (Start Code)
40070 STATE HWY 18, AITKIN				
2012004972	MN0010000	12/08/2012 14:30	AFD	Fire Call
27513 435TH AVE, AITKIN				
2012004973	MN0010000	12/08/2012 14:31	224	Burglary/Theft
148 W HWY 210				
2012004974	MN0010000	12/08/2012 14:46	254	Other (Start Code)
7th ave nw				
2012004975	MN0010000	12/08/2012 16:39	224	Accident
20831 363rd Lane				
2012004976	MN0010000	12/08/2012 19:07	995	Ambulance Call
27862 310TH AVE, AITKIN				
2012004977	MN0010000	12/08/2012 20:53	256	Traffic Stop
2nd st / 2nd ave nw				
2012004978	MN0010000	12/08/2012 21:25	212	Threat Complaint
217 2ND ST NW				
2012004979	MN0010000	12/08/2012 21:38	212	Disturbance
43074 State Hwy 210				
2012004980	MN0010000	12/08/2012 23:08	212	Disturbance
201 MAIN ST				
2012004981	MN0010000	12/09/2012 03:41	995	Ambulance Call
315 1ST AVE SW				

Case Number	NCIC	Date Reported	Officer	Offense
Location				
2012004982	MN0010000	12/09/2012 07:15	995	Ambulance Call
30207 480TH ST, PALISADE				
2012004983	MN0010000	12/09/2012 09:20	995	Ambulance Call
850 2ND ST NW				
2012004984	MN0010000	12/09/2012 10:08	995	Ambulance Call
518 7TH AVE NE, AITKIN				
2012004985	MN0010000	12/09/2012 14:37	219	Assist Other Department
us hwy 169				
2012004986	MN0010000	12/09/2012 15:48	499	Ambulance Call
51480 189TH AVE, MCGREGOR				
2012004987	MN0010000	12/09/2012 16:32	254	Suspicion Complaint
215 3rd St SE				
2012004988	MN0010000	12/09/2012 18:04	254	OFP/HRO Violation
215 3RD ST SE				
2012004989	MN0010000	12/09/2012 18:55	254	Driving Complaint
8th Ave NW				
2012004990	MN0010000	12/09/2012 21:15	498	Ambulance Call
46476 170th Pl				
2012004991	MN0010000	12/09/2012 22:31	256	Public Assist
169/family dollar				
2012004992	MN0010000	12/10/2012 00:22	498	Ambulance Call
36102 STATE HWY 65, MCGREGOR				
2012004993	MN0010000	12/10/2012 00:57	499	Ambulance Call
46476 170TH PL, MCGREGOR				
2012004994	MN0010000	12/10/2012 02:01	498	Ambulance Call
22027 420TH ST, MCGREGOR				
2012004995	MN0010000	12/10/2012 02:02	499	Ambulance Call
46476 170TH PL, MCGREGOR				
2012004996	MN0010000	12/10/2012 07:24	995	Ambulance Call
230 1ST AVE NE				
2012004997	MN0010000	12/10/2012 11:23	252	Property Damage
Hwy 47/Co 12				
2012004998	MN0010000	12/10/2012 13:35	219	Burglary/Theft
Kestrel Ave				
2012004999	MN0010000	12/10/2012 15:02	252	Other (Start Code)
225 2ND AVE SW				
2012005000	MN0010000	12/10/2012 15:39	252	Burglary/Theft
101 2ND ST NE				

Case Number	NCIC	Date Reported	Officer	Offense
Location				
2012005001	MN0010000	12/10/2012 16:23	219	Animal Complaint
35956 STATE HWY 65, MCGREGOR				
2012005002	MN0010000	12/10/2012 16:39	498	Ambulance Call
22027 420TH ST, MCGREGOR				
2012005003	MN0010000	12/10/2012 17:45	MFD	Fire Call
36666 STATE HWY 65, MCGREGOR				
2012005004	MN0010000	12/10/2012 18:58	996	Ambulance Call
44830 EAGLE ST, AITKIN				
2012005005	MN0010000	12/10/2012 19:48	225	Disturbance
33713 399TH PL				
2012005006	MN0010000	12/10/2012 22:04	225	ATL/Welfare Check
16450 326TH AVE, ISLE				
2012005007	MN0010000	12/11/2012 04:08	5450	Ambulance Call
100 S 6TH ST				
2012005008	MN0010000	12/11/2012 05:14	225	Disturbance
33713 399TH PL, AITKIN				
2012005009	MN0010000	12/11/2012 09:13	PFD	Fire Call
40067 502ND LN, PALISADE				
2012005010	MN0010000	12/11/2012 09:49	219	Other (Start Code)
21966 480TH ST, MCGREGOR				
2012005011	MN0010000	12/11/2012 11:16	500	Ambulance Call
35000 440TH PL, AITKIN				
2012005012	MN0010000	12/11/2012 11:39	208	Other (Start Code)
39625 DEER ST, AITKIN				
2012005013	MN0010000	12/11/2012 13:26	219	Burglary/Theft
14072 STATE HWY 65, MCGRATH				
2012005014	MN0010000	12/11/2012 16:19	253	OFP/HRO Violation
788 4TH ST SE				
2012005015	MN0010000	12/11/2012 17:14	498	Ambulance Call
50525 LILY AVE				
2012005016	MN0010000	12/11/2012 18:29	253	Animal Complaint
522 1st st nw				
2012005017	MN0010000	12/11/2012 18:44	212	ATL/Welfare Check
45506 GREAT RIVER RD, PALISADE				
2012005018	MN0010000	12/11/2012 19:23	224	Disturbance
32034 KESTREL AVE, MCGREGOR				
2012005019	MN0010000	12/11/2012 19:52	995	Ambulance Call
49832 405TH PL, PALISADE				

Case Number	NCIC	Date Reported	Officer	Offense
Location				
2012005020	MN0010000	12/11/2012 20:16	253	Harassment Complaint
610 AIR PARK DR, AITKIN				
2012005021	MN0010000	12/11/2012 20:20	256	Property Missing and Found
215 3RD ST SE				
2012005022	MN0010000	12/11/2012 22:01	256	Accident
stoplights				
2012005023	MN0010000	12/11/2012 22:17	498	Ambulance Call
19246 365TH ST, MCGREGOR				

Total Records: 96

Aitkin County Board of Commissioners
Board Meeting Attendance Record
Date: December 18, 2012

Name	Please check the boxes that apply.		
	Aitkin County Citizen	Aitkin County Employee	Company Representative – please list.
BOB HARWARTH	✓		MY SELF
Rebecca	✓		
Nanci Sauerbrei	✓		Aitkin Age