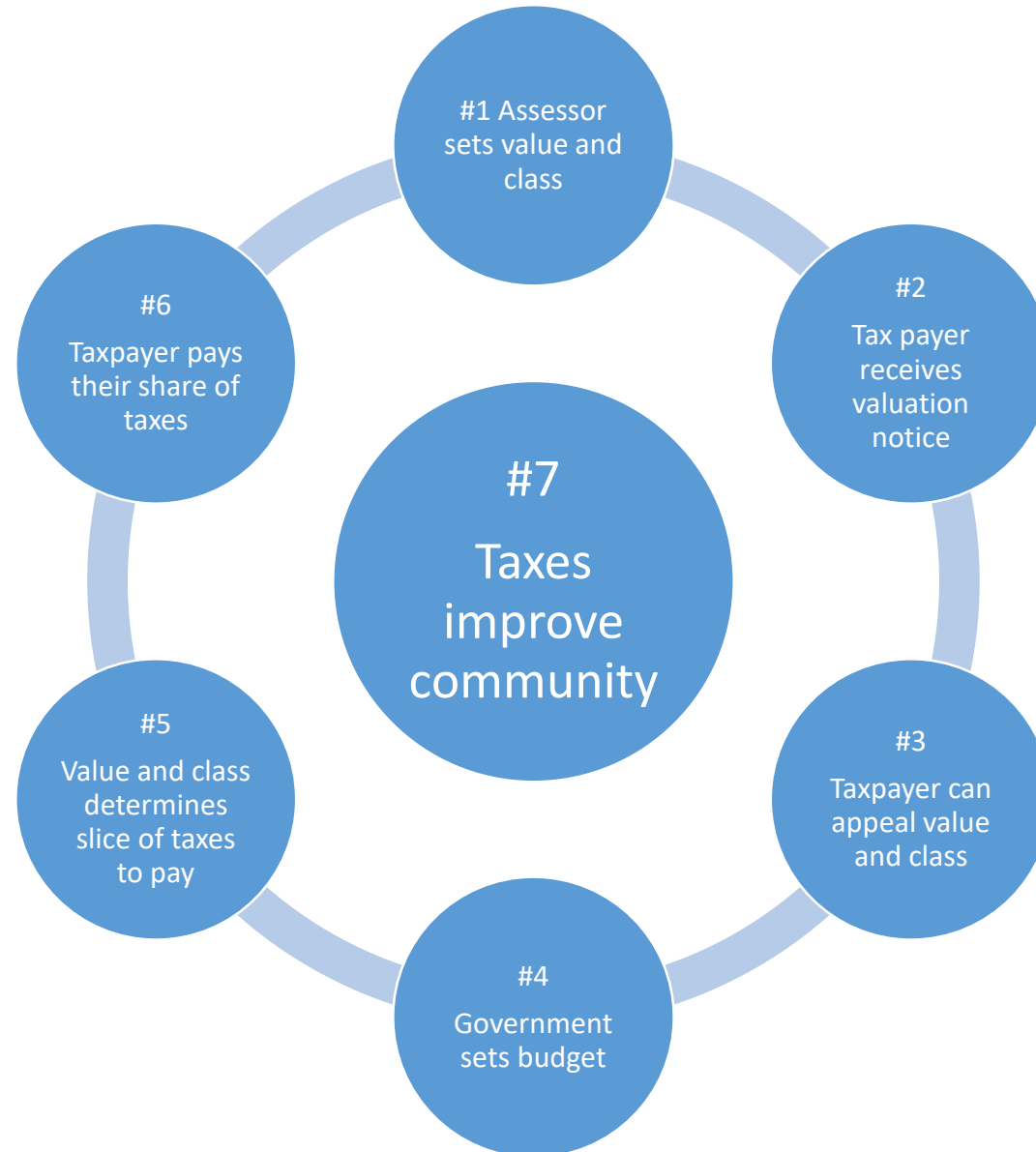


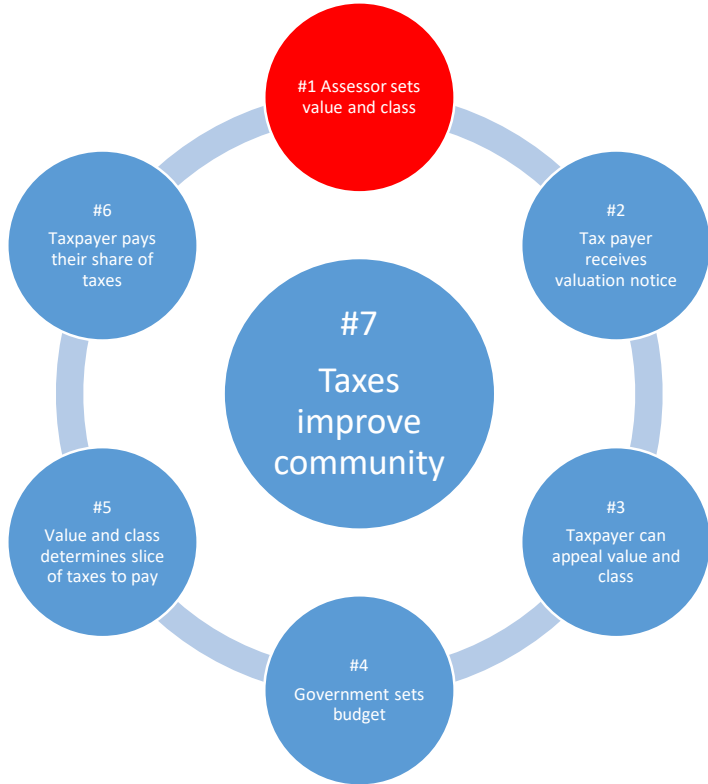
# Property Valuation and Tax Process:





## #1 How is my estimated market value established?

The Assessor's Office estimates market value and classifies about 35,000 parcels each year for property tax purposes. The estimate of market value is as of January 2nd of each year for taxes payable in the following year (Example: January 2, 2023 estimated market value is established for taxes payable in 2024).



### Property Assessment

State Statute requires all properties to be viewed once every five years to determine accurate and uniform estimates of property value. Equalization of similar properties is an important factor in determining values.

### Estimate Market Value

The estimated market value should be the most probable sale price of a property in terms of money in a competitive and open market assuming that a buyer and seller are acting prudently and knowledgeable, allowing sufficient time for the sale and assuming that the transaction is not affected by undue pressures.

### Classification of Property

The Assessor's Office determines the classification, or use, of each parcel. For instance, property may be residential homestead (owner-occupied), residential non-homestead, apartment, or commercial. Each classification is taxed at a different percentage of market value as set by state statutes.

### Sales Analysis

Each year the Assessor analyzes all sales of property in each jurisdiction. State law provides guidelines of sales to be used for assessment purposes. Only good sales, or arm's length transactions, are included in the annual sales studies. These sales are used, as a guide to help determine what similar properties would likely sell for if they were placed on the market. Some rejected sales can still represent reasonable sale prices and may be considered in valuation. It is up to the assessor to form an opinion of market value even when there are no market or sales to aid in fixing values.

An "arm's length transaction" is defined as:

*"A sale in which the buyer and seller are acting prudently, and the price is not affected by undue stimulus. Neither the buyer or seller must be under great pressure to complete a transaction in a short time. An "arm's length transaction" is between two parties, both of whom are seeking to maximize their gain from the transfer."*

Some examples of rejected sales are: bank sales, short sales, foreclosure sales, auction sales, and sales between relatives or friends.



## #2 How does the government communicate my value?

### Mail Notice of Valuation & Classification

Aitkin County mails a Value and Classification Notice to each property owner in March of each year. The estimated market value established on January 2 of each year forms the basis for the following year's tax. For example, the value and classification on January 2, 2023 affect the taxes payable in 2024.

Property classification is the statutory classification that has been assigned to your property based upon your use of the property, such as homestead, non-homestead, commercial, agricultural, etc. A change in classification of your property can have a significant impact on the amount of your property tax.

Value Notices are also found on the Aitkin County website here:





### #3 How do I appeal my valuation and classification

You may appeal to your Local or County Board of Appeal and Equalization, or you may choose to go directly to Minnesota Tax Court.

If appealing to the boards, you must appeal to the Local Board of Appeal and Equalization before appealing to the County Board of Appeal and Equalization.

For both boards, you may make your appeal in person, by letter, or have someone else appear for you. The assessor will be present to answer any questions.

For more information, contact your county assessor.

#### Local Board of Appeal and Equalization

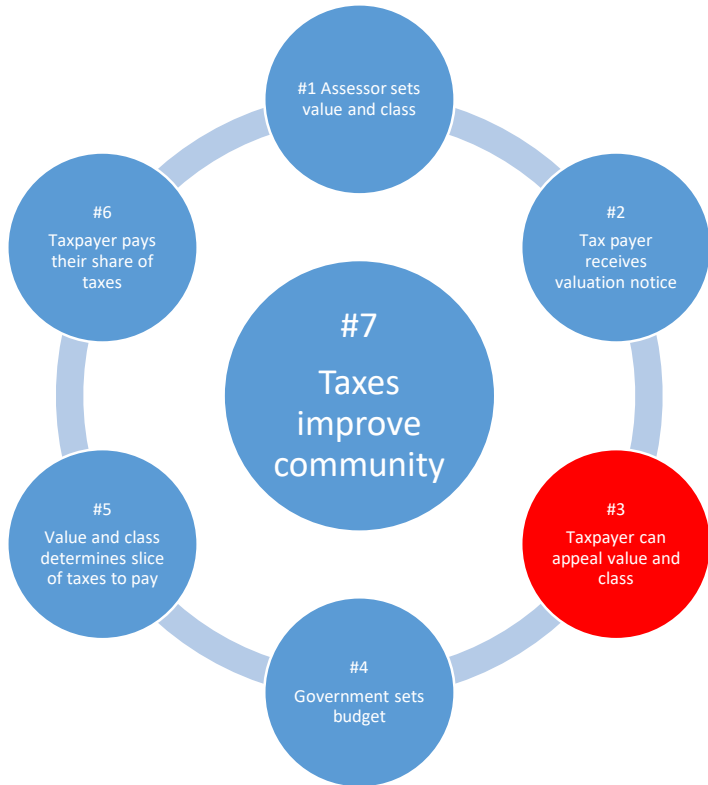
Local Board of Appeal and Equalization meetings are scheduled between April 1 and May 31. Detailed meeting information can be found on your Valuation Notice. The board is usually the same people as your city council or town board.

Cities and towns may choose to transfer their board powers to the County Board of Appeal and Equalization. These jurisdictions will hold open book meetings instead. If your city or town board has done this, your Valuation Notice will give instructions on how to appeal.

#### County Board of Appeal and Equalization

The County Board of Appeal and Equalization meetings are scheduled in June. In Aitkin County, the Board is made up of the County Commissioners and the County Auditor.

You may appeal to the county board if you are not satisfied with the decision of the Local Board of Appeal and Equalization, or if your city or town has transferred its powers to the county.





## #4 How does my local government set their budget?

### Budget Development

The first step of the budget preparation process is identifying budget objectives and operating budget requests. The chief executive or local government CEO (e.g., city manager, town manager, county manager) drafts a recommended budget through their budget office. Department directors solicit input from program managers within their department. These budget requests are submitted to the budget office for review. The chief executive reviews the budget requests (typically submitted by mid-March if the fiscal year begins July 1) with the finance director. Meetings are held with the department directors and budget staff to go over requests. Once the chief executive drafts a proposed budget, it goes to the legislative body (e.g. city council, county council, or county board) for approval. This process can take up to six months.

### Budget Approval, Adoption & Implementation

When the proposed budget goes to the legislative body for review, depending on the size of the group, there may be committees that oversee various portions of the budget. Each member of the legislative body reviews the budget in detail (during what are known as work sessions) and hosts a public budget hearing and information session for public input.

#### Who Approves The Annual Budget?

After community input and review, the local legislative will adopt the budget. Typically, this takes place one or two months before the fiscal year begins.

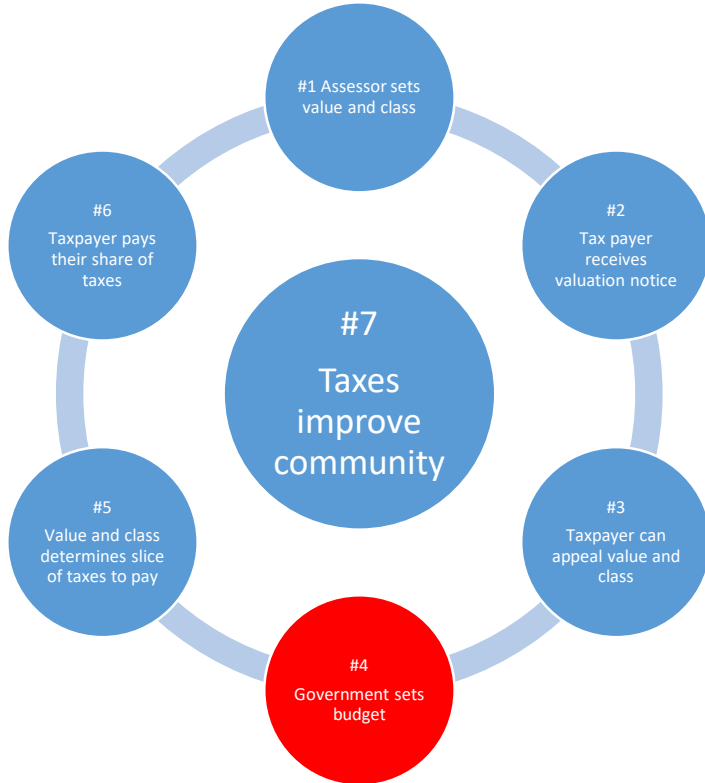
After the budget is implemented, the budget office's duties include monitoring expenditures and ensuring that funds are spent as intended. At the end of the fiscal year, the legislative body will approve a final budget reconciliation, among other year-end accounting modifications to the budget. An independent auditor will review the Comprehensive Annual Financial Report (CAFR) reviewed by an independent auditor and determine compliance.

### Citizen Engagement is Key

It is important that community members provide input throughout the budget planning process. Soliciting their input in the local government's choices further strengthens trust and buy-in. The annual budget directly affects where citizens live and work, and should be influenced by their needs and concerns.

### Communicating the Budget

Aitkin County mails a Notice of Proposed Taxes each year in November. This document gives the date and time of the county budget meeting that is held each year in December. The Notice also gives dates and times of budget meetings for other units of government such as the school districts and townships.





## #5 How does value affect my taxes?

### Local Tax and Calculations

Local and county officials calculate how much money they need to raise from property taxes and their resulting local tax rate.

**Step 1:** Towns, cities, schools, and counties calculate how much property tax revenue is needed, known as the Local Tax Levy:

$\text{Total Proposed Local Budget} - \text{Non-Property Tax Revenue} = \text{Local Tax Levy}$

**Step 2:** The levy is spread among all taxable properties according to their Tax Capacity:

$\text{Taxable Market Value} \times \text{Classification Rate} = \text{Tax Capacity}$

**Step 3:** The levy and total tax capacity (for all properties) are used to calculate the Local Tax Rate:

$\text{Local Tax Levy} / \text{Total Tax Capacity} = \text{Local Tax Rate}$

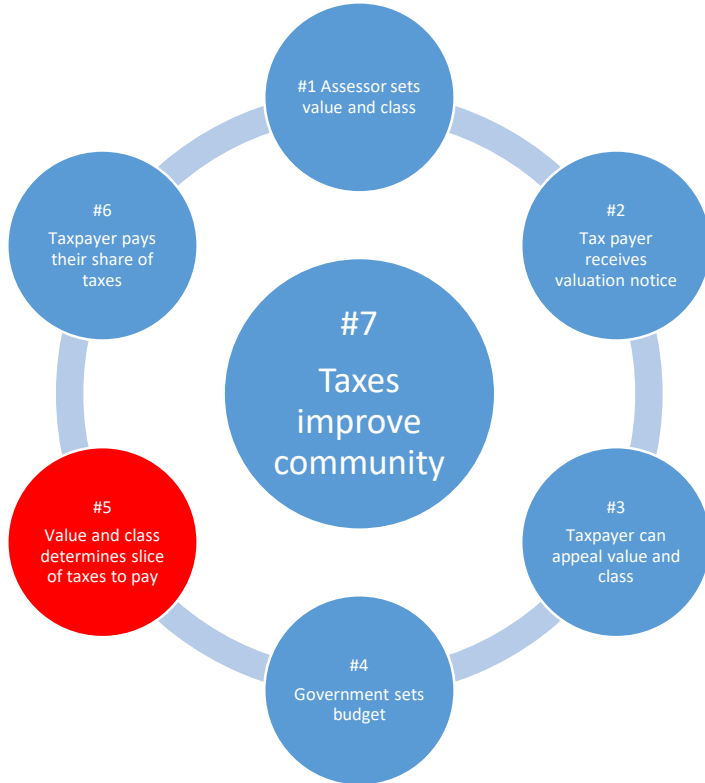
**Step 4:** For each property, the county auditor determines if any tax credits or additional taxes apply:

**Property Tax Credits** (for certain types of properties or programs)

**Referendum Levies** (additional school levies approved by voters)

**State General Tax** (additional state levy on certain types of property)

**Fiscal Disparity** (certain properties share tax base within a geographic area)



# Your Slice of the Pie:



## Your “Slice of the Pie”:

The total number of contributing properties determines how many “slices of the pie.”

The value of each property determines the size of each “slice of the pie.”

(higher value = bigger slice)

Equalization is an important factor in determining each slice of the pie. Properties that have not seen increases may not have been valued equally to other similar properties, which in turn may create a higher tax burden on other properties that already have been assessed at higher values.

## #6 Tax Payment Timeline

