



Assessment Laws and Procedures

January 8 – 11, 2024

Sponsored by the:

Minnesota Association of Assessing Officers
Minnesota Department of Revenue
Minnesota State Board of Assessors



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The information in this document is based on the laws in effect when it was written. It does not supersede or alter any provisions of Minnesota laws, administrative rules, court cases, or revenue notices. It does not provide tax advice.

If you have any questions or need clarification of the information in this manual, please contact the Minnesota Department of Revenue.

Email: proptax.questions@state.mn.us

Phone: 651-556-6922

A Career in Assessment

Why Assessing is Important...Simple Example of Assessing Process and End Result



- Property is purchased



- The County Assessor's Office places a value on the property



- Every property has a share of the pie based on the value and class



- Valuation Notices are mailed out



- Chances to appeal the value and classifications are every Spring



- Tax Statements are sent out



- Revenue generated from Property Tax is used to improve local communities

A Career in Assessment

“Why would anyone want to go into assessment?”

In the past, the field of assessment has perhaps been the subject of jokes, both by those in the profession as well as by those outside of it. The truth is that assessment can be a very rewarding profession.

Previously, assessing, especially in out-state areas, was often a side job in addition to a “regular” job. However, assessing has grown into a more respectable and full-time line of work. This can be attributed to more college-educated people entering assessment careers, more stringent education requirements for licensing, continuing education, and an ever-changing economy.

Assessment provides a stable income that can be absent from the field of fee appraisal. While fee appraisal can be very lucrative during a strong economy, work assignments can also be very limited during a weak economy. In contrast, assessment provides a much more stable paycheck. In addition, assessment normally provides for an 8 to 5 workday, while fee work often requires working nights and weekends.

Jobs in public service typically have better benefits than jobs in the private sector. In fact, fee appraisers often act as independent contractors and have no benefits. In assessment, there is no pressure to complete a certain number of appraisals or bill out a certain amount in fees per month. Generally, a lot of the outside work is completed before winter. With fee appraisals, outside work is never done – appraisals must be done in the rain, snow, and heat!

On the other hand, while most homeowners are happy to have a fee appraiser come look at their property, very few are excited to see the assessor at their door. Assessment professionals are often the only faces they will see with respect to their property taxes. Assessment professionals have a unique opportunity to educate taxpayers and help them understand the appraisal process and taxation system.

There are many opportunities for those who choose assessment as their profession. There are clerks, appraisers, local assessors, city assessors, county assessors, as well as opportunities at the Department of Revenue. The Department of Revenue employs information officers and appraisers who answer questions from taxpayers, appraisers, and assessors from across the state. They also advise the Legislature on property tax legislation and provide educational opportunities for assessment personnel.

What Does an Assessor Do?

The assessor determines the market value of each taxable parcel based on the conditions of the market on **January 2** of each year.



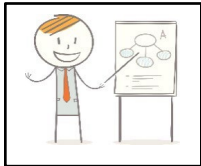
- **Market value** is the value determined by the assessor as the price the property would likely sell for on the open market.
- The assessor must have knowledge of the area and its sales to make a fair and equitable assessment.

The assessor is required by law to view each property at least **once every five years**.



- When the assessor views the interior of a property, he/she can make a more accurate assessment and eliminate any assumptions.
- The assessor bases his/her assessment on multiple factors, including size, age, condition, quality of construction and other features such as fireplaces, etc.
- The assessor compares the property to actual sales of similar properties in the area to determine the market value of a property.

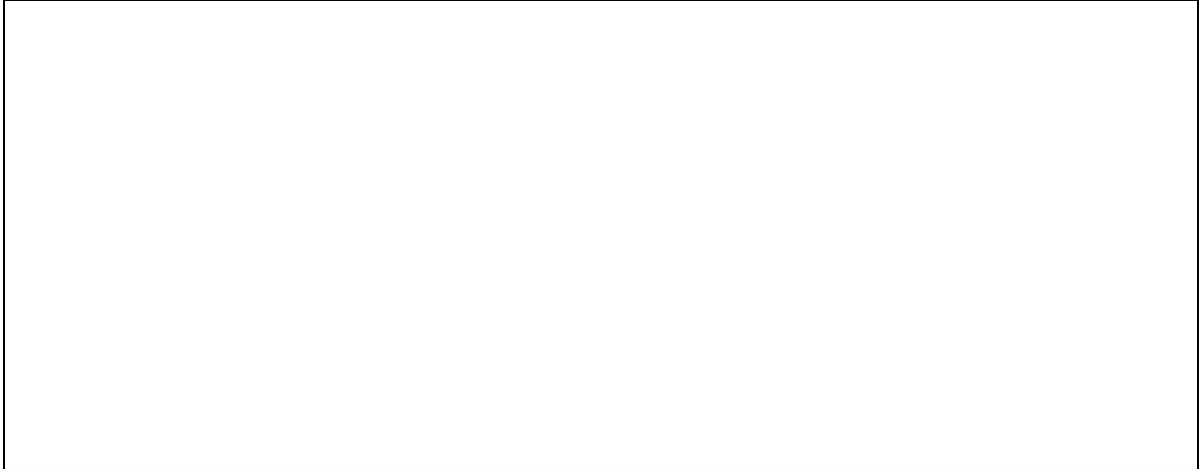
Along with valuation, the assessor must determine the **classification**, or use, of each parcel of property.



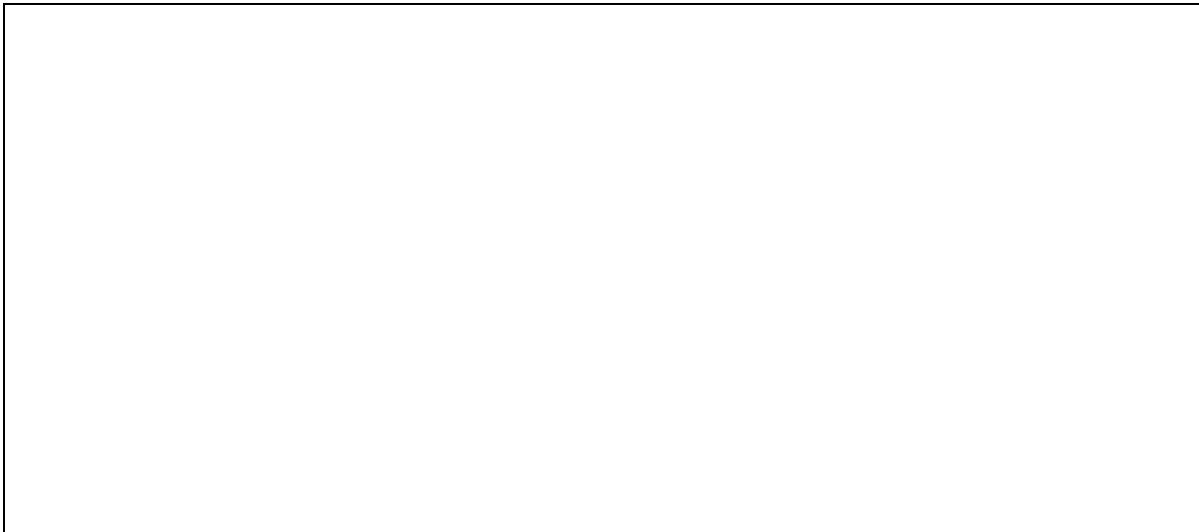
- Property classifications are defined in Minnesota Statutes
- The assessor classifies the property based on its **use** as of January 2 of each year.

We will be sharing a series of photos that we'd like you to use to help determine the EMV and Sale Price for a home. Use the space below to take notes on each home.

Example #1



Example #2



Minnesota State Board of Assessors

The Minnesota State Board of Assessors reviews, supervises, coordinates, and approves courses in assessment practices and establishes criteria for determining assessors' qualifications. In addition, the Board considers any other matters relating to assessment administration as brought forth by the Commissioner of Revenue. The Board may **grant, renew, suspend, or revoke an assessor's license**.

The State Board of Assessors consists of nine members who are appointed by the Commissioner of Revenue (Minnesota Statutes, Section 270.41, subdivision 2). The members include:

- two members from the Department of Revenue;
- two county assessors;
- two assessors who are not county assessors, one of which is a township assessor;
- one member from the private appraisal field who holds a professional appraisal designation; and
- two public members.

The State Board of Assessors may refuse to grant or renew, or may suspend, or revoke a license of an applicant or licensee or censure, warn, or fine any licensed assessor for any of the following causes or acts:

- Failure to complete required training;
- Inefficiency or neglect of duty;
- Failure to comply with the Code of Conduct and Ethics for Licensed Minnesota Assessors adopted by the board.
- Conviction of a crime involving moral turpitude
- Failure to perform faithfully and fully his or her duties through **malfeasance, misfeasance, or nonfeasance**
- Any other cause or act that in the board's opinion warrants a refusal to issue a license or the imposition of a sanction provided under the subdivision.

A licensed assessor or other person employed by an assessment jurisdiction, or anyone who contracts with an assessment jurisdiction (local assessor) to value or classify property for tax purposes is strictly **prohibited from making private appraisals or analyses, accepting a private appraisal assignment, or preparing a private appraisal report** on any property within the assessment jurisdiction where the individual is employed.

Assessor Licensing

The Minnesota State Board of Assessors has the authority to license those persons possessing the necessary qualifications of an assessing official. If you assist the assessor of a Minnesota taxing jurisdiction making decisions about classifications or valuations, you must get a Minnesota assessor's license within **three years of the date of your employment**.

Trainee License

Individuals who have started working for an assessor and **doing assessment work** are required to **register with the Board within 30 days of hire**. This registration allows us to help track the progress of meeting the requirements necessary for licensure.

Requirements:

- Create an account on the assessor licensing system, found on the State Boards website.
- Complete the application and pay the fee.
- Submit an employee verification letter that must be completed by a licensed assessor. The letter must include a start date and a brief description of the job duties.

Temporary License

Minnesota fee appraisers who are licensed as **Certified General Appraisers** by the Department of Commerce to appraise all property types may qualify for a temporary license.

Requirements:

- Create an account on the assessor licensing system, found on the State Boards website.
- Complete the application and pay the fee.
- Provide copies of the Certified General Appraisers license, an education transcript, and an employment verification letter.

Minnesota Assessor Licenses

Licenses are issued on a fiscal year basis beginning July 1 of each year and expiring June 30 of the subsequent year. License levels include:

- Certified Minnesota Assessor (**CMA**)
- Certified Minnesota Assessor Specialist (**CMAS**)
- Accredited Minnesota Assessor (**AMA**)
- Senior Accredited Minnesota Assessor (**SAMA**)

Every person who is regularly employed by the assessor to assist in making assessment decisions is required to become licensed **within three years** of the date of employment.

All CMA's who appraise or physically inspect property for the purpose of determining valuation or classification for property taxes must obtain an Accredited Minnesota Assessor (AMA) licensure within five years of becoming a licensed Certified Minnesota Assessor (CMA).

Licensing Requirements

Each level of licensure comes with its own requirements that must be met prior to applying for an assessor's license. Those requirements can be found on the State Board of Assessors website at www.revenue.state.mn.us/assessor-licensing. The following requirements must be met for all licensure levels throughout a four-year licensing cycle:

Continuing Education Requirements

In addition to the requirements necessary for licensing, the Minnesota State Board of Assessors has established a program of required continuing education for each level of licensure within each licensing four-year cycle. This is necessary to improve, update, and maintain the knowledge and abilities needed to achieve excellence in assessing.

Continuing education units are referred to as "Continuing Education Hours" or CEHs. One hour of attendance at approved courses and seminars will be worth one CEH. During each four-year licensing cycle, CMA and CMAS licensed assessors are required to attain **at least 50 CEHs**, and AMA and SAMA licensed assessors are required to attain **at least 60 CEHs**.

Ethics Seminar for All Licensed Assessors

All licensed assessors who are licensed for one year or more in a four-year cycle are required to complete an ethics course developed by the Commissioner of Revenue. ***Ethics for Minnesota Assessors*** is a self-paced online course in Absorb, the learning management system that DOR uses. This requirement must be met at least once in every four-year cycle.

For More Information

The Minnesota State Board of Assessors provides more information on education and licensing requirements on the Minnesota State Board of Assessors website, which can be found at <https://www.revenue.state.mn.us/minnesota-state-board-assessors>

Anyone with questions concerning licensure, certification, continuing education, or rules should contact Nicole Halling by email at assessors.board@state.mn.us.

Professional Memberships

Minnesota Association of Assessing Officers (MAAO)



The Minnesota Association of Assessing Officers (MAAO) is a professional organization of assessing officers. It serves as an organization to promote education, accreditation, and professionalism around ad valorem assessment administration. Each year MAAO hosts Summer Seminars during May in St. Cloud and a Fall Conference which includes keynote speeches and additional educational offerings for assessment personnel. More information about MAAO can be found on its website at:

<http://www.mnmaao.org>

International Association of Assessing Officers (IAAO)



The International Association of Assessing Officers (IAAO) is an educational and research association of individuals in the assessment profession and others with an interest in property taxation. Membership is open to anyone and includes individuals working in government, private industry, academia, and members of the general public. The mission of IAAO is to promote innovation and excellence in property appraisal and property tax policy and administration through professional development, education, research and technical assistance. More information about IAAO can be found on its website at: <http://www.iaao.org>

Minnesota Association of Assessment Personnel (MAAP)



The Minnesota Association of Assessment Personnel (MAAP) is an organization of assessment office personnel. The purpose and objective of the organization is to further the work experience and knowledge of assessment personnel through education, communication, and participation. The organization meets twice a year: in August, for a two-day educational workshop, and in December, for the winter business meeting. The annual membership fee includes a semi-annual publication called “The Communicator” that informs members of meetings and other assessing news.

North Central Regional Association of Assessing Officers (NCRAAO)



The North Central Regional Association of Assessing Officers (NCRAAO) is a regional organization of assessing officers. The organization consists of 11 states: North Dakota, South Dakota, Minnesota, Nebraska, Kansas, Missouri, Illinois, Indiana, Michigan, Iowa, and Wisconsin. More information about NCRAAO can be found on its website at: <http://www.ncraao.org/>.

The Board of Assessors has developed a brief overview of best practices recommendations for new assessors, including training requirements and resources available. This document does not represent new policy; rather it provides best practices recommendations based on existing board policies.

Timeline for licensure

As new assessors continue to enter into the profession, it is important to remind everyone that new assessors have three years from their first day before getting Certified Minnesota Assessor (CMA) licensure, and they can spend three years as a “trainee”. New assessors should know that it is not immediately required by the Board of Assessors that they have CMA licensure.

For newer CMA assessors, there is an additional five years before being required to achieve Accredited Minnesota Assessor (AMA) licensure. Because assessors have 8 years from their first day on the job before achieving AMA licensure, we would anticipate that they have the opportunity to mindfully learn about their new profession through both experience and education.

Helpful reminders for classroom training for new assessors

The board believes that it is important to have a strong balance between class time and field work so that ideas from each can be incorporated with each other and build off each other. Ideally, what an assessor learns in the field will be solidified by what they learn in the class, and vice versa. Their experience in the office will provide them with valuable skills they cannot get in a classroom, and classroom experience should provide them with “big picture” context that deepens their understanding and improves on the work they do.

We also strongly believe that the first licensure course, Assessment Laws and Procedures (ALP), should not be taken within the first six months of employment – and ideally would be taken after closer to a year. ALP provides very high-level information on assessment laws, as well as an overview of multiple classifications, special programs, and nuances of our state’s property tax system. Without a solid understanding of their role as an assessor, new staff may not get the information they most need from this class experience. Additionally, as ALP is the foundational educational opportunity for Minnesota assessment licensure, we believe that having a strong start will help assessors throughout all of the following courses.

We believe that the balance between field work and education should continue throughout the first three years of training. It is not necessary (or even encouraged) to take all of the CMA licensure courses in one year.

Board-approved licensure classes are listed [on our website](#), and many include online options. If new assessors are balancing the demands of their new career with their life outside of work, they may find this to be a helpful resource.

Mentoring opportunities

Finally, we wanted to remind assessors of the other onboarding opportunities available, such as the [Minnesota Association of Assessing Officer's mentorship program](#). The board has seen first-hand a lot of the rising talent and enthusiasm in assessment, and believes that there is great opportunity to be had if new assessors can work with and learn from each other.

Questions?

If you have any questions about licensure timelines, educational opportunities, or Board of Assessors resources, please contact us at assessors.board@state.mn.us.

First Year Exposure Checklist

Name: _____ Official Job Title: _____

Full time County and City employees: Use this checklist to track the assessment experience required to become a licensed assessor. You will need to attach this form when applying for your initial assessor's license (Certified Minnesota Assessor - CMA).

Check all that apply:

- Completed the annual physical quintile reassessments in a district
- Completed the annual reassessment of properties in a district using a CAMA system
- Identifying and valuing new construction in a district
- Attending or preparing for at least one Local Board of Appeal and Equalization or open book meeting
- Classifying property in a taxing district
- Reviewing and utilizing assessment statistics for a taxing district
- Utilizing legal descriptions and property measurement units to complete assessments in a taxing district
- Applying homestead laws to properties in a taxing district
- Explaining your work to a taxpayer
- Knowing which special programs, a property may be eligible for and answering questions about the program or assisting taxpayers in finding applications for any tax benefit
- Exposure to the various types of conveyances used to transfer ownership
- Applying the concept of highest and best use
- Explaining the tax calculation process
- Verifying sales
- Explaining the difference between mass appraisal and single property appraisal

For other applicants: not currently employed, working part time with a contract assessor or working full time in the MN Department of Revenue's Property Tax, please provide written description of your job duties signed by your supervisor. Refer to the list above for items that are important to be included.

Please add any additional experience that may be relevant:

Employers Signature

Roles and Duties

Local Assessors

Local assessors are assessors who contract with a city or township to perform its assessment. They are hired by the local jurisdiction – not by the county assessor.

The duty of a local assessor is to appraise and classify all property in the assessment district. This includes:

- Identifying all property in the jurisdiction.
- Maintaining an accurate property record card on all property in the jurisdiction. Each property record should have a sketch with accurate measurements. Some jurisdictions also require photos.
- Property records should also contain information regarding the quality of construction, condition, any depreciation (physical, functional, or economic), and amenities of the property.
- Identifying the use of the property.
- Entering construction and valuation data into the records as directed by the county assessor.
 - This includes entering valuation and new construction data into Computer Assisted Mass Appraisal (CAMA) systems, if applicable.
- Information on the occupancy of the property for homestead purposes.
- Locating and valuing new construction each year.
- Attending local board of appeal and equalization meetings.
- Making any changes as dictated by the local board of appeal and equalization.
- Other information as specified by each local jurisdiction or the county. For example, some counties require local assessors to do their own splits/combinations, homestead applications, etc.

Any book work such as mailing of valuation notices is typically done by the county assessor.

Local assessors must complete all appraisal records and deliver them to the county assessor by **February 1** of each year. Any work not completed by the local assessor by February 1 must be completed by the county assessor. The cost of completing the work may be charged to the assessment district. Extensions of time to complete the appraisal records may be granted to the local assessor by the county assessor with the approval of the county board.

County Assessors

Each county in the state is required to have a county assessor. The county assessor is appointed by the board of county commissioners based on his/her knowledge and training in the field of property assessment and taxation. The county assessor must have at least an AMA at time of appointment and must be able to achieve a SAMA designation within two years of the date of appointment. The Commissioner of Revenue must approve the appointment before it becomes effective. The Commissioner of Revenue may grant approval on a probationary basis for a period of two years. The commissioner must base the decision to impose a probationary period on objective and consistent criteria. At the end of the two-year probationary period, the commissioner may either refuse to approve the appointment for the remainder of the term, approve the appointment but only for another two-year probationary period, or unconditionally approve the appointment for the remainder of the term (Minnesota Statutes, Section 273.061, subdivision 1).

The term of office of the county assessor is four years. A new term begins on January 1 of every fourth year after 1973 (2021, 2025, 2029, 2033...). When a vacancy occurs, the county board of commissioners shall fill the office for the remainder of the term, by appointment, within 90 days. During that time, the deputy assessor (or if there is no deputy, the county auditor's appointee) will perform the functions of the assessor.

If the county board does not intend to reappoint a county assessor, they must present written notice to the county assessor no later than 90 days prior to the termination of the term. If written notice is not made by this day, the county assessor will be automatically reappointed by the county board (Minnesota Statutes, Section 273.061, subdivision 2).

The county board may terminate the term of the county assessor at any time, on charges of **malfeasance, misfeasance or nonfeasance** made by the Commissioner of Revenue.

Malfeasance can be defined as wrong or illegal conduct, or an unlawful act, especially those committed by politicians or civil servants. This term is often used when a professional or public official commits an illegal act that interferes with the performance of his or her duties.

Examples of malfeasance would be:

- An elected official who accepts a bribe in exchange for political favors
- An assessor who intentionally undervalues a county commissioner's house to obtain or retain their appointment, or
- An assessor who intentionally undervalues a friend or family member's property.

Misfeasance can be defined as illegally performing something legal; acting improperly or illegally in performing an action that is lawful. This term is frequently used when a professional or public official does his job in a way that is not technically illegal but is nevertheless mistaken or wrong.

Examples of misfeasance include:

- Granting a full agricultural homestead to fractional ownership interests
- Exempting a parsonage that is rented, or
- Classifying a property that had been classified as seasonal residential recreational as a relative homestead.

Nonfeasance can be defined as the failure to meet legal obligations; failure to do something that is legally obligatory. It is the failure to perform or complete neglect of a contractual duty.

Examples would be:

- An assessor that does not physically inspect properties in their jurisdiction at least once every five years
- An assessor who does not assess new construction, or
- A county assessor who does not review the work of a local assessor.

Basic Duties of the County Assessor

- Responsible for instructing and directing local and city assessors and appraisers to perform their duties under the laws of the state **to ensure that a uniform and equalized assessment of all property in the county is attained.**
- Keep the local assessors and appraisers in the county advised of all changes in assessment laws.
- Provide information to local and county boards of appeal and equalization.
- Confer with assessors in neighboring counties to attain a uniform and equalized assessment.
- Ultimately responsible for final assessments and classifications based on the values reported by local or deputy assessors.
- Ultimately responsible for the accuracy and timely completion of the PRISM 1 (Preliminary Assessment) and PRISM 2 (Adjusted Assessment) files.
- Required to make a diligent search each year for real and personal property that has been omitted from the assessment, and report all such omissions to the county auditor.
- Responsible for mailing valuation notices.
- Testify as an expert (or direct another assessor to testify) in Tax Court proceedings regarding an appraisal and/or report prepared by the assessor on behalf of the assessor's jurisdiction.

The county assessor must examine the appraisal records of each local assessor at any time after **December 1** of each year. If the county assessor finds that the local assessor is not proceeding satisfactorily with the assessment, the assessor should immediately give notice, in writing, to the governing body of that district. The notice must include the deficiencies of the quantity or quality of the work and the corrective action to be taken.

If the deficiencies are not substantially remedied by the local assessor within 30 days, the county assessor may, with the approval of the county board, complete the assessment. The costs of completing the assessment are charged to the assessment district. When the county assessor has completed the assessment, the local assessor may resume the assessment function of the district. This does not apply to cities whose assessors have the powers and duties of a county assessor pursuant to Minnesota Statutes, Section 273.063 (Minnesota Statutes, Section 273.064).

It is important to remember that when you are in a position as a licensed county assessor you are not providing legal advice to residents, determining what is considered “fair” or drafting new laws.

Staff Assessors/Appraisers

The county assessor may employ one or more assistants (staff appraisers) and clerical help to complete the assessment work. Staff appraisers must meet the qualifications set forth by the State Board of Assessors (Minnesota Statutes, Section 273.061, subdivision 4).

Typically, staff appraisers will have essentially the same duties as a local assessor. For example, they will be responsible for inspecting property, maintaining property record cards, classifying property, attending local board of appeal and equalization meetings, fielding taxpayer phone calls, etc.

Other County Officials

County Auditor

County auditors are responsible for determining tax rates, administering delinquent real property taxes, elections, and the overall accounting functions of the county. In addition, the county auditor keeps a record of all taxable property in the county and delivers a list of property owners and their respective taxes to the county treasurer. He or she is also responsible for the accuracy and timely submittal of the PRISM 3 (Final Assessment & Tax) & 4 (Manufactured Home) files which include Tax Increment Financing, Abstract of Tax Lists, and Mobile Home Abstracts to the Department of Revenue. Additional duties include but are not limited to administration of repair or construction of the county's ditches, administration of the tax forfeiture process, calculating Green Acres paybacks, administration of Tax Increment Financing, publishing the county's annual financial statement, processing deeds and plats, and administration of special assessments.

County Treasurer

County treasurers collect and distribute current property taxes and special assessments, administer delinquent personal property taxes, and are responsible for sending out Truth in Taxation Notices and Property Tax Statements. Treasurers also administer the state deed and mortgage registry taxes.

County Recorder

County recorders maintain the vital records (births, deaths, and marriages) of the county as well as record all transfers of property, liens, mortgages, satisfactions, and other official documents.

Valuation Notices

Each year, the county assessor is responsible for notifying all property owners of their property's market value and classification. The valuation notice must be mailed at least **10 calendar days before** the meeting of the Local Board of Appeal and Equalization. Local boards meet between **April 1 and May 31 each year**. The valuation notice can be sent in an electronic format only if requested in writing by the property owner. If an assessor does not mail valuation notices to property owners within the required time frame, the assessor must mail an additional valuation notice and convene a supplemental local board of appeal and equalization meeting or local review session.

The notice includes:

1. The estimated market values for both the current and prior year's assessment.
2. The Green Acres value, if applicable.
3. The qualifying amounts for deferral or exclusion of value for: Plat Law deferral, Open Space, Mold, and any exclusion for the Disabled Veterans Market Value Exclusion.
4. The taxable market value after accounting for any of the limits, deferrals, or exclusions listed above for the current assessment.
5. The classification of the property for both the current and prior year's assessment.
6. The assessor's office address and phone number.
7. The date, place and time set for the meetings of the Local Board of Appeal and Equalization and the County Board of Appeal and Equalization.
8. The location and time where information on the property can be viewed by the public, along with the county's website address.

Truth in Taxation Notices

Truth-in-Taxation Notices are mailed to all property owners in November of each year. The Truth-in-Taxation Notice can be sent in an electronic format only if requested in writing by the property owner. The Commissioner of Revenue prescribes the form and the content of the notices. They show the actual taxes levied on the property for the current year and the estimated property taxes due on the property for the following year. It must show the taxable market values as well as the classification for the two prior assessment years, for taxes payable that year and the previous year.

In addition, it shows the estimated amount of the tax that is attributed to the county, city, school district, and the state general tax (if applicable). These notices are required to show the dates, times, and places for public hearings for the city, county, and school district. Cities with population under 500 are not required to have a hearing. The truth in taxation hearings are held to give taxpayers an opportunity to voice their concerns over the budget. They are not a forum for taxpayers to appeal their market value or their own proposed tax amounts.

Tax Statements

Property taxes are a function of city, county, and school district spending. There is not a direct relationship between the assessor's market value and the taxes the owner of a property pays. The overall tax burden is distributed among properties according to their value. Theoretically, it is possible for a property's market value to increase and the taxes to decrease. Similarly, it is possible for a property's market value to decrease and the taxes to increase.

Property tax statements are to be mailed out by the Treasurer's Office no later than March 31 each year. Almost all real property taxes are due in equal installments on May 15 and October 15 of each year, unless the amount is \$100 or less, in which case they are due in full on May 15. Property tax statements can be sent in an electronic format only if requested in writing by the property owner.

The statement includes the following information for each field for the current year in the right-hand column, and the corresponding information for the prior year in the left-hand column:

1. The property's estimated market value and classification.
2. The property's taxable market value after reductions for homestead exclusion.
3. The property's gross tax before credits.
4. For agricultural properties – the agricultural homestead credit under section 273.1384.
5. Any credits received under sections 273.119, 273.1234, 273.1235, 273.135, 273.1391, 273.1398 subd. 4, 469.171 and 473H.10. The amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief."
6. The net tax payable on the property.

Starting with taxes payable in 2012, if the parcel of property has any class 2a agricultural land the taxpayer has until November 15 to pay the second half of the property taxes due. If the parcel is only class 2b rural vacant land, the second half due date is October 15. However, if a parcel is classified as 2b rural vacant land but is contiguous to a class 2a parcel and both parcels are under the same ownership, the 2b parcel also receives the November 15 due date.

Tax statements for manufactured homes that are treated as personal property must be mailed by July 15. The taxes, if \$100 or less, are due in full on August 31. If the taxes are greater than \$100, the first half is due August 31, and the second half is due November 15.

Tax payments that are postmarked on or before the due date and delivered within 21 days are paid on time and do not accrue a late payment penalty. All other late payments will be assessed penalties and interest.

Data Reporting

The Minnesota Department of Revenue has modernized how we collect, track, and use the property tax data that we receive from counties. As part of this effort, we've developed a centralized database – **PRISM (Property Record Information System of Minnesota)**.

PRISM lets counties easily and securely send their information to our Property Tax Division and lets them send more detailed information than before. We use this data to calculate aid for local governments, track how the property tax system is working, and analyze how proposed changes would affect it. This information is now being collected at the parcel level instead of the summary level.

With PRISM, we can analyze property tax data faster and more thoroughly to help legislators, state agencies, counties, and others who use the information. The system lets us provide better reports, quickly detect any errors in the data, and alert counties to potential audit issues.

The table below describes when each PRISM submission is due, in order of the tax cycle.

PRISM Submission	Due Date
1: Preliminary Assessment	April 1
2: Adjusted Assessment	September 1
3: Final Assessment & Tax	April 1
4: Manufactured Home	September 1

Preliminary Assessment (File 1)

The Preliminary Assessment submission is due April 1 but can be submitted as early as February 1. The Preliminary Assessment file reports property types and preliminary estimated market values, before any local or state ordered value changes, for each taxable property in the county. The values reported on the Preliminary Assessment submission should reflect the values sent out on the taxpayers' valuation notices. File 1 shows the values as of January 2 of the assessment year.

Adjusted Assessment (File 2)

The Adjusted Assessment submission is due September 1 but can be submitted as early as August 1. The Adjusted Assessment file reports property types and final estimated market values, after any local or state order value changes, for each taxable property in the county, as well as taxable market values, referendum market values, net tax capacities, and exclusion amounts. File 2 can be used to study the implementation of any orders (both local and state) when compared to File 1. The values reported on the Adjusted Assessment file should reflect the values sent out on the Truth In Taxation notices.

The Adjusted Assessment submission should also report the values of each exempt property in the county, including DNR PILT land. This information is only required to be reported every 6 years but can be reported every year through PRISM.

Final Assessment and Tax (File 3) – Submitted by the Auditor/Treasurer Division

The Final Assessment and Tax submission is due April 1 but can be submitted as early as February 1. The Final Assessment and Tax file reports the extension of real property taxes on each taxable property in the county, including final market values, net tax capacities, levies, and tax rates, as well as TIF taxes. This file is also used for school aid calculations and paying state aids to local taxing districts.

Manufactured Home (File 4)

The Manufactured Home submission is due September 1 but can be submitted as early as April 1. The Manufactured Home file reports the extension of property taxes on each manufactured home in the county, including values, levies, and credits.

Other Data Submissions

Electronic Certificate of Real Estate Value

Electronic Certificates of Real Estate Value (eCRVs) report information on all property sales in the state. They should be submitted on an ongoing basis as sales occur. Values on eCRVs are compared to values that come in on File 1 – Preliminary Assessment and in File 2 - Adjusted Assessments to study assessment levies for the Sales Ratio Study.

Homestead Files

Minnesota Homestead Files are submitted to collect data that is needed to determine the eligibility for the property tax refund (PTR) files and is compared to information provided on the refund returns. This file includes the previous year's assessment data and the current payable year's tax statement data. The county assessor must submit two homestead files each tax cycle. The Duplicate Homestead file is due July 31 of an assessment year. This file reports all homesteads and homesteaders in each county. These files are used to check for duplicate homestead claims across counties. The Property Tax Refund Homestead file is due April 30 of a tax's payable year. This file also reports all homesteads and homesteaders in each county. These files are used to determine eligibility for the Property tax Refund.

Important Notes Relating to Property Tax Data

Estimated Market Value vs. Taxable Market Value (EMV vs. TMV)

Both Estimated Market Value and Taxable Market Value are reported on the PRISM file submissions so it important to understand the difference between the two. Estimated Market Value (EMV) is what the property would sell for in an open market with any contamination value (loss in value due to contamination) pulled out of the value. Taxable Market Value is what is left after all other exclusions are applied such as Green Acres, Platted Vacant Land, Disabled Vet’s, and homestead market value exclusion etc.

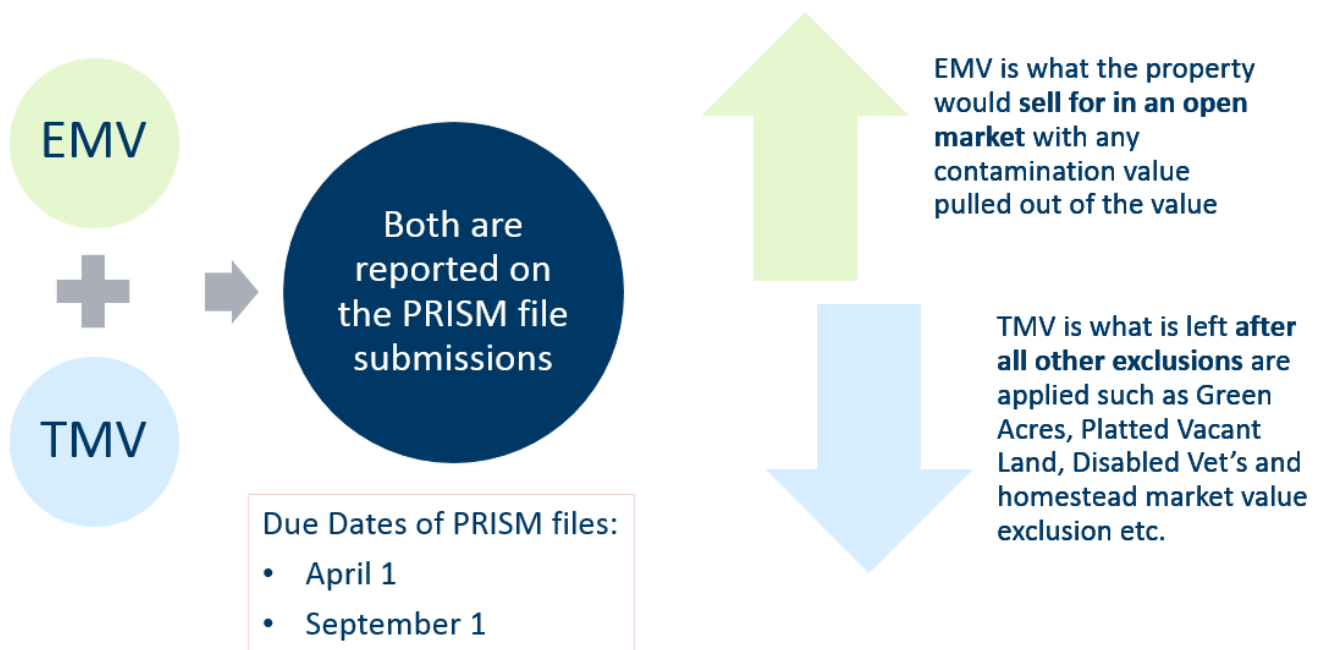
Due Dates of PRISM files

There are two major due dates for reporting data to the Department of Revenue:

- April 1
- September 1

Each PRISM file will take time and effort to complete so plan on starting work on these at least a month before they are due. It is important to note that any PRISM file may be used for other purposes that the Department of Revenue is not aware of. For example, the Legislature may retroactively refer to certain abstract data reported through a PRISM submission. IT IS IMPORTANT that data quality needs to be high and consistent.

Important Notes Relating to Property Tax Data



Commissioner of Revenue

The Commissioner of Revenue is appointed by the Governor and employed at the discretion of the Governor. The commissioner's basic responsibilities regarding property tax include:

- To exercise **general supervision** over the administration of the property tax laws, assessors, town, county, and city boards of appeal and equalization, and all other assessing officers in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state.
- Confer with, advise, and give the necessary instructions and directions to local assessors and local boards of appeal and equalization throughout the state as to their duties under the laws of the state.
- Direct proceedings, actions, and prosecutions to be instituted to enforce the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the property tax laws, and cause complaints to be made against local assessors, members of boards of appeal and equalization, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty.
- Require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture, and punishment, for violation of the property tax laws in their respective districts or counties.
- Require town, city, county, and other public officers to report information as to the assessment of property, and such other information as may be needed in the work of the commissioner, in such form as the commissioner may prescribe.
- Transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even-numbered year, the report of the department for the preceding years, showing all the taxable property subject to the property tax laws and the value of the same, in tabulated form.
- Inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties.
- To receive complaints and examine all cases where it is alleged that property subject to taxation has not been assessed or has been fraudulently or for any reason improperly or unequally assessed, or the law in any manner evaded or violated, and cause to be instituted such proceedings as will remedy improper or negligent administration of the property tax laws.
- To raise or lower the market value of any real or personal property of any person, provided that before any such assessment against the property of any person is raised, notice of an intention to raise the market value and of the time and place at which a hearing will be held shall be given to such person, by mail, addressed to the person at the place of residence listed upon the assessment book, at least five days before the day of such hearing.

- **Can order a reassessment of any or all real and personal property in any assessment district.**
- Can also order a special assessor to complete the reassessment.
- Can recommend to the State Board of Assessors the non-renewal, suspension, or revocation of an assessor's license.
- Can require the county auditor to place upon the assessment rolls omitted property which may be discovered to have escaped assessment and taxation in previous years.
- The Commissioner of Revenue acts as the State Board of Equalization.
- The Commissioner of Revenue is also required by law to assess several types of real and personal property. These properties are Flight Property, Railroads, Pipelines, and Electric Powerlines.
- To exercise other powers and perform other duties required of or imposed upon the Commissioner of Revenue by law, including assisting local assessors in determining the estimated market value of industrial special-use properties and establishing a methodology to estimate the agricultural value of lands enrolled in the "Green Acres" program.

State Board of Equalization

The Commissioner of Revenue constitutes the State Board of Equalization, and in that capacity, is empowered to reduce wide disparities in assessment levels between counties and among the several classes of property within counties.

State Assessed Property

The Commissioner of Revenue is required by law to make the assessment of several types of real and personal property. The properties that are assessed by the Commissioner of Revenue are listed below.

Flight Property: The flight property of all airline companies operating in Minnesota is to be assessed annually by the Commissioner of Revenue. Aircraft with a gross weight of less than 30,000 pounds and used on intermittent or irregularly timed flights are excluded. All real and personal property of an airline company, except flight property, is to be taxed as otherwise provided by law. (M.S. 270.072)

Railroads: The operating property of every railroad company doing business in Minnesota is to be valued by the Commissioner or Revenue in accordance with Laws 1979, Chapter 303, Article 7. The non-operating property of railroad companies doing business in Minnesota is to be assessed as otherwise provided by law. (M.S. 270.81)

Pipelines: The personal property, consisting of the pipeline system of mains, pipes, and attached equipment, of pipeline companies and others engaged in the operations or business of transporting natural gas, gasoline, crude oil, or other petroleum products by pipelines are to be listed with and assessed by the Commissioner of Revenue. (M.S. 273.33)

Electric Power lines: The responsibility for the assessment of personal property of electric light and power utilities is divided between the local assessors and the Commissioner of Revenue. Personal property of electric light and power companies which is located within a city is assessed where located by the local assessor. (M.S. 273.36) The personal property of electric light and power companies having a fixed situs outside the corporate limits of a city are listed and assessed where situated. (M.S. 273.37) All transmission and distribution lines and equipment attached to them, having a fixed situs outside the corporate limits of cities, except for distribution lines taxed under M.S. 273.40 and M.S. 273.41, are listed, and assessed by the Commissioner of Revenue. (M.S. 273.37)

Customer Service

Customer Service in Government

Working for a public sector agency drives a need of providing high-quality service to all customers we encounter every day, both internally and externally. We strive to make great impressions on the customers we serve exhibiting professionalism and competence with our everyday interactions.

Customers are unique; each one is different. Every customer comes from a different environment, socio-economic background, ethnicity, value set, state, country, etc., not to mention the multiple generations you may be serving from day to day. They all have different interpretations of what a general statement like "good customer service" means to them which can make providing customer service challenging.

Who are Your Customers?

Minnesota Board of Assessors Code of Conduct

One of the resources that The Minnesota Board of Assessors has created a Code of Conduct and Ethics for Licensed Minnesota Assessors. Looking at this document, it is apparent that conduct and performance is an essential part of the code. Professionalism, honesty, diligence, and excellence all have strong service-related elements.

- Professionalism – Conduct all duties and activities in a professional manner that will reflect favorably upon yourself, the jurisdiction, the assessment profession, and the property tax system.
- Honesty – Be honest in all dealings with property owners and their representatives.
- Diligence – Be diligent in the performance of your duties as prescribed by Minnesota Statutes and Minnesota Rules, Chapter 1950 and apply these laws and rules fairly and uniformly without advocacy for, or accommodation of, and special interests.
- Excellence – Perform all duties to the best of your ability so as to ensure fair and equitable assessments of all property.

Assessor Authority to Enter Buildings

Minnesota Statutes, Section 273.20 states:

“Any officer authorized by law to assess property for taxation may, when necessary for the proper performance of their duties, enter any dwelling-house, building, or structure and view the same and the property therein.

Any officer authorized by law to assess property for ad valorem tax purposes shall have reasonable access to land and structures as necessary for the proper performance of their duties.”

A property owner may refuse the inspection of their property by an assessor which can present challenges, we will explore those later in this module.

Creating and Maintaining Positive Relationships with Your Customers

Excellent customer service skills are important for any assessor. A service-oriented attitude will be helpful in dealing with all customers and possibly reduce the animosity that some customers have toward assessors and the tax system in general.

Creating a Positive First Impression

A first impression is made within an instant. There are many factors that impact the impression that your customer forms about you, your co-workers, and your office. There are two types of impressions that customers experience, direct impressions, and indirect impressions. Direct impressions are conveyed when a staff member actively assists a customer in person, over the phone or via email. Indirect impressions are all the factors that can affect a customer’s impression of you, your, office, and your professionalism.

Things to Avoid When Interacting with Your Customers

Even if a positive impression is created in the mind of your customer, it can be quickly changed by other factors. To maintain the positive image that you have created there are a few things that you want to avoid.

- Never speak badly about coworkers or government agencies. This includes blaming others for mistakes, rules, or actions.
- Do not share personal opinions on work or current events with customers. Local, State, National, and even office politics are not a topic that should be discussed with customers.
- Do not discuss personal issues with customers. While it can be helpful to remind customers that we are affected by some of the issues that they have, it is vital to maintain professionalism in your interactions.
- Do not allow customers to overhear back-office chatter or comments, especially if the comments are related to their situation.

Skills That Assist in Maintaining Positive Relationships

There are many different resources in the assessing world that we use to assist our customers. We also use our own skill sets to assist customers. All of you bring a different skill set to your office. You use these skills without even thinking about them on a day-to-day basis.

- Listening
 - As we already know every customer is different, it is vital that you are listening carefully to them to understand what exactly they need and how you can help. Do not be afraid to ask questions to clarify what they are asking. Whether you are talking to the customer on the phone or in person it is important not to interrupt them and to try and make sure the customer feels heard and that their concerns are understood. Listen with intent. When you listen with intent, you will be able to not only answer their questions, but you may be able to anticipate other needs that they may have.
- Communication
 - After listening to a customer's concerns, it is vital that you can articulate what you are able to do for the customer. Make sure you explain the process in a way the customer will understand. Avoid using jargon and terms that the customer would be unfamiliar with. If you need to use these terms, make sure you explain what it means to the customer.
- Positivity
 - Being positive doesn't mean you have to be constantly smiling, especially when you have an upset customer. Positivity can be shown by being proactive and optimistic. Focus on what you can do for the customer.
- Accountability
 - Sometimes mistakes are made. Although the problem may not be your fault, taking responsibility on behalf of the office may help defuse the situation. Completing your office and field responsibilities and treating all customers equally is a part of accountability as well.
- Assertiveness
 - Customers can easily get on a tangent, you may need to take control to keep the customer focused on what their initial issue, question, or concern was. Use a strong, steady voice, ask direct questions, and keep the focus on what needs to be addressed, this will allow you to convey confidence without seeming aggressive.
- Self-Control
 - When customers are upset, they can seek to pull you into that feeling. As a representative of your office, you must remember to stay calm and cool. If the customer is upset, patience and self-control are essential in keeping yourself calm and from saying something you may regret. It is key to be civil, respectful, and try to tone down the conversation.
- Empathy
 - Understanding what the customer is saying is vital, but it is also important to understand how the customer feels. Customers want to know that you understand their situation and their circumstances.

Professionalism When Inspecting Properties

As we talked about earlier, Minnesota Statutes, Section 273.20 gives the assessors access to properties for the purpose of valuation. This authority should be used tactfully and with the utmost professionalism.

The following are some suggestions that can assist you in maintain professionalism and ensure a complete and accurate inspection:

- Before beginning the exterior inspection, knock on the door to see if anyone is home.
- Never enter a house without introducing yourself, showing identification, and explaining why you are there.
- Always ask for permission to inspect the property. Some people may allow you to inspect the exterior of the property but not the interior. In cases like this, calmly explain to the property owner that you will have to make estimations regarding the interior characteristics of the property. Always document that the owner refused an interior inspection on the property record card.
- If no one is home, follow the procedures established by your employer. Some jurisdictions choose to leave a note on the door that explains who you are, why you were there, and a phone number where you can be reached in the hopes, they will call you back to schedule an appointment to view the interior. A "no call back" is **not** considered as a "refusal" to enter. In any case, inspect the exterior of the property and make any necessary estimations regarding the interior.
- If possible, try to have the property owner accompany you on the inspection. That way, if there are questions that arise on the inspection, the owner will be there to answer them.
- Measuring the property – all measurements are to reflect the exterior dimensions to determine the square footage of a structure.
- Photos are a useful and important part of the appraisal process. Any changes in exterior characteristics can be recognized from one review to the next. Photos will show the architectural style, physical characteristics, and any accessory structures. Do your best to avoid taking photos that may include people.
- If you are allowed to inspect the interior, make note of the different features that are inside of the property such as number of bedrooms, number of bathrooms, condition of the interior, etc.
- Do not open closed doors to rooms or a house without first obtaining the owner's permission.
- Be brief and businesslike.
- Never go into a house where children are home alone.
- Do not open cabinets, closets, refrigerators, or drawers.
- Always offer to remove your shoes or put on shoe coverings before entering the home.
- If you are refused access to the interior of the property or someone is not there, do not peek in windows.

- If you ever feel uncomfortable or unsafe while inside a property, trust your instincts and leave.

Being a knowledgeable and well-informed assessor will improve the standards of assessment and will enable you to maintain fair and equitable assessments. An assessor's reputation is important, the more knowledge you possess, the more competent and credible you will be with property owners and your colleagues.

Appraiser Safety & Security

Whether you are in the office or in the field, your safety and security is the most important. Your employers are going to have their own safety procedures but here are a few tips to help keep you safe.

- Always wear an employee identification badge.
- Always let others in the office know which area you will be working in.
- If you know you will be working in an area, it may be a good idea to let the police department know where you will be. If you are not using a county or fleet vehicle, let them know the make, model, and license number of your car. That way, when people call in to report a stranger going from house to house in the neighborhood, the police will know it is you.
- When you park your vehicle, make sure you can leave quickly if you need to.
- Trust your instincts – if a situation makes you uneasy, there is probably a reason for it. Do not put yourself in a dangerous situation.
- Make noise when you get to a destination. Rattle fence, whistle, slam car door, etc. This may alert any persons or animals of your presence.
- Be aware of dogs or other animals. Do not enter a fenced backyard if there is a dog present. Watch out for “doggie doors” and other signs of dogs.
- Use extra caution when walking around construction sites.
- Be aware of cameras and security systems.

Safety Activities

Scenario #1

You arrive to a property and notice that there is a dog outside. The dog does not appear to be friendly. The dog is tied up. What do you do?

Scenario #2

You arrive to a property and notice that there are a variety of animals present, both free roaming and fenced. The dog approaches the vehicle, and you decide it is friendly. You proceed to knock on the door, and no one is home. You follow leave your tag and proceed with your review. As you are inspecting a large goose starts to approach you and becomes hostile. What do you do?

Refused Entry

Occasionally, property owners refuse to allow an appraiser to view their property; they are allowed by statute to do so. This refusal by the property owner must be either **verbal or expressly stated in a letter** to the county assessor. If the assessor is denied access to view a property, the assessor is authorized to estimate the property's market value by making assumptions believed appropriate concerning the property's finish and condition. There may be a variety of reasons that they do not want you to inspect their property.

Why might a property owner refuse to allow an appraiser to view their property?

Talk through any concerns they may have and try to take care in determining their reason for refusing the viewing.

Property owners may respond better if you are able to work with them. Give them the option to set up a time for you to come back to the property and leave your card or a note. If an

interior review is refused, still ask for permission to inspect the exterior and inform the owner that you will be making estimations regarding the interior of the property. Some property owners will be willing to answer questions about the interior of the home but do not want you inside their home. However, if the property owner becomes hostile or belligerent, it is best to drop the issue. If the property owner refuses, inform the property owner that it does waive their right to appeal.

If a property owner does not answer the door, isn't home, or doesn't respond to a door tag, is that considered a refusal of inspection?

Angry Customers/Conflict Management

Occasionally, you will encounter angry taxpayers. Try to be understanding, diplomatic, and let them voice their opinion. Many times, they just need someone to listen to them vent.

Oftentimes, they are angry because they do not know about the process. Try to answer any of their questions honestly and as best you can. If you do not know the answer, take their phone number, or email address and get back to them. They will appreciate the extra effort.

Keep your job the focus – you are there to estimate the value of their property. You are not there to raise or lower their taxes. Remember:

- Taxes are a function of city, county, and school district spending.
- It is possible for market values to increase and taxes to decrease. It is also possible for market values to decrease and taxes to increase. There is not a direct relationship.

The best defense against an angry taxpayer is to know your job and do it well. The following list contains tips for dealing with angry or difficult property owners:

- Always treat the property owner with respect.
- Listen to the property owner.
- Speak calmly and keep your body language calm.
- Encourage the property owner to discuss their concerns.
- Keep things on a positive level.
- Avoid blaming statements (“You...”).
- Keep the conversation focused on the issue, not personalities.
- Clarify the problem.
- Acknowledge the property owner’s concerns.

- Show empathy for the property owner.
- Agree, at least in part, with what the property owner has to say (“I agree with what you’re saying, but...”).
- Emphasize collaboration (“Let’s see if we can resolve your issue.”).

What are some other tips that are not already listed?

If things get too heated with a property owner, do not hesitate to end the conversation. Try to resume the conversation when everyone has had a chance to calm down. Do not take threats or someone talking about violence lightly. Safety is your main concern. If you feel threatened, don’t hesitate to call the authorities.

Activity

While doing your quintile work, you are at a property and notice that one of the structures has the incorrect measurements and square footage. When you get back to your office you look over the field card and notice that the information has been incorrect for at least 10 years. The owner comes into your office to go over the information. You are honest with the owner that the property has been incorrectly valued. The owner is very upset and asks how they were supposed to know this when the valuation notice does not have detailed property information included. The owner wants a refund. What do you do?

Data Privacy

Most information concerning property taxation is public information. However, some data is specifically defined as being private data under Minnesota Statutes, Chapter 13, The Government Data Practices Act. This includes:

- Data contained on sales sheets received from private multiple listing service organizations where the contract the organization require the assessor to refrain from making the data available to the public
- Income information on individuals collected and maintained by the assessor that is used to determine eligibility of property for class 4d
- Social Security numbers of individuals
- Detailed income and expense figures
- Average vacancy factors
- Verified net rentable areas or net useable areas.
- Anticipated income and expenses
- Projected vacancy factors
- Lease information

Great care should be taken to assure proper protection of such private data. Knowingly sharing private data could be subject to fines or other negative consequences.

There are some specific instances where private data may be shared. The Commissioner of Revenue, county assessors, and local assessors may exchange data on property even if it is the data that is considered private under Chapter 13. This exchange is in order to create a uniform assessment and review of assessments. The data that is exchanged under this provision is still classified as private data, meaning that the Commissioner of Revenue or Assessor cannot share the data with another individual.

Health Information Portability and Accountability Act (HIPAA)

Special programs such as class 1b homestead and the Disabled Veteran's Homestead Market Value Exclusion require that assessors utilize information that is protected within the federal Health Information Portability and Accountability Act (HIPAA). To be subject to the HIPAA regulations, an assessor's office would have to be declared a "covered entity" under HIPAA privacy rules. Most assessors' offices are most likely not "covered entities" under HIPAA privacy rules. This means that property tax information relating to the 1b homestead classification and the Disabled Veteran's Homestead Market Value Exclusion is public information. Working with your county's privacy officer or data practices specialist to see if your specific department within your county is considered a "covered entity" will guide you in how to handle a situation should it arise.

Although information regarding class 1b homestead and the Disabled Veteran's Homestead Market Value Exclusion is considered public information, it is vital that as assessors you

safeguard the public trust and treat this topic with sensitivity and caution. Make sure to follow your county's policies should a situation arise that brings in this information.

Activity

Minnie and Paul are neighbors. Minnie comes to your counter with concerns. They were discussing tax statements with their neighbors and looked on your county's/city's GIS website. This caused them to question why they pay more in taxes than Paul that has almost "identical" home. You have no background on these parcels. What are some things that can affect TMV's or Taxes?

Same situation as above however, you know that Paul is part of a special program. In that case, how do you respond to Minnie's questions?

Mission Statement

An organization's mission and vision statements define their goals and purpose within their operations and with all those that they encounter. Mission and vision statements seem similar however, they are vastly different. A mission statement encompasses what an organization wants to achieve in the short term. A vision statement encompasses what an organization wants to achieve in the long term.

Mission Statement Examples:

- “Working together to fund the future for all Minnesotans.” – Minnesota Department of Revenue
- “The mission of Cass County is to deliver quality public services to the citizens in an effective, professional, and efficient manner.” -Cass County
- “The mission of the assessor’s office is to provide accurate and equitable assessments annually to establish a tax base for all taxing jurisdictions.” – Cass County Assessors Office
- “The mission of the Meeker County Assessors Office is 3-fold:
 - To ensure the fair and equitable assessment of all property in Meeker County
 - A commitment to treat all taxpayers in a professional and respectful manner
 - To ensure that all property owners pay no more than their fair share of the property tax burden” -Meeker County Assessors Office

Vision Statement Example:

- “Everyone reports, pays, and receives the right amount: no more, no less.” – Minnesota Department of Revenue

Every one of the counties, cities, or organizations you work for have a mission statement and/or a vision statement. As you can see, your work plays into the success of the Minnesota Department of Revenue's Mission and Vision Statement.

Basic Laws and Procedures

Definitions

Real Property refers to the rights, interests, and benefits connected with real estate. The rights include the right to occupy the real estate, sell it, lease it, enter it, give it away, borrow against it, or to exercise any one of all the rights. Property taxes for real property are based on the previous year's assessment.

Real Estate can be defined as the **land** and any **improvements** to the land. Real estate is fixed and immobile.

Land is considered to be the earth's surface (land and water) and anything that is attached to it. This includes mineral deposits, timber, etc. It also includes any improvements made to the land, such as clearing and grading.

Improvements are permanent structures or developments that are located on or attached to the land. This includes improvements made **to** the land such as access and utilities, which are necessary to prepare the land for a subsequent use. It also includes any improvements that are made **on** the land such as buildings, landscaping, and paving.

Fixtures are items that alone, could be considered personal property, but when they are attached to the land or a building, they become part of the real estate and thus add value to the property. For example: A deck that is not attached to the house, but is attached to the land via footings, should be considered part of the real estate.

Personal Property can be defined by exception in that anything that is not real property is personal property. The main characteristic of personal property is that it is movable. If it is movable without causing damage to itself or the real estate, it is personal property. Hot tubs located on a slab outside of a house or small metal sheds that are easily dismantled and moved are examples of personal property. Personal property taxes are based on the current year's assessment.

Property Rights

Bundle of Rights

To properly appraise a piece of property, it is important to know what property rights are being appraised. These rights are known as the “bundle of rights.” The six basic rights associated with the private ownership of property are: Sell, Lease/Rent, Use, Give Away, Enter/Leave, Refuse to do any of these.

This collection of rights is known as the fee simple absolute or fee simple ownership. Sometimes property rights can be separated, such as when the owner of a property sells the mineral rights or air rights to a separate person. **Assessors value the fee simple ownership interest (all six rights).** This is the greatest degree of ownership for a private individual.

Bundle of Six Rights (SLUGER)



Powers of Government

These property rights are subject to the four powers of government. These powers are taxation, police power, eminent domain, and escheat. Taxation and police power are the most important in property tax administration.

Police power is the right of governments to protect the health, safety, and welfare of the public by enforcing such things as zoning regulations, building codes, fire codes, health standards, rent controls, etc.

Eminent domain is the right of government to take private property for public uses, such as highways, upon payment of just compensation. Condemnation is the act of enforcing the right of eminent domain.

Taxation is the right to tax property for the support of the government. The United States Constitution effectively precludes the federal government from taxing real property directly. Instead, the right is reserved for state and local governments.

Escheat is the right that gives the state ownership of a property when its owner dies without a will or any heirs. Escheat is also the right to have property forfeit to the state for nonpayment of property taxes.

Power of Government (PETE)



Ownership

Deeds and Conveyances

A **deed** is a written instrument that is used to convey (transfer) title to a property. Typically, deeds are recorded or entered into the public record at the County Recorder's Office. Prior to recording deeds, all delinquent taxes on a property must be paid. All deeds are sufficient proof of ownership to receive homestead.

The following are common types of deeds:

1. **Warranty Deed** – Most property transfers are done with this type of deed. It warrants that the owner of the property has the right to sell that property and that there are no encumbrances against the property that are not specified in the deed. This type of deed provides the most assurances for the grantee. It also guarantees that there were no title defects before or during the time the owner owned the property.
2. **Special Warranty Deed** – This type of deed does not contain all the assurances of the warranty deed. In this type of deed, the owner only guarantees that there were no title defects during his or her term of ownership. It does not guarantee against any title defects existing prior to the current ownership.
3. **Quitclaim Deed** – This is the simplest type of deed. In this type of deed, the owner releases whatever interest he or she may have in the property. There are no title warranties, and there is no assurance that the grantor even had an interest in the property. These deeds are typically used to settle property boundary disputes, title problems, and contract defaults.
4. **Deed of Correction** – This is used to correct any errors in a previous deed, such as a mistake in a legal description that is discovered after the first deed is recorded.

The following are other types of conveyances:

- **Contract for Deed** – This type of conveyance is also called a real estate contract or a land contract. It is an agreement between the seller and buyer for the purchase of property. Typically, the buyer is given possession of the property and the seller retains the legal title. The buyer pays the purchase price in installments over the period of the contract with the balance due at maturity. Once the buyer makes all the required payments, the seller is obligated to deliver legal title in the property, typically via a warranty deed. A contract for deed does not have the bundle of six rights.
- **Will** – This is a legal document that provides for the distribution of property upon the death of the writer, but which confers no rights prior to that time.

- **Trust** – This is a temporary, conditional, or permanent relationship in which a grantor grants legal title to, and control of, a property to a trustee for the benefit of another person (beneficiary).

Types of Property Interests

There are two main types of estates: freehold and non-freehold. **Freehold estates** are estates of indeterminate lengths of time. These typically last until the owner dies. **Non-freehold estates** are for a specified period of time and may be subject to immediate termination.

Some of the basic types of **freehold estates** are:

- **Fee Simple Estate** – Absolute ownership unencumbered by any other interest or estate subject only to the limitations by the four governmental powers: taxation, eminent domain, police power, and escheat.
- **Fee Simple Determinable** – An estate that continues until the occurrence of a certain event. For example, a person conveys property to a church if it continues to be used as a church. When the property ceases to be used as a church, it reverts to the original property owner.
- **Fee Tail Estate** – An estate that descends to a person's heirs until the extinction of the last heir. This type of estate is illegal everywhere in the United States except for the state of Louisiana.
- **Life Estate** – Total rights of use, occupancy, and control limited to the lifetime of a designated party (the life tenant).

Examples of non-freehold estates are:

- **Estate in Years** – Similar to a life estate, except that the rights to use, occupy, and control are limited to a specific time period. This is not enough ownership interest to get a homestead.
- **Lease Interests** – These occur when a bundle of rights is divided by a lease, and the lessor (landlord) and the lessee (tenant) each obtain interests in the property.
 - **Leased fee estate** – The landlord's estate; an ownership interest held by a landlord with the right to use and occupy the property conveyed to the tenant.
 - **Leasehold estate** – The tenant's estate; the right to use and occupy the property for a specified period under the conditions of the lease.

Manufactured Homes, Park Trailers, and Travel Trailers

Manufactured homes are sectional structures that are finished inside and out and are transportable in one or more sections. They are built on a permanent chassis and designed to be used as a dwelling - with or without a permanent foundation - when connected to the required utilities (water, sewer, heating and air conditioning, and electrical systems). Any accessory structure which is an addition or supplement to the manufactured home, when installed (i.e., deck) becomes a part of the manufactured home. Manufactured homes require a moving permit.

Park Trailers exceeding 8.5 feet in width in travel mode but are no larger than 400 square feet when the collapsible components are fully extended or at maximum horizontal width and are used as temporary living quarters. The term “park trailer” does not include a manufactured home. Park trailers require a moving permit.

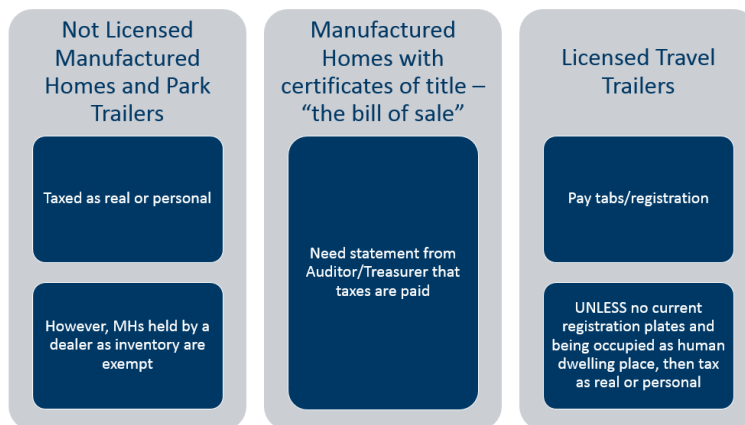
Travel trailers are trailers, mounted on wheels, designed to provide temporary living quarters during recreation, camping, or travel and do not require a special highway moving permit based on its size or weight when towed by a motor vehicle. Travel trailers cannot exceed 8.5 feet in width or 45 feet in length. Travel trailers do not require a special highway moving permit. If a travel trailer is used for permanent living quarters, it cannot be licensed – it must be assessed as real estate.

Manufactured Home	Park Trailer	Travel Trailer
Sectional Structure	Over 8.5 ft wide	Mounted on Wheels
Permanent Chassis	Less than 400 sf	Less than 8.5 or 45 ft
Used as Dwelling	Temporary Living	Temporary Living
Requires Moving Permit	Requires Moving Permit	Usually Licensed
Tax as Real/Personal	Tax as Real/Personal	If Permanent - Assess
Certificate of Title		
Current Owner Taxes Pd		
Tax Sheds, Decks, etc.	Tax Sheds, Decks, etc.	Tax Sheds, etc. >\$10,000
Need Perm. Home Add.	Need Perm. Home Add.	Need Perm. Home Add.

Certificates of Title and License Plates

Manufactured homes and park trailers are not registered or taxed as motor vehicles, and they are not issued license plates. Manufactured homes and park trailers are exempt from motor vehicle taxation. Manufactured homes and park trailers are to be taxed as real or personal property. Manufactured homes that are held by a licensed dealer are exempt from property tax as inventory. (M.S. 168.012, subdivision 9)

You may encounter a park trailer that has current registration plates. The plate was issued in error as park trailers should not be registered or taxed as motor vehicles. Make certain that the unit is in fact a park trailer (and is not a travel trailer), then value and assess it as real or personal property. A certificate of title is required for a manufactured home. All persons who purchase a manufactured home must apply for a certificate of title in the same manner as for a motor vehicle. Once a manufactured home is titled, the certificate of title serves as a bill of sale in a transfer of ownership. (M.S. 168A.02)



Before the registrar of motor vehicles can issue a certificate of title, all manufactured homes must have a statement from the county auditor or county treasurer certifying that all personal property taxes levied on the unit in the name of the current owner at the time of transfer have been paid. The statement must come from the auditor or treasurer of the county where the manufactured home is presently located. This requirement **does not apply to:**

- manufactured homes sold by the owner of a manufactured home park due to abandonment of the manufactured home by a tenant of the park or following the termination of a lease after the death of a tenant of the park; or
- titles transferred to an owner of a manufactured home park who provides a notarized statement to the county auditor or treasurer that the manufactured home is to be destroyed or moved to another site and destroyed. (M.S. 168A.05)

For this purpose, manufactured home personal property taxes are treated as levied on January 1 of the taxes payable year, rather than May 30 as indicated in other provisions of the law. (M.S. 168A.05, subdivision 1a)

Travel trailers are to be taxed as motor vehicles and should be issued license plates. Travel trailers displaying current registration plates are not eligible for assessment. Travel trailers that are not conspicuously displaying current registration plates on the property tax assessment date are to be taxed as manufactured homes if occupied as human dwelling places. (M.S. 168.012, subdivision 9)

Assessment as Real Property

If the owner of a manufactured home or park trailer also owns the land on which it is situated, the unit is to be valued and assessed as an improvement to real property. The appropriate real property classification applies, the valuation is subject to review, and the taxes are payable in the same manner provided for real property.

If a manufactured home is affixed to property owned by a Minnesota nonprofit or Minnesota cooperative and the owner of the manufactured home is a member of that nonprofit or cooperative, then the unit is to be valued and assessed as an improvement to real property. The appropriate real property classification applies, the valuation is subject to review, and the taxes are payable in the same manner provided for real property.

However, manufactured homes located in a manufactured home park and owned by the park owner shall be considered personal property if it is not the homestead of the park owner. This will allow the park owner to transfer or sell the manufactured home without having to pay the total real property taxes due.

Assessment as Personal Property

If the owner of a manufactured home or park trailer does not own the land on which it is situated, the unit is to be valued and assessed as personal property at the rate provided by the appropriate real property classification. The valuation is subject to review, and the taxes are payable in the manner provided for personal property.

Storage Sheds, Decks, Etc.

Improvements such as storage sheds, decks, etc. constructed on property that is leased as a site for a manufactured home, sectional structure, park trailer, or travel trailer are taxable. In cases where the property is leased as a site for a travel trailer, improvements are taxable only if the total EMV of the improvement exceeds \$10,000. The property is taxable as personal property to the lessee of the site if the improvement is owned by the lessee of the site. The property is taxable as real estate if the improvement is owned by the owner of the site. As a condition of permitting the owner of the manufactured home, sectional structure, park trailer, or travel trailer to construct improvements on the leased land, the owner of the site must obtain the permanent home address of the lessee of the site and provide it to the assessor upon request.

Legal Descriptions

Every property has a legal description that is used to formally describe the property. The legal description is important because it describes parcels most accurately and in such a way that it cannot be confused with other parcels. Legal descriptions are based on precise surveys and are maintained as public records. There are three methods used to legally describe property: the lot and block system, the metes and bounds system, and the government survey system. Following is a brief explanation of each method.

Lot and Block

The lot and block system is a simple way to describe parcels based on a subdivision map or plat. When developers purchase raw land and then subdivide it into a subdivision, they are required to provide the county with a subdivision (plat) map. This is a map that is based on a survey of the property, which begins at an established benchmark and measures the lots and blocks of lots that have been staked out. Most new subdivisions use this method because it is short and easy to understand.

Metes and Bounds

The metes (measures) and bounds (direction) system is the oldest form of real estate description currently in use. It dates back centuries to when buyers and sellers would walk around a property, note the markers, and measure property lines. It is often used to describe rural unplatted land or irregular parcels of property. In this system, a point of beginning (POB) is used as the initial reference point. The boundaries of the parcel are then described by proceeding from the POB along a certain course measured in degrees, minutes, and seconds. The distance between the POB and a subsequent point is typically measured in feet. Each property line is described in this way, until the final line returns to the POB. Metes and bounds descriptions can be very accurate but can also be very long and cumbersome and difficult to understand. However, they also provide the most precise descriptions of irregularly shaped parcels.

An example of a metes and bounds legal description is as follows:

Beginning at the SW corner of the SW 1/4 of the SW 1/4, then North along the West line of said SW 1/4 of the SW 1/4 a distance of 801.68 feet then East a distance of 378.27 feet then south a distance of 518.50 feet then West a distance of 87.27 feet then South a distance of 283.18 feet to South line of the SW 1/4 of the SW 1/4 then West along the said South line a distance of 291 feet to the point of beginning. All in Section 1 Township 4 North Range 1 West.

Government or Rectangular Survey System

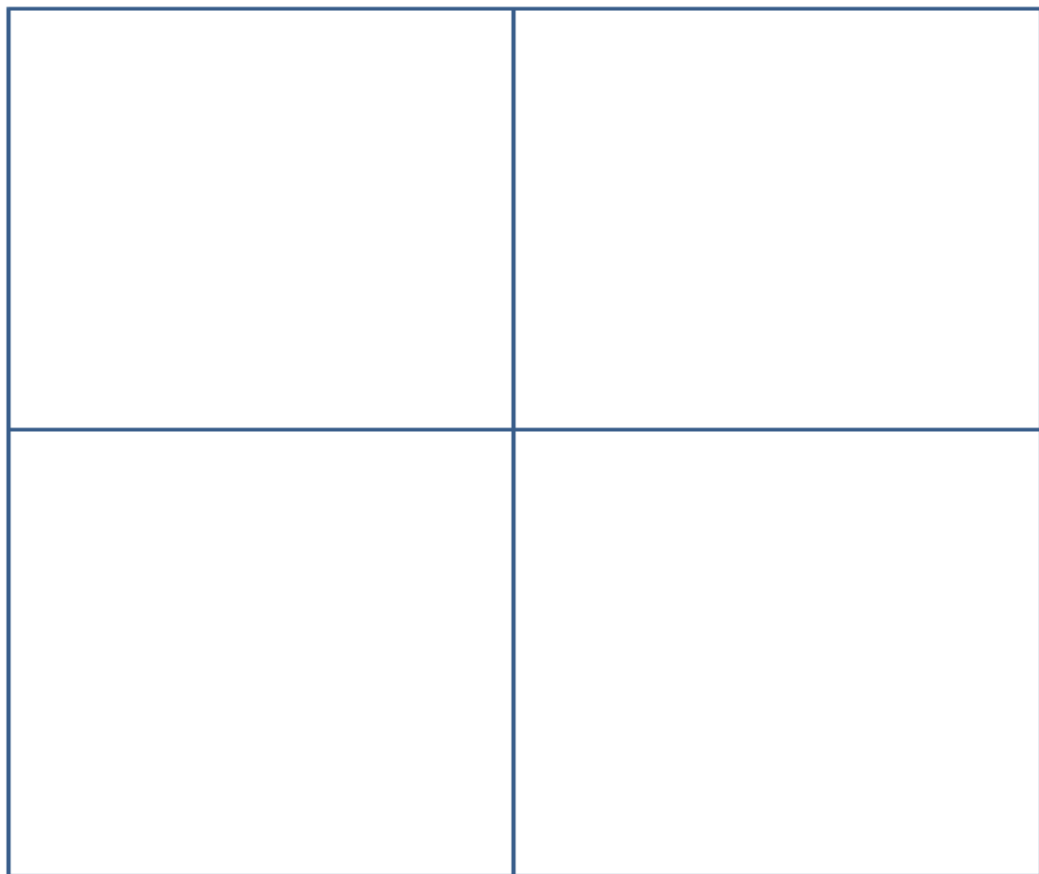
In May 1785, the United States government passed a land ordinance establishing the rectangular survey system, which is also known as the Government Survey System. This system became the main method of legal description used for most land west of the Ohio and Mississippi Rivers. The method was established to facilitate the rapid sale of land that the government had acquired through treaties and purchases.

Using this system, a tract of land is identified by specifying the portion of a map grid to which it corresponds. The grid maps are established by the Land Office in Washington, D.C. The north-south

lines of the grid are called **meridians** and the east-west lines are called **parallels**. The distances between the parallels and the meridians are 24 miles in each direction and are called **checks** (each check is 576 square miles). Each check is divided into 16 **townships** (each township is 36 square miles). Each township is divided in 36 **sections** (each section is one square mile or 640 acres). Each section can be divided in halves and quarters to describe parcels of land less than 640 acres.

Certain parallels are designated as **base lines**. Each township is numbered and designated as being north or south of the base line. In addition, some of the north-south lines are designated as **principal meridians**. The townships are also numbered east or west of the principal meridian. The township rows east or west of the principal meridian are known as **ranges**.

Township 1, Section 30



You try!

- Put a smiley face in the East half of the Northeast Quarter of Section 30.
- Put a star in the West half of the Northwest Quarter of the Northeast Quarter of Section 30.
- Put a peace sign in the Northeast Quarter of the Southwest Quarter and the Northwest Quarter of the Southeast Quarter of Section 30.

Valuation

Viewing A Property

Minnesota law states that all property must be physically inspected at least once every five years (Minnesota Statutes, Section 273.01). This five-year inspection requirement is referred to as a **quintile**. The commissioner of revenue may order a reappraisal if this requirement is not met.

It is the assessor's duty to maintain accurate and proper records that include information on the land, a description of the property, and all information regarding improvements. A property tax assessor should be just as familiar with the concepts of appraisal as a fee appraiser and should be able to clearly explain them to a taxpayer.

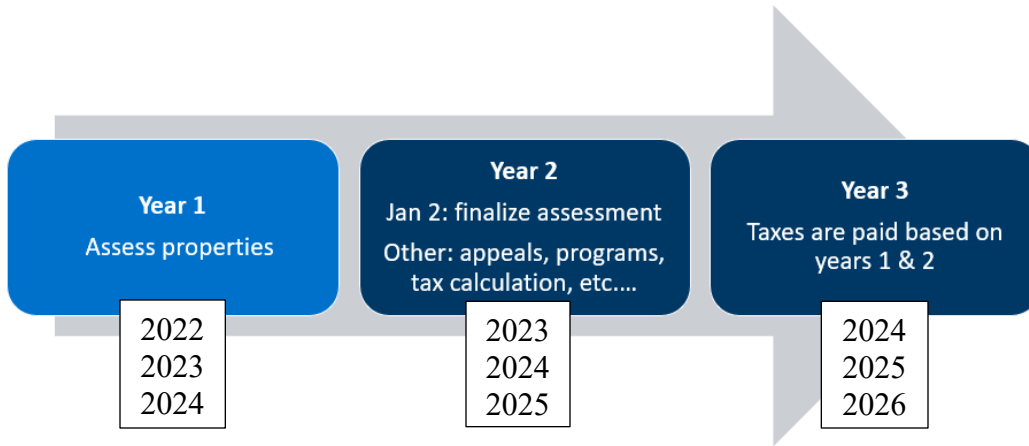
To make an accurate estimation of market value, the appraiser should view both the interior and exterior of a property. It is impossible to get an accurate picture of the entire property by performing an exterior inspection only. Every reasonable attempt should be made to inspect a property's interior.

Assessment Year vs. Payable Year

All property is valued and classified annually. The valuation and classification of a property is set each year on the **assessment date of January 2**. January 2 marks the end of one assessment year and the beginning of the next. The assessment of a property happens over a three-year span which includes viewing/inspecting properties, setting values & classifications, and then calculating and collecting the tax. This complicated system is what makes property taxes difficult to understand for property owners and administrators.

On January 2 of each year, the assessor's office will set values and classifications based on the work they did in the previous year. The months leading up to January 2 are what we will refer to as "year 1" in the assessment cycle. During those month assessors are viewing properties, reviewing applications, talking to property owners, reviewing sales data, processing requests, and much more. All that work is done by January 2 and the assessment year begins. The months following January 2 are what we will refer to as "year 2" in the assessment cycle.

Throughout year 2 assessors are finalizing the details, the appeal process is completed, notices are sent, the tax calculation process begins, and much more. Once that work is completed a final tax amount is calculated and then collected in year 3. Year three is what is referred to as a taxes payable year which is based on the work done during an assessment year.



This three-year process can be difficult to understand because the amount of taxes that property owners are paying is based on work that was done two years prior to receiving their tax statements. Assessors need to understand this process so that they can explain it to a taxpayer when the taxpayer has questions about the taxes they owe based on the valuation and/or classification of their property.

Valuation of Property

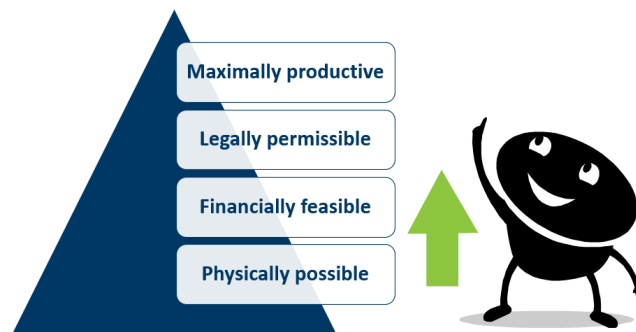
According to Minnesota statute, all property is to be valued at its market value. When assessors value property they value the land and the structure separately, then they combine the two to find the total market value of the property. The market value is to be stated so that any amount under \$100 is rounded up to \$100, and any amount exceeding \$100 shall be rounded to the nearest \$100. Minnesota statute also requires assessors to **revalue property annually** so that they can set their values on January 2nd. This does not mean that assessors are viewing every property every year, assessors have different tools and methods that they use to meet this revaluation requirement every year.

Revaluation

Revaluation is the process of classifying and estimating the market values of real property on an annual basis. Each parcel is to be valued at its market value and classified according to its use as of the assessment date of record, which is January 2 of each year. The value of a property may change every year.

Highest and Best Use

The term “highest and best use” is a common appraisal concept used by assessors in estimating the market value of property. This principal of appraisal states that appraisers should value property as though it was being put to the use that provides the highest return to the land. This use must be **physically possible, financially feasible, legally permissible, and maximally productive**. Again, this concept surrounds the valuation of land. Property should always be valued at its highest and best use.



In cases where there is no clearly identifiable use of the property on the assessment date, assessors must classify property according to its most probable highest and best use.

Highest and best use of vacant land is the use that will bring the highest return to the land.

Market Value

The statutory definition of “market value” is the price that would tend to prevail under typical, normal, competitive open-market conditions.

Typical, normal, and competitive conditions include:

1. The buyer and seller are typically motivated;
2. Both parties are well-informed or well-advised and each is acting in what is considered to be their own best interest;
3. A reasonable time is allowed for exposure to the open market;
4. Payment is made in cash or its equivalent;
5. Financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale; and
6. The price represents a normal consideration for the property sold unaffected by the special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction.

Estimated Market Value (EMV)

The value determined by the assessor as the price the property would likely sell for on the open market is called the estimated market value (EMV). This value is determined on the assessment date, January 2, of each year. In determining the EMV for a property, round the value to the nearest \$100.

The assessor’s EMV can be appealed by a taxpayer.

There is another type of value that is used for property tax purposes: taxable market value (TMV). It should be noted that the TMV is a statutory calculation.

Taxable Market Value (TMV)

Taxable Market Value (TMV) refers to the amount of value that is used in calculating property taxes. The TMV is the result of adjusting the EMV for any credits, exclusions, or deferrals the property may be involved in such as Green Acres, Plat Law, etc. ***Assessors do not set these values and they cannot be appealed by a taxpayer.***

The assessor’s EMV for a property, as well as the TMV, are required to be printed on the Property Valuation Notices and Property Tax Statements. Values for both the EMV and the TMV should be rounded to the nearest \$100.

New Construction and Demolition

Each year, assessors are required to make a diligent search for any new construction that has taken place since the last assessment. Procedures in each jurisdiction differ. Some offices receive copies of all building permits issued in the jurisdiction. However, some jurisdictions do not require building permits or only require permits for certain projects. In any case, it is important for assessors to develop a system to ensure that improvements or buildings do not escape valuation and taxation.

It is also important to note that assessors cannot arbitrarily decide what they will or will not pick up as new construction. **Any new improvements that add \$1,000 or more in value to the property must be assessed as new construction for the next assessment.** If the value of the improvements is less than \$1,000, the new construction may be picked up during the next quintile review.

Buildings, structures, and improvements that are under construction as of January 2 should be valued according to the extent completed as of that date. This will result in a partial value for the new construction. Where buildings have been under construction for more than one year, there will be a previous partial value to be considered. The assessor must estimate the percentage and value of the construction that has taken place during the year and add it to the assessment if the value of the improvement exceeds \$1,000.

Improvements such as storage sheds, decks, etc. constructed as part of the real estate or on property that is **leased as a site** for a manufactured home, sectional structure, park trailer, or travel trailer are taxable. In cases where the property is **leased as a site for a travel trailer**, improvements are taxable only if the total estimated market value of the **improvement is more than \$10,000**. The property is taxable as personal property to the lessee of the site if it is owned by the lessee of the site.

If a building is torn down, removed, or destroyed after January 2 of a given year, that decrease should be reflected in the following year's assessment. If an improvement is demolished after January 2 of one year and a new improvement is constructed before the next assessment, **the increase in value for the new improvement should be identified as new construction** for the next assessment.

Omitted Properties

Omitted properties are those properties that have not been entered onto the assessment or tax rolls and are escaping all forms of taxation.

An example of this would be the person responsible for the split of a large agricultural property being platted into a residential subdivision inadvertently missing one of the newly platted lots. Therefore, the new property identification number and legal description are **never entered into the system** and are not valued or taxed. Real or personal property omitted from the assessment in any year must be added for the years omitted, and the taxes for those years must be computed and added to the current tax list. This can be done for up to 6 years after the assessment date of the year of omission.

Undervalued Properties

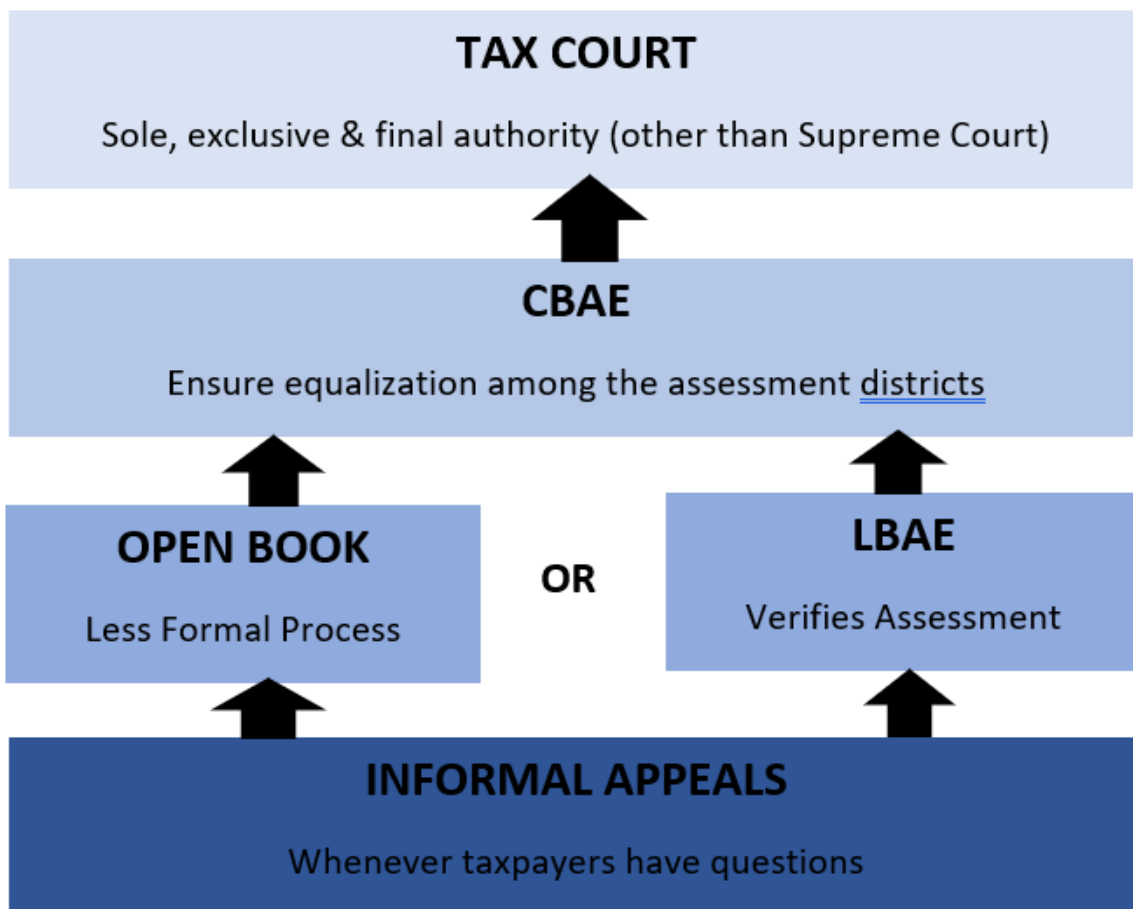
Undervalued properties are those properties that have been entered on the assessment and tax rolls but are **undervalued due to the omission of the value of a building or other improvement**. Real property assessments that are undervalued by reason of omission of the value of buildings, or real property that was erroneously classified as homestead, should be corrected and taxes should be computed for addition to the current tax. However, the correction in this case cannot be made after December 1 of the year following the year in which the erroneous assessment was made.

Appeals Process & Abatements

Informal Appeals

Property owners should be encouraged to call the appraiser or assessor whenever they have questions or concerns about their market value, classification of the property, or the assessment process. Almost all questions can be answered during this informal type of appeal process. When taxpayers call to question the market value, every effort should be made by appraisers to make appointments to inspect properties that have not been previously inspected. If all data on the property is considered to be correct by the appraiser, the appraiser should be able to show the property owner other sales that have taken place within the market that support the appraiser’s EMV. If errors are found during the inspection, or other factors indicate a value reduction is warranted, the appraiser can easily make these changes at this time.

If the property owner is not satisfied after talking with the assessor, they can explore formal appeal options including open book meetings, Local and County Boards of Appeal and Equalization, or Tax Court.



Open Book Meetings

Role of the board in the assessment process

Traditionally, open book meetings have been scheduled for jurisdictions in which the Local Board of Appeal and Equalization duties have been transferred to the county.

During “open book” meetings, the valuation and classification issues are handled by the assessor’s staff on a one-on-one basis with the property owner. Typically, open book meetings are held by the county assessor’s staff. However, larger cities with an appointed city assessor may hold their own open book meetings.

The open book meetings are held in locations that are convenient for property owners. Often open book meetings are held over several days during both day and evening hours. This allows property owners to appeal when it best suits their schedules instead of having to rearrange their schedules to attend a meeting held at one place and time.

The open book meetings provide a forum for property owners to meet with assessment staff on an informal basis to review information about their property and to ask questions about the assessment. This setting allows the assessor’s office to resolve questions and reduce the number of appeals to the County Board of Appeal and Equalization (or the Special Board of Equalization).

Benefits for the property owner

Property owners often find that the open book meeting is less intimidating than presenting their appeal to the board of appeal and equalization. They often appreciate the fact that they can have their questions answered in a more private setting, and not have to be apprehensive about making a presentation in front of their friends and neighbors. In this one-on-one setting, property owners may spend as much time with the appraiser as they need. They can compare the value of their home with the values of similar homes owned by their neighbors.

The process is very efficient because concerns and questions are often resolved immediately. Property owners can see that the appraiser collects the same information on all properties, reassuring them that the process is the same for everyone, and they have not been singled out for a value increase. Property owners who are not satisfied with the “open book” approach may appeal to the County Board of Appeal and Equalization (or Special Board of Equalization) or appeal to Tax Court.

It is only a recommendation that the property owner attend the open book meeting to discuss concerns prior to the county or special board. If a jurisdiction does not have a Local Board of Appeal and Equalization, **the property owner is not required to attend an open book meeting in order to appeal to the County Board of Appeal and Equalization (or Special Board of Equalization).**

Benefits for the local board

The benefit for the local board is that an open book meeting saves time for board members. It eliminates the need for the board to become familiar with and educated on the local real estate market. Board members will be able to spend this time concentrating on their other duties as town board or city council members. In addition, board members can avoid confrontational situations with constituents and will no longer be put into difficult situations by having to make decisions about the property values or classifications of property owned by friends and neighbors.

However, one possible disadvantage is that the assessor who made the original assessment may also be reviewing the property for the open book appeal.

Benefits for the county

While the number of appeals made at the open book meeting may not be less than the number of appeals to the local board, the benefit for the county is that the open book process allows for immediate consideration of issues, and in many cases, appeals are resolved before the County Board of Appeal and Equalization. The process is efficient for the county because it can often consolidate several jurisdictions into one meeting (or a series of meetings) instead of holding at least one meeting in each jurisdiction.

Local Board of Appeal and Equalization

The Local Board of Appeal and Equalization is typically made up of city council members or township board members. However, the council or other governing body of any city may appoint a Special Board of Appeal and Equalization and delegate all the powers and duties of the Local Board of Appeal and Equalization. The appointing body will determine the number of members of the special board, the compensation, and expenses to be paid, and the term of office of each member. At least one member of the Special Board of Appeal and Equalization must be an appraiser, realtor, or other person familiar with property valuations in the assessment district.

Local boards meet during April and May. Taxpayers can make their appeal in person, by letter, or by representative. The assessor is present to answer any questions and present evidence supporting their value. **In order to appeal to the County Board of Appeal and Equalization, a property owner must first appeal to the Local Board of Appeal and Equalization.**

Training for Local Board Members

Minnesota Statutes, Section 274.014 was enacted in 2003 and required the Department of Revenue to develop a handbook and appeals and equalization course for local board members. The legislation was enacted in response to complaints taxpayers made after attending local board meetings. For example, some taxpayers have complained that local boards have held meetings without having a quorum; they felt that appealing to the local board was a confrontational experience; and in response to taxpayer appeals, some local board members simply claimed that they “don’t know anything about property values.” The training was required to reduce complaints and improve this step of the appeal process for taxpayers.

The handbook and course explain the role of the local board in the assessment process, the legal and policy reasons for fair and impartial appeal and equalization hearings, local board meeting procedures that foster fair and impartial assessment reviews and other best practices recommendations, quorum requirements for local boards, and explanations of alternate methods of appeal.

At each local board meeting, there must be at least one member who has taken the Board of Appeal and Equalization Training on the Department of Revenue’s website within the last four years. In addition, local boards must have a quorum present at each Local Board of Appeal and Equalization meeting. Any city or town that is not in compliance with the quorum and training requirements at the local board meeting is deemed to have transferred its Board of Appeal and Equalization powers to the county.

The county must notify the taxpayers when the Board of Appeal and Equalization for a city or town has been transferred to the county for failing to meet the training and/or quorum requirement, and prior to the meeting time of the County Board of Appeal and Equalization, the county must make available to those taxpayers, a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternative review process must take place in April and May.

Local Boards of Appeal and Equalization that do not comply with training requirements by February 1 must transfer their powers to the county for the current assessment year and the following assessment year.

The local board whose powers are transferred to the county for lack of a trained member, or a quorum may be reinstated by resolution of the governing body of the city or town and upon proof of compliance with these requirements. The resolution and proof of compliance must be provided to the county assessor by February 1 to be effective for the upcoming appeal season.

The handbook and the course are both available on the Department of Revenue website.

Summary of Duties

- The board is to make sure that all taxable property in the township is properly assessed, valued, and classified.
- **If any property has been omitted, the board must correct the assessment by adding it to the list of assessments along with its market value.**
- The board reviews the assessments of each description of real property consisting of land and buildings.
- The assessments of personal property are also within the board's jurisdiction. Personal property is limited to mobile homes, storage sheds, decks or similar improvements located in a manufactured home park, structures on leased public lands and railroad operating rights-of-way, and leased buildings located on land owned by the occupant and used for purposes of a homestead.
- The authority of the local board extends over the **individual assessments** of real and personal property. **The local board cannot increase or decrease a class of property by a percentage.** (However, the county board can administer this type of change.)
- The total of all individual assessment adjustments made by the local board must not reduce the aggregate assessment made by the county assessor by more than **1 percent**. If the total of such adjustments is greater than 1 percent, none of the adjustments will be allowed.
- The Local Board of Appeal and Equalization can only consider the assessments for the current year. It does not have the authority to reopen former assessments.
- The local board can raise the value of a property if it believes it is undervalued. However, it must first notify the owner of the property of its intent to raise the valuation.
- The local board must establish a **quorum** (the majority of the members must be in attendance) for any valid action to be taken. The local assessor, by law, is also required to attend and take part in the proceedings but has no vote. The county assessor, or an assistant, is also required to be in attendance.
- The board considers any complaints or objections by taxpayers. The complaints may be in the form of a letter or can be presented in person or through a representative.

- A member of the board **may not** participate in any board actions resulting in changes to property owned by the board member, or the member's spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece, or to property in which the board member has a financial interest. Any of these relationships may be by blood or marriage.
- The local board must complete its work and adjourn within **20 (calendar) days** from the time of convening.
- The local board can elect to transfer its duties to the county board if proper notice is given to the county board, county assessor, and taxpayers.
- The Local Board of Appeal and Equalization **cannot** exempt property

Reporting Local Board of Appeal and Equalization Changes

Per Minnesota Statutes, Section 270C.89, subdivision 1, county assessors are required to submit any changes to the Commissioner of Revenue within 10 working days following final action of the local board. The information must be filed in a manner prescribed by the commissioner.

The commissioner requires that two forms be completed for each local board. The county is to provide these forms for the local board. The Certification Form must be completed and signed to ensure that a quorum was present and that at least one trained member attended the meeting. The county assessor, or delegate, must certify that the training and quorum requirements were met or certify that they took over the meeting and changed it to an open book meeting. A Certification Form must be completed and signed for each local board meeting, including reconvenes. The Record Form is an electronic form that provides a detailed report of the proceedings of the board. Only one Record Form is required for each local board (i.e., changes made at the initial as well as any reconvene meeting(s) can be documented on the same form).

It is very important that the county ensure that the forms are **fully and accurately completed** so the department can review the local board changes and nullify any improper changes or make adjustments through the State Board of Equalization if needed.

County Board of Appeal and Equalization

The County Board of Appeal and Equalization follows the Local Board of Appeal and Equalization in the appeals process. The role of the county board is to ensure equalization among individual assessment districts and between classes of property. The county board may appoint a Special Board of Equalization and delegate all the powers and duties of the County Board of Appeal and Equalization. The appointing body will determine the number of members of the special board, the compensation, and expenses to be paid, and the term of office of each member. At least one member of the Special Board Equalization must be an appraiser, realtor, or other person familiar with property valuations.

If the property owner has refused to allow the assessor access to the property to do an inspection, the county board of appeal and equalization is prohibited from making changes in value or classification to a property. This includes access to the exterior and/or interior of a property.

The board may meet for up to ten consecutive working days after the second Friday in June and must meet for at least one meeting day.

The county may meet on a Saturday. If they do not meet on a Saturday, the regular meeting or an open book meeting must include at least one meeting time that does not end before 7:00 pm. If counties require appointments for taxpayers, some available times must extend to at least 7:00 pm.

A taxpayer must first appeal to the Local Board of Appeal and Equalization before appealing to the County Board of Appeal and Equalization when the city or township conducts a local board. Decisions of the County Board of Appeal and Equalization may be appealed to Tax Court.

Training for County Board Members

Minnesota Statutes, Section 274.135 was enacted in 2008 and required the Department of Revenue to develop a handbook and appeals and equalization course for county board members. This legislation is very similar to the legislation for local board members and was also a response to complaints from appellants. For example, some taxpayers reported instances where county boards were conducting regular meetings in another part of the room while the taxpayer met only with the assessor or where the county board always “rubber stamped” the assessor’s decisions. The training was required in an effort to reduce complaints and improve this step of the appeal process for taxpayers.

The handbook and course explain the role of the county board in the assessment process, the legal and policy reasons for fair and impartial appeal and equalization hearings, county board meeting procedures that foster fair and impartial assessment reviews and other best practices recommendations, quorum requirements for county boards, and explanations of alternate methods of appeal.

At each county board meeting, there must be at least one member who has taken the Board of Appeal and Equalization Training on the Department of Revenue's website within the last four years. In addition, county boards must have a quorum present at each County Board of Appeal and Equalization meeting. County Boards of Appeal and Equalization that do not comply with training requirements by February 1 must transfer their powers to a Special Board of Appeal and Equalization for the current assessment year and the following assessment year.

The county must notify the taxpayers when the County Board of Appeal and Equalization has been transferred to a special board for failing to meet the training and/or quorum requirement, and prior to the meeting time of the Special Board of Equalization, the county must make available to the taxpayers, a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternative review process must also take place in April and May and be at least 10 days prior to the special board's meeting.

A taxpayer who is not able to appeal at the county board due to noncompliance of the training or quorum requirements has the ability to appeal to the Commissioner of Revenue by August 1. The county will be billed \$500 for each tax parcel appealed to the commissioner.

A county board whose powers are transferred to a special board under this legislation may be reinstated by resolution of the county board and upon proof of compliance with these requirements. The resolution and proof of compliance must be provided to the county assessor by February 1 in order to be effective for that assessment year.

Summary of Duties

- The county board may raise or lower the assessor's market value (or the local board's market value) on an individual property if the county board feels that it is necessary.
- The county board can give a percentage increase or decrease to an entire class of property if it feels that the original assessment is incorrect. These increases or decreases can be on land alone, buildings alone, or land and buildings together.
- The county board cannot decrease the aggregate value of all the property in the county by more than 1 percent.
- The county board can change the classification of properties that are improperly classified.
- The county board does not have the authority to act on an assessment from a previous year.
- The county board **cannot** exempt property from taxation.
- **The county board cannot place omitted property on the tax rolls. It can, however, request that the auditor place such property on the tax rolls.**
- The county board has no authority to make original assessments. It may only review and equalize the current ones.
- A member of the board **may not** participate in any board actions resulting in changes to property owned by the board member, or the member's spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece, or to property in which the board member has a financial interest. Any of these relationships may be by blood or marriage.

- The county assessor is required to attend meetings of the County Board of Appeal and Equalization and provide information to them as requested.

Reporting County Board of Appeal and Equalization Changes

Per Minnesota Statutes, Section 270C.89, subdivision 1, county assessors are required to submit any changes to the Commissioner of Revenue within five working days following final action of the county board. The information must be filed in a manner prescribed by the commissioner.

Again, the commissioner requires that two forms be completed for each county board. The county is to provide these forms for the county board. The Certification Form must be completed and signed to ensure that a quorum was present and that at least one trained member attended the meeting. The county assessor must certify that the training and quorum requirements were met. A Certification Form must be completed and signed for each county board meeting, including reconvenes. The Record Form is an electronic form that provides a detailed report of the proceedings of the board. Only one Record Form is required for each county board (i.e. changes made at the initial as well as any reconvene meeting(s) can be documented on the same form).

It is very important that the county ensure that the forms are **fully and accurately completed** so the department can review the county board changes and nullify any improper changes or make adjustments through the State Board of Equalization if needed.

Tax Court

The Tax Court has statewide jurisdiction. Except for an appeal to the Supreme Court, the Tax Court is the sole, exclusive and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state. The petitioner must file in Tax Court on or before **April 30 of the year in which the tax is payable**. There are two divisions of Tax Court: the Small Claims Division and the Regular Division.

Small Claims Division

The Small Claims Division of the Tax Court only hears appeals involving one of the following situations:

- The assessor's estimated market value of the property is less than \$300,000;
- The entire parcel is classified as a residential homestead (1a or 1b) and the parcel contains no more than one dwelling unit;
- The entire property is classified as an agricultural homestead (2a or 2b lands plus a house, garage, and one acre homestead classed 1a or 1b); or
- Appeals involving the denial of a current year application for homestead classification of the property.

The proceedings of the Small Claims Division are less formal than the Regular Division and property owners often represent themselves. There is no official record of the proceedings in the Small Claims Division. **Decisions made by the Small Claims Division are final and cannot be appealed further. Decisions made by the Small Claims Division do not set precedent.**

The fee to file in the Small Claims Division of Tax Court is \$150. In addition, a county law library fee is required. The fee varies by county.

Regular Division

The Regular Division of the Tax Court will hear all appeals, including those within the jurisdiction of the Small Claims Division. **Decisions made here can be appealed to a higher court.**

The fee to file in the Regular Division of Tax Court is \$310 (as of July 1, 2009). In addition, a county law library fee is required. The fee varies by county. Furthermore, taxpayers are required to pay for the court reporter's time at hearings that take place in the Regular Division of Tax Court.

The principal office for the Tax Court is located in St. Paul. However, the Tax Court is a circuit court and can hold hearings at any other place within the state so that taxpayers may appear before the court with as little inconvenience and expense as possible. Three judges make up the Tax Court. Each may hear and decide cases independently. However, a case may be tried before the entire court under certain circumstances.

For more information on Tax Court appeals go to the Tax Court website at:
<https://mn.gov/tax-court/>

State Board of Equalization

The Commissioner of Revenue constitutes the State Board of Equalization, and in that capacity, is empowered to reduce disparities in assessment levels between counties and among the several classes of property within counties. The board uses sales ratio studies to determine the assessment level for equalization purposes. The sales ratio studies allow the board to measure how closely assessments approach market value and to judge the quality of equalization within classes of properties and between classes and areas.

The State Board of Equalization meets annually between April 15 and June 30 at the Commissioner's Office in St. Paul to review the assessment for each county. The board reviews the sales ratios and local effort for every property class and then issues State Board Orders to make any necessary changes. The State Board Orders can be in the form of increases or decreases, and they are made to land, buildings, or both.

The board shall examine and compare the returns of the assessment of the property in the counties, and then equalize the returns so that all the taxable property in the state is assessed at its market value, subject to the following rules (M.S. 270.12):

- The board may increase or decrease the aggregate valuation of the real property of every county such percent as will bring the property to its market value.
- The board may increase or decrease the valuation of a part of a class, a class, or classes in any one or more of towns or cities, or of the property not in towns or cities, such percent as the board believes will bring the property to its market value.
- The board may increase or decrease the aggregate valuation of any part of a class, a class, or classes of personal property of any county, town, or city, such percent as will bring the property to its market value.
- The board shall not reduce the aggregate valuation of all the property of the state, as returned by the county auditors, more than 1 percent.
- State Board of Equalization is authorized to order a reassessment on all parcels, or an identified set of parcels, in a county. The county assessor is responsible for executing this order.
- When it would be of assistance in equalizing values, the board may require any county auditor to furnish statements showing assessments of real and personal property of any individuals, firms, or corporations within the county. The board shall consider and equalize such assessments and may increase the assessment of individuals, firms, or corporations above the amount returned by the county board of equalization when it shall appear to be undervalued, first giving notice to such persons of the intention of the board to do so, which notice shall fix a time and place of hearing. The board shall not decrease any such assessment below the valuation placed by the county board of equalization.

- In equalizing values, the State Board of Equalization shall utilize a 12-month assessment/sales ratio study conducted by the Department of Revenue containing only sales that are filed in the county auditor's office under section 272.115, by November 1 of the previous year, and that occurred between October 1 of the year immediately preceding the previous year and September 30 of the previous year. The assessment/sales ratio study may separate the values of residential property into market value categories. The board may adjust the market value categories and the number of categories as necessary to create an adequate sample size for each market value category. The board may determine the adequate sample size. To the extent practicable, the methodology used in preparing the assessment/sales ratio study must be consistent with the most recent Standard on Assessment Sales Ratio Studies published by the Assessment Standards Committee of the International Association of Assessing Officers. The board may determine the geographic area used in preparing the study to accurately equalize values. A sales ratio study separating residential property into market value categories may not be used as the basis for a petition under chapter 278. The sales prices used in the study must be discounted for terms of financing. The board shall use the median ratio as the statistical measure of the level of assessment for any particular category of property.
- The board shall receive from each county the EMV's on the assessment date falling within the study period for all parcels by magnetic tape or other medium as prescribed by the Commissioner of Revenue.
- For purposes of equalization only, public utility personal property shall be treated as a separate class of property notwithstanding the fact that its class rate is the same as commercial/industrial property.
- The State Board of Equalization may issue orders to ensure that the results of local and county boards of appeal and equalization are consistent with the objective of state equalization. The board may issue, at its discretion, a supplemental order to amend, supersede, or correct a prior order of the board or an order of a local or county board. The supplemental order must be issued within 60 days of the order to be changed. The board may issue to a local or county board of appeal and equalization, within 10 business days of the receipt of minutes of a local or county board of equalization, an order explaining the action that the state board believes will be necessary to achieve the objective of state equalization.

Abatements

According to Minnesota Statutes Section 375.192, subdivision 2, an abatement refers to the reduction of estimated market valuation or taxes and of any costs, penalties, or interest on them. Abatements are not a method of appeal, they are an administrative method of correcting errors in valuation or classification.

Abatements may be granted for virtually any reason in the **current tax year** because of the county board's discretionary authority to grant abatements. Abatements may be granted for up to **two additional years** prior tax years, but must be limited to the correction of clerical errors or for a property owner's failure to file for a reduction due to hardship.

The statutory language defining abatements does not allow a property's value or taxes to be increase.

Application

According to statute, all abatements must be applied for by "the owner of the property". Neither the assessor nor the auditor has any authority to initiate the abatement process on their own. The first step in the abatement process must always be the submission of an application by the property owner.

Power to Abate

In order for an abatement to be granted, it requires approval by multiple people. In situations where the valuation or classification is the issue, the county assessor (or the city assessor in cities of the first or second class), county auditor, and the county board must approve the application. In situations where penalties and interest only are the issue, the county auditor, the county treasurer, and the county board must approve the application. The appropriate persons must approve the application before the county board considers it. If any of those persons deny the application, there is no further consideration required.

The county auditor must notify the Commissioner of Revenue of all abatements resulting from erroneous classification of real property as non-homestead property.

Abatements for special assessments are also at the discretion of the local taxing level, not the Commissioner of Revenue.

Abatement Policies

All counties should have a written policy regarding abatements. A written abatement policy will ensure that County Boards, County Auditors, and Assessors are treating all taxpayers who apply for abatements consistently, equitably, and fairly. This policy should address how and when abatements are to be granted. The Department of Revenue has guidelines for written abatement policies, you can find these in Assessment: Appeals & Equalization Module of the Property Tax Administrator's Manual.

Counties must consider all applications for abatements. Taxpayers must be allowed to file for an abatement even if it will most certainly be turned down.

Clerical Errors

One of the reasons that an abatement may be granted is due to clerical errors. Clerical errors are limited to errors made by someone performing a clerical function during the course of the actual assessment. Examples of these errors would be errors in coding, transposing numbers, mathematical errors, etc. Errors that occur when making estimations during the inspection and appraisal process, judgment errors, are not considered clerical errors.

Hardship

Hardship is another reason that an abatement may be granted. Hardship is more difficult to define. In this situation the county should have a portion of their abatement policy that defines hardship. In regards to hardship, it should be based on the individual's inability to apply for property tax relief as required in statute and not the individual's inability to pay property taxes.

Ultimately the county board will need to make the determination on whether the situation qualifies as a hardship.

Classification

Classifying Property

In Minnesota, property is classified according to its use on the annual assessment date of **January 2**. If a property is improved with a structure, the use of the property is typically quite clear – residential, commercial, industrial, etc. If there is not a structure, the use of the property may be less evident. Unimproved property for which there is no identifiable current use must be classified according to its **highest and best use**. There are **five basic classifications** of property, and there are numerous subclasses of property.

Split Classifying

There are many situations where a property has multiple uses. In those situations, assessors will classify each use separately which is referred to as a “split classification”.

Tax Capacity

The Uniformity Clause of the Minnesota Constitution allows for different classes of property to be taxed at different rates.

Each classification of property has a unique classification rate which is **set by the Minnesota Legislature**. The Legislature may change these classification rates to accomplish various tax policy objectives. The first step in calculating the tax liability for a property is to determine its tax capacity using the classification rate. Tax capacity is calculated using the following formula:

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

This is **not** the final amount of property taxes payable and is only the first step in the tax calculation process.

Classification & Homestead

Throughout this chapter, classification and homestead will be mentioned a few times however it's important to understand that these two elements of property tax are separate from one another. Each element has a different set of rules and requirements, however there are situations where a certain classification of a property relies on whether the property qualifies for homestead or not.

An assessor must first classify the property according to its use and then review the homestead status of the property. For example, a house is being used primarily as a residence therefore the classification is residential. If the person using the property as their residence is a friend of the owner, then the property doesn't qualify for homestead. Therefore, the classification of the property would be residential non-homestead due to the homestead requirements not being met.

Class 1 – Residential Use

Class 1a – Residential Homestead

Property that is used by the owner or relative of the owner as their primary place of residency. The property must also meet the requirements for homestead to qualify for the 1a classification.

Qualifications

- Property owner or owners must physically occupy the property and use the property as their residence.
- A qualifying relative of the owner can occupy the property and qualify for the 1a classification.
- The primary use of the property must be residential and must be determined by the assessor on January 2 of every assessment year.
- To qualify for the 1a classification, the occupant must file a homestead application and meet the requirements of homestead. If the homestead requirements are not met, then the property does not qualify for the 1a classification. If the use is residential but does not meet the homestead requirements, then the classification would fall into the residential non-homestead category.

Application Requirements

Homestead applications must be submitted by **December 31 of an assessment year** for the property to qualify for a 1a residential homestead for that current assessment year. Each county has their own requirements regarding additional documentation that must be submitted by the property owner along with the application. If an application is not submitted by the due date, the classification must be changed to residential non-homestead.

Class Rates

The class rate for 1a property is 1% for the first \$500,000 in value and 1.25% for any value over \$500,000.

Calculate the tax capacity for the following property

- Residential property occupied and used by the owner
- Homestead application was submitted and approved
- Property is classified as 1a Residential Homestead
- The taxable market value of the property is \$600,000

Class 1b – Blind/Disabled Homestead

The class 1b blind/disabled homestead classification is different than other classifications because the qualification is specific to **both** the use of the property and to a person's disability condition. Property owners must apply for this classification and provide documentation that certifies their disability condition.

Qualifications

Class 1b property includes homestead real estate or homestead manufactured homes homesteaded by:

1. Any person who is blind as defined in [section 256D.35, subdivision 4a](#), or the blind person and the blind person's spouse.
 - For a property to qualify, the county assessor must certify that the homestead occupant satisfies the requirements of this paragraph.
2. Any person who is permanently and totally disabled or the disabled person and the disabled person's spouse.
 - For a property to qualify, proof from the relevant government agency or income-providing source must certify that the homestead occupant satisfies the disability requirements of this paragraph and the property is not eligible for the Disabled Veterans Homestead Market Value Exclusion.

Counties will need additional documentation from the property owner to prove that they qualify for the 1b classification. The type of documentation differs depending on the disability status of the property owner. The application provides more details regarding what documentation is needed at the time of application.

Application Requirements

A property owner must apply for the 1b classification by **October 1 for the current assessment year** for taxes payable the following year. Applicants are required to provide additional documentation along with the application so that assessors can verify whether the applicant qualifies for the classification. Applicants should be notified of their eligibility after the county receives the application. If the application is approved and the classification is granted, the taxpayer does not need to apply again unless there is a change in eligibility. **There is no annual application requirement.**

The Department of Revenue provides standardized applications to be used by all counties when administering classification of 1b blind/disabled homesteads. The applications can be customized to fit your county's needs (logo, address, etc.) but the general format should not be altered. The application should look and function the same from county to county.

Changing the Classification

If a property no longer qualifies for the 1b classification due to the owner selling the property, using the property in a different way rather than a homestead, or death of the owner then the classification must be reviewed.

If the owner sells the property and moves to a different property, they must qualify for homestead on the new property and apply for the 1b classification by October 1 of that assessment year to qualify for taxes payable the following year. The 1b classification on the initial property would be removed and classified accordingly based on the use of the new owner.

If the property owner dies in the middle of the assessment year, the 1b classification should be left on the property for the current assessment year and be removed the next assessment year. However, if the property were to be sold between the death and the next assessment date, the 1b classification should be removed from the property for the current assessment year and classified according to the use of the new buyer.

Class Rates

When a property qualifies for the 1b classification, the first \$50,000 of taxable market value of the property has a classification rate of 0.45%.

The remaining taxable market value will be classified as a class 1a residential homestead or 2a agricultural homestead, whichever is appropriate, and the corresponding class rate will be applied.

Calculate the tax capacity for the following property

- Bob and Sue are married.
- Bob is blind.
- They own and occupy their single-family home.
- The taxable market value of the property is \$200,000.

Class 1c – Homestead Resort

Properties that qualify for the 1c homestead resort classification have two distinct uses, commercial and residential. There are many requirements that must be met for a property to qualify for this classification.

Qualifications

For a property to qualify for the 1c homestead resort classification, they must meet the following requirements:

- The property must be **located on a lake or a state trail** administered by the Department of Natural Resources
- The property must contain **three or more rental units**
 - Cabins, condos, sleeping rooms, campsites, etc.
- The property must be devoted to temporary and seasonal residential occupancy for recreational purposes for **250 days or less**. This is referred to as the “250-day rule”.
 - Any unit that is occupied and a fee is charged is subject to the 250-day rule
 - If the unit(s) is rented for more than 250-days, then it would not qualify for the 1c classification
- There must be recreational activities provided for the resort guests for no cost and/or a fee
 - Kid programs, snowmobile rental, launch services, canoe rental, paddleboards, etc.
- The owner must live on the property and qualify for homestead
 - If the property is owned by an entity, the dwelling can be occupied by a shareholder, a partner, or a member of the owning entity.

Declaration Required

Owners must submit a declaration to the assessor’s office and provide guest registers or other records, by **January 15 of the assessment year**, that show which cabins or units were occupied for 250 days or less in the year preceding the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated as class 1c.

Split Classifications

Non-qualifying cabins or units (those rented for more than 250 days) and a proportionate share of land on which they are located must be classified as class 3a commercial. In addition, the portion of the property operated as a restaurant, gift shop, bar, conference center/meeting room, and other nonresidential facilities that are operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreational purposes do not qualify for class 1c. This portion of the property should be classified according to their use.

Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or by the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. These units shall be reclassified according to their use as of the next assessment date following the transfer.

The portion of the property used as a homestead (house, garage, and up to one acre of land) by the owner should be classified as class 1a residential homestead.

Class Rates

The resort property is classified as class 1c and the appropriate classification rates are as follows:

- Tier 1: The first \$600,000 at 0.50%
 - Tier 2: \$600,001-\$2,300,000 at 1.00%
 - Tier 3: Over \$2,300,000 at 1.25%*
- *Any value in Tier III is subject to the state general levy.

Calculate the tax capacity for the following property

- Katie and Samantha own and occupy a resort on Gull Lake.
- The resort units are all occupied less than 250 days per year, and no portion of the property is classified as commercial.
- The homestead portion of the property is valued at \$250,000.
- The remainder of the resort is valued at \$2 million.
- The property would be classified as follows:
 - Class 1a residential homestead (\$250,000)
 - Class 1c homestead resort (\$2 million)

Class 1d – Housing for Seasonal Workers

Structures that are located on farmland and used by seasonal farm workers can qualify for the 1d housing for seasonal workers classification. Only the structures qualify for this classification.

Qualifications

For a structure to qualify for the classification, it must meet the following requirements:

- The structure is located on land that is classified as agricultural
- The structure is occupied **exclusively by seasonal farm workers** during the time they work on that farm
- The occupants are **not charged rent** for the privilege of occupying the structure
- The structure meets all applicable health and safety requirements for the appropriate season
- The structure is not marketable as a residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

Class Rates

The taxable market value of class 1d housing for seasonal workers has the same class rates as class 1a property.

- The first \$500,000 of taxable market value of class 1d property has a class rate of 1.00%,
- Market value exceeding \$500,000 has a class rate of 1.25%.

Calculate the tax capacity for the following structure

- A local farmer operates 2,000 contiguous acres with the help of several seasonal workers
- The seasonal workers assist with the planting and harvesting of the crop on a seasonal basis
- As part of the workers' compensation, housing is provided for them during the months they are working on the farm.
- The structure where the workers live has a taxable market value of \$130,000.

Class 2 – Land Uses

Class 2a – Agricultural Land

Class 2a agricultural land consists of parcels of property, or portions thereof, that are used agriculturally. This classification includes land and agricultural buildings. Class 2a land may be homestead or non-homestead depending on ownership, occupancy and active farming scenarios. The homestead determination is made **independently** of the classification of the property.

Qualifications

Minnesota Statutes, section 273.13, subdivision 23, provides several requirements that must be met to be classified as class 2a agricultural land:

- At least **10 contiguous acres** of agricultural land
- The land must be used to produce **agricultural products** in the preceding year
- The agricultural product must be **produced for sale**.

10 Contiguous Acres

Statute requires that there be **at least 10 contiguous acres** being used to produce an agricultural product for sale to be class 2a agricultural land.

Contiguous is defined by Minnesota Statute 273.13, subdivision 23(e) as: all of, or a contiguous portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section **that are owned by the same person**. When spouses own property as individuals, meaning one of them is listed as an owner on the deed, they would still be considered “one person/same person” and meet the definition of contiguous.

For example, three 5-acre parcels that are adjoining, owned by the same owner, and all used agriculturally meet the definition of contiguous and can be viewed as a 15-acre land mass. Therefore, this “land mass” could qualify for the 2a agricultural land classification if all the other requirements are met.

Less than 10 acres – the exception to the rule

Statute does provide an exception to the 10-acre minimum rule for certain types of agricultural property. These exceptions to the rule are for properties that are used exclusively for an agricultural purpose or for properties that are being used intensively.

Intensive Livestock or Poultry Confinement

Property used for intensive livestock or poultry confinement may be agricultural **regardless of the size of the parcel** the confinement activity is located on. The acreage must be contiguous and have been used for intensive livestock or poultry confinement **during the preceding year**. The property may also be homesteaded if all requirements are met.

Exclusive Ag Use – Classification

Real estate of **less than 10 acres** that is exclusively used for agricultural purposes should be agricultural land. “Exclusively” means the **entire parcel, border-to-border is used for an agricultural purpose** – there is no house, no cabin, and no other use of the parcel. If there is another use on the property, it is not **used exclusively for agricultural purposes**.

For homestead purposes, these small agricultural parcels could only qualify for special agricultural homestead if they were **contiguous** to additional agricultural land owned by the same owner. These cannot be linked if they are located 4 cities/townships away from the established main parcel due to the small size of the parcel. Agricultural parcels must be at least 40 acres in size to be linked for special agricultural homestead.

Intensive Ag Use – Classification

If a property is **less than 11 acres in size** and **has a residential structure**, the property must be used for one of the following purposes to be considered agricultural:

- Intensive grain drying or storage;
- Intensive storage of machinery or equipment used to support agricultural activities on other parcels of property operated by the same farming entity;
- Intensive nursery stock production, provided that only those acres used to produce nursery stock are considered as agricultural land (land used for parking, retail sales, etc. does not qualify);
- Intensive market farming, which means the **cultivation** of one or more fruits or vegetables or production of animal or other agricultural products **for sale to local markets by the farmer or an organization with which the farmer is affiliated**.
 - a “local market” would be based on the market demanding the agricultural product. There are no strict bounds to what a local market is.

For example, an 8-acre parcel has a house, a garage, a yard, and six sow buildings. The owner raises the sows and sells them to local markets. This type of property would qualify for the 2a agricultural land classification because it meets the requirements for intensive agricultural use.

Agricultural Products

For agricultural land to qualify for the 2a agricultural classification, there must be agricultural products that are produced on the land and then sold. Those agricultural products are defined by Minnesota Statute 273.13. Any other products that are being produced but are not listed in the statute do not meet the requirements for the 2a agricultural classification.

For the purposes of classifying land for property tax purposes, the term “agricultural products” includes the production for sale of:

- livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;
- aquaculture products for sale and consumption if production occurs on land zoned for agricultural use;
- the commercial boarding of horses. This may also include related horse training and riding instruction, if the commercial boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other agricultural products as defined in (a) above;
- property that is owned and operated by non-profit organizations used for equestrian activities, excluding racing;
- game birds and waterfowl that are bred and raised;
- insects that are primarily bred to be used as food for animals;
- trees, grown for sale as a crop (e.g., Christmas trees), including short rotation woody crops, as long as they are not harvested and sold for timber, lumber, wood, or wood products;
- maple syrup taken from trees grown by a person who is licensed by the Minnesota Department of Agriculture under Minnesota Statutes, [Chapter 28A](#) as a food processor.

Production for Sale

The agricultural product being produced on the land must be produced for the purpose of sale. Although income should not be the sole determining factor, the assessor may want to consider the following factors:

- Income (Schedule F) from sale of agricultural products (crops, livestock, etc.)
- How the agricultural products were sold (wildlife food plots do not qualify)
- Income earned in the past year from the sale of animals
- The income from the productive acres divided by the number of total acres
- Rental income from an agricultural lease

Agricultural Purposes

Another factor that must be considered when classifying land as 2a agricultural land is whether it is being used for an agricultural purpose. This means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in the support of agricultural production by the same farm entity.

Agricultural purposes also include enrollment in the Reinvest in Minnesota (RIM) program or the federal Conservation Reserve Program (CRP) or a similar state or federal conservation program if the property was classified as agricultural in the year prior to its enrollment.

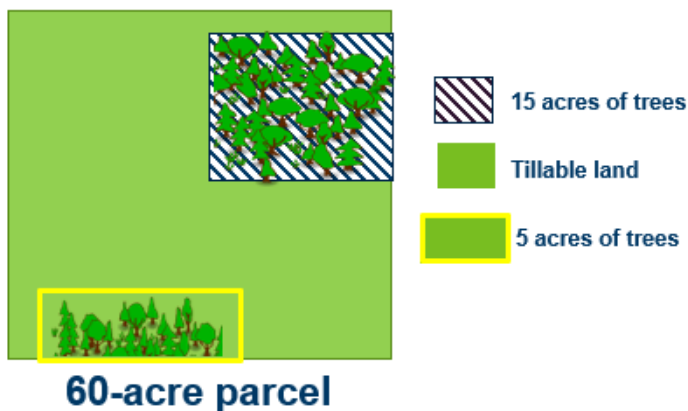
Land enrolled in a conservation program administered by a local agency qualifies as agricultural for property tax purposes, provided that under the program the landowner receives incentive payments in return for restrictions placed on the use of the land.

Impractical to Separate

There are situations where small tracts of land located on agricultural property are not used to produce an agricultural product for an agricultural purpose. These small tracts are typically interspersed throughout the ag land and can cause concern regarding the classification.

Interspersed implies that in most cases the number of interspersed acres will be a small amount in relation to the total acreage for that parcel. In most situations, these small, interspersed tracts are considered “impractical to separate” and can be classified as 2a agricultural land.

Typically, these small tracts of land that are scattered throughout the entire parcel are marshes, wooded wind shelters, grass setback acres abutting ditches, grass setback acres abutting public waters, ravines, rock piles, waterways, ridges, pivot points, terraces, ditches, sink/potholes, and fence lines. When there is land that is not used for an agricultural purpose located on an agricultural parcel, the assessor must determine if it is impractical to separate or if it is practical to separate. If the land is practical to separate, assessors would then classify that portion of the property according to its use. The general rule of thumb is tracts of land that are 10 acres or more in size should be considered practical to separate and classified according to their use.



Notes

House, Garage and One Acre (HGA)

Class 2a agricultural land may be homestead or non-homestead depending on ownership, occupancy, and active farming scenarios. The homestead determination is made independently of the classification of the property. When agricultural land has a residential structure on it, the structure, garage, and one acre is referred to as the HGA.

When assessing farm property, the assessor must determine the market value of the HGA and list **it separately on the property records**. If any farm buildings or structures are located on this acre of land, their market value shall **not be included** in this separate determination. The HGA and the agricultural land/buildings have different class rates and must be valued separately from one another. This distinction is very important as it is used for state aids, referendum market values, property tax refunds, and more.

Application Requirements

Property owners who have land that meets the requirements for the 2a agricultural land classification do not need to apply to qualify for 2a. However, if there's a home on the agricultural land that qualifies for homestead or the land meets the requirements for unoccupied special agricultural homestead then an application is required.

Like the 1a residential homestead classification, the homestead application must be submitted by **December 31 of a current assessment year** for the agricultural land to qualify for homestead.

Class Rates

The class rate for 2a, agricultural property, varies depending on a variety of factors.

If...	Then...	Class Rate
Agricultural land contains a residential structure (HGA) and it qualifies for homestead	The HGA is classified as 2a and has two class rates based on value	1% for the first \$500,000 in value 1.25% for remaining value over \$500,000
Agricultural land contains a residential house (HGA) that does not qualify for homestead	The HGA is classified as 4bb(2) agricultural non-homestead and has two class rates based on value	1% for the first \$500,000 in value 1.25% for remaining value over \$500,000
Agricultural land that qualifies for homestead (including agricultural buildings)	The land is classified as 2a and has two class rates based on value and tier amount limits	.50% up to a certain amount which is adjusted annually (see table below) 1% for remaining value over the limit
Agricultural land does not qualify for homestead	The land is classified as 2a and has one class rate	1% - no tier amount or limit

Agricultural Homestead Tier Limit

Each year the agricultural homestead tier limit is adjusted and certified by the Commissioner of Revenue based on a ratio with the previous assessment year’s statewide average taxable market value of agricultural property per acre of deeded farmland. Agricultural land that qualifies for agricultural homestead has a class rate of .50% up to this tier amount and then anything over that amount has a class rate of 1%.

First Tier Value Limit for Agricultural Homestead Property					
Assessment Year	2020	2021	2022	2023	2024
Tier Limit	\$1,900,000	\$1,890,000	\$1,890,000	\$2,150,000	\$3,500,000

Calculate the tax capacity for the following property

- The Simms family owns a large farm in southeastern Minnesota
- There is a residential structure on the property
- Mr. Simms occupies the house
- Mr. Simms and his three children farm the property
- The home and the land qualify for homestead
- The HGA is valued at \$450,000
- The remaining agricultural land outbuildings are valued at \$3,000,000

Class 2b – Rural Vacant Land

Class 2b rural vacant land is rural in character and unused. Land that is used for growing trees for timber, lumber, and wood and wood products qualify for 2b rural vacant land.

Qualifications

- Land must be rural in character and unused
- The land cannot be platted
- The land cannot be improved with a structure that is larger than 300 square feet
- No minimum acreage requirement

Split classification

It is common to have parcels of property that have multiple uses, including 2b land. This is most common with agricultural land or seasonal land. If a parcel contains a structure that is larger than 300 square feet, the assessor must split classify that parcel based on the use of the structure.

The statute requires that if a parcel is 20 acres or more in size and improved with a structure the assessor must classify the structure plus 10 acres according to the use of the structure. If the parcel is less than 20 acres in size, then the entire parcel is classified according to the use of the structure.



Notes

Application Requirements

There is no application required for a property to qualify for the 2b classification. If the assessor identifies that the primary use of the property meets the requirements for 2b Rural Vacant Land, then the assessor classifies the property as 2b on January 2 of the current assessment year.

Class Rates

When a property qualifies for the 2b classification, the market value of the 2b land has a class rate of 1.00%

Calculate the tax capacity:

- Ricardo owns wooded land in southeastern Minnesota but lives in Florida.
- The land does not produce any agricultural product, is not platted, and is rural in character.
- The property is classified as 2b Rural Vacant Land
- The property has a taxable market value of \$1.1 million.

Class 2c – Managed Forest Land

Class 2c managed forest land consists of land that is primarily used for trees that meet the definition of forest land. Minnesota Statute 88.01 defines forest land as: land which is at least ten percent stocked by trees of any size and capable of producing timber, or of exerting an influence on the climate or on the water regime; land from which the trees described above have been removed to less than ten percent stocking and which has not been developed for other use; and afforested areas.

Qualifications

- Land must meet the definition of forest land
- Land must be managed under a current forest management plan that meets the requirements in Chapter 290C
- The land cannot be enrolled in the Sustainable Forest Incentive Act program
- The forest land must consist of at least 20 acres

Split classification

The presence of a minor, ancillary nonresidential structure does not disqualify the property from class 2c. If there is more than a minor, ancillary non-residential structure, the property would need to be split-classified.

Application Requirements

The owner must apply to the assessor by May 1 for this classification and provide the information required to verify the property qualifies for the current assessment. The commissioner of natural resources must also concur that the land qualifies and will notify the assessor annually of qualifying land.

Class Rates

When a property qualifies for the 2c classification, the market value of the 2c land has a class rate of 0.65%.

2b and 2c – how are they different?

Class 3 – Commercial use

Class 3a – Commercial-Industrial Property

Property that is primarily used for an income producing, commercial use shall be classified as 3a Commercial Property. Other uses like industrial property, real and personal utility property, and transit zone property are also included in this classification.

Qualifications

- Property is used as an income producing property or
- Property is used as industrial/utility property/transit zone

Application Requirements

There is no application required for a property to qualify for the 3a classification.

Class Rates

Commercial property is subject to the state general tax, therefore there are two tiers that associate with the local taxes and the state general tax.

- Tier 1: The first \$150,000 at 1.5% + 0% state general tax
- Tier 2: Remaining value over \$150,000 at 2% + 2% state general tax

The first \$150,000 of market value at 1.5% is known as the “**preferred commercial**” classification tier.

Preferred Commercial Classification Tier

If a parcel is classified as commercial, industrial, or utility property, the value of that parcel, up to \$150,000, would qualify for the lower-class rate of 1.50%. If the owner of a property owns **multiple contiguous parcels** that are used for the **same business operation** by the same owner of the parcels, then those parcels are only entitled to **one preferred commercial first tier**.

Example 1: a strip mall has a variety of stores located within the building. The building is owned by Shop LLC and the units are leased to the store owners, who then operate the business. Each unit has its own parcel id, they are contiguous, owned by the same owner, and have a similar business operation, retail. The owner, Shop LLC, only qualifies for one preferred commercial classification tier on the market value of the entire building.

Statute allows an exception to the “one preferred commercial tier” rule for property owners who have **contiguous parcels** of property that **constitute separate businesses**. There are three requirements that must be met for a property owner to meet this exception and receive multiple preferred commercial tiers. Those requirements are:

1. The contiguous parcels are **owned by the same owner/entity**.

2. The separate businesses are **housed in separate structures**.
 - a. Separate structures can be two or more separate buildings or two or more separate units with a shared wall operating two or more separate businesses.
3. The **owner is the operator** of the business.

If these requirements are met **then each parcel** would be eligible for a **separate preferred commercial tier**.

Example 2: A building consists of two units with two separate entrances. Unit 1 is a gas station and unit 2 is a restaurant. The **owner is the operator of both businesses**. Each unit would be classified as 3a commercial, and each unit would qualify for a preferred commercial classification tier.

Statute allows each **non-contiguous parcel**, that is classified as 3a, to receive a preferred commercial tier. Therefore, if an individual/entity owns multiple non-contiguous parcels, **regardless of businesses operating** on the parcels, each non-contiguous parcel qualifies for a separate preferred commercial classification tier.

Example 3: Owner A owns multiple Dairy Queen Restaurants located in a few different cities. Each location qualifies for a separate preferred commercial classification tier because they are non-contiguous.

What is the difference between example 1 and example 2?

Calculate the tax capacity (do not include state general tax calculation):

- A restaurant has a taxable market value of \$500,000
- The restaurant is classified as 3a commercial

Class 4 – Residential Non-Homestead Use & A Few Others...

Class 4a – Rental Housing

Property that contains four or more units and primarily used for residential purposes by someone other than the owner.

Qualifications

- Property must contain four or more units
- Units must be used for residential purposes
- Units must be rented out for 30 days or more
- Also includes private, for-profit hospitals

Application Requirements

There is no application required for a property to qualify for the 4a classification.

Class Rates

When a property qualifies for the 4a classification, the market value of the 4a property has a class rate of 1.25%.

Class 4b – Residential Non-Homestead

Class 4b property is property that is used residentially by someone other than the owner. This classification can also be used for a vacant dwelling that is not used for any purpose. There are four sub-classifications that fall under the 4b umbrella.

Sub-Classifications and Qualifications

Class 4b(1)

- Residential property containing **less than four units, typically 2 – 3**
 - There is one situation when a single dwelling would qualify for 4b(1) and that is if the structure was classified as seasonal residential recreational under the current owner and is now being used residentially by someone other than the owner.
 - Minnesota statute restricts property that was once classified as seasonal, under the current owner, to qualify for the lower non-homestead class rate that is associated with the 4bb(1) classification.
 - **Note:** if the property is sold to a new owner, the new owner would be eligible to qualify for the 4bb(1) classification with the lower non-homestead class rate.
- Property must be primarily used for residential purposes by someone other than the owner
- This also includes property rented as short-term rental property for **more than 14 days** in the preceding year. “Short-term rental property” is defined as non-homestead residential real estate that is rented for periods of **less than 30 consecutive days**.

Class 4b(2)

- Manufactured homes not classified under any other provision

Class 4b(3)

- A dwelling, garage, and surrounding one acre of property on a **non-homestead farm** containing **two or three units**
- Property must be used for as the primary residence by someone other than the owner

Class 4b(4)

- Unimproved property that is classified as residential under Minnesota Statutes, section 273.13, subdivision 33
- The assessor has determined the most probable use to be residential property

Application Requirements

There is no application required for a property to qualify for the 4b(1-4) classifications.

Class Rates

When a property qualifies for the 4b(1-4) classification, the market value of class 4b property has a class rate of 1.25%

Class 4bb – Residential Non-Homestead Single Unit

Class 4bb property is property that contains one single unit and is used residentially by someone other than the owner. There are three sub-classifications that fall under the 4bb umbrella.

Sub-Classifications and Qualifications

Class 4bb(1)

- Residential property containing **one single unit**
- Property must be primarily used for residential purposes by someone other than the owner or a relative of the owner
- Property that contains a single unit, that has been classified as seasonal under the current owner and is now being used residentially by someone other than the owner or a relative of the owner cannot qualify for the 4bb(1) classification.

Class 4bb(2)

- A dwelling, garage, and surrounding one acre of property on a **non-homestead farm** containing **one unit**
- Property must be used for as the primary residence by someone other than the owner

Class 4bb(3)

- Non-commercial garage condominium storage units
- Units must have separate parcel identification numbers
- The storage unit must be used by the owner for storage purposes. If the storage unit is rented out by the owner for someone else's personal use, then it does not qualify for 4bb(3).

Application Requirements

There is no application required for a property to qualify for the 4bb(1-3) classifications.

Class Rates

When a property qualifies for the 4bb(1-3) classification, the market value of class 4bb property has a class rate of 1% for the first \$500,000 in value and 1.25% for any value over \$500,000.

Class 4c – Everything Else

4c(1) Seasonal Residential Recreational – Commercial

Property that is primarily used as seasonal residential recreational property. These properties are typically resort properties that would otherwise be classified as commercial but are eligible for the 4c(1) classification if they meet all of the requirements.

Qualifications

- The property must be devoted to temporary and seasonal residential occupancy for recreation purposes
- The property cannot be devoted to commercial purposes for **more than 250 days**
- The property must contain three or more rental units
 - A "rental unit" includes a cabin, condominium, townhouse, sleeping room, or individual camping site.
- The property must provide recreational activities
 - Examples: renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle.
- At least 40% of the property's **annual gross lodging receipts** must be from business conducted during **90 consecutive days**.
- Additionally, **one of the following** must be met:
 - At least 60% of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; **or**
 - At least 20% of the annual gross receipts must be from charges for recreational activities
- Properties in cities or townships with a population of 2,500 or less that are located outside of the metropolitan area also can qualify for 4c(1), if the city or township contains a portion of a state trail managed by the Department of Natural Resources.

Split Classification

Portions of a 4c(1) property might not meet the requirements for the 4c(1) classification and should be split classified, according to their use. If there are units that do not meet the 250-day rule, those units would be classified as 3a commercial. Other portions of the property that would not be eligible for the 4c(1) classification and would be classified as 3a commercial include:

- Restaurant
- Bar
- Gift shop
- Conference centers or meetings rooms not directly related to seasonal purposes

Application Requirements

An application is not required; however, property owners do need to provide documentation such as copy of receipts, proof of recreational activities, and information on which units meet the 250-day rule. This documentation must be provided to the assessor before the classification can be granted. If the property meets the requirements and all documentation is submitted, the property can qualify for the 4c(1) classification on January 2 of the following year.

Class Rates

The class rate for 4c(1) property is 1% for the first \$500,000 in value and 1.25% for any value over \$500,000. Class 4c(1) property is also subject to the state general levy at the same tiers and tax rates.

Calculate the tax capacity for the following property (do not include the state general tax)

- The Yang family owns a resort on Gull Lake (they do not homestead the property).
- A bar and restaurant is also located on the property.
- The resort units are all occupied less than 250 days per year.
- The resort offers a variety of recreational activities that include both free options and options that charge a fee.
- The resort is classified as Class 4c(1) and valued at \$2,500,000
- The bar and restaurant is classified as Class 3a and valued at \$300,000

4c(2) Qualifying golf courses

These properties are primarily used for golfing and would typically be classified as 3a commercial property. However, if the golf course meets the extra requirements in the statute, it may be eligible for the 4c(2) classification.

Qualifications

- It is open to the public on a daily fee basis.
 - It may charge membership fees or dues, but a membership fee may **not be required** to use the property for golfing, and its green fees for golfing must be comparable to green fees **typically charged by municipal courses**
- All genders must be allowed to use the course

Split Classification

A structure that is used as a clubhouse, restaurant and/or place of refreshment in conjunction with the golf course should be classified as 3a commercial property.

Application Requirements

No application is required to qualify for the 4c(2) classification

Class Rates

Class 4c(2) property has a class rate of 1.25% with no tier limit.

4c(3)(i) Non-profit community service-oriented organization – non-profit

Property owned and used by a qualifying non-profit community service-oriented organization. A “non-profit community service-oriented organization” means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes and which is exempt from federal income taxation. Examples include Kiwanis, Knights of Columbus, Elks, Moose, etc.

Qualifications

- Property must be used by the non-profit organization
- Property cannot be used for a revenue-producing activity for **more than 6 days** in a calendar year
- Property cannot be used for residential purposes on a temporary/permanent basis
- A maximum of 3 acres of land owned and used by the non-profit organization can qualify for the 4c(3)(i) classification

Application Requirements

No application is required to qualify for the 4c(3)(i) classification

Class Rates

Class 4c(3)(i) property has a class rate of 1.50% and **does not** pay the state general tax

4c(3)(ii) Non-profit community service-oriented organization – donations

Property owned and used by a qualifying non-profit community service-oriented organization and is used for revenue producing activities for more than 6 days in a calendar year. Examples of these organizations include the VFW, American Legion, etc.

Qualifications

- Property must be used by the non-profit organization
- Property must be available to be used for public & community meetings/events for no charge
- Property cannot be used for residential purposes on a temporary/permanent basis
- A maximum of 3 acres of land owned and used by the non-profit organization can qualify for the 4c(3)(i) classification
- The organization must make **annual charitable contributions and donations** that are at least **equal** to the property’s previous property taxes paid.

Split Classification - it is possible for one structure to qualify for both 4c(3)(i) and 4c(3)(ii). Any other portion of the property that does not meet the requirements for either classification should be classified according to use.

Application Requirements

An annual application is required to be filed with the assessor's office by May 1 of each assessment year. The organization must maintain records of its charitable contributions and donations and of public meetings and events held on site and make those records available to the assessor to ensure eligibility.

Class Rates

Class 4c(3)(ii) property has a class rate of 1.50% and **does** pay the state general tax at 1.50%

Congressionally Chartered Veteran Organizations

Property owned and used by a qualifying non-profit community service-oriented organization and qualifies for 4c(3)(i) or 4c(3)(ii). These organizations are certified by the Commissioner of Veteran Affairs as a congressionally chartered veteran organization.

Qualifications

- The organization must be listed on the Veteran Affairs list as a qualifying veteran's service organization
 - A link to the list can be found in the Property Tax Administrators Manual
- Property must qualify for either 4c(3)(i) or 4c(3)(ii)

Application Requirements

No application is required; however, assessors must annually verify if the organization is still a certified as a qualifying congressionally chartered veteran organization.

Class Rates

If the organization meets the requirements, they will qualify for a **1.00% class rate**

4c(5)(i, ii, iii) Manufactured home parks

Manufactured home park owners (individuals and cooperatives) are eligible for one of the three 4c(5)(i) classifications if the requirements are met. The classification and the associated classification rate is applied to the market value of the land that is used for a manufactured home park. This classification does not apply to the structures located on the land. Those structures are classified separately, based on use by the owner.

Qualifications

- **4c(5)(i)** – Manufactured home park must meet the definition in Minnesota Statute 327.14, subdivision 3. This definition **does not** include manufactured home park cooperatives.
- **4c(5)(ii)** – Manufactured home park cooperatives must meet the definition in Minnesota Statute 327.14, subdivision 3 and are owned by a corporation or association organized under Chapter 308A or 308B. Each person who owns a share/shares in the corporation or association is entitled to occupy a lot within the manufactured home park. If the shareholders occupy more than 50% of the lots, the park qualifies for a lower-class rate.
- **4c(5)(iii)** – Class 1 Manufactured home park must meet the definition in Minnesota Statute 327.14, subdivision 3 and have an owner/onsite attendant complete 12 hours of qualifying education courses **every three years** to qualify for the reduced class rate.
 - Courses are offered by the Department of Labor and Industry and the Department of Commerce
 - Specific requirements for the types of courses that are approved

Application Requirements

No application is required for 4c(5)(i & ii).

4c(5)(iii) – application and copy of completion certificates must be submitted by December 15 of the current assessment year. The application provides a breakdown of the requirements for the specific types of courses. The application is good for three years, the current assessment year + 2. A new application with updated certificates must be submitted by December 15 of year four to continue to qualify for the classification.

For example: Apply 12/1/2022, must reapply by 12/15/2025.

Class Rates

4c(5)(i) – Manufactured home park has a class rate of 1.25%

4c(5)(ii) – Manufactured home park cooperatives has a class rate of:

- If more than 50% of the lots are occupied by shareholders, the class rate is 0.75%
- If less than 50% of the lots are occupied by shareholders, the class rate is 1.00%

4c(5)(iii) – Class 1 Manufactured home park has a class rate of 1.00%

4c(9) Bed and Breakfast

Property that is primarily used as a place of lodging and is also occupied by the owner as their primary residence.

Qualifications

- The owner occupies the property as their primary place of residency
- The owner is the operator of the property
- Rooms are provided for rent to customers that stay for periods of 14 days or less
- Meals are provided to customers who rent rooms
 - Meals cannot be provided to the public
- Up to 5 units can qualify for the classification

Split Classification

The market value subject to the 4c(9) classification is limited to five rental units. Any rental units more than five must be valued and classified as class 3a commercial. The portion of the property that is used as a homestead by the owner must be classified as residential.

Application Requirements

No application is required for the 4c(9) Bed and Breakfast classification. The owner will need to submit a homestead application for the portion of the structure that is used residentially by the owner. Upon approval of the application, that portion could qualify for the 1a residential homestead classification.

Class Rates

The portion of the property used as a bed and breakfast and classified as 4c(9) has a class rate of 1.25%.

Classify the property and calculate the tax capacity

- Michael and Justin own a bed and breakfast in Duluth & occupy the property.
- There are seven units available to rent.
- The homestead portion of the property has a taxable market value of \$100,000.
- Each unit has a taxable market value of \$50,000.

4c(10) Restaurant on a Lake

Property that is primarily used as a restaurant and it is located on a lake. These types of properties would typically be classified as 3a commercial, however if they meet the requirements they are eligible to be classified as class 4c(10).

Qualifications

- Must be used and operated as a restaurant (defined in section 157.15, subdivision 12)
 - The property's primary business must be as a restaurant and not as a bar.
- Is located on a lake (defined in section 103G.005, subdivision 15(a)(3))
- Is either devoted to commercial purposes for not more than 250 consecutive days **or**
- Receives at least 60% of its annual gross receipts from business conducted during four consecutive months.

Split Classification

The classification can only be granted for up to a maximum of three acres, therefore if the property consists of more than 3 acres the assessor must split classify the remaining acres according to use.

Other types of uses within the restaurant such as a gift shop, liquor store, conference rooms etc. must be split classified based on their use.

Application Requirements

An annual application is required by February 1 of the current assessment year. The property's relevant information submitted is for the preceding assessment year.

Class Rates

Class 4c(10) property has a class rate of 1.25% with no tier limit.

4c(11) Marina

Property that is used as a marina and made accessible to the public.

Qualifications

- Must be lakeshore and riparian property used as a marina, not to exceed six acres
- Must be accessible to the public
- If public access is not available on the property, it must then be located next to public property that provides access

Split Classification

- No more than 800 feet of shoreline can be included in the classification
- Commercial buildings on the premises, such as buildings used to provide food, fuel, boat repairs, sale of bait/tackle, etc., must be classified as class 3a.

Application Requirements

- An application is required, property owners must provide evidence of public access annually by applying to the assessor.

Class Rates

Class 4c(11) property has a class rate of 1.00% on the first \$500,000 of market value and 1.25% on the value in excess of \$500,000.

4c(12) Non-commercial Seasonal Residential Recreational (SRR)

Property used as a seasonal recreational property by the owner. The property cannot be used for commercial purposes. Examples of these types of properties are cabins, townhomes/condo's, tiny homes, hunting shacks, etc.

Qualifications

- Real and personal property devoted to **non-commercial**, temporary, and seasonal **residential** occupancy for **recreation** purposes
- **Cannot** qualify for relative homestead **under current owner**, once it has been classified as 4c(12).
 - If the property sells to a new owner then it could qualify for relative homestead if it's not used as a seasonal property
- If current owner stops using it seasonally and occupies the property as their primary residence, the classification must change to residential. If a homestead application is submitted, the property is eligible for a 1a residential homestead classification.

Application Requirements

- An application is not required for 4c(12) property

Class Rates

The 4c(12) property has three tiers and is subject to the state general tax:

- Tier 1: The first \$76,000 at 1.00% + .40% state general tax
- Tier 2: \$76,001-\$500,000 at 1.00% + 1.00% state general tax
- Tier 3: Over \$500,000 at 1.25% + 1.25% state general tax

Class 4d– Low-income rental housing and Homestead Community Land Trust Units

Class 4d(1) – Low-Income Rental Housing

Rental property that is used for residential purposes

Qualifications

- Units must be used for residential purposes
- Units must be available for rent
- Properties/units must be certified by the Minnesota Housing Finance Agency (MHFA) as low-income

Split Classification

If only a portion of the units in the building qualify as low-income rental housing units as certified by the MHFA, **only the proportion of qualifying units to the total number of units in the building qualify for class 4d(1)**. The remaining portion of the building shall be classified by the assessor based upon its use (typically class 4a apartments).

Application Requirements

An application is not required for the 4d(1) classification; however, property owner must certify with the MHFA by March 31 of the assessment year. By June 1 of each assessment year, the MHFA must certify to the appropriate county or city assessors, the specific properties that qualify for class 4d(1) and the **number of units** in the building that qualify.

Property classified as 4d(1) must demonstrate to MHFA the tax savings from the reduced classification rate was used for certain defined purposes. Additionally, any new 4d(1) properties located in jurisdictions where 4d(1) property represents over 2% of NTC will require approval by resolution from the city or town where the property is located. DOR will provide a list of jurisdictions over 2% to MHFA to ensure this requirement is met prior to MHFA certifying qualifying units to the counties.

Class Rates

The class rate for 4d(1) property is 0.25%.

Class 4d(2) – Homestead Community Land Trust Unit

Qualifications

- Units must be occupied by the owner
- Units must apply for and be granted homestead

- The community land trust must certify to the assessor by December 31 that it continues to own the land where the unit is located, and the owner/occupant is a member in good standing with the community land trust

Valuation

The valuation for qualifying 4d(2) units must be done without regard to any restrictions that apply because the unit is part of a community land trust property. The land upon which the unit is located is assessed proportionate to the classifications of the units in the building.

Application and Certification Requirements

An application is not required for the 4d(2) classification; however, an annual certification form is required to be completed by the community land trust and submitted to the assessor by December 31 of each assessment year. This form is used to certify that the land trust continues to own the land where the unit is located, and the owner of the unit is a member in good standing.

Class Rates

The class rate for 4d(2) property is 0.75%.

Class 5 - Other

5(1) Unmined iron ore and low-grade iron-bearing formations

5(2) All other property not otherwise classified

Class Rates

Class 5 property has a class rate of 2.0% and is subject to the state general tax.

Classification Rates for Assessment Year 2024

Class	Description	Tiers	Class Rate	State General Rate
1a	Residential Homestead	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
1b	Homestead of Persons who are Blind/Disabled [classified as 1a or 2a] [classified as 1a or 2a]	First \$50,000 \$50,000 - \$500,000 Over \$500,000	0.45% 1.00% 1.25%	N/A N/A N/A
1c	Homestead Resort	First \$600,000 \$600,000 - \$2,300,000 Over \$2,300,000	0.50% 1.00% 1.25%	N/A N/A 1.25%
1d	Housing for Seasonal Workers	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
2a	Agricultural Homestead - House, Garage, 1 Acre (HGA)	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
2a/2b	Agricultural Homestead - First Tier	\$3,500,000	0.50%	N/A
2a/2b	Farm Entities Remaining First Tier	Unused First Tier	0.50%	N/A
2a	Agricultural - Non-Homestead or Excess First Tier		1.00%	N/A
2b	Rural Vacant Land		1.00%	N/A
2c	Managed Forest Land		0.65%	N/A
2d	Private Airport		1.00%	N/A
2e	Commercial Aggregate Deposit		1.00%	N/A
3a	Commercial/Industrial/Utility (<i>not including utility machinery</i>)	First \$150,000 Over \$150,000	1.50% 2.00%	N/A 2.00%
	Electric Generation Public Utility Machinery		2.00%	N/A
	All Other Public Utility Machinery		2.00%	2.00%
	Transmission Line Right-of-Way		2.00%	2.00%
4a	Residential Non-Homestead 4+ Units		1.25%	N/A
4b(1)	Residential Non-Homestead 1-3 Units		1.25%	N/A
4b(2)	Unclassified Manufactured Home		1.25%	N/A
4b(3)	Agricultural Non-Homestead Residence (2-3 units)		1.25%	N/A
4b(4)	Unimproved Residential Land		1.25%	N/A
4bb(1)	Residential Non-Homestead Single Unit	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
4bb(2)	Agricultural Non-Homestead Single Unit - (HGA)	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
4bb(3)	Condominium Storage Unit	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
4c(1)	Seasonal Residential Recreational Commercial (resort)	First \$500,000 Over \$500,000	1.00% 1.25%	1.00% 1.25%
4c(2)	Qualifying Golf Course		1.25%	N/A
4c(3)(i)	Non-Profit Community Service Org. (non-revenue) Congressionally Chartered Veterans Organization (non-revenue)		1.50% 1.00%	N/A N/A
4c(3)(ii)	Non-Profit Community Service Org. (donations) Congressionally Chartered Veterans Organization (donations)		1.50% 1.00%	1.50% 1.00%
4c(4)	Post-Secondary Student Housing		1.00%	N/A
4c(5)(i)	Manufactured Home Park		1.25%	N/A
4c(5)(ii)	Manufactured Home Park (>50% owner-occupied)		0.75%	N/A
4c(5)(ii)	Manufactured Home Park (50% or less owner-occupied)		1.00%	N/A
4c(5)(iii)	Class I Manufactured Home Park		1.00%	N/A
4c(6)	Metro Non-Profit Recreational Property		1.25%	N/A
4c(7)	Certain Non-Comm. Aircraft Hangars and Land (leased land)		1.50%	N/A
4c(8)	Certain Non-Comm. Aircraft Hangars and Land (private land)		1.50%	N/A
4c(9)	Bed & Breakfast		1.25%	N/A
4c(10)	Seasonal Restaurant on a Lake		1.25%	N/A
4c(11)	Marina	First \$500,000 Over \$500,000	1.00% 1.25%	N/A N/A
4c(12)	Seasonal Residential Recreational Non-Commercial	First \$76,000 \$76,000 - \$500,000 Over \$500,000	1.00% 1.00% 1.25%	0.40% 1.00% 1.25%
4d(1)	Low Income Rental Housing (Per Unit)		0.25%	N/A
4d(2)	Homestead Community Land Trust (Per Unit)		0.75%	N/A
5(1)	Unmined Iron Ore and Low-Grade Iron-Bearing Formations		2.00%	2.00%
5(2)	All Other Property		2.00%	N/A

Homesteads

Introduction

One of the most important distinctions in the various classifications of property is the distinction between homesteads and non-homestead property.

Even though current residential classification rates have eliminated the difference between homesteads and non-homesteads (which once had much different class rates), homestead status is important for many features of the tax system because it determines eligibility for programs such as property tax refunds, the disabled veteran's market value exclusion, the blind/disabled classification, and the senior citizen property tax deferral program. It can also affect tax delinquency and forfeiture procedures.

The idea of having a "homestead" is important to the taxpayer and therefore it must be important to the assessor. Improper classification of homesteads causes taxpayers to pay incorrect tax amounts and may cause taxpayers to harbor resentment for the property tax system as a whole and those who administer it. Therefore, assessors should be knowledgeable of the homestead laws so that homesteads are imposed effectively and uniformly across the state.

If a property is granted homestead, the property qualifies for the **Homestead Market Value Exclusion** and the **1a or 2a homestead classification**.

General Rules and Guidelines

There are general rules that must always be used when trying to determine whether a property qualifies for homestead. An assessor should always approach a property with these general rules in mind but should also know that there **are exceptions to the general rules** in certain circumstances.

General Rules

- A person may claim **only one homestead**.
- The occupant must be a Minnesota resident to get homestead.
- The two main types of homesteads that are owner-occupied are **residential owner-occupied homestead** and **agricultural owner-occupied homestead**.
- A **full-year homestead** is granted to a property that is occupied by the owner or relative of the owner on January 2 of the assessment year for taxes payable the following year.
- A “mid-year” homestead is granted to property that was non-homestead on January 2 and is then occupied by the owner or relative of the owner between January 3 and December 31 of the assessment year for taxes payable the following year. “Mid-year” homesteads have the same benefits as full-year homesteads.
- In the case of **manufactured homes** assessed as personal property (located on leased land), the homestead must be established, and application must be made by **May 29** of the assessment year.
- Most homesteads do not require an annual application (except for special agricultural homesteads).

Types of Homesteads

In general, a **homestead** is granted to a property that is used as a “principal or primary place of residence.”

Two classifications of property qualify for homestead status: residential and agricultural property.

- Residential property can qualify for either an owner-occupied homestead or a residential relative homestead.
- Agricultural property may be eligible for an owner-occupied homestead, relative homestead, or a special agricultural homestead, depending on the circumstances.

Homestead is a fact situation and based on three main requirements:

- **Ownership**
- **Occupancy**
- **Residency**

It should be noted that it **is not the assessor’s job** to determine **how** a property owner qualifies for homestead. Rather, the property **owner or occupant** must prove that they meet the requirements for homestead. Homestead requirements are prescribed in state law. Local jurisdictions, including towns, cities, and counties, have no authority in law to impose additional or fewer requirements for homestead.

When property owners apply for homestead, assessors must verify the three main requirements before they can grant the homestead. The applicant must be the owner or relative of the owner, they must occupy the property, and they must be a Minnesota resident. There are exceptions to these requirements, which are covered later in this module.

Ownership

To qualify for a homestead, a property must be both owned and occupied by the owner or qualifying relative of the owner as of January 2 for a full year homestead.

A buyer’s interest under a Contract for Deed is sufficient to meet the ownership requirement. Deeds or contracts for deed are not required to be recorded to receive homestead. However, the assessor should examine the deed or contract for deed to determine whether it is a valid purchase and keep a copy of the document attached to the application for homestead.

Transfer on death deeds are to be treated similarly to life estate property. Basically, the grantor would retain enough ownership interest to qualify for homestead treatment, but the grantee would not (unless the grantee is a qualifying relative of the grantor, in which case the property could receive a relative homestead). Please remember that all other homestead requirements (occupancy, Minnesota residency, etc.) must still be satisfied.

In all cases, an electronic **Certificate of Real Estate Value (eCRV) must be filed**, even if the deed is not recorded, to receive homestead if the price paid for the property is greater than \$3,000.

Occupancy

The occupancy of a property for homestead purposes must be actual and substantial. A minimal occupancy and use of a property, merely to obtain a tax advantage, falls short of statutory requirements.

- An owner may be away from a property for a reasonable length of time without losing homestead benefits provided the property is maintained as a homestead awaiting the owner's return.

In most cases, an owner **cannot** rent out their property to another person and still retain homestead status. There are exceptions to this which will be explored later in this module.

Residency

Occupants must be Minnesota residents to qualify for homestead. There are a variety of tools assessors use to verify if the applicant is a resident of Minnesota. Assessors are allowed to ask for any documentation or proof from the applicant to successfully verify their residency. It is common for assessors to ask for a copy of a driver's license, a voter registration card, or a copy of a utility bill.

Other indicators that may be helpful for verifying Minnesota residency include:

- Does the taxpayer have another residence in Minnesota for which they can or do claim homestead?
- Has the taxpayer applied for or received any rent credits?
- What is the taxpayer's address on the taxpayer's motor vehicle registration?
- What is the address on the taxpayer's hunting or fishing license and is the license a resident or non-resident license?
- Income tax filing status

Verification of income tax returns would assure the assessor that a property owner does, at a minimum, pay income tax in Minnesota and therefore would assist with determining whether a property owner is a Minnesota resident. The Department of Revenue may verify if an individual who is requesting or receiving a homestead has or has not filed a tax return as a Minnesota resident for the most recent year the information is available. The assessor will need to send a request for this information to proptax.questions@state.mn.us.

It is important to stress that property owners **do not have to meet all the above factors**. They are simply listed here to assist assessors in making a final determination as to the probability that the property owner meets the Minnesota residency requirement.

Homestead Application

A person who meets the requirements for homestead **must file an application** with the county assessor to initially obtain the homestead benefits. The Commissioner of Revenue prescribes the format and content of all homestead applications.

Owners are **not required** to file an annual application. If the property is granted homestead for any assessment year, the property will remain homesteaded until the property is sold or transferred, or the owners, spouse of the owner, or the qualifying relative of the owner no longer occupies the property. The assessor may, at any time, require a new application to verify the homestead status.

By law, owners are required to inform the assessor's office within 30 days that they have sold and/or vacated the property and no longer use the property as a homestead. The assessor should then remove the homestead as of the next assessment date unless a new application is submitted before the December 31 deadline.

The application must be signed by all occupants (and any spouses) of the property and the application must be returned to the county assessor for the property to receive homestead treatment.

Every property owner applying for homestead must furnish to the county assessor the Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) of:

- each **occupant** listed as an owner on the deed,
- the name and SSN or ITIN of each occupying owner's spouse

Social Security Numbers, Individual Taxpayer Identification Numbers, state or federal tax returns or tax return information, including the federal income tax Schedule F, or affidavits or other proof of property owners submitted to support a claim of homestead are private data on individuals under Minnesota Statutes, section 13.02, subdivision 12. However, apart from that section, the private data may be disclosed to the Commissioner of Revenue or to the county treasurer for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes.

In the case of a residential relative homestead application, both the qualifying relative and the spouse of the qualifying relative must provide their SSN or ITIN.

Applicants must also provide the name and address (but not SSN or ITIN) of each owner that **does not occupy** the property.

Non - US Citizens

Any individual who is not eligible to obtain a Social Security Number may apply for an individual Taxpayer Identification Number (ITIN).

An ITIN is a nine-digit number issued by the U.S. Internal Revenue Service (IRS) to individuals who are required to have a U.S. taxpayer identification number but who do not have and are not eligible to obtain a Social Security Number.

An ITIN always begins with the number 9 and has a range of 70-88, 90-92 and 94-99 in the fourth and fifth digit (example: 9XX-87-XXXX). An ITIN may be used by non-US Citizens in place of an SSN when applying for a homestead.

ITINs **are** an acceptable alternative to SSNs. (Law change 2023, effective assessment year 2023)

Social Security Match/ITIN/Fraudulent Homestead

Each year, counties must provide the Commissioner of Revenue with a list that includes the name and SSN or ITIN of each property owner and his/her spouse that occupies a property or the qualifying relative and his/her spouse that occupies the property. The Commissioner generates a list that states if the same SSN or ITIN has been used to homestead more than one property. Counties are required to investigate these situations to determine if the homestead classifications were properly claimed.

Homestead Determination – Special Provisions

Relative Homesteads

There are two types of relative homesteads: residential relative homesteads and agricultural relative homesteads. Both are described in this section. It is important to remember the following when administering relative homesteads:

- Spouses are not considered relatives for homestead purposes. The Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) of an occupying owner is required on the application.
- There are different qualifying relatives for unoccupied agricultural property than for residential/occupied agricultural property.
- Properties owned by an entity (corporation, partnership, limited partnership, LLC, LLP, etc.) cannot qualify for a relative homestead – since they are entities and **cannot have relatives**.
- Trust-held property can receive relative homestead if occupied by a qualifying relative or surviving relative of the **grantor** (creator) of the trust.

If at any time, a different relative from the one listed on the application subsequently occupies the property, the owner must notify the assessor within 30 days of the change in occupancy. The department strongly recommends verifying relative homesteads on an annual basis since they are subject to frequent changes.

Residential Relative Homesteads

Residential real estate that is occupied and used for the purposes of a homestead by a relative of the owner is a homestead to the extent of the homestead treatment that would be provided if the related owner occupied the property. Qualifying relatives for residential and occupied agricultural property, which may be by blood or by marriage, include:

Parents	Brothers	
Stepparents	Sisters	
Children	Aunts	No Cousins!
Stepchildren	Uncles	
Grandparents	Nieces	
Grandchildren	Nephews	

To qualify for a residential relative homestead, the **owner does not need** to be a Minnesota resident, but the qualifying relative must be a Minnesota resident. Neither the owner nor the qualifying relative who occupies the property may claim a property tax refund.

Property that has been classified as **seasonal residential recreational property** at any time while it has been **owned by the current owner** or spouse of the current owner **cannot receive a homestead unless it is occupied as a homestead by the owner**.

Agricultural Relative Homesteads

Agricultural property that is occupied and used for the purposes of a homestead by a qualifying relative of the owner may be given an agricultural relative homestead on the house, garage, farm buildings, other structures, agricultural land, and contiguous rural vacant land under the same ownership. Such property that is occupied and used for the purposes of a homestead by a qualifying relative of the owner is a homestead to the same extent as the homestead that would be provided if the related owner occupied the property, providing that all the following criteria are met:

- the relative who occupies the property is a qualifying relative.
 - For **occupied agricultural homesteads**, “qualifying relatives” include parents, siblings, stepparents, children, stepchildren, grandparents, grandchildren, aunts, uncles, nieces, and nephews.
 - For **unoccupied (special) agricultural homesteads**, qualifying relatives include grandchildren, children, siblings, or parents of the owner or the owner’s spouse.
- the owner is a Minnesota resident.
- neither the owner nor their spouse receives another agricultural homestead in Minnesota; and
- the owner of the agricultural property is limited to only one agricultural homestead per family.

If all the requirements for an agricultural relative homestead are not met, the house, garage, and first acre of a residence that is located on agricultural land may be eligible for a residential relative homestead if those requirements are satisfied.

Neither the qualifying relative nor the owner of the property may claim a property tax refund for a homestead occupied by a relative unless the property is owned jointly and one of the joint owners occupies the property as his or her primary residence.

Neither the owner nor the qualifying relative may claim another agricultural homestead in Minnesota. This is limited to one agricultural homestead per family.

Spousal Homesteads

Minnesota Statutes, section 273.124, contains the rules for determining when a homestead can be granted. Generally, a property that is owned by a Minnesota resident and is occupied and used by that person as a principal place of residence qualifies for homestead benefits.

For a married couple, the most common situation finds the couple living together in a home owned by either one or both. No matter how a property is titled, whether in one name or both, a married couple is considered **one entity for property tax purposes**. The property qualifies for a full regular homestead if the couple occupies the home as their principal place of residence.

Minnesota Statutes, section 273.124, subdivision 1, clause (e) provides some exceptions to this rule. It reads:

“(e) In the case of property owned by a property owner who is married, the assessor must not deny homestead treatment in whole or in part if only one of the spouses occupies the property and the other spouse is absent due to:

- (1) marriage dissolution proceedings,
- (2) legal separation,
- (3) employment or self-employment in another location*, or
- (4) other personal circumstances causing the spouses to live separately, not including an intent to obtain two homestead classifications for property tax purposes.

* To qualify under clause (3), the **spouse's place of employment or self-employment** must be at least 50 miles distant from the other **spouse's place of employment**, and **the homesteads** must be at least 50 miles distant from each other.

Example 1: Spouse 1 and Spouse 2 own Home A with both names on the deed. Spouse 2 files an application for homestead benefits on Home B. The assessor denies the homestead application telling Spouse 2 that since a homestead already exists, the applicant cannot qualify for a second homestead. Spouse 2 tells the assessor they are divorcing.

Question: Are both properties eligible for a full homestead? Why or why not?

Example 2: Same scenario as Example 1, only this time Spouse 2 tells the assessor the couple can no longer live together due to abuse and a restraining order.

Question: Is Home B eligible for a full regular homestead? Why or why not?

Example 3: Spouse 1 and Spouse 2 were recently married. Spouse 1 owns, operates, and resides on the 160-acre Farm A. Farm A is classified as an agricultural homestead. Spouse 2 owns, operates, and resides on the 160-acre Farm B. After the marriage, Spouse 1 intends to live on Farm A and manage the operations there. Spouse 2 will continue to live on Farm B and manage the operations there.

Questions: Is Farm A eligible for a full homestead? Is Farm B eligible for a full homestead?

Licensed Child Care

If a single-family home, duplex, or triplex classified as either residential homestead or agricultural homestead is also used to provide **licensed childcare**, the portion of the property used for licensed childcare must be classified as a part of the homestead property.

Homestead of Owner in Nursing Home, Boarding Care, or Elderly Assisted Living Care Facility

An assessor **cannot deny homestead**, in whole or in part, if:

1. In the case of a property owner who is not married, the owner is absent due to residence in a nursing home, boarding care facility, or an elderly assisted living facility, as defined in section 273.13, subdivision 25a, and the property is **not otherwise occupied; or**
2. In the case of a property owner who is married, the owner or owner's spouse or both are absent due to residence in a nursing home, boarding care facility, or an elderly assisted living facility, as defined in section 273.13, subdivision 25a, and the property is **not otherwise occupied or is occupied only by the owner's spouse.**

If the owner of the property is required by the Department of Human Services to rent out the property to pay for the cost of care received in a nursing home, the homestead should remain on the property.

Note that the above exception for a nursing home solely applies to the property **owner** or owner's spouse. A qualifying relative receiving relative homestead **would not** be able to retain the homestead if they stopped occupying the property due to residence in a nursing home, boarding care facility, or assisted living facility.

Homesteads for Property Requiring a Relative Co-Owner for Financing Purposes

An individual who is purchasing a property and is required by the terms of the financing agreement to have a relative shown on the deed as a co-owner is entitled to receive a full homestead benefit. This provision only applies in the following situations:

1. A single person or married couple is purchasing a property for the first time; **or**
2. A person who was previously married is purchasing a property for the first time as an individual.

The related, non-occupying co-owner is not required to be a Minnesota resident for this type of homestead.

It should be noted that this type of homestead differs from a relative homestead and should not be treated as such. The owner/occupant may be eligible for property tax refund if all other qualifications are met.

Homestead of Property Subject to Jurisdiction of Probate Court

When a property owner dies, the natural process is that the property goes into probate where the owner's estate will be settled depending on whether the owner had a will and/or heirs to inherit the property. Once probate is settled, the ownership of the property will change, and homestead status will need to be reviewed according to the new ownership. Under the Uniform Probate Code, probate proceedings must typically start **within three years of the individual's death**.

If a property is going through the probate process, we would recommend the county allow a **reasonable period to pass before removing** the homestead after the death of the property owner. The amount of time the county wants to allow for the property to go through probate should be based on county policy and practices. If the property isn't going through the probate process, the county should decide on whether to pull the homestead immediately or allow time for the probate process to begin.

Homestead of a Member of the United States Armed Forces, Peace Corps, or VISTA

Real estate that is occupied and used for the purpose of a homestead by a person or by a member of that person's immediate family should remain classified as a homestead even though the person or family is **absent due** to the person being on active duty with the United States Armed Forces or serving as a volunteer under either the VISTA or Peace Corps programs.

The homestead **must first be established before being called to active duty** or prior to serving as a volunteer under these programs to continue receiving homestead during the person or family's absence. The owner must **intend to return to the property** and claim it as his/her homestead as soon as he/she is discharged or relieved from service. The property may be rented out and still retain the homestead so long as the person or family intends to return.

It should be noted that the military service person or volunteer **must maintain their Minnesota residency** for income tax purposes to continue to homestead their property.

In the case of a person who is **absent solely because he/she is on active duty** with the United States Armed Forces, homestead benefits may be granted even if the property has not been occupied as a homestead by the person or member of the person's family (i.e., the homestead does **not need to be established** prior to being called away from home to active duty).

To qualify, the person who acquires the property must notify the assessor of the acquisition and of his/her absence due to military service. When the person returns from military service and occupies the property as a homestead, he/she shall notify the assessor, who will provide for an abatement of the difference between the homestead and non-homestead taxes for the current and two preceding years – not to exceed the time the person owned the property.

Townhomes, Condominiums, Cooperatives and Common Areas

Upon meeting all other requirements and qualifications, a townhome or condominium unit, including a proportionate share of land and its interest in any common areas, shall be awarded the homestead benefits. The value of the unit's interest in the common area **should** be included in the total value of the unit along with the proportionate share of land.

If the condominium, cooperative, or townhome property is owned by the occupant and used for the purposes of a homestead but is located upon **land which is leased**, that leased land must be valued and assessed as if it were homestead property within class 1 (residential) if all the following criteria are met:

1. the occupant is using the property as his permanent residence;
2. the occupant or the Cooperative Association is paying the ad valorem property taxes and any special assessments levied against the land and structure;
3. the occupant or the Cooperative Association has signed a land lease; and
4. the term of the land lease is at least 50 years, notwithstanding the fact that the amount of the rental payment may be renegotiated at shorter intervals.

Owner-Occupied Hotel/Motel and Cooperative Property

Homestead benefits may be granted to owner-occupied motel property if the person who is residing at the motel is **using that property as a homestead**, is part-owner of the motel and is actively engaged in the operation of the motel business. The homestead is limited to the portion of the motel occupied by the person (no common area). Homestead treatment applies even if legal title to the property is in the name of a corporation or partnership and not in the name of the individual person residing at the motel.

Special Agricultural Homesteads

Special agricultural homesteads were introduced after a series of floods in the late 1990's forced residents off their properties. The legislature introduced these measures to allow those affected to retain their homesteads, even though they **did not occupy** the property anymore. Today, special agricultural homestead has expanded to include many scenarios that are not predicated on natural disasters. Given the rapid expansion of statute, some scenarios can be more difficult to evaluate than they appear.

What is the difference between agricultural homesteads and special agricultural homesteads?

- **Agricultural homesteads** are granted when a property owner/qualifying person **lives** on the farm and meets all requirements.
- **Special agricultural homesteads** are granted when the property owner/qualifying **person does not live** on the farm but lives within 4 cities/townships of the agricultural property.

In most cases, if a property is occupied, it **doesn't matter who farms** the land to qualify for agricultural homestead; but when the property is unoccupied the **farmer/operator of the land is a very important factor** when determining whether that property qualifies for special agricultural homestead.

All **special agricultural homesteads** must meet the following basic requirements:

- The agricultural property is at least 40 acres, including undivided government lots and correctional 40s.
- The person receiving homestead and their spouse must not claim another agricultural homestead in Minnesota.
- The person receiving homestead and their spouse must live within four cities or townships of the agricultural property.
- The person receiving homestead must be a Minnesota resident.

Agricultural land can be owned in a variety of ways and the type of ownership effects the requirements for the property to qualify for homestead. In most situations, agricultural land is owned by:

- An individual
- A trust
- A family farm entity

The homestead requirements for each of these ownership types are different. There are three applications and three flowcharts available for assessors to use to determine if a property qualifies for special agricultural homestead. Flowcharts are found in the Property Tax Administrator's Manual, Module 4. Applications are available in Virtual Room.

Rescinding a Homestead

The Department of Revenue is of the opinion that it is inappropriate for taxpayers to attempt to retroactively change their homestead status. A homestead application is a legal document. By completing one, and thereby securing the corresponding tax benefit, taxpayers are certifying that they are residents of Minnesota, the property they are claiming as their homestead is their primary place of residence, and they have a sufficient ownership interest to entitle them to the homestead classification. A homestead application cannot be rescinded or undone by applicants once application has been made.

If a homestead has been improperly claimed, the county auditor must determine the amount of homestead benefits the owner received. The owner must reimburse the county for the difference in tax between homestead and non-homestead and pay a penalty equal to 100 percent of the homestead benefits.

It should also be noted that Minnesota Statutes, Section 609.41 provides for a fine of not more than \$3,000 or more than one year in prison for intentionally making a false statement, either orally or in writing for the purpose of reducing a tax.

OFFICE USE ONLY

Applicant Name _____

Assessment Year _____

Assessor or Representative's Signature _____

Date _____

Type of Application

- Owner Occupied
- Relative/Residential
- Relative/Agricultural

Determination

- Approved
- Denied

Homestead Application

Please read the instructions for important information on due dates and application requirements before completing this form. The qualifying occupant or occupants should complete this application. A qualifying occupant is an occupying owner and their spouse (if applicable) or an occupying relative and their spouse (if applicable).

Section 1: Homestead Property Information

Address of Homestead _____

City	State	ZIP Code	County
Date Purchased	Date Occupied		

Property ID Number (Found on the Property Tax Statement) _____

Is the property owned by a trust? Yes No *If yes, attach documents showing the ownership interests of the trust.*

Are there multiple owners of the property (not including spouses)? Yes No *If yes, please provide the number of owners.* _____

Section 2: Occupant Information

Occupant First Name and Middle Initial	Occupant Last Name	Social Security Number/ITIN
Phone Number	Email Address	

Occupant's Mailing Address (if different than homestead property) _____

City	State	ZIP Code
------	-------	----------

Are you listed as an owner on the deed? Yes No *If yes, do not complete section 4, Relative Homestead.*

Are you a Minnesota resident? Yes No

Marital Status: Single Married Divorced Legally Separated Widowed

Your Previous Address	Date Vacated		
City	State	ZIP Code	County

Did you claim homestead at your previous address? Yes No *If yes, what happened with your previous homestead (sold, rented, etc.):* _____

Section 3: Spouse Information

Spouse of Occupant First Name and Middle Initial		Spouse of Occupant Last Name		Social Security Number/ITIN	
Phone Number		Email Address			
Does the spouse occupy the property listed in Section 1? <input type="checkbox"/> Yes (List their previous address below) <input type="checkbox"/> No (List their current address below)					
Address				Date Vacated	
City		State	ZIP Code	County	

Complete sections 2a and 3a ONLY if there are other occupying owners not listed in section 2 or 3. If not, skip these sections.

Section 2a: Additional Occupant Information

Occupant First Name and Middle Initial		Occupant Last Name		Social Security Number/ITIN	
Phone Number		Email Address			
Occupant's Mailing Address (if different than homestead property)					
City		State	ZIP Code		
Are you listed as an owner on the deed?		<input type="checkbox"/> Yes	<input type="checkbox"/> No	<i>If yes, do not complete section 4, Relative Homestead.</i>	
Are you a Minnesota resident?		<input type="checkbox"/> Yes	<input type="checkbox"/> No		
Marital Status:		<input type="checkbox"/> Single	<input type="checkbox"/> Married	<input type="checkbox"/> Divorced	<input type="checkbox"/> Legally Separated <input type="checkbox"/> Widowed
Your Previous Address				Date Vacated	
City		State	ZIP Code	County	
Did you claim homestead at your previous address?		<input type="checkbox"/> Yes	<input type="checkbox"/> No	If yes, what happened with your previous homestead (sold, rented, etc.): _____	

Section 3a: Additional Spouse Information

Spouse of Occupant First Name and Middle Initial		Spouse of Occupant Last Name		Social Security Number/ITIN	
Phone Number		Email Address			
Does the spouse occupy the property listed in Section 1? <input type="checkbox"/> Yes (List their previous address below) <input type="checkbox"/> No (List their current address below)					
Address				Date Vacated	
City		State	ZIP Code	County	

Section 4: Relative Homestead

Complete this section **ONLY** if you are a qualifying relative applying for homestead. Otherwise, skip to Section 5. If there are multiple owners, please attach their information separately.

Property Owner First Name and Middle Initial	Property Owner Last Name	Your Relationship to Property Owner
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Property Owner Mailing Address

City	State	ZIP Code	County
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Phone Number	Email Address
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Is the property owner a Minnesota resident?

Yes No

Section 5: Signature

I certify that the above information is true and correct to the best of my knowledge. Minnesota Statutes, section 609.41, states that anyone giving false information in order to avoid or reduce their tax obligations is subject to a fine of up to \$3,000 and/or up to one year in prison.

This application must be signed by the occupant and their spouse (if applicable) and returned to the assessor.

Signature of Occupant	Date
Signature of Occupant's Spouse (If Applicable)	Date
Signature of Other Occupant (If Applicable)	Date
Signature of Other Occupant's Spouse (If Applicable)	Date

Complete entire application and mail along with all required attachments to your assessor.

Form CR-H Instructions

Who is Eligible for Homestead?

If you own and occupy your own property, you may be eligible to receive homestead. You must own the property and occupy it as your primary residence no later than December 31 of the current year to receive homestead for taxes payable next year. For information about the benefits of homestead, please contact your assessor.

How and When to Apply

Complete and mail the application to your assessor within 30 days of establishing homestead, no later than December 31 to be eligible for homestead in the next tax year.

For manufactured homes, if you do not own the land the home is on, you must submit the application by May 29 to be eligible for homestead in the current tax year.

You do not have to reapply for each year. The assessor may ask for an updated application at any time.

Each applicant who occupies the property must provide a Social Security or Individual Tax Identification number and sign the form. Spouses of the applicants must also provide their Social Security or Individual Tax Identification number, even if they do not occupy the property.

What if My Property is Held Under a Trust?

If the property is owned by a trust, the grantor of the trust is considered the owner when completing this application. The assessor may ask for additional information, including:

- Name and type of trust
- Grantors of the trust
- Signatures of the grantors and date of those signatures

Required Attachments

If any owners or owners' spouses do not occupy the property, you must provide their names and addresses to the assessor.

The spouse of the occupant must provide their Social Security or Individual Tax Identification number, even if they do not occupy the property.

If there are more than two qualifying occupants, attach another application with the occupant and occupant's spouse (if applicable) sections completed.

What is a Qualifying Relative?

Qualifying relatives for both agricultural and residential homestead include: parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of the owner, by blood or marriage.

Use of Information

The information on this form is required by Minnesota Statutes, section 273.124 to properly identify you and determine if you qualify for homestead. Your Social Security or Individual Tax Identification number is required. If you do not provide the required information, your application will be denied. If you provide your Social Security or Individual Tax Identification number thereafter, the effective date of the homestead classification may be delayed. Your Social Security or Individual Tax Identification number is considered private data for purposes of establishing homestead.

Penalties

Making false statements on this application is against the law. Minnesota Statutes, section 609.41, states that anyone giving false information in order to avoid or reduce their tax obligations is subject to a fine of up to \$3,000 and/or up to one year in prison.

If you falsely claim homestead, you may be assessed a penalty equal to in the amount of the additional tax that would have applied to your property if it had not been considered homestead.

Questions?

Contact the assessor's office for assistance.

Special Programs

Special Property Tax Programs

Minnesota law has several property tax programs that provide reduced taxable property values, exclusions, deferrals, etc. Comprehensive information on these programs is available on the Department of Revenue's website, in the Property Tax Administrator's Manual, Module 2-Valuation.

Plat Law

Vacant Land Platted – Metropolitan Counties

All platted land located in a metropolitan county, and not improved with a permanent structure may be eligible for a platted land deferral. The assessor must determine the market value of each individual lot based upon the highest and best use of the property as un-platted land.

The taxable market value determined in the above paragraph is increased for each of the **three assessment years** immediately following the final approval of the plat: one-third of the difference between the property's un-platted market value as determined under the above paragraph and the market value based upon the highest and best use of the land as platted property shall be added in each of the three subsequent assessment years.

Any increase in market value after the first assessment year following the plat's final approval shall be added to the property's market value in the next assessment year. If construction begins or it is sold or transferred before the expiration of the three-year phase-in period, that lot is eligible for revaluation in the next assessment year. The market value of a platted lot shall not exceed the value of that lot based upon the highest and best use of the property as platted land. An example of this provision is shown below (Minnesota Statutes, Section 273.11, subdivision 14a).

"Metropolitan County" means the counties of **Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.**

Vacant Land Platted – Non-Metropolitan Counties

All platted land located outside the seven-county metro area is given a **seven-year** phase-in period; the law largely mimics the one for metropolitan counties. (Minnesota Statutes, Section 273.11, subdivision 14b)

Example of Plat Law Valuation for Metropolitan Counties

Bowling Green subdivision is a new residential subdivision located in Carver County. The developers are platting the 100-lot subdivision from a 45-acre piece of agricultural property. The value of the agricultural parcel for assessment year one is \$100,000. It is estimated that the residential lots will sell for approximately \$50,000 each once the subdivision is completed.

The agricultural piece is subdivided into 100 lots in September of assessment year one. When splitting a property, the value and classification cannot change during the year of the split. Therefore, the agricultural piece of property is subdivided into 100 lots, each with an agricultural classification and each valued at \$1,000 for assessment year one.

For assessment year two, each lot is given an EMV of \$50,000. The value is to be phased-in over a three-year period. The following steps illustrate how to calculate the platted values.

First, calculate the total amount to be phased in:

\$50,000	-	\$1,000	=	\$49,000
(Full EMV as platted land)		(Assessment year one EMV before platting)		(Total amount to be phased in)

Next, calculate the amount to be phased in each year:

\$49,000	/	3	=	\$16,333 or \$16,300 rounded
(Total amount to be phased in)		(Length of phase-in period)		(Amount to be phased in each year)

For assessment year two, phase-in one third of the value:

\$16,300	+	\$1,000	=	\$17,300
(Amount to be phased in each year)		(Assessment year one EMV before platting)		(One-third of the value is phased in)

For assessment year three, phase-in an additional one-third of the value (for a total of two-thirds):

\$17,300	+	\$16,300	=	\$33,600
(Assessment year two value)		(Amount to be phased in each year)		(Two-thirds of the value is phased in)

For assessment year four, the land goes to full value – \$50,000

This example assumes that there is no change in the market for residential lots during the phase-in period. It also assumes the lot was not built upon, sold, or transferred during the phase-in period.

Green Acres

Green Acres, formally known as the Minnesota Agricultural Property Tax Law, provides for deferment of certain assessments and taxes payable on class 2a agricultural land for which estimated market values have increased due to nonagricultural factors, such as potential residential or commercial development or hunting land.

Property owners can apply for deferment of higher valuations and consequent taxes payable, including certain special assessments, and continue to have the property valued based on agricultural use. (Minnesota Statutes, Section 273.111)

Qualifications for Green Acres

Real estate consisting of at least 10 acres (or that is a nursery or greenhouse) and **classified as class 2a** is eligible for valuation and tax deferment under Green Acres. It must be primarily devoted to agricultural use and **meet one of the following qualifications**:

1. The owner, the owner's surviving spouse, child, or sibling occupies the agricultural parcel which includes any contiguous parcels which are all farmed in conjunction with the occupied parcel.
2. The applicant or the applicant's spouse/parent/sibling has owned the contiguous and unoccupied agricultural parcel(s) for at least 7 years.
3. The applicant or the applicant's spouse/parent/sibling has owned the non-contiguous and unoccupied agricultural parcel(s) for at least 7 years.
4. The agricultural parcel(s) is owned by a family farm entity or authorized farm entity under M.S. 500.24, and it is the homestead of a member/shareholder/partner of the authorized entity.
5. The agricultural parcel(s) is owned by an entity, not regulated under M.S. 500.24, however the majority of the members/partners/shareholders are related and at least one of the members/partners/shareholders either occupies the parcel(s) or actively farms the parcel(s).
6. An individual owns a nursery or greenhouse that is classified as agricultural.
7. A sole proprietor/partnership/corporation owns a nursery or greenhouse that is classified as agricultural.

Application

Application for deferment of taxes and assessment under Green Acres is to be filed with the assessor on or **before May 1** of the assessment year to be eligible for the following tax payable year. Green Acres treatment continues for subsequent years until the property no longer qualifies.

Valuation

The taxable value of any real estate that qualifies for Green Acres tax deferral is to be determined solely with its reference to its appropriate agricultural classification. It should not include any added values resulting from non-agricultural forces.

The Commissioner of Revenue is responsible for determining agricultural values without regard to non-agricultural influences for each county in the state. The commissioner assigns these values annually to be used as the basis for determining the taxable agricultural value for all properties in the county qualifying for Green Acres.

The assessor is still required to make a separate determination of the market value of the real estate. The difference between the tax based upon the agricultural value and the tax based upon the market value (highest and best use value) is the amount of tax which is deferred due to Green Acres.

Deferred Taxes and Special Assessments

The tax imposed by the Green Acres Law is a lien against the property assessed to the same extent and duration as other taxes imposed upon property in the state. The tax is extended by the County Auditor and is collected and distributed in the same manner as other property taxes.

When real property that has been valued and assessed according to the Green Acres law no longer qualifies, the portion that no longer qualifies is to be subject to additional taxes. The additional tax is the difference between the tax that is based upon the agricultural value and the tax that is based on the highest and best use value of the land for the **current and two previous assessments**.

The tax that is based upon the highest and best use value is not to be greater than if the actual sale price in an arm's-length transaction had been used in lieu of the market value.

The legislature has also determined that certain transfers do not constitute a change of ownership for Green Acres purposes. The following transfers would not flag the payback or new application requirements:

- Death of a property owner when a surviving spouse retains ownership
- Divorce of a married couple when one of the spouses retains ownership
- Marriage of a single property owner when that owner retains ownership of the property in whole or in part
- Organization into or reorganization of a farm entity ownership under section 500.24 if all owners maintain the same beneficial interest both before and after the organizational changes
- Placement of the property in trust provided the individual owners of the property are the grantors of the trust and they maintain the same beneficial interest both before and after the placement of the property in trust

Rural Preserve

The Rural Preserve Property Tax Program is designed for **class 2b rural vacant lands** that are either part of an agricultural homestead or were properly enrolled in Green Acres for the 2008 assessment.

Lands enrolled in the program are treated like lands enrolled in Green Acres: the land is valued by the assessor without non-agricultural influences and at market value. Taxes are paid on the lower value, and the difference is deferred. Once the property no longer qualifies the deferred amount for the current and two prior years is paid back.

Qualifications for Rural Preserve

To be eligible for this program, the following requirements must be met:

- The land must be class 2b.
- The land must be part of an agricultural homestead, and contiguous to class 2a land enrolled in Green Acres, or 2b lands that were properly enrolled in Green Acres for the 2008 assessment and contiguous to the 2a land that is still enrolled
- There can be no delinquent taxes and the land cannot be concurrently enrolled in Green Acres, Open Space, Sustainable Forest, or Metropolitan Agricultural Preserves.

Application

Property owners will need to make application to the County Assessor **by May 1** to be eligible for deferred taxes in the following year under this program.

Valuation

Land enrolled in this program will be valued by the assessor without consideration of commercial, industrial, residential, or seasonal recreational land use influences. It also cannot exceed the prescribed 2a tillable value for that county. The house, garage, and immediately surrounding one acre of land and a minor, ancillary nonresidential structure (if applicable) are valued according to their appropriate value.

In addition to the Rural Preserve value, the assessor is to make a separate determination of the market value of the real estate. The tax based on the classification rate and the market value is to be recorded on the property assessment record. The difference between the tax based upon the rural preserve value and the tax based upon the market value (highest and best use value) is the amount of tax which is deferred.

Deferred Taxes and Special Assessments

As with Green Acres, upon withdrawal from the program or no longer being eligible for enrollment, deferred taxes for current and two prior years is collected for the land that was enrolled. The tax that is based upon the highest and best use value is not to be greater than if the actual sale price in an arm's-length transaction had been used in lieu of the market value.

The legislature has also determined that certain transfers do not constitute a change of ownership for Rural Preserve purposes. The following transfers would not flag the payback or new application requirements:

- Death of a property owner when a surviving spouse retains ownership
- Divorce of a married couple when one of the spouses retains ownership
- Marriage of a single property owner when that owner retains ownership of the property in whole or in part
- Organization into or reorganization of a farm entity ownership under section 500.24 if all owners maintain the same beneficial interest both before and after the organizational changes
- Placement of the property in trust provided the individual owners of the property are the grantors of the trust and they maintain the same beneficial interest both before and after the placement of the property in trust

Open Space

The Minnesota Open Space Property Tax Law Provides for deferment of assessment and taxes payable on private outdoor, recreational, open space, and park lands whose valuations have been increased by assessors to reflect values in excess of open space values due to potential residential or commercial land development pressures on the market. The law provides those certain owners of open space land may apply for deferment of higher valuations and taxes and have the property valued based upon its open space usage. The law protects recreational land from development pressures.

Requirements for Qualification

Real estate is entitled to the valuation and tax deferment under the Open Space law only if it meets the following qualifications:

- It is actively and exclusively devoted to golf, skiing, lawn bowling, croquet, polo, archery, or firearms range recreational use, or other recreational uses carried on at the establishment;
- It must be five acres or more in size, except for a lawn bowling or croquet green or an archery or firearms range;
- It must meet one of the following:
 - It must be operated by private individuals or, in the case of a lawn bowling or croquet green, by private individuals or corporations and be open to the public;
 - It must be operated by firms or corporations for the benefit of employees or guests;
 - It must be operated by private clubs having a membership of 50 people or more, or be open to the public, provided that the club does not discriminate in membership requirements or selection based on sex or marital status; and
 - It must be made available for use, in the case of real estate devoted to golf, without discrimination based on gender during the time when the facility is open for use by the public or by members except that use for golf may be restricted based on gender no more frequently than one, or part of one, weekend each calendar month for each gender and no more than two, or part of two weekdays each week for each gender.

There is special legislation regarding the valuation of private golf courses that do not qualify for the reduced valuation and tax deferment provided by the Open Space law. Real estate devoted to golf and operated by a private club that does not meet the requirements of the Open Space law and is not eligible for the valuation and tax deferment, must be valued by the assessor as if it were converted to commercial, industrial, residential, or seasonal residential use and were platted and available for sale as individual parcels.

Application

Application for deferment of taxes and assessment under this section shall be made at least 60 days prior to January 2 of each year, and the assessor may require proof by affidavit or other written verification that the property meets the requirements for qualification.

In the case of property operated by private clubs having a membership of 50 or more, or open to the public, the taxpayer also must submit to the assessor proof by affidavit or other written verification that the bylaws or rules and regulations of the club do not discriminate in membership requirements or selection based on gender or marital status.

Valuation

The value of any real estate that qualifies under the Open Space law, upon timely application by the owner, is to be determined solely with reference to its appropriate private outdoor, recreational, open space and park land classification and value. In determining such value, the assessor is not to consider the value such real estate would have if converted to commercial, industrial, residential, or seasonal residential use.

The assessor is to also make a separate determination of the market value of the real estate. The tax based upon the appropriate local tax rate applicable to such property in the taxing district shall be recorded on the property assessment record. The difference between the tax based upon the property's Open Space value and the tax based upon the property's market value is the amount of tax that is deferred under the Open Space law.

Deferred Taxes

The tax imposed by the Minnesota Open Space Property Tax Law is a lien upon the property assessed to the same extent and duration as other taxes imposed upon property in the state. The tax is to be annually extended by the county auditor and be collected and distributed in the same manner as for other property taxes.

Generally, when real property that is or has been valued and assessed according to the Open Space law no longer qualifies, that portion which no longer qualifies is to be subject to additional taxes in the amount equal to the taxes which were deferred. The additional taxes are to be extended against the property on the tax list for the current year and are only to be levied with respect to the last seven years which the property had been assessed under the Open Space law.

Sustainable Forest Incentive Act (SFIA)

The Sustainable Forest Incentive Act (SFIA) is a statewide program meant to promote sustainable forest resource management on the state's private and public land by encouraging the state's forest landowners to make a long-term commitment to sustainable forest management. The framework for the SFIA program is found in Minnesota Statutes, Chapter 290C. The program provides for incentive payments to be made to enrolled forest owners who practice long-term sustainable forest management as provided in an approved forest management plan. Many forest owners are still able to harvest timber while enrolled in the program.

The Department of Revenue receives applications for the SFIA program. The program is co-administered with the Department of Natural Resources (DNR). It is also important for assessors to be knowledgeable of the qualifications and requirements of the SFIA program so that the program can be administered properly and in accordance with the law. Assessors should be able to identify what property in their specific county is enrolled in the SFIA program. Although the Department of Revenue and DNR administers the SFIA program, assessors are in the best position to know if a property enrolled in the SFIA program is being used appropriately and continuing to meet all necessary requirements. If an assessor becomes aware of a property enrolled in the SFIA program that seemingly does not meet the requirements, the Department of Revenue should be contacted.

Landowners who own forest land, which will most likely be classified as class 2b rural vacant land, and have a forest management plan for their land, must record a restrictive covenant with the county recorder pledging not to develop their land in a manner inconsistent with the requirements and conditions of the SFIA program. After the covenant is recorded, landowners may apply to the Department of Revenue for enrollment. Once they are accepted into the program, the landowner will be mailed a certification letter each year which they must sign and return that indicates they are abiding by the provisions of the program. The landowner then receives an incentive payment each year shortly after October 1.

Eligibility Requirements

Property owners may be eligible to enroll qualifying "forest land" covered under a forest management plan ("forest stewardship plan") into the SFIA program if all the following requirements are met:

- The property owner owns 20 or more contiguous acres of land in Minnesota, of which at least 50 percent is considered "forest land" (see definitions).
- There are no delinquent property taxes owed on the land prior to enrolling, and the taxes must remain current while enrolled in the program.
- The land must have an active forest management plan in place that was prepared by an approved plan writer within the past ten years.

- Property owners must annually certify that the land is **not enrolled** in Reinvest in Minnesota (RIM), Conservation Reserve Enhancement Program (CREP), Conservation Reserve Program (CRP), Green Acres or Ag Preserves or 2c Managed Forest Land.
- The enrolled acres of land cannot be used for residential or agricultural purposes.
- Property owners enrolling more than 1,920 acres or land in a conservation easement in SFIA must allow motorized access on established and maintained roads and trails, unless the road or trail is temporarily closed for safety, natural resource, or road damage reasons.
- Property owner must agree to be enrolled in the program for a minimum of the full length of their covenant (8, 20, or 50 years).
- The covenant runs with the land. Any new owners must abide by the covenant. The new owner may apply for inclusion into the SFIA program to receive the incentive payment.

If the property meets all the qualifications for enrollment, the property owner must then record a covenant with the county recorder's office (or registrar for registered land) in which the land is located pledging not to develop the land. The covenant includes all parcels (of a specific property owner) in the county that will be enrolled in the SFIA program, even if the parcels are not contiguous. The covenant remains in effect for a minimum of the full length of the covenant (8, 20, or 50 years).

Applications

Property owners must complete, sign, and submit an application to the Commissioner of Revenue by **September 30** to begin receiving payments in the following year.

Certification Letter

On or before May 15 of each year, beginning with the year *after* the applicant has been approved for enrollment into SFIA, the Commissioner of Revenue will send each enrollee in the SFIA program a certification letter.

Annual Incentive Payment

Incentive payments are provided to property owners with land enrolled in the SFIA program and are paid on or before October 1 of each year to participants who signed and returned the certification letter by the due date of July 1 of that year.

The annual incentive payment depends on the length of covenant the land is enrolled under, and the total number of acres enrolled in SFIA, unless the land is also in a conservation easement. The amount each participant will receive is determined by multiplying the payment-per-acre by the number of enrolled acres. The payment received is taxable income to both individual taxpayers and entities.

The payment rates are adjusted each year based on statewide average market values and tax rates but will not increase or decrease by more than 10 percent per year. The 2023 payment rates are:

Covenant Length	Payment Rate (per enrolled acre)
8 years	Less than 1,920 acres enrolled: \$10.09 1,920 or more acres enrolled: \$13.98
20 years	Less than 1,920 acres enrolled: \$13.98 1,920 or more acres enrolled: \$17.86
50 years	Less than 1,920 acres enrolled: \$17.86 1,920 or more acres enrolled: \$21.74

Withdrawal Procedures

After a participant has been enrolled in the SFIA program for half the duration of their covenant length (4, 10, or 25 years, depending on the length of the covenant), they may notify, in writing, the Commissioner of Revenue of the intent to remove a parcel(s) of property from the program.

Termination will occur on January 1 after the waiting period that begins after the commissioner receives the termination notice. In other words, there is a waiting period (4, 10, or 25 years) between when the participant notifies the commissioner of termination and when termination from the program takes place. Therefore, the minimum enrollment in the program is 8, 20, or 50 years.

Assessor Duties for SFIA

- Be knowledgeable of SFIA rules and guidelines.
- Be aware of the property qualifying for SFIA in the assessor’s specific county in order to be able to properly administer other tax programs and classifications and assist in the proper administration of the SFIA program itself.
- Notify the department of property that is enrolled in SFIA but does not appear to be following the rules and guidelines.
- Advise property owners on possible options for their land including SFIA, Class 2c Managed Forest, Rural Preserve, etc.
- Assist property owners in locating the correct forms and web page.

Valuation Reduction for Homestead Property Damaged by Mold

The owner of homestead property may file an application with the assessor for a reduction in the market value of a property that has been damaged by mold. The notification must include the estimated cost to cure the mold condition provided by a licensed contractor. The estimated cost to cure must be at least \$20,000. Upon completion of the work, the owner must file an application on a form prescribed by the Commissioner of Revenue, accompanied by the copy of the contractor's estimate.

If the conditions listed above are met, the county board must grant a (one-time) reduction in the market value of the homestead dwelling equal to the estimated cost to cure the mold condition. If a property owner applies for a reduction between January 1, and June 30 of any year, the reduction should be applied to the current year's assessment for taxes payable in the following year. If the owner applies for a reduction between July 1 and December 31 of any year, the reduction applies for the following year's assessment.

A denial by the county board of commissioners may be appealed to Tax Court. If the county board fails to act within 90 days of the receipt of the application, it is an approval.

For the year following the assessment year in which the reduction is granted, any market value added by the assessor to the property resulting from curing the mold condition must be new construction and is not subject to limited market value.

In many instances, it will take more than one year from the time the mold problem is identified, the determination is made as to who is responsible for paying for the damage caused by the mold, and when the work is completed. Consequently, the assessor's EMV may already partially reflect loss in value due to the presence of mold for several years. If this is the case, it is important for assessors to remember that the value of the affected structure should be returned to the "pre-mold" value before subtracting the amount of the estimate under this program.

Property Tax Relief for Disaster and Destroyed Property

If a building is damaged because of a disaster, accident, or arson/vandalism by someone other than the owner, that building may be eligible for disaster-specific property tax relief. If this damage is widespread, the county or other jurisdiction may apply to the Executive Council to be a declared disaster area, increasing the relief received by property owners and allowing the state to reimburse those jurisdictions for all relief granted.

Minnesota laws provide three specific forms of disaster relief:

- local option disaster abatements (M.S. 273.1233) for taxes payable **in the year of the disaster or destruction**
- local option disaster credits (M.S. 273.1235) for taxes payable the **year following the disaster or destruction** (relating to the assessment year in which the disaster or destruction occurred); and
- homestead disaster credits (M.S. 273.1234) which are limited to homestead dwellings in a disaster area. The credit is for taxes payable the year **following the disaster or destruction** (relating to the assessment year in which the disaster occurred)

Local Option	
Available for both widespread disasters and isolated incidents	
Calculation changes dependent on if the property is inside a declared disaster area	
Reimbursed by the state if in a declared disaster area	
Building must be 50% damaged/destroyed	
Property owner must apply	
Abatement Only	Credit Only
Issued in the year of the disaster	Issued in the year following the disaster
Application is due “as soon as practical”	Application is due by the end of the year
Can be approved or denied by the county board	Can be approved or denied by the county board
If property taxes have been paid, can be sent as a refund to the property owner	

Declared Disaster Area

Requirements:

- the president of the United States, the secretary of agriculture, or the administrator of the Small Business Administration has determined that a disaster exists pursuant to federal law, or (ii) a local emergency has been declared pursuant to M.S. 12.29; **and**
- an application by the local unit of government requesting property tax relief under this section has been received by the governor and **approved by the Executive Council**.
- A reassessment of all damaged property in the jurisdiction is required to apply to the executive council.
- Minimum damage requirements: at least 25 taxable buildings were damaged, and average damage of all buildings at least \$5,000

Guidelines for Assessors

Reassessment Requirements

Reassessment of property is required for any of the methods of disaster-related property tax relief. This applies to properties located in a disaster or emergency area or to other properties that may not qualify as being in a disaster or emergency area, but which apply for local option relief.

The reassessed market value is the market value **of the property in its damaged condition**. This value does not replace the January 2 assessment value for the property but is used when calculating all disaster relief applicable to the parcel.

Assessors should perform **reassessments as soon as possible after a disaster** that might qualify as an official “disaster or emergency area” or as soon as possible after being notified by taxpayers who may apply for the local option relief for more isolated cases of destroyed property. This process should begin by viewing the properties to identify the damage that has occurred. Property owners will want to make repairs as soon as possible, so immediate inspections are very important for allowing taxpayers to commence repairs. Property owners will likely not realize the need to wait for the assessor’s inspection before commencing repairs, and when they are aware of this need, they should not be forced to wait long to repair their homes or businesses.

After a property has been repaired, any increase in value above the original pre-disaster value, should be treated as new construction in the next assessment. This prevents any increase in value resulting from the reconstruction from being subject to limited market value.

Local Option Disaster Abatement

Eligibility

The county board may grant an abatement of net tax for homestead and non-homestead property (except property that is required by law to be appraised by the commissioner of revenue) for taxes payable in the year in which the destruction occurs if:

- the property owner applies to the county assessor as soon as practical after the damage has occurred; and
- the property owner applies to the county board as soon as practical after the damage has occurred; and
- the county assessor determines **50 percent or more** of a homestead dwelling or other building has been (1) unintentionally or accidentally destroyed, or (2) destroyed by arson or vandalism by someone other than the owner.

Abatements granted by the county board are not subject to approval by the commissioner of revenue.

Computation

The county assessor (or the commissioner for state-assessed property) must establish a reassessed market value for all damaged property for which an application has been made or which is in a disaster or emergency area.

For property **located in a disaster or emergency area**, the abatement is limited to the difference between (1) the net tax on the property computed using the market value of the property established for the January 2 assessment in the year in which the damage occurred, and (2) the net tax computed using the reassessed market value.

For property **not located in a disaster or emergency area**, the abatement is limited to the result determined as follows:

1. Subtract the net tax computed using the reassessed market value from the net tax on the property computed using the market value established for the January 2 assessment in the year in which the damage occurred.
2. Multiply the remainder by a fraction representing the time its value was reduced (the numerator is the number of full months in the assessment year that the structure was **unusable**, and the denominator is 12). If the structure was usable for a fraction of a month, that month is not included in the numerator.

$$\left(\begin{array}{c} \text{Net Tax} \\ \text{(As computed using the market value} \\ \text{established January 2 of the year of the} \\ \text{destruction)} \end{array} - \begin{array}{c} \text{Net Tax} \\ \text{(As computed using the reassessed} \\ \text{market value established after the} \\ \text{destruction)} \end{array} \right) \times \frac{\begin{array}{c} \text{\# Of full months the} \\ \text{property was not usable} \end{array}}{12}$$

Payment

If the destruction occurs because of a **disaster or emergency in a disaster or emergency area**, the county auditor shall certify the abatements granted to the commissioner of revenue for reimbursement. **The state pays the reimbursement of the abatements** directly to the local taxing districts. The Department of Revenue pays each taxing district other than school districts, which are reimbursed by the Department of Education.

For abatements granted which are not eligible to be reimbursed by the state (abated tax for destruction occurring from something other than a disaster or emergency or destruction occurring outside a disaster or emergency area), local taxing authorities may levy in the following year the amount of unreimbursed tax dollars lost due to abatements granted under this program. The levy for this purpose would be outside any existing levy or tax rate limit.

Homestead Disaster Credits

Eligibility

Homestead dwellings **in a declared disaster or emergency area** which is physically damaged is eligible for homestead disaster credits. Homestead dwellings are defined as the house and garage for homestead properties. This **does not include** the land or other homesteaded structures. There is no minimum damage requirement or application needed.

Computation

The county assessor must establish a reassessed market value for all damaged property in a disaster or emergency area.

The county auditor shall compute a credit for taxes payable in the year following the year in which the damage occurred for each reassessed homestead located in a disaster or emergency area. The credit is equal to the difference between the net tax on the property computed using the market value of the property established for the January 2 assessment in the year in which the damage occurred, and the net tax computed using the reassessed market value.

There is no maximum credit limitation for the disaster credit.

Payment

The state pays the amount of disaster credit deducted from the taxpayer's tax directly to the local taxing districts. The Department of Revenue pays each taxing district other than school districts, which are reimbursed by the Department of Education.

Local Option Disaster Credits

Eligibility

The county board may grant a credit for taxes payable **in the year following the year in which the damage or destruction occurred**. To be eligible, properties must meet the same requirements for local option abatements under M.S. 273.1233 where:

- the property owner submits an application to the county assessor as soon as practical after the damage has occurred;
- the property owner submits an application to the county board as soon as practical after the damage has occurred; and
- the county assessor determines 50 percent or more of a homestead dwelling or other building has been (1) unintentionally or accidentally destroyed, or (2) destroyed by arson or vandalism by someone other than the owner.

A structure cannot receive both a local option credit and a homestead credit.

Computation

The county assessor must establish a reassessed market value for all damaged property in which a completed application is submitted.

For property **located in a disaster or emergency area**, the credit is limited to the difference between (1) the net tax on the property computed using the market value of the property established for the January 2 assessment in the year in which the damage occurred, and (2) the net tax computed using the reassessed market value.

For property **not located in a disaster or emergency area**, the abatement is limited to the result determined as follows:

- Subtract the net tax computed using the reassessed market value from the net tax on the property computed using the market value established for the January 2 assessment in the year in which the damage occurred.
- Multiply the remainder by a fraction representing the time its value was reduced (the numerator is the number of full months in the assessment year that the structure was **unusable**, and the denominator is 12). If the structure was usable for a fraction of a month, that month is not included in the numerator.

$$\left(\begin{array}{c} \text{Net Tax} \\ \text{(As computed using the market value} \\ \text{established January 2 of the year of the} \\ \text{destruction)} \end{array} - \begin{array}{c} \text{Net Tax} \\ \text{(As computed using the reassessed} \\ \text{market value established after the} \\ \text{destruction)} \end{array} \right) \times \frac{\begin{array}{c} \text{\# Of full months the} \\ \text{property was not usable} \end{array}}{12}$$

Senior Citizen Property Tax Deferral Program

The Senior Citizen Property Tax Deferral Program under Minnesota Statutes, Chapter 290B, was established to help senior citizens who have difficulty paying their property taxes. This **voluntary** deferral program provides two primary advantages for seniors: it limits the amount of property tax they pay to 3 percent of their total household income; and it provides predictability, in that the amount of tax paid does not change if participation in the program continues.

Qualifications

To qualify for the Senior Citizen Property Tax Deferral Program the following qualifications must be met:

- The property must be **owned and occupied** as a homestead by a person who is **65 years of age or older**.
- In the case of a married couple, only one of the spouses must be at least 65 years of age (the other must be at least 62)
 - This is true regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status.
- The total household income of the qualifying homeowners, for the calendar year preceding the year of the initial application **may not exceed \$96,000**.
- The property must have been owned and occupied as the homestead of at least one of the qualifying homeowners for **at least five years** prior to the year of initial application.
- There are **no state or federal liens** or judgments on the property.
- Mortgages and other liens **do not exceed 75 percent** of the assessor's EMV for the year.

Application for Deferral

A taxpayer meeting the program qualifications may apply to the Commissioner of Revenue for the deferral of taxes. Applications are **due on or before November 1** for deferral of any of the following year's property taxes. The Commissioner must review all initial applications, make qualification determinations, and notify all qualifying homeowners on or before December 1.

Termination of Deferral

The deferral of taxes granted under this program terminates when one of the following occurs:

- The property is sold or transferred;
- The death of all qualifying homeowners;
- The homeowner notifies the Commissioner of Revenue in writing that the homeowners wish to discontinue the deferral; or
- The property no longer qualifies as a homestead.

Homestead Exclusion for Veterans with a Disability

Introduction

Minnesota Statutes, section 273.13, subdivision 34 provides a market value exclusion to qualifying disabled veterans, their surviving spouses, their primary family caregivers, and surviving spouses of service members who die while serving honorably in active duty. This is **not a property tax exemption**, and it is not a tax forgiveness program. Rather, it lowers property tax liability by subtracting the amount of the exclusion from the assessor's estimated market value to arrive at a lower taxable market value. Special assessments or other taxes that are not ad valorem property taxes will not be affected by this value exclusion.

This program provides two different levels of market value exclusion to qualifying veterans:

- **\$150,000** market value exclusion on homesteaded property for veterans with 70% to 100% service-connected disability
- **\$300,000** the market value exclusion on homesteaded property of veterans with 100% total and **permanent** service-connected disability.
 - **Note:** there are some exceptions to the 100% rating requirement, these are explained in the "exceptions" section of this workbook.

Qualifications

To qualify for the exclusion, a qualifying veteran must:

- have been honorably discharged from the United States armed forces
- have a service-connected disability rating of 70% or higher that is certified by the United States Department of Veterans Affairs (VA)
 - **Note:** There are some exceptions for veterans that have a lower than 70% disability rating
- qualify for homestead on the property they own and occupy
- apply to the county assessor's office by December 31

Qualifying for the \$150,000 Market Value Exclusion

Veterans with 70% or more service-connected disability must make application to the assessor for the \$150,000 market value exclusion. 70% or more includes veterans with 100% disability that is **not considered permanent**.

Veterans qualifying for the \$150,000 exclusion must complete the application and submit it to the county assessor's office by December 31 to be eligible for the exclusion **for that assessment year**. The veteran does not need to reapply unless their disability rating drops below 70% or increased to 100% total and permanent.

Qualifying for the \$300,000 Market Value Exclusion

Veterans with 100% total and permanent service-connected disability must make application to the assessor for the \$300,000 market value exclusion.

Veterans qualifying for the \$300,000 exclusion must complete the application and submit it to the county assessor's office by **December 31** to be eligible for the exclusion **for that assessment year**. The veteran does not need to reapply unless their disability rating changes, the ownership changes, and/or the use of the property changes.

Basic Requirements of the Exclusion

- Application for this valuation exclusion is **not a substitute for the homestead application**. The property must qualify for homestead before being granted valuation exclusion under this program.
- For **agricultural property**, only the house, garage, and immediately surrounding one acre of land qualify for the valuation exclusion. Excess land and buildings are not eligible for the valuation exclusion.
- Residential and agricultural (HGA) homestead properties that receive this exclusion are **not eligible to receive the homestead market value exclusion** provided under Minnesota Statutes, section [273.13](#), subdivision 35. Excess agricultural land and buildings will continue to receive the agricultural homestead credit provided in section [273.1384](#), subdivision 2.
- **Relative homesteads do not qualify** for this program. A property must be both owned and occupied by a qualifying individual before being eligible for the market value exclusion.
- Fractional homesteads will receive a fractional benefit.

Application Requirements

When a qualifying veteran wants to apply for the exclusion, they must obtain a copy of the application from the county assessor's office. The veteran must complete the application in its entirety and include information such as:

- Social security numbers of the veteran and their spouse
- Physical address
- Homestead status
- Verification of disability status
- Signature

Along with the application, veterans are required to submit additional documentation so that the assessor's office can verify that all requirements have been met. The additional documents that must be included with the application are:

- Official military discharge papers such as the DD214 or something equivalent that verifies that the veteran was honorably discharged
- Forms that provide proof of the service-connected disability status and rating which are certified by the Veteran's Affairs (VA) office.

Veterans can obtain this information through the county veterans service office or the Veteran's Affairs office. The application and the additional information must be submitted to the assessor by **December 31**.

Once the application is approved and the exclusion is granted, the veteran does not need to reapply each year to have the exclusion remain on the property. Minnesota Statutes do require that the veteran's disability rating and permanent address are certified annually by the county veteran service officer (CVSO).

Annual Certification

Each year, after the exclusion is granted, the CVSO is responsible for verifying continued qualifications of a veteran who is receiving the exclusion **by July 1** of the assessment year. This includes certifying the disability rating of the qualifying veteran as well as the veteran's physical address. That disability rating certification must be used for the current assessment year. Any rating changes **occurring after July 1** should be reflected in the CVSO's certification in the next year and should affect that respective assessment year. Each CVSO will have their own process in place to provide the information that assessors need to continue granting the exclusion, therefore the department highly recommends that assessor offices work very closely with their CVSO's. Minnesota statute does allow CVSO's and assessors to share private information to determine a veteran's qualification for the exclusion. This includes sharing a veteran's social security number for the purpose of determining a person's eligibility for this program.

The Role of the Assessor's Office

The assessor's office is the primary administrator of the program. All applications go through the assessor's office and determinations are made by the assessor's office on whether a property qualifies or not, based on the information provided. The assessor's office performs the following duties:

- **Receive and process applications from qualifying veterans with a disability, surviving spouses, and primary family caregivers.** The applications may include a letter from the U.S. Department of Veterans Affairs attesting to service-connected disability and discharge, or both a DD214 (or other official military discharge papers) and an up-to-date service-connected disability rate sheet. All initial applications and supporting documentation are due by December 31 to be eligible for that same assessment year.
- **Work with your CVSO** each year following initial application to certify the disability rating and permanent address of each veteran receiving and/or seeking to receive the exclusion. The exclusion **must be removed** if the CVSO cannot certify the disability rating. We suggest sending a denial letter to the veteran explaining the CVSO was unable to certify their information. CVSO's are required to certify disability rating and permanent address by July 1 of each assessment year.
- **Continue to estimate market value for the properties in question.** This valuation exclusion will be deducted after calculating any other deferred valuations or exclusions to arrive at the taxable market value. This valuation exclusion will be deducted from the estimated market value after other exclusions for Plat Law, Mold Damage, etc. to arrive at the taxable market value. (The homestead market value exclusion is **not** applied to properties receiving the homestead exclusion for veterans with a disability.) Additionally, tax statements, value notices, and Truth in Taxation notices will continue to be sent.
- **Exercise caution when questioning disability ratings.** Although as an assessor you may only be aware of a small disability such as a knee injury, you would not be able to ascertain other circumstances such as post-traumatic stress disorder, Agent Orange contamination, head trauma, back trauma, etc. Moreover, it is not important for you to be able to ascertain these extenuating circumstances. Disability ratings are very personal and private. Discussing these disabilities or questioning them with third parties opens the door for lawsuits and administrative repercussions.

The county assessor's office and the Department of Revenue **are not** responsible for determining the disability status of veterans. Applicants requiring information concerning their discharge or disability status must work with their County Veterans Service Office or the Department of Veterans Affairs to receive this information from the VA.

Removing or Changing the Exclusion

There are multiple situations as to why a veteran would no longer qualify for the exclusion and the exclusion needs to be removed or changed. Some of those situations include:

- The veteran no longer qualifies for homestead
- The use of the property changes
- The homestead status has changed based on ownership changes (fractional homestead)
- The veteran has died and does not have a surviving spouse
- The disability ratings changed, and the veteran no longer qualifies
- The CVSO does not certify the disability ratings and/or address by July 1

As soon as the county is made aware that something has changed and that the property no longer qualifies, the exclusion should be removed. The only time the exclusion cannot be removed immediately is when the taxes have already been calculated on the property for that taxable payable year.

Moving to a new property after January 2

Occasionally, qualifying veterans will move to a new property after the homestead has been granted an exclusion from property tax. In most cases, the exclusion would be removed from the current home that is being sold immediately and the exclusion would “move” with the qualifying veteran to the new property, assuming the new property is homesteaded. Qualifying veterans who own and occupy a property as a homestead by December 31 will receive the exclusion if they apply on the new property by this date, the exclusion will be for the current assessment year for taxes payable the following year.

It is important to note that **once taxes have been extended against a property, the exclusion cannot be removed.**

For example, if a veteran qualified throughout the 2023 assessment but sells the home in February 2024 and the taxes payable in 2024 have already been calculated, the taxes payable for 2024 would still reflect the 2023 assessment with the exclusion, although the qualifying veteran no longer owns the property. The veteran would be eligible to apply on the new property for the 2024 assessment (for taxes payable in 2025) by December 31; but the taxes on the new property for pay 2024 would not receive the exclusion based on the statutory application requirements.

If the veteran vacates the property and no longer qualifies for homestead but has not applied for homestead at a new property, the exclusion should still be removed as soon as practical if taxes have not been extended against the property. For example, if a veteran moves to a new state and rents his property, the exclusion would be removed.

Backdating/Change in Benefits

Once a veteran has applied and qualified for the exclusion, if the veteran's status changes to a higher level, there is no backdating the exclusion. The exclusion is granted based on the veteran's homestead and disability on the application date for the assessment year and may not be changed **until the following assessment year** to reflect any changes in disability status.

Other Situations that Qualify for the Exclusion

In most situations the veteran must be the property owner who must qualify the property for the exclusion, however Minnesota Statutes do provide some exceptions that allow some properties to qualify for the exclusion if they meet other requirements. These exceptions are focused on primary family caregivers of a veteran with a disability or a surviving spouse of a veteran with a disability.

Primary Family Caregivers

There are situations where a veteran does not own or homestead a property in Minnesota, however the veteran meets all the other requirements to qualify for the exclusion. In these situations, a primary family caregiver of the qualifying veteran with a disability could be eligible for the exclusion. The primary family caregiver would need to own and homestead property in Minnesota and be approved as the primary family caregiver by the United States Department of Veterans Affairs.

A primary family caregiver is defined as a person who is approved by the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers.

The VA administers the criteria and makes the determination on whether the family member is approved as the primary family caregiver or not. Upon approval, the VA will provide a VA Caregiver Support Approval Letter. It is not the responsibility of the assessor's office to determine whether a family member qualifies, the family member must contact the VA for more information on applying to be a primary family caregiver.

Primary family caregivers must apply for the exclusion by December 31 to be eligible for taxes payable in the following year. Applications must include necessary information to verify qualifications for **both the veteran and the primary family caregiver**. The primary family caregiver must provide a copy of the VA Caregiver Support Approval Letter as part of the application.

Surviving Spouses

Minnesota statutes provide a variety of ways for a surviving spouse of a veteran with a disability to qualify for the exclusion. Surviving spouses are required to apply by December 31 to qualify for the exclusion for that assessment year. Upon approval, the surviving spouse qualifies for the exclusion as a **lifetime benefit** if all requirements continue to be met.

Surviving spouses of veterans who were receiving the exclusion prior to their death

If a property was receiving the \$300,000 exclusion based on the veterans 100% total and permanent disability rating **prior to the veteran's death**, then a surviving spouse is eligible to **continue the exclusion** as a lifetime benefit for the tax's payable year of the veteran's death.

The surviving spouse would need to apply by December 31 of that assessment year to continue to receive the lifetime benefit. The lifetime benefit for the surviving spouse begins with the tax's payable year after the initial application is received. Typically, the benefit is removed if the spouse remarries, sells, transfers, or otherwise disposes of the property. However, Minnesota Statutes do allow the spouse to move one time and continue the lifetime benefit if all requirements are met.

Surviving spouses of veterans who were 100% total and permanent but not receiving the exclusion prior to their death

Minnesota statutes allows a surviving spouse to apply for the lifetime benefit even if the veteran **did not** apply for or receive the exclusion prior to their death. This is no longer a continuation of the exclusion, rather it is the surviving spouse applying as a first-time applicant. There are certain requirements that must be met for surviving spouses to qualify on their own after the veteran's death. Those requirements are:

- The veteran was honorably discharged and had a 100% total and permanent disability rating at the time of death
- The surviving spouse must be the legal or beneficial title holder to the homestead residence that was occupied by the veteran and must permanently reside there

The surviving spouse would need to apply by December 31 of that assessment year to receive the lifetime benefit. The lifetime benefit for the surviving spouse begins with the tax's payable year after the initial application is received. Typically, the benefit is removed if the spouse remarries, sells, transfers, or otherwise disposes of the property. However, Minnesota Statutes do allow the spouse to move one time and continue the lifetime benefit if all requirements are met.

Surviving spouses of service members who die in action

Minnesota statutes allows a surviving spouse of a service member of any branch of the armed forces who die while serving honorably in active duty to be eligible for the \$300,000 exclusion. Disability ratings are not considered in these situations however there are requirements that must be met before the surviving spouse can qualify for the lifetime benefit. Those requirements are:

- The United States Government forms DD1300 or DD2064 form must indicate that the veteran was serving honorably and died due to a service-connected cause while on active duty
- The surviving spouse must be the legal or beneficial title holder to the homestead residence and must permanently reside there

- The surviving spouse must apply **within two years** of the veteran's death

The surviving spouse must apply by December 31 of that assessment year to receive the lifetime benefit. The lifetime benefit for the surviving spouse begins with the tax's payable year after the initial application is received. Typically, the benefit is removed if the spouse remarries, sells, transfers, or otherwise disposes of the property. However, Minnesota Statutes do allow the spouse to move one time and continue the lifetime benefit if all requirements are met.

Surviving spouses who receive Dependency and Indemnity Compensation (DIC)

Dependency and Indemnity Compensation (DIC) is a benefit paid to eligible survivors of military service members who died in the line of duty, or eligible survivors of veterans whose death resulted from a service-related injury or disease. When a surviving spouse qualifies for DIC, the spouse does qualify for the \$300,000 exclusion amount as a lifetime benefit, regardless of a veteran's disability rating. The disability rating is **not considered** when DIC is awarded, therefore it is **not a factor** to require when determining if the spouse qualifies for the lifetime benefit. There are requirements that must be met for spouses that are receiving DIC to qualify for the lifetime benefit. Those requirements are:

- The veteran was honorably discharged
- The surviving spouse must be the legal or beneficial title holder to the homestead residence that was occupied by the veteran and must permanently reside there

The surviving spouse must apply by December 31 of that assessment year to receive the lifetime benefit. The lifetime benefit for the surviving spouse begins with the tax's payable year after the initial application is received. Typically, the benefit is removed if the spouse remarries, sells, transfers, or otherwise disposes of the property. However, Minnesota Statutes do allow the spouse to move one time and continue the lifetime benefit if all requirements are met.

Surviving Spouses Moving to a New Property

Minnesota Statutes allows a qualifying surviving spouse to sell the homestead where they had **initially received the spousal exclusion** and continue to receive the exclusion on a new property, provided that:

- The spouse had previously received the benefit on the initial property prior to moving
- The spouse qualifies for homestead on the new property
- The spouse applies for the exclusion for the new property by December 31
- The spouse holds ownership interest in the new property and permanently resides there
- The estimated market value of the new property **is equal to or lower than** the estimated market value of the initial property at the date of sale of the initial property
- The spouse has not previously received the exclusion on a property other than the initial property

The “initial property” refers to the homestead where the surviving spouse had first received the exclusion after the death of the veteran. This allowance went into effect in 2020, therefore any spouses that were receiving the exclusion and moved prior to 2020 would not qualify.

If a surviving spouse sells or transfers the initial property and moves to a new property, assessors must use the **January 2 estimated market value** for both the initial home and the new home when determining if the spouse qualifies for the benefit. Because statute makes no reference to the sale price, the estimated market value on the assessment date must be used. If there have been changes to the estimated market value by the Local or County Boards of Appeal and Equalization, the updated estimated market value should be used to determine eligibility.

Statute does require that the spouse sell, transfer, or dispose of the initial property prior to applying for the continuation of the benefit on the new property. Also, the surviving spouse must first qualify for homestead on the new property before they can qualify for the continuation of the lifetime benefit. Therefore, if a surviving spouse receiving the exclusion sells their property in Year 1 and purchases a new property in Year 2, the spouse would need to establish homestead and apply by December 31 of Year 2 to continue to receive the lifetime benefit on the new property.

Safe At Home Program

Safe at Home is a statewide address confidentiality program administered by the Office of the Minnesota Secretary of State.

Safe at Home is designed to help people who fear for their safety maintain a confidential address. Many times, program participants are survivors of domestic violence, sexual assault, or stalking.

When someone enrolls in Safe at Home, they are assigned a PO Box address that they can use as their legal address.

In Minnesota, all public and private entities must accept a participant's assigned address and a participant cannot be required to disclose their real address.

This allows a program participant to go about his or her daily life without leaving traces of where they can typically be located, such as their residential address, a school address, or an employment address. This safety measure is an attempt to keep their aggressor from locating them.

Safe at Home provides a first-class mail forwarding service to their home address because participants use a PO Box.

The participant's real address remains under security with the Safe at Home office. In addition to being the participant's agent to receive mail, the Office of the Minnesota Secretary of State is a participant's agent to receive service of process (legal papers).

What Does Safe at Home Look Like?

All Safe at Home participants share the same post office box, but each household is assigned a unique lot number. Occasionally, different adults within the same household will be assigned different lot numbers. A Safe at Home address is not complete without the lot number. Always include the participant's name and lot number when mailing something to a Safe at Home participant.

A Safe at Home address looks like:

LOT ### PO BOX 17370

SAINT PAUL MN 55117-0370

Every Safe at Home address is a Saint Paul address, no matter where a participant lives in Minnesota. The only Safe at Home post office box is the one indicated above.

Privatization of Property Records

Minnesota law allows for a Safe at Home participant to purchase a home after their Safe at Home enrollment and have all records regarding that property purchase and ownership privatized.

The Safe at Home participant is responsible for obtaining the appropriate forms from the Safe at Home office prior to the home purchase. The participant must provide proper notice to all parties involved in the home purchase before the home purchase is complete. It is highly recommended that a Safe at Home participant provide proper notice to all parties involved as soon as possible in the process. The law does not accommodate retroactive privatization. This means that once a home has been purchased record privatization under Safe at Home laws is not an option.

A Safe at Home participant who is considering purchasing a home should call the Safe at Home office at 651-201-1399 to discuss the proper steps and to obtain the necessary forms. It is recommended that a participant have a discussion with the Safe at Home office before they make an offer on a home.

Government Offices

Before the home purchase is complete, the Safe at Home participant will provide the county recorder's office with a Real Property Notice they have obtained from the Safe at Home office. Receipt of the notice requires the privatization of the property record and prohibits the sharing of their data without their written consent for a specific purpose. All real property records (which include homestead applications and processed ECRV's) related to the property and the individual in the notice are subject to the privacy requirements of Minnesota Statutes, section 13.045. A violation constitutes a violation of the Minnesota Government Data Practices Act.

Property Tax Administration and Safe at Home

Under the current Safe at Home program there are no provisions that would make a property owner ineligible for homestead. Property owners are advised to have a discussion with the assessor's office to let them know they are in the Safe at Home program.

Social Security Numbers are required for property owners that are enrolled in the program. The enrollment into the program does not give them permission to not include their SSNs on a homestead application. If the property owner has questions about the requirement of their SSN, they should contact someone at Safe at Home.

The property owner will use the PO Box as their address on the application. A homestead application, in its entirety, becomes private data when a property owner is in the Safe at Home program.

If the Secretary of State office has a copy of the real property notice, they will notify the county recorder's office of the participant's inactive status within 90 days of their withdrawal or cancellation.

The county should create procedures on what to do when a property owner is enrolled in the Safe at Home program.

If there are questions regarding confidentiality, program requirements, program enrollment verification or any other questions related to the Safe at Home program, the county should contact the administrators at the Safe at Home program.

By email: Safe.athome@state.mn.us or by phone: 651-201-1399 or 1-866-723-3035

Regular Property Tax Refund

The purpose of the property tax refund is to provide property tax relief to certain persons who own and live in their home, or who rent. The amount of the refund is based on the income of the owner or renter and the amount of the property tax. This type of refund is sometimes referred to as a “circuit breaker” since its function is to make the property tax less regressive.

General Rules

- The regular property tax refund is for people who own and reside in their home on January 2 of a given year.
- The total household income limits are regularly adjusted – see the Department of Revenue website for more detail.
- There is a maximum refund amount that is also regularly adjusted.
- A person who rents for part of the year and owns a home for part of the year may be eligible for a refund on both.
- Only one claimant per household per year is entitled to refund. For the purposes of this refund, married couples are considered as one claimant.
- In the case of a “relative homestead” neither the owner nor the related occupant may claim a property tax refund for the property occupied by the relative of the owner.
- The M1PR form is used to apply for property tax refunds. Forms and instructions are available with other U.S. and State of Minnesota tax forms as well as on the Department of Revenue’s website (www.taxes.state.mn.us).
- The filing deadline is August 15 of the year in which the property taxes are due and payable. Returns can be filed up to a year after the due date.
- Claimants must wait until they receive the current year’s tax statement to file for the refund.

Special Property Tax Refund

If the property taxes payable on a homestead increase more than 12 percent over the property taxes payable in the prior year on the same homestead property which is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is \$100 or more, the homeowner is eligible for the special property tax refund.

The increase cannot be due to new improvements or be attributable to the termination of value exclusion programs. There is no limit on household income for this refund. The amount of the refund is 60 percent of the property tax increase in excess of the greater of 12 percent increase or \$100. The maximum refund is \$1,000.

Again, the M1PR form contains all necessary instructions. The deadline to apply is **August 15 of the year in which the taxes are payable**. Returns can be filed up to a year after the due date.

Other Special Programs

You can find more information regarding special programs in the Property Tax Administration Manual, Module 2 Valuation and Module 6 Property Taxes. To access the manual, visit the DOR's website at: <https://www.revenue.state.mn.us/property-tax-administrators-manual>

You can also find information on these special programs on the Property Tax Information webpage at: <https://www.revenue.state.mn.us/property-tax-information>

For Office Use Only

Name of applicant _____ Assessment year _____

Assessor's signature _____ Date _____

Approved

Denied

CR-HESS

Homestead Exclusion for a Surviving Spouse of a Veteran who was Permanently Disabled or a Service Member Who Died While in Active Service

Applications are due by December 31. Read instructions before completing.

Property Owner	Last Name		First Name	M.I.	Social Security Number/ITIN
	Deceased Veteran's Last Name		Deceased Veteran's First Name	M.I.	Social Security Number/ITIN
	Address (Cannot be a P.O. Box Number)				Surviving Spouse's Email
	City	State	ZIP Code	County	
	Property ID Number (From Property Tax Statement):				Date of Death of Veteran
	Is this property your homestead? <input type="checkbox"/> Yes <input type="checkbox"/> No				
	Do you hold the legal or beneficial title to the homestead property? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Have you received this exclusion on a previous property? <input type="checkbox"/> Yes <input type="checkbox"/> No					
If yes, please provide the address of the previous property: _____					

Applicant Information	Check all boxes that apply.
	Surviving Spouses of Veterans with a Permanent and Total Disability Rating: I am the surviving spouse of a veteran who was receiving the Market Value Exclusion for Permanently and Totally Disabled Veterans on this property. I have attached verification of my benefits as a surviving spouse of a veteran with a 100% and permanent disability. <input type="checkbox"/> Yes <input type="checkbox"/> No
	I am the surviving spouse of a veteran who did not qualify prior to death, but was certified as 100 percent totally and permanently disabled at the time of death or after. I have attached verification of my benefits as a surviving spouse of a totally and permanently disabled veteran. I certify that, since my spouse's death, I have not remarried, nor sold, transferred, or otherwise disposed of the property. <input type="checkbox"/> Yes <input type="checkbox"/> No
	Surviving Spouses of Service Members Who Have Died While Serving in Active Duty: I am the surviving spouse of a service member of a branch of the United States Armed Forces that passed away due to a service connected cause while serving honorably in active duty. I have attached U.S. Government Form DD1300 or DD2064. <input type="checkbox"/> Yes <input type="checkbox"/> No
I have been awarded Dependency and Indemnity Compensation. I have attached verification of my benefits as a surviving spouse receiving Dependency and Indemnity Compensation. I certify that, since my spouse's death, I have not remarried, nor sold, transferred, or otherwise disposed of the property. <input type="checkbox"/> Yes <input type="checkbox"/> No	

Sign Here	<i>I declare all information on this form is true, correct, and complete to the best of my knowledge and belief.</i>		
	Signature of Applicant	Date	Daytime Phone

Please mail completed application and required attachments to your county assessor.

Form CR-HESS Instructions

Who is Eligible?

You may be eligible for a market value exclusion of up to \$300,000 if either of the following apply:

- You are the surviving spouse of a United States military veteran with 100% and permanent service-connected disability or you have been awarded dependency and indemnity compensation.
- You are the surviving spouse of a member of the United States Armed Forces who died due to a service connected cause while serving honorably in active duty, as indicated on U.S. Government Form DD1300 or DD2064.

You must be able to verify that you are a surviving spouse of a veteran with a 100% and permanent disability rating or a service member who died while serving in active duty.

Homestead Property

This application is not a homestead application. You must apply for and be granted homestead on a qualifying property prior to applying for this market value exclusion.

How to Apply

Mail the completed application with all required documentation to your county assessor by December 31 of the current year to be eligible for the exclusion in the next payable tax year (except for some manufactured homes that are taxed in the same year they are assessed).

You will continue to receive the benefit until you remarry. The exclusion may be transferred to a property aside from the veteran's original homestead once under certain conditions.

Required Attachments

Please attach all required documentation to verify that you qualify for this exclusion.

Use of Information

We use the information on this form to properly identify you and determine if you qualify for this market value exclusion. Your Social Security or Individual Tax Identification number is required. If you do not provide the required information, your application will be denied.

Penalties

Making false statements on this application is against the law. Minnesota Statutes, section 609.41, states that anyone giving false information in order to avoid or reduce their tax obligations is subject to a fine of up to \$3,000 and/or up to one year in prison.

Additional Resources

Your county's Veterans Service Office and Assessor's Office can assist you with properly filling out this form. Information may be found on the Department of Revenue's website at www.revenue.state.mn.us.

For Office Use Only

Name of applicant _____ Assessment year _____

Assessor's signature _____ Date _____

 Approved Denied**CR-HEV**

Homestead Exclusion for a Veteran with a Disability

Applications are due by December 31. Read instructions before completing.

Type or Print	Last Name	First Name	M.I.	Social Security Number/ITIN
	Spouse's Last Name	Spouse's First Name	M.I.	Social Security Number/ITIN
	Address (Cannot be a P.O. Box Number)			
	City	State	ZIP Code	County
	Property ID Number (from Property Tax Statement)			
	Is this property your homestead?			

Yes No

Check All That Apply	<p>Check all boxes that apply. You must have a U.S. Government Form DD214 or other military discharge papers, and must be certified by the U.S. Department of Veterans of Affairs as having a permanent service-connected disability of 70 percent or more or a service-connected disability of 100 percent total and permanent.</p> <p><input type="checkbox"/> I have been certified by the U.S. Department of Veteran Affairs as having a service connected disability of 70 percent or more.</p> <p><input type="checkbox"/> I have been certified by the U.S. Department of Veteran Affairs as having 100% total and permanent service-connected disability.</p> <p><input type="checkbox"/> I have attached the appropriate documentations verifying that I have been honorably discharged and verifying my disability status.</p>
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Sign Here	<i>By signing below, I certify that the above information is true and correct to the best of my knowledge.</i>			
	Signature of Applicant	Signature of Spouse	Date	Daytime Phone

Please mail completed application and required attachments to your county assessor.

Form CR-HEV Instructions

Who is eligible?

You may be eligible for a market value exclusion of up to:

- \$150,000 if you are a United States military veteran with a service-connected disability of 70 percent or more
- \$300,000 if you are a United States military veteran with 100 percent total and permanent service-connected disability

You must be able to verify honorable discharge from the United States Armed Forces and be certified by the United States Department of Veterans Affairs (VA) as having service-connected disability.

Homestead Property

This application is not a substitute for a homestead application. You must apply for and be granted homestead on a qualifying property prior to applying for this market value exclusion.

How to Apply

Mail the completed application with all required documentation to your county assessor by December 31 of the current year to be eligible for the exclusion in the next payable tax year.

If you are married and you own your home jointly, both you and your spouse must sign the form.

Required Attachments

- Official military discharge papers (United States Government Form DD214 or other) to verify honorable discharge
- Any forms that verify your service-connected disability status as certified by the VA

You may supply one letter provided by the VA containing all of the above information.

Use of Information

We use the information on this form to properly identify you and determine if you qualify for the market value exclusion. Your Social Security or Individual Tax Identification number is required. If you do not provide the required information, your application will be denied.

Penalties

Making false statements on this application is against the law. Minnesota Statutes, section 609.41, states that anyone giving false information in order to avoid or reduce their tax obligations is subject to a fine of up to \$3,000 and/or up to one year in prison.

Additional Resources

Your county's Veterans Service Office and Assessor's Office can assist you with properly filling out this form. Information may be found on the Department of Revenue's website at www.revenue.state.mn.us.

For Office Use Only

Name of applicant _____ Assessment year _____

Assessor's signature _____ Date _____

Approved

Denied

Application for Green Acres Valuation and Tax Deferment of Agricultural Land

Please read the instructions before you complete this form. Submit application and attachments by May 1.

Property is owned by:

Private individual Family farm entity Authorized farm entity under section 500.24

Corporation owning a nursery Other - Specify: _____

Name of Owner (if Owned by an Individual) or Entity	Middle Initial (if Individual)
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Mailing Address for Individual or Entity

City	State	Zip Code	County
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To qualify for the Green Acres deferment, ONE of the following must apply, and must be the same for all parcels being enrolled:

- 1. The property is the homestead of the owner or the owner's surviving spouse, child or sibling. Yes No
- 2. The property is farmed in conjunction with property that contains the homestead of the owner, the owner's surviving spouse, child or sibling. Yes No
If yes, provide the PID or physical address of the property containing the homestead: _____
- 3. The property has been in the possession of the owner, the owner's spouse, parent or sibling (or any combination) for a period of at least seven years prior to this application. Yes No
- 4. The property is farmed in conjunction with property that is within four townships or cities (or any combination) of property that has been in the possession of the owner, the owner's spouse, parent, or sibling (or any combination) for a period of at least seven years prior to application. Yes No
If yes, provide the PID or physical address of the property possessed for at least seven years: _____
- 5. The property is the homestead of a member/shareholder/partner of a family farm entity or authorized farm entity under M.S. 500.24. Yes No
- 6. The property is the homestead of a member/shareholder/partner of an entity not regulated under M.S. 500.24 in which the majority of the members, partners, or shareholders are related and at least one of the members, partners, or shareholders either resides on the land or actively farms the land. Yes No
- 7. The property is in the possession of a nursery or greenhouse or an entity owned by a proprietor, partnership or corporation which also owns the nursery or greenhouse operations on the parcel or parcels. Yes No
If yes to number 7 AND you are a corporation, does the corporation derive 80 percent or more of its gross receipts from the wholesale or retail sale of horticultural or nursery stock? Yes No

Applicant Information

Please complete a Green Acres Addendum Form (CR-GAADD) for each parcel you are enrolling into the Green Acres program. Each parcel must be listed separately on different addendum sheets. Attach all addendums to this application form.

Important

Signature of Owner or Authorized Representative

By signing below, I certify that the above information is true and correct to the best of my knowledge, and I am an owner of the property or an authorized member, partner, or shareholder of the farm entity that owns the property for which Green Acres is being claimed.

Signature of Owner	Phone	Date
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Sign Here

Form CR-GA Instructions

Who is Eligible

If you own property that is classified as 2a productive agricultural land, you may be eligible for the Green Acres program.

The property must:

- Be classified as 2a productive agricultural land and be primarily devoted to agricultural use;
- be at least 10 acres in size or a nursery or greenhouse; and
- Either:
 - be the homestead of the owner, or the owner's surviving spouse, child, or sibling or be farmed in conjunction with the homestead property; or
 - have been in possession of the applicant, the applicant's spouse, parent, or sibling (or any combination) for a period of at least seven years prior to application, or be farmed in conjunction with property within four townships or cities (or any combination) from property that has been in possession of the owner, the owner's spouse, parent or sibling (or any combination) for a period of at least seven year prior to application; or
 - be in the possession of a nursery or greenhouse or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations on the parcel or parcels; or
 - be the homestead of a shareholder in a family farm corporation or authorized farm entity under Minnesota Statute 500.24; or
 - be the homestead of a member/ shareholder of an entity not regulated under M.S. 500.24 in which the majority of the members, partners, or shareholders are related and at least one of the members, partners, or shareholders either resides on the land or actively farms the land; or

- be the homestead of an individual who is part of a corporation that derives 80 percent or more of its gross receipts from the wholesale or retail sale of horticultural or nursery stock.

All parcels being enrolled for the deferred tax must be under the same ownership.

How Green Acres Works

The assessor determines two values on Green Acres property:

1. The "estimated market value" based on sales of similar property taking into consideration all of the non-farm factors that influence its market value.
2. The "agricultural value" or "Green Acres value" based on sales of agricultural property in areas not affected by development pressures.

Taxes are calculated on both market values, but paid on the lower, agricultural value each year. The difference between the tax calculated on agricultural market value and the actual market value is deferred until the property is sold or no longer qualifies for the Green Acres program.

The deferred tax (the difference between the agricultural tax and the tax based on the highest and best use) is a lien upon the property assessed to the same extent and for the same duration as other taxes imposed upon property in the state. The tax is annually extended by the county auditor and if and when payable shall be collected and distributed in the manner provided by law for the collection and distribution of other property taxes.

How to Apply

Complete application and attach a required "Green Acres Addendum Form" for each parcel you wish to enroll. Green Acres applications are made to and approved by the county assessor where the property is located. Application forms must be filed by May 1 in order to receive consideration for the following taxes payable year.

If you are granted deferment through this program, you will not be required to file this application each year. However, the county assessor may require you to provide an additional application or other proof deemed necessary to verify that you continue to qualify for the Green Acres deferment.

Required Attachments

You must attach all your Green Acres Addendum Forms to this form before submitting it to the assessor.

Penalties

Making false statements on this application is against the law. Minnesota Statutes, section 609.41 states that anyone giving false information in order to avoid or reduce their tax obligations is subject to a fine of up to \$3,000 and/or up to one year in prison.

Use of Information

The information on this form is required by Minnesota Statutes, section 273.111 to properly identify you and determine if you qualify for this property tax program. If you do not provide the required information, your application may be delayed or denied. Your County Assessor may also ask for additional verification of qualifications.

Questions?

Contact your County Assessor's Office for assistance.

For Office Use Only
 Name of applicant _____ Assessment year _____ Approved
 Assessor's signature _____ Date _____ Denied

Application for Deferment of Property Taxes and Assessment

Minnesota Open Space Property Tax Law (M.S. 273.112)

Please read the instructions before you complete this form. Sign, date, and turn this application in to the county assessor's office at least 60 days prior to January 2 to be eligible for the deferment in the following taxes payable year.

To be completed by all applicants

Property Information

Representative or Owner Last Name	First Name	Middle Initial
Title	Name of Organization	
Type of Facility		
<input type="checkbox"/> Golf Club	<input type="checkbox"/> Skiing	<input type="checkbox"/> Croquet
<input type="checkbox"/> Archery Range	<input type="checkbox"/> Firearms Range	<input type="checkbox"/> Polo Field
<input type="checkbox"/> Lawn Bowling		
<input type="checkbox"/> Other Recreational Use (please specify) _____		
Mailing Address		
City	State	Zip code
County		
Parcel ID or legal description of property (from tax statement or valuation notice)		

To be completed by all applicants

Ownership and Use

Property is Owned by: Private Individual Corporation Other _____

Facilities are (check one):

Open to the public

For employees/guests only

For members/guests only (if yes, answer questions A and B below and attach a copy of your membership policy)

A. How many members are in the club? _____

B. Does the club discriminate in membership requirements or selection on the basis of sex or marital status?

Yes No

To be completed by golf clubs only

Golf Clubs Only

Is use of the golf club restricted on the basis of gender at any time? Yes No

If yes, how often (check all that apply)?

1-2 days/week

More than 2 days/week

1 weekend/month

More than 1 weekend/month

Are gender restrictions applied equally? Yes No

If no, please explain _____

Are food/beverages available? Yes No

If yes, are they open to all members at all times? Yes No

- Does golf club membership allow use of the golf course facilities by more than one adult per membership? Yes No
- If yes, is use equally available to all adults entitled to use the golf course under the membership? Yes No
- Are memberships or golfing privileges offered to the spouse of a member that provide greater or lesser access to the golf course than is provided to that person's spouse under the same or a separate membership? Yes No
- If yes, do the terms of membership provide that one spouse may have no right to use the golf course at any time, while the other spouse has access to the golf course? Yes No
- Is a membership category offered which entitles a member to a reduced rate of pay during restricted hours as established by the club? Yes No
- If yes, do you have on record written requests by the members requesting such membership? Yes No

Signature of Owner or Authorized Representative

By signing below, I certify that the above information is true and correct to the best of my knowledge, and I am the owner of the property or authorized representative of entity that owns the property for which Open Spaces is being claimed.

Signature of Owner	Phone	Date

Form CR-OSD Instructions

About Open Spaces

The Minnesota Open Space Property Tax Law provides for deferment of property taxes for some private outdoor recreational, open space and park land property which, due to residential or commercial pressures on the market, would otherwise receive property valuations in excess of Open Space values.

How to Apply

Application for deferment of taxes and assessment under the Open Space law must be made to the assessor of the taxing district where the property is located at least 60 days prior to January 2 of each year.

Required Documentation

In the case of property operated by private clubs having a membership of 50 or more or open to the public, the taxpayer must submit a copy of the membership policy with the application. Additionally, in the case of property devoted to golf, the taxpayer must submit a copy of the use schedule listing times that use is restricted on the basis of sex.

If necessary, the assessor may require proof by affidavit or other written verification from the owner of any type of property that the bylaws or regulations of the club meet the eligibility requirements of the program. Unless the county attorney determines otherwise this written verification will be sufficient proof of eligibility.

Requirements

Real estate shall be entitled to valuation and tax deferment under the Open Space law only if it is:

- actively and exclusively devoted to golf, skiing, polo, lawn bowling, croquet, or archery or firearms range recreational use or other recreational uses carried on at the establishment;
- five acres in size or more, except in the case of a lawn bowling or croquet green or an archery or firearms range;

Operated by:

- private individuals or, in the case of a lawn bowling or croquet green, by private individuals or corporations, and open to the public; or
- firms or corporations for the benefit of employees or guests; or
- private clubs having a membership of 50 or more or open to the public, provided that the club does not discriminate in membership requirements or selection on the basis of sex or marital status; and
- made available for use, in the case of real estate devoted to golf, without discrimination on the basis of sex during the time when the facility is open to use by the public or by members, except that use for golf may be restricted on the basis of sex no more frequently than one, or part of one, weekend each calendar month for each sex and no more than two, or part of two, weekdays each week for each sex.

Additional Requirements for Golf Clubs Only

If a golf club membership allows use of golf course facilities by more than one adult per membership, the use must be equally available to all adults entitled to use of the golf course under the membership, except that use may be restricted on the basis of sex as noted above. Memberships that permit play during restricted times may be allowed only if the restricted times apply to all adults using the membership.

A golf club may not offer a membership or golfing privileges to a spouse of a member that provides greater or less access to the golf course than is provided to that person's spouse under the same or a separate membership in that club, except that the terms of a membership may provide that one spouse may have no right to use the golf course at any time while the other spouse may have either limited or unlimited access to the golf course.

A golf club may have or create an individual membership category which entitles a member for a reduced rate to play during restricted hours as established by the club. The club must have on record a written request by the member for such membership.

A golf club that has food or beverage facilities or services must allow equal access to those facilities and services for both men and women members in all membership categories at all times. Nothing in this paragraph shall be construed to require service or access to facilities to persons under the age of 21 years or require any act that would violate law or ordinance regarding sale, consumption, or regulation of alcoholic beverages.

Penalties

Making false statements on this application is against the law. Minnesota Statutes, section 609.41 states that anyone giving false information in order to avoid or reduce their tax obligations is subject to a fine of up to \$3,000 and/or up to one year in prison.

Use of Information

The information on this form is required by Minnesota Statutes, section 273.13 to properly identify you and determine if you qualify for this property tax program. If you do not provide the required information, your application may be delayed or denied. Your County Assessor may also ask for additional verification of qualifications.

Questions?

If you need help completing this application, contact your County Assessor. Your County Assessor's Office will provide this information in other formats upon request to persons with disabilities.

For Office Use Only

Name of applicant _____ Assessment year _____

Approved

Assessor's signature _____ Date _____

Denied

CR-RP

Application for Rural Preserve Property Tax Program

Provides property tax relief to taxpayers who own class 2b rural vacant land which was enrolled in the Green Acres program for the 2007 assessment year (for taxes payable in 2008) or that is contiguous to agricultural homestead land that is enrolled in Green Acres. (M.S. 273.114)

Please read instructions before completing. The application deadline is May 1 for taxes payable the following year.

Before you complete or submit this form the following statements must be true:

Before You Can Apply

- I have read the instructions on this form and have determined that I and the land I wish to enroll meet the requirements to participate in Rural Preserve.
- I certify that the land is not enrolled in the Green Acres program, Open Space program, Metropolitan Agricultural Preserves program, the Sustainable Forest Incentive Act, nor classified as 2c Managed Forest Land.
- I certify that there are no delinquent property taxes owed on any of the land being enrolled in Rural Preserve.
- I have attached the required most recent available aerial photograph by the Farm Service Agency of the USDA or the County GIS service clearly outlining the land I wish to enroll. (See instructions on back for more detailed information.)

This section to be completed by all applicants. Please fill out the following information for the owner or authorized representative of the entity that owns the property.

Landowner Information

Property is Owned By:

- Private Individual Family Farm Entity Authorized Farm Entity Under Section 500.24
- Corporation Owning a Nursery Other - Specify: _____

Name of Owner (if Owned by an Individual) or Entity	Middle Initial (if Individual)
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Mailing Address for Individual or Entity

City	State	Zip Code	County
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To qualify for Rural Preserve, at least one of the following must apply:

YES NO

1. The property you are enrolling was properly enrolled in Green Acres for taxes payable in 2008 under your ownership and is contiguous to class 2a agricultural land currently enrolled in Green Acres.
2. The property you are enrolling is part of an agricultural homestead and contiguous to class 2a agricultural land that is currently enrolled in Green Acres.

Provide the following information for each parcel of land you wish to enroll. (If you fail to provide the required information, including number of eligible acres for each parcel, your application will be delayed or denied.)

Parcel Information

Parcel I.D.	Number of Acres to be Enrolled	Parcel I.D.	Number of Acres to be Enrolled

Please attach another form if you need more space.

Total acres to be enrolled:

By signing below, I certify that the above information is true and correct to the best of my knowledge, I am an owner of the property or an authorized member, partner, or shareholder of the entity that owns the property for which Rural Preserve is being claimed, and I understand the consequences that will result if I terminate my enrollment, or no longer qualify for enrollment, in the Rural Preserve Program which are explained in the instructions on the back of this form.

Sign Here

Signature of Property Owner or Authorized Representative	Date
--	------

Form CR-RP Instructions

What type of property qualifies for Rural Preserve?

If you own class 2b rural vacant land property that was properly enrolled in Green Acres for taxes payable in 2008 or own class 2b property that is part of an agricultural homestead that is enrolled in Green Acres, you may be eligible for Rural Preserve. You must apply with the county assessor.

The Property Must:

- have been properly enrolled in Green Acres for taxes payable in 2008, or be part of an agricultural homestead and;
- be contiguous to the Green Acres property;
- not be enrolled in Green Acres, Open Space, Metropolitan Agricultural Preserves, or SFIA; and
- have no delinquent property taxes owed on the land.

All parcels being enrolled for the tax deferral on this application must be under the same ownership.

How Rural Preserves Works

The assessor determines two values on land enrolled in Rural Preserve:

1. The “estimated market value” based on sales of similar property taking into consideration all of the outside factors that influence its market value.
2. The “value without regard to outside influences” or “Rural Preserve Value” which must not exceed the class 2a tilled value for that county.

Taxes are calculated on both values, but paid on the lower value each year. The difference between the taxes calculated on the higher and lower values is deferred until the property no longer qualifies for Rural Preserve.

How to Apply

Complete the application and attach a copy of the most recent available aerial photograph by the Farm Service Agency of the United States Department of Agriculture (USDA) or the County GIS service clearly delineating the land you wish to enroll. You may work with your assessor to determine which acres you wish to enroll.

Rural Preserve applications are made to and approved by the county assessor where the property is located. Application forms must be filed by May 1 in order to receive consideration for the following taxes payable year.

If you are granted deferment through this program, you will not be required to file this application each year. However, the county assessor may require you to provide an additional application or other proof deemed necessary to verify that you continue to qualify for the Rural Preserve deferment.

Required Documentation

You must attach a copy of the most recent available aerial photograph by the Farm Service Agency of the USDA or the County GIS service clearly outlining the land you wish to enroll.

What happens if I withdraw my property or if I no longer qualify for enrollment in Rural Preserve?

If you withdraw your property from the Rural Preserve program, or you no longer qualify for enrollment in the program, you must pay back deferred taxes for the year of termination plus the two prior years. The deferred taxes are a lien against the property. You are also responsible to pay for any deferred special local assessments.

Special Local Assessments

Special local assessments may be deferred while the property qualifies for Rural Preserve. When the property is withdrawn from the program or no longer qualifies for the program, all deferred special assessments plus interest are due. The total due will be payable in equal installments, spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the special assessments were levied.

Use of Information

The information on this form is required by Minnesota Statutes, section 273.114 to properly identify you and determine if you qualify for this property tax program. If you do not provide the required information, your application may be delayed or denied. Your County Assessor may also ask for additional verification of qualifications.

Making False Statements on this Application is Against the Law.

Minnesota Statutes, Section 609.41 states that giving false information in order to avoid or reduce tax obligations can result in a fine of up to \$3,000 and/or up to one year in prison.

Questions?

Contact your County Assessor’s Office for assistance.

Property Tax Deferral for Senior Citizens

Important: Participation in this program is voluntary. If you participate, a tax lien will be placed on your property. This lien must be satisfied when your property is sold. In the event of your death, your heirs must satisfy the lien before they can acquire clear title. Read the instructions on the back carefully before completing this application.

Homeowners with a reverse mortgage do not qualify to participate in this program.

Print or type	Your name	Social Security number	Date of birth
	Spouse's name	Social Security number	Date of birth
	Mailing address		
	City	State	Zip code

Income/Property	Last year's total household income \$	Parcel ID number from tax statement	Year property was purchased
	Estimated market value (from Notice of Real Estate Value or tax statement) \$	Is property currently classified as homestead? <input type="checkbox"/> Yes <input type="checkbox"/> No	Year homestead was established
	Legal description of property (or you can attach a copy of your deed)		

Sign here	<i>The information on this application is correct to the best of my knowledge.</i>		
	Applicant's signature	Date	Daytime phone
	Spouse's signature	Date	Daytime phone

You must attach the following to this application:

1. A copy of this year's property tax statement.
2. A report detailing any mortgages, liens or judgments on the property.
 - For "Torrens" property, the report is a copy of the original certificate of title, which is available from your county recorder (sometimes referred to as a "condition of register"). The certificate must be dated within 30 days of your application.
 - For abstract property, the report is prepared by a licensed abstracter showing the last deed recorded and any unsatisfied liens or judgments (sometimes referred to as an "owners and encumbrances report"). The report must be dated within 30 days of your application.

If you don't know what kind of property you have, contact your county recorder.

Mail your completed application with the attachments listed above to:

Minnesota Revenue
Mail Station 3340
St. Paul, MN 55146-3340

Applying for property tax deferral for senior citizens

About this program

This program allows people 65 or older to defer a portion of their homestead property taxes. The deferral begins with real estate taxes payable the year after you make the initial application.

Participation in this program is voluntary.

There are some important facts you should know before you apply.

- **This is a loan from the state to you.** The deferred tax is paid by the state to your county.
- Interest will be charged on the loan. The interest rate will be adjusted annually but will never exceed 5 percent.
- A lien will attach to the property.
- The county will send you a notice each year showing the current year's deferred taxes, the total cumulative deferred taxes and accrued interest. This information becomes public data.
- The amount of property tax you pay each year will be based on your income the year before you enter the program.

Who qualifies

To qualify, you must meet all of the following requirements:

1. You must be 65 or older and own and occupy the property as a homestead. If you're married, your spouse must be at least 62 when the first deferral is granted.
2. Your total household income cannot exceed \$60,000 in the calendar year prior to the year you apply.
3. At least one of the homeowners must have owned and occupied the property as their homestead for at least 15 years prior to the year of application.
4. There can be no state or federal tax liens or judgment liens on the property.
5. Total debts secured by mortgages and other liens against the property cannot exceed 75 percent of the property's estimated market value.

Homeowners with a reverse mortgage do not qualify to participate in this program.

When to apply

You must apply by November 1 in order for your taxes to be deferred the following year. You may apply in the year in which you turn 65. Once enrolled in the program, you don't need to reapply.

If your income changes or you want to stop deferral

If your income exceeds \$60,000 in a calendar year, you must notify us in writing by July 1 of the following year. You won't be able to defer additional taxes until your income drops to \$60,000 or less, at which time you'll need to send a written request to resume deferral. If you want to voluntarily stop deferral, you must also send us a written notice. Send notice to:

Minnesota Revenue
Mail Station 3340
St. Paul, MN 55146-3340

Paying back the tax

Your participation in the program will end when any one of the following occurs:

- The property is sold or transferred.
- All qualifying homeowners die.
- You notify the department in writing to stop deferral.
- The property no longer qualifies as a homestead.

When any of these happen, the deferred taxes plus interest must be paid back to the state. If the property is sold or the homeowner dies, payment is due within 90 days. If you voluntarily stop deferral or the property no longer qualifies as a homestead, you'll have one year to pay back the amount.

If you pay back the tax within the above time frames, you will not be charged additional interest. The county will record a notice of termination and send a copy to you. You must pay any recording or filing fees.

If you don't pay back the tax on time, penalty, interest, lien, forfeiture and other rules for collecting property taxes will apply.

How this program affects refunds and rebates

You can apply for property tax refunds or rebates based on the qualifying amount on your property tax statement.

You will not, however, receive property tax refunds or rebates as cash payments. You will also not receive Minnesota income tax refunds, political contribution refunds or lottery winnings of any type. Instead, these refunds will be applied to reduce your deferred property tax total.

We'll notify you whenever we use a refund to reduce the amount of deferred tax. If your refund exceeds the deferred amount, we'll send you a check for the difference.

How we use information

Some of the information on this application is private data. We use the information to determine your eligibility. To verify information, we may share it with the county assessor, the county attorney, and federal, state or local taxing authorities. You're not required to provide the information we ask for; however, if you don't, you won't be considered for the program.

Penalties

You'll be charged a penalty equal to 20 percent of the deferred tax if the information on your application, property certificate or abstract report is false; or if you don't notify us that your income exceeds program limits. If you intentionally give us false information on any of the above, the penalty increases to 50 percent of the deferred tax.

Questions?

If you need help completing this application, call (651) 556-4803. TTY: Call 711 for Minnesota Relay.

We'll provide this information in other formats upon request to persons with disabilities.

Sustainable Forest Incentive Act (SFIA) Enrollment Application

Apply by October 31, 2023, to enroll your land for incentive payment in 2024.

Enrollment Checklist

Before you complete or submit this form, the following statements must be true:

- I have recorded a covenant showing a recorded date prior to the October 31 deadline with each county office where the land is located. I agree not to develop the land for at least the duration of the covenant and time enrolled in the program.
- I have attached copies of the recorded covenant(s), including:
 - Exhibits A and B, for the land I wish to enroll
 - Copies of the Statement of Property Taxes Payable in the current year for each qualifying parcel
- The parcel does not contain any land that is classified as 2c Managed Forest Land or enrolled in Green Acres, Rural Preserve, or Agricultural Preserves.
- The land I am enrolling in SFIA:
 - Is not also enrolled in the Conservation Reserve Program (CRP), Conservation Reserve Enhancement Program (CREP), or Reinvest in Minnesota (RIM) Reserve Program
 - Is not subject to an easement funded by the Lessard-Sams Outdoor Heritage Council or a comparable permanent easement granted to a government or nonprofit entity after May 30, 2013
- I have attached a copy of my conservation easement documentation (if enrolled).

Landowner Information

You must apply in the name of the individual or entity that owns the land. Complete a separate application for individual-owned and entity-owned property.

The land is owned by (*check one box only*): an individual person or multiple people (*complete Part 1 below and skip Part 2*) a business or organization (*complete Part 2 below and skip Part 1*)

Part 1 — Complete only if the land is owned by an individual person or multiple people (only one name is allowed).

Landowner's First Name and Middle Initial	Last Name	Social Security Number	Date of Birth
Current Address			
City	State	ZIP Code	

Part 2 — Complete only if the land is owned by a business or organization.

Name of Business or Organization	Federal ID or Minnesota Tax ID Number (Required)	
Name of Authorized Representative (First, Middle Initial and Last Name)	Title	
Current Business Address of Authorized Representative		
City	State	ZIP Code

Optional

Enter your email address if you want to receive SFIA email updates

Continued

Form CR-TH1 Instructions

Sustainable Forest Incentive Act Enrollment Application

The Sustainable Forest Incentive Act provides annual payments to enrolled owners of forested land to promote long-term, sustainable forest management practices.

Who is eligible?

To enroll in the Sustainable Forest Incentive Program (SFIA), you must meet *all* of the following requirements:

- You own 20 or more contiguous acres of land in Minnesota, of which at least 50 percent is forested.
 - Subtract 3 acres for any building or structure that is not used exclusively for forest management activities (house, barn, cabin, etc.).
 - Subtract the entire surface area of any open water body greater than 3 acres in size. (Open water bodies less than 3 acres may be included.)

An owner may include private individuals, corporations and partnerships—both residents and nonresidents of Minnesota. However, there can only be one claimant per parcel of land. If the land is owned by multiple people, the owners must decide who will receive the incentive payment.

- There are no delinquent property taxes owed on the land before enrolling in SFIA, and the taxes remain current while enrolled in the program.
- The land must have a current forest management plan that is *both*:
 - Registered with the Department of Natural Resources (DNR).
 - Prepared by a plan writer who is approved by DNR.

Allow adequate time for your plan to be written and registered to ensure you meet program deadlines. It takes:

- Plan writers several months to write a forest management plan.
- DNR 45 days to process your plan registration.

To receive an SFIA payment in 2024, submit your forest management plan to DNR by September 15, 2023.

If DNR receives your forest management plan after this date, it may not be registered by October 31, 2023, and your application will be considered incomplete.

Note: All management activities in the plan must meet the Minnesota Forest Resources Council's timber harvesting and forest management guidelines.

- The parcel cannot contain any land that is classified as 2c Managed Forest Land or enrolled in Green Acres, Rural Preserve, or Agricultural Preserves.
- The land cannot be enrolled in the Conservation Reserve Program (CRP), Conservation Reserve Enhancement Program (CREP), or Reinvest in Minnesota (RIM) Reserve Program.
- The land cannot be subject to an easement funded by the Lessard-Sams Outdoor Heritage Council or a comparable permanent easement granted to a government or nonprofit entity after May 30, 2013.
- The land cannot be used for residential or agricultural purposes.
- You agree to be enrolled in the program for a minimum of eight years.

How to Apply

If you meet *all* the above qualifications:

1. Record a covenant with the County Recorder or Registrar (for registered land) where your land is located, pledging not to develop the land.
Covenant forms are available at the recorder's or registrar's office. Allow 2 to 3 months to process your request.
2. After you receive a covenant recording number, complete Form CR-TH1, *Sustainable Forest Incentive Act Enrollment Application*.
3. Submit the completed Form CR-TH1 and all required documents as instructed on the form.

Use of Information

We use the information you provide on this form to properly identify you and determine if you qualify to receive an incentive payment. Your Social Security number is required. (See Minnesota Statute 290C.04.)

Your application may be delayed or denied if you do not provide all of the requested information, except for your phone number. However, providing a daytime phone number can save time if we have any questions.

Your Social Security number is private information; we cannot disclose it to others without your consent.

Your Federal ID or Minnesota Tax ID number and date of birth are also private or nonpublic information; however, we may disclose them to county assessors or treasurers for property tax or debt collection purposes. All other information on this form is public.

Required Attachments

You must attach copies of the following information to your application for each parcel of land you wish to enroll:

- The recorded covenant, including Exhibits A and B.
- The current year property tax statement.

Keep a copy of your application and all attachments for your records.

You will need the parcel information in future years to complete and sign your annual SFIA certification letter. We will not be able to provide you with a copy.

Due Date

Your application and all required attachments must be postmarked no later than October 31, 2023, to receive an incentive payment in 2024.

Applications postmarked after Oct. 31 will be denied for that year. Your application may also be delayed or denied if you do not provide all of the requested information.

We will send an approval or a denial letter within 90 days after receiving your application.

Continued

Completing Form CR-TH1 Before You Can Apply

Before submitting your application, all statements in the Enrollment Checklist must be true. Be sure you meet all these requirements before filing Form CR-TH1.

Landowner Information

Check one box to indicate if the land is owned by an individual person (or multiple people) or a business entity. Complete Part 1 or Part 2, whichever applies. Use a separate application for individual-owned and entity-owned property.

If the land is owned by multiple people, including married couples, the owners must decide who will receive the incentive payment. Only one owner can apply.

If the land is owned by a business or organization, the entity must appoint one authorized representative to enroll in the program and receive incentive payments on behalf of the entity. However, the authorized representative must apply in the name of the entity that owns the land.

The current mailing address will be used to mail any correspondence, including incentive payments. If you change your address, you must notify the department of the change by emailing us at: sfia.proptax@state.mn.us

Parcel Information

For each parcel of land you wish to enroll, you must provide the requested information. If all the information is not provided for each parcel, including the number of eligible acres, your application will be delayed or denied.

Column A — County Code. In the chart below, find the county in which each parcel is located and enter the corresponding three-digit number in Column A.

Column B — Covenant Recording Number. Enter the covenant recording number for each parcel of land you wish to enroll. The recording number is issued by the county at the time your covenant is recorded and is found on the covenant.

Attach a copy of the covenant recorded for each parcel of land you wish to enroll in the program. Be sure to also include copies of Exhibits A and B.

Column C — Conservation Easement For each parcel, check Yes or No to indicate if it's subject to a conservation easement. If you answer Yes, attach a copy of the easement for that parcel.

Column D — Property Identification Number (PID). Enter the PID for each parcel of land you wish to enroll. You can find the PID on the property tax statement for that parcel.

Attach a copy of the property tax statement for each parcel of land you wish to enroll in the program.

Column E — Number of Eligible Acres. For each parcel, you must *separately* list the number of eligible acres you wish to enroll. Round the amount for each parcel to the nearest whole acre.

If you do not provide the number of acres for each parcel, processing your application will be delayed.

Column F — Covenant Length. Check the appropriate box to indicate the length of the covenant you recorded for each parcel (8, 20, or 50 years).

Signature You must sign and date this application or it will be considered incomplete. By signing the application, you are declaring that:

- The form is correct and complete to the best of your knowledge.
- You are the owner or authorized representative of the entity that owns the land.
- You will follow the land's forest management plan and all provisions of the Sustainable Forest Incentive Act (Minnesota Statutes 290C.01 to 290C.12).
- No delinquent property taxes are due on the land you wish to enroll.

Making false statements on this application is against the law. Criminal and/or civil penalties may apply for filing a false or fraudulent application.

If You're Approved

Once you're approved and enrolled in the program, the department will send you an annual certification letter every May. If you properly complete the certification and return it by the due date as instructed, you can expect to receive your first incentive payment on or before Oct. 1, 2024.

If you fail to return the certification letter as required, you will not receive an incentive payment for that year.

Questions? Need Forms?

For questions about enrolling in SFIA, contact the Department of Revenue:

- Web: www.revenue.state.mn.us
- Phone: 651-556-6088
- Email: proptax.sfia@state.mn.us

For questions about forest management plans, contact the Department of Natural Resources:

- Web: dnr.state.mn.us/foreststewardship
- Email: sfia.dnr@state.mn.us

Codes for Minnesota Counties (for use in Section 3, Column A, of Form TH1)

County	Code	County	Code	County	Code	County	Code	County	Code	County	Code
Aitkin.....	001	Cottonwood.....	033	Isanti.....	059	McLeod.....	085	Pennington.....	113	Stearns.....	145
Anoka.....	003	Crow Wing.....	035	Itasca.....	061	Mahnomen.....	087	Pine.....	115	Steele.....	147
Becker.....	005	Dakota.....	037	Jackson.....	063	Marshall.....	089	Pipestone.....	117	Stevens.....	149
Beltrami.....	007	Dodge.....	039	Kanabec.....	065	Martin.....	091	Polk.....	119	Swift.....	151
Benton.....	009	Douglas.....	041	Kandiyohi.....	067	Meeker.....	093	Pope.....	121	Todd.....	153
Big Stone.....	011	Faribault.....	043	Kittson.....	069	Mille Lacs.....	095	Ramsey.....	123	Traverse.....	155
Blue Earth.....	013	Fillmore.....	045	Koochiching.....	071	Morrison.....	097	Red Lake.....	125	Wabasha.....	157
Brown.....	015	Freeborn.....	047	Lac qui Parle.....	073	Mower.....	099	Redwood.....	127	Wadena.....	159
Carlton.....	017	Goodhue.....	049	Lake.....	075	Murray.....	101	Renville.....	129	Waseca.....	161
Carver.....	019	Grant.....	051	Lake of the Woods.....	077	Nicollet.....	103	Rice.....	131	Washington.....	163
Cass.....	021	Hennepin.....	053	LeSueur.....	079	Nobles.....	105	Rock.....	133	Watsonwan.....	165
Chippewa.....	023	Houston.....	055	Lincoln.....	081	Norman.....	107	Roseau.....	135	Wilken.....	167
Chisago.....	025	Hubbard.....	057	Lyon.....	083	Olmsted.....	109	St. Louis.....	137	Winona.....	169
Clay.....	027					Otter Tail.....	111	Scott.....	139	Wright.....	171
Clearwater.....	029							Sherburne.....	141	Yellow Medicine.....	173
Cook.....	031							Sibley.....	143		

Sustainable Forest Incentive Act (SFIA) Withdrawal Application

Use this form to request release of land from the SFIA covenant. The withdrawal request must come from the claimant or purchaser of the land. If the land is owned by a business or organization, the entity must appoint one authorized representative to complete and sign this application.

Check all that apply:

- I am requesting to withdraw from the program because I have been enrolled in the program for at least one-half the duration of the covenant.
- The claimant (landowner) passed away less than a year ago.
- Title or possession of the enrolled land has been transferred to the State of Minnesota, a local government entity, or an entity with the power of eminent domain, for a public purpose. (Complete page 2 of this form).
- The enrolled land is in a conservation easement at least as restrictive as SFIA.

Landowner Information

You must apply in the name of the claimant or landowner. Complete a separate application for individual-owned and entity-owned property.

Name of Claimant or Landowner _____ Social Security Number/Federal ID or Minnesota Tax ID Number _____

Current Address _____

City _____ State _____ ZIP Code _____

Property Information

Provide all the following information for each parcel of land you want to request to release from the program.

County	Covenant Recording Number	Parcel Identification Number (PID) (The PID is not the legal description)	For Eminent Domain/Conservation Easement, List Number of Eligible Acres to be Released*

Attach a separate withdrawal application, if needed.

*For land taken by eminent domain and land covered by a conservation easement withdrawal requests, partial releases are allowed. Provide a legal description of the land being requested for release. For other withdrawal requests, the release must be the entire parcel.

Sign Here

Claimant or authorized representative (signature required): I declare that this form is correct and complete to the best of my knowledge and belief. I own or I am an authorized representative of the entity that owns the land.

Signature of Landowner or Representative _____ Date _____ Daytime Phone _____

Mail this application and all required attachments to:

Minnesota Department of Revenue
Mail Station 3340
600 N. Robert St.
St. Paul, MN 55146-3340

Sustainable Forest Incentive Act (SFIA) Withdrawal Application, page 2

Additional Information for Transfers to Government Entities

The following questions and explanations outline what needs to be proven for the land you are requesting to be withdrawn from SFIA under Minnesota Statute 290C.10, paragraph (b). All questions must be answered. The request to withdraw must include all the documents listed for each question in order to be approved and for the SFIA covenant to be released.

Name of Project (Optional)

1. Do you represent the government unit/entity that has title to the land?

- Yes.** Provide a copy of the deed or other instrument transferring title of the land.
- No.**

2. If the answer to Question 1 was Yes, for what purpose was the land transferred? (If the answer was No, proceed to Question 3.)

- Public purpose.** Provide all documentation that demonstrates how this land will be used for a public purpose.
- Not for a public purpose.** The property **will not** be withdrawn from the SFIA program at this time. The land is still bound by the covenant. The claimant must follow the standard withdrawal process to remove it from SFIA.

3. Are you the current landowner that has transferred possession of the land to a government unit/entity?

Possession is the right under which one may exercise control over something to the exclusion of all others.

- Yes.** Provide a copy of the instrument showing the government unit/entity has possession of the land. The materials submitted will be used to determine if the land will be used for a public purpose as required under Minnesota Statute 290C.10, paragraph (b). If the land will not be used for public purposes, it **will not** be withdrawn from the SFIA program.
- No.**

4. Does the government unit/entity referenced in either Question 1 or Question 3 have the power of eminent domain?

- Yes.** Provide all of the following documents to show eminent domain powers.
- Copy of the state or federal statute, rule, or law authorizing eminent domain authority.
 - Condemnation proceeding order, if applicable.
 - Copy of the Minnesota Public Utilities Commission decision or court order conferring eminent domain authority on an entity, if applicable.
- No.** The property **will not** be withdrawn from the SFIA program at this time. The land is still bound by the covenant. The claimant must follow the standard withdrawal process to remove it from SFIA.

Return to the Sign Here section on page 1 of this form.

Sustainable Forest Incentive Act (SFIA) Withdrawal Application Instructions

Withdrawal Process from SFIA

The current owner of the land enrolled needs to request withdrawal from the program. Your land must stay in SFIA for at least the length of your covenant (8, 20, or 50 years). After half of the covenant length has passed, you may ask to withdraw your land from the program.

Under state law, there is a waiting period equal to half your covenant length before your land is removed from the program. So, after we receive your request, your land will remain in SFIA for another 4, 10, or 25 years, depending on the length of your covenant. You will receive incentive payments during the waiting period as long as you continue to meet all the program requirements and return your certification to us by the deadline each year.

Note: Land enrolled in SFIA is bound by your covenant until you complete the withdrawal process – no matter the covenant length.

Example

Paul Bunyan enrolls his land in the SFIA program in 2008 under an 8-year covenant. In 2019, Paul decides he wants to withdraw his land from SFIA. He sends a completed SFIA Withdrawal Application to the department. Paul's waiting period is 4 years (half the length of his 8-year covenant). His land remains in SFIA for 2020, 2021, 2022, and 2023. The land is removed from the program effective January 1, 2024. Paul receives SFIA payments during the 4-year waiting period as long as he continues to meet all the program requirements and returns his certification by the deadline each year.

Can I withdraw from SFIA early?

There are only a few exceptions that allow land to be released from the SFIA program early without penalty:

Death of a Claimant — Within one year after the death of the claimant, the claimant's heir, devisee, or estate must notify the department to terminate enrollment. Attach a copy of the death certificate with this request.

Transfer to a Government Entity for a Public Purpose — Property in SFIA may be withdrawn from the program without penalty when the claimant (person or entity owning the property) requests withdrawal because either title or possession of the land has been transferred to the state of Minnesota, any local government unit, or any other entity with the power of eminent domain, and the land was transferred for a public purpose.

Conservation Easement — If land is in a permanent conservation easement held by a government or nonprofit entity and the conservation easement is as restrictive as the SFIA covenant, the land will be allowed early withdrawal.

You may withdraw only the affected acres. Acres that are enrolled in SFIA but not in a conservation easement must remain in SFIA.

Attach a copy of the conservation easement with this request.

Use of Information

We use the information you provide on this form to properly identify you and determine if you qualify to receive an incentive payment. Your application may be delayed or denied if you do not provide all of the requested information, except your phone number. However, providing a daytime phone number can save time if we have any questions.

Your Social Security number is required. (See Minnesota Statute 290C.04.) Your Social Security number is private information; we cannot disclose it to others without your consent.

Your Federal ID or Minnesota Tax ID number are also private or nonpublic information; however, we may disclose them to county assessors or treasurers for property tax or debt collection purposes. All other information on this form is public.

If Your Request is Approved

We will send a confirmation letter with the date your land will be released. Once you have withdrawn, you cannot re-enroll in SFIA for at least three years. If your property qualifies for immediate withdrawal, a release of covenant will be sent immediately.

Questions?

For questions about withdrawing from SFIA, contact the department:

- Web: www.revenue.state.mn.us
- Phone: 651-556-6088
- Email: sfia.proptax@state.mn.us

For questions about forest management plans, contact the Minnesota Department of Natural Resources:

- Web: dnr.state.mn.us/foreststewardship
- Email: sfia.dnr@state.mn.us



DEPARTMENT OF VETERANS AFFAIRS

Regional Office

Bishop Henry Whipple Fed. Bldg.

1 Federal Drive Fort Snelling

St. Paul MN 55111-4050

MAY 08 2013

In Reply Refer To: 335/21

C SOCIAL SECURITY #

NAME

NAME

ADDRESS

CITY, STATE ZIP

Dear **NAME**:

This letter is a summary of benefits you currently receive from the Department of Veterans Affairs (VA). We are providing this letter to disabled Veterans to use in applying for benefits such as state or local property or vehicle tax relief, civil service preference, to obtain housing entitlements, free or reduced state park annual memberships, or any other program or entitlement in which verification of VA benefits is required. Please safeguard this important document. This letter is considered an official record of your VA entitlement.

Our records contain the following information:

Personal Claim Information

Your VA claim number is: SS#.

You are the Veteran.

Military Information

Your character(s) of discharge and service date(s) include:

Honorable, Marine Corps, Jul 29, 1991 - Jul 28, 1995

Honorable, Army, Mar 3, 2007 - Jul 11, 2008

Honorable, Army, Apr 13, 2009 - May 28, 2010

(You may have additional periods of service not listed above)

VA Benefits Information

Service-connected disability: YES

Your combined service-connected evaluation is: 100 percent

Your current monthly award amount is: \$3,102.00

Are you entitled to a higher level of disability due to being unemployable: YES

Are you considered to be totally and permanently disabled due to your service-connected disabilities: YES



Tax Calculation

Introduction

In this module, we will work through the steps of calculating property taxes for three example parcels of property. We will use formulas to make those calculations. The important takeaways in this module are:

- The concepts around how property taxes are calculated
- Why you, as an assessor, should understand these concepts
- How the classification of a property impacts taxes
- How the value of a property impacts taxes

Blue Lake County

The scenario in this module is for three parcels in Blue Lake County, a fictional county that has other fictional taxing jurisdictions within it. The county includes:

- Two townships, West Township and East Township
- Two school districts, School District No. 1 in the north and School District No. 2 in the south
- One special taxing district in part of the southern area of the county

Unique Taxing Areas

During this module, we will look at parcels that are all within Blue Lake County, but in different townships and school districts. One parcel is within a special taxing district. The combination of the individual layers of taxing jurisdictions creates a unique taxing area.

Below is an illustration of Blue Lake County's unique taxing areas.



There are over 6,000 unique taxing areas (UTAs) within the state of Minnesota, each having its own unique local tax rate. As school districts or special taxing districts cut across cities and towns, they create these different UTAs that have different total tax rates. Each unique local tax rate is made up of individual rates for counties, cities or townships, school districts, and any special taxing areas.

Our fictional Blue Lake County has six UTAs. We will discuss local tax rates later in this module.

UTA	Blue Lake County	West Township	East Township	School District No. 1	School District No. 2	Special Taxing District	Total Tax Rate
1	40.000	20.000		31.000			91.000
2	40.000	20.000			32.000		92.000
3	40.000	20.000			32.000	1.500	93.500
4	40.000		19.000	31.000			90.000
5	40.000		19.000		32.000		91.000
6	40.000		19.000		32.000	1.500	92.500

Meet the Taxpayers

Parcel 1

Mai Vu owns and lives in a single-family home in West Township, within the area of School District No. 2. There is also a special taxing district where Mai lives.

This parcel is classified as 1a, residential homestead. The estimated market value is \$314,000.

Parcel 2

Jim and Carla Smith own a farm in East Township, within the area of School District No. 1.

The parcel is classified as 2a, agricultural homestead. The estimated market value is \$314,000. The portion of the parcel classified as the house, garage, and one surrounding acre (HGA) has a value of \$115,000. The value of the remainder is \$199,000.

Parcel 3

Hassan Ali owns Ali Auto Repair, located in West Township, within the area of School District No. 1.

The parcel is classified as 3a, commercial/industrial. The estimated market value is \$314,000.

Parcel Summary

Parcel	Estimated Market Value
Parcel 1: Vu	\$314,000
Parcel 2: Smith	\$314,000
Parcel 3: Ali	\$314,000

Exercise

Place each parcel within its corresponding UTA based on the information provided in this module.

Parcel	Unique Taxing Area
Parcel 1: Vu	
Parcel 2: Smith	
Parcel 3: Ali	

Taxing Jurisdictions Set Levies and Local Tax Rates

A taxing jurisdiction sets its **levy** by taking its total proposed budget and subtracting any non-property tax revenue.

Total proposed local budget (county, city, township, school district, special taxing district)
– All non-property tax revenue (state aid and fees)
Property tax revenue need (property tax levy)

Next, the **taxable market value** of the property within the taxing jurisdiction is multiplied by the classification rate to determine the jurisdiction's total tax capacity.

Taxable market value
x Classification rate
Total tax capacity

Finally, the property tax revenue needed is divided by the total tax capacity to determine the local tax rate.

$$\text{Property tax revenue needed} / \text{Total tax capacity} = \text{Local tax rate}$$

Step 1: Taxable Market Value

The first step in calculating the property tax for each parcel is to determine its **taxable market value**. The initial starting point for any parcel is its estimated market value. However, we use taxable market value, or TMV, to apply most tax rates to a parcel. For many parcels, the taxable market value will be the same as the estimated market value.

However, if a parcel qualifies for a special program, the taxable market value is less than the estimated market value. Special programs fall into three types: deferment, exclusion, and reduction.

Special Program Type	Function	Examples
Deferment	Allows qualified property owners to postpone payment of taxes	Rural Preserve Senior Citizens Property Tax Deferral Aggregate Resource Preservation Open Space Green Acres
Exclusion	Excludes property value from taxation for various reasons	Plat Law Homestead Exclusion for Veterans with a Disability Homestead Market Value Exclusion
Reduction	Reduces property value with the intent to keep taxes lower on certain properties	Mold Damage Reduction

Taxable market value is determined by applying special programs in the following order.

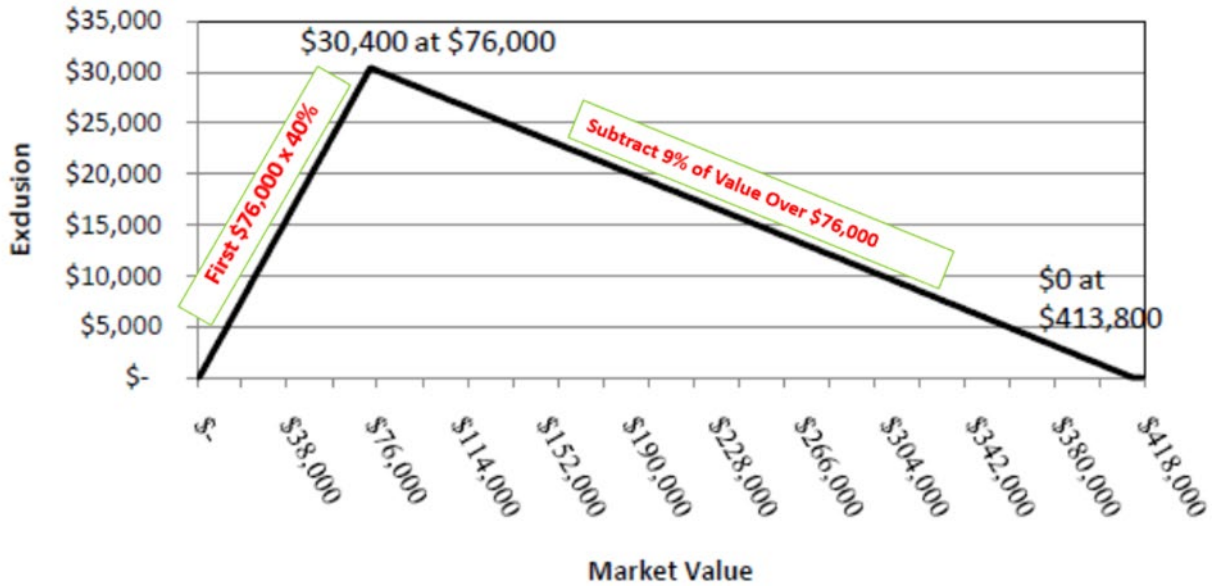
1. **Estimated Market Value**
2. Green Acres Deferment
3. Rural Preserves Deferment
4. Open Space Deferment
5. Aggregate Resource Preservation Deferment
6. Platted Vacant Land Exclusion
7. Homestead Exclusion for Veterans with a Disability
8. Mold Damage Reduction
9. **MV Prior to Homestead MV Exclusion (1-2-3-4-5-6-7-8)**
10. Homestead Market Value Exclusion
11. **Taxable Market Value (9-10)**

Homestead Market Value Exclusion (HMVE)

In this module, we will cover the Homestead Market Value Exclusion (HMVE), a special program you will encounter often. The following classifications qualify for the HMVE:

- 1a residential homestead
- 1b homestead of persons who are blind or disabled
- Portion of a 2a agricultural homestead consisting of the house, garage, and surrounding one acre of land (HGA)

For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$30,400 at \$76,000 of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the value over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion.



Parcel 1

Mai Vu’s property is classified as 1a, which means it receives homestead designation. This parcel therefore qualifies for the Homestead Market Value Exclusion. This is calculated based on the parcel’s market value prior to the Homestead Market Value Exclusion. In this case, the parcel does not qualify for any other special programs, so the market value prior to the HMVE is the same as the estimated market value, \$314,000.

- | | | |
|---|---|--|
| 1 | Calculate the amount of value over \$76,000 | $\$314,000 - \$76,000 = \$238,000$ |
| 2 | Calculate the maximum exclusion amount | $\$76,000 \times 40\% = \$30,400$ |
| 3 | Calculate the reduction | $\$238,000 \times 9\% = \$21,420$ |
| 4 | Calculate the exclusion amount | $\$30,400 - \$21,420 = \mathbf{\$8,980}$ |

The TMV of this parcel is:

$\$314,000 - \$8,980 = \mathbf{\$305,020}$

Parcel 2

The Smith farm also receives a Homestead Market Value Exclusion, but it is calculated only on the HGA portion of the property. The value of this portion is \$115,000. The value of the remainder is \$199,000.

- | | | |
|---|---|-----------------------------------|
| 1 | Calculate the amount of value over \$76,000 | $\$115,000 - \$76,000 = \$39,000$ |
| 2 | Calculate the maximum exclusion amount | $\$76,000 \times 40\% = \$30,400$ |

- | | | |
|---|--------------------------------|--|
| 3 | Calculate the reduction | $\$39,000 \times 9\% = \$3,510$ |
| 4 | Calculate the exclusion amount | $\$30,400 - \$3,510 = \mathbf{\$26,890}$ |

The TMV of the HGA is: $\$115,000 - \$26,890 = \$88,110$

The total TMV of the parcel is the TMV of the remaining land plus the TMV of the HGA:

$$\$199,000 + \$88,110 = \mathbf{\$287,110}$$

Parcel 3

The 3a classification does not qualify for a Homestead Market Value Exclusion, so you will not need to take that into account for Ali Auto Repair.

The TMV of this parcel is the same as its EMV, \$314,000.

Parcel Summary

Parcel	Estimated Market Value	Taxable Market Value
Parcel 1: Vu	\$314,000	\$305,020
Parcel 2: Smith	\$314,000	\$287,110
Parcel 3: Ali	\$314,000	\$314,000

Step 2: Calculate Net Tax Capacity (NTC)

The net tax capacity (NTC) of a parcel is the taxable market value (TMV) multiplied by the applicable class rate or rates.

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

You can find the class rate table for the current taxes payable year at the end of this module.

Parcel 1

The rates for class 1a property are:

- 1.00% for first \$500,000 of taxable market value
- 1.25% over \$500,000 of taxable market value

To calculate the net tax capacity for Mai Vu's parcel, multiply the TMV of \$305,020 by the class rate of 1.00%.

$$\$305,020 \times 0.01 = \mathbf{\$3,050}$$

Parcel 2

The rates for class 2a property are:

- 1.00% for the first \$500,000 of taxable market value of the HGA
- 1.25% over \$500,000 of taxable market value of the HGA
- 0.50% for the first \$2,150,000 of taxable market value of the remainder (“first tier”)
- 1.00% over \$2,150,000 of taxable market value of the remainder

Calculate the net tax capacity of the HGA by multiplying the TMV of \$88,110 by 1.00%.

$$\$88,110 \times 0.01 = \$881$$

Then, calculate the net tax capacity of the remainder by multiplying the TMV of \$199,000 by 0.50%.

$$\$199,000 \times 0.005 = \$995$$

Finally, add the amounts together for the total net tax capacity for the parcel.

$$\$881.10 + \$995 = \mathbf{\$1,876}$$

Parcel 3

Note: Here, we’re discussing the net tax capacity for local taxes. We will look at net tax capacity for the State General Property Tax later.

The rates for class 3a property for local taxes are:

- 1.50% for the first \$150,000 of taxable market value
- 2.00% over \$150,000 of taxable market value

First, calculate how much value is over \$150,000.

$$\$314,000 - \$150,000 = \$164,000$$

Then, apply the rates to each tier.

$\$150,000 \times 0.015$	=	\$2,250
$\$164,000 \times 0.020$	=	\$3,280

Add the amounts for each tier together for the total [local] net tax capacity for the parcel.

$$\$2,250 + \$3,280 = \$5,530$$

Parcel Summary

Parcel	Estimated Market Value	Taxable Market Value	Net Tax Capacity
Parcel 1: Vu	\$314,000	\$305,020	\$3,050
Parcel 2: Smith	\$314,000	\$287,110	\$1,876
Parcel 2: Ali	\$314,000	\$314,000	\$5,530

Step 3: Local Tax Rates

We discussed local tax rates earlier.

$$\text{Property tax revenue needed} / \text{Total tax capacity} = \text{Local tax rate}$$

Each taxing jurisdiction has its own local tax rate, and the combination of those rates become the total effective local tax rate that is applied to a parcel's net tax capacity.

In our fictional Blue Lake County, the taxing jurisdictions have the following local tax rates. You can also find this information in the Unique Taxing Area section near the beginning of this module.

Blue Lake County	40.000%
West Township	20.000%
East Township	19.000%
School District No. 1	31.000%
School District No. 2	32.000%
Special Taxing District	1.500%

Parcel 1

Mai Vu's home is in Blue Lake County, West Township, School District No. 2, and in the special taxing district. To calculate her total local tax rate, add the four local tax rates together.

$$40.000\% + 20.000\% + 32.000\% + 1.500\% = \mathbf{93.500\%}$$

Parcel 2

The Smiths' farm is in Blue Lake County, East Township, and School District No. 1. To calculate their total local tax rate, add the three local tax rates together.

$$40.000\% + 19.000\% + 31.000\% = \mathbf{90.000\%}$$

Parcel 3

Ali Auto Repair is in Blue Lake County, West Township, and School District No. 1. To calculate the total local tax rate, add the three local tax rates together.

$$40.000\% + 20.000\% + 31.000\% = \mathbf{91.000\%}$$

Parcel Summary

Parcel	EMV	TMV	NTC	Total Local Tax Rate
Parcel 1: Vu	\$314,000	\$305,020	\$3,050	93.500%
Parcel 2: Smith	\$314,000	\$287,110	\$1,876	90.000%
Parcel 3: Ali	\$314,000	\$314,000	\$5,530	91.000%

Step 4: Local Net Tax Capacity Tax

You calculate a parcel's local net tax capacity tax by multiplying the parcel's net tax capacity by the parcel's total local tax rate.

$$\text{Net tax capacity} \times \text{Total local tax rate} = \mathbf{\text{Local net tax capacity tax}}$$

Note on rounding: Tax amounts may be rounded to the nearest dollar or nearest even-numbered dollar.

Parcel 1

$$\$3,050 \times 0.935 = \mathbf{\$2,852}$$

Parcel 2

$$\$1,876 \times 0.900 = \mathbf{\$1,688}$$

Parcel 3

$$\$5,530 \times 0.910 = \mathbf{\$5,032}$$

Parcel Summary

Parcel	EMV	TMV	NTC	TLTR*	Local NTC Tax
Parcel 1: Vu	\$314,000	\$305,020	\$3,050	93.500%	\$2,852
Parcel 2: Smith	\$314,000	\$287,110	\$1,876	90.000%	\$1,688
Parcel 3: Ali	\$314,000	\$314,000	\$5,530	91.000%	\$5,032

* Total local tax rate

Step 5: State General Property Tax

Some property classifications are subject to the State General Property Tax. This information is included in the class rate table found at the end of this module.

The Department of Revenue calculates and certifies the rates to be used for this tax. The preliminary rates are issued by October 1, and the final rates by January 1 of the taxes payable year. For taxes payable in 2024, the final rates are:

- For commercial/industrial properties: 29.294%
- For seasonal residential recreational properties: 10.640%

Parcel 3

In this example, only parcel 3 is subject to the State General Property Tax. The class rates are different than those used for local net tax capacity. The rates for class 3a property for state net tax capacity are:

- 0.00% for the first \$150,000 of taxable market value
- 2.00% over \$150,000 of taxable market value

Apply the rates to each tier.

\$150,000 x 0.000	=	\$0
\$164,000 x 0.020	=	\$3,280

Add the amounts for each tier together for the total state net tax capacity for the parcel.

$$\$0 + \$3,280 = \mathbf{\$3,280}$$

Finally, apply the tax rate for the property classification to calculate the state tax amount for the parcel (remember, for commercial property, the rate is 29.294%).

$$\$3,280 \times 0.29294 = \mathbf{\$961}$$

Parcel Summary

Parcel	EMV	TMV	NTC	TLTR	Local Tax	State Tax
Parcel 1: Vu	\$314,000	\$305,020	\$3,050	93.500%	\$2,852	N/A
Parcel 2: Smith	\$314,000	\$287,110	\$1,876	90.000%	\$1,688	N/A
Parcel 3: Ali	\$314,000	\$314,000	\$5,530	91.000%	\$5,032	\$961

Step 6: Credits

In this module, we will go over the Agricultural Homestead Market Value Credit, a credit you will encounter often.

The Agricultural Homestead Credit applies only to the following:

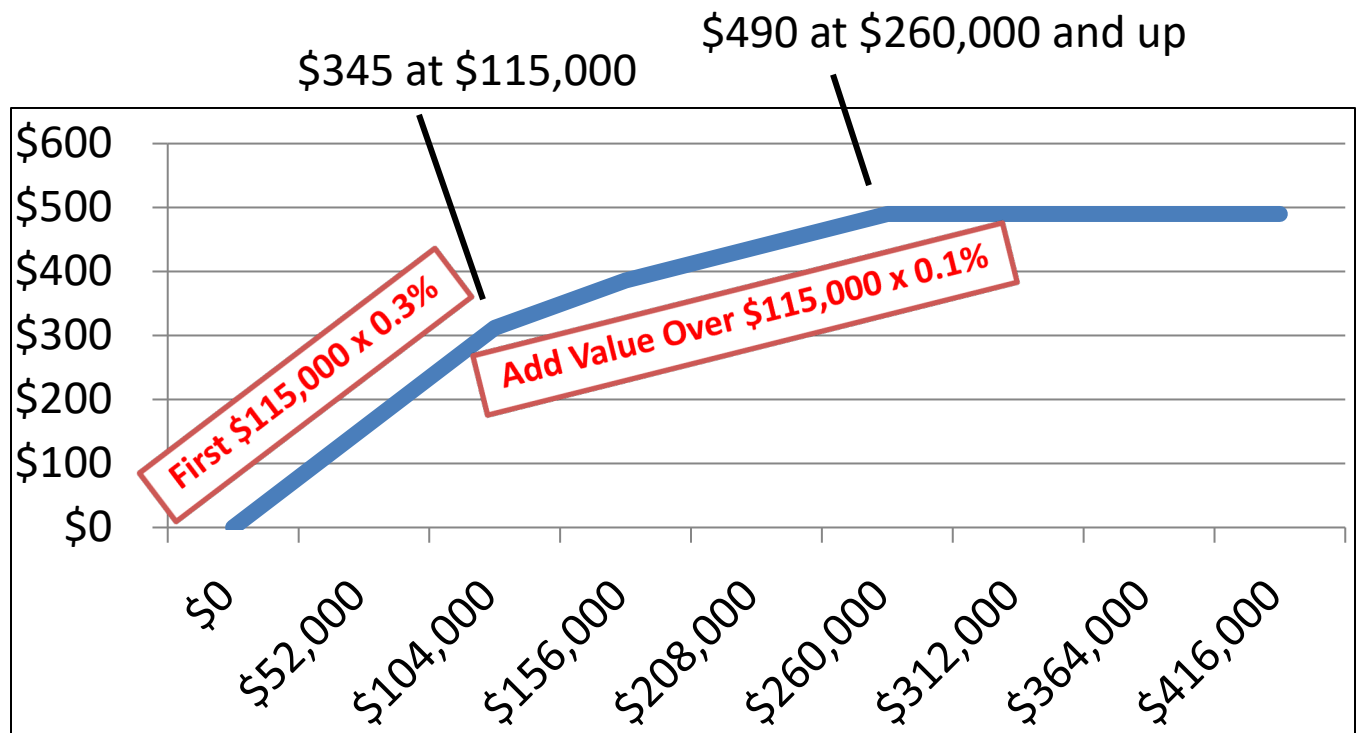
- Homesteaded class 2a agricultural land (which may sometimes be classified as 1b)
- Homesteaded class 2a agricultural buildings
- Contiguous class 2b rural vacant land that is part of the agricultural homestead, and is under the exact same ownership

The Agricultural Homestead Credit is equal to 0.3% of the first \$115,000 of the taxable market value (TMV) of the agricultural land plus 0.1% of the agricultural land TMV above \$115,000.

$$(\text{First } \$115,000 \text{ TMV} \times 0.3\%) + ([\text{Total TMV} - \$115,000] \times 0.1\%) = \text{Credit Amount}$$

Do not include the value of the HGA when calculating the credit. (The HGA is not used at all in the calculation.)

The maximum credit for each homestead is limited to \$490 at a market value of \$260,000.



Parcel 2

In this example, only Parcel 2 qualifies for the agricultural homestead credit.

The market value of the Smith farm's agricultural land is \$199,000.

- | | | |
|---|--|------------------------------------|
| 1 | Calculate the amount of value over \$115,000 | $\$199,000 - \$115,000 = \$84,000$ |
| 2 | Calculate the base credit | $\$115,000 \times 0.3\% = \345 |
| 3 | Calculate the increase | $\$84,000 \times 0.01\% = \84 |
| 4 | Calculate the total credit | $\$3345 + \$84 = \mathbf{\$429}$ |

Parcel Summary

Parcel	EMV	TMV	NTC	TLTR	Local Tax	State Tax	Credits
Parcel 1: Vu	\$314,000	\$305,020	\$3,050	93.500%	\$2,852	N/A	N/A
Parcel 2: Smith	\$314,000	\$287,110	\$1,876	90.000%	\$1,688	N/A	\$429
Parcel 3: Ali	\$314,000	\$314,000	\$5,530	91.000%	\$5,032	\$961	N/A

Step 7: Net Tax

The final step is to calculate a parcel's net tax.

$$\text{Local Tax} + \text{State Tax} - \text{Credits} = \mathbf{\text{Net Tax}}$$

Parcel 1

$$\$2,852 + \$0 - \$0 = \$2,852$$

Parcel 2

$$\$1,688 + \$0 - \$429 = \$1,259$$

Parcel 3

$$\$5,032 + \$961 - \$0 = \$5,993$$

Parcel Summary

Parcel	Estimated Market Value	Net Property Tax
Parcel 1: Vu	\$314,000	\$2,852
Parcel 2: Smith	\$314,000	\$1,259
Parcel 3: Ali	\$314,000	\$5,993

As you can see, this exercise illustrates how classification impacts taxes.

Each of these properties had the same estimated market value, but the final net property tax is different. The classification the assessor identifies for a property determines:

- The property's classification rate
- The levies the property will be subject to (e.g., the state general property tax for Parcel 3)
- Whether the property receives special benefits (e.g., the homestead market value exclusion for Parcels 1 and 2, and the agricultural homestead credit for Parcel 2)

As an assessor, identifying the correct classification ensures that the property owner will be paying their fair share of property taxes based on use.

Referendum Market Value

We are not covering how to calculate referendum market value (RMV) in this module. However, you should be aware that some classifications of property contribute to paying this additional tax. You can see what classifications are affected in the class rate table provided on the last page of this module, and learn more about RMV in the Property Tax Calculation Course Workbook and online course on the Department of Revenue website.

The Impact of Value

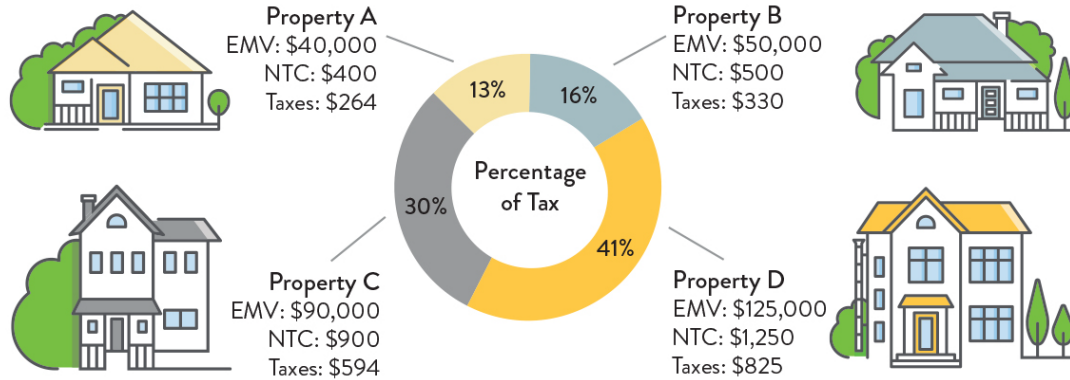
The examples below are based on a fictional town consisting of four residential nonhomestead houses that are not subject to any deferrals, exclusions, or reductions. The small tax base is used to illustrate how value changes may affect taxes for each house. As the tax base becomes larger, value changes will not affect taxes as dramatically as the examples shown. Even if a value change results in a smaller tax bill for one property owner and an increased burden to be shared by all property in the jurisdiction, any value change will ultimately affect all taxpayers in the jurisdiction. If this example included homesteaded properties, valuation changes would also impact the homestead market value exclusion for those properties.

In the first part of this module, we showed how classification can impact taxes when values remain constant. Here, we show how valuation can impact taxes when classification remains constant. As with classification, correctly valuing a property ensures that the property owner will be paying their fair share of property taxes.

Example 1

Total EMV = \$305,000 Class Rate = 1% Township Levy = \$2,000 Tax Rate = 66%

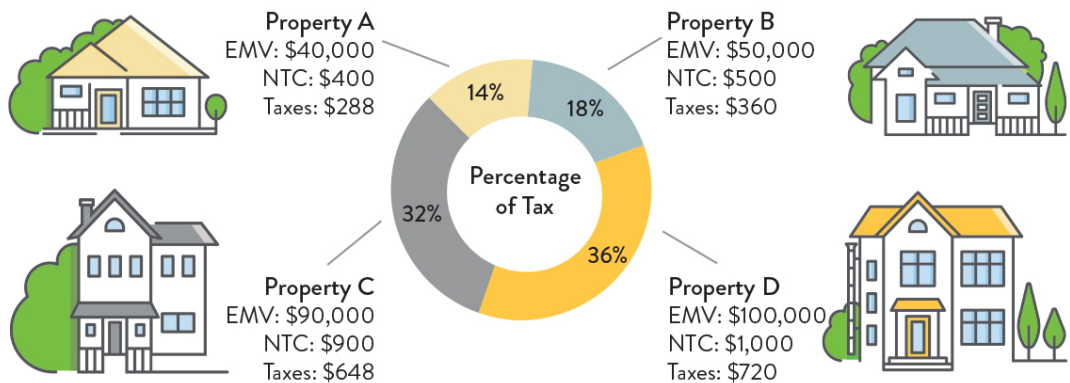
The values and corresponding share of the tax burden for the four properties before the meeting of the Local Board of Appeal and Equalization.



Example 2

Total EMV = \$280,000 Class Rate = 1% Township Levy = \$2,000 Tax Rate = 72%

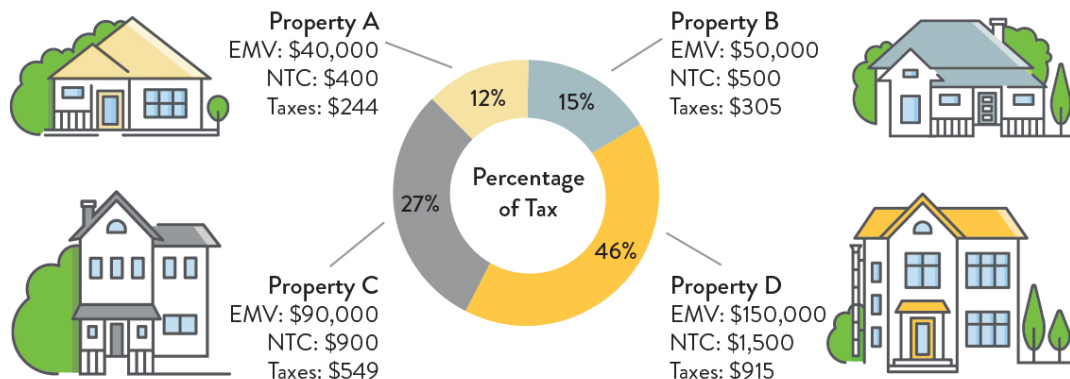
The owner of Property D appealed the value of his property. He did not provide any evidence as to why his value should be reduced. The board reduced his value by \$25,000. The example shows how the change affects the share of the tax burden for the four properties.



Example 3

Total EMV = \$330,000 Class Rate = 1% Township Levy = \$2,000 Tax Rate = 61%

The owner of Property D appealed the value of his property. He did not provide any evidence as to why his value should be reduced. The board raised his value by \$25,000. The example shows how the change affects the share of the tax burden for the four properties.



To learn more about property tax calculation, go to www.revenue.state.mn and search for “property tax calculation certification.”

Classification Rates for Taxes Payable in 2024

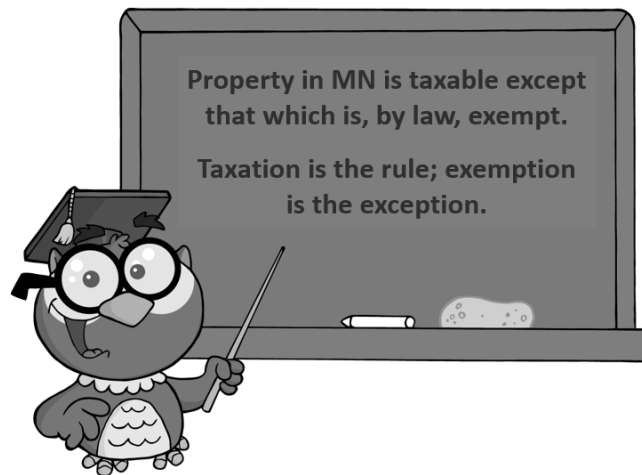
Class	Description	Tiers	NTC Class Rate	Subject to RMV Tax	Subject to State Tax
1a	Residential Homestead	First \$500,000	1.00%	Yes	No
		Over \$500,000	1.25%	Yes	No
1b	Homestead of Persons who are Blind/Disabled [classified as 1a or 2a]	First \$50,000	0.45%	Yes - 45%	No
	[classified as 1a or 2a]	\$50,000 - \$500,000	1.00%	Yes	No
		Over \$500,000	1.25%	Yes	No
1c	Homestead Resort	First \$600,000	0.50%	Yes - 50%	No
		\$600,001 - \$2,300,000	1.00%	Yes	No
		Over \$2,300,000	1.25%	Yes	Yes
1d	Housing for Seasonal Workers	First \$500,000	1.00%	Yes	No
		Over \$500,000	1.25%	Yes	No
2a	Agricultural Homestead - House, Garage, 1 Acre (HGA)	First \$500,000	1.00%	Yes	No
		Over \$500,000	1.25%	Yes	No
2a/2b	Agricultural Homestead - First Tier	First \$2,150,000	0.50%	No	No
2a/2b	Farm Entities Remaining First Tier	Unused First Tier	0.50%	No	No
2a	Agricultural - Nonhomestead or Excess First Tier		1.00%	No	No
2b	Rural Vacant Land		1.00%	No	No
2c	Managed Forest Land		0.65%	No	No
2d	Private Airport		1.00%	No	No
2e	Commercial Aggregate Deposit		1.00%	No	No
3a	Commercial/Industrial/Utility (<i>not including utility machinery</i>)	First \$150,000	1.50%	Yes	No
		Over \$150,000	2.00%	Yes	Yes
	Electric Generation Public Utility Machinery		2.00%	Yes	No
	All Other Public Utility Machinery		2.00%	Yes	Yes
	Transmission Line Right-of-Way		2.00%	Yes	Yes
4a	Residential Nonhomestead 4+ Units		1.25%	Yes	No
4b(1)	Residential Nonhomestead 1-3 Units		1.25%	Yes	No
4b(2)	Unclassified Manufactured Home		1.25%	Yes	No
4b(3)	Agricultural Nonhomestead Residence (2-3 Units)		1.25%	Yes	No
4b(4)	Unimproved Residential Land		1.25%	Yes	No
4bb(1)	Residential Nonhomestead Single Unit	First \$500,000	1.00%	Yes	No
		Over \$500,000	1.25%	Yes	No
4bb(2)	Agricultural Nonhomestead Single Unit (HGA)	First \$500,000	1.00%	Yes	No
		Over \$500,000	1.25%	Yes	No
4bb(3)	Condominium Storage Unit	First \$500,000	1.00%	Yes	No
		Over \$500,000	1.25%	Yes	No
4c(1)	Seasonal Residential Recreational Commercial (resort)	First \$500,000	1.00%	Yes	Yes
		Over \$500,000	1.25%	Yes	Yes
4c(2)	Qualifying Golf Course		1.25%	Yes	No
4c(3)(i)	Nonprofit Community Service Org. (non-revenue)		1.50%	Yes	No
	Congressionally Chartered Veterans Organizations (non-revenue)		1.00%	Yes	No
4c(3)(ii)	Nonprofit Community Service Org. (donations)		1.50%	Yes	Yes
	Congressionally Chartered Veterans Organizations (donations)		1.00%	Yes	Yes
4c(4)	Post-Secondary Student Housing		1.00%	No	No
4c(5)(i)	Manufactured Home Park		1.25%	Yes	No
4c(5)(ii)	Manufactured Home Park (>50% owner-occupied)		0.75%	Yes - 75%	No
4c(5)(iii)	Manufactured Home Park (50% or less owner-occupied)		1.00%	Yes	No
4c(5)(iii)	Class I Manufactured Home Park		1.00%	Yes	No
4c(6)	Metro Nonprofit Recreational Property		1.25%	Yes	No
4c(7)	Certain Noncommercial Aircraft Hangars and Land (leased land)		1.50%	Yes	No
4c(8)	Certain Noncommercial Aircraft Hangars and Land (private land)		1.50%	Yes	No
4c(9)	Bed & Breakfast		1.25%	Yes	No
4c(10)	Seasonal Restaurant on a Lake		1.25%	Yes	No
4c(11)	Marina	First \$500,000	1.00%	Yes	No
		Over \$500,000	1.25%	Yes	No
4c(12)	Seasonal Residential Recreational Noncommercial	First \$76,000	1.00%	No	Yes - 0.40%
		\$76,001 - \$500,000	1.00%	No	Yes - 1.00%
		Over \$500,000	1.25%	No	Yes - 1.25%
4d	Low-Income Rental Housing (Per Unit)	First \$100,000	0.75%	Yes - 75%	No
		Over \$100,000	0.25%	Yes - 25%	No
5(1)	Unmined Iron Ore and Low-Grade Iron-Bearing Formations		2.00%	Yes	Yes
5(2)	All Other Property		2.00%	Yes	No

Exemption

Exempt Property

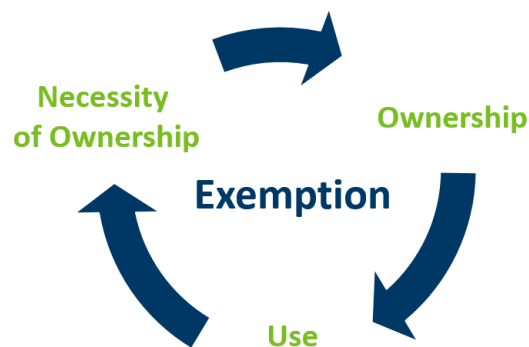
All property is considered taxable, unless law (statutes or the Constitution) specifically exempts it, and exemption laws are to be strictly construed.

We say: **taxation is the rule; exemption is the exception**, and the burden of proof is on the one seeking exemption to prove exemption qualifications are met.



Ownership, use, and necessity of ownership are the three key elements in determining exemption. Absence of any of the three elements would likely disqualify a property from exemption unless specifically allowed by law. For example, a property may be owned by a church (an exempt institution), but if it is not used for church purposes, exemption should be denied.

Whenever property is removed from the tax rolls, the other taxpayers of that jurisdiction pay a higher share of the tax burden. Therefore, burden of proof is on the one seeking exemption to prove **to the assessor** that they are entitled to the exemption. The assessor has an extremely important responsibility in extending exemptions only to properties that meet the qualifications under law.



Common Types of Property Eligible for Exemption

- Minnesota Statute 272.02 is the main statute dealing with exemptions.
- Comprehensive property tax exemption information can be found on the Department of Revenue's website, in the **Property Tax Administrator's Manual, Module 5 – Exempt Property**.
- Common types of property tax exemptions include:
 - **Public burying grounds/cemeteries**
 - **Schools and educational institutions:** public schools, private schools that have the same curricula as public schools, colleges, universities, and seminaries of learning that are similar to other educational schools (e.g., cosmetic educational institutions, barber schools, etc. are not exempt); certain charter schools may also be exempt, even if they don't own the property they operate
 - **Public hospitals**
 - **Church property/religious institutions**, which may include parsonages
 - **Institutions of purely public charity**
 - **Public property used for public purposes**
 - **Many types of personal property** (exceptions include manufactured homes assessed as personal property, which are taxable)
 - **Wetlands** meeting specific criteria
 - **Native prairie**
 - **Emergency shelters for victims of domestic abuse**
 - **Wind and solar energy generating systems** of specific sizes or that pay production taxes
 - **Ice arenas and baseball parks** if owned and operated by a 501(c)(3) non-profit and primarily used by youth or high school programs.

Leasing of Exempt Property

Most often, when any real or personal property that is exempt from ad valorem taxes or payment in lieu of taxes, is **leased, loaned, or otherwise made available** and used by a private individual, association, or corporation **in connection with a business for profit**, the property becomes taxable to the same extent as though the lessee or user was the owner of the property (M.S. 272.01, subdivision 2; exceptions are also listed in this statute).

Typically, tax-exempt property that is **held under a lease for a term of at least one year** is taxable and treated as the property of the person holding it (and taxed as personal property), as if they were the owner. MN Statute 272.0213 provides a property tax exemption for **land** leased from the federal government, the state, a county, a city, or a town for noncommercial seasonal-recreational use (i.e., lake cabin), or as a class 1c homestead resort – though the structure is still taxable to the lessee of the land.

Application and Eligibility

Owners of property seeking a new exemption must file an application for exemption to the county assessor by **February 1** of the assessment year in which exemption is sought to initially be granted exemption.

Properties owned by the state or a political subdivision of the state are not required to file an application.

Once granted exemption, **certain property seeking** continued exemption from property taxes must file an application for exemption every third year (2025, 2028, 2031 etc.). A list of properties that are required to reapply can be found in the Property Tax Administrators Manual.

Valuation of Exempt Property

Assessors are required to **value** exempt property in the same manner that other real property is valued and assessed. Assessors must value exempt property annually and **report** exempt property information every six years. Exempt property was last reported in 2022. The next reporting date is 2028.

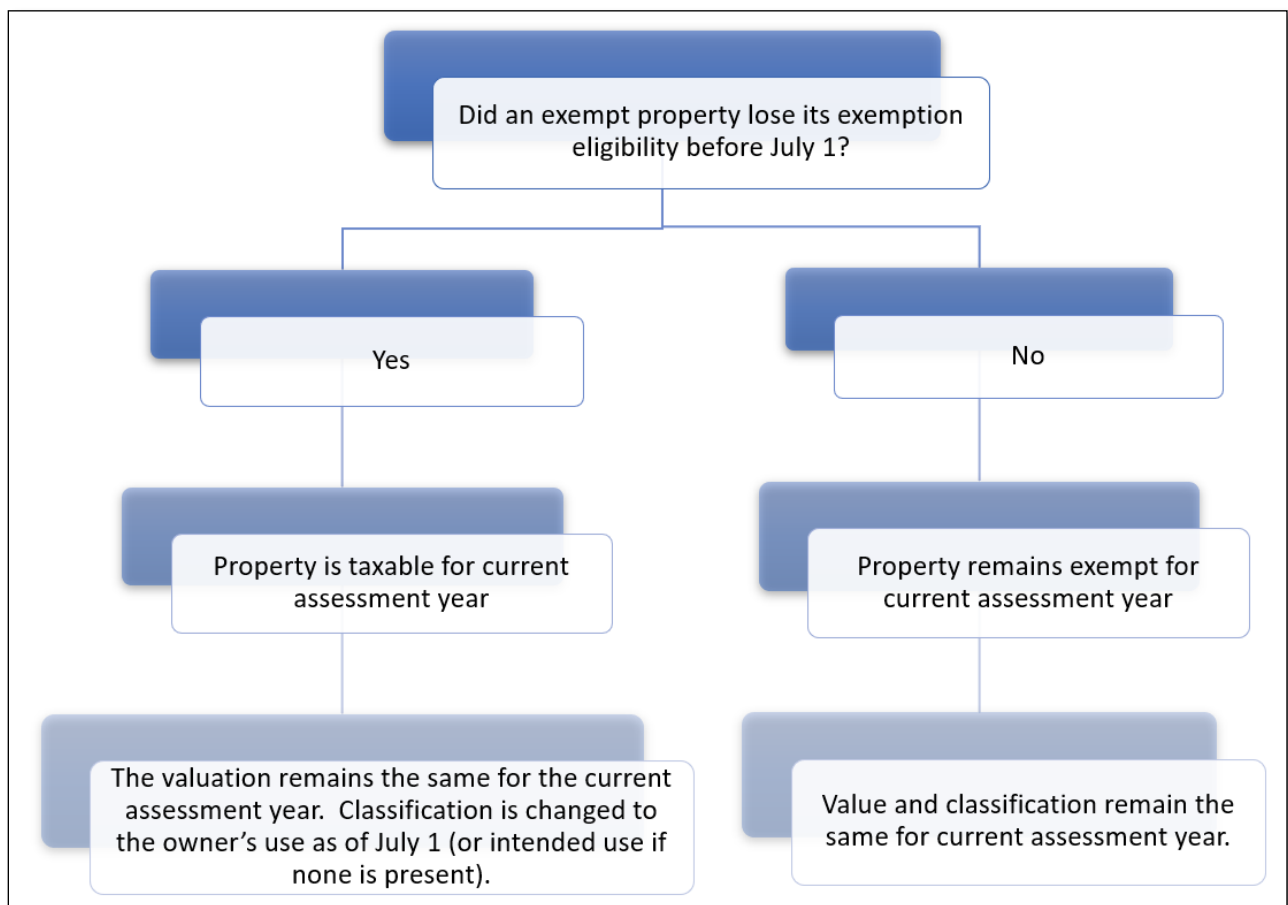
Conversion to Exempt or Taxable Uses

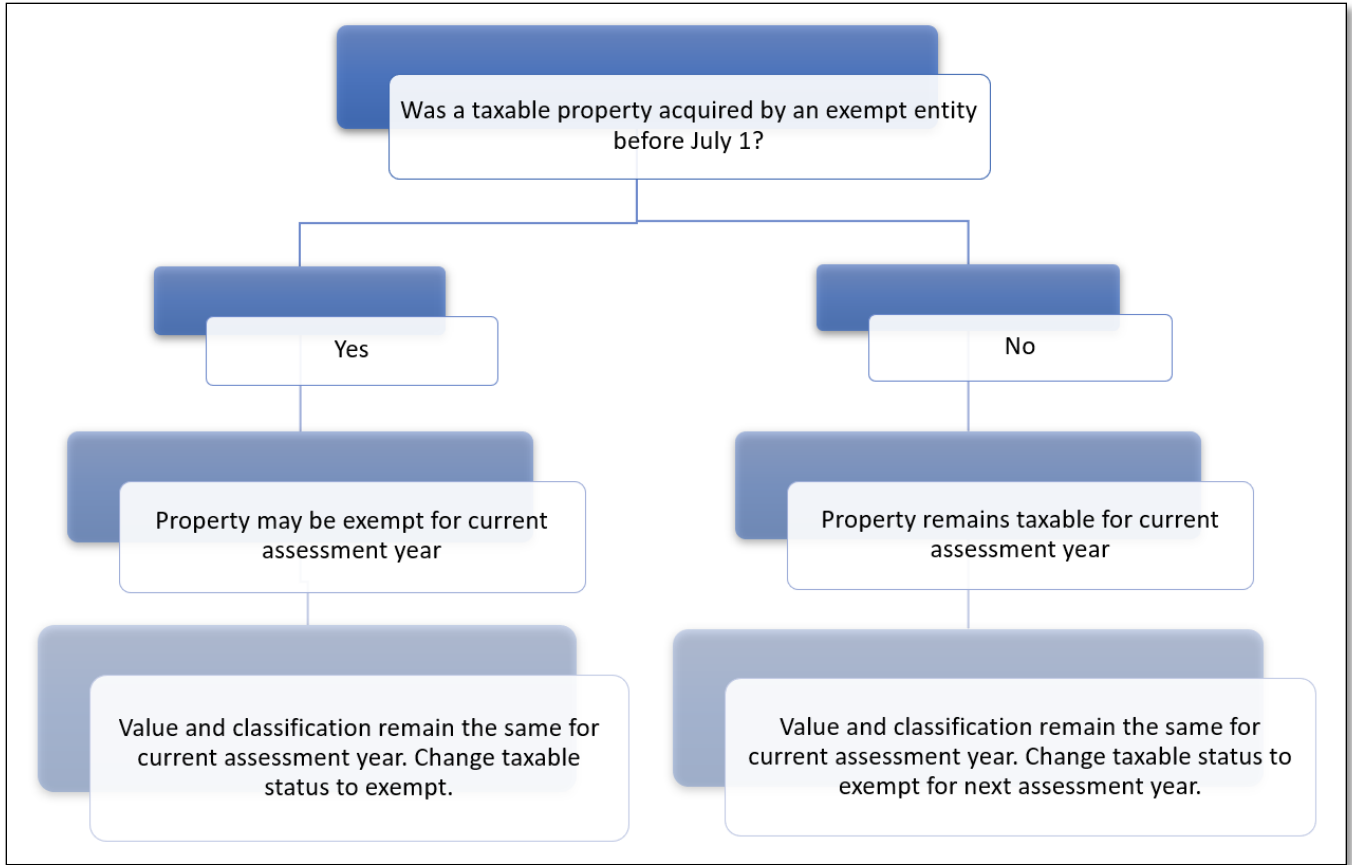
Exempt to Taxable. Any property exempt from taxation on January 2 of any year that loses its exemption prior to **July 1** of any year must be placed on the current assessment rolls for that year.

Taxable to Exempt. Property subject to tax on January 2 that is **acquired** before July 1 of the year is exempt for that assessment year if the property is used for an exempt purpose and all other requirements are met.

Exception for Personal Property. Manufactured homes, park trailers, travel trailers, and improvements subject to personal property tax to convert from exempt to taxable by January 2 of the assessment year, rather than July 1, because the taxes on these properties must be calculated by May 30

Tax-Forfeited Property. Property that forfeits to the state for nonpayment of taxes on or before December 31 is removed taxes for that assessment year. Forfeited property that is repurchased, or sold at a public or private sale, on or before December 31 of an assessment year is taxable for that year's assessment.





Other Exemption Information

This is not a complete list of all property tax exemptions. Please refer to the Property Tax Administrator’s Manual, Module 5 – Exempt Property for information related to all property tax exemptions and exempt requirements.

Sales Ratio

Sales Ratio

Sales ratios show the relationship between the assessor's Estimated Market Value and the sale price of a property.

The Sales Ratio Formula:

$$\text{Sales Ratio} = \frac{\text{Assessor's Estimated Market Value}}{\text{Sale Price}}$$

Electronic Certificate of Real Estate Value (eCRV)

The eCRV is the foundation of all sales ratio studies.

Whenever any real estate is sold for a consideration in excess of \$3,000, an eCRV must be filed. The eCRV is filed in the county in which the property is located.

Since the eCRV contains important market data and is used for sales ratio studies and local government aids, it is important that the assessor examine each certificate when it comes into the office. If there is a wide difference between the sale price and the assessor's EMV, the assessor should examine that property and the conditions and terms of sale. The assessor may find that the property, through improvement or deterioration, may have changed since its last physical inspection.

The eCRV may also reflect an anticipated change in use. Law requires the eCRV filer to include on the eCRV any proposed change in the use of the property that could change the classification of the property. For example, when agricultural land is sold for development purposes, the assessor's EMV may be significantly different than the sale price of the property that was purchased for development. This type of sale would likely be discarded from a ratio study.

Filers must also indicate on the eCRV if the transaction involved a like-kind exchange under section 1031 of the Internal Revenue Code. These transactions are more commonly known as "1031 Exchanges" and are more common for certain property types (commercial properties and agricultural land). A 1031 exchange is a potential reason to discard the sale from a ratio study.

You can find additional information regarding eCRV by visiting the Department of Revenue's website at **Electronic Certificate of Real Estate Value (eCRV) | Minnesota Department of Revenue**

Sales Ratio Studies

There are **three basic purposes** of sales ratio studies. They are:

1. To **plan** an upcoming assessment
2. To **evaluate** an existing assessment
3. To **identify** inequities in assessments

The State Board of Equalization uses sales ratio studies to determine the assessment level for equalization purposes. For the assessor, the study provides an insight into variations in assessment among specific properties within classes, and between classes and areas. This is the first indication of possible inequities in the assessment. In addition, where assessment jurisdictions do not correspond to the principal taxing district (i.e., school district boundaries overlapping counties), the sales ratio study provides the assessor with information on which to base adjustments to the assessment with respect to the other county.

Property owners use the studies as support for their claim of unfair or inequitable treatment by assessors. Legislators use these studies to develop or change tax rates, which are a factor in distribution of state aids to local municipalities. The Commissioner of Revenue uses the studies as an equalization tool to measure how closely assessed values are to sale prices and to judge the quality of equalization within classes of properties and between classes and areas.

The Commissioner of Revenue constitutes the State Board of Equalization and is authorized by law to:

- order a reassessment in any taxing district to correct a grossly unfair and inequitable assessment
- reduce wide disparities in assessment levels between counties and among the several classes of real estate within counties
- to add or deduct from that valuation a percentage necessary to bring aggregate valuation to market value.

The primary sales ratio study has a 12-month study period that runs from October 1 of a given year to September 30 the following year. The sales occurring in that period are used in estimating market values for the next year's assessment. For example, sales occurring from October 1, 2023, to September 30, 2024, would be compared to the January 2, 2025, assessor's estimated market values for the 2024 Sales Ratio Study. This study is used for equalization purposes.

In addition, there is a **21-month sales ratio study** that runs from **January 1 in any given year to September 30** the following year, which is used for local government aid purposes.

The Tax Court uses a **nine-month study of sales** occurring between **January 1 to September 30 of a given year.**

Procedures for Sales Ratio Study Development

Sales ratio studies are only as reliable as the information they are based on. Therefore, it is necessary to take action to ensure the dependability of the information used in the ratio studies. The steps necessary are as follows:

1. Gather basic data on real estate transfers.
2. Screen and edit information to make any necessary adjustments for conditions of sale and exclude all sales that do not represent arm's-length transactions.
3. Put relevant data into an acceptable format for processing on computer.
4. Sort information by listed categories of real estate within each area.
5. Total the data and compute statistics to describe the information.

Step 1: Sales Data Collection

Electronic Certificates of Real Estate Value (eCRVs) are collected on all real estate transactions. Hundreds of thousands of real estate transactions occur in Minnesota each year and are the basis for the annual sales ratio study.

Step 2: Verification, Screening and Editing

Multiple levels of screening occur before a sale is included in the study. Sales should first be reviewed at the local level. Then, files are reviewed by the Department of Revenue regional representatives (Property Tax Compliance Officers) and the Property Tax Division sales ratio staff. At the Department of Revenue, eCRVs are scrutinized for completeness and accuracy and to exclude transactions that are not "arm's-length" transactions.

<https://www.revenue.state.mn.us/sales-ratio-studies>

Typically, commercial, industrial, apartment, and agricultural properties need the most personal verification. The sales prices of these types of properties often include personal property that is not taxable, such as machinery, equipment, inventories, furnishings, crops, livestock, etc. If you excluded all sales for these categories of property where there was personal property included in the sale, there would be no sales. Therefore, it is necessary to estimate, through interview and analysis, the portion of the total consideration attributable to real property as opposed to personal property. Any adjustments made to the sale price for personal property or business rights should be well-documented.

All open market, arm's-length transactions should be included in the study. An "open market sale" is one in which the buyer and seller are acting prudently and where the price is not affected by undue stimulus. Neither the buyer nor the seller must be under great pressure to complete the transaction within a short time. An "arm's-length" sale is between two parties, each of whom is acting in their own best interest and are seeking to maximize their gain from the transfer.

It is extremely important to follow established office procedures to verify sales.

Ideally all sales should be verified, especially and agricultural, rural vacant, commercial, industrial and apartment sales. At a minimum your county should have an established set of guidelines for verifying residential & seasonal residential recreational outliers. Sales should be verified as soon as possible after receiving the eCRV while the information is still fresh for the buyer and/or seller. The person responsible for doing the verification will depend on office policies, but if the property is an income producing property, someone with an AMA or who has taken the appropriate income valuation courses should be doing the verifying.

Typical questions to use when verifying the sale:

1. How was the property marketed?
2. Was there an appraisal done to establish market value?
3. Was there any type of relationship between buyer & seller?
 - a. How did that affect the sale price?
4. How much time elapsed between purchase agreement and closing date?
5. Are you aware of any circumstance that caused the property to sell above or below market?
6. Have there been any recent changes to the property?
7. What influenced you to buy this property?
8. Will you confirm the planned use of the property?
9. Is there a long-term tenant in this property?

Additional questions for income producing properties:

1. I see the sale is marked as a 1031 exchange – how did this affect the sale price? Were you under pressure to make a purchase by a certain time period?
2. Are there additional sources of income?
3. What was the gross potential income at the time of sale?
4. What are the vacancy and credit loss amounts?
5. What are the operating expenses and income?
6. Do you have any long-term tenants?

Additional questions for agricultural properties:

1. Was there a buyer's premium at the auction?
2. Did the sale depend on buying or leasing other land?
3. Has the property been tiled recently? If not, will you be tiling the land?
4. Are there any irrigated acres?
5. Are there any conservation acres? If so, how many and what type of program?

Please refer to the Sales Verification Forms folder in the Library of the Assessor Reference Room Virtual Room for more details.

The following list specifies the general types of sales that **do not meet the acceptance criteria and should be rejected from the sales study:**

- 02 - Relative sale / related business
- 03 - Government or exempt party sales
- 04 - Partial interest sale
- 05 - Classification change (change of legal property class)
- 06 - Unusual financing; non-cash financing; income guarantees
- 07 - Physical change (after assessment date; before sale)
- 08 - Correction deed; not an actual sale
- 09 - Trade; gift; or estate sale not exposed to open market
- 10 - Prior interest sale, such as lease with option to buy
- 12 - Unique reject reason that Department of Revenue Regional Representative must authorize
- 14 - Sale of interest in or payoff of contract; mortgage assumption
- 15 - Forced sale; legal action; foreclosure
- 16 - Assessor value for sale year not available or split not agricultural or timber classes
- 17 - Excessive non-real property
- 18 - Rewrite of terms; default on CD
- 19 - Relocation; employee transfer (by a relocation company as buyer/seller)
- 20 - Sale—leaseback property leased back to seller for more than six months
- 21 - Bank sale (including HUD sales) and lending institution sales not exposed to the market
- 22 - Less than minimum down payment with CD longer than one year
- 23 - Sale under minimum dollar amount:
\$10,001 minimum for bare land sales; \$25,001 minimum for all other property types
- 24 - Sale of properties in more than one county
- 25 - Ag preserve; sales subject to minimum assessment agreement
- 26 - Not typical market
- 27 - Court-ordered value
- 29 - Allocated sale price
- 30 - Assessor's value restricted by plat law; first year only
- 31 - Assemblage

Extremely high or low ratios are not a valid reason for rejecting or accepting the sale. However, the extreme ratio indicates a need for additional investigation

Split-class properties will be included in the study for the class that contains the largest share of the assessor's market value.

In order to increase the number of agricultural sales considered for the study, certain split sales (sales where a portion of a larger parcel is sold) will be used:

- If an entire agricultural property is split for sale to two or more buyers, the individual portions will be combined to produce one sale.
- If the agricultural land is split off from the building site and sold, the land sale will be considered for the sales ratio study.
- If the portion of the agricultural land of at least 40 acres was sold off and the seller retained the remainder of the farm, the land sale will be considered for the sales ratio study.

In these cases, county assessors are asked to make sure that value is split promptly after the eCRV is filed to assure uniform treatment of split sales throughout the state. Non-agricultural split sales should not be used.

Foreclosures and Repossessed Properties. Resales of repossessed property, except for residential and seasonal residential property, will be considered for use in the study. Residential and seasonal residential property may be considered for use in the study in very specific circumstances.

Physical Change. In order for a sale to be excluded due to physical change between the dates of assessment and sale, the additional construction must exceed five percent of the previous year's market value. Some items to consider and verify for physical change rejection are:

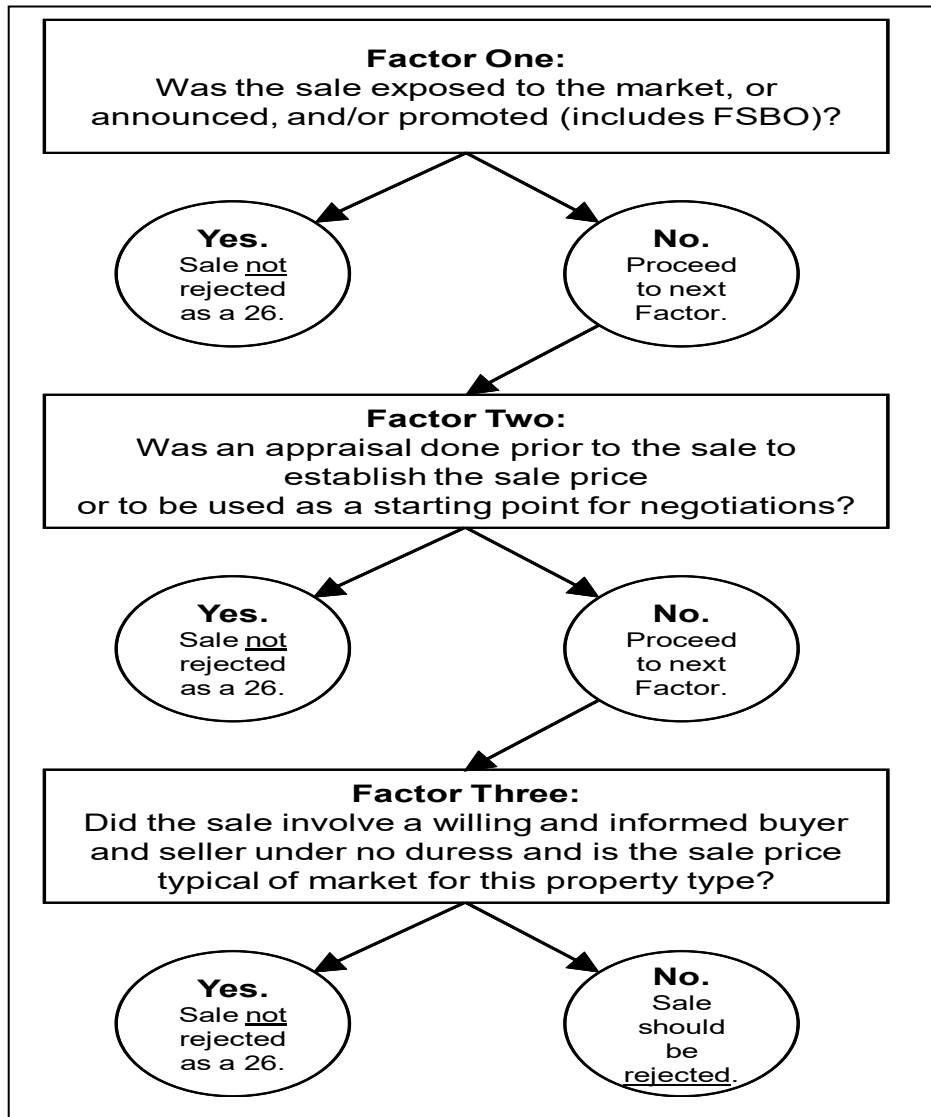
- When last inspected?
- When did the change occur?
- What was the physical change?
- How much will the value change be due to what was discovered?
- Make sure adding new construction

Prior Interest. A tenant purchasing from the owner is not an automatic reject as prior interest.

During verification you need to confirm:

- When was the purchase price established? (Should be at time of initial lease)
- How was the purchase price arrived at?
- Was an appraisal done to determine market value of the property?

Not Typical Market. In order to determine if a sale is not typical of the market, a three test rule is used:



If it is determined that the sale is not typical market – you should be able to provide some examples of what the typical market is for this property type by showing some recent sales price per square foot compared to the sale you wish to reject. Please confer with your PTCO regarding the process for rejecting for Not Typical Market.

Areas of editing on the eCRV that will make the sales go into the right buckets for analysis are:

- Land and Building Indicator – make sure it accurately represents the sale.
- Primary Type for State Study
- Parcel Numbers Entered Correctly
- Jurisdiction entered correctly
- Contract for Deed Terms are complete
- Acreage entered accurately as well as any Property Programs the land might be in such as Reinvest in Minnesota, Wetlands Reserve Program

Step 3: Prepare Data for Analysis

After screening all the sales for their usability in the sales ratio study, it is necessary to sort the transactions into useful classifications. Generally, they are sorted into three categories within the counties:

- I. A. City
 B. Township
- II. A. Improved
 B. Unimproved
- III. A. Residential
 B. Commercial
 C. Industrial
 D. Apartment
 E. Seasonal/Recreational/Residential
 F. Agricultural

Many counties will stratify their sales ratio studies to gain insight into what part of a jurisdiction or what type of property may need additional attention in an upcoming assessment. The following stratification levels may be helpful to assessors:

- By type of home (i.e., ramblers, split-levels, 2 stories, etc.)
- By age (0 – 10 years old, 11 – 20, etc.)
- On Water/Off Water (or other amenity such as a lake, golf courses, rivers, etc.)
- By price range (\$100,000 - \$150,000; Over \$1 million, etc.)
- By acreage (5 – 10 acres; 40 – 75 acres; over 75 acres, etc.)
- By subdivision or neighborhood

Step 4: Results Sorted and Listed

Once each individual assessment/sales ratio is calculated, the individual ratios are then arranged in order of magnitude and listed for several classes of properties within municipalities and townships. Hopefully, these individual ratios are grouped around the median ratio. Extremely high or low ratios are reviewed again to determine their suitability for the ratio study. After the outlier sales ratios are reviewed, the ratios are used to perform statistical computations that measure the overall level of assessment and the quality of the assessment.

Step 5: Statistics of Assessment/Sales Ratio Studies

One of the main objectives in property tax administration is an equalized assessment. It is important equalization be attained both among local property owners and between taxing districts because the assessment serves as a basis for:

1. Tax levies by overlapping governmental units (i.e. counties, school districts, and special taxing districts)
2. Determination of net bonded indebtedness
3. Determination of authorized levies restricted by statutory tax rate limits
4. Apportionment of state aid to governmental units

An equitable distribution of the tax burden is achieved only if it is built upon a uniform assessment. The result of a non-uniform assessment is a shift in the tax burden to other property owners.

To obtain an equalized assessment, accurate and acceptable statistical measures are needed. Sales ratios are used to measure assessment equality or inequality. **In a perfect world, if perfect assessment uniformity existed, the assessor's estimated market value and the sales price of a property would match and show a ratio of 100% since assessors are directed to appraise property at full market value.**

Measures of Central Tendency

Measures of central tendency describe the **overall level** at which properties are appraised. In practice, three measures of central tendency are used to measure the overall level of assessment:

1. The mean ratio
2. The median ratio
3. The aggregate (weighted mean) ratio.

The first step in calculating any of the measures of central tendency is to calculate **each individual** ratio for each sale. This is accomplished by the following formula:

$$\text{Sales Ratio} = \frac{\text{Assessor's Estimated Market Value}}{\text{Sale Price}}$$

Calculate the sales ratio on the following nine sales:

Parcel	EMV	Sale Price	Sales Ratio
1	189,000	236,250	
2	199,000	245,679	
3	335,000	322,100	
4	209,000	237,500	
5	177,000	236,000	
6	98,700	105,000	
7	310,000	360,456	
8	121,000	205,100	
9	289,000	294,900	

The **mean ratio** is the average of a group of ratios. It is the arithmetic average of the group. The mean weighs each ratio equally and is easily affected by one extreme sales ratio. This can lead to significant distortion of the average.

$$\text{Mean (Average) Ratio} = \frac{\text{Sum of All Ratios}}{\text{Number of Ratios}}$$

What is the mean ratio of the nine sales in the example?

The **median ratio** is found by arranging the ratios in order from lowest to highest (or vice versa) and then selecting the middle ratio in the series. (In a case where there is an even number of ratios, select the midpoint between the two middle ratios.) This is the most widely used measure of central tendency because it is not affected by extreme ratios. **Department of Revenue guidelines indicate that the median ratio of a sales ratio study should be from 90 to 105 percent. The median ratio is used to determine the level of assessment for the State Board of Equalization.**

Calculate the median by arranging the ratios in order from lowest to highest and finding the midpoint:

The **aggregate ratio or weighted mean** is computed by dividing the total assessor's EMV for all properties sold by the total sale prices of those properties. With the aggregate mean, each property sold is given a weight based on its sale price. Higher priced properties are given more weight than lower priced properties. This effect is justified if the number of higher priced properties that were sold represents the same percentage of higher priced properties in the area being studied (for example, if 30 percent of all property sales for a city are properties over \$400,000 and if 30 percent of properties in the entire city are valued over \$400,000). Because of these considerations, the aggregate mean is generally accepted as the most appropriate measure to be used in the equalization of aids.

Formula:

$$\text{Aggregate Mean Ratio} = \frac{\text{Total Assessor's EMVs}}{\text{Total of Sale Prices}}$$

What is the aggregate mean ratio of our example?

Measures of Uniformity

Measures of uniformity measure the **quality and uniformity** of the assessment. These measures of uniformity include:

1. The range of ratios
2. The coefficient of dispersion
3. The price related differential

The range is the difference between the smallest and largest ratios. A large range typically indicates poor uniformity. However, the range is highly susceptible to extreme ratios. The range is calculated by subtracting the smallest ratio from the largest ratio.

Formula:

$$\text{Range} = \text{Largest Ratio} - \text{Smallest Ratio}$$

What is the range from our example?

The average absolute deviation (AAD) measures the average difference between each ratio and the median ratio. *This statistic is used to calculate the coefficient of dispersion.* It is calculated by determining the difference of each ratio from the median ratio, summing the absolute value of those differences, and dividing by the number of the ratios. It is ALWAYS a **positive** number (absolute).

Formula:

$$\text{Average Absolute Deviation (AAD)} = \frac{\text{Sum of the (Absolute Values of Each Ratio - Median Ratio)}}{\text{Number of Ratios}}$$

List the absolute deviation for each ratio from the median ratio, sum them up and divide by the number of ratios:

The **coefficient of dispersion (COD)** is an index by which individual ratios vary from the median ratio. A low COD indicates that appraisals within a class or area are uniform; while a high COD indicates that properties are being appraised at inconsistent percentages of market value.

IAAO standards suggest the following:

Single family residential – generally less than 15; less than 10 if a newer, homogeneous area.

Income-producing properties – generally less than 20; less than 15 in large, urban areas.

A COD of:

0 to 10 = Excellent 11 to 19 = Acceptable More than 20 = Problem—poor
uniformity

Formula:

$$\text{Coefficient of Dispersion (COD)} = \frac{\text{AAD}}{\text{Median}} \times 100$$

What is the COD from our example and what is this COD telling us about this assessment?

The **price-related differential (PRD)** measures the relationship between the mean ratio and the aggregate mean ratio. It is calculated by dividing the mean sale ratio by the aggregate mean sale ratio and then multiplying the result by 100. Appraisal uniformity is said to be **regressive** if high-value properties are under-appraised relative to low-value properties. This would be evident by a PRD greater than 100. A progressive assessment, evident by a PRD less than 100, indicates that lower priced properties are under-appraised. **The Department of Revenue looks for a PRD between 98 to 103.**

Formula:

$$\text{Price Related Differential (PRD)} = \frac{\text{Mean Ratio}}{\text{Aggregate Mean Ratio}} \times 100$$

What is the PRD from our example and what is this PRD telling us about this assessment?

Sales Ratio Study						
Whispering Pines						
October 1, 2022 - September 30, 2023						
Sale No.	Legal Description Lot/Block, Subdivision	Sale Date	Sale Price	Assessor's EMV 2023	Sales Ratio	Absolute Deviation from Median Ratio
1	1/4, Whispering Pines 3rd	Mar-23	140,000	98,000	70.0%	13.0%
2	9/1, Whispering Pines 1st	Apr-23	105,000	79,800	76.0%	7.0%
3	3/2, Whispering Pines 3rd	Dec-22	125,000	96,250	77.0%	6.0%
4	3/1, Whispering Pines 1st	Oct-22	120,000	94,800	79.0%	4.0%
5	3/3, Whispering Pines 4th	Jan-23	157,000	125,600	80.0%	3.0%
6	3/1, Whispering Pines 4th	Jan-23	150,000	120,000	80.0%	3.0%
7	1/2, Whispering Pines 1st	Aug-23	121,500	100,845	83.0%	0.0%
8	4/3, Whispering Pines 3rd	Jul-23	128,500	106,655	83.0%	0.0%
9	6/1, Whispering Pines 2nd	Jan-23	98,000	81,830	83.5%	0.5%
10	1/1, Whispering Pines 2nd	May-23	117,000	101,205	86.5%	3.5%
11	1/5, Whispering Pines 3rd	May-23	105,000	91,350	87.0%	4.0%
12	4/2, Whispering Pines 4th	Oct-22	101,000	87,870	87.0%	4.0%
13	4/5, Whispering Pines 3rd	Dec-22	105,000	91,350	87.0%	4.0%
14	1/3, Whispering Pines 3rd	Nov-22	99,000	86,130	87.0%	4.0%
15	10/1, Whispering Pines 1st	Sep-23	111,000	97,680	88.0%	5.0%
Totals:			1,783,000	1,459,365	1234.0%	61.0%

Statistics

Mean Ratio = 82.3%
Median Ratio = 83.0%
Aggregate Mean = 81.8%
Range of Sales Ratios = 18.0
Average Absolute Deviation = 0.0407
Coefficient of Dispersion = 4.90
Price Related Differential = 100.61

Sales Ratio = Assessor's EMV / Sale Price

Mean Ratio = Sum of All Ratios / Number of Ratios

Median Ratio = Midpoint of all ratios when arranged in order
Aggregate Ratio = Total Assessor's EMV / Total of Sale Prices

Range = Largest Ratio - Smallest Ratio

Ave Absolute Deviation = $\frac{\text{Sum: Each Ratio} - \text{Med Ratio}}{\text{Number of Ratios}}$
(Use Abs. Value)

Coefficient of Dispersion = AAD/Median X 100

PRD = Mean/Aggregate Mean X 100