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Background and History

About Minnesota

Minnesota became the nation's 32nd state in 1858. At the time, only Texas and California were larger in size. Today, nine additional states are larger: Alaska, Montana, New Mexico, Arizona, Nevada, Colorado, Oregon, Wyoming and Michigan making Minnesota the 12th largest state.

The Minnesota state motto, "L'Etoile du Nord" (the Star of the North), reflects the strong influence of the French explorers and voyageurs who lived and worked in the western Great Lakes region and vast prairie lands spreading to the Rocky Mountains. They encountered two American Indian tribes: the Dakota (Sioux) and the Ojibwa (Chippewa). Minnesota's history chronicles the mix of these Native Americans and other people from around the world through centuries of immigration.

With nearly 5.3 million residents in 2009, according to U.S. Census estimates, Minnesota ranks 22nd in the nation in total population. This population comprises a wide diversity of peoples, reflecting the state's history of immigration.

The Minnesota we know today is in fact a geologically ancient land. Its story was written in stone more than 2 billion years ago. The rocks visible in Minnesota are among the oldest in the world; they show evidence of almost every geological process operating in and on the planet.

History of Taxation

Taxation dates back to the earliest recorded history. In Egypt, tax collectors are depicted in tomb paintings dating from 2000 B.C. Egyptian Pharaohs taxed cooking oil, and tax collectors ensured that citizens didn't use substitutes to avoid the tax. In ancient Greece, no one was exempt from special taxes that were imposed to pay for wartime expenditures. The elaborate tax system of ancient Rome included sales taxes, inheritance taxes, land taxes, poll taxes, and taxes on imports and exports.

It was during the occupation by the Roman Empire that the first taxes were imposed in England. After the fall of Rome, the Saxon kings imposed customs duties and taxed land and property. During the reign of Charles I (1625-49), taxes were imposed on land, and excise taxes were collected. In 1404, Parliament passed the world's first income tax, but the tax was so unpopular that it was rescinded. The British enacted a precursor to the modern income tax in 1800 to finance their involvement in the Napoleonic Wars.

Taxation in America

Since the beginning of American history, the states have maintained the right to impose taxes. The first Congress of the United States, created under the Articles of Confederation in 1781, had no power to levy taxes. The Founding Fathers viewed direct taxes as dangerous, giving a government great power over its citizens. In order to assess direct taxes – such as those on income or property – government agents must look into the private lives of citizens. It was agreed that direct taxes were safer if administered by the states, where elected representatives were closer to the people.

Background and History

However, indirect taxes – such as sales or excise taxes – were seen as less dangerous. People could avoid them by not purchasing the items being taxed; assuming the tax applies only to nonessential items such as liquor or tobacco – often called a luxury or sin tax. Furthermore, the process of collecting indirect taxes does not endanger the individual's right of privacy.

For these reasons, delegates to the Constitutional Convention in 1787 agreed it would be more appropriate for the federal government to administer indirect taxes. The Constitution gave Congress the power to levy taxes, subject to these very specific provisions:

- (1) The federal government must derive its primary revenue from indirect taxes, which would be uniform in all states.
- (2) In the event of war or similar emergencies, the federal government, would have authority to levy direct taxes through the states to their citizens. Congressional consent would be required, and the resulting taxes would be proportional to the number of representatives that each state had in Congress. Thus, if there were 100 representatives in Congress, and seven of them represented Virginia, 7 percent the direct national emergency tax would be paid by voters in Virginia.

Real property tax has a long history in America. In 1646, the Massachusetts Bay Colony began taxing settlers who owned property. After independence, several states started to tax property. As time passed, local governments, school districts, county governments, and water districts largely assumed the power to tax property.

In 1789, state governments had a limited need for revenue, and the states imposed different types of taxes. The Southern states (Maryland, Virginia, North Carolina, South Carolina, Georgia) taxed imports and exports. The Mid-Atlantic States (New York, New Jersey, Pennsylvania, and Delaware) imposed a property tax and a head (or poll) tax on each adult male. The New England states (New Hampshire, Massachusetts, Rhode Island, and Connecticut) raised revenue through general real estate taxes, excise taxes, and taxes based on occupation.

History of the Federal Property Tax

Congress followed the provisions of the Constitution and levied direct taxes, in the form of a federal property tax, in times that were believed to be national emergencies.

Congress enacted the first federal property tax in 1798, to finance the expansion of the U.S. Army and Navy in the event of possible war with France. The direct tax on American property included land, dwellings, and slaves. Meant to raise \$2 million, the tax was apportioned among the states on the basis of the current census.

Legislators charged federal officials with assessing property and collecting the tax, but a local board of commissioners was convened in each state to provide assessment regulations that would reflect local needs and customs. The tax did not provide for any deductions or exemptions, but it was progressive in nature, with larger homes paying more per \$100 of value than other homes.

Assessment rolls from the first federal property tax show the property owner's name and occupation and describe the principal dwelling in terms of construction materials, square footage, and number of stories and windows. Land holdings and other structures on a property were documented. In the case of farms, this included barns and other agricultural buildings. The records also listed the number of slaves. The tax not only applied to homes and farms, but also to mills, shops, warehouses, tenant-occupied properties, and other commercial sites.

While reaction was mixed, the tax was met with considerable resistance in some quarters and led to a revolt among German settlers in some Pennsylvania counties. Pennsylvania's quota of the \$2 million tax was \$273,000, which fell mainly on land and houses. Primarily, the valuation of houses was estimated by counting the number and size of windows, a practice inherited from England. When the tax assessors arrived, the German residents thought they were reviving the hated European hearth tax, a tax levied on each fireplace and its size. They organized into small bands, set out to assault the assessors and drove them from the district. When some of the rebels were arrested and put into prison, an auctioneer named John Fries led a march on the courthouse and freed them. President John Adams called out the militia. Fries was captured, tried, and convicted of treason, but later received a presidential pardon.

The next time Congress levied a direct federal tax was in 1813 for \$3 million, principally to pay for the War of 1812. A third direct tax was assessed in 1815 for the same purpose in the amount of \$6 million. The terms of assessment and proportion among the states for both acts were similar to those of the first direct tax. One variation was that the states were given the option of levying the tax entirely on their own, saving the federal government the expense of administering the project. The states could take a 15 percent discount if they paid within six months and a 10 percent discount if they paid within nine months. The federal government also created tax districts, each with its own private tax assessor and collector who earned a commission from the taxes they collected.

In 1861, Congress levied the nation's fourth direct tax for the stated amount of \$20 million. This tax was similar to previous federal property taxes, except slaves were no longer taxed as property — only land, "improvements," and dwellings. Tax collectors were allowed to sell the property of citizens who did not pay their share of the tax, though essential property like homes, tools of trade, and household utensils could not be sold to pay tax debts. To protect the public from abusive tax collectors, penalties applied to collectors who used extortion or otherwise broke the law to make collections.

Congress enacted the 16th Amendment in 1913, imposing a federal income tax that provided a constant flow of revenue and eliminated the need to impose federal property taxes.

Background and History

History of State and Local Property Taxes

A survey of state tax systems in 1796 showed that real property components, such as land and buildings, constituted most of the property tax base, supplemented by tangible items including household possessions, and intangible items such as interest on loans. Arbitrary assessment procedures, numerous tax rates, and various exemptions plagued local property tax administration.

Some states used the property tax only sporadically. Maryland levied a state property tax mainly to finance its debt from the Revolutionary War. Pennsylvania, Delaware, and New York employed a property tax when other tax and non-tax revenues were insufficient to cover expenses or to finance debt. Otherwise, license taxes, public land sales, and income from state investments generally provided needed revenue.

Around 1820, several states initiated a reform in property taxation through a general property tax. The general property tax attempted to impose a uniform tax rate on all forms of property subject to taxation through constitutional or statutory means. This reflected the Jacksonian belief that the actual value of property best represented taxpaying ability. However, unlike land, tangible and intangible personal property was mobile and became more difficult to locate for tax purposes.

As the process of industrialization unfolded throughout the mid-1800s, general property tax complaints became more widespread. Critics argued that increasing amounts of household and business property were exempt from taxation, underreported, or under-assessed. The results were inequitable tax burdens within and among property classes. Those inequitable tax burdens led states to begin assessing railroad, express, and telegraph property in the two decades after the Civil War, which often resulted in modified general property and other special taxes.

Unable to meet interest and principal payments from defaulting bonds as a result of the speculative Panic of 1837, many states reluctantly raised property taxes, expanded special corporate and license taxes, and even experimented with inheritance and income taxes.

By 1902, approximately one-third of the states derived more than 50 percent of their total state tax revenues from non-general property taxes. Most of these states had gradually embraced the relegation of the general property tax to local entities. A portion of these state-administered special taxes was often returned to localities through state aid or tax sharing payments.

Rising property tax rates in the 1920s, significant property tax delinquencies in the 1930s, and further efforts to reach intangible property prompted the adoption of other taxes. By 1940, 33 states had an individual and/or corporate income tax. State income tax usage accelerated the movement toward less dependence on the general property tax. A majority of states received more than 50 percent of their total tax revenue from specialized corporate, special property, mortgage, inheritance, poll, business licenses, and income taxes for the first time in 1924.

Background and History

Today, the states acquire the necessary revenue to provide public services to their citizens such as public schools, police protection, health and welfare benefits, and the operation of the state government through tax collection, fees and licenses, as well as money from the federal government. Among the common types of taxes that many states currently impose are personal income tax, corporate income tax, sales tax, and real property tax.

Brief History of Minnesota Taxes

Minnesota's tax system predates statehood. In 1849, the first territorial assembly established a property tax levy to support schools – nine years before Minnesota became a state in 1858.

Property taxes remained the main source of revenue until the 1920s when the growing number of automobiles in the state forced the legislature to find a way to pay for a state highway system. In 1920, the amendment to the state constitution that authorized a trunk highway system also provided for a 2 percent registration tax on the purchase of motor vehicles. Prior to the amendment, the tax had been a flat \$1.50 per vehicle. Five years later, a 2 cent per gallon gas tax was established to meet the growing need for additional highway funds.

The next major change in the state's tax system came as the hardships of the Great Depression led property tax delinquencies in the state to double. At the same time, citizens looked to the state for services that local governments, charities, and other private resources were unable to provide. The need for more revenue to meet citizen demand, combined with the need for tax relief for property owners, led the legislature to establish the state income tax. Minnesota adopted individual and corporate income tax systems in 1933.

The shift toward income tax and away from property tax as the major source of state revenue continued during the 1950s and 1960s. In 1967, the state turned over the collection of property taxes to the counties. The Department of Revenue continued to assist local government officials in administering the property tax system, but the primary responsibility for assessing property and collecting taxes was delegated to the counties.

In that same year, the state instituted the sales tax, in part to offset the loss in revenue it experienced by turning property taxes over to the local governments. However, the department established a statewide system for the uniform valuation and taxation of property and continued to provide property tax relief in the form of state aid to local governments.

Further reform in 2001 aimed at making the property tax a purely local tax. It provided for full state funding of the state-determined general education formula, and reformed property tax classification rates to ensure more fairness in the taxation of different kinds of property. It also changed how some properties are taxed to promote more fairness and accountability.

Source: Minnesota Department of Revenue website www.taxes.state.mn.us

Introduction to Tax Policy

Introduction to Tax Policy

Revenue Resources

There are several ways that a government can obtain the necessary resources for operation. These include:

1. **Voluntary contributions** – may be time or monetary contributions and can include parents volunteering in their children's schools, volunteering to serve on advisory boards, etc.
2. **Public sector owns its own resources** – parks, national defense, public education, etc. Some require patrons to pay a fee for the service such as park entrance fees, or state university tuition.
3. **The government may "take" what it needs** – eminent domain, jury duty, etc. These may be considered to be arbitrary due to a perceived "need."
4. **Taxation** – this is necessary when numbers 1-3 above do not generate enough revenue to cover expenditures. There is always an argument over increasing a tax rate or decreasing expenditures.

Functions of a Tax System

1. **Source of revenue** – The main purpose of taxation is to raise revenue for government (at all levels) to provide for the common welfare of the people. Different goods and services are provided at different levels of the government –federal, state, and local.
2. **Allocate resources** – Just as prices affect consumer decisions in the private sector, taxes can affect behavior by encouraging or discouraging certain activities. Examples include, tax credits for arts education, buying hybrid vehicles, owning your own home, taxes on cigarettes, etc.
3. **Changing income distribution of society** – By "taking from the rich and giving to the poor," governments level the pre-tax income distribution. Currently, the income tax system, in a simplistic form, is designed to do this by taxing greater income at a higher rate. This effect is tempered by deductions and credits.
4. **Stabilization** – Primarily a concern of the federal government rather than state or local governments, it reflects the effects tax changes have on inflation and unemployment. It may also occur at the state or local level when jurisdictions use tax changes to attract businesses and create new jobs (e.g., the JOBZ program).

Characteristics of a Good Tax System

Many analysts agree that a good overall tax system includes a broad base (many or all goods/services are taxed) with a low tax rate. They believe a balanced, multi-tax system that consists of a combination of income, sales, and property taxes allows governments to most efficiently meet their revenue needs. The following characteristics are considered to be characteristics of a good tax system.

1. **Stability** – the ability of a tax system to generate a stable level of income for the government amid changing economic conditions. This implies that there is not a single tax system, but rather a multiple set of taxes. Typically, sales and income taxes are much more prone to economic upturns and downslides. Property taxes are considered to be a much more stable revenue source because jurisdictions levy what they need.

2. **Efficiency** – the effect a tax has on resource allocation. A tax may change the price of a product or service. The change in price may lead to a reallocation of resources due to a change in behavior as a result of the tax. The goal of tax policy is to minimize the negative effects on economic efficiency.
3. **Elasticity** – response of a tax to changing economic conditions. Income and sales tax revenues are quite volatile due to economic conditions. They expand during good times and contract during bad. Property taxes generally produce a more stable revenue flow.
4. **Political Acceptability** – citizens know what the tax is used for and generally consider the system to be fair.
5. **Administrative Simplicity** – both collection and compliance should be simple to administer.

Types of Tax

There are three main tax types collected in the state of Minnesota: income taxes, sales or excise taxes, and property taxes. There are numerous sub-categories, including liquor taxes, tobacco taxes, gambling taxes, mortgage and deed taxes, petroleum taxes, estate taxes, etc.

Income Tax is a tax on such items as wages, capital gains, dividend and interest income, etc. There is a federal income tax, which is paid to the United States Treasury. Currently, seven states have no individual income tax and two other states only tax dividend and interest income. Very few local governments tax income. One of the strengths of the income tax is that taxpayers can anticipate their tax liability based on their rate of earnings. The income tax is considered to be more closely related to ability to pay than the sale tax. While the income tax meets the fairness goal overall, it is an unstable tax in that it is difficult for government to predict the amount of income tax it will receive due to changing economic cycles. It is also a complicated tax; however administering state income tax is easier if state regulations conform with federal income tax regulations.

Sales Tax is based on the price paid for taxable items and is generally considered to be a consumption-based tax. It is generally enacted by states. Local governments can also collect an additional sales tax. The sales tax is also somewhat unstable and difficult to predict due to changing economic conditions. It is complex for states and businesses to administer and it has an uneven application in that some goods and services are taxed while others are not. Many analysts agree that it is most effective when sales tax applies to most, if not all, goods and services. In reality, many goods and services are excluded from sales tax. These exemptions vary from state to state. Sales tax rates also vary from state to state. Some local governments in Minnesota also have a local-option sales tax where they have received legislative approval to add an additional tax percentage to goods and services purchased in their jurisdictions. This additional funding is used for a variety of local purposes. This can lead to compliance issues and confusion among providers. Sales tax is generally considered to be regressive in that it has greater impact on low-income taxpayers than high-income taxpayers. Exempting basic items such as food, clothes, and prescription drugs make the sales tax less regressive.

Introduction to Tax Policy

Property Tax in Minnesota is an “ad valorem” tax. This means that property is taxed according to its value. Property tax is a major source of revenue for local units of government including cities, counties, and school districts. It is also the only tax that is subject to local review. Values and classifications may be appealed to Local and County Boards of Appeal and Equalization and/or Tax Court. In addition, public hearings (Truth in Taxation hearings) must be held each year by local units of government to discuss the upcoming year’s budget. Therefore, the assessor is a key person in local government. Appraised values that are used for tax purposes must be accurate and equalized so the tax burden will be distributed fairly. Property taxes are a stable and predictable source of revenue for local units of government. However, the property tax system in Minnesota is also complicated and may not be predictable for the taxpayer. It may not reflect ability to pay based on a taxpayer’s current income.

Minnesota’s power of taxation is found in *Article X* of the **Constitution of the State of Minnesota**. The article states that the power of taxation will never be surrendered, suspended, or contracted away. It also states that the taxes will be uniform upon the same class of subjects and will be levied for public purposes. This “**uniformity clause**” is important in that it permits the use of different classification rates to be applied to different classes of property.

Article X also exempts certain types of properties from taxation. These exemptions include public burying grounds, public schools, public hospitals, academies, colleges, universities, all seminaries of learning, all churches, church property, houses of worship, institutions of purely public charity, and public property used exclusively for public purposes. However, the Legislature may define or limit the properties exempted by Article X except for churches, houses of worship, and properties used solely for educational purposes by colleges, universities, academies, and seminaries of learning.

Property taxes are paid annually by all property owners and renters. Up until 2001, property taxes were solely levied and collected at the local level. In 2001, the Legislature enacted the state general tax, which is paid by several classes of property, including class 4c(1) seasonal residential recreational, class 3a commercial/industrial, and class 5 “all other.” This portion of the property tax is levied by the state, but it is collected by each county as part of the property tax.

Before property taxes are levied, it is necessary for each level of local government (cities, townships, counties, and school boards) to determine their funding needs for the upcoming year. This budget amount (less all non-property tax revenue such as state aid, fees, etc.) is divided by the total tax capacity of property to obtain the local property tax rate.

Proportional Tax

A tax is said to be proportional if the same amount of tax is paid on the first dollar as is paid on the last dollar. For example, assume there is a flat income tax rate of 5 percent. A taxpayer earning \$1 per year would pay \$0.05 in income tax. A taxpayer earning \$10,000 per year would pay \$500 per year in income tax; and a taxpayer earning \$1 million per year would pay \$50,000 in income tax.

This same concept could be applied to property tax. Assume there is a flat property tax rate of 1 percent per year. In this case, a property valued at \$100,000, regardless of its classification, would pay \$1,000; and a property valued at \$1 million would pay \$10,000.

Progressive Tax

With a progressive tax, as income increases, the tax rate increases. Our current system of income tax is a progressive tax. Taxpayers who earn less money generally pay less in the form of income tax in relation to their total income. As a taxpayer's income increases, the tax rate increases as well.

Regressive Tax

With a regressive tax, the proportional tax burden would be higher on lower incomes or property values. The property tax is generally regressive. However, several factors make the current system "less regressive." These factors include: the different classifications for different types of property, the state property tax refund, and homestead credits.

Advantages of the Property Tax

As a general rule, property tax is considered to be a "fair" tax, in that there are no loopholes to prevent people from paying property taxes. Wealth in the form of property cannot be hidden, unlike the income tax system where income is more likely to be sheltered or hidden. Another advantage of the property tax system is that most of the money is spent locally. Up until 2002, all of the money collected from property taxes was spent locally. In 2002, the state began collecting the state general tax, which is only levied on certain types of property. This money goes into the state general fund.

Property assessments are subject to local review. If taxpayers do not agree with the assessed value or the classification of their property, they can appeal it to the Local or County Boards of Appeal and Equalization and/or to Tax Court.

Property tax is elastic. It can be adjusted to control the flow of revenue. Because a jurisdiction only receives what it levies, there is no surplus or deficit.

However, the property tax is also one of the most unpopular taxes. This may be attributed to the way the tax is collected. Instead of having a portion withheld from each paycheck as is the case with income tax, property tax bills are sent out once a year to be paid in two equal installments. Another unintended consequence of the property tax is that in a market that is quickly appreciating, property owners who have held a property for a long time may find it difficult to pay any property taxes that are based on the current market value. There also seems to be a public relations issue in that the average person does not understand the property tax system and what factors affect their property taxes. Many taxpayers think that assessors raise market values in order to raise property tax revenue. This is simply not the case, but the stigma is there. For these reasons, property taxes may be seen as being more of a burden than the other taxes.

Introduction to Tax Policy

Some of the main reasons why the property tax has become so unpopular especially in recent years include:

1. There is a growing dislike of it among those in the economic development community because tax rates can vary widely between local jurisdictions. A high local tax rate can discourage new industries from locating within that jurisdiction.
2. There is a growing dislike of it among believers in per-pupil spending equality in public school education.
3. There is a continued belief that property taxes are regressive (greater impact on the poor than on the wealthy).
4. Taxpayers dislike it because they believe it is based on a “hypothetical” value and is levied on wealth, rather than income, and is therefore not necessarily based on the ability to pay. Some taxpayers may be property-rich but cash-poor.
5. Property taxes are highly visible and paid in large, lump-sums.

Three Branches of Minnesota State Government

Minnesota's state government has three branches: executive, legislative, and judicial.

Executive Branch

The executive branch is made up of the Governor, Lieutenant Governor, the Secretary of State, the State Auditor, the State Treasurer, and the Attorney General, as well as numerous state departments and agencies. The Minnesota Tax Court is a specialized, executive branch court specifically established by the Minnesota Legislature to hear only tax-related cases.

There are 24 departments within the executive branch (as of December 2008). Each department is lead by a Commissioner (except for Military Affairs which is lead by the Adjutant General) who is appointed by the Governor. The Department of Revenue is an executive department and serves to achieve compliance with the tax laws of Minnesota. The Property Tax Division is part of the Department of Revenue.

The main duties of the executive branch are to administer the laws passed by the Legislature and to see that state government runs smoothly and efficiently.

Legislative Branch

The legislative branch includes the bicameral Legislature, which consists of the House of Representatives and the Senate, along with any legislative commissions (i.e. the Legislative Commission on Public Education) are part of the legislative branch. Their main duties are to make laws for the state and its people, as well as to propose amendments to the state Constitution.

As with any law, property tax legislation can change on an annual basis. These changes can include class rate changes, tax program changes, state aid changes, etc. It is important to keep up with the many changes that happen in any given year. Each year, the Department of Revenue produces a summary of the new law changes and disseminates it to the state's 87 counties and any cities with their own assessor.

Judicial Branch

The judicial branch comprises the Supreme Court, Court of Appeals, District Court, and Conciliation Court. In addition, any judicial councils and boards, such as the State Board of Law Examiners are part of the judicial branch. Their main duties are to interpret the meaning of the law and to decide if anyone has broken the law.

Local Units of Government

Local Units of Government

The term “local government” is a general term for those governmental entities or political subdivisions of the state that provide functions and services at the local level. In Minnesota, the term usually refers to counties, towns (townships), and cities.

Counties

There are 87 counties in Minnesota. Duties and services provided by county governments include assessment of property, recordkeeping, construction and maintenance of roads, social services, corrections, child protection, library services, hospitals and nursing homes, public health services, planning and zoning, economic development, parks and recreation, water quality, and solid waste management.

County Boards of Commissioners are the governing bodies of Minnesota’s counties. County boards are elected by district, serve a four-year term, and are responsible for the operation of the county and delivery of county services. Generally, the number of commissioners on a county board is five. However, counties with more than 100,000 residents may, by board resolution, increase the size of the county board from seven members.

Cities

As of August 1, 2009, there were 855 cities in Minnesota. The Legislature has described cities as the type of government that most efficiently provides governmental services in areas intensively developed for residential, commercial, industrial, and governmental purposes. Minnesota cities provide a wide range of services to their citizens.

There are two types of cities: statutory cities, which are organized and operate under the options provided in the statutory city code and other laws, and home rule charter cities, which are organized and operate under their individual charters and other laws.

City Councils are the governing bodies of Minnesota’s cities. Although not all statutory cities have the same elected offices, all must have a mayor and at least three council members. Whether a statutory city elects other officers depends on several factors, including the plan of government under which it operates. For home rule charter cities, the city charter specifies the type and number of elected officials.

Cities are also classified based on population as a way for the Legislature to provide powers or impose duties as appropriate to cities of a certain size. First Class cities have populations of more than 100,000. The cities of Minneapolis, St. Paul, and Duluth are First Class cities. Second Class cities have populations of more than 20,000, but not more than 100,000. Currently, 42 cities meet this definition. Third Class cities have populations of more than 10,000 but not more than 20,000. There are 37 cities that meet this definition. Court Class cities have fewer than 10,000 residents. There are 772 cities that meet this definition. Changes in classification take effect when the Minnesota Secretary of State receives certified copies of the national census.

Towns (Townships)

As of 2009, there are 1,793 towns (including unorganized townships) in Minnesota. The Legislature describes township government as the form of local government that most efficiently provides governmental services in areas used or developed for agricultural, open space, and rural residential purposes.

To accommodate growing towns in need of more services, the Legislature has created a class of towns called “urban towns.” Towns that have a population of at least 1,000 may exercise urban town powers (224 towns are eligible). Urban towns have many of the same powers that statutory cities have under the statutory city code.

Boards of Supervisors are the governing bodies of Minnesota’s towns. Town boards are composed of three or five elected township supervisors.

Unique Taxing Areas

A unique taxing area is an important concept to understand when discussing property taxes. Because cities, townships, school districts, and counties have different boundaries that sometimes overlap, a unique taxing area is one in which the same set of local tax rates comprise the same total tax rate. There are currently more than 6,000 unique taxing areas in the state of Minnesota, each with its own unique local tax rate. This will be discussed further in the Property Tax Calculation section in Module 6.

Properties Subject to Taxation

Properties Subject to Taxation

All property is presumed to be taxable. Minnesota Statutes, section 272.01, subdivision 1 provides that:

“All real and personal property in this State and all personal property of persons residing here including the property of corporations, banks, banking companies and bankers is taxable except Indian lands and other property that is by law exempt from taxation.”

However, as stated previously, some types of properties have been exempted from property tax by either the Minnesota Constitution or by the Minnesota Legislature. Generally, information concerning the types of properties that qualify for exemption from property tax can be found in Minnesota Statutes Chapter 272. These exemptions will be explored in detail in the Exempt Module of this manual.

Primary Statutory Reference: 272.01

Definitions

Real Property refers to the rights, interests, and benefits connected with real estate.

Pursuant to Minnesota Statutes, section 272.03, for the purposes of taxation:

- A. "Real property" includes the land itself and all buildings, structures, and improvements or other fixtures on it, and all rights and privileges belonging or appertaining to it, and all mines, minerals, quarries, fossils, and trees on or under it.
- B. A building or structure shall include the building or structure itself, together with all improvements or fixtures annexed to the building or structure, which are integrated with and of permanent benefit to the building or structure, regardless of the present use of the building and which cannot be removed without substantial damage to itself or to the building or structure.
- C. The term real property shall not include tools, implements, machinery and equipment attached to or installed in real property for use in the business or production activity conducted thereon, regardless of size, weight or method of attachment, and mine shafts, tunnels, and other underground openings used to extract ores and minerals taxed under chapter 298 together with steel, concrete, and other materials used to support such openings.
- D. The exclusion provided in C above shall not apply to machinery and equipment includable as real estate by paragraphs A and B above even though such machinery and equipment is used in the business or production activity conducted on the real property if and to the extent such business or production activity consists of furnishing services or products to other buildings or structures which are subject to taxation.
- E. The exclusion provided in C above does not apply to the exterior shell of a structure which constitutes walls, ceilings, roofs, or floors if the shell of the structure has structural, insulation, or

Properties Subject to Taxation

temperature control functions or provides protection from the elements. Such an exterior shell is included in the definition of real property even if it also has special functions distinct from that of a building.

- F. The term real property does not include tools, implements, machinery, equipment, poles, lines, cables, wires, conduit, and station connections which are part of a telephone communications system, regardless of attachment to or installation in real property and regardless of size, weight, or method of attachment or installation.

Note: Tools, implements, machinery, equipment, poles, lines, cables, wires, conduit and station connections which are part of a telephone communications system are considered to be personal property and are exempt from taxation.

Primary Statutory Reference: 272.03

Real Estate includes the land and any appurtenances (e.g. structures) attached to the land. It is immobile and tangible. It includes all things that are a natural part of the land such as trees, minerals, etc. as well as things that are attached to it by people such as buildings and site improvements.

A *right or interest* in real estate is referred to as an **estate**.

Real estate includes a **bundle of rights** which are inherent to ownership. These rights include the right to:

- Use a property;
- Sell it;
- Lease it;
- Enter it;
- Give it away; or
- Choose to do some, none, or all of the rights.

A **fee simple estate** implies absolute ownership of a property unencumbered by any other interest or estate.

Someone who owns all of the property rights to a property has *fee simple title* to the property.

A *partial interest* in real estate is created by selling, leasing, or otherwise limiting the bundle of rights in a fee simple estate.

Primary Reference: *The Appraisal of Real Estate*, Appraisal Institute, 1992 edition

Properties Subject to Taxation

Personal Property can be defined by exception: anything that is not real property is personal property. The main characteristic of personal property is that it is moveable. If it is moveable without causing damage to itself or the real estate, it is considered to be personal property. For example, hot tubs located on a slab outside of a house or small metal sheds that are easily dismantled and moved are considered personal property.

Minnesota Statutes, section 272.03, subdivision 6 defines personal property for the purposes of taxation as:

- “(1) All goods, chattels, money and effects;*
- (2) All ships, boats, and vessels belonging to inhabitants of this state and all capital invested therein;*
- (3) All improvements upon land the fee of which is vested in the United States, and all improvements upon land the title to which is vested in any corporation whose property is not subject to the same mode and rule of taxation as other property;*
- (4) All stock of nursery operators, growing or otherwise;*
- (5) All gas, electric, and water mains, pipes, conduits, subways, poles, and wires of gas, electric light, water, heat, or power companies, and all tracks, roads, conduits, poles, and wires of street railway, plank road, gravel road, and turnpike companies;*
- (6) All credits over and above debts owed by the creditor;*
- (7) The income of every annuity, unless the capital of the annuity is taxed within this state;*
- (8) All public stocks and securities;*
- (9) All personal estate of moneyed corporations, whether the owners reside within or without the state;*
- (10) All shares in foreign corporations owned by the residents of this state; and*
- (11) All shares in banks organized under the laws of the United States or of this state.”*

Most personal property has been exempted from property tax in Minnesota Statutes, section 272.02, subdivision 9. Several exceptions are listed in that subdivision. Additional information on personal property can be found in Module 5 – Exempt Property.

Sometimes manufactured homes can be “assessed as personal property.” This means that the owner of the manufactured home does not own the land upon which the manufactured home sits. This is explained further in Module 2.

Minnesota Statutes, section 272.03 states that:

- (a) “‘Tract,’ ‘lot,’ ‘parcel,’ and ‘piece or parcel’ of land means any contiguous quantity of land in the possession of, owned by, or recorded as the property of, the same claimant or person.*

- (b) Notwithstanding paragraph (a), property that is owned by a utility, leased for residential or recreational uses for terms of 20 years or longer, and separately valued by the assessor, will be treated for property tax purposes as separate parcels.”*

Primary Statutory Reference: 272.03

Assessment of Real Property

Assessment Books

The county auditor, at the expense of the county, annually provides the necessary assessment materials for each assessment district. The county auditor makes complete lists of all lands or lots subject to taxation in the real property assessment books showing the names of the owners opposite each description of property. The assessment books and blanks must be ready for delivery to the assessors on or before the first Monday in December.

County auditors may elect to discontinue use of the assessment books if the county has established an electronic data processing system or similar system to perform the processing of assessment and tax accounting.

Primary Statutory Reference: 273.03

Assessment Date

All property is valued at its market value and classified according to its use on January 2 of each year. Any improvements made to a property after January 2 will be evaluated for the following year's assessment, and any destruction that occurs after January 2 will also be evaluated for the next assessment. For example, if a property does not have a garage on January 2, 2008, but the owner builds a garage in June 2008, the estimated market value for the 2008 assessment will reflect the lack of garage. For the 2009 assessment, the assessor will review the record and add the value of the newly-completed garage to the assessment as new construction. Conversely, if a property has a garage on January 2, 2008, but it burns down on June 1, 2008, the 2008 assessment will reflect the fact that the property had a garage on January 2, 2008. The assessor will review the record and change the value to reflect the lack of garage for the 2009 assessment if a new garage has not been constructed.

Listing, Assessment and Time

All taxable real property is to be listed and at least **one-fifth** of the parcels listed must be physically inspected each year so that each parcel is re-inspected at maximum intervals of five years (the quintile assessment).

All exempt real property that becomes taxable during any year should be listed with reference to its value on January 2 of that year. It would be eligible for revaluation on the next assessment.

Each year on January 2, the assessor must also revalue:

- All real property that has become subject to taxation since the previous assessment, including all real property platted since then;
- All property that has been devalued by more than \$100 due to destruction, fire, flood, etc; and

Assessment of Real Property

All new construction of buildings or other structures of over \$1,000 in value (may be a partial value or completed value). If the value of the new construction is less than \$1,000 the value can be picked up as part of the next quintile assessment.

In addition, the assessor must list, but does not have to revalue:

- All parcels that have become homesteads or have ceased to be homesteads since the last assessment date; and
- All other parcels of land where a change in the use of the property requires a classification change or where the land has been incorrectly classified in the previous assessment.

Assessors must complete all real property assessments at least two weeks prior to the Local Board of Appeal and Equalization. If a valuation and classification is not placed on any real property by the scheduled date of the Local Board of Appeal and Equalization, the valuation and classification determined in the preceding assessment year continue to be in effect. The classification provisions in Minnesota Statutes, section 273.13 shall, in such case, not be applicable, except with respect to real property which has been constructed since the previous assessment.

Any changes made after the date the Notice of Valuation and Classification is mailed should be reviewed by the appropriate Board of Appeal and Equalization. This may be the Local Board of Appeal and Equalization or the County Board of Appeal and Equalization if the local jurisdiction has transferred its duties.

Generally, all valuations and classifications for the current assessment year are considered final following adjournment of the County Board of Appeal and Equalization (typically July 1). Assessors cannot make any changes in valuation or classification that are intended to correct errors in judgment by the assessor after the adjournment of the Local or County Board of Appeal and Equalization. Changes may be made only to:

- Correct errors that are merely clerical in nature (*clerical errors* are errors made by someone doing clerks work such as transposition of numbers, mathematical errors, coding errors, or keypunch errors, etc.); or
- Extend homestead treatment to property (e.g. residential non-homestead to residential homestead).

These changes are only permitted after adjournment until the tax extension date for that assessment year. Any changes made by the assessor after adjournment of the County Board of Appeal and Equalization must be fully documented and maintained in a file in the assessor's office and be made available for review by any person. A copy of any changes made during this period shall be sent to the County Board no later than December 31 of the assessment year.

Changes to an assessment may be made by order of the Minnesota Tax Court or by a supplemental order of the State Board of Equalization following adjournment of the County Board of Appeal and Equalization.

Real property containing iron ore, the fee to which is owned by the State of Minnesota, shall, if leased by the state after January 2 in any year, be subject to assessment for that year on the value of any iron ore removed under said lease prior to January 2 of the following year.

Personal property subject to taxation should be listed and assessed annually with reference to its value on January 2, and, if acquired on that day, should be listed by or for the person acquiring it.

Primary Statutory References: 273.01, 273.17

Assessor's Data

Private and Public Data

While most information concerning income and sales taxes is private data, 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:

1. Data contained on sales sheets received from private multiple listing service organizations where the contract with the organization requires the assessor to refrain from making the data available to the public;
2. Income information on individuals collected and maintained by the assessor that is used to determine eligibility of property for class 4d;
3. Detailed income and expense figures;
4. Average vacancy factors;
5. Verified net rentable areas or net usable areas;
6. Anticipated income and expenses;
7. Projected vacancy factors; and
8. Lease information.

Great care should be taken to assure proper protection of such private data. That being said, in order to promote a uniform assessment and review of assessments, the Commissioner of Revenue, county assessors and local assessors may exchange data on property even if it is classified as private data under Chapter 13. The data for any property may include but is not limited to its sales, income expenses, vacancies, rentable or usable areas, anticipated income and expenses, projected vacancies, lease information, and private multiple listing service data. Data exchanged under this provision that is classified as private data must retain that classification.

Primary Statutory References: 13.51, 273.061, subdivision 8a

Assessment of Real Property

Some special programs (specifically the class 1b homestead and the Disabled Veteran's Homestead Market Value Exclusion) require assessors to utilize information that is protected within the federal Health Information Portability and Accountability Act (HIPAA). Concerns were raised that – since disability information is private data – showing that a property was subject to one of these special programs on the property record, Notice of Valuation and Classification, Truth in Taxation Notice, or Property Tax Statement would not be allowed. This would have necessitated keeping two sets of records – one private and one public. In addition, it would have made it very difficult to answer taxpayer questions regarding any differences in taxable market value or property taxes between two properties if the assessor was unable to state that a property receives a beneficial classification rate provided by class 1b homestead or the disabled veteran's exclusion.

However, the assessor's office would need to be declared a "covered entity" under HIPAA privacy rules in order to be subject to the HIPAA regulations. After discussing this issue with legal professionals and other state agencies, the department has concluded that assessor's offices are most likely not "covered entities" under HIPAA privacy rules. Therefore, property tax information relating to the blind/disabled classification and disabled veterans exclusion is public information. Nevertheless, the department strongly recommends that each assessor work with the county's privacy officer or data practices specialist to determine what departments in your specific county have been declared to be "covered entities" and thus subject to HIPAA regulations. In the unlikely event the county assessor's office is a "covered entity" and subject to HIPAA regulations, the county may be limited in what information is considered public. Please contact the Property Tax Division if this situation arises in your county.

Homestead Applications

Every year, the Department of Revenue receives several questions concerning the privacy of homestead applications. We have reviewed this issue with our legal staff and they have advised us that Minnesota Statutes, section 273.124, subdivision 13, paragraph (c) states in part that "...*The Social Security numbers or affidavits or other proofs of the property owners and spouses are private data on individuals...*" As such, under the Minnesota Government Data Practices Act, everything else on the application is public information by default.

The "*affidavits or other proofs*" mentioned in the statute includes the statements submitted by a property owner or property owner's spouse to establish or prove that the owner's or spouse's absence from the residence is because of a reason listed in the spousal homestead provision in Minnesota Statutes section 273.124, subdivision 1, paragraph (e).

Sometimes applicants make such statements merely by checking a box to indicate that they agree with a prepared statement on the preprinted application for their convenience. Sometimes applicants may make such statements on a separate sheet of paper that is submitted as part of their application or they may provide copies of legal documents as proof of meeting the provisions.

Anyone may obtain a copy of a completed homestead application as long as the following items are fully redacted:

1. Social Security numbers;
2. Any check-marks, statements, documents, or other information that is meant to establish or prove that the reason why the occupant's spouse is absent from the home because of one of the reasons listed in the spousal homestead provision; and
3. Schedule F or other income tax information provided as part of a Special Agricultural Homestead Application.

Exempt Applications

Any applications for exemption from property tax and any other supporting documentation is public with the exception of any income/expense information, Social Security numbers, or any data that is otherwise classified as private information under data privacy laws.

Abatement Applications

Social Security numbers are specifically required as part of the abatement application by Minnesota Statutes, section 375.192, subdivision 2. The Social Security number is a required field on any abatement application and must also be submitted to the Commissioner of Revenue as prescribed by law after the abatement has been approved. Generally all abatements must be approved by the County Board of Commissioners as part of the abatement process. Applications are often discussed as part of an open meeting and some counties attaches the applications to the meeting minutes. Please be aware that Social Security numbers should be fully redacted before discussing them at a public meeting or attaching them to meeting minutes.

Primary Statutory References: 273.124, subdivision 13, 375.192, subdivision 2

General Powers and Duties

General Powers and Duties

Department of Revenue

The Minnesota Department of Revenue manages the state's revenue system. The department administers 28 different taxes, collecting over \$12 billion annually. This money funds education, local government aid, property tax relief, social service programs, highways, and other state programs and operations.

Commissioner of Revenue

Term, Organization and Assistants

The Commissioner of Revenue is appointed by and serves at the behest of the Governor.

The Commissioner of Revenue supervises Minnesota's revenue system, advises the governor and legislature on tax policy and operations, acts as the State Board of Equalization, and has the power to organize the department with such divisions and other agencies as is deemed necessary. The commissioner may also appoint one deputy commissioner, a department secretary, directors of divisions, and such other officers, employees, and agents as is deemed necessary to discharge the functions of the department, define the duties of such officers, employees, and agents, and delegate to them any of the commissioner's powers or duties, subject to the commissioner's control and under such conditions as the commissioner may prescribe.

The Property Tax Division of the Department of Revenue is responsible for overseeing the administration of the property tax system. This division provides information and education for property tax administrators, answers questions from taxpayers, develops reports for the Legislature, and gathers information from counties regarding assessments.

Primary Reference: www.taxes.state.mn.us

Mission

It is part of the Department of Revenue's mission that the Commissioner of Revenue will try to:

- Prevent waste or unnecessary spending of public money;
- Use innovative fiscal and human resource practices to manage the state's resources and operate the department as efficiently as possible;
- Coordinate the department's activities wherever appropriate with the activities of other governmental agencies;
- Use technology where appropriate to increase agency productivity, improve customer service, increase public access to information about government, and increase public participation in the business of government;
- Utilize constructive and cooperative labor-management practices to the extent otherwise required by law;
- Report to the legislature on the performance of agency operations and the accomplishment of agency goals in the agency's biennial budget; and
- Recommend to the legislature appropriate changes in law necessary to carry out the mission and improve the performance of the department.

Powers and Duties

The Commissioner of Revenue has the power and authority:

- To exercise general supervision over the administration of property tax laws, assessors, local and county boards of appeal and equalization, and all other assessing officers in the performance of their duties, so that all assessments of property are relatively just and equal in compliance with the laws of the state;
- To confer with, advise and give the necessary instructions and directions to assessors and boards of appeal and equalization throughout the state as to their duties under the laws of the state;
- To 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 property tax laws, and to 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;
- To 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;
- To require town, city, county and other public officers to report information as to the assessment of property, and other information that may be needed in the work of the Department of Revenue, in such form as the commissioner may prescribe;
- To 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 of Revenue for the preceding years, showing all the taxable property in the state and the value of the same, in tabulated form; and
- To inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties; and
- To assist local assessors in determining the estimated market value of industrial special-use property that is designed and equipped for a particular type of industry, is not easily adapted to some other use due to the unique nature of the facilities, has facilities totaling at least 75,000 square feet in size, and has a total estimated market value of \$10,000,000 or greater based on the assessor's preliminary determination.

Primary Statutory Reference: 270C.85

Additional Powers and Duties:

- The powers of examination, investigation, and subpoena, and the power to administer oaths and take testimony granted to the Commissioner of Revenue and officers and employees of the Department of Revenue do not apply to a matter that has been appealed to the tax court.

General Powers and Duties

- The Commissioner of Revenue is to constitute the State Board of Equalization. The Commissioner of Revenue shall have and exercise all the rights, powers, and authority by law vested in the State Board of Equalization, with full power and authority to review, modify, and revise all of the acts and proceedings of the commissioner in so far as they relate to the equalization and valuation of property assessed for taxation, as prescribed by M.S. 270.12 (State Board of Equalization duties).
- Each county assessor shall file by April 1 with the Commissioner of Revenue a copy of the abstract (known as the Spring Mini-Abstract) that will be acted upon by the local and county boards of appeal and equalization. The abstract must list the real and personal property in the county, itemized by assessment districts. The assessor of each county in the state shall file with the commissioner within 10 working days following final action of the local board of appeal and equalization and within five days following final action of the county board of appeal and equalization, any changes made by the local or county board. The information must be filed in the manner prescribed by the commissioner. It must be accompanied by a printed or typewritten copy of the proceedings of the appropriate board.

The final abstract of assessments (AA) after adjustments by the State Board of Equalization and inclusion of any omitted property shall be submitted to the Commissioner of Revenue on or before September 1 of each calendar year. The final abstract must separately report the captured tax capacity of tax increment financing districts under section 469.177, subdivision 2 (captured net tax capacity), the area-wide net tax capacity contribution values determined under section 276A.05, subdivision 1, the metropolitan revenue contribution value under section 473F.07, and the value subject to the power line credit under section 273.42.

- The Commissioner of Revenue shall appoint a special assessor and deputies and cause to be made, in any year, a reassessment of all or any real and personal property, or either, in any assessment district, when in the commissioner's judgment such reassessment is desirable or necessary, so that any and all property in such district shall be assessed equitably as compared with like property in the county wherein such district is situated.
- The Commissioner Revenue shall 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 shall receive complaints and carefully examine all cases where it is alleged that property subject to taxation has not been assessed, or has fraudulently or for any reason has been 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 property tax laws.
- The Commissioner of Revenue shall raise or lower the market value of any real or personal property, including the power to raise or lower the market value of the real or personal property of any individual, co-partnership, company, association, or corporation; provided, that before any such assessment against the property of any individual, co-partnership, company, association, or corporation is so raised, notice of an intention to raise such market value and the time and place at which a hearing thereon will be held shall be given to such person, by mail, addressed to the person at that place of residence as the same appears upon the assessment book, at least five days before the day of such hearing.

All relevant and material evidence concerning the assessed valuation of the real or personal property shall be submitted at the hearing, and the hearing shall not be a "contested case" within the meaning of the M.S. 14.02, subdivision 3. The person notified of the hearing, or any other person having an interest in the property, may present evidence and argument bearing upon the market value of the property.

- A property owner, other than a public utility, mining company or the metropolitan airport commission for which the original assessments are determined by the Commissioner of Revenue, may not appear before the commissioner to request an examination of complaints or proceeding or to request a change in market value unless a timely appearance in person, by counsel, or by written communication has been made before the county board of appeal and equalization as provided in M.S. 274.13, to appeal the assessment of the property, or that the property owner can establish not receiving notice of his market value at least five days before the local board of appeal and equalization meeting.

The commissioner may refuse to hear an appeal that is within the jurisdiction of the Small Claims Division of the Minnesota Tax Court. The property owner shall be notified by the commissioner of the right to appeal to the Small Claims Division whenever an appeal to the commissioner is denied.

The Commissioner of Revenue is to hear all matters of grievance relating to taxation except for matters delegated to the various boards of county commissioners under M.S. 375.192 (abatements) and except as otherwise provided by law. The commissioner has the power to grant reductions or abatements of net tax capacities or taxes and of any costs, penalties or interest which is deemed just and equitable. The Commissioner of Revenue may also order a refund, in whole or in part, of any taxes, costs, penalties or interest thereon which have been erroneously or unjustly paid.

- To exercise other powers and perform other duties required of or imposed upon the Commissioner of Revenue by law.

Primary Statutory References: 270C.03, 270C.31, 270C.32, 270C.86, 270C.89, 270C.92, 270C.94 270C.97

Reassessments – Omitted or Undervalued Property

The Commissioner of Revenue is authorized under Minnesota Statutes, section 270C.94, subdivision 1 to order a reassessment in any year in any taxing district.

The commissioner may order a reassessment, when in the commissioner's judgment it is necessary to correct an unfair assessment in order to insure that all property in the same county or in the state is assessed equitably. The need for a reassessment may become apparent to the commissioner by:

- complaints from taxpayers, or
- findings of a court or of the legislature, or
- a request from any city council or county board.

General Powers and Duties

Such complaints or findings might indicate that a considerable amount of property has been omitted from the assessment roll or that assessments have been undervalued or overvalued. If after an investigation, the Commissioner of Revenue is satisfied that it would be in the best interest of the state, the commissioner can order the reassessment. The commissioner can then appoint a special assessor and as many deputy assessors as are needed to make the reassessment.

The Commissioner of Revenue may also appoint a special assessor and deputy assessors as needed to make a reappraisal when an assessor has failed to properly appraise at least one-fifth of the parcels of property in a district or county as required in Minnesota Statutes, section 273.01.

Following their appointments under Minnesota Statutes, section 270C.94 the special assessors and deputies must file with the Commissioner of Revenue their oaths to faithfully and fairly perform their duties. The special assessor, assisted by deputies, then reassesses the property in the district ordered to be reassessed.

The special assessor must prepare duplicate lists of the assessment roll showing the amount of the original assessment and the newly reassessed valuations. The lists are filed with the Commissioner of Revenue for examination and correction. After the commissioner is satisfied the lists are correct, one copy is sent to the county auditor.

Any person feeling aggrieved by the assessment may appeal to the district court. This is done by filing a notice of the appeal with the county auditor within 30 days after the reassessment. The county auditor files a certified copy of the appeal with the court administrator of the district court and notifies the county attorney of the appeal. The district court is required to hear and determine the case in the same manner as other tax matters are tried and determined by the courts. The county attorney must appear for and defend the interests of the state in these matters.

The salaries and expenses of the special assessors and deputies are set by the Commissioner of Revenue and are paid out of the money appropriated for the operation of the Department of Revenue. On August 1, the Commissioner of Revenue is to notify the county auditor of the amount paid on behalf of that county since August 1 of the preceding year. The county auditor is to levy a tax in the district or districts which were reassessed to reimburse the state. One-half of the tax is levied in the year which the Commissioner of Revenue notified the county auditor and the remaining half is levied in the following year.

The county must reimburse the state in two installments. These reimbursements are credited to the general fund. The first one-half of the reimbursement is due on or before July 1 and the remaining half is due on or before December 1 of the year the tax is payable by the property owners. The reimbursement is to be paid whether or not the county collected the tax. If the county fails to reimburse the state on the specified date, the Commissioner of Revenue can withhold state aids or distributions equal to the delinquent amount.

Primary Statutory References: 270C.94, 270C.95, 270C.96

Properties Assessed by the Commissioner of Revenue (State-Assessed Property)

In addition to the previously mentioned duties, the Commissioner of Revenue is required by law to assess several types of real and personal property. These include:

Flight Property

The flight property of all airline companies operating in Minnesota is assessed annually by the Commissioner of Revenue. All real and personal property of an airline company, except for flight property is taxed as otherwise provided by law. The flight property tax revenue goes directly to the State Airports fund at the Minnesota Department of Transportation. Local units of government do not receive any of this tax.

Railroad Property

All *operating property* of every railroad company doing business in Minnesota is to be valued by the Commissioner of Revenue in accordance with Minnesota Laws 1979, Chapter 303, Article 7, which was codified into Minnesota Statutes, sections 270.80 through 270.87.

Operating property means all property owned or used by a railroad company in the performance of railroad transportation services, including franchises, rights-of-way, bridges, trestles, shops, docks, wharves, buildings, and structures.

Non-operating property is assessed by the counties. It includes all other property that is not operating property. This includes:

- Real property that is leased or rented or is available for lease or rent to any person which is not a railroad company;
- Vacant land is presumed to be available for lease or rent if it has not been used as operating property for a period of one year preceding the valuation date;
- Land that is not necessary and integral to the performance of railroad transportation services and which is not used on a regular and continual basis in the performance of these services; and
- That portion of a general corporation office building and its proportionate share of land which is not used for railway operations or purposes.

To a certain extent, federal law limits the methods used to value railroad property. The law is known as the Railroad Revitalization and Regulatory Reform Act which was enacted in 1976 and became fully effective in 1979. The act prohibits states from taxing railroads any differently or at a higher rate than other commercial-industrial businesses.

The Commissioner of Revenue determines what property is operating and non-operating property. Railroad operating property is valued as a whole unit (unit valuation method) rather than on a parcel-by-parcel basis. Much of the information used to calculate the value is taken from reports prepared by the individual railroad companies. These reports are subject to audit by governmental agencies. Cost, income, and market indicators are all used to determine a value for railroad property in Minnesota. Once a value is established, a portion is allocated to each of the counties that have

General Powers and Duties

railroad property. The Commissioner of Revenue certifies the estimated market value to all counties on or before June 30 of each year. The property taxes are levied and collected in the same manner as on commercial and industrial property.

Minnesota Statutes, Chapter 398A provides an exemption for regional railroad authority operating property. Regional railroad authorities are owned by government agencies such as counties. They generally own land and tracks that are being used by an operating railroad. Typically, the operating railroad is purchasing the rail line on a contract for deed. In these cases, the land and track is owned by the regional railroad authority and is exempted from property and income taxes.

Pipelines

The Commissioner of Revenue is also charged with assessing the personal property consisting of pipeline systems of mains, pipes, and attached equipment of pipeline companies and others engaged in the business of transporting natural gas, gasoline or other petroleum products via pipelines.

Electric Powerlines

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/county assessor. 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. All transmission and distribution lines and equipment attached to them, having a fixed situs outside the corporate limits of cities, with the exception of distribution lines taxed under Minnesota Statutes, sections 273.40 and 273.41 (cooperative associations).

Note – The assessment of these types of properties is explored in greater detail in Module 2.

General Assessor's Duties

Assessors must view and estimate the market value of each tract or lot of real property, including the value of all improvements and structures, at maximum intervals of five years.

Assessors are specifically required by law to actually view each tract of real property and to appraise its market value. The importance of this requirement cannot be emphasized too strongly. Property values change continuously with changing economic conditions. In addition to market changes are the numerous physical changes in land and its improvements, such as drainage and clearing of land, agricultural production, improvement with public streets and utilities, and the addition or improvement of structures. All should be accounted for in assessment. This cannot be done without field inspection of all real property subject to assessment.

Primary Statutory Reference: 273.08

Assessor Authority to Enter Buildings

Any officer authorized by law to assess property for taxation, when necessary to the proper performance of their duties, may 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 to allow an assessor to inspect their property. 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 estimated market value by making assumptions believed appropriate concerning the property's finish and condition. In addition, if an inspection is refused by a taxpayer, they cannot receive a favorable appeal by a board of appeal and equalization.

Primary Statutory Reference: 273.20

This authority to view property should always be used tactfully. The following suggestions are made in the light of numerous experiences by assessors:

1. Never enter a house without introducing yourself and explaining why you are there.
2. Never enter a home where children are home alone.
3. Always carry proper photo identification and business cards.
4. Do not open closed doors to rooms or a house without obtaining the owner's permission.
5. Do not open cabinets, closets, refrigerators, etc.
6. Always ask the owner if they would like you to remove your shoes before entering their home.
7. Be brief and businesslike.
8. Try to maintain good public relations at all times.

General Powers and Duties

Inspecting Property

The most important requirement of the appraiser is to be well-prepared for the job of assessing. Assessors have a duty and an obligation to the public and the profession to estimate market values using appropriate methodology. Property owners are dependent on the appraiser to do a fair and thorough job of appraising. The public is demanding more expertise than in the past. Therefore, professionalism in the assessment field is of the utmost importance.

It is the assessor's duty to maintain accurate and proper records that include information on the land, how it is used, a description of the property, and all information regarding the improvements. A mass appraiser should be just as familiar with the concepts of appraisal as a fee appraiser.

In order 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. This can be a daunting task.

Appraisers should also know what construction features determine quality of construction, architectural styles of homes, types of building materials used in construction, characteristics of amenities, etc. Being a knowledgeable and well-informed appraiser will improve the standards of assessment and will enable you to maintain fair and equitable assessments. An appraiser's reputation is important – the more knowledge an assessor possesses the more competent and credible an assessor will be with taxpayers.

Revaluation

Revaluation is the process of estimating the market values of and classifying property on an annual basis.

Again, state law requires the physical review of all properties at least every FIVE years. However, the value of a property can change every year. Each parcel is assessed for its value and classified according to its use as of the assessment date of record, which is January 2 of each year.

New Construction and Demolition of Improvements

As stated previously, all properties are valued according to their current state on the assessment date of January 2. Any improvements made to a property after January 2 will be evaluated for the following year's assessment, and any destruction that occurs after January 2 will also be evaluated for the next assessment. For example, if a property does not have a garage on January 2, 2008, but the owner builds a garage in June 2008, the estimated market value for the 2008 assessment will reflect the lack of garage. For the 2009 assessment, the assessor will review the record and add the value of the newly-completed garage to the assessment as new construction. Conversely, if a property has a garage on January 2, 2008, but it burns down on June 1, 2008, the 2008 assessment will reflect the fact that the property had a garage on January 2, 2008. The assessor will review the record and change the value to reflect the lack of garage for the 2009 assessment if a new garage has not been constructed.

Each year, the assessor is required to make a diligent search for new construction that has occurred since the last assessment date. Any improvements that add **more than \$1,000** in value are to be included in the next assessment as new construction. Any improvements that have been made since the last quintile assessment which **add less than \$1,000** in value may be picked up during revaluation.

Buildings, structures, and improvements that are under construction as of January 2 should be valued according to the extent complete as of that date. This will result in a partial value for the new construction. Where buildings or structures have been under construction for more than one year, there will be a previous partial completion value to be considered. Assessors must estimate the percentage completed 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. Again, if it is less than \$1,000, it can be added during the next quintile assessment.

Remodeling of existing buildings presents some problems. Where such improvements enhance the value of real property by more than \$1,000 in estimated market value, the additional value should be entered in the assessment each year. If the value of the improvement is less than \$1,000, it can be picked up during the next quintile assessment.

Many questions arise with regard to the distinction between ordinary repairs, additions, and improvements. Most repairs are regarded as expenditures made to restore items that are worn out because of deterioration to a new or useable condition. For example, re-shingling a roof, replacing a furnace, or painting a property are considered to be maintenance items that do not add value to the property. However, a large-scale project with numerous repairs or updates such as new carpet, new cabinets, updated décor, new furnace, new siding, new roof, etc., can result in a lower effective age of a property because the property appears to be newer than its actual age. This can also result in better overall appeal and a higher value of a property. In addition, if the assessor has increased the estimated accrued physical depreciation on a property due to its deferred maintenance, making updates and repairs could also result in a higher market value.

An addition is a part of a building added to the original structure. Additions not only include entirely new units, but also include extensions, expansions, and enlargements of existing structures.

Primary Statutory References: 273.17

Neglect of Duties

The law provides severe penalties for tax officials who knowingly neglect their duty or who willfully obstruct the enforcement of the laws which they are sworn to execute, deliberately omit or exempt taxable property from the tax rolls, or undervalue property.

General Powers and Duties

Every county auditor and every assessor who refuses or knowingly neglects to perform any duty or who consents to or connives at the evasion of its provisions whereby any proceeding required by law is prevented or hindered, or whereby any property required to be listed for taxation is unlawfully exempted or entered onto the assessment rolls at less than its market value shall pay to the state for each such case a payment of not less than \$200 and not more than \$1,000.

Primary Statutory Reference: 273.21

Local Assessors

Local assessors are assessors who contract with a city or township to perform its assessment. Local assessors are hired by the local jurisdiction. They are not hired by the county assessor. However, the county assessor is generally responsible for the local assessor's work.

Appointment

The governing body of any township or city must appoint and employ an assessor as required by the Board of Assessors. All township and statutory city assessors are appointed for an indefinite term. They may be dismissed for cause. The term of a local assessor may be terminated at any time by the town board or city council on charges by the Commissioner of Revenue of inefficiency or neglect of duty. If the governing body of any township or city fails to employ an assessor as required by law, the assessment will be made by the county assessor.

Vacancies in the office of a township or city assessor must be filled within 90 days. If the vacancy is not filled within 90 days, the office shall be terminated. If the vacancy is not filled by appointment, the county auditor may appoint an assessor for the township or city. The county auditor may appoint the county assessor to do the assessment for the township or city. In this case, the city or township must pay the county treasurer the amount determined by the county auditor for the services performed and expenses incurred in the assessment.

Notwithstanding any other provision of law, all town assessors are appointed by the town board. Notwithstanding any charter provision to the contrary, all city assessors are appointed by the city council or other appointing authority as provided by law or charter. City and town assessors need not be a resident of the town or city for which they are appointed nor are they required to be residents of the state.

Incompatible Offices

Appointed city or town assessors may not also serve in certain elected positions. An appointed city assessor must not also serve as a mayor or city council member for the same city. An appointed town assessor must not also serve as a town board supervisor for the same town. (M.S. 273.061)

Vacancies

When a vacancy occurs in the office of a township or city assessor, the appropriate appointing authority must fill this position, by appointment, within 90 days. If the vacancy is not filled within 90 days, the office will be terminated and the assessment will be made by the county assessor.

General Powers and Duties

When a vacancy is not filled by appointment, and it is imperative that the office of assessor be filled, the county auditor will appoint a city or township assessor. The county auditor may appoint the county assessor as the assessor for that city or township. In such case, the town or city must pay to the county treasurer an amount determined by the county auditor to be due for the services and expenses incurred by the county assessor acting as the assessor for that city or township.

Compensation of Town Assessors

The town board will set the level of compensation as well as mileage and expense reimbursement of the town assessor.

Compensation of City Assessors

The assessor may be compensated on a full-time or part-time basis at the option of the city council.

Primary Statutory Reference(s): 270.41 to 270.53, 273.05, 273.061, 367.05, 412.131

Joint Assessment of Two or More Districts by One Assessor

The governing bodies of cities or townships may enter into an agreement that provides for two or more assessment districts to be assessed by one assessor. The governing body of any assessment district that is wholly within a county may enter into an agreement with the county to have the assessment completed by the county assessor's office. Such agreements have no effect upon the powers and duties of local boards of review and equalization. Whenever taxing districts enter into agreement between themselves for joint assessment, the following provisions should be covered in the agreement:

1. A statement of the purpose of the agreement, the power to be exercised, and the manner in which it is to be exercised;
2. The office of assessor that is to be abolished;
3. The term of the agreement unless an indefinite term is desired;
4. The method of appointment to and removal from office of the assessor who is to make the assessment;
5. The amounts to be paid in salaries and expense reimbursement and the manner in which those funds are to be provided and paid; and
6. The disposition of any property acquired and the return of unexpected funds in proportion to contributions of contracting parties.

Primary Statutory References: 273.072, 471.59

General Powers and Duties

Oath

Every person elected or appointed to the office of assessor, at or before the time of receiving the assessment books, must take an oath that he or she will be diligent, faithful, and impartial in the performance of his or her duties. The oath will be administered and certified without fee, if it is taken before the town clerk. Failure to take the oath within the time prescribed will be deemed a refusal to serve. Any town officer who enters upon the duties of his or her office before taking the oath will forfeit to the town the sum of \$50.

Primary Statutory References: 273.05, 367.25

Duties of Local Assessors

The duty of the duly-appointed local assessor shall be to view (at maximum intervals of five years), appraise the value, and classify all property as provided by law, but all the book work shall be done by the county assessor or the county assessor's assistants, and the value of all property subject to assessment and taxation shall be determined by the county assessor unless previous exceptions were made. At a minimum, this includes:

- Identifying all property in the jurisdiction;
- Maintaining an accurate property record card (may be hard copy or electronic) on all property in the jurisdiction. Each property record should have a sketch made to scale with accurate measurements. Some jurisdictions also require photos (may be printed or digital);
- Property records should also contain information regarding the quality of construction, condition, depreciation (physical, functional, and economic), amenities, last date inspected and by whom;
- Identifying the use of a property (residential, commercial, seasonal residential, etc.);
- Information on agricultural production if agricultural property;
- Information on the occupancy of the property for homestead purposes;
- Locating and valuing new construction each year;
- Attending Local Board of Appeal and Equalization (or Open Book) meetings;
- Making any changes as dictated by the Local Board of Appeal and Equalization; and
- Other information as specified by each local jurisdiction or by the county assessor's office. For example, some counties require local assessors to do their own splits/combinations, homestead applications, etc.*

**Note: This does not apply to cities whose assessors have the powers and duties of a county assessor (cities of the first class) pursuant to M.S. 273.063. The language outlining duties of local assessors in M.S. 273.061, subdivision 7 was passed as part of the Tax Reform and Relief Act of 1967. It has not been changed since that time. It is our understanding that the actual division of duties between local and county assessors has evolved over time and may no longer be divided simply in the manner provided in M.S. 273.061.*

Generally, most book work such as mailing of Notices of Valuation and Classification is done by the county assessor. Depending upon the size of the city or town, the local assessor may have additional duties.

General Powers and Duties

Except for Ramsey County, in counties having a city of the first class, the powers and duties of the county assessor within such city shall be performed by the duly appointed city assessor. In all other cities having a population of 30,000 persons or more, according to the last federal census, except in counties having a county assessor prior to January 1, 1967, the powers and duties of the county assessor within such cities will be performed by a duly appointed city assessor. The county assessor will, however, retain the supervisory duties contained in M.S. 273.061, subdivision 8.

Primary Statutory References: 273.061, 273.08, 273.063

Delivery of Assessment Records

The county assessor shall examine the assessment appraisal records of each local assessor anytime after December 1 of each year prior to the upcoming assessment. If there are any deficiencies in the assessment procedures with respect to the quantity or quality of the work done as of that date, the county assessor shall immediately give notice in writing to the governing body of the district of those deficiencies and indicating any corrective measures to be undertaken by the local assessor within 30 days.

After 30 days, the county assessor should reexamine the records to determine if the deficiencies have been corrected. If the deficiencies have not been substantially corrected, the county assessor, with the approval of the county board of commissioners, should complete the assessment or employ others to complete the assessment. Upon completion, the local assessor may then resume the assessment function in the district.

The costs incurred by the county assessor in completing the assessment of the local jurisdiction must be billed to the local jurisdiction by August 1 of the assessment year. If the cost remains unpaid as of September 1 of the assessment year, the county auditor shall levy a tax upon the taxable property of the local assessment district sufficient to pay such costs.

Local assessors must complete the assessment appraisal records on or before **February 1** of each assessment year. The records shall be delivered to the county assessor as of that date and any work which is the responsibility of the local assessor which is not completed by February 1 shall be accomplished by the county assessor or persons employed by the county assessor and the cost of such work shall be charged against the assessment district as provided in section 273.064. Extensions of time to complete the assessment appraisal records may be granted to the local assessor by the county assessor if such extension is approved by the county board.

Primary Statutory References: 273.064, 273.065

General Powers and Duties

County Assessors

Appointment

Every county in the state must have a county assessor. County assessors are appointed by the county board of commissioners. County assessors will be selected and appointed because of their knowledge and training in the field of property taxation. Appointments of county assessors must be approved by the Commissioner of Revenue before the appointment becomes effective. The Commissioner of Revenue may refuse to approve an appointment. In these cases, the term of the appointee terminates at the end of that day.

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 person's appointment for the remainder of the person's four-year term, approve the person's appointment but only for another two-year probationary period, or unconditionally approve the person's appointment for the remainder of the four-year term for which the person was originally appointed by the county board. The criteria shall not be considered rules and are not subject to the Administrative Procedure Act.

County assessors must achieve the Senior Accredited Minnesota Assessor designation within two years of their first appointment as county assessor. In the case of the first appointment of a county assessor who is an Accredited Minnesota Assessor but who does not have senior accreditation, an approval of the appointment by the commissioner must be provisional, provided that a county assessor appointed to a provisional term under this paragraph must reapply to the commissioner at the end of the provisional term. A provisional term may not exceed two years. The commissioner shall not approve the appointment for the remainder of the four-year term unless the assessor has obtained senior accreditation.

Term, Reappointment, and Vacancies

The term of the office of the county assessor is four years and runs from January 1 through December 31. New terms begin January 1 of 2009, 2013, 2017, etc.

If the county board of commissioners does not intend to reappoint a county assessor, the county board must notify the assessor in writing no later than 90 days prior to the termination of the term. If timely, written notice is not provided to the county assessor, the assessor will automatically be reappointed by the county board of commissioners.

Whenever a vacancy occurs, the county board of commissioners must fill the office for the remainder of the term, by appointment, within 90 days. In the event of a vacancy in the office of the county assessor, through death, resignation, or other reasons, the deputy (or chief deputy, if more than one) shall perform the functions of the office. If there is no deputy, the county auditor shall designate a person to perform the functions of the office until the appointment is made. The deputy or designated person shall perform the duties of the office for not more than 90 days, during which time the county board must appoint a county assessor. This 90-day period may be extended by written approval of the Commissioner of Revenue.

The term of the county assessor may be terminated by the county board of commissioners at any time on charges of malfeasance, misfeasance, or nonfeasance 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 proper performance of his or her duties. An example of malfeasance would be an elected official who accepts a bribe in exchange for political favors or an assessor who intentionally undervalues a county commissioner's house.

Misfeasance can be defined as illegally performing something legal; acting improperly or illegally in performing an action that is in itself lawful; or general incompetence. 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 a lawyer who is mistaken about a deadline and files an important document too late, an accountant who make an unintentional error on a client's tax return, a doctor who accidentally writes the wrong dosage on a prescription, an assessor exempting his or her own house, or an assessor who grants a homestead without proper application.

Nonfeasance can be defined as the failure to meet legal obligations; failure to do something that is legally obligatory. It is the complete neglect of or failure to perform a contractual duty. For example, an assessor that does not physically inspect properties in their jurisdiction at least once every five years would be a case of nonfeasance.

The Commissioner of Revenue may recommend to the state Board of Assessors the nonrenewal, suspension, or revocation of an assessor's license as provided in Minnesota Statutes, sections 270.41 through 270.48.

Primary Statutory Reference: 273.061

Compatible and Incompatible Offices

The person serving as the county assessor may also serve as the county auditor, county treasurer or county auditor-treasurer if those offices are appointed. However, the county assessor/auditor/treasurer cannot then serve on the County Board of Appeal and Equalization. In addition, the county board may not delegate any authority, power or responsibility under Minnesota Statutes, section 375.192 (abatements) to the county auditor if the offices of the county assessor and auditor or auditor/treasurer are combined.

In a county where the office of the auditor, treasurer or auditor-treasurer is an elected position, the person appointed as the county assessor also may serve as the county auditor, treasurer or auditor-treasurer in that county if that office will be changing to an appointed position within five years.

General Powers and Duties

County assessors may not also serve in certain elected positions. A county assessor must not also serve as:

- County attorney;
- County commissioner;
- Elected county auditor, treasurer, or auditor/treasurer;
- Township supervisor for a town in the same county; or
- Mayor or city council member for a city in the same county.

In addition, a city assessor cannot be a mayor or city council member for the city in which he or she is employed as an assessor. A township assessor cannot be a township supervisor in the township he or she assesses. Any township, city, or county assessor who accepts a position that is incompatible with the office of assessor is deemed to have resigned from the assessor position.

Primary Statutory References: 273.061

Optional “True County” Assessor System

Any county in the state of Minnesota may elect, by special resolution, to have all taxable property in the county assessed by the county assessor. This is known as a “true county” assessor system. In this system, there are no city or township assessors. Property is assessed by assessors who are employees of the county assessor’s office.

Any county which has elected to have a “true county” system is authorized to appropriate sufficient money to defray the expenses of making a proper assessment of all property in the county. The county board shall, by resolution, authorize the county assessor to employ such additional deputies, clerks, and appraisers as it may deem necessary for the proper performance of the duties of the office of the county assessor.

The election to provide for the assessment of all the property in the county by the county assessor may be made by resolution of the county board of commissioners. The resolution will be effective at the second assessment date following the adoption of the resolution. The office of all township and city assessors shall be terminated 90 days before the assessment date at which the election becomes effective. If part of a taxing district is located in a county not electing to have the county assessor assess all property, the office of assessor will continue but shall apply only to such property in the non-electing county. After a county chooses to use a “true county” assessor system, all local assessors must turn over all records relating to property in the county to the county assessor a minimum of 90 days prior to the assessment date the county’s election becomes effective.

The county board of commissioners may revoke the election if they determine that the interests of the county may be better served through valuation performed by local assessors. Such revocation may not be made within four years after the election. In the event of revocation, it shall be effective at the second assessment date following the revocation. The offices of all the township and city assessors shall then be filled as provided by charter or law 90 days before such effective date.

Primary Statutory References: 273.052, 273.053, 273.055, 273.056

General Powers and Duties

Oath

Before performing his or her duties, every county assessor must take and subscribe the oath required of public officials.

Offices and Assistants

With approval of the county board of commissioners, the county assessor may employ one or more deputies, assistants (appraisers), and sufficient clerical help to enable the assessor to perform the duties of the office. All deputy assessors and appraisers must meet the licensure qualifications sent forth by the Board of Assessors.

Typically, staff appraisers will have essentially the same duties as a local assessor. For example, they will be responsible for inspecting property, maintaining property records, classifying property, attending local boards of appeal and equalization, answering taxpayer questions, etc.

The county board of commissioners must provide suitable office space and equipment for the county assessor, the assistants and clerical staff. The county board must also furnish such books, maps, stationery, postage and supplies as may be necessary.

In counties having unorganized territory, the county board of commissioners may appoint the county assessor to perform the assessment duties for all such districts.

Primary Statutory References: 273.061, 273.06

Duties of County Assessors

The duties of a county assessor include:

- To direct, confer and instruct all local and city assessors and staff 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;**
- To keep all local and city assessors and staff appraisers in the county advised of all changes in assessment laws and all instructions from the Commissioner of Revenue relating to their duties;
- To provide information to local and county boards of appeal and equalization;
- To confer with assessors in neighboring counties in order to attain a uniform and equalized assessment;
- To prepare and keep available in the assessor's office information showing the average minimum and maximum market values per acre of cultivated, meadow, pasture, cutover, timber, and waste lands for each township in the county;
- To prepare and maintain a land valuation map of the county, in such form as may be prescribed by the Commissioner of Revenue. This map, which should include the bordering tier of townships of each county adjoining, is to show the average market value per acre, both with and without improvements, as finally equalized in the last assessment of real estate, of all land in each town or unorganized township which lies outside the corporate limits of cities;
- To regularly examine and keep on file all conveyances of property filed with the county recorder;

General Powers and Duties

- To make a diligent search each year for real and personal property which has been omitted from assessment in the county, and report all such omissions to the county auditor so that they can be added to the tax rolls;
- To regularly confer with county assessors in all adjacent counties about the assessment of property in order to uniformly assess and equalize the value of similar properties and classes of properties located in adjacent counties. The conference shall emphasize the assessment of agricultural and commercial and industrial property or other properties that may have an inadequate number of sales in a single county;
- The county assessor is ultimately responsible for the final valuations and classifications made by local or deputy assessors;
- To maintain, in conjunction with other county offices, a record of all transfers of property to assist in determining the proper classification of property, including but not limited to transferring homestead property and name changes on homestead property.
- To personally view and determine the value of any property which because of its type or character may be difficult for the local assessor to appraise.
- To mail annual Notices of Valuation and Classification;
- To develop and submit accurate Spring and Fall mini-abstracts, the Assessment Abstract, and the Exempt Abstract in a timely manner;
- To exchange data on property with other local and county assessors and the Commissioner of Revenue, in order to promote a uniform assessment and review of assessments. The data for any property may include but is not limited to its sales, income, expenses, vacancies, rentable or usable areas, anticipated income and expenses, projected vacancies, lease information, and private multiple listing service data. Data exchanged under Minnesota Statutes, Chapter 13, that is classified as nonpublic or private data shall retain its classification;

Primary Statutory References: 273.061

Examination of Local Assessor's Work

The county assessor may examine the appraisal records of each local assessor anytime 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 written notice to the governing body of that district. The notice must include the deficiencies noted in the assessment and the corrective measures to be taken by the local assessor. If the deficiencies are not substantially remedied by the local assessor within 30 days, then the county assessor may, with the approval of the county board, obtain the books and complete the assessment. After the county assessor has completed the assessment, the local assessor shall resume the assessment function of the district.

- Module 1
- **General Property Tax Law**
- Minnesota Property Tax Administrator's Manual

General Powers and Duties

The costs of completing the assessment shall be charged against the assessment district. The county auditor is to certify the costs incurred to the appropriate district no later than August 1. If the costs remain unpaid as of September 1, the county auditor shall levy a tax upon the taxable properties of that district sufficient to pay the costs. The amount collected is to be credited to the general revenue fund of the county.

Note: This does not apply to cities whose assessors have the powers and duties of a county assessor pursuant to M.S. 273.063.

Primary Statutory References: 273.064

Assessor's Qualifications and Licensure

Assessor's Qualifications and Licensure

Board of Assessors

The 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.

Members

The State Board of Assessors consists of nine members who are appointed by the Commissioner of Revenue. The members include:

- Two members for 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.

Terms

Membership terms are for four years with terms ending on the first Monday in January. The appointing authority is to appoint, as nearly as possible, one-fourth of the members to terms expiring each year.

Primary Statutory References: 270.41, 214.09,

Charges for Courses, Examinations or Materials

The Board is allowed to charge fees for license applications, license renewals, grading appraisals, record retention, educational transcripts and retests. Such fees are specified in statute.

Licensing Requirements

Minnesota's Board of Assessors is charged with the task of licensing persons as possessing the necessary qualifications of an assessing official and providing the necessary courses or training for all assessors. Different levels of licensure have been established as to the classes of property which assessors may be certified to assess at the discretion of the board. Every person, except a local or county assessor, regularly employed by the assessor to assist in making decisions regarding valuing and classifying property for assessment purposes shall be required to become licensed within three years of date of employment. Licensure shall be required for local and county assessors as provided in Minnesota Statutes, Chapter 270.

The board may refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee 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, including:
 - Knowingly neglecting to perform a duty required by law;
 - Violation of the laws of this state relating to the assessment of property;
 - Unlawfully exempting property;
 - Knowingly and intentionally listing property on the tax list at substantially less than its market value or the level required by law in order to gain favor or benefit;
 - Knowingly and intentionally misclassifying property in order to gain favor or benefit.
- Conviction of a crime involving moral turpitude; or
- Any other cause or act that, in the Board's opinion, warrants a refusal to issue or renew a license, or a suspension or revocation of a license.

All county assessors and senior appraisers in the Department of Revenue's Property Tax Division must obtain the Senior Accredited Minnesota Assessor (SAMA) designation from the Board of Assessors within two years of their first appointment. If a department senior appraiser or regional representative fails to obtain or maintain senior accreditation, the failure shall be grounds for dismissal, disciplinary action, or corrective action.

The Commissioner of Revenue must not approve the appointment of a county assessor who is not a SAMA, except in the case of the first appointment of a county assessor who has achieved the Accredited Minnesota Assessor (AMA) designation, but who does not have senior accreditation. In this instance, approval of the appointment is provisional, provided that the county assessor appointed to a provisional term must reapply to the commissioner at the end of the provisional term, which may not exceed two years. The commissioner shall not approve the appointment for the remainder of the four-year term unless the assessor has obtained senior accreditation.

No employee hired by the Commissioner of Revenue as a senior appraiser or regional representative shall attain permanent status until the employee obtains senior accreditation.

Employment of Licensed Assessors

No assessor may be employed who has not been licensed as qualified by the Board of Assessors, provided the time to comply may be extended after application to the board upon a showing that licensed assessors are not available for employment. The board may license a county or local assessor who has not received the training, but possesses the necessary qualifications for performing the functions of the office by the passage of an approved examination. The board may waive the examination if such person has demonstrated competence in performing the functions of the office for a period of time the board deems reasonable.

A city or township whose office of assessor has been eliminated because of failure to fill a vacancy in the office within 90 days may, with the approval of the Commissioner of Revenue, elect to have the office of assessor reinstated by hiring a certified or accredited assessor. This does not apply to Ramsey County or to cities and townships located in counties which have elected to have a "true county" assessment system.

Assessor's Qualifications and Licensure

Provisional Status

The Board of Assessors provides provisional status for the purpose of encouraging on-the-job training. Provisional status is granted to individuals who have met the education requirements for Certified Minnesota Assessors, but who do not meet the one-year experience requirement. It provides an opportunity for hands-on training while working under another assessor's license. The licensed assessor becomes the mentor/teacher and is fully responsible for the work done by the holder of the provisional status. It must be emphasized that the person who has provisional status is not licensed to assess property. Once this person has met the one-year experience requirement, he or she may then apply for a Certified Minnesota Assessor's license from the Board of Assessors. There is no fee to apply for provisional status.

Prohibited Activity

A licensed assessor or other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes is prohibited from making appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report on any property within the assessment jurisdiction where the individual is employed or performing the duties of the assessor under contract. Violation of this prohibition shall result in immediate revocation of the individual's license to assess property for property tax purposes.

This prohibition must not be construed to prohibit an individual from carrying out any duties required for the proper assessment of property for property tax purposes. If a formal resolution has been adopted by the governing body of a governmental unit, which specifies the purposes for which such work will be done, this prohibition does not apply to appraisal activities undertaken on behalf of and at the request of the governmental unit that has employed or contracted with the individual. The resolution may only allow appraisal activities which are related to condemnations, right-of-way acquisitions, or special assessments.

Valuation of Income-Producing Property

Only AMA, SAMA, or other licensed assessors who have successfully completed at least two income-producing property appraisal courses may value income-producing property for ad valorem tax purposes.

“Income-producing property” as used above means:

- Class 1c seasonal residential recreational commercial property (resorts containing homestead of the owner/operator);
- Class 3a commercial-industrial and public utility property;
- Class 3b employment property;
- Class 4a rental housing – four or more units, including private for profit hospitals;
- Class 4c(1) seasonal residential recreational commercial property (resorts);
- Class 4c(2) qualifying golf courses;
- Class 4c(3)(i) and (ii) nonprofit community service oriented organization;
- Class 4c(4) post secondary student housing;
- Class 4c(5) manufactured home parks;

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- Class 4c(6) qualifying metro nonprofit recreational property;
- Class 4c(7) certain non-commercial aircraft storage hangars on leased land;
- Class 4c(8) certain non-commercial aircraft storage hangars on private land;
- Class 4c(9) bed and breakfast up to five units;
- Class 4c(10) seasonal restaurant on a lake;
- Class 5 unmined iron ore; low recovery iron ore; and all other property not included in another class.

“Income-producing property appraisal course” means a course of study of approximately 30 instructional hours, with a final comprehensive test that has been approved by the Board of Assessors. An assessor must successfully complete the final examination for each of the required courses.

Primary Statutory References: 270C.98-99, 270.41, 270.48, 270.50, 273.11 subdivision 13

Levels of Licensure

The Board of Assessors has established four levels of licensure for assessors. Assessors may be required to achieve higher levels of licensure in order to assess certain districts or to obtain certain assessor positions.

Certified Minnesota Assessor (CMA)

The following requirements must be met to receive the CMA license per Minnesota Rules, section 1950.1030:

- Assessment Laws, History and Procedures (no alternative)
- MAAO Appraisal Principles **and** MAAO Residential Appraisal Procedures; **or** the following Board-approved alternatives:
 - IAAO 101 - Fundamentals of Real Property Appraisal
 - Basic Appraisal Principles **and** Basic Appraisal Procedures – Appraisal Institute
 - Kaplan Professional Schools (formerly ProSource) – all four of the following:
 - 101 – Intro to Appraisal Principles I
 - 102 – Intro to Appraisal Principles II
 - 103 – Intro to Appraisal Practices I
 - 104 – Intro to Appraisal Practices II
- One elective course from the list of approved courses
- One calendar year of apprenticeship under a licensed assessor
- Application to the Board of Assessors with appropriate fee

Note – A Bachelor’s degree in real estate may be substituted for some of the coursework. An Associate’s degree or higher (other than the four-year real estate degree) may be substituted for the elective course. Please contact the Board of Assessors for specific information.

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Certified Minnesota Assessor Specialist (CMAS)

The following requirements must be met to receive the CMAS license per Minnesota Rules, section 1950.1040:

- CMA license
- Two elective courses from the approved list which were not used to achieve the CMA designation
- One passing form appraisal report on a residential property
- Two calendar years assessment experience
- Application to the Board of Assessors with the appropriate fee

Note – A Bachelor's degree in real estate may be substituted for some of the course work. Please contact the Board of Assessors for specific information.

Accredited Minnesota Assessor (AMA)

The following requirements must be met to receive the AMA license per Minnesota Rules, section 1950.1050:

- Assessment Laws, History and Procedures (no alternative)
- MAAO Appraisal Principles **and** MAAO Residential Appraisal Procedures; **or** the following Board-approved alternatives:
 - IAAO 101 - Fundamentals of Real Property Appraisal
 - Basic Appraisal Principles **and** Basic Appraisal Procedures – Appraisal Institute
 - Kaplan Professional Schools (formerly ProSource) – all four of the following:
 - 101 – Intro to Appraisal Principles I
 - 102 – Intro to Appraisal Principles II
 - 103 – Intro to Appraisal Practices I
 - 104 – Intro to Appraisal Practices II
- MAAO Techniques of Mass Appraisal (or approved alternative)
- IAAO 400 Assessment Administration (or approved alternative)
- Basic Income Approach to Value (or approved alternative)
- IAAO 151 – Uniform Standards of Professional Appraisal Practice (national)
- One elective course
 - One passing grade on a narrative appraisal report, a bachelor's degree in real estate, **or**
 - a passing form report on a residential property and successful completion of the Minnesota Residential Case Studies Examination
- Three years assessment experience
- A successful oral interview with the Board of Assessors
- License application with appropriate fee

Note – A Bachelor's degree in real estate may be substituted for some of the course work. Please contact the Board of Assessors for specific information.

Senior Accredited Minnesota Assessor (SAMA)

The following requirements must be met to achieve a SAMA license per Minnesota Rules, section 1950.1060:

- Assessment Laws, History and Procedures (no alternative)
- MAAO Appraisal Principles **and** MAAO Residential Appraisal Procedures; **or** the following Board-approved alternatives:
 - IAAO 101 - Fundamentals of Real Property Appraisal
 - Basic Appraisal Principles **and** Basic Appraisal Procedures – Appraisal Institute
 - Kaplan Professional Schools (formerly ProSource) – all four of the following:
 - 101 – Intro to Appraisal Principles I
 - 102 – Intro to Appraisal Principles II
 - 103 – Intro to Appraisal Practices I
 - 104 – Intro to Appraisal Practices II
- MAAO Techniques of Mass Appraisal (or approved alternative)
- IAAO 400 Assessment Administration (or approved alternative)
- Basic Income Approach to Value (or approved alternative)
- IAAO 151 – Uniform Standards of Professional Appraisal Practice (national)
- One elective course
- One additional income course
 - Passing grade on a narrative appraisal report, a bachelor's degree in real estate, **or**
 - a passing form report on a residential property and successful completion of the Minnesota Residential Case Studies Examination
- Five years assessment experience
- A successful oral interview with the Board of Assessors
- License application with appropriate fee

Note –A Bachelor's degree in real estate may be substituted for some of the course work. Please contact the Board of Assessors for specific information.

Continuing Education

In addition to the requirements needed for licensing, the Board of Assessors has established a program of required continuing education for each level of licensure within each licensing period. This is necessary to improve, update, and maintain the knowledge and abilities that are needed by assessors in order to achieve excellence in the area of assessing.

The unit of measurement for accomplishment in continuing education is a Continuing Education Hours (CEH). The board requires that assessors must attain a specified number of CEHs, according to their level of licensure, during a four-year licensing period in order to remain licensed. In each four-year licensing period, Certified Minnesota Assessors and Certified Minnesota Assessor Specialists are required to attain at least 40 CEHs. Accredited Minnesota Assessors and Senior Accredited Minnesota Assessors are required to attain at least 50 CEHs in each four-year licensing period.

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Additional information on licensing and continuing education can be found in the Board of Assessors' Education and Licensing Manual on the department's website, www.taxes.state.mn.us.

Anyone with questions to the State Board of Assessors concerning licensure, certification, continuing education, or rules should contact:

Administrative Secretary
State Board of Assessors
600 North Robert Street
Mail Station 3340
St. Paul, MN 55146-3340
(651) 556-6086

Primary Statutory Reference: 270.41, Minnesota Rules section 1950

Ethics Seminar for All Licensed Assessors

As a result of the 2005 legislative session, the Department of Revenue was required to develop a code of conduct and ethics for all licensed Minnesota assessors. The department developed the Code of Conduct and Ethics for Licensed Minnesota Assessors in cooperation with the Minnesota Association of Assessing Officers and the Board of Assessors. It was formally adopted by the Board of Assessors in December of 2005 and became effective March 1, 2006. It is shown in its entirety on the following page.

All licensed assessors who are licensed for one year or more in a four-year cycle will be required to attend and participate in an ethics seminar developed and presented by the Commissioner of Revenue. This requirement must be met at least once in every four-year period.

Training and Education of Property Tax Personnel

Every person licensed by the State Board of Assessors at the Accredited Minnesota Assessor level or higher, shall successfully complete a week-long Minnesota laws course sponsored by the Department of Revenue at least once in every four-year period. This course has been named the Professional Assessment Certification and Education (PACE) course. An assessor need not attend the course if they successfully pass the test for the course.

The Commissioner of Revenue may also require that each county, and each city for which the city assessor performs the duties of county assessor, have:

1. a person on the county's staff (assessor, auditor, or treasurer) who is certified by the Department of Revenue in sales ratio calculations;
2. an officer or employee who is certified by the Department of Revenue in tax calculations; and
3. an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of assessment.

The Commissioner of Revenue may require that each county have an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of tax lists.

Primary Statutory Reference: 273.0755

Code of Conduct and Ethics for Licensed Minnesota Assessors

The purpose of this code of conduct and ethics is to instill public confidence in property assessment and promote fairness and uniformity of assessment practices. As a licensed Minnesota assessor, it is your obligation to abide by the ethical and professional guidelines established in this code.

1. Conduct and Performance

- a. Professionalism** – Conduct all duties and activities in a professional manner that will reflect favorably upon you, the jurisdiction, the assessment profession, and the property tax system.
- b. Honesty** – Be honest in all dealings with property owners and their representatives.
- c. 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, any special interests.
- d. Excellence** – Perform all duties to the best of your ability so as to ensure fair and equitable assessments of all property.

2. Conflicts of Interest

- a. Appearance of impropriety** – Avoid the appearance of impropriety even if no impropriety exists or is intended.
- b. Prohibited assignments** – Accept no assignment in which you are related to the owner as spouse, parent, son or daughter by blood or marriage, or in which you have a financial or other interest in the property.
- c. Unwarranted privileges** – Do not use your official position to secure privileges for yourself, your family, business associates, or any other person wherein you benefit directly or indirectly.

3. Representation of Qualifications

Do not claim professional qualifications that you do not possess.

4. Cooperate and Investigations

Cooperate with the Minnesota Department of Revenue and the State Board of Assessors in an investigation of the professional conduct of any assessor.

5. Reporting Unethical Practices

Report to the Minnesota Department of Revenue the unethical practices of actions of any assessor.

6. Violations

Violating this code of conduct and ethics may result in disciplinary actions by the State Board of Assessors and/or the Commissioner of Revenue.

Effective date: March 1, 2006

In accordance with 2005 Minnesota Laws, First Special Session Chapter 3, Article 1, Section 38