



***WHY DO  
PROPERTY TAXES  
CHANGE FROM  
YEAR TO YEAR?***

**Mille Lacs County Assessor's Office**

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### ***THE MARKET VALUE OF A PROPERTY MAY CHANGE***

Each parcel of property by Minnesota Statute must be physically reviewed at a minimum of once every five years. A sales study by the Department of Revenue is done to determine if the property is assessed similarly to like properties. If the study doesn't show a ratio between values and actual sales of 95% - 105%, the Commissioner of Revenue will issue an order that will affect the taxable value of a class or taxing jurisdiction of property. Additions and major improvements to the property generally increase its market value.

### ***THE MARKET VALUE OF OTHER PROPERTY IN YOUR TAXING DISTRICT MAY CHANGE, SHIFTING TAXES FROM ONE PROPERTY TO ANOTHER***

If the market value of a property increases more or less than the average increase or decrease in a taxing district, the taxes on that property will also change. New construction in a taxing district increases the tax base and will affect the district's tax rate.

### ***THE STATE LEGISLATURE MAY HAVE CHANGED THE PORTION OF TAX BASE PAID BY DIFFERENT CLASSES OF PROPERTY***

A change in class rates established by the state legislature will require a change in the tax rate to raise the same amount of money. This change will also cause a shift in property tax from one classification of property to another.

### ***THE STATE GENERAL TAX MAY CHANGE***

The state legislature directly applies a State General Property Tax to commercial, industrial and seasonal recreational residential (SRR) property classes

### ***THE CITY BUDGET AND LEVY MAY CHANGE***

Each year, city councils review the needs and wants of their citizens and the most effective way to meet those needs and wants. This is called "discretionary" spending in the city budget. Also included in the city budget is "non-discretionary" spending. This is spending that is required by state and federal mandates and court decisions and orders.

### ***THE TOWNSHIP BUDGET AND LEVY MAY CHANGE***

In March of each year townships set the levy and budget for the next year.

## **THE COUNTY BUDGET AND LEVY MAY CHANGE**

Each year, counties review the needs and wants of their citizens and how to most effectively meet those “discretionary” needs and wants. Also included in the county budget is “non-discretionary” spending which is required by state and federal mandates and court decisions and orders. As much as 60% to 85% of the county expenditures are used to deliver mandated services.

## **THE SCHOOL DISTRICT’S BUDGET AND LEVY MAY CHANGE**

Legislative bodies determine basic funding levels for K-12 education. Legislation also mandates services that the schools must perform and offer. Approximately 70% of school costs are paid on average by the state. Local school districts set levies for purposes which include safe school and community education, etc.

## **A SPECIAL TAXING DISTRICT’S BUDGET AND LEVY MAY CHANGE**

Watershed districts, hospital districts, sewer districts, etc. are special districts that set levies to balance their budgets.

## **SPECIAL ASSESSMENTS MAY BE ADDED TO YOUR PROPERTY TAX BILL**

Street improvements, water lines, curb and gutter and solid waste are examples of improvements that directly benefit your property and may be funded, in whole or in part, through a special assessment that is directly added to your tax bill.

## **VOTERS MAY HAVE APPROVED A SCHOOL, CITY/TOWNSHIP, COUNTY OR SPECIAL DISTRICT REFERENDUM**

Local referendums may be held for local government construction projects, excess operating levies for schools or many other purposes. Referendum levies may be spread on either the market value or the tax capacity of a property. The manner in which the levy is spread depends on the process and type of referendum being levied.

## **FEDERAL AND STATE MANDATES MAY HAVE CHANGED**

Both the State and Federal governments require local governments to provide certain services. Local governments are required to follow certain rules when providing these mandated services. Often times these mandates require an increase cost and level of service delivery.

## ***AID AND REVENUE FROM THE STATE AND FEDERAL GOVERNMENTS MAY HAVE CHANGED***

The state legislature reviews and adjusts the levels of funding each year for a variety of aid provided to local government including Local Government Aid (LGA), Highway Aid and County Payment Aid. How aid is determined and distributed among local governments depends on formulas determined by the state legislature each year. This formula may change annually.

### ***OTHER STATE LAW CHANGES MAY ADJUST THE TAX BASE***

Fiscal disparities, personal property taxes on utility companies, tax increment financing and special programs are examples of laws that affect property taxes.

### ***Glossary of Terms***

***PROPERTY TAX:*** A tax levied on any real or personal property deemed taxable by the state legislature.

***MARKET VALUE:*** An assessor's estimate of what a property would be likely to sell if it were to be sold on the open market. This value is determined by analyzing sales that have occurred within a time frame determined by the Department of Revenue. State law requires assessors to value property at 100% of the market.

***SALES RATIO STUDY:*** A study conducted by the Department of Revenue on open market property sales, which is then compared to local assessments to ensure that local assessments adequately reflect the market.

***CLASS RATE:*** A percent of market value set by state law that determines the amount of tax base paid by each classification of property.

***TAX CAPACITY:*** The valuation on which property taxes are determined. The tax capacity of a property will be determined based on the market value and class rate of a property.

***STATE GENERAL PROPERTY TAX:*** A state-imposed property tax on commercial, industrial and seasonal recreational property.

***LEVY:*** The imposition of a tax, associated with property tax.

***LOCAL TAX RATE:*** The tax rate usually expressed as a % of tax capacity, used to determine the property tax due on a property.

***LOCAL GOVERNMENT AID:*** A state government revenue sharing program for cities with low property wealth or high service burdens that is intended to provide an alternative to the property tax.