LMC LEAGUE of MINNESOTA CITIES

Property Tax Statement 101

INFORMATION MEMO

Published: July 7, 2021

Helping city residents understand their property tax statements

This guidance explains the basics of the property tax system to residential taxpayers by describing each section of the property tax statement. Minnesota homeowners receive the tax statement for their property in March. Property taxes are derived from the property assessment, the local government levies, and any voter-approved referenda. Credits, refunds, exemptions, and exclusions complicate the system.

Learn more about property taxation

Sections of a property tax statement

The layout

The property tax statement is brief but contains a lot of information. It sets out the amount due in the current year and provides comparison with the previous year's valuation, property classification, reductions from state aid and credits, and total tax amounts.

Layout of the statement may vary slightly from county to county, but the content will generally be the same.

Front page

This page lists identifying information about the county auditor, the subject property, and the taxpayers. It also shows the taxes due. There is more detail on taxes due in the following sections.

Back page

This page has information about refund programs available to eligible homeowners. It also has a summary table of late payment penalties and may have other tax related notices.

Read more about state-paid refund programs

Tax values and classification

This section contains information on the market value and classification of the property.

Market value

The estimated market value is determined by an assessor. It represents an estimate of how much the property would be worth on the open market if sold.

The taxable market value is the estimated market value minus any excluded property improvements or other exclusions. For eligible homestead properties, a portion of the market value is excluded from property taxation. This is called the Homestead Market Value Exclusion (HMVE).

Learn more about the HMVE program

Classification of property

Every parcel is classified based on use and assigned a classification rate. Income-producing properties generally have higher class rates. Rates are set by the Legislature and are not tax rates but a weighting system.

In other words, if two properties had equal market values but different class rates, the property with the higher class rate would have a higher tax capacity. The property tax statement may show the abbreviated classification name, such as *Res. Hmstd.* (residential homestead).

The mechanics of taxes

The market value and classification are used to determine the property tax bill. Most property taxes are levied against the parcel's tax capacity and some are levied against the taxable market value

The tax capacity of a parcel is determined by multiplying the parcel's market value by its classification rate. For example, a home with an assessed market value of $250,000 has a class rate of 1%, which equals a tax capacity of $2,500.

Property taxes that are levied against tax capacity are calculated using tax capacity rates. These rates are determined by dividing the tax capacity levy by the total tax capacity of a jurisdiction. The sum of all tax capacity rates (i.e., the total local tax rate) is multiplied by a parcel's tax capacity to determine the tax capacity portion of the tax bill.

Voter-approved referenda levies are applied to a parcel's taxable market value, not the tax capacity. The market value rate is found by dividing the market value levy by the total market value. Multiplying the market value rate by the parcel's taxable market value results in the market value portion of property taxes. The tax capacity portion plus the market value portion less any credits comprise the total tax bill for a property.

The top of the tax detail section of the statement lists taxes payable for the current year and previous year. These amounts do not include any special assessments and are used to determine eligibility for refund programs.

State aid reductions

The statement must contain a section that details how an individual's taxes have been reduced by state aid and credit programs. The tax amount without any aid or credits applied is shown first, with deductions for aid and credits itemized separately.

All state aid amounts that cities may receive are certified by July. For cities that receive it, aid helps close the gap between a city's expenditure needs and its ability to raise revenues through property taxes, fees, charges, and other sources of revenue.

Read more about local government aid (LGA)

View other League resources on paying for city services

The taconite tax relief program applies to taconite relief areas on the Iron Range. The value of the credit depends on characteristics like the value of iron ore in the jurisdiction and the proximity to mines.

Property tax by jurisdiction

The tax statement itemizes tax amounts for each taxing jurisdiction and any voter-approved referenda levies. All of the different levies are summed, showing the total property tax amount before special assessments.

An individual parcel is typically in several taxing jurisdictions: city, county, school district, and any special property taxing districts, such as a watershed district. Each jurisdiction levies a tax. There is a different tax rate for each jurisdiction. Jurisdictions do not set the tax rate; rather it is a function of the jurisdiction's levy and total tax base.

[levy] / [tax base] = [tax rate]

Cities, school districts, and counties must set their preliminary property tax levy by the end of September. The final levy can be less, but not more, than the preliminary amount. In very simple terms, this is the levy calculation:

[budget] – [all non-property tax revenues] = [levy]

Special assessments

Any special assessments on the property are listed by type of assessment. The sum of any assessments owed is then added to the property tax subtotal.

Pay stubs

The bottom of the statement contains pay stubs, showing the amount and date due, to submit with each payment. Taxpayers who pay property taxes along with their mortgage payments do not use the pay stubs.

Half of the total tax payment is due May 15 with the remaining half due October 15. A penalty fee is assessed for late payments. The back of the statement explains how to calculate penalties. The payment amounts must be paid in full even if the taxpayer is eligible for a refund.

City, county, and school district websites often have additional information on budgets, spending priorities, etc. The League of Minnesota Cities website offers a calculator to compare taxes on properties in different cities and in different years.

View the League's property tax calculator

Timeline

Counties administer the process for assessing, calculating, imposing, and collecting property taxes. The entire process takes two full years. Taxpayers receive two documents prior to the tax statement.

Notice of market value

Assessors determine market values by January 2 of the year before taxes are payable. For example, market values for taxes payable in 2021 were set in January 2020. Property owners receive notice of the market value from the assessor in March of each year. There is an appeals process for property owners who disagree with the assessed valuation.

Truth-in-taxation notice

The county mails truth-in-taxation notices to property owners in November that show the tax burden under the proposed levy. The notice lists both actual taxes paid in the previous year and proposed taxes. Taxpayers can see what factors contributed to change in the property taxes due (such as changes in spending by one or more jurisdictions, classification changes, assessed value change, etc.).

During their budget-setting process, usually in the fall, cities over 500 in population must publish which of their regularly scheduled council meetings will include a discussion of the budget and levy. Residents can use that meeting to ask questions and share their thoughts on the city's budget plans. The levy may change as a result of this meeting, future referendums, legal judgments, natural disasters, or special assessments.

A jurisdiction's final levy must be certified at the end of December.

Your LMC Resource

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