

PART VI
FINANCE, BUDGETING, AND DEBT

CHAPTER 22: PROPERTY TAX LEVY

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Chapter 22: Property tax levy

Cities in Minnesota generally have only one source for tax revenue--the property tax. Therefore, money not available from other revenue sources will need to be raised through the property tax. After listing all the anticipated non-property tax revenues, including the various state aids, the city subtracts the total from the anticipated expenditures. In most cities, this leaves a substantial amount of money the city will need to raise through a property tax levy.

I. Tax levy basics

See [Property Taxation 101](#).

Tax capacity is the valuation of property based on market value and statutory class rates. For example, a \$75,000 home which is classified as a residential homestead has a class rate of 1.0 percent and therefore has a tax capacity of $\$75,000 \times .01$ or \$750. The property tax for each parcel is based on its tax capacity.

See the [LMC Property Tax Calculator](#).

The LMC Property Tax Calculator is available to assist cities in determining their levy. The calculator shows each city's market values and tax capacities and calculates the tax burden on a home or business. It also shows major city revenue sources. The calculator permits the user to compare the distribution of taxes among cities, counties and schools and compare one city with another. The LMC web site also includes other resources on the property tax system and fiscal disparities programs, as well as the property tax table and report.

A. Authority to tax

[Minn. Const. art. X, § 1](#).

The essential features of Minnesota's tax system are contained in the state constitution, which vests all taxing authority in the Minnesota Legislature. Without legislative authorization, cities may not levy any taxes under their own authority.

Within this constitutional structure, the Legislature alone has the authority to establish a state and local tax system. All city taxing authority is subject to legislative change or revision.

See [Handbook, Chapter 20](#).

Property tax provides the greatest percentage of city tax revenue. The Legislature has authorized Minnesota cities to levy and collect taxes on real property, some utilities, gambling, and lodging. This local property tax authority has its limits and is always within the framework of the entire state-local fiscal relationship. Annual legislative action frequently results in substantial changes to the tax system.

B. Role of the property tax

There are essentially only three kinds of taxes: government levies against what a person earns, owns, or spends. The income tax is an example of the first, while the sales tax represents the last. The property tax, levied against real or personal property, is a tax against the wealth a person owns.

Because most property is relatively fixed in location and because the U.S. Constitution makes its use impractical on the national level, the property tax has been primarily a tool for local governments. Consequently, it has become the backbone of local revenue systems.

State law has restricted city governments to levying taxes against real property. Real property is basically the land and its improvements, if any, in contrast to personal property such as cars, jewelry, and other easily movable items of value.

Most cities depend on the property tax for much of their operating revenues. Many considerations of equity are involved in the property tax concept and process. For these reasons, local officials should be familiar with the tax itself; with their city's charter tax levy limits and authorizations, if applicable; with the details of its execution; and with the maintenance and improvement of the tax base.

C. Intergovernmental problems with property taxes

The property tax supports many governmental jurisdictions. Through the property tax, the average property owner pays for the support of the city, school district, county, and any special districts—such as sanitary districts, housing and redevelopment authorities, hospital districts, watershed districts, soil and water conservation districts, and park districts.

This multiplicity of taxing jurisdictions creates problems, including the taxpayers' confusion regarding who is using their money. For example, people often criticize city governments for tax increases when, in fact, the city decreased its tax rate while other taxing jurisdictions increased their tax rate.

D. Real and personal property taxes

[Minn. Stat. § 272.03, subd. 1.](#)
[Minn. Stat. § 272.04.](#)

Minnesota law defines the term “real property” as the land itself plus all buildings, improvements, and other fixtures on the land; all rights and privileges pertaining to it; and all mines, mineral quarries, fossils, and trees on or under the land. The statutes state that wealth connected with the land, such as minerals, may be separately owned and taxed as real estate.

Minn. Stat. § 272.03.
Minn. Stat. § 272.02.

The term “personal property” refers to all detached or detachable, moveable property, including furniture and other personal belongings, as well as commercial inventories and equipment a business uses to produce income. (In addition, the Legislature specifically exempts certain innovative energy facilities, such as biomass electric generation.) Virtually all personal property is exempt from taxation.

Minn. Stat. § 272.02, subd. 1.

All real property in the state is taxable as property under the laws of Minnesota, with certain exceptions. The city has no authority to determine what property is taxable, nor in what proportions or amounts. The Legislature alone prescribes the procedures to follow, and sets all rates and exemptions. The assessor and the local board of review only have authority to determine valuations in accordance with the procedures the Legislature has prescribed.

Minn. Stat. § 273.01.

Assessors must list all real property that is subject to taxation. The county or city assessor must assess at least one-fifth of the listed parcels each year, providing reappraisal of each parcel at maximum intervals of five years. The assessor’s list must include all real property becoming taxable in any year with reference to its value on Jan. 2 of that year.

II. Property tax process

The steps in levying property taxes begin with instructions to local assessors, and end with the tax settlements made by the county auditor.

Minn. Stat. § 274.01.
See discussion of city boards of review below.

Between April 1 and May 31, or later if the commissioner of Revenue gives an extension, the local board of review must hold a meeting. The governing body may be the board of review or it may delegate its authority to a special board of review or the county. In cities with charters that provide for a board of equalization, that board performs the functions of the local board of review. The board examines the assessor’s list to determine if it accurately lists all taxable property.

Minn. Stat. § 274.14.
Minn. Stat. § 270.12.

State statutes specify when county boards of equalization must meet to examine and compare the assessment of property within the county, and equalize them so that each tract or lot is assessed at its market value. Action a board takes after adjournment is not valid unless the commissioner of Revenue approves a longer session. The law also specifies when the state board of equalization meets.

Minn. Stat. § 275.07, subd. 1.

On or before five working days after Dec. 20 each year, the city council must set the tax levy for the next year and send a certified copy to the county auditor. If a city fails to do this, the county auditor will levy the amount the city levied in the previous year.

Minn. Stat. § 275.07, subd. 6.

If additional cuts are made to December 2009 LGA payments (or any other year, going forward) a city may recertify its levy by Jan. 15 of the year in which the levy will be paid. The city must report the recertified amount to the county auditor within two business days of Jan. 15 or the levy will remain at the previously certified amount. In 2010, Jan.15 is a Friday, and Monday, Jan. 18 is Martin Luther King Day, so this means the recertification must be reported to the county auditor by Wednesday, Jan. 20.

[Minn. Stat. § 276.01.](#)

The county auditor spreads the city's tax levy on all taxable property in the city. On or before the first business day in March, the county auditor delivers the tax records to the county treasurer, who then collects the tax.

[Minn. Stat. § 276.09.](#)

On or sometime shortly after May 20 of each year, the county treasurer pays the city its portion of all monies the county received from the levy and collection of taxes.

[Minn. Stat. § 276.11.](#)

Property tax distributions—the estimated collections the county treasurer makes to local jurisdictions—must include taxes, special assessments, and any penalties and interest due to the taxing jurisdiction. The treasurer or fiscal officer of any taxing district may appeal the county treasurer's estimated collection to the county board, if the local official believes the amount is incorrect.

III. Assessment of property

There are four steps in the assessment of property: appraising property to determine its full and true value; classifying property to establish its tax capacity category; equalizing valuations to reduce inequities; and reassessing property.

A. Assessment officials

In addition to members of boards of review or equalization, the state, each county, and some cities have an official responsibility for property assessment. Any county may require the county assessor to assess all property, except for property in cities over 30,000 in population.

1. State and county officials

[Minn. Stat. § 270C.03.](#)

[Minn. Stat. § 270C.94.](#)

[Minn. Stat. § 270C.928.](#)

[Minn. Stat. § 270C.92.](#)

The commissioner of Revenue administers assessment laws, striving for a fair and equal assessment of all property in the state. The commissioner's duties include instructing assessors, satisfying grievances, and refunding taxes if the county board and the county auditor recommend such action; ordering the reassessment of any real or personal property; and requiring cities to supply information relating to property assessment and tax collection. The city, or any person directly interested in the order, may appeal an order to a special board of tax appeals.

[Minn. Stat. § 273.061.](#)

[Minn. Stat. § 273.08.](#)

The assessment official at the county level is the county assessor, who makes the final determination of the value of all property subject to assessment and taxation. If the city has its own assessor, that person views and appraises the property. However, the county assessor assigns all bookwork and final evaluations. The county assessor must determine the assessed value of all property in the county, and prepare all necessary assessment books and records.

- [Minn. Stat. § 273.064.](#) The county assessor must examine the assessment appraisal records of each local assessor any time after Dec. 1 of each year and must notify the local governing body of any deficiencies. If the local assessor does not correct the deficiencies within 30 days, the county assessor, with the approval of the commissioner of Revenue, may do so. The auditor may charge the local unit for the work. If the local unit doesn't pay by Sept. 1, the county auditor may levy a tax against property in the local unit.
- [Minn. Stat. § 273.0645.](#) The Minnesota Department of Revenue must review the assessment practices of a given taxing jurisdiction if properly petitioned by a qualifying number of property owners. The requirements of the petition are set out in statute.
- [Minn. Stat. § 275.065, subd. 1a.](#) If city boundaries overlap into two or more counties, the home county auditor may delay certification of the city's proposed property tax levy, and local tax rate, to the other county auditor until Oct. 10; the typical deadline for certification is Oct. 5. If districts do not complete their assessments by Feb. 1, the county assessor will do the work and charge accordingly. (These provisions do not apply in cities over 30,000 in population.)
- [Minn. Stat. § 273.065.](#)
- [Minn. Stat. § 273.063.](#)

2. City assessor

- [Minn. Stat. § 273.08.](#) If a city has a local assessor, that person must place valuations on all taxable real property in the city. To do this, the assessor receives the necessary assessment books and blanks annually from the county auditor, on or before the first Monday in December of each year.
- [Minn. Stat. § 273.03.](#)

See Minnesota Dept. of Revenue's *Property Tax Administrators' Manual*.

Instructions for these duties are available from several sources, including an annual meeting with a representative from the Minnesota Department of Revenue. Assessors may obtain valuable assistance from the *Property Tax Administrators' Manual*, a book available from the department. The Minnesota Board of Assessment establishes courses and approves classes offered by schools, colleges, and universities. When in doubt about the valuation of a parcel of property, a local assessor should seek aid from the county assessor. The local assessor should always be reasonably certain before placing valuations on property, and should not hesitate to seek whatever aid is necessary.

3. Joint assessment under contract

- [Minn. Stat. § 273.072.](#) Any city that is completely within a county and separate from a township may enter into either of two kinds of agreements that allow someone other than a local assessor to assess the property.

The city may contract with the county to have the county assessor assess property, or the city may participate in an agreement with another city or town. Under such an agreement, either governmental unit could employ an assessor, or they could jointly employ an assessor to assess property in both jurisdictions.

Minn. Stat. § 471.59.
See Handbook, Chapter 17.

Cities must make these contracts or agreements under the terms of the Joint Powers Act. The term “governmental unit” as used for purpose of joint powers agreements includes but is not limited to every city, county, town, school district, independent nonprofit firefighting corporation, or other political subdivision of this or another state.

IV. Valuation of property

Minn. Stat. § 273.11, subd. 1.
Minn. Stat. § 273.11, subd. 23.
Minn. Stat. § 273.03, subd. 8.

Assessors must value all property in a city at its market value. Market value (a complex definition in statute) is basically a trained assessor’s estimate of what property would be worth on the open market if sold. The market value is set on January 2 of the year before taxes are payable.

A. Property tax classifications

Minn. Stat. § 273.13.
Class Rate Percentages of Real and Personal Property by Property Type Taxes Payable 2009 and 2010.

Property tax classifications are set by state statute and are amended regularly by the Legislature.

B. Equalization procedures

Once the assessors have completed their work, the city, county, and state levels of government review and modify the assessments with limitations. During this review, two kinds of corrections are possible: the governing body may check the assessor’s lists for accuracy, hear individual complaints and make any necessary adjustments; and, the governing body may equalize the ratio of market to assessed market values. The first function is the sole concern of the city board of review, while the county and state boards devote more time to the latter task.

When the entire procedure is complete, the county auditor puts the valuations in the records to use when making up the tax rate figures. Only when all three levels of government have reviewed and equalized the assessments do they become the official assessed values.

1. City board of review

Minn. Stat. § 274.01, subd. 1(a).

The city council serves as the board of review in cities unless the power is delegated to a special board of review or to the county, as described below.

Minn. Stat. § 274.01, subd. 2.

The city council may appoint a special board of review. It may delegate to the board all of the powers and duties the council would have if it acted as the board of review. The members of the special board of review serve at the direction and discretion of the council. The council determines the number of members, the compensation and expense payments, and the term of office. At least one member of the board must be an appraiser, realtor, or familiar with property valuations in the assessment district.

- [Minn. Stat. § 274.01, subd. 3.](#) Instead of performing the duties of a board of review itself or delegating it to a special board of review, any city council of a city for which the county does the assessing may transfer its local board of review or equalization power and duties to the county board.
- [Minn. Stat. § 274.01, subd. 1\(a\), \(e\)](#) The board of review meets in the city clerk’s office. The city assessor and the county assessor must attend this meeting with their assessment books and papers. These officials may take part in the proceedings, but may not vote.
- [Minn. Stat. § 274.01, subd. 1\(a\)](#) The meeting date of the board of review must be between April 1 and May 31, and is fixed by the county assessor on or before Feb. 15 of each year by giving written notice to the city clerk. After receiving the notice, the clerk must give published and posted notice of the meeting at least 10 days before the date of the meeting.
- [Minn. Stat. § 274.01, subd. 1\(g\).](#) A majority of the members may take action at the board of review meeting, and may adjourn the meeting from day to day for a period of 20 days until they complete their work. After 20 days, the board has no authority and any action it takes is invalid unless the commissioner of revenue has granted an extension.
- [Minn. Stat. § 274.01, subd. 1\(b\).](#) In fulfilling its role, the board of review has three main functions:
- It must review the assessor’s list, making sure all taxable property in the city has been properly placed on the list.
 - It must review the assessor’s valuations, striving to standardize the ratio between market value and adjusted market value for each individual piece of property. To accomplish this, the board may raise or lower valuations on individual properties, but it cannot increase valuations without notifying the property owner and giving that person an opportunity to be heard.
 - The board must hear and settle the complaints of individual property owners regarding the valuations on their property.
- [Minn. Stat. § 274.01, subd. 1\(d\).](#) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.
- [Minn. Stat. § 274.01, subd. 1\(a\).](#) Conflict of interest is addressed in the authorizing statute. A board member cannot participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of the board member, or property in which the board member has a financial interest. The relationship may be by blood or marriage.

- [Minn. Stat. § 274.01, subd. 1\(f\).](#) If a person fails to appear in person or through counsel or written communication before the board of review after receiving notice of intent to raise the assessment, or if a person fails to apply for a review of the assessment, that person may not appear before the county board of equalization for a review of the assessment. An exception is when the assessment takes place after the meeting of the board of review, or when aggrieved individuals can establish that they did not receive notice at least five days before the local board of review meeting.
- [Minn. Stat. § 274.01, subd. 1\(c\).](#) The local board of review may not reduce the total or aggregate amount of the county assessor's assessment by more than 1 percent. This means the board must often compensate for reductions in assessed values by making comparable increases in assessments against other parcels of property.
- [Minn. Stat. § 274.01, subd. 1\(g\).](#) All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization.

2. County board of equalization

- [Minn. Stat. § 274.13.](#) The county board of equalization consists of either the county auditor and the county commissioners, or a special board of equalization appointed by the auditor and the board of county commissioners. This board is responsible for the equalization of the assessment of property of the county, including the property of all cities whose charters provide for a board of equalization. The statutes establish meeting dates.
- [Minn. Stat. § 274.13.](#) Although the county board of equalization may decrease and, after notice to the taxpayer, increase individual valuations, its primary task is to secure uniformity of assessed value from district to district, with only occasional attention to uniformity between taxpayers within any one district. The board may not reduce the aggregate valuations of either real or personal property in the county below the amounts the assessors have determined, but it may increase these amounts.
- [Minn. Stat. § 274.13, subd. 1.](#)
[Minn. Stat. § 274.13, subd. 1\(7\).](#) The county board is subject to the same conflict of interest rules as the city board. The county board does not have the authority to grant an exemption or to order the property removed from the tax rolls.
- [Minn. Stat. § 375.192.](#) Upon the property owner's application, the board may change a property's homestead classification or reduce its market value, reducing or refunding any taxes the property owner erroneously or unjustly paid.

3. State board of equalization

Minn. Stat. § 270.11, subd. 1.

Minn. Stat. § 270C.92, subd. 2.

Minn. Stat. § 274.13, subd. 1.

Minn. Stat. § 270.12.

The commissioner of Revenue acts as the state board of equalization. The commissioner's primary assessment task is to ensure uniformity of valuations between counties. The commissioner may adjust valuations between districts and between classes of property. The commissioner may raise or lower individual assessments, but may increase individual assessments only after the taxpayer has received notice and has had an opportunity to be heard. The commissioner may not reduce the aggregate value of all property in the state by more than 1 percent below the total the county boards of equalization have reported. The commissioner may order a reassessment of property in any district.

4. Appeals to tax court

Minn. Stat. § 271.01

The tax court is the final authority for the hearing and determination of all questions under the property tax laws of the state, except for an appeal to the Supreme Court. The tax court has no jurisdiction involving an order of the state board of equalization unless a taxpayer contests the valuation of the property.

Minn. Stat. § 271.04.

The tax court must hold hearings at any place in the state so taxpayers may appear before the court with as little inconvenience and expense to the taxpayer as possible.

Minn. Stat. § 271.21.

The small claims division of the tax court has jurisdiction in any case concerning the valuation, assessment, or taxation of certain homesteaded property and of non-homesteaded property if the estimated market value is less than \$300,000. The small claims division also hears cases concerning the tax laws in which the amount in controversy does not exceed \$5,000, including penalties and interest.

Minn. Stat. § 271.06.

The notice that goes to the taxpayer of the assessment, determination or order of the commissioner or the appropriate unit of government should include written notice that the taxpayer has the right to appeal to the tax court and, if applicable, to the small claims division.

V. Exempt property

Minn. Const. art. X, § 1.

Minn. Stat. § 272.02.

Several classes of property are exempt from property taxation, but not necessarily from special assessments. Some of these property classes include:

- Public burying grounds.
- Public schoolhouses.
- Public hospitals.
- Academies, colleges, universities, and seminaries of learning.
- Churches, church property, and houses of worship.

- Institutions of purely public charity.
- Public property, including all city-owned property, for exclusive public purpose use.
- Real and personal property for the abatement and control of air or water pollution.

There are a number of other specific types of properties listed as exempt from property taxes.

[A.G. Op. 474d \(Aug. 28, 1961\).](#)

[Minn. Stat. §§ 469.310 to 469.320.](#)

See [Minnesota Department of Employment and Economic Development](#) website for JOBz zones.

See League information memo [Budget Guide for Cities](#).

Local governments in Minnesota may not generally exempt any land from taxation for the purpose of attracting or keeping industry.

The commissioner of the Department of Employment and Economic Development (DEED) can designate up to 10 “Job Opportunity Business Zones” (JOBZ) in areas outside the seven-county metropolitan area that meet specified economically distressed criteria. These zones provide property tax breaks to businesses to encourage job growth and business investment. Contact DEED at (651) 297-1291 for information on Minnesota’s JOBZ program.

VI. Setting the property tax levy

The council should take the following four steps when setting the city tax levy:

Prepare the city budget. Before setting the actual levy, the council must estimate expected city expenditures during the next calendar year. This is done through the preparation of the city budget.

Check the legality of the proposed levy. Cities over 2,500 in population may be subject to state imposed levy limitations but only if the legislature imposes them in a particular year. (Levy limits are discussed below.) In addition, the truth-in-taxation requirements generally impose a limitation on the amount of the final levy certification. This limitation is also discussed below. In addition, some home rule charters may contain limitations on levies. The council should ask the clerk, administrator or manager and city attorney to decide whether the resulting levy is permissible under the truth in taxation law and is within the city’s tax authority under local charter.

[Minn. Stat. § 412.711.](#)

Approve the tax levy. The council, by resolution, must approve the city tax levy. Hearing and notification procedural requirements lengthen this step so it takes several months. The resolution should state the amount of money, in dollars and cents, needed from property taxes in the succeeding calendar year.

[Minn. Stat. § 275.07.](#)

Certify the levy to the county auditor. The clerk must certify a copy of the resolution and send it to the county auditor. If the clerk certifies a tax to the county auditor that exceeds legal limitations, the auditor will levy only the maximum tax the law allows. The county auditor, in turn, spreads the levy among the property owners in the city. If a taxing authority fails to certify its proposed levy by the due dates specified in law, the county auditor shall use the authority's previous year's final levy for purposes of determining its proposed property tax notices and public advertisements under this section.

[Minn. Stat. § 275.065, subd. 1d.](#)

[Minn. Stat. ch. 473F.](#)

[Minn. Stat. ch. 276A.](#)

[Walker v. Zuehlke, 642 N.W.2d 745 \(Minn. 2002\).](#)

Cities within the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington are generally affected by the metropolitan fiscal disparities program. Cities on the Iron Range are affected by the taconite tax area fiscal disparities program. (The taconite tax relief area fiscal disparities program has been upheld as constitutional.)

Under these programs, a portion of the certified levy for each local government unit is raised through an area-wide levy on commercial and industrial property. As a result, the levy used to compute the local tax rate is lower than the levy actually certified by the city to the county. The city will receive the total amount of its certified levy--partially through the fiscal disparities program and partially from local property taxpayers.

[Minn. Stat. § 275.075.](#)

If the county auditor, through error or inadvertence, does not spread the proper amount of taxes in the previous year, the city may correct the error by including in its levy for the following year all or part of the amount the auditor mistakenly omitted.

The council should set a tax levy high enough to provide money for the following purposes during the upcoming budget year:

- For payment of all estimated expenditures, including an allowance for an unappropriated reserve and the amount necessary to make all city contributions to the Public Employees' Retirement Association (PERA).
- For current expenditure liabilities the city cannot pay in the present year for lack of current funds or that the city will pay through short-term borrowing.
- For the repayment of all tax anticipation certificates the city issued during present and past years.
- For an amount in anticipation of the reduction or loss of state aids, federal revenues, or other undependable sources of revenue.

The city must levy for the payment of interest and repayment of principal on bond issues before the bonds are delivered and, because these are non-revocable levies, the city does not need to make them at the time of the annual tax levy in following years.

A. Levy limits

[Minn. Stat. §§ 275.70 to 275.74.](#)

Levy limits apply to cities with populations over 2,500 but only if the state legislature imposes them. (No levy limits were enacted in 2006 or 2007.)

See League information memo *Budget Guide for Cities* for more information on levy limits.

If limits are in place, the commissioner of revenue calculates the levy limit for each city and notifies cities of their levy limits by Aug. 1. Each session, the Legislature may modify the calculation of levy limits and determines what “special” levies are exempt from levy limits.

VII. Truth in taxation (TNT)

A. Background

See House Research Memo on *Truth in Taxation*.

[Minn. Stat. § 275.065.](#)

Prior to 1988, taxpayers were sent market value and property tax statements and were otherwise left out of a city’s property tax levy process. Today, truth in taxation (TNT) legislation requires more notices to the public, and possibly a public hearing before adopting a budget and certifying a levy. And while TNT was originally an effort to increase public accountability by including citizens in the process of taxation, the term “TNT” now typically refers to the entire end-of-year process—any notices and hearings that occur related to, and in addition to, certification of levy and adoption of the city’s budget. In recent years the TNT process has been scaled back. The following is the basic process as it stands today.

B. Process

[Minn. Stat. § 275.065, subs 1, 1d, 3, and 6.](#)

[Minn. Stat. § 275.07, subd. 1.](#)

All cities adopt and certify a proposed levy sometime on or before Sept. 15. If a city fails to certify a proposed levy, the county auditor must set a proposed levy equal to the city’s final levy the previous year. With few exceptions, the city’s final levy cannot be higher than this proposed levy.

If a city is over 500 in population, the city must announce the meeting or meetings at which the budget and levy will be discussed and the public will be allowed to comment. The public comment must be allowed at a meeting that is held after Nov. 24 and that must take place at or later than 6 p.m. The announcement of the meetings must be noted in the meeting minutes. The city must also notify the county auditor of the time and place of the meetings, provide a phone number taxpayers may use to contact for more information, and a mailing address at which the city can receive comments. At or following the public comment meeting, the city may then adopt a budget and certify the final levy, and must certify the final levy on or before five working days after Dec. 20.

If a city has a population of 500 or less, it must only certify its proposed and final levies. No other action is required prior to adoption of the city’s budget and certification of final levy due on or before five working days after Dec. 20.

This year, the timeline for TNT is as follows.

On or before Sept. 15:

- At one meeting, city council adopts the proposed property tax levy and, if over 500 in population, announces the time and place of a future city council meeting at which the budget and levy will be discussed and public input allowed, prior to final budget and levy determination. This public input meeting must occur after Nov. 24 and must start at or after 6 p.m. The time and place of the public input meeting must be included in the minutes, but newspaper publication of the minutes is not required.
- **All cities certify the proposed levy to the county auditor.**
- Cities over 500 in population must provide the county auditor
 - The time and place of the meeting at which the budget and levy will be discussed and public input allowed. (Again, meeting must occur after Nov. 24 and must not start before 6 p.m.)
 - A phone number that city taxpayers may call if they have questions related to the auditor's property tax notice; this does not require listing a private phone number.
 - An address where comments will be received by mail; this does not require listing a private address.

Nov. 11 to Nov. 23:

- County auditor prepares and sends parcel-specific notices.

Nov. 25 to Dec. 28:

- Cities over 500 in population hold meeting(s) to discuss the budget and property tax levy and, before a final determination, allow public input.

On or before Dec. 28:

- Following adoption of budget, all cities must certify final property tax levy to the county auditor.

VIII. Tax administration

The council's main responsibilities in property taxation are property assessments and tax levies. All further responsibilities, with the exception of tax settlements, are duties of the county.

A. Tax collection

[Minn. Stat. § 275.08.](#)

[Minn. Stat. § 275.28.](#)

The county auditor calculates the local tax rate from the levy amount certified by the city. The auditor then applies this rate to the taxable value of each parcel of property and determines the total tax liability of each taxpayer. The auditor's tax lists are delivered to the county treasurer who handles the billing and collection of all property taxes.

Minn. Stat. § 279.01.

All taxes, except for agricultural homesteads, become due and payable in the year after they are assessed. In Minnesota, taxes are due in two installments: half are due on or before May 15, and half are due on or before Oct. 15 each year. When property owners do not pay taxes on time, they are charged penalties and interest.

B. Tax settlements

Minn. Stat. §§ 276.09 to 276.111.

The county treasurer collects taxes and holds them until tax settlements are complete. Settlements include the proceeds from real and personal property taxes, special assessments, and all other classifications of money the county treasurer received for the city. The city treasurer must issue a receipt in triplicate for the funds and file a copy.

C. Sale of tax-forfeited lands

Minn. Stat. § 282.08.

The responsibility for handling and collecting tax delinquencies rests with county and state officials. When the state rents or sells tax-forfeited lands in tax forfeiture proceedings, the state divides the net proceeds according to law. The portion of the remainder required to pay for any special assessment chargeable against the parcel for drainage or other purpose whether due or deferred at the time of forfeiture, must be apportioned to the governmental subdivision entitled to it. Cities also have authority to reassess canceled special assessments when land returns to private ownership.

Minn. Stat. § 444.076.

See LMC information memo, *Special Assessment Guide*.

The city must use the proceeds of this remittance for the retirement of indebtedness existing at the time the city receives it. Any remaining money should go in the general fund.

IX. Tax differential treatment

A. Urban and rural service districts

Minn. Stat. § 272.67.

All cities (other than those in Hennepin and Ramsey counties) may divide their respective areas into urban service districts and rural service districts, which then constitute separate taxing districts for the purpose of city property taxes (except those the city levies for the payment of bonds and judgments and interest on them). Both types of service districts are created by ordinance.

The rural service district may include either platted or unplatted lands that, in the judgment of the governing body, are rural in character; not developed for commercial, industrial, or urban residential purposes and, therefore, do not benefit to the same degree as other lands from the city services financed by general taxation.

If the city includes platted lands in a rural district, it must transfer them to the urban district when it provides basic services such as water, sewer, or streets. The city must annually review the status of these lands and the appropriateness of the tax ratio. Rural service districts within a city do not need to be contiguous. Cities may designate lands outside its borders to become part of the rural service district upon annexation to the city. Urban service districts within cities include all lands not in the rural service district.

The ordinance that designates the districts must designate the approximate ratio of the level of city service to the rural land with the level of service to the urban land. The county auditor will use that ratio (presumably a percentage) in spreading city taxes (exclusive of those the city levies for the payment of bonds and judgments and interest on them). The county auditor then allocates these city taxes to the respective districts in amounts proportionate to the current benefit ratio between the full and true values of all taxable property within the districts.

The council may amend the ordinance designating the respective districts to change the benefit ratio at any time. It may remove land from the rural service district at any time. However, if any building is constructed or improvement is made to a parcel of property in the rural district or if such a parcel is platted, the board or officer approving the plat or building permit must report this fact to the council, which must then transfer the parcel from the rural district to the urban district.

B. Agricultural property tax differential

All county assessors must implement the agricultural property tax differential, commonly known as the “Green Acres” program. Under this program, state law entitles real estate to certain tax advantages if it is actively and exclusively devoted to agricultural use (or real estate consisting of ten acres or more or a nursery or greenhouse) and is either:

- The homestead, or thereafter becomes the homestead of a surviving spouse, child or sibling of the owner, or is real property that is farmed with the real estate containing the homestead property.
- Has belonged to the applicant, his or her spouse, parent or sibling, or any combination of them, for at least seven years prior to application for tax benefits.

To qualify as agricultural land, at least 33 1/3 percent of the total family income of the owner must come from agricultural use or total production income, including rental, must be \$300 plus \$10 per tillable acre.

The property owner makes application to the local assessor annually for the tax deferment. Once the owner makes proper application, the assessor must value the property with reference to its value for agricultural purposes and with reference to its value for non-agricultural purposes. If the land qualifies, it is taxed on its agricultural value, and all special assessments for local improvements are deferred. When the owner sells the land or it ceases to qualify, the difference in taxes for the last three years and all deferred special assessments are due. Councils should require the city assessor (or ask the county assessor) to bring applications for tax deferment to their attention immediately.

[Minn. Stat. § 273.13.](#)

Property classified as rural vacant land and property enrolled in the conservation reserve program (CRP), conservation reserve enhancement program (CREP), reinvest in Minnesota (RIM), and similar programs is not eligible to participate. The grandfathering terminates if the otherwise ineligible property is sold, transferred, or subdivided.

[Minn. Stat. § 273.112.](#)

A similar provision exists for privately-owned recreational open space (golf and skiing establishments) of five acres or more. However, there is no deferment of special assessments. When the owner sells the land or it ceases to qualify, the taxes for the last seven years are due.

C. Rural preserve lands

[Rural Preserve Fact Sheet](#)
Minnesota Department of
Revenue.

[Minn. Stat. § 273.114.](#)

Under a 2009 tax preference program, land classified as productive agricultural or rural vacant that was in Green Acres or that is part of an agricultural homestead is entitled to valuation and tax deferment under the Rural Preserve Program. Special assessments levied on rural preserve land after June 1, 2011, are deferred until the property no longer qualifies or is terminated from the program. The city must file a certificate with the county recorder, containing the legal description of the affected property and of the amount deferred. When the property no longer qualifies as rural preserve, all deferred special assessments, plus interest, must be due in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvements. If the bonds have matured, the full amount is due within 90 days.

D. Special service districts

For information on special service districts, see [Handbook, Chapter 25](#), and, LMC information memo, [Special Assessment Guide](#).

Cities may establish particular areas or districts within their community that will receive special improvements or services not available to the community as a whole, and pay for these special items through special service charges.

E. Differential taxation--orderly annexations and consolidations

For more information about annexation see [Handbook, Chapter 2](#).

[Minn. Stat. § 414.035](#).

[Minn. Stat. § 414.041, subd. 7](#).

By the terms of the orderly annexation laws, Municipal Boundary Adjustments must establish a differential tax rate with respect to areas brought into a city through the orderly annexation process. The tax rate in the annexed area increases in substantially equal proportions, over a period of not more than six years, to equal the tax rate in the annexing city. The appropriate period, if any, must be based on the time reasonably required to effectively provide full city services to the affected area. The appropriate period, if any, shall be based on the time reasonably required to effectively provide full property-tax-supported municipal services to the annexed area and the differential tax provision may be included in an orderly annexation agreement. Municipal Boundary Adjustments also has discretion to establish a tax rate differential in consolidations of cities for up to five years.

[Minn. Stat. § 414.036](#).

Cities also must reimburse townships for annexing taxable property within two to eight years of the annexation. In addition, cities must reimburse the township for all special assessments assigned by the township to the annexed property, and any portion of debt incurred by the town prior to the annexation.

X. How this chapter applies to home rule charter cities

Some city charters contain limitations or standards on how the council should develop the budget and the amount of levies.