

## Why Do Property Taxes Change From Year to Year?

There are many variables that contribute to what a properties ultimate tax will be. The following is taken from a brochure put together by the Association of Minnesota Counties, Minnesota School Boards Association, and the League of Minnesota Cities. I have added a few comments under some of the items.

### FOURTEEN REASONS WHY PROPERTY TAXES VARY FROM YEAR TO YEAR

#### 1. THE MARKET VALUE OF A PROPERTY MAY CHANGE

- Each parcel of property is assessed at least once every five years and a sales ratio study is done to determine if the property is assessed similarly to like properties. If not, the Commissioner of Revenue may issue an 'order' that would affect the taxable value of a parcel.
- Additions and improvements made to a property generally increased its market value.  
*"Increases in value do not generate more tax dollars for the local governments. The local governments will only collect what they levy. The changes in market value will cause a shift in the share of the tax burden. This also applies to reason #2. Also, a change in market value does not necessarily mean that the taxes will increase or decrease proportionally or at all because of the many other factors that are outlined below."*

#### 2. THE MARKET VALUE OF OTHER PROPERTIES 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.  
*"Construction of new homes and businesses is "new value" that is added to the tax base and is "new tax capacity" versus increases in value of existing properties that increase tax capacity. The new homes and businesses are new properties to share the tax burden. Growth of new homes and businesses help reduce the property tax burden of existing properties or may allow local governments to levy more without increasing the tax burden of existing properties."*

#### 3. THE STATE GENERAL PROPERTY TAX MAY CHANGE.

- The state legislature directly applies a State General Property Tax to commercial/industrial and seasonal recreational property classes.

#### 4. THE CITY BUDGET AND LEVY MAY CHANGE.

- Each year, cities review the needs and wants of their citizens and how to meet those needs and wants. This is called 'discretionary spending' in the city budget. Also included in the budget is non-discretionary spending which is required by state and federal mandates and court decisions and orders.

#### 5. THE TOWNSHIP BUDGET AND LEVY MAY CHANGE.

- Each March, townships set the levy and budget for the next year.

#### 6. THE COUNTY BUDGET AND LEVY MAY CHANGE.

- Each year, counties review the needs and wants of their citizens and how to meet those discretionary needs and wants. In addition, 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 sixty to eighty-five percent of the county expenditures are used to deliver mandated services.

#### 7. THE SCHOOL DISTRICT'S BUDGET AND LEVY MAY CHANGE.

- The legislature determines basic funding levels for K-12 education and mandates services that schools must perform. On average, approximately seventy percent of school costs are paid by the state.
- Local school districts set levies for purposes including safe school and community education, etc.

#### 8. A SPECIAL DISTRICT 'S BUDGET AND LEVY MAY CHANGE.

- Special districts such as the Metropolitan Council, hospital districts, watershed districts, drainage districts, etc. set levies to balance their budgets.

#### 9. SPECIAL ASSESSMENTS MAY BE ADDED TO YOUR PROPERTY TAX BILL.

- Water lines, curb and gutter, and street improvements that directly benefit your property may be funded, in whole or in part, through a special assessment that is added to your tax bill.

10. 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 the market value or the tax capacity of a property depending on process and type of referendum levy.

*"Growth of new homes or businesses will help reduce the burden of the referendum to existing properties over the term of the referendum."*

11. FEDERAL AND STATE MANDATES MAY HAVE CHANGED.

- Both the state and federal governments require local governments to provide certain services and follow certain rules. These mandates often require an increase in the cost and level of service delivery.

12. AID AND REVENUE FROM THE STATE AND FEDERAL GOVERNMENTS MAY HAVE CHANGED.

- Each year the state legislature reviews and adjusts the level of funding for a variety of aids provided to local governments including Local Government Aid and County Program Aid. The formulas for how aid is determined and distributed among local governments may have changed.
- While direct aid and revenue from the federal government to local governments has declined greatly in recent years, federal revenue continues to be a key portion of the local government revenue stream and that revenue stream may have changed.

13. THE STATE LEGISLATURE MAY HAVE CHANGED THE PORTION OF THE TAX BASE PAID BY DIFFERENT TYPES OF PROPERTIES.

- A change in class rates will require a change in the tax rate to raise the same amount of money.

14. OTHER STATE LAW CHANGES MAY ADJUST THE TAX BASE.

- Fiscal disparities, personal property taxes on utility properties, limited market value, and tax increment financing are examples of laws that affect property taxes.