



Issue Brief



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Minnesota Property Tax Effective Rates, Payable 2010

State and local government in Minnesota imposed some \$7.72 billion in real property taxes in 2010, with the lion's share of the revenues devoted to funding local units of government.

- Effective tax rates (taxes as a share of market value) rose between payable 2009 and payable 2010 for all types of property. Statewide effective property tax rates also rose from payable 2007 to 2008 and again between payable 2008 and 2009, meaning that for three years in a row property tax burdens have risen faster than market values. This is the first three-year increase in effective tax rates since the early 1990s.
- The statewide effective tax rate on all property tax for payable 2010 was 1.27%; the statewide rate on residential homesteads was 1.10%; and the statewide rate on commercial-industrial property was 2.95%.
- Effective tax rates for payable 2010 are significantly lower than the rates seen during the early to mid 1990s, when overall effective tax rates were the highest during the period studied in the Issue Brief.
- Effective tax rates vary considerably from county to county. Overall rates ranged from a low of 0.40% in Murray County to a high of 1.68% in Hennepin County. Homestead rates ranged from a low of 0.29% in Cook County to a high of 1.61% in Red Lake County. Commercial-industrial rates were lowest in Cass County (1.25%) and highest in Pennington County (4.13%).
- Commercial-industrial, railroad, and utility properties provide a substantial subsidy to "preferred" types of property; especially farmland and cabins. For example, while commercial-industrial property comprises 13.66% of the market value in the state, it is liable for 31.86% of all property taxes – paying 2.33 times more in tax than its value. On the other hand, farmland comprises 15.49% of the market value in the state but is liable for 7.10% of all property taxes – paying 0.46 times in tax compared to its market value.
- MTA's "Accountability Index" for residential homestead property at the local level (disregarding the statewide property tax) is 0.96, the highest ever calculated; showing that residential homestead property's market value share is nearly the same as its share of net property taxes (before any relief provided by the income-sensitive property tax refund program). Homestead property comprised 51.94% of market value statewide in 2010 and accounted for 45.26% of net property taxes.

Minnesota Property Tax Effective Rates, Payable 2010

Introduction

This Issue Brief presents effective tax rates – defined as property taxes as a share of market value- for selected property classes. We present county-specific data for taxes payable in 2010 and statewide data for taxes payable 1979 through payable 2010. The Issue Brief provides information and perspective on three issues:

- Property taxes as a share of total property value for selected property classes in all Minnesota counties and statewide
- Trend information on the growth of property taxes relative to the growth in property values
- The degree to which various property classes either subsidize others or are themselves subsidized

This Issue Brief does not provide information on:

- Change in total property tax levies over time. This information is available from the Minnesota Department of Revenue at:

http://taxes.state.mn.us/property_tax_administrators/pages/general_reports_data_content_property_tax_statistics.aspx

- The ability of property owners to pay property taxes (i.e. comparing tax burdens to incomes). For perspective on residential taxpayers' ability to pay their property taxes, readers are encourage to review the Minnesota Department of Revenue's *Residential Homestead Property Tax Burden Report* at:

http://taxes.state.mn.us/property_tax_administrators/pages/other_supporting_content_vos_reports_main.aspx

Pay 2010 and Prior Years, Statewide Results

Table 1 on the following page provides effective property tax rates (ETR) for selected classes of property on a statewide basis for taxes payable in 2010 and prior years. These rates include all state and local property taxes. ETRs for all properties increased for 2010 – meaning that for three years in a row property tax burdens have risen faster than market values, the first three-year rise in effective property tax rates since the early 1990s. The statewide ETR for all property was 1.27% for payable 2010, a 6.2% increase over the rate of 1.19% for payable 2009. When looking at local property taxes only (i.e. excluding the statewide tax on business property), the statewide ETR rose 6.4%, from 1.08% for payable 2009 to 1.15% in payable 2010. Stagnant or declining real estate markets could extend this trend out over the next few years.

As Table 1 indicates, effective tax rates for payable 2010 are significantly lower than the rates seen during the early to mid 1990s, when overall effective tax rates were at their highest. Effective tax rates for payable 2010 generally half or less of the rates seen in the early 1990s, indicating that market value has grown significantly faster than the total property tax burden during that time. The exception to this is residential homesteads, where the decline in the effective tax rate is less steep. Much of this is attributable to the property tax reforms enacted in 2001 which compressed class rates; thereby shifting some property tax burden from business properties to residential properties. Even with this burden shifting, effective tax rates for residential homesteads are still down over 25% from their 1996 peak.

Minnesota Property Tax Effective Rates, Payable 2010

**Table 1: Property Taxes as a Percent of Indicated Market Value
(no state levy in parentheses), Payable 1979-2010**

<u>Payable Year</u>	<u>Farms</u>	<u>Residential Homestead</u>	<u>Residential Non-hmstd.</u>	<u>Apartments (4+ units)</u>	<u>Cabins</u>	<u>Commercial/Industrial</u>	<u>All Property</u>
1979	0.69	1.45	3.28	3.22	1.36	3.33	1.58
1980	0.64	1.01	2.56	2.84	1.21	3.18	1.34
1981	0.42	0.74	2.16	2.37	0.90	2.62	1.01
1982	0.52	0.88	2.37	2.45	1.02	2.76	1.17
1983	0.53	0.98	2.49	2.45	1.09	2.89	1.25
1984	0.74	1.09	2.72	2.71	1.27	3.31	1.50
1985	0.79	1.13	2.82	2.67	1.32	3.41	1.57
1986	0.77	1.12	2.83	3.02	1.45	3.57	1.68
1987	1.09	1.15	2.90	3.22	1.65	4.13	1.94
1988	1.13	1.19	3.12	3.46	1.73	4.15	2.03
1989	1.01	1.24	3.18	3.60	1.95	4.48	2.09
1990	1.04	1.17	2.74	3.27	2.05	4.32	2.02
1991	1.01	1.29	3.00	3.50	2.06	4.77	2.17
1992	1.02	1.34	3.03	3.92	2.03	5.21	2.19
1993	1.11	1.38	2.85	4.09	2.01	5.91	2.26
1994	1.03	1.42	2.68	4.03	2.07	5.95	2.22
1995	1.03	1.47	2.68	3.86	1.97	5.23	2.17
1996	1.04	1.50	2.67	3.85	1.91	5.34	2.17
1997	1.00	1.48	2.61	3.69	1.63	5.08	2.10
1998	0.92	1.38	2.35	3.20	1.39	4.50	1.91
1999	0.86	1.31	1.80	2.73	1.29	4.09	1.77
2000	0.71	1.23	1.69	2.50	1.25	3.78	1.65
2001	0.70	1.17	1.58	2.30	1.02	3.65	1.57
2002	0.62	1.04	1.20	1.70	0.85 (0.64)	3.25 (2.28)	1.34 (1.18)
2003	0.52	0.90	1.11	1.51	0.79 (0.61)	3.09 (2.20)	1.19 (1.05)
2004	0.49	0.88	1.07	1.36	0.75 (0.59)	3.07 (2.21)	1.15 (1.02)
2005	0.45	0.87	1.04	1.30	0.72 (0.49)	2.90 (2.07)	1.09 (0.96)
2007*	0.42	0.91	1.06	1.29	0.60 (0.49)	2.68 (1.89)	1.07 (0.96)
2008	0.46	0.96	1.11	1.29	0.62 (0.50)	2.70 (1.93)	1.12 (1.02)
2009	0.46	1.02	1.18	1.40	0.67 (0.55)	2.82 (2.05)	1.19 (1.08)
2010	0.49	1.10	1.27	1.45	0.76 (0.63)	2.95 (2.17)	1.27 (1.15)

* MTA did not calculate effective tax rates for payable 2006.

What is "Indicated Market Value" (IMV)?

In order to compare effective tax rates between different counties, it is important to adjust for differences in assessment practices. This is normally done using a measure called the "sales ratio". Every year the Department of Revenue collects information on every parcel sold in Minnesota. The sales ratio is calculated by comparing the actual selling price of the parcel and the value shown on the tax statement.

We use the median sales ratios for each county by property type to adjust the assessor's estimated *taxable* market value. The result is "indicated market value". Once the indicated market value is calculated (by dividing the market value by the median sales ratio), we divide property taxes by the IMV. This gives us the effective tax rate.

Minnesota Property Tax Effective Rates, Payable 2010

Pay 2010 Results by County

Table 2 below shows ETRs for the same classes of property, but on a county-specific basis. ETRs vary considerably amongst counties. A number of factors drive these differences, including differences in the distribution of property types (for instance, counties with a higher proportion of commercial-industrial property will tend to have higher overall ETRs since more C-I value is subject to the property tax relative to other property types), and differences in total levies relative to property value. The overall ETR was highest in Hennepin County (1.68%) and lowest in Murray County (0.40%). Homestead ETRs were highest in Red Lake County (1.61%) and lowest in Cook County (0.29%); effective tax rates for commercial-industrial properties were highest in Pennington County (4.13%) and lowest in Cass County (1.25%).

<u>County</u>	<u>Residential</u>								<u>Total</u>
	<u>Hmstd.</u>	<u>Non-hmstd.</u>	<u>Farm</u>	<u>C&I</u>	<u>Apart-ment</u>	<u>Recre-ational</u>	<u>Utility</u>	<u>Rail-road</u>	
Aitkin	0.44	0.70	0.39	1.39	1.12	0.62	2.17	2.33	0.56
Anoka	1.16	1.30	0.69	3.05	1.33	1.00	3.26	3.18	1.48
Becker	0.71	0.88	0.49	2.14	1.02	0.76	2.32	2.46	0.78
Beltrami	0.93	1.19	0.56	2.71	1.39	0.98	2.96	2.95	1.09
Benton	1.24	1.48	0.69	3.20	1.57	1.27	3.33	3.59	1.38
Big Stone	1.14	1.39	0.44	2.45	1.72	0.95	3.00	3.09	0.61
Blue Earth	0.95	1.10	0.51	2.79	1.33	0.79	2.56	2.71	1.13
Brown	1.11	1.36	0.37	3.10	1.53	0.79	2.34	2.96	0.84
Carlton	1.17	1.39	0.81	2.81	1.67	1.16	3.16	3.49	1.32
Carver	1.14	1.28	0.67	2.91	1.34	1.10	2.66	3.13	1.32
Cass	0.49	0.65	0.37	1.25	1.05	0.60	2.59	2.56	0.58
Chippewa	1.18	1.45	0.47	3.14	1.69	0.91	3.60	2.95	0.77
Chisago	1.18	1.32	0.96	2.93	1.51	1.20	3.43	3.28	1.34
Clay	1.02	1.25	0.60	1.68	1.33	0.99	2.80	2.59	1.01
Clearwater	0.87	1.24	0.54	2.39	1.74	0.80	2.69	3.16	1.01
Cook	0.29	0.57	0.28	1.26	0.63	0.48	2.17	N/A	0.44
Cottonwood	1.24	1.43	0.33	3.27	1.67	0.96	2.17	3.07	0.54
Crow Wing	0.63	0.87	0.38	2.14	1.20	0.69	2.27	2.77	0.81
Dakota	1.10	1.22	0.91	2.93	1.27	0.93	2.96	3.20	1.43
Dodge	1.14	1.36	0.52	3.35	1.60	N/A	3.51	3.15	0.88
Douglas	0.78	0.97	0.46	2.40	1.16	0.88	2.70	2.74	0.93
Faribault	1.01	1.22	0.37	2.34	1.54	0.72	2.62	2.93	0.55
Fillmore	1.01	1.19	0.46	2.64	1.57	0.84	2.59	N/A	0.72
Freeborn	1.16	1.41	0.51	2.71	1.60	0.91	3.10	3.05	0.93
Goodhue	1.10	1.29	0.53	3.00	1.47	1.04	2.78	3.13	1.18
Grant	1.31	1.61	0.39	2.87	2.51	0.92	2.67	2.95	0.59
Hennepin	1.24	1.37	1.25	3.11	1.53	1.13	3.24	2.88	1.68
Houston	1.15	1.39	0.62	2.85	1.54	1.20	3.24	3.22	1.02
Hubbard	0.61	0.84	0.51	1.74	1.03	0.72	2.07	2.46	0.73
Isanti	1.01	1.28	0.70	3.27	1.67	0.83	2.82	3.21	1.12
Itasca	0.66	1.08	0.58	2.52	1.30	0.91	2.10	3.04	0.91
Jackson	1.13	1.29	0.38	3.42	1.75	0.81	2.64	3.00	0.53
Kanabec	1.01	1.21	0.74	2.84	1.38	0.99	3.35	3.13	1.01
Kandiyohi	0.99	1.19	0.48	2.70	1.11	1.04	2.86	3.08	0.94
Kittson	1.18	1.35	0.44	2.37	1.68	0.69	2.50	2.80	0.71
Koochiching	0.59	0.85	0.55	2.99	1.13	0.67	2.98	2.43	0.80
Lac Qui Parle	1.06	1.19	0.35	3.32	1.88	0.67	3.30	2.62	0.47
Lake	0.55	0.80	0.66	2.15	1.14	0.86	3.05	2.65	0.81
Lake/Woods	1.02	1.31	0.73	1.38	1.23	1.06	3.15	3.42	1.04

Minnesota Property Tax Effective Rates, Payable 2010

Table 2: Net Property Tax as Percentage of Indicated Market Value, Taxes Payable in 2010									
<u>County</u>	<u>Residential</u>								<u>Total</u>
	<u>Hmstd.</u>	<u>Non-hmstd.</u>	<u>Farm</u>	<u>C&I</u>	<u>Apartment</u>	<u>Recreational</u>	<u>Utility</u>	<u>Railroad</u>	
Le Sueur	0.96	1.17	0.45	2.67	1.40	0.70	2.67	3.00	0.84
Lincoln	1.15	1.40	0.39	1.70	1.82	0.84	2.71	2.63	0.52
Lyon	1.09	1.30	0.40	3.04	1.51	0.74	2.39	3.09	0.89
McLeod	1.17	1.34	0.46	2.74	1.65	0.91	3.07	3.24	1.01
Mahnomen	1.21	1.49	0.69	2.92	1.48	1.35	3.59	3.45	0.92
Marshall	0.94	1.21	0.42	2.35	1.58	0.78	2.37	2.76	0.58
Martin	0.91	1.10	0.37	3.00	1.32	0.81	1.74	2.86	0.69
Meeker	1.00	1.20	0.49	2.98	1.56	1.02	2.77	2.94	0.86
Mille Lacs	1.05	1.28	0.81	2.54	1.56	1.16	3.10	N/A	1.15
Morrison	0.93	1.20	0.53	2.52	1.39	0.82	2.70	2.99	0.90
Mower	0.99	1.25	0.50	2.22	1.35	0.92	2.86	2.88	0.83
Murray	0.88	1.10	0.28	2.31	1.57	0.54	2.40	N/A	0.40
Nicollet	1.05	1.25	0.49	3.74	1.41	0.86	2.68	N/A	0.98
Nobles	1.13	1.33	0.41	3.13	1.44	1.05	2.76	2.85	0.72
Norman	1.17	1.36	0.37	2.67	1.83	0.89	2.37	2.72	0.49
Olmsted	1.11	1.27	0.68	3.00	1.43	1.00	3.07	3.25	1.41
Ottertail	0.68	0.93	0.44	2.13	1.18	0.65	2.43	2.57	0.71
Pennington	1.29	1.59	0.64	4.13	1.68	1.10	3.64	3.68	1.24
Pine	0.82	1.02	0.61	2.64	1.24	0.88	2.37	2.82	0.91
Pipestone	1.12	1.37	0.36	2.47	1.58	0.76	3.51	2.77	0.60
Polk	1.11	1.35	0.54	2.78	1.29	0.93	3.21	3.20	0.86
Pope	0.84	1.06	0.42	2.31	1.41	0.77	2.80	2.58	0.67
Ramsey	1.20	1.36	0.92	3.15	1.51	1.23	3.26	3.42	1.68
Red Lake	1.61	1.85	0.47	3.75	2.34	0.94	2.83	3.08	0.84
Redwood	1.20	1.41	0.38	3.40	1.80	0.75	2.79	2.57	0.58
Renville	1.11	1.26	0.39	3.25	1.95	0.75	2.42	3.05	0.59
Rice	0.96	1.07	0.53	2.66	1.30	0.52	2.47	2.86	1.07
Rock	0.79	0.97	0.31	2.14	1.20	N/A	2.03	2.24	0.44
Roseau	1.29	1.61	0.65	3.71	2.06	1.31	3.89	3.75	1.18
St. Louis	0.85	1.13	0.77	2.74	1.38	0.91	3.10	3.12	1.11
Scott	1.12	1.23	0.66	2.93	1.34	1.09	2.81	3.23	1.33
Sherburne	1.17	1.36	0.76	3.08	1.49	1.07	2.49	3.15	1.47
Sibley	1.18	1.38	0.49	2.82	1.63	0.92	2.86	N/A	0.72
Stearns	1.05	1.28	0.52	2.71	1.31	0.97	2.87	3.21	1.24
Steele	1.12	1.34	0.53	2.88	1.46	0.88	2.86	3.02	1.15
Stevens	1.21	1.41	0.49	3.20	1.67	0.88	3.00	3.22	0.77
Swift	0.93	1.17	0.42	3.10	1.40	0.71	2.39	2.71	0.71
Todd	1.04	1.29	0.61	2.84	1.57	1.04	2.50	3.04	0.91
Traverse	1.39	1.57	0.39	3.23	2.13	0.74	3.13	3.67	0.49
Wabasha	1.13	1.33	0.56	2.69	1.61	1.03	3.10	2.99	0.98
Wadena	1.12	1.37	0.66	2.49	1.69	1.16	2.94	3.43	1.04
Waseca	1.00	1.20	0.46	2.83	1.52	0.80	3.16	2.80	0.82
Washington	1.01	1.09	0.77	2.73	1.25	0.92	2.49	3.00	1.25
Watonwan	1.07	1.35	0.48	2.67	1.61	0.88	2.80	3.12	0.68
Wilkin	0.90	1.17	0.42	2.19	1.01	0.67	2.69	2.78	0.53
Winona	0.99	1.18	0.54	2.75	1.22	0.94	2.97	2.88	1.11
Wright	1.10	1.29	0.63	2.75	1.40	0.73	2.68	3.00	1.27
Yellow Medicine	1.17	1.35	0.45	2.90	1.73	0.84	2.88	2.95	0.60
Statewide	1.10	1.27	0.49	2.95	1.45	0.76	2.73	3.03	1.27

Source: Minnesota Department of Revenue, calculations by MTA.

Minnesota Property Tax Effective Rates, Payable 2010

Accountability Index

MTA uses this ETR data to develop an “Accountability Index” for different classes of property which measures the degree of subsidization in the Minnesota property tax. The Accountability Index measures subsidization by comparing each property class’ share of the total property tax burden to its share of the total tax base.

- **When the Accountability Index value for a class of property is less than one**, then its share of property taxes is less than its share of total taxable property, and the property class is being subsidized.
- **When the Accountability Index value for a class of property is greater than one**, then its share of property taxes is greater than its share of total taxable property, and the property class is providing a subsidy to other “preferred” classes of property.

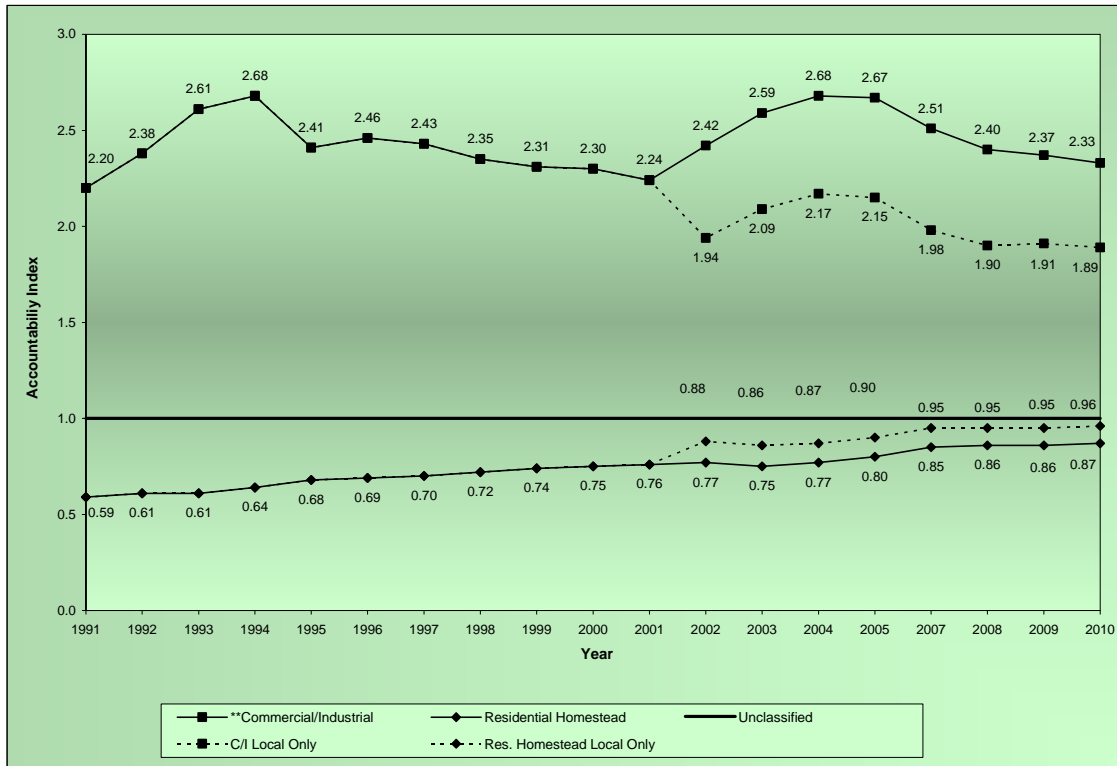
The premise of the Index is that all property classes should be at or near 1.00, so that owners who live and vote where their property is located (such as homeowners and farmers) pay an appropriate share of property taxes for the local government services provided.

Why does accountability (as defined here) matter? Whenever property tax prices for citizens are set at less than the true cost of providing local government services, some degree of fiscal illusion is created. This illusion, that the price of government services is equal to this lower cost, inevitably leads to greater demand for these services than if citizens felt their true costs. Encouraging greater price sensitivity to property tax increases remains the best approach to property tax restraint.

Figure 1 on the next page shows the change in the “Accountability Index” for the classes of commercial-industrial (C/I) and residential homestead property since payable 1991. The straight line on the figure shows the ratio of 1 that would typify a property tax system which taxes all property the same. For 2010, the Accountability Index for C/I property is 2.33 – meaning its share of the statewide property tax burden is 2.33 times greater than its share of market value statewide; while the Accountability Index for residential homesteads is 0.87.

Minnesota Property Tax Effective Rates, Payable 2010

Figure 1: Accountability Index, All Taxes and Local Taxes Only, C/I and Homestead Property, Payable 1991-2010



Note: Payable 2006 data not readily available.

Note: The “local only” numbers are added for 2002-2010 to reflect the changes of the 2001 reform and show that the reforms have resulted in more accountability at the local level.

While the Accountability Index has moved favorably over recent years, C/I property still provides a substantial subsidy to other “preferred” types of properties. While total C/I property comprises only 13.66% of all market value in the state, it pays 31.86% of all property taxes statewide – substantially more than its market share. Comparable numbers for residential homestead property show that such property comprises 51.94% of market value statewide in 2010, while accounting for only 45.26% of net property taxes. Table 3 on page 7 provides the data underlying the Accountability Index for payable 2003 through payable 2010. As Table 3 indicates, the Accountability Index declined from payable 2009 for the major classes of property (commercial-industrial, apartment, railroad, and utility) that subsidize property taxes for the favored classes of property (residential, cabin, and farm).

Minnesota Property Tax Effective Rates, Payable 2010

Table 3: Minnesota Accountability Index by Property Class, Payable 2003-2010**									
Payable Year		Hmstd.	Non- hmstd.	Rail- road	Farm	Cabin	C/I	Apartment	Utility
2003	% Net Tax Pd (Total)	44.94	3.45	0.36	5.78	2.53	35.03	5.68	2.05
	% Local Tax Paid	51.16	3.93	0.28	6.58	2.22	28.34	6.46	1.89
	% IMV Owned*	59.81	3.72	0.12	9.87	3.82	13.55	3.66	0.79
(Total)	Accountability Index	0.75	0.93	3.03	0.59	0.66	2.59	1.55	2.58
(Local)	Accountability Index	0.86	1.06	2.33	0.67	0.58	2.09	1.77	2.39
2004	% Net Tax Pd (Total)	46.27	4.03	0.34	5.69	2.62	33.76	5.23	1.87
	% Local Tax Paid	52.23	4.55	0.25	6.42	2.35	27.38	5.90	1.70
	% IMV Owned*	60.18	4.31	0.11	9.61	4.04	12.60	3.69	0.71
(Total)	Accountability Index	0.77	0.94	3.07	0.59	0.65	2.68	1.42	2.62
(Local)	Accountability Index	0.87	1.06	2.32	0.67	0.58	2.17	1.60	2.39
2005	% Net Tax Pd (Total)	47.84	4.69	0.30	5.74	2.84	31.62	5.09	1.70
	% Local Tax Paid	53.94	5.29	0.24	6.47	2.18	25.51	5.74	1.31
	% IMV Owned*	59.67	4.88	0.10	9.51	4.29	11.84	3.62	0.64
(Total)	Accountability Index	0.80	0.96	3.06	0.60	0.66	2.67	1.41	2.66
(Local)	Accountability Index	0.90	1.08	2.51	0.68	0.51	2.15	1.58	2.04
2007**	% Net Tax Pd (Total)	48.69	6.05	0.27	5.92	2.73	30.41	4.31	1.42
	% Local Tax Paid	54.37	6.76	0.21	6.61	2.48	23.98	4.82	1.27
	% IMV Owned*	57.10	6.12	0.09	10.03	4.87	12.14	3.32	0.57
(Total)	Accountability Index	0.85	0.99	2.93	0.59	0.56	2.51	1.30	2.50
(Local)	Accountability Index	0.95	1.10	2.29	0.66	0.51	1.98	1.45	2.23
2008	% Net Tax Pd (Total)	47.69	6.77	0.29	6.00	2.80	30.76	4.14	1.34
	% Local Tax Paid	52.78	7.49	0.23	6.64	2.53	24.32	4.58	1.20
	% IMV Owned*	55.75	6.85	0.11	10.82	5.12	12.83	3.37	0.57
(Total)	Accountability Index	0.86	0.99	2.72	0.55	0.55	2.40	1.23	2.35
(Local)	Accountability Index	0.95	1.09	2.12	0.61	0.49	1.90	1.36	2.10
2009	% Net Tax Pd (Total)	46.40	7.04	0.32	6.02	2.93	31.63	4.13	1.28
	% Local Tax Paid	51.37	7.79	0.26	6.67	2.67	25.46	4.58	0.95
	% IMV Owned*	54.00	7.08	0.13	11.98	5.19	13.36	3.42	0.57
(Total)	Accountability Index	0.86	0.99	2.59	0.50	0.56	2.37	1.21	2.24
(Local)	Accountability Index	0.95	1.10	2.06	0.56	0.51	1.91	1.34	1.66
2010	% Net Tax Pd (Total)	45.26	7.04	0.36	7.10	2.82	31.86	4.26	1.29
	% Local Tax Paid	50.01	7.78	0.28	7.85	2.56	25.83	4.71	0.97
	% IMV Owned*	51.94	7.02	0.15	15.49	4.67	13.66	3.58	0.60
(Total)	Accountability Index	0.87	1.00	2.39	0.46	0.60	2.33	1.19	2.16
(Local)	Accountability Index	0.96	1.11	1.90	0.51	0.55	1.89	1.31	1.62

Source: Minnesota Department of Revenue, calculations by MTA.

* See note on page 3.

** Payable 2006 data is not readily available.

Minnesota Property Tax Effective Rates, Payable 2010

Analysis

What happened: Accountability Index

Much of the change in the Accountability Index for C/I property between payable 2001 and the present has been driven by the state's Limited Market Value (LMV) regime, which limited increases in the value of agricultural, cabin, and residential properties. It is not coincidental that the highest Accountability Index figures for C/I property can be found in payable 2003 and payable 2004, when the largest amounts of value were exempted from the property tax. (See Table 4.) Since commercial-industrial property is taxed on a higher proportion of value than agricultural, cabin, or residential properties; the property tax increase that commercial-industrial property bears as a result from value shifting under LMV will be disproportionately larger than the amount of overall value shifted. Note that assessment year 2009/taxes payable 2009 was the last year for limited market value; the State has allowed the program to expire.

Table 4: Market Value Limitation by Property Type, Statewide, Selected Years

<u>Property Type</u>	<u>Total Limitation (\$000)</u>		
	<u>Pay 2001</u>	<u>Pay 2004</u>	<u>Pay 2009</u>
Farm Homestead	1,386,221	4,799,654	2,303,935
Farm Non-Homestead	495,598	1,683,693	1,207,704
Timberland	--	256,121	423,336
Seasonal Recreational (Cabin)	1,255,333	3,750,576	2,221,470
Residential Homestead	6,652,692	21,326,863	1,236,563
Residential Non-Homestead	773,860	3,045,357	458,481
Apartments	9,987	--	--
Total	10,573,691	34,862,265	7,851,4788

Data from Minnesota Department of Revenue *Limited Market Value Reports*.

Meanwhile, the Accountability Index for residential homestead property at the local level matches has reached 0.96, the highest ever calculated; showing that residential homestead property's market value share is nearly the same as its share of net property taxes (before any relief provided by the income-sensitive property tax refund program). The data indicates that the Accountability Index may be stabilizing at a "new normal", and that one effect of the 2001 property tax reform will be to require homeowners to pay a share of property taxes that is more closely commensurate with the share of property value that they own.



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