



Issue Brief



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Minnesota Property Tax Effective Rates, Payable 2009

State and local government in Minnesota imposed some \$7.56 billion in property taxes in 2009, 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 2008 and payable 2009 for all types of property except farms. Statewide effective property tax rates also rose from payable 2007 to 2008, meaning that for two years in a row property tax burdens have risen faster than market values. This is the first year-upon-year rise in effective tax rates since the early 1990s.
- The statewide effective tax rate on all property tax for payable 2009 was 1.19%; the statewide rate on residential homesteads was 1.02%; and the statewide rate on commercial-industrial property was 2.82%.
- Effective tax rates vary considerably from county to county. Overall rates ranged from a low of 0.47% in Rock County to a high of 1.58% in Hennepin County. Homestead rates ranged from a low of 0.31% in Cook County to a high of 1.53% in Red Lake County. Commercial-industrial rates were lowest in Cass County (1.32%) and highest in Mahanomen County (4.29%).
- On a statewide basis, commercial-industrial, railroad, apartment, and utility property subsidization of residential, farm, and cabin property taxes declined.
- However, commercial-industrial property still provides a substantial subsidy to other types of "preferred" properties. Commercial-industrial property comprises 13.36% of all market value in the state, but is liable for 31.63% of all net property taxes in Minnesota. Comparable numbers for residential homestead property show that such property comprises 54.00% of market value statewide in 2009, while accounting for only 46.40% of net property taxes.
- MTA's "Accountability Index" for residential homestead property at the local level (disregarding the statewide property tax) matches last year's total of 0.95, which continues to be 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).
- While effective tax rates remain at historically low levels, rates based on home values provide little insights about the fairness of the property tax system. A new state database that links household incomes with property tax data should provide new perspectives on Minnesotans' ability to pay their property taxes.

Minnesota Property Tax Effective Rates, Payable 2009

Section 1: Pay 2009 and Prior Years, Statewide Results

MTA has calculated effective tax rates (ETRs)¹ for selected property classes for property taxes payable in 2009. These rates include all state and local property taxes, and have been aggregated at the county and statewide levels. ETRs for all properties except farms increased for 2009 – meaning that for two years in a row property tax burdens have risen faster than market values, the first year-upon-year rise in effective property tax rates since the early 1990s. The statewide ETR for all property was 1.19% for payable 2009, a 6.0% increase over the rate of 1.12% for payable 2008. When looking at local property taxes only (i.e. excluding the statewide tax on business property), the statewide ETR also rose 6.0%, from 1.02% for payable 2008 to 1.08% in payable 2009. Table 1 provides results for payable 2009 and prior years. Stagnant real estate markets could extend this trend out over the next few years.

**Table 1: Property Taxes as a Percent of Indicated Market Value
(no state levy in parentheses), Payable 1979-2009**

<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)

* Payable 2006 data was not readily available from the Minnesota Department of Revenue for this article.

¹ For all practical purposes, the ETR is property taxes as a share of market value.

Minnesota Property Tax Effective Rates, Payable 2009

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.

Section 2: Pay 2009 Results by County

ETRs vary considerably amongst counties. The overall ETR was highest in Hennepin County (1.58%) and lowest in Rock County (0.47%). Homestead taxes as a share of indicated market value were highest in Red Lake County (1.53%) and lowest in Cook County (0.31%); commercial-industrial effective tax rates were highest in Mahnomon County (4.29%) and lowest in Cass County (1.32%). Table 2 shows results on a county-by-county basis.

<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	0.43	0.68	0.25	1.54	1.05	0.58	2.21	2.40	0.53
Anoka	1.00	1.12	0.70	2.88	1.28	0.92	3.08	2.98	1.30
Becker	0.69	0.86	0.39	2.17	1.01	0.68	2.39	2.52	0.72
Beltrami	0.91	1.14	0.40	2.31	1.29	0.91	2.98	2.94	1.03
Benton	1.19	1.40	0.56	3.25	1.58	1.22	3.37	3.60	1.31
Big Stone	1.13	1.39	0.46	2.60	1.68	0.93	3.18	3.21	0.66
Blue Earth	0.91	1.04	0.49	2.77	1.38	0.78	2.54	2.68	1.10
Brown	1.07	1.30	0.44	2.96	1.48	0.78	2.34	2.89	0.92
Carlton	1.03	1.24	0.50	2.94	1.41	0.91	3.18	3.38	1.14
Carver	1.07	1.19	0.37	2.67	1.26	1.03	2.58	3.04	1.16
Cass	0.48	0.64	0.18	1.22	0.99	0.54	2.46	2.52	0.54
Chippewa	1.17	1.44	0.51	3.48	1.66	0.92	3.67	3.04	0.85
Chisago	1.09	1.22	0.79	2.95	1.41	1.11	3.30	3.23	1.21
Clay	1.04	1.27	0.59	2.02	1.36	0.98	2.86	2.81	1.05
Clearwater	0.96	1.29	0.53	2.59	1.79	0.77	2.92	3.51	1.03
Cook	0.31	0.58	0.11	1.23	0.65	0.48	2.29	N/A	0.48
Cottonwood	1.26	1.44	0.38	3.18	1.65	1.09	2.36	3.23	0.63
Crow Wing	0.57	0.77	0.23	1.99	0.94	0.58	2.25	2.70	0.71
Dakota	1.00	1.11	0.35	2.77	1.27	0.89	2.78	3.04	1.27
Dodge	1.17	1.39	0.56	3.24	1.64	0.97	3.59	3.16	0.94
Douglas	0.77	0.93	0.35	2.26	1.14	0.78	2.69	2.47	0.87
Faribault	0.98	1.17	0.42	1.99	1.47	0.74	2.65	2.95	0.61
Fillmore	1.03	1.21	0.45	2.73	1.58	0.87	2.61	N/A	0.72
Freeborn	1.18	1.43	0.54	2.66	1.76	0.96	3.18	3.14	1.00
Goodhue	1.08	1.26	0.51	2.98	1.46	0.96	2.74	3.06	1.16
Grant	1.19	1.44	0.44	2.97	2.28	0.62	2.91	3.22	0.66
Hennepin	1.16	1.30	1.02	3.03	1.51	1.05	3.18	3.44	1.58
Houston	1.15	1.39	0.51	2.88	1.52	1.10	3.27	3.20	0.95
Hubbard	0.61	0.80	0.30	1.63	0.93	0.61	2.07	2.46	0.65
Isanti	0.89	1.10	0.43	2.68	1.41	0.72	2.63	3.14	0.89
Itasca	0.56	0.94	0.21	1.85	0.89	0.71	2.01	2.90	0.78
Jackson	1.14	1.33	0.45	3.34	1.71	0.90	2.78	3.15	0.63
Kanabec	0.97	1.16	0.57	2.46	1.29	0.92	3.40	2.93	0.91
Kandiyohi	0.96	1.16	0.51	2.71	1.15	0.92	2.88	3.14	0.97
Kittson	1.12	1.26	0.51	2.33	1.52	0.60	2.59	2.86	0.79
Koochiching	0.58	0.84	0.33	1.54	1.08	0.55	2.92	2.35	0.68

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Table 2: Net Property Tax as Percentage of Indicated Market Value for Property Taxes Payable in 2009									
County	Residential								Total
	Hmstd.	Non-hmstd.	Farm	C&I	Apart-ment	Recre-ational	Utility	Rail-road	
Lac Qui Parle	1.14	1.31	0.37	3.70	1.94	0.75	3.27	2.86	0.51
Lake	0.54	0.79	0.24	1.56	1.11	0.80	3.03	2.71	0.78
Lake/Woods	0.88	1.11	0.44	1.30	1.05	0.84	3.16	3.45	0.87
Le Sueur	0.86	1.06	0.39	2.27	1.28	0.61	2.55	2.90	0.77
Lincoln	1.23	1.46	0.45	2.35	1.78	0.93	3.29	3.17	0.62
Lyon	1.17	1.39	0.45	3.05	1.57	0.76	2.58	3.23	1.03
McLeod	1.11	1.26	0.41	2.74	1.54	0.84	3.12	3.18	0.99
Mahnomen	1.30	1.57	0.69	4.29	1.57	0.97	3.85	3.72	1.05
Marshall	0.91	1.17	0.44	2.39	1.48	0.77	2.65	2.91	0.62
Martin	0.91	1.11	0.45	3.09	1.28	0.81	2.02	2.83	0.79
Meeker	0.89	1.08	0.44	2.83	1.37	0.75	2.68	2.87	0.78
Mille Lacs	0.97	1.16	0.46	2.25	1.39	0.94	2.99	N/A	0.97
Morrison	0.92	1.18	0.38	2.45	1.14	0.74	2.61	3.03	0.79
Mower	0.98	1.23	0.55	2.62	1.31	0.96	2.92	2.99	0.88
Murray	0.89	1.09	0.35	2.42	1.56	0.57	2.61	N/A	0.48
Nicollet	1.01	1.20	0.49	2.84	1.34	0.85	2.64	N/A	0.95
Nobles	1.09	1.27	0.47	3.05	1.36	1.06	2.87	2.80	0.79
Norman	1.23	1.38	0.42	3.08	1.82	1.03	2.66	3.01	0.58
Olmsted	1.06	1.22	0.60	2.78	1.44	1.11	3.05	3.07	1.33
Ottertail	0.67	0.91	0.32	1.92	1.22	0.60	2.49	2.63	0.65
Pennington	1.17	1.44	0.57	3.59	1.51	1.05	3.66	3.64	1.14
Pine	0.81	0.99	0.46	2.62	1.20	0.79	2.43	2.82	0.85
Pipestone	1.07	1.36	0.39	3.01	1.50	0.95	3.49	2.89	0.65
Polk	1.19	1.45	0.64	2.97	1.33	0.96	3.50	3.45	1.00
Pope	0.82	1.04	0.37	2.42	1.36	0.74	2.97	2.72	0.64
Ramsey	1.09	1.23	0.80	2.84	1.39	1.14	3.09	3.22	1.51
Red Lake	1.53	1.72	0.51	3.33	2.16	0.80	3.03	3.21	0.92
Redwood	1.29	1.49	0.49	3.46	1.85	0.85	3.04	2.83	0.73
Renville	1.13	1.29	0.44	3.12	1.94	0.71	2.57	3.17	0.67
Rice	0.87	0.97	0.43	2.59	1.20	0.55	2.37	2.76	0.96
Rock	0.80	0.99	0.32	2.45	1.20	N/A	2.09	2.36	0.47
Roseau	1.25	1.55	0.54	3.23	2.00	0.97	3.88	3.77	1.11
St. Louis	0.82	1.11	0.28	2.49	1.21	0.73	3.05	3.02	1.03
Scott	1.05	1.15	0.65	2.90	1.47	1.01	2.70	3.11	1.25
Sherburne	1.02	1.18	0.27	3.12	1.33	0.86	2.36	3.00	1.17
Sibley	1.14	1.32	0.47	2.82	1.54	0.98	3.02	N/A	0.72
Stearns	0.99	1.20	0.40	2.64	1.29	0.81	2.79	3.14	1.14
Steele	1.08	1.29	0.59	2.94	1.40	0.85	2.83	2.99	1.18
Stevens	1.19	1.40	0.45	3.31	1.63	0.90	3.04	3.29	0.73
Swift	0.95	1.20	0.46	3.08	1.41	0.81	2.57	2.86	0.76
Todd	1.06	1.29	0.52	2.36	1.53	1.00	2.93	3.10	0.88
Traverse	1.51	1.73	0.60	3.27	2.24	0.89	3.46	3.71	0.73
Wabasha	1.07	1.26	0.51	2.69	1.52	1.08	2.94	2.96	0.93
Wadena	1.03	1.26	0.54	2.48	1.50	0.83	3.14	3.46	0.95
Waseca	1.13	1.34	0.51	3.20	1.69	0.87	3.20	3.00	0.91
Washington	0.92	1.00	0.56	2.55	1.20	0.86	2.28	2.83	1.13
Watonwan	1.03	1.28	0.57	3.05	1.53	0.85	2.98	3.23	0.79
Wilkin	0.96	1.25	0.47	2.43	1.05	0.78	2.77	2.90	0.60
Winona	1.01	1.19	0.40	2.82	1.37	0.93	3.00	2.91	1.05
Wright	0.94	1.08	0.35	2.73	1.18	0.60	2.61	2.86	1.02
Yellow Medicine	1.20	1.39	0.54	3.29	1.71	0.87	3.04	3.14	0.72
Statewide	1.02	1.18	0.46	2.82	1.40	0.67	2.67	3.09	1.19

Source: Minnesota Department of Revenue, calculations by MTA.

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Section 3: 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 moving toward 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.

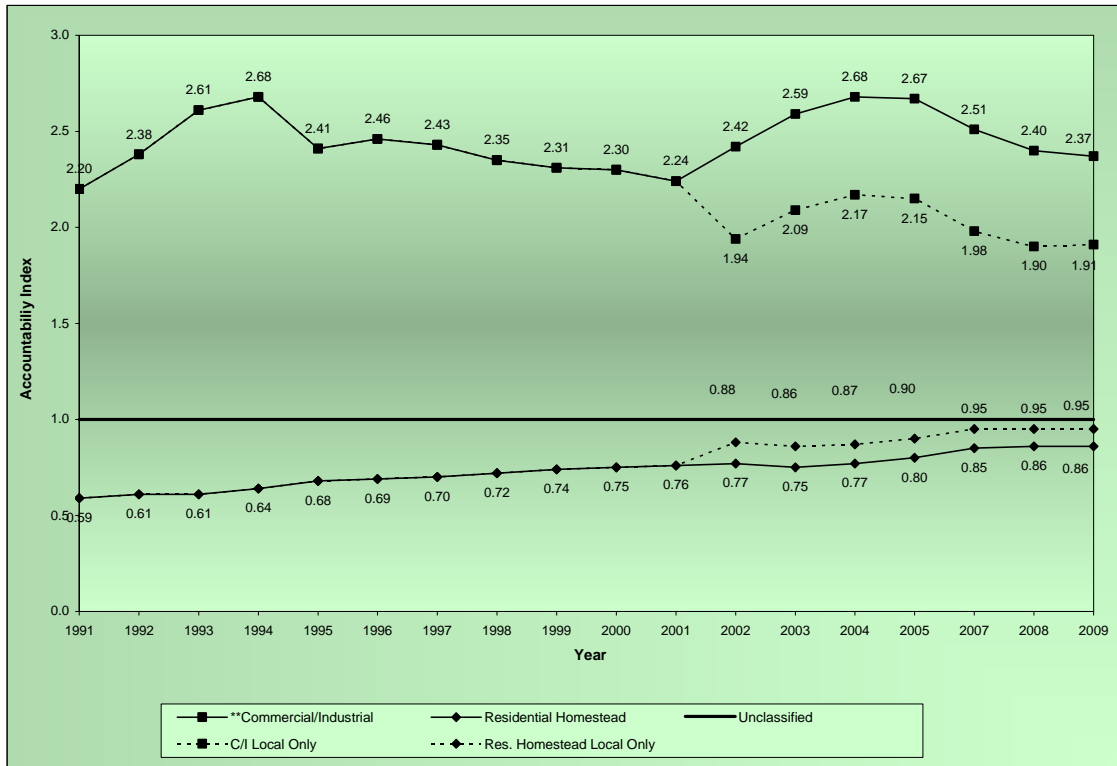
Encouraging greater price sensitivity to property tax increases remains the best approach to property tax restraint. History shows that promises of long-term property tax relief through greater reliance on state aids are illusory. In the aftermath of the Minnesota Miracle, local spending subsidies provided incentives to spend more, and state support proved unsustainable.² Property taxes as a share of personal income and as a share of home value hit a peak in the late 70s, fell sharply during one of the most severe budget crises in state history, and following that marched steadily again upwards through the 80s and 90s.

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 2009, the Accountability Index for C/I property is 2.37 – meaning its share of the statewide property tax burden is 2.37 times greater than its share of market value statewide; while the Accountability Index for residential homesteads is 0.86.

² See “Unconventional Wisdom: Lessons from the Tortured History of LGA”, *Fiscal Focus*, Vol. XXXV No. 3 (May-June 2009), Minnesota Taxpayers Association; and “A Short History of Property Tax Relief in Minnesota”, *Fiscal Focus*, Vol. XXXII No. 6 (Nov-Dec 2006), Minnesota Taxpayers Association.

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Figure 1: Accountability Index, All Taxes and Local Taxes Only, C/I and Homestead Property, Payable 1991-2009



Note: Payable 2006 data not readily available.

Note: The “local only” numbers are added for 2002-2008 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 13.36% of all market value in the state, it pays 31.63% of all property taxes statewide – substantially more than its market share. Comparable numbers for residential homestead property show that such property comprises 54.00% of market value statewide in 2009, while accounting for only 46.40% of net property taxes. Table 3 on page 7 provides the data underlying the Accountability Index for payable 2003 through payable 2009. As Table 3 indicates, the Accountability Index declined from 2008 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).

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Table 3: Minnesota Accountability Index by Property Class, Payable 2003-2009**									
<u>Payable Year</u>		<u>Hmstd.</u>	<u>Non-hmstd.</u>	<u>Rail-road</u>	<u>Farm</u>	<u>Cabin</u>	<u>C/I</u>	<u>Apartment</u>	<u>Utility</u>
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

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 2009

Section 4: 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.

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 last year's total of 0.95, which continues to be 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.

What Are the Implications for Property Tax Relief?

Many are quick to point out, justifiably, that effective tax rates based on home values tell us little about the ability to pay those property taxes. This information void is now filled by conventional wisdom about the severity of Minnesota homestead property tax burdens based on case anecdotes and general taxpayer hostility toward property taxation. We look forward to the completion of the new "Voss database" which will link household income information with property tax information to provide critical perspective on the real extent and severity of ability to pay problems in Minnesota's property tax system.

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