



Land Services Department
Property Valuation and Classification
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UNDERSTANDING THE PROPERTY TAX PROCESS

Gary Griffin

It's approaching that time of year: tax time. In addition to federal and state tax returns due in April, local property tax valuation and classification notices currently are being sent to all property owners. These notices inform citizens of the assessed value of their property as of January 2, 2011 based on sales of comparable properties in 2009 and 2010. The assessed values then are used to calculate taxes due and payable in 2012.

Highlighted below are some of the major components – and challenges – of the property assessment process and issues to be aware of when reviewing your valuation notices.

A State Prescribed Process. Although counties perform the bulk of assessment work in Minnesota, the policies and procedures they follow are determined by the state legislature. These laws and rules, in turn, are administered by the Department of Revenue in St. Paul. For example, state statute requires the assessment of all properties in the County within a five year period. This means we physically must view one-fifth of Crow Wing County every year. State rules govern how we classify and value these properties, based on physical characteristics, use of the property, and sales of comparable properties during a prescribed period. We can only use "arms length" transactions for comparable sales, which, for example, precludes us from using foreclosure sales when we determine values. This can narrow substantially the number of sales we are allowed to use, particularly in today's market with numerous distressed sales.

In addition, State rules require Crow Wing County assessed values to fall within a statistical range determined by the State. If our assessment is lower than or higher than that range, the State requires all property values to be raised or lowered accordingly.

The Time Lag Confusion Factor. The state's assessment rules also require us to use property sales that occurred as much as 18 months ago to determine assessed values. This time lag creates confusion when current market conditions do not reflect sales that occurred up to a year-and-a-half ago. For example, the valuation and classification notices in the mail reflect the 2011 assessment for taxes payable in 2012, based on sales of comparable property that occurred between October 2009 and September 2010. The result: 2011 assessed values may not reflect current market conditions. In periods when real estate prices are rising, this time lag delays increases in valuations. But during time of declining values, it understandably generates inquiries from taxpayers concerned that the assessment does not reflect current market conditions.

Assessment vs. Taxes. Although all of us rightly are concerned with the assessed value of our property, the spending decisions of local governments – County, Cities, Townships and School Districts – determine whether tax rates go up or down. For example, if the assessed value of all properties in the Crow Wing County went down equally by 10 percent, property taxes could still be higher if the budgets of local governments were higher. Conversely, all property values could increase by 10 percent and taxes could go down if government spending was lower.

In fact, the assessment of property to determine value and the establishment of the tax rate applied to properties are two very distinct and separate functions. Assessment valuations are determined without regard to tax rates, but according to comparable sales values as discussed above. The tax rate is determined at a later point, based upon the level of spending approved by local elected officials at the County, City, and Township and School District levels. Local units of government determine how much they need to run their operation – values are only used to determine how big a share of that spending each of us will have to pay.

Slicing the Spending Pie. Paying property taxes is like slicing a pie. Government spending is the pie. The value of each property determines how big a slice of that pie each property owner pays in taxes. There are four main reasons why a property owner may see higher taxes one year to the next. They are: 1) Government spending went up. (Crow Wing County froze its spending last year, as did some other local governments in the county.) 2) The property's market value decreased at a lower rate than other properties. 3) The property's market value increased at a higher rate than other properties. 4) The property classification changed. If none of these things occurred, property taxes owed should not be more from one year to the next.

2011 Valuation and Classification Notices. As noted above, these notices currently are being mailed to all taxpayers in Crow Wing County. If you have concerns about your valuation, I would encourage the following: 1) Check your value and compare it to last year. Most areas in the county have seen a reduction in value, but not all. 2) Check to see whether the classification of the property has changed from last year. The legislature often changes the property classifications we must utilize, and a change in classification could change your tax rate. 3) Check the spending levels of your local governments – county, cities, townships and school district - have they gone up, down or stayed the same? 4) Note that the valuation is based on property sales during the period of October 2009 to September 2010, and therefore, may not reflect market conditions that existed after that time period. Again, this is part of the State-prescribed process we must follow.

If you still have questions, I encourage you to visit our website or call our office to speak with one of our assessors to answer any questions you may have. We will address your concerns in a courteous and professional manner. If we are unable to resolve your concerns, State law provides all taxpayers the opportunity to appear before a Local Board of Appeal and Equalization to appeal the County's determination of assessed value. These meetings occur in April and May, and your valuation notice will include the date, time and location, as will our website. Taxpayer's who are not satisfied with the decision reached at the local board level may appear before the County Board of Equalization in June. State rules require attendance at the local board meeting in order to schedule an appeal to the County Board level. All of this information will be included in your valuation notice and on our website.

To be sure, none of us enjoys paying taxes, but as the saying goes, it appears to be one of the inescapable parts of life. Our objective is to make that process as fair and professional as possible. We look forward to addressing any concerns you may have when you receive your valuation and classification notice. We expect to be held accountable to our commitment to excellent customer service and well-managed policies and procedures. As such, please feel free to contact our office by phone, email, or in person with questions or feedback you may have. We are located in Brainerd on the main floor of the Land Services Building, 322 Laurel Street. Our main phone number is 218/824-1010 and our email address is assessor@co.crow-wing.mn.us. Or, visit our website at www.co.crow-wing.mn.us.

We look forward to working with you!

Mr. Griffin supervises Crow Wing County's property valuation and classification program in the Land Services Department. He joined the County in November, 2009, replacing former County Assessor Marty Schmidt, who retired.