



### UNDERSTANDING THE PROPERTY TAX PROCESS

*Gary Griffin, Land Services Supervisor, Property Valuation and Classification*

Local property tax valuation and classification notices are currently being sent to all property owners in Crow Wing County. These notices inform citizens of the assessed value of their property as of January 2, 2013 and are based on sales of comparable properties in 2011 and 2012. The assessed values then are used to calculate taxes due and payable in 2014.

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. 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, preclude us from using foreclosure sales when we determine values. 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 current notices reflect the 2013 assessment based on sales of comparable property that occurred between October 2011 and September 2012. The result: 2013

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 Crow Wing County went down equally by 10 percent, property taxes could still be higher if the budgets of local governments were higher. 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 five 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 reduced spending by .40 percent for 2013 the year prior spending was reduced by 2.37 percent. 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. 5) The State changes the rules, as it did in 2011, converting the

homestead credit to homestead exclusion. If none of these things occurred, property taxes owed should not be more from one year to the next.

**Questions or Concerns.** If you have concerns about your valuation notice I encourage the following: 1) Check your value and compare it to last year. Some 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 2011 to September 2012, 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. We expect to be held accountable to our standard of excellent customer service and well-managed policies and procedures. 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 phone number is 218/824-1010 and our email address is [assessor@crowwing.us](mailto:assessor@crowwing.us). Or, visit our website at [www.co.crow-wing.mn.us](http://www.co.crow-wing.mn.us).

**We look forward to working with you!**