



FOR IMMEDIATE RELEASE

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UNDERSTANDING THE PROPERTY TAX PROCESS

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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, 2015 based on sales of comparable properties in 2013 and 2014. The assessed values are then used to calculate taxes due and payable in 2016.

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 notice.

A State Prescribed Process. Although counties perform the bulk of assessment work in Minnesota, the policies and procedures counties follow are determined by the state legislature. State rules govern how properties are classified and valued, based on physical characteristics, use of the property, and sales of comparable properties during a prescribed period. Only “arms-length” transactions may be used for comparable sales, which precludes the use of foreclosure sales in determining values. In addition, Minnesota law requires assessed values to fall within a statistical range of 90% to 105% of market value. If the assessment is outside this range, the state requires property values to be raised or lowered accordingly.

Assessment vs. Taxes. 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 county decreased by 10 percent, property taxes could still be higher if local government budgets increase. Assessment valuations are based upon comparable sales without regard to tax rates. The tax rates are determined at a later point based upon the level of spending approved by local elected officials at the county, city, township and school district levels. Local units of government determine how much they need to run their operation, and assessed values are only used to determine how big a share of that spending each property pays.

Slicing the Spending Pie. Determining the amount of property taxes an owner must pay 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:

- 1) Government spending went up. Crow Wing County reduced spending in 2015. This is the fifth year in a row the County Board has reduced county tax levy spending.
- 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.

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Our Mission: Serve well. Deliver value. Drive results.

Our Values: Be responsible. Treat people right. Build a better future.

- 4) The property classification changed.
- 5) The state changed the rules, as it did in 2011, converting the homestead credit to homestead exclusion.

The Time Lag Confusion Factor. State assessment rules require the use of property sales which occurred as long as 18 months ago to determine assessed values. For example, the current notice containing the 2015 assessment is based upon sales of comparable property occurring between October 2013 and September 2014. As a result, 2015 assessed values may not reflect current market conditions. In periods when real estate prices are rising, this time lag delays increases in valuation. During times of declining real estate values, this time lag delays decreases in values.

Questions or Concerns. If you have concerns about your valuation notice, consider the how the following factors may be affecting your property:

- 1) Review the spending levels of your local governments – county, cities, townships and school districts - have they gone up, down or remained the same?
- 2) Check your value and compare it to last year. Some areas in the county have seen an increase in value, but not all.
- 3) 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.
- 4) Remember under state-prescribed rules the assessment valuation is based on property sales occurring between October 2013 and September 2014. These sales may not reflect current market conditions.

Taxpayers still having questions are encouraged to visit our website at www.crowwing.us, contact the office at 218-824-1010 or via email at: assessor@crowwing.us. Land Services staff will address your concerns in a courteous and professional manner, and expect to be held to a high standard of customer service.

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