

CITIZENS LEAGUE REPORT

No. 33

**Review of the Suburban & Rural
Hennepin County Property
Assessment System**

December 1954

(333)

REPORT AND
RECOMMENDATIONS
ON THE
ASSESSMENT SYSTEM
OF
SUBURBAN AND RURAL HENNEPIN COUNTY

BY THE
COUNTY GOVERNMENT OPERATIONS COMMITTEE
GEORGE P. HOKE, CHAIRMAN

December 1954

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C I T I Z E N S L E A G U E O F G R E A T E R M I N N E A P O L I S

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RECOMMENDATIONS

The County Government Operations Committee, after extensive study and discussion of the assessment system in suburban and rural Hennepin County, concluded with six specific recommendations to the League's Board of Directors. These are listed below with the brief explanations of each of the recommendations.

It seemed to the committee that the basic issue in appraising the assessment system of suburban and rural Hennepin County is this:

Is it preferable to:

(1) continue the present system whereby the original assessment of property is performed by 47 different local assessors, chosen, usually by election, by their individual towns, villages or cities, and infrequently possessing the qualifications needed for the specialized task of modern assessing; or

(2) replace it with a system which retains for the local governments of suburban and rural Hennepin as a group the control over the assessor, and at the same time provides the legal framework and economic resources for the employment of competent personnel with authority to provide a greater amount of uniformity in assessments among the property owners of suburban and rural Hennepin County.

The committee strongly favors the second alternative, as detailed in the following recommendations. These recommendations have been approved in principle by the Board of Directors.

Recommendation 1. That there should be established a new office of County Assessor of Rural Hennepin County which would have jurisdiction in the 47 cities, villages and townships in the county outside the City of Minneapolis. This County Assessor should have the same powers and duties as county assessors under the general laws, except that the County Assessor should view, appraise and assess all property. The 47 local assessors should be abolished.

Explanation: The present system in rural and suburban Hennepin operates under the Supervisor of Assessments who, it is thought, does not have sufficient power of control over the local assessors in order to insure a uniformly good assessment. Mostly the Supervisor consults and advises with the local assessors who themselves do the viewing and appraising, and make the assessments. This would establish a new county assessor who would not only supervise (i.e., advise and consult with the local assessors) but who would view, appraise, and assess all property. In other words these duties would be taken over by a central County Assessor who, through his subordinates, would be responsible for these activities.

Recommendation 2. The County Assessor of rural and suburban Hennepin County should be a graduate of a recognized engineering or architectural school and should be appointed by a Rural Hennepin Assessment Commission which should be selected by and from the presiding officers of the governing bodies of each of the 47 cities, villages and townships in Rural Hennepin County.

Explanation: First, note that there are definite qualifications for the person to be selected as County Assessor, i. e., a graduate of a recognized engineering or architectural school. Second, the County Assessor is to be chosen by a group entirely from suburban and rural Hennepin County. It might be thought that the appointing authority should be the Board of County Commissioners. However, it is recognized that there is widespread feeling among the residents of Hennepin County outside Minneapolis that any county-wide assessment job done by a person appointed by the County Board, in which the City of Minneapolis has four of the five members, will be unfair to the interests of rural and suburban Hennepin County property owners. Therefore it is suggested that the Assessment Commission should be made up entirely of members from outside Minneapolis.

Recommendation 3. The Commission would control the Assessor's budget and set his salary and those of his associates. The expenses of the office should be assessed against all property outside Minneapolis.

Explanation: This is largely self-explanatory. It has been suggested that it would be wise to prepare a definite tentative budget for such a county assessor system and spread it around pro rata amongst the various taxing districts in Rural Hennepin so that we would know exactly what the expense burden would be and how it would fall. This has not yet been done.

Recommendation 4. With the approval of the Commission, the Assessor should have the power to employ one or more properly qualified full time Deputy County Assessors, together with such assistants and clerical help as would be required. His office should be at the Hennepin Court House.

Explanation: Note that the new County Assessor himself sets up the standards to be utilized in employing his assistants. All that is required is that they be "properly qualified", which qualifications would be what the County Assessor specified. Note that the Deputy County Assessors are full time.

Recommendation 5. The present practice of using local and county boards of equalization in order to secure county-wide uniformity of assessments should not be changed.

Explanation: While the original assessment no longer would be made by the locally-chosen assessor, the property owner could still have his assessment reviewed in the first instance by his local governing body acting as the local board of review. Further review and equalization by the County Board of Equalization and the State Equalization Board would continue.

The following members of the County Government Operations Committee have been active in the preparation and discussion of the research report and the recommendations: *

John G. Alexander
Floyd Arms
Wayne Blackmarr
Charles S. Bellows
J. Donald Fruen
Guy G. Gardner
Roy S. Johnson
Eugene Larson

John Shanard
William D. Schoell
Donald B. Simmons
Frank Cloutier
Stuart Peterson
Charles Alan Wright
John W. Zollars
George P. Hoke, chairman

* John Shanard dissented from the majority's view that the local assessors should be abolished.

BACKGROUND

Soon after the organization of the County Government Operations Committee it became apparent that one of the most immediate and serious problems which the committee might study was the status of the assessment system in Hennepin County, particularly the part of the county lying outside Minneapolis. Accordingly, it was agreed that a sub-committee should be appointed to undertake a study of the assessing problem in Hennepin County outside Minneapolis.

The final membership of the sub-committee consisted of John Shanard, Charles Alan Wright, Eugene Larson, Charles S. Bellows and the County Government Operations Committee chairman, George P. Hoke, who also acted as chairman of the sub-committee. Albert J. Richter of the League staff provided staff assistance.

During the various stages of the sub-committee's existence, members met with Robert Fitzsimmons, Hennepin County Auditor, and Earl Maffett, former assessor of the Village of Richfield; joined with other members of the overall committee in hearing the views of Minnesota Commissioner of Taxation, G. Howard Spaeth; and had further discussions with Mr. Spaeth and members of his staff in his office in St. Paul.

Several members of the sub-committee have become well acquainted in recent years, with the assessing problems of rural and suburban Hennepin County in their capacities of representatives of local subdivisions or voluntary civic groups.

A BRIEF OUTLINE OF THE MINNESOTA ASSESSMENT SYSTEM
WITH PARTICULAR REFERENCE TO HENNEPIN COUNTY

The assessment organization pattern in Minnesota, with particular reference to Hennepin County, is described in this section. As noted throughout the description, there are a number of exceptions to the general pattern laid down by state law, and many of these exceptions relate to Hennepin County.

One general exception has been deliberately left out of this general description. This is Ramsey County. Because of its unique features, it is treated separately under a sub-section at the end of this section.

A. ASSESSORS

Selection, qualifications, pay

Each political subdivision in Minnesota has its assessor. In townships he is elected and in cities, appointed. In villages the assessors are elected except where villages have chosen to appoint them under optional plans. All but a few villages in Hennepin County have elective assessors.

In addition to these local assessors, each county has either a county assessor or a supervisor of assessments. The county assessor or supervisor of assessments is appointed by the county board of commissioners, with the appointment being approved by the state commissioner of taxation. Each county must have a supervisor or county assessor with the choice being made by the county commissioners, with the exception of Hennepin County, which is limited to a supervisor. At the present time 40 counties have supervisors of assessments and 47 have county assessors (including Ramsey County).

Because the actual assessment work is done by the assessors at the local level, these officials are the most important to the individual property owner.

Deputy assessors may be appointed by the local assessor. The number of these is usually fixed by budgetary limitations imposed by the local governing body.

With the exception of the assessor of the City of Minneapolis, assessors of the town, villages and cities of Hennepin County may be paid not less than \$7.50 nor more than \$12.50 per day for each day worked for not to exceed 120 days per annum. In most of the urban and suburban municipalities of this county, assessing is almost a year-round job. This has led to the practice of putting the assessor on the municipal payroll in some other capacity during the remainder of the year in order that he might carry on his work. Communities unable to do this have been hard put to find public-spirited citizens who would and could carry on the work within the limitations of time

and remuneration.

The statutes outline no special qualifications for the local assessor, or for the county assessor. However, the statute creating the office of county supervisor of assessments provides, in addition to his residential qualifications, that "he shall be selected and appointed because of his knowledge and training in the field of property taxation -----".

Duties and Procedures

The assessor is required to assess real property at its "true and full value" as of May 1 of each even-numbered year, and personal property at the same value as of May 1 annually. He must perform his assessing duties during April, May and June of each year. As a practical matter, the assessment of real estate is a continuing process throughout the year because of the large volume of construction in most communities and the consequent impossibility of crowding the assessment of all property into the statutory 90 day period.

Changes in the value of real property to the extent of \$100 or more when caused by the erection or destruction of buildings thereon are noted by the assessor in the odd-numbered years and the assessment of the parcel changed accordingly.

The commissioner of taxation annually fixes a day for a meeting at the office of the county auditor at which each local assessor plus one member of the local board of equalization attends for the purpose of receiving instruction in their duties. Usually this meeting is held the latter part of March.

The county auditor provides the local assessors with the real property assessment books which list each parcel subject to taxation in that particular taxing district, and give the name of each owner. This information is taken from the county land records. Personal property assessment books are also furnished by the county auditor. These books are required to be ready and deliverable before the third Monday in April.

In these books, the assessments are entered by the assessor. In the case of real estate, the valuations are entered by parcels. In the case of personal property, entries are made alphabetically by the name of the person assessed.

In assessing personal property, he must make an alphabetical listing of each person required to list his property and require each to make a return on forms prescribed by the commissioner of taxation.

The practice is to make the original and detailed assessment of real estate on cards or field sheets and transfer the valuations to the assessment books.

Relationship of local assessor and county assessor or supervisor

The relationship between the local assessor and the county assessor or supervisor of assessments is defined by statute.

The duties of the supervisor are to advise and instruct the local assessors as to their duties and in the preparation of their assessment books and of land maps and record cards.

The county assessor makes assessments on those properties referred to him by the local assessors for valuation, and does all book work in connection with assessments. The local assessors are charged with the duty of viewing and appraising all property, but the actual assessment is made by the county assessor. Neither the supervisor nor the county assessor has any direct power over the local assessor in matters of tenure, their authority being confined to assessments.

B. STANDARD OF ASSESSMENT

The law requires that all property be assessed at its "true and full value in money", at Section 273.11.

Section 273.11, MS. 1949, requires that "ALL property shall be assessed at its true and full value in money." This section goes on to state that the assessor shall not adopt a lower or different standard of value because it is to serve as a basis of taxation. Section 272.03, MS 1949 defines "full and true value" to be "the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at private sale and not at forced or auction sale".

However, Section 273.11 departs from the definition set forth in Section 272.03 in that it requires of the assessor that he shall not adopt as a criterion the price at which the property would sell at forced or auction sale, or in the aggregate with all the property in the town or district, but that he shall value each article or property by itself at such sum or price as he believes it to be worth. This has given assessors wide powers with regard to the assessment of singular parcels of property without regard to the assessment level of the remainder of the property in that assessing district. These powers have been sustained by the state Supreme Court.

To the end that there may be uniformity of assessment throughout the state, the Commissioner of Taxation biennially issues an Assessor's Manual which recommends certain standards for the valuation of real estate.

As a practical matter, appraisal based upon the cubing of structures and ascribing of a valuation of each cubic foot of content, dependent upon age, type of construction and other factors affecting cost and value is the most widely followed method of valuing property. This method is recommended by the Commissioner of Taxation. Its virtue lies in the fact that it makes the assessment within a district uniform rather than uneven.

Broad and sweeping changes in the valuation of entire taxing districts and thus of each parcel therein have of late been accomplished through the sampling of prices at which properties have changed hands

within a recent period, comparing these prices with the valuation of these properties and reaching a theoretical average at which property was assessed in that particular taxing district, and then applying a percentage increase on all property within that district to raise the level of valuations to that believed desirable by the equalizing authority.

However, in the final analysis, the judgment of the assessor as to the value of property and the standards he applies determines the tax load borne by that property, be it real or personal.

C. CLASSIFICATION

After determining the "true and full value" of property, the assessor determines the "assessed value" of the property by classifying it and applying the appropriate percentage of its class to the true and full value.

The tax is levied upon the "assessed value", and not upon the "true and full value".

These classifications, together with the definition of the property comprising each class, are set forth by statute.

Following are the classifications, together with the percentage at which the true and full value is assessed:

<u>Class</u>	<u>Kind of Property</u>	<u>Percentages</u>
1.	Mined and unmined iron ore	50
1a.	Direct products of blast and openhearth furnaces	15
2.	Household goods and furniture	25
3.	Argricultural products except those in the hands of the producer; merchandise; business furniture and fixtures; tools and machinery, except that of farmers; rural but not agricultural real estate.	33 1/3
3a.	Agricultural products in the hands of the producer	10
3b.	The first \$4,000 of valuation of rural homesteads.	20
3c.	The first \$4,000 of valuation of urban homesteads.	25
3cc.	The first \$8,000 of valuation of paraplegic veterans' homesteads	5

3d.	Livestock, poultry, horses, mules; agricultural tools, implements and machinery used by the owner in agricultural pursuits	20
4.	All other property	40

These classifications do not embrace all taxable property within the state. Some industries such as railroads and telephone companies are taxed on a gross earnings basis in lieu of all advalorem and income taxes; some are taxed on an excise basis; and some have special classifications such as the oil refineries and air carriers.

The assessor extends the assessed valuation on his books. Classification and assessed valuation determine not only the tax borne by the individual property but the extent to which the entire taxing district shall bear its aggregate tax load. School equalization aids are distributed upon the basis of assessed value, not upon the basis of full and true value. Also, lands classified as "agricultural" pay only one-half of the mill rate levies on other property for school maintenance purposes in consolidated school districts up to a differential of 25 mills.

D. EQUALIZATION

Local board of review

The first step in the equalization process is the meeting of the local board of review. The governing body of the municipality constitutes this board: in each township, the town board; in each city and village, the local council. These boards meet on a day selected by the county assessor or supervisor between June 1 and July 15. These meetings may be adjourned from time to time until the work of the board is finished, although as a practical matter they must be concluded by the last of July.

The local board of review may add property omitted from the rolls at its value, and correct the assessment of any parcel or article of property, but it cannot increase the assessment of any individual without notice. On the application of any person aggrieved, it may correct his assessment.

The local board has the same powers over the assessments made by a county assessor as it has over those of a local assessor.

Following the adjournment of the local board of review, the assessor certifies his assessment books to the county auditor. That official is charged with the duty of examining the books and placing thereon omitted property. If the books are proper the auditor certifies to this effect to the assessor. (In townships, the assessor cannot be paid until he has received this certificate from the auditor.)

County board of equalization

The county board of equalization meets from time to time beginning on the third Monday in August. The members of the county board are the county commissioners and the county auditor.

The powers of the county board are broad:

1. It may raise the valuation of individual tracts or parcels of real estate after giving notice and holding a hearing.
2. It may lower the valuation of any tract or parcel.
3. It may increase the valuation of each class of personal property, or increase the aggregate value of the personal property of any individual firm or corporation after notice and hearing.
4. It may lower the valuation of any class of personal property, or the personal property of any individual upon complaint.
5. It may increase the aggregate valuation of real property or class of property of any district, but it may not reduce the aggregate value of real or personal property of the county below the aggregate returned by the assessors.

The county supervisor of assessments or county assessor, as the case may be, assists the county board in performing its duties.

The county auditor then forwards an abstract of the real and personal property assessments to the state auditor prior to the fourth Monday in August. They are then turned over to the State Board of Equalization.

State Board of Equalization

The Commissioner of Taxation constitutes the State Board of Equalization. The state board meets on the first Tuesday in September and concludes its sessions about December 1.

The powers of the commissioner sitting as a board of equalization are very broad. He may raise or lower the aggregate valuation of real estate or personal property of any county or of any district within a county. He may increase the assessment of any individual, firm or corporation, but may not reduce it below the valuation of the county board.

He may not reduce the aggregate of value of property in the state more than one percent below the figure returned by the various county auditors.

By judicial decision, it has been held that the commissioner has the power to reduce an individual's assessment below that fixed by

the county board. Though by statute he has the power to reduce or add to real estate or personal property valuation only in the aggregate, in practice he has done so by classes of property within taxing districts. His power to do so may be inferred from Section 273.13.

The commissioner transmits a record of the proceedings of the state board to the county auditor, giving the changes made by him. The county auditor then makes the necessary corrections in the assessment books, and extends the taxes on each parcel of real estate and each personal property assessment.

The county auditor then turns the assessment books over to the county treasurer on the first Monday in January. The county treasurer then prepares the tax statements, mails them to the taxpayers and collects the taxes.

E. CORRECTION PROCEDURE AFTER LEVY OF TAX

Court action

Under Section 278.01 Minnesota Statutes 1953, a person who claims that his property has been unfairly or unequally assessed at "a valuation greater than its real or actual value," may have his objection determined by the District Court of Minnesota by filing his petition, after service on the County Auditor, County Treasurer, and County Attorney, in the District Court on or before the first day of June of the year in which such tax becomes payable." He must, however, pay 50% of the tax levied before filing his petition, and one-half of the balance before November 1st of the same year.

This procedure has had two distinct disadvantages: delay of from a year to 18 months before coming to trial and, more important, if the full and true valuation is less than "actual" or market value, e. g., 90% of market value, no correction will be made. Thus, where 35% of market value has been the yardstick recently used to measure "full and true", the taxpayer has no practical remedy under this procedure.

This procedure has been little used of late and has obtained virtually no results.

Administrative action

The tax abatement procedure has been widely used in Hennepin County to correct some of the inequalities resulting from the 1952 across-the-board percentage increases. With no time limitations a taxpayer can file an application for reduction of assessed values -- and therefore taxes -- on forms available at legal stationary stores. In addition the County Supervisor of Assessments furnishes a mimeographed form which is required. These are issued only through the local assessors. Both forms when executed are submitted for approval, disapproval, or modification by the local assessor, who endorses his action on the forms. These forms are then filed with the County Auditor if the execution and content are correct.

The application is reviewed by the County Auditor after reference to the County Supervisor of Assessments. Then the application is passed upon by the County Commissioners, and is forwarded to the State Commissioner of Taxation. After review and approval, modification, or denial by the State Commissioner, the application is returned to the County Auditor who changes the assessment books accordingly, authorizes refund of overpaid taxes, and issues corrected tax statements.

In passing upon the validity of the claim in recent years, the County Auditor and County Commissioners have used 35% of market value as a yardstick. Through this method of blanket increase and adjustment downward, some degree of equalization has been achieved though an unreasonable burden has been placed on the taxpayer, and many taxpayers have not been aware that this procedure is available.

Several thousand of such applications have been processed since 1952.

F. RAMSEY COUNTY ASSESSMENT SYSTEM

Ramsey County has a unique assessment system in Minnesota which has been in existence since the 1880s. A county assessor is appointed by a board consisting of the chairman of the board of county commissioners, the county auditor and the comptroller of St. Paul. All the cities, villages and townships in Ramsey County, except St. Paul, elect local assessors. St. Paul has no assessor, assessments being made by the county assessor.

The elective city, village and township assessors have limited powers to assess. They may assess only such property as is assigned them by the county assessor. In practice, they are limited to such functions as checking on homestead occupancy to verify applications for homestead exemptions, making household goods valuations and assessing smaller businesses and industries. The county assessor and his staff make the entire assessment in St. Paul and assess property outside St. Paul which the county assessor has not assigned to the locally-elected assessors; all land, and buildings occupied by all but the smallest businesses and industries.

The 1954 budget for the Ramsey County's assessor's office is \$253,230 with \$179,860 for salaries of permanent employees and \$53,000 for salaries of temporary help. The assessor's salary is \$10,250.

II

THE QUALITY OF ASSESSING IN HENNEPIN COUNTY

The goal of a good property assessment system is to treat all taxpayers fairly and equally. Has the assessment system in Hennepin County, outlined in the preceding section, resulted in fair and equal treatment for all taxpayers?

A. THE DEEPHAVEN ANALYSIS: NOVEMBER 1952

Background

In the summer of 1952, the Hennepin County Supervisor of Assessments conducted a sampling of assessments among the 47 towns, villages and cities of rural and suburban Hennepin County. The purpose of the sampling was to test the variation, if any, among the 47 assessing districts with respect to their levels of assessment. That is, were all the assessing districts assessing at approximately the same ratio of true and full value, and if not, how great were the variations? In conducting this sampling, the Supervisor of Assessments was acting under his authority to provide the Hennepin County Board of Equalization with information upon which it could equalize property valuations among the assessing districts in Hennepin County.

As a result of the sampling done by the Supervisor of Assessments, the County Board of Equalization ordered increases in the equalized valuation of 32 assessing districts, ranging from a low of 18% to a high of 150%, with a median of 52%; and decreases in the equalized valuation of three assessing districts, ranging from a low of 9% to a high of 29% and a median of 24%.

The valuation of the Village of Deephaven was increased by 68% by the County Board of Equalization.

A storm of protest rose from rural and suburban Hennepin County, and these protests were carried to the State Commissioner of Taxation. The Commissioner of Taxation suggested that the protesting groups and individuals bring in evidence to support their protests. Among the groups which did this was the Deephaven Taxpayers Association. The Deephaven group's report contained data which, it is believed, throws light on the question of how fair and equitable is the job being performed by the assessors under the assessment system now in effect in Hennepin County. The following pages present and analyze these data.

The Deephaven sample.

In its report of November 5, 1952, the Deephaven Taxpayers Association presented a summary of data it had gathered on the sales of 67 pieces of property in the Village of Deephaven for the period of May 1, 1951 through April 30, 1952. The association believed the 67 included practically every sale made during this period. There were

757 properties in the entire village.

The report listed the following information for each of the 67 pieces of property: original (before equalization) 1952 full and true valuation; 1952 full and true valuation adjusted across-the-board for the 68% increase; sales price; original full and true valuation as percentage of sales price; and adjusted full and true valuation as percentage of sales price. The report also showed the assessment - sales price percentages, before and after reassessment, grouped according to property valuation: \$0 - \$1499, \$1500 - \$2999, \$3000 - \$7499 - \$7500 and over.

The spread in assessment ratios among the 67 properties before and after the 68% upward adjustment was as follows:

Full and true valuation as percentage of sales price	Number of properties	
	Original Assessment	After Adjustment
0-- 4.9%	-	-
5.0-- 9.9%	1	-
10.0--14.9%	7	1
15.0--19.9%	14	2
20.0--24.9%	13	5
25.0--29.9%	18	8
30.0--34.9%	6	6
35.0--39.9%	5	11
40.0--44.9%	1	13
45.0--49.9%	1	5
50.0--54.9%	1	2
55.0--59.9%	-	7
60.0--64.9%	-	4
65.0--69.9%	-	-
70.0--74.9%	-	1
75.0--79.9%	-	1
80.0--84.9%	-	-
85.0--89.9%	-	-
90.0--94.9%	-	1
	67	67

What does this sampling tell us with regard to the quality of the assessing job that was done in Deephaven in 1952? Were the owners of the 67 properties getting fair and equitable treatment?

First of all, it is recognized that sales price has limitations as an index of true and full value. As noted in the preceding section the method of cubing is recommended by the State Tax Commissioner as being a more stable and uniform measure of true and full value. This is because sales price too easily reflects unusual circumstances in property exchanges. It is quite commonly recognized, for example, that homes sold with low down payment and a large mortgage carry a higher sales price than those sold with large down payment

and small mortgage. Two identical houses might be side by side and yet due to the differing financial and personal positions of the buyer and seller bring quite widely varying prices.

This limitation on the use of sales price as an index of true and full value, however, need not destroy the entire usefulness of this method. Dropping the extreme values gives considerable allowance to the variations attributable to the unusual market factors cited. It is not possible to come to conclusions that are as precise as those developed from use of cubed values, but general conclusions can be drawn. It was evidently on this principle that the State Commissioner of Taxation suggested that the Deephaven Taxpayers Association and other protesting groups in Hennepin County gather facts to support their protests. Also it was the basic theory used by the Department of Taxation itself in the State Equalization Aid study, to be referred to later.

The use of quartiles is one way of minimizing the effect of extremes. This method measures the spread of data by the value of the items 25%, 50%, and 75% from the bottom. The 25% and 75% items are the first and third quartiles and the 50% item is the median, or middle item.

The ratio of true and full value to sales price of the first quartile in the Deephaven sample of 67 properties before equalization was 18%, the ratio of the third quartile was 29%. In other words, the one-fourth of the properties with the highest assessment ratio were assessed at a ratio of at least 56% $\frac{(29-18)}{(18)}$ greater than the bottom one-fourth of the sample. Stated another way, in the middle one-half of the range of items, there was as much as 68% variation in the assessment ratio.

On this basis, it could hardly be contended that the taxpayers of the Village of Deephaven were being treated fairly and equitably.

Furthermore, the blanket equalization imposed on a poor original assessment has the effect of aggravating rather than improving the assessment relationship among properties. For example, take two properties both with market values of \$10,000. Assume that before equalization the first had an assessment ratio of 15% and the second a ratio of 30%. Thus, their true and full values were, respectively, \$1,500 and \$3,000, or a difference of \$1,500.

Application of the 68% across-the-board raise would make the first assessment ratio 25% and the second 50%. Then the true and full values of the two properties would be \$2,500 and \$5,000, respectively, or a difference of \$2,500.

The analysis of properties according to valuation groupings also showed the following:

<u>True and full Valuation</u>	<u>Number of properties</u>	<u>Weighted average of assessment ratio before reassessment</u>
\$ 0-\$1499	21	21.90%
1500- 2999	22	22.92%
3000- 7499	18	24.79%
7500- over	6	34.43%
Total	67	25.50%

It appears that the assessor placed a greater relative value upon the higher valued properties than on the lower valued properties.

B. THE STATE EQUALIZATION AID REVIEW

Assessed valuations are used in Minnesota as the basis for distributing state school aid. Areas with relatively high assessments are considered to be better able to support schools and therefore receive less aid, and vice versa.

Because of a widespread belief that many counties were deliberately holding assessments at a low level in order to receive more state aid, the 1951 Minnesota legislature authorized a committee to study the levels of assessment among the counties of the state.

The committee consists of the State Commissioner of Taxation, the Commissioner of Education and the Commissioner of Administration. The field work for the committee was done by the State Department of Taxation.

Hennepin County Survey

The results of the research done by the committee's staff in Hennepin County further bear out the results found in the Deephaven Taxpayers Association report.

The study covered the following samples:

<u>Type of property</u>	<u>Number</u>	<u>True and full value compared with -----</u>
Residential	2,093	Sales
Commercial	225	Appraisals
Farm	160	Sales
Industrial	2	Appraisals
Public Utility	25	Compared book value reported by Public Utility Division, Dept. of Taxation

Residential properties

In their survey of residential properties the state assessors checked properties in 38 of 47 cities, villages and towns in rural and suburban Hennepin. The number of properties checked in any one assessing unit varied from 1 up to 308, with a median of 24.

The tabulation below summarizes the median and first (Q1) and third (Q3) quartiles of the items in the sample and the percentage by which Q3 exceeds Q1, ($\frac{Q3 - Q1}{Q1}$), that is, the percentage by which the top item in the 50% of items exceeded the bottom item. Thus, in assessing unit 1, the top item in the middle 50% exceeded the bottom item in that group by 28%. In other words, one quarter of the properties in the sample were assessed at a ratio at least 28% greater than the one-quarter properties assessed at the lowest ratio.

<u>Assessing Unit</u>	<u>No. in Sample</u>	<u>Median</u>	<u>Q1</u>	<u>Q3</u>	<u>$\frac{Q3 - Q1}{Q1}$</u>
1	120	30.26%	28%	35%	25%
2	118	31.54	28	36	29
3	36	30.68	24	37	54
4	73	29.51	27	33	22
5	9	22.53	14	38	171
6	43	28.39	23	36	57
7	31	30.58	28	34	21
8	42	28.85	23	35	52
9	16	27.49	25	33	32
10	22	29.73	23	36	57
11	147	33.53	29	35	21
12	10	29.62	23	50	117
13	50	30.82	24	38	58
14	129	30.21	26	34	31
15	80	31.16	27	34	26

The data indicate that the pattern of wide variation in assessment ratios among properties within the same assessment unit was prevalent in numerous other units in Hennepin County besides Deephaven. They further indicate that equalization of total assessments among all the assessment units did not remove the basic inequities in assessments, that is, the differences among individual properties in the same assessment unit.

C. THE WAYZATA ILLUSTRATION

In 1952 the County Board of Equalization ordered a blanket increase of 89% in valuations in the City of Wayzata. Abatements processed to date -- 47 in number -- have resulted in a reduction of more than \$500,000 in 1952 true and full valuations. This was clear evidence that the percentage increase only served to aggravate existing inequality.

The City was fortunate to secure as local assessor in 1952 a

retired resident with engineering experience who, without pay, gave the job virtually full time attention for the better part of two years. The City's 1954 assessment books reflected an almost total reassessment. Out of an estimated 1,000 separate parcels, approximately 850 were reassessed according to sound assessment procedures. Of these, 623, or 73%, were changed from 1952 valuations. Increases resulted in two thirds of these cases, or 414 parcels, and decreases in one third, or 209 cases. Not counting abatements, the decreases equalled \$235,035, and the increases \$294,231 in true and full values, or a net increase of \$59,196. The City's books were accepted by the County Board of Equalization exactly as prepared and with unanimous commendation for an excellent job done at the local level.

CONCLUSIONS

The Deephaven analysis, the Hennepin County assessment survey for the State Equalization Aid Review Committee, and the experience in the City of Wayzata point to these conclusions:

1. There was considerable variation in the assessment ratios of individual properties in suburban and rural Hennepin County, resulting in basic inequities in property taxation. From the Deephaven analysis, furthermore, it appears that higher valued properties were assessed at a higher ratio.

2. Equalization by local review boards and the County Board of Equalization did not correct the inequities. Equitable assessment requires first of all a good original assessment. The value of a competent local assessor is shown by the Wayzata experience.

III

THE DEFECTS IN THE ASSESSMENT SYSTEM

At one time in our history assessing was a job that probably could be done by any honest and intelligent person well acquainted with the community he was assessing. Today, however, assessing is a technical job requiring the training, experience and judgment of a specialist, and the use of specialized records and equipment. As evidence one need only turn to the latest Minnesota Assessor's Manual and read the instructions it gives on assessing property.

The National Association of Assessing Officers - the existence of which itself is an indication of the professionalization of the assessing function - has set forth some of the qualifications desired in a modern assessor: (Assessment Organization and Personnel, p 153)

"The assessor needs to have some acquaintance with many fields of learning. He should know something of the law of property and quite a lot of the law of taxation. He should know enough about surveying to be able to use a tax map and describe property accurately. He needs to know certain aspects of architecture and structural engineering if he is to appraise improvements, of real estate management and sales practices if he is to value urban land, and of soils and farming methods if he is to appraise rural land. An understanding of the techniques of private appraisers is required to appraise some parcels of improved real estate and to defend assessments against complaining taxpayers. In the appraisal of personal property, familiarity with accounting is almost a necessity, and a knowledge of purchasing techniques is helpful....."

Other publications of the same group describe desirable records and facilities for use in making accurate assessments.

In determining the causes of the wide variation in individual assessments in Hennepin County, as shown in the preceding section, it becomes of fundamental importance to decide whether the system of local assessment in Hennepin County results in the attraction of qualified personnel and the use of up-to-date facilities and techniques.

These conditions now exist:

1. Local assessors with a few exceptions are chosen by election. This is a notoriously poor way to select and keep competent individuals for an administrative position. Voters are moved by other considerations besides technical ability, even if they are fortunate enough to get accurate knowledge of the candidate's ability.
2. To be elected assessor a candidate need have no special qualifications.
3. Salaries are low. At the maximum of \$12.50 per day for 120 days the salary is \$1,500.

4. The time for assessing is too short for the job to be done in many of the municipalities of Hennepin County. As noted in section I, in many of the municipalities of Hennepin County assessing is practically a year around job. The assessor is frequently put on the payroll in some other capacity so that he may carry on his assessing work.

On the theory that the rate of turnover among assessors can be a significant index of the attractiveness of the job as well as the experience built up by assessors on the job, figures were compiled on the number of assessors who have held office in Hennepin County's 16 townships during the 15 year period 1940 - 1954. The information was obtained from assessors' bonds which must be filed in the office of the Hennepin County Auditor. It is summarized in Table 1.

Because a few of the assessors were serving as assessors in 1940 on terms that began before then, and some who are serving now will continue to serve beyond 1954, the figures are biased on the side of shorter term and faster turnover. However even allowing for this, the median length of service probably is under three years.

It would appear that replacement of the assessor every three years would be a serious handicap in the performance of a good assessing job. This relatively quick turnover doubtless stems from the job's conditions, particularly compensation and tenure.

TABLE I

NUMBER OF YEARS IN OFFICE OF TOWNSHIP ASSESSORS IN HENNEPIN COUNTY

1940 - 1954

Number of assessors in office, 1940 - 1954:

TOWNSHIP	Less than 1 yr.	1 yr.	2 yrs	3 yrs	4 yrs	5 yrs	6 yrs	7 yrs	8 yrs	Total
1. Brooklyn			1				1	1		3
2. Champlin		2	1	1	2					6
3. Coorsran		1	1	1	1	1				5
4. Dayton		4	1							6 (1)
5. Eden Prairie				1	3					4
6. Excelsior	1	1					1		1	4
7. Greenwood										1 (2)
8. Hassan					2			1		3
9. Independence			1	1		2				4
10. Maple Grove								1	1	2
11. Medina		5	3		1					9
12. Minnetonka				1						2 (3)
13. Minnetrista		1						2		3
14. New Hope		3	1		1		1			6
15. Orono			1	3	1					5
16. Plymouth	2	1				1			1	5
	3	18	10	8	11	4	3	5	3	68

(1) Includes one assessor in office 9 years

(2) Includes one assessor in office 15 years

(3) Includes one assessor in office 12 years

Median number of years in office: 2 years, 5 months.

Median number of assessors per township: 4

SOURCE: Assessors' bonds on file in Hennepin County Auditor's office.

IV

HOW CAN THE SYSTEM BE IMPROVED?

Given the need for qualified personnel to perform the assessing job, what conditions are needed to attract and hold competent personnel?

The National Association of Assessing Officers believes first of all the job should be full time. It makes the following further pertinent recommendations:

- . As a general rule, assessors should be appointed to office.
- . Appointments should ordinarily be made by the chief executive or executive board of the assessment district.
- . An appointed assessor should generally serve for an indefinite term of office and an elected assessor for a term of not less than four nor more than eight years, without restrictions as to service of successive terms.
- . Assessors should be removable for good cause, by the appointing agency if appointed, by the electorate and by the courts or the head of the state tax department if elected.
- . The assessor's compensations should take the form of a fixed annual salary, not fees, commissions, or per diem allowances.
- . The compensation of many assessors should be increased by means of (a) larger appropriations by existing assessment districts, (b) state aid to existing districts, or (c) the consolidation of districts of uneconomic size.

The size of the assessing unit has a direct bearing upon the assessor's position. In the first place, the assessing unit must contain enough property to require full time duty. Second, it must have enough wealth to support the payment of an adequate salary and other expenses of a modern assessing unit.

In 1941, the NAAO believed that no assessment department could operate adequately with an appropriation of less than \$5,000. Allowing for the increased cost of living this would be about \$10,000 today.

Table 2 on the next page shows the amount of millage tax levy required in each town, village and city of rural Hennepin County to raise \$10,000 in 1954. Clearly, there are many communities that by themselves can not support an adequate assessment office according to professional standards.

By comparison, the City of Minneapolis' Assessor's Office, which is generally well regarded in assessing circles, has an appropriation for 1954 of \$294,745. This amounts to a levy of about .86 mill.

TABLE II

MILL TAX LEVY REQUIRED TO RAISE \$10,000 IN
TOWNS, VILLAGES AND CITIES OF HENNEPIN COUNTY
EXCLUDING MINNEAPOLIS

1954

<u>Towns</u>		<u>Villages and cities</u>	
Brooklyn *	7.4	Bloomington	1.7
Champlin	50.0	Brooklyn Center	4.8
Corcoran	24.0	Champlin	50.0
Dayton	39.0	Crystal	2.7
Eden Prairie	12.5	Dayton	330.0
Excelsior	7.4	Deephaven	7.5
Greenwood	33.4	Edina	0.8
Hassan	33.0	Excelsior	11.0
Independence	18.2	Golden Valley	2.4
Maple Grove	20.4	Hanover	319.8
Medina	22.8	Hopkins	1.1
Minnetonka	1.9	Island Park	23.3
Minnetrista	9.0	Long Lake	48.3
Orono *	3.7	Loretto	241.7
Plymouth	5.8	Maple Plain	51.0
		Medicine Lake	82.0
		Minnetonka Beach	22.1
		Morningside	10.2
		Mound	12.5
		New Hope	26.4
		Osseo	18.1
		Richfield	0.9
		Robbinsdale	2.0
		Rockford	1346.2
		Rogers	83.2
		St Bonifacius	158.7
		St Louis Park	0.7
		Spring Park	35.2
		Tonka Bay	15.8
		Wayzata	5.8
		Woodland	23.8

*This was before the town
of Brooklyn became incorporated
as the Village of Brooklyn Park
and the town of Orono incorporated
as a village.

SOURCE: Financial Statement of Hennepin County, 1953, prepared by Hennepin
County Auditor

It seems apparent that a large part of Hennepin County would not have the benefit of an effective assessment office unless arrangements were made for an assessment office to be supported by, and have jurisdiction over, a number of municipalities. In other words, there would have to be consolidation of governmental units for assessment purposes.

Following the criterion of adequate economic base to the letter would result in a number of taxing units in Hennepin County having their own assessment office and the remainder being combined in one or more consolidated units. The widely - dispersed nature of the taxing unit making up the latter doubtless would raise problems of administration and intergovernmental relations.

The NAAO has concluded that the most feasible unit of assessment is the county. A centralized county assessment unit provides a large enough economic base to support a trained assessor on a full time basis with a competent full time staff and the advantages of specialization that accompany a larger central office. In addition to providing the competent personnel to do a good original assessment, the very fact that the total assessment job is done by a single integrated staff results in more uniformity and less need for equalization.

V

EXPERIENCE ELSEWHERE WITH THE COUNTY ASSESSOR SYSTEM

The Municipal Year Book is an authoritative annual review of developments in the field of local government prepared by the International City Managers Association. In the 1953 edition appears the following quotation:

"The most significant change in assessment administration in 1952 took place in Pennsylvania. A law which became effective early in the year provided a full-time county assessor system in place of the borough and township pattern. The chief assessor was made directly responsible for the county assessment roll in all counties of less than 100,000 population. The duties of the borough and township assessor were reduced to gathering facts for the chief assessor who is appointed by the county board of assessment and revision of taxes. The same act also requires that each county install a modern assessment system within five years.

"The Pennsylvania change is in harmony with a somewhat similar development taking place in recent years in a number of other states (Maryland and Iowa are mentioned). These moves reflect a growing awareness of the importance and difficulty of assessment work and a realization that it can never be done properly by part-time assessors."

An impressive amount of data has recently been assembled in other places in support of demands there for a county assessor system.

Milwaukee Survey

A Bulletin of the Milwaukee Citizens' Governmental Research Bureau, Inc., dated March 13, 1954, provides recent data on assessment areas throughout the country. In 26 states all assessment is by county assessors, in 14 states each municipality does its own assessing, and in eight states, including Minnesota, there are county assessors in some counties and local assessors in others. Minnesota has more different taxing districts than any other state in the union.

A similar leaning toward the county assessor system is seen in the 25 largest American cities. A county assessor makes the sole assessment in the counties which include Chicago, Cleveland, Cincinnati, Boston, Seattle, Pittsburgh, Los Angeles, and Kansas City, Mo., and there is only one assessor for the five counties which make up New York City. The following cities are co-extensive with their counties, are assessed by just one assessor, and therefore do not have the problem of equalizing valuations among several assessing units for county tax purposes: Baltimore, St. Louis, Washington, Denever, San Francisco, New Orleans and Philadelphia. Finally, in Houston, Dallas and San Antonio a county assessor makes the assessment for county and state tax purposes, but a local assessor assesses for local purposes.

On total, then, 16 of the 25 largest United States communities are assessed by a county assessor who has jurisdiction over adjoining taxing districts or authority within a consolidated city-county, and three more of these cities use a county assessor for all except local taxes.

The counties containing the other six of the largest 25 cities retain local assessors, as follows:

<u>City</u>	<u>Number of assessing districts in county</u>
Indianapolis	5
Milwaukee	22
Newark	22
Detroit	43
Buffalo	44
MINNEAPOLIS	48

From the Milwaukee survey it may fairly be concluded that much of the country has determined that the once-universal system of local tax assessment is no longer suited to its needs.

The New Jersey Study

In 1953 the New Jersey Commission on State Tax Policy issued its sixth report titled, The General Property Tax in New Jersey -- A Century of Inequities. New Jersey has had an assessment system identical with Minnesota's, in terms of local assessment with equalization on both the county and the state levels, with both the county and state charged with the task of supervision of assessors, and with some power in the state to reassess particular districts.

The New Jersey commission proceeded by sending detailed questionnaires to the assessors and boards of equalization throughout the state, and also had the advantage of having actual appraisals of more than 21,000 residential and 2,300 commercial and industrial properties, against which it was able to check the assessed valuations. The conclusion of this commission, supported by a well-documented 238 page report, is:

"Gross inequalities in individual assessments are widespread."
(...p. xxiv)

The commission made another point, by way of conclusion, which might well be true also of Minnesota:

"Even beyond the basic problem of a fair share of the burden, the general property tax has offered opportunities for manipulations that are no part of sound government. The loss of municipal and school borrowing power under the debt limits, due to under-assessment is a matter of common knowledge. The depression of assessed value to

avoid full participation in the county tax rate, is an accepted competitive device. The high tax rate and the low assessment are too frequently evidence of attempts at more State aid, through a reduction of the local "fair share" requirements." (p. xxxviii)

The principal means suggested for remedying the demonstrably bad condition existing in New Jersey is an improvement in administration. The commission criticizes low pay and lack of training which is common among assessors. It rejects, on the basis of experience in New Jersey and in other states, the notion that supervision of local assessors is sufficient:

"The assessors' (local assessors in New Jersey) experience everywhere has proved that supervision or any other device cannot substitute for a good original assessment by the local assessor. Other states have also found that they must key their efforts at improving the administration of the property tax to one way or other of improving the original assessment. The emphasis on State-wide revaluations as a point of beginning has been strong. But everyone has recognized that this costly and sometimes disappointing procedure cannot substitute for competent and effective local assessors who give continuous attention from year to year to the problem of equality of taxation." (p. 141)

The commission's major recommendations are:

"(1) The county should be established as the primary assessment district, with provision for a fully qualified and competent county assessor, including provision for the absorption of all qualified assessing personnel now employed in the various taxing districts.

"(2) An adequate assessment district will, of course, fail to achieve its purpose unless it is recognized that the assessment process is a technical operation to be performed by technically qualified personnel entirely divorced from any political considerations. The idea of an elected assessor is as incomprehensible as the idea of an elected engineer, health officer or institutional superintendent. All of them are technical jobs and require technically qualified people. Failure to recognize this fact with respect to the assessor is largely responsible for the decay of the general property tax. A new statute should set forth detailed qualifications for county assessors who should be appointed by the County Board of Chosen Freeholders." (p. 154)

Views of Other Authorities

The Minnesota Efficiency in Government Commission (Little Hoover Commission) made the following statement in its report issued in December 1950:

"Under present laws each county must have either a county assessor or a supervisor of assessments. Presently about half the counties have one system, and half the other. 'Supervisors of assessments' is a misnomer; they cannot supervise, they only advise the many town, village and city assessors. There are still in excess of 2,600 local assessors, most of them without training or adequate experience, and working on a part time basis. The

desirable goal of true equalization of assessments throughout the State will never be attained so long as the supervisor of assessments exists." (p. 165)

The commission recommended:

"Provide a county assessor for each county, to be appointed by the Board of County Commissioners with approval of the Commissioner of Revenue and subject to removal by the County Board, or by the Commissioner of Revenue." (p. 165)

Finally, it is worth noting that Minnesota's Commissioner of Taxation, G. Howard Spaeth, has gone on record in favor of a county assessor system.

In December 1953 Commissioner Spaeth appeared before the League's County Government Operations Committee to discuss the results of the Hennepin County part of the state equalization aid review, and the general problem of assessing in Hennepin County. The Minneapolis Tribune reported as follows:

"He said he strongly urges centralization of assessment duties in each county under one man -- a county assessor. The county supervisor system, used in Hennepin, is inadequate, he said, because the supervisors can only advise local assessors." (December 2, 1953).

VI

RECENT CHANGES PROPOSED IN HENNEPIN COUNTY

Chiefly as the result of dissatisfaction with the working of the supervisor of assessments system, for a number of years there has been agitation to change the assessing pattern in suburban and rural Hennepin County. This agitation culminated in the submission of proposals for changes in the law at the 1953 legislative session. These proposals were not enacted, but there have been subsequent developments looking toward proposals for modification in the 1955 legislature along the lines proposed in 1953.

The 1953 Legislative Proposal: Senate File 530

The proposal for changing the assessment system in suburban and rural Hennepin County in the 1953 legislature which appeared to get the most support and came nearest to passage was Senate File 530. Its basic provisions were:

1. Each August a seven-member assessment commission would be selected by and from the presiding officers of the governing bodies of each of the 47 cities, villages and townships in Hennepin County outside Minneapolis. Four members would be from the cities and villages and three from the townships.
2. The commission would appoint a County Assessor who would have the same powers and duties as the county assessors under the general county assessor law (see Section I). The County Assessor would be appointed to start December 1, 1953 and would have a four year term, subject to dismissal by the commission for inefficiency or neglect.
3. The commission would prepare the Assessor's budget and set his salary. The expenses of the office would be assessed against all property outside Minneapolis. There would be no statutory limit on the budget.
4. With the approval of the commission, the Assessor would have the power to employ one or more assistants and clerical help. His office would be at the Hennepin Court House.

The proposal would effect two major changes compared with the present supervisor of assessments system. (1) There would be a county assessor instead of a supervisor. (2) The County Board of Commissioners would no longer have power over the county-wide official charged with supervisory assessing responsibility. He would be appointed by a body responsible to cities, villages and townships of Hennepin County outside Minneapolis.

Principles underlying proposal

Apparently underlying S. F. 530 and other proposals that have been advanced for legislative change from rural Hennepin County in recent years is the fundamental belief in the value of retaining local

control of the individual who performs the original assessment. This point of view holds that by continuing to elect their own assessors from year to year, the residents of the cities, villages and towns would be assured of having more control over the assessing process and therefore more assurance that they were fairly assessed. They would receive a quicker and fairer hearing if they had any complaint to make. Accompanying this belief is the feeling that the present provisions for appeals to authority higher than the County Board of Equalization -- and perhaps any provisions that can be devised -- are cumbersome and inevitably biased against the aggrieved taxpayer.

Improvements over present system

1. The County Assessor would make the original assessments, even though the local assessors would make the original appraisals. Also he would be able "to personally view and determine the value of any property which because of its type or character may be difficult for the local assessor to appraise..." Thus to the extent that he would be competent and have an adequate staff and facilities, he would be able to assure greater fairness and uniformity in assessments in the original instance.

2. With the responsible controlling body being selected entirely from suburban and rural Hennepin County, it is likely that the work of the County Assessor would receive more acceptance in suburban and rural Hennepin than the work of any county assessor or supervisor of assessments appointed by the County Board within the present political atmosphere that prevails throughout Hennepin County.

It is a fact that there is widespread feeling among the residents of Hennepin County outside Minneapolis that any county-wide assessment job done by a supervisor or county assessor appointed by the County Board, in which the City of Minneapolis has four of the five members, will be prejudicial to the interests of rural and suburban Hennepin County property owners.

Disadvantages

1. Local assessors in the townships and most villages will still be elective, compensation will still be limited and the assessing period will still be restricted. Making the basic appraisal still would be handicapped by these factors which bear upon the qualifications of assessors and conditions for good assessing work. To the extent that the local assessors' work was not reviewed by the County Assessor or done by his staff in the first instance, it would suffer. To the extent that the County Assessor would provide the review and the original assessment, when he desired, there would be duplication of personnel and probably area for friction and disagreement, since he would have no control over their tenure.

2. The County Board of Equalization would still have the duty to equalize property values throughout the county (see Section I). Abolition of its power to appoint a county supervisor would leave

doubt as to who would provide the Board with staff assistance in its equalization job.

3. No qualifications are set up in the proposal for the County Assessor and his staff.