



Property taxes by the numbers

A closer look at the Citizens League 2007 Property Tax Survey

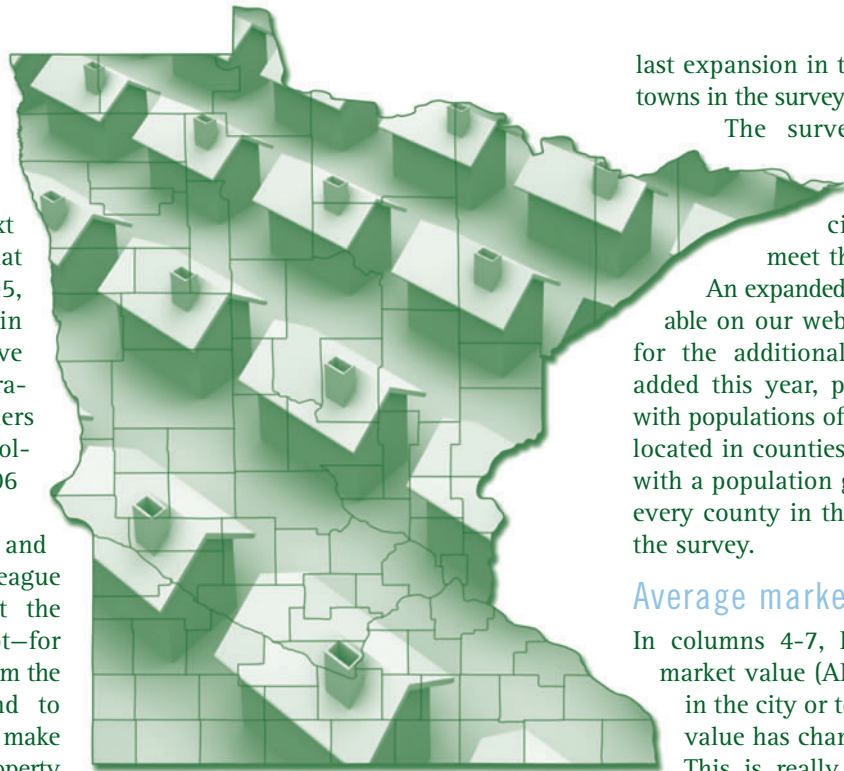
By Bob DeBoer

For the past four years (2003-2007) I have taken a close look at the property taxes homeowners pay around the state. Each year I have added some good data and, I hope, a little context to the public understanding of what drives property taxes. In 2005, we began to measure growth in property taxes in terms of effective tax rates. Last year I noted the extraordinary impact on homeowners of market value levies from school-referenda (see the December 2006 *Minnesota Journal*).

This year there are a lot of new and improved aspects to the Citizens League annual property tax survey, but the biggest change may be my attempt—for the first time—to look at the data from the perspective of a homeowner and to answer the question, “How do I make sense of all these numbers?” The property tax survey and its accompanying tables can be confusing, so in this issue of the *Minnesota Journal*, I’ve attempted to walk readers through the tables, explaining some of the calculations, the quirks, and the reasoning behind them. In addition, on our website you’ll find an individual tax profile for each community included in the 2006 and 2007 surveys.

One county more

The first thing to note is that Table 1 covers communities in the seven-county metropolitan area. If you live outside the metro, Table 2 is for you. Both tables are organized alphabetically by county, so there are seven counties in Table 1 and—oddly enough—81 counties in Table 2. Already we have an anomaly: 88 counties—one more county than the state has. That’s because Scott County is listed twice; once in Table 1 for the metro area and once in Table 2 because the city of New Prague has homes in both Le Sueur and Scott counties. Even though New Prague now has a majority of its residential homesteads in Scott County, it continues to be classified as a non-metro city because it is not under the jurisdiction of Metropolitan Council and it doesn’t take part in regional tax-base sharing.



Hey, where’s my school district?

Quite a few cities and towns are represented by more than one school district. So, just as I used the Scott County tax rate for New Prague because that’s where most of the city’s residential homesteads are located, in the school district listing in column 2, I’ve selected the school district where the greatest number of homes are located. In some cases, such as Burns Township in Anoka County, the numbers are close: school district 15 (the one I selected) has 427 homes, school district 728 has 411 homes, and school district 11 has 379 homes. In most other cases, school district boundaries include at least a majority, if not all, of the homes in a city or town.

Population limitations

Population is in column 3 because it is the threshold by which cities and towns are included in the survey. This year the survey includes cities and towns with a population of 2,000 or greater. Last year, the threshold was 2,300 for communities in the metro, and 3,500 for non-metro communities. The result is a great expansion in the number of non-metro communities included in the survey and the addition of four metro communities. I expect that this will be the

last expansion in the number of cities and towns in the survey (at least for a few years).

The survey now includes 117 metro cities and towns and 212 non-metro cities and towns that meet the population threshold.

An expanded version of Table 2, available on our website, shows calculations for the additional 106 non-metro cities added this year, plus 14 additional cities with populations of fewer than 2,000 people located in counties that do not have a city with a population greater than 2,000. Now every county in the state is represented in the survey.

Average market value

In columns 4-7, I calculate the average market value (AMV) of all of the homes in the city or town and how much that value has changed from 2006 to 2007. This is really important because the amount that a homeowner pays in property taxes is directly related to the market value of their home. Each year homeowners receive a property tax statement from the county. Take a look at the value of your home listed on your property tax statement for taxes payable in 2006 and 2007, and then look at the average value home for your community in Table 1 or Table 2 to see whether your home’s value is more or less. Next, look at the percentage the average market value went up in comparison to the change in your home’s value. If your home’s value went up more than the average, your tax increase was higher or your tax decrease was lower because a little bit more of the taxes were distributed to you compared to those who had below average market value increases (quick anomaly: not every city had an increase in average market value; Oak Park Heights in Washington County had a slight decrease in average market value from 2006 to 2007).

How does my community stack up?

Next I get to what everyone wants to know: How much are my taxes and how do they compare to taxes in other communities? The first thing to look at is the dollar amount of taxes paid on an average value

home, (listed in column 8 in 2006 and column 11 in 2007) because that is the best way to show what a significant number of people in that community are paying in property taxes and the change from last year to this year. Remember, however, that your taxes will be lower or higher depending on how close you are to the average value and whether or not you are in the school district with the greatest number of homes.

Effective tax rates

The effective tax rate (column 9 in 2006 and column 12 in 2007) is the measure that determines how your community compares to other communities. The effective tax rate is actually a very simple measure: it's the percent of your home's value (your asset) that you pay in property taxes. With the exception of one community just added in 2007 (Elbow Lake in Grant County), all cities and towns in the survey have effective tax rates of less than 2 percent, which means that they pay less than 2 percent of the value of their homes in property taxes. Some communities (typically those that receive the taconite credit) pay less than a half-percent of their homes' value in property taxes. By comparing the effective tax rate over time, you can see if your community is increasing or decreasing the percentage of market value paid in property taxes.

Columns 11 and 14 rank communities according to their effective tax rates. This is where it gets a little tricky. In both tables 1 and 2, I first show how the rankings compare for the exact same set of cities and towns from 2006 to 2007 (113 cities and towns), so that the changes in ranking are not distorted by the cities and towns added in 2007. In Table 1, I used parentheses in column 14 to show how the four additions in this year's survey (Lexington, Laketown Township, Empire Township and Elko New Market) rank out of 117 cities and towns in 2007. Because the survey

includes so many more Greater Minnesota cities and towns I've insert an extra column to show the 2007 rankings by themselves (226 total) next to the rankings that compare 2006 and 2007 (106 total).

It is important to note that the 2006 rankings include some minor corrections to last year's data. In the metro area, we have now started to calculate the application of



a higher state class rate for home values over \$500,000. The state sets a class rate of 1 percent for all home value up to \$500,000 and a class rate of 1.25 percent for home value over \$500,000. The state class rate is applied to the different local tax rates and tells the county how much to tax each property.

Some changes from last year

In 2007, nine metro cities show an average market value for homes greater than \$500,000. To accurately reflect changes from 2006 to 2007, I recalculated the taxes on the six cities with average market values greater than \$500,000 in 2006 (Orono, North Oaks, Wayzata, Minnetrista, Deephaven, and Medina).

For Greater Minnesota this year, I received a complete distribution of the taconite credit and found that it was distributed more broadly than I had realized. In 2006, I neglected to apply the credit to unorganized territories in Itasca and St. Louis counties and to the cities of Ely and Two Harbors.

In the end

In the last two columns you get the basic changes: the percent and dollars that taxes went up or down on an average value home. In general, if the taxes on an average value home went up less than the percentage increase in market value, the effective tax rate has gone down, even though homeowners are often paying more in property taxes.

If you don't really care about all the comparisons, I have found that the easiest way to look at property taxes from year to year in any community is to look at the market value change in column 7 and the tax change in the last column to get sense of the property tax change in the most straightforward terms. For example, the owner of an average value home in Detroit Lakes paid an additional \$68 in property taxes in 2007 compared to 2006 on a home that increased in value by \$18,500.

Is it really valid to compare Minneapolis and West Lakeland Township?

In many ways the answer is "no". When communities are so different, it is not necessarily helpful to compare homeowner property taxes because there is no parallel comparison of the services and the value of the services received by the taxpayer. That's why we are offering a new way to look at property taxes this year based on city clusters developed by the Minnesota House Research Department and the League of Minnesota Cities. These clusters are updated once every 10 years based on census data so they will change again in 2010, but they offer a helpful way to group cities (townships then become a separate group).

To view these clusters, and to access our usual breakdowns by level of local government, visit our website at www.citizensleague.org. ●

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TABLE 2: PROPERTY TAXES ON AVERAGE VALUE HOMES IN GREATER MINNESOTA COMMUNITIES, 2006-2007

Cities and towns with populations greater than 2,000, ranked by effective tax rate (ETR)

County	Community	School District	2006 Est. Pop.	2006 Average MV	2007 Average MV	2006-07 %MV Change	2006-07 \$MV Change	2006 Final Tax	2006 Effective Tax Rate	2006 Tax Rank	2007 Property Tax	2007 Effective Tax Rate	2007 Tax Rank	2006-07 % Tax Change	2006-07 \$ Tax Change
BECKER	DETROIT LAKES	0022	8,195	\$134,101	\$152,607	13.8%	\$18,507	\$1,258	0.938%	78	\$1,326	0.869%	82	5.4%	\$68
BELTRAMI	BEMIDJI	0031	13,074	\$100,510	\$114,198	13.6%	\$13,688	\$1,138	1.132%	38	\$1,216	1.065%	50	6.9%	\$78
	NORTHERN TWP	0031	4,295	\$156,202	\$178,636	14.4%	\$22,434	\$1,656	1.060%	49	\$1,753	0.981%	66	5.8%	\$96
BENTON		0047	12,679	\$148,571	\$156,094	5.1%	\$7,523	\$2,005	1.349%	10	\$2,078	1.331%	8	3.7%	\$74
BLUE EARTH	MANKATO	0077	35,493	\$152,381	\$161,801	6.2%	\$9,421	\$1,339	0.878%	82	\$1,449	0.896%	80	8.3%	\$111
BROWN	NEW ULM	0088	13,610	\$114,476	\$119,225	4.1%	\$4,749	\$1,393	1.217%	27	\$1,444	1.211%	26	3.6%	\$51
	SLEEPY EYE	0084	3,584	\$82,496	\$85,756	4.0%	\$3,260	\$706	0.856%	84	\$744	0.868%	84	5.5%	\$39
CARLTON	CLOQUET	0094	11,714	\$115,193	\$131,243	13.9%	\$16,050	\$1,471	1.277%	17	\$1,603	1.221%	22	9.0%	\$132
	THOMSON TWP	0099	4,857	\$156,939	\$176,909	12.7%	\$19,970	\$2,092	1.333%	12	\$2,192	1.239%	19	4.7%	\$99
CHIPPEWA	MONTEVIDEO	0129	5,463	\$73,322	\$75,907	3.5%	\$2,585	\$936	1.277%	18	\$966	1.273%	15	3.2%	\$30
CHISAGO	CHISAGO CITY	2144	4,307	\$222,692	\$249,224	11.9%	\$26,533	\$2,748	1.234%	23	\$3,041	1.220%	23	10.7%	\$293
	CHISAGO LAKE TWP	2144	3,703	\$259,717	\$290,925	12.0%	\$31,208	\$2,701	1.040%	56	\$3,046	1.047%	54	12.8%	\$345
	LINDSTROM	2144	3,966	\$209,679	\$225,395	7.5%	\$15,715	\$2,446	1.167%	34	\$2,743	1.217%	24	12.1%	\$297
	NORTH BRANCH	0138	10,468	\$188,838	\$207,435	9.8%	\$18,597	\$2,275	1.204%	29	\$2,491	1.201%	27	9.5%	\$217
	WYOMING	0831	3,760	\$204,505	\$216,472	5.9%	\$11,967	\$2,441	1.194%	31	\$2,598	1.200%	28	6.4%	\$157
	WYOMING TWP	0831	3,562	\$264,842	\$288,764	9.0%	\$23,922	\$2,632	0.994%	68	\$2,780	0.963%	71	5.6%	\$147
CLAY	MOORHEAD	0152	35,225	\$124,864	\$131,532	5.3%	\$6,668	\$1,405	1.126%	39	\$1,418	1.078%	48	0.9%	\$13
COTTONWOOD	WINDOM	0177	4,436	\$77,720	\$80,428	3.5%	\$2,708	\$958	1.233%	25	\$1,018	1.266%	16	6.3%	\$60
CROW WING	1ST UNORGANIZED	0181	5,483	\$190,853	\$215,583	13.0%	\$24,730	\$1,255	0.658%	102	\$1,358	0.630%	101	8.2%	\$103
	BAXTER	0181	7,594	\$175,178	\$191,252	9.2%	\$16,075	\$1,674	0.955%	74	\$1,788	0.935%	77	6.8%	\$114
	BRAINERD	0181	13,947	\$108,865	\$116,521	7.0%	\$7,656	\$924	0.849%	86	\$963	0.826%	92	4.2%	\$39
DODGE	KASSON	0204	5,504	\$139,564	\$143,256	2.6%	\$3,693	\$1,653	1.185%	32	\$1,692	1.181%	31	2.3%	\$38
DOUGLAS	ALEXANDRIA	0206	11,323	\$142,755	\$156,109	9.4%	\$13,353	\$1,206	0.845%	87	\$1,305	0.836%	90	8.2%	\$99
	ALEXANDRIA TWP	0206	4,139	\$212,776	\$236,462	11.1%	\$23,686	\$1,660	0.780%	96	\$1,772	0.750%	98	6.8%	\$112
	LAGRAND TWP	0206	4,374	\$215,453	\$233,336	8.3%	\$17,883	\$1,751	0.813%	90	\$1,832	0.785%	94	4.6%	\$81
FARIBAULT	BLUE EARTH	2860	3,463	\$72,778	\$77,736	6.8%	\$4,957	\$749	1.029%	59	\$805	1.035%	57	7.5%	\$56
FREEBORN	ALBERT LEA	0241	18,184	\$92,594	\$99,777	7.8%	\$7,182	\$1,030	1.112%	41	\$1,087	1.089%	45	5.6%	\$57
GOODHUE	CANNON FALLS	0252	4,109	\$167,984	\$183,403	9.2%	\$15,418	\$2,309	1.375%	8	\$2,245	1.224%	21	-2.8%	-\$65
	RED WING	0256	16,329	\$159,963	\$172,742	8.0%	\$12,779	\$1,926	1.204%	30	\$2,030	1.175%	34	5.4%	\$104
HOUSTON ISANTI	LACRESCENT*	0300	5,158	\$152,837	\$163,209	6.8%	\$10,372	\$1,805	1.181%	33	\$1,955	1.198%	29	8.3%	\$150
	BRADFORD TWP	0911	3,717	\$187,254	\$209,885	12.1%	\$22,631	\$1,597	0.853%	85	\$1,579	0.752%	97	-1.2%	-\$18
	CAMBRIDGE	0911	7,382	\$157,628	\$169,392	7.5%	\$11,763	\$2,040	1.294%	16	\$1,995	1.178%	32	-2.2%	-\$45
	ISANTI	0911	5,206	\$150,020	\$160,970	7.3%	\$10,950	\$1,959	1.306%	15	\$1,901	1.181%	30	-3.0%	-\$58
ITASCA	GRAND RAPIDS+ UNORGANIZED+	0318	8,790	\$114,065	\$128,517	12.7%	\$14,453	\$1,135	0.995%	67	\$1,237	0.962%	72	8.9%	\$101
		0318	6,311	\$168,355	\$190,662	13.2%	\$22,306	\$1,053	0.625%	104	\$1,167	0.612%	102	10.9%	\$114
KANABEC	MORA	0332	3,568	\$122,265	\$129,613	6.0%	\$7,348	\$1,257	1.028%	60	\$1,313	1.013%	61	4.4%	\$56
KANDIYOHI KOOCHICHING	WILLMAR	0347	18,948	\$109,804	\$120,442	9.7%	\$10,638	\$1,128	1.027%	61	\$1,234	1.024%	59	9.4%	\$106
	INTERNATIONAL FALLS	0361	6,335	\$61,616	\$67,158	9.0%	\$5,542	\$495	0.803%	93	\$546	0.813%	93	10.3%	\$51
	UNORGANIZED	0361	5,830	\$104,272	\$113,308	8.7%	\$9,036	\$498	0.477%	105	\$536	0.473%	104	7.6%	\$38
LAKE	TWO HARBORS+	0381	3,673	\$73,316	\$76,118	3.8%	\$2,802	\$735	0.694%	99	\$330	0.434%	106	-55.1%	-\$405
LE SUEUR	LE SUEUR	2397	4,297	\$133,995	\$141,105	5.3%	\$7,110	\$1,774	1.324%	14	\$1,817	1.288%	12	2.4%	\$43
LYON	MARSHALL	0413	13,031	\$131,303	\$140,982	7.4%	\$9,679	\$1,599	1.218%	26	\$1,660	1.178%	33	3.8%	\$61
MARTIN	FAIRMONT	2752	10,720	\$91,636	\$102,764	12.1%	\$11,127	\$762	0.832%	89	\$906	0.881%	81	18.8%	\$143
MCLEOD	GLENCOE	2859	5,758	\$132,191	\$143,053	8.2%	\$10,862	\$1,667	1.261%	20	\$1,792	1.253%	18	7.5%	\$125
	HUTCHINSON	0423	13,977	\$140,830	\$145,412	3.3%	\$4,582	\$1,958	1.390%	6	\$2,026	1.394%	4	3.5%	\$69
MEEKER	LITCHFIELD	0465	6,869	\$108,554	\$116,714	7.5%	\$8,160	\$1,182	1.088%	46	\$1,298	1.112%	42	9.8%	\$116
MILLE LACS	PRINCETON*	0477	4,535	\$140,715	\$147,422	4.8%	\$6,707	\$2,016	1.433%	4	\$2,024	1.373%	6	0.4%	\$7
MORRISON	LITTLE FALLS	0482	8,407	\$110,520	\$117,782	6.6%	\$7,261	\$1,407	1.273%	19	\$1,455	1.235%	20	3.4%	\$48
MOWER	AUSTIN	0492	23,702	\$96,921	\$99,603	2.8%	\$2,682	\$768	0.792%	95	\$825	0.829%	91	7.5%	\$57
NICOLLET	NORTH MANKATO	0077	12,817	\$169,417	\$171,483	1.2%	\$2,066	\$1,728	1.020%	62	\$1,824	1.063%	52	5.5%	\$96
	ST PETER	0508	10,887	\$145,191	\$156,382	7.7%	\$11,191	\$1,519	1.046%	53	\$1,695	1.084%	47	11.6%	\$176
NOBLES	WORTHINGTON	0518	11,349	\$89,373	\$91,649	2.5%	\$2,275	\$992	1.110%	43	\$1,212	1.322%	9	22.1%	\$220

