What is the tax base?
Minnesota’s property tax system includes both state and local property taxes. The tax base begins with the estimated market value of taxable property — determined by local assessors — less reductions for properties in special programs such as Green Acres, which results in taxable market value.

Most property taxes are collected for local governments, which set their levies every year based on how much revenue they need from property taxes. Each property’s share is determined by its “tax capacity,” multiplied by the local tax rate. Tax capacity is a property’s taxable market value multiplied by a state-mandated classification (class) rate, which varies depending on use. Business properties generally have a higher class rate than residential properties or farmland.

Some levies are calculated a bit differently. A property’s share of voter-approved local school levies is based on taxable market value, not tax capacity. The state property tax levy is set by statute and applies only to business properties and (to a lesser extent) non-commercial seasonal cabins.

The property tax applies to most land and buildings (real property) and certain equipment (personal property) such as machinery used by public utilities. Major exemptions include:

- Charitable or religious institutions, cemeteries, hospitals, and schools
- Publicly owned (government) properties
- Land held in trust by the U.S. government for individual Indians or tribal governments
- Business inventories and equipment
- Most personal property (such as jewelry, furniture, and livestock)

Who pays?
About 2.7 million property tax statements are issued each year, of which 1.5 million are homesteads.

How much do property taxes raise?
After refunds and credits, property taxes for local governments, schools and other tax districts were $7.14 billion in 2014. The state property tax, deposited into the General Fund, was $840 million.

### In recent years, property taxes raised ($/billions):

<table>
<thead>
<tr>
<th>Year</th>
<th>Local (after property tax refunds and credits)</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>0.63</td>
<td>4.73</td>
</tr>
<tr>
<td>2006</td>
<td>0.67</td>
<td>4.67</td>
</tr>
<tr>
<td>2007</td>
<td>0.70</td>
<td>4.67</td>
</tr>
<tr>
<td>2008</td>
<td>0.73</td>
<td>4.73</td>
</tr>
<tr>
<td>2009</td>
<td>0.77</td>
<td>4.77</td>
</tr>
<tr>
<td>2010</td>
<td>0.77</td>
<td>4.77</td>
</tr>
<tr>
<td>2011</td>
<td>0.80</td>
<td>4.77</td>
</tr>
<tr>
<td>2012</td>
<td>0.81</td>
<td>4.77</td>
</tr>
<tr>
<td>2013</td>
<td>0.84</td>
<td>4.77</td>
</tr>
<tr>
<td>2014</td>
<td>0.84</td>
<td>4.77</td>
</tr>
</tbody>
</table>

### Recent Changes to the Property Tax System*

- **Education homestead credit enacted.** Senior citizen property tax deferral program enacted.
- **Five county aid programs replaced by need/capacity-based formula (effective 2005).**
- **Last year of limited market value.**
- **Residential market value credit replaced by market value exclusion.**
- **City aid formula reformed (effective 2014).**
- **State takeover of General Education Levy.** HACA eliminated, except for counties. State general property tax imposed on some business and cabin properties. Residential and agricultural market value credits established.
- **Market value exclusion enacted for veterans with disabilities.**
- **Eligibility changes to Green Acres tax deferral program; creation of Rural Preserve deferral program.**
- **One-time property tax refund increase of 6% for renters and 3% for homeowners.** Agricultural homestead credit increased starting in 2014.

*For a full history of changes, see the Minnesota Tax Handbook, available at www.revenue.state.mn.us.

January 2015
Other property tax programs

There are many other provisions that can reduce or defer tax liability for property owners. Examples include:

- Homestead Market Value Exclusion
- Disabled Veterans Market Value Exclusion
- Senior Property Tax Deferral program
- Green Acres and Rural Preserve property tax deferral programs for agricultural homesteads
- Taconite Homestead Credit and Powerline Credit