

DOUGLAS COUNTY 2017 TRUTH & TAXATION

ESTIMATED MARKET VALUE \$5,516,284,100 (+2.56%)

Estimated market value is used to determine property taxes; however there are exceptions. Laws passed allow targeted properties to pay on an amount which is less than estimated market value.

Homestead Market Value Exclusion	218,998,026
Green Acre & Rural Preserve Deferment	52,459,000
Platted Vacant Land Exclusion	714,200
This Old House Exclusion	59,200
Disabled Veterans Exclusion	20,283,700
Duplicate Deferment/Rounding	7,900
Total Excluded Taxable Value	\$292,522,026

TAXABLE MARKET VALUE \$5,223,762,074 (+2.84%)

In Douglas County, 5.6% of the total taxable value or \$292,522,026 in value was excluded or deferred from taxation for taxes payable in 2017 due to legislation. A large portion of this, \$218,998,026, is the result of legislation which eliminated the homestead credit and replaced it with the homestead market value exclusion program. The State used to pay the homestead credit but when it was changed to a homestead market value exclusion all taxpayers in the county became responsible for making up the difference in tax due to this credit which amounts to over 2 million dollars in Douglas County alone.

TAX CAPACITY VALUE \$55,573,348 (+3.29%)

The tax capacity value is calculated by multiplying the taxable market value by the property classification rate. The property classification rates are set by the Legislature and calibrated so that some property types pay a greater share of the property tax than others. Thus the tax capacity for a property valued at \$200,000 varies depending on the property classification.

Property Classification	Market Value	Taxable Value	TAX CAPACITY
Ag homestead (excludes H/G)	\$200,000	\$200,000	1000
Residential homestead	\$200,000	\$180,800	1808
Seasonal residential recreational	\$200,000	\$200,000	2000
Ag non-homestead (excludes H/G)	\$200,000	\$200,000	2000
Residential non-homestead	\$200,000	\$200,000	2500
Commercial Industrial	\$200,000	\$200,000	3250
	\$1,200,000	\$1,180,800	12558

Ag homestead property has the lowest tax capacity so will pay the least tax. Commercial industrial property has the highest tax capacity so will pay substantially more tax even though both properties are valued at \$200,000.

TAX RATE (mill rate)

The tax rate (mill rate) for each jurisdiction is determined by dividing the property tax revenue needed in a jurisdiction (levy) by its total tax capacity. The tax rate fluctuates depending on the relationship of the levy to the total tax capacity in a special taxing district within a jurisdiction.

Levy	(divided by)	Tax Capacity	=	TAX RATE
60,000,000		60,000,000		1.00
60,000,000		50,000,000		1.20
60,000,000		40,000,000		1.50
50,000,000		60,000,000		.83
50,000,000		50,000,000		1.00
50,000,000		40,000,000		1.25
40,000,000		60,000,000		.67
40,000,000		50,000,000		.80
40,000,000		40,000,000		1.00

BASE TAX

The base tax is calculated by multiplying the tax capacity by the tax rate. The base tax fluctuates depending on the tax rate.

Property Classification	Market Value	Taxable Value	Tax Capacity	x	Tax Rate	= BASE TAX
Ag homestead (excludes H/G)	\$200,000	\$200,000	1000		1.25	\$1250
Residential homestead	\$200,000	\$180,800	1808		1.25	\$2260
Seasonal residential recreational	\$200,000	\$200,000	2000		1.25	\$2500
Ag non-homestead (excludes H/G)	\$200,000	\$200,000	2000		1.25	\$2500
Residential non-homestead	\$200,000	\$200,000	2500		1.25	\$3125
Commercial Industrial	\$200,000	\$200,000	3250		1.25	\$4063
	\$1,200,000	\$1,180,800	12558			\$15,698

Property Classification	Market Value	Taxable Value	Tax Capacity	x	Tax Rate	= BASE TAX
Ag homestead (excludes H/G)	\$200,000	\$200,000	1000		1.00	\$1000
Residential homestead	\$200,000	\$180,800	1808		1.00	\$1808
Seasonal residential recreational	\$200,000	\$200,000	2000		1.00	\$2000
Ag non-homestead (excludes H/G)	\$200,000	\$200,000	2000		1.00	\$2000
Residential non-homestead	\$200,000	\$200,000	2500		1.00	\$2500
Commercial Industrial	\$200,000	\$200,000	3250		1.00	\$3250
	\$1,200,000	\$1,180,800	12558			\$12,558

Property Classification	Market Value	Taxable Value	Tax Capacity	x	Tax Rate	= BASE TAX
Ag homestead (excludes H/G)	\$200,000	\$200,000	1000		.83	\$ 830
Residential homestead	\$200,000	\$180,800	1808		.83	\$1501
Seasonal residential recreational	\$200,000	\$200,000	2000		.83	\$1660
Ag non-homestead (excludes H/G)	\$200,000	\$200,000	2000		.83	\$1660
Residential non-homestead	\$200,000	\$200,000	2500		.83	\$2075
Commercial Industrial	\$200,000	\$200,000	3250		.83	\$2698
	\$1,200,000	\$1,180,800	12558			\$10,424

AGRICULTURAL HOMESTEAD MARKET VALUE CREDIT

Homestead agricultural/rural vacant land properties are eligible for an agricultural credit. Legislative changes were made to the agricultural homestead market value credit effective for taxes payable in 2015. The maximum agricultural homestead market value credit was increased from \$345 to \$490. The credit equals 0.3 percent of the first \$115,000 of the property's agricultural value plus 0.1 percent of the property's value in excess of \$115,000. The credit reaches a maximum of \$490 at a market value of \$260,000, and then levels off; the maximum is not reduced. Under prior law, the credit reached a maximum of \$345 at \$115,000 of value, but then decreased to \$230 at a value of \$345,000 and over. Currently this credit is paid by the State.

Besides the ag credit, homestead ag property also receives the benefit of a low first tier classification rate of .50%. This tier limit has increased yearly.

Asmt Year	2009	2010	2011	2012	2013	2014	2015	2016
Payable Year	2010	2011	2012	2013	2014	2015	2016	2017
Tier Limit	1,010,000	1,140,000	1,210,000	1,290,000	1,500,000	1,900,000	2,140,000	2,050,000

This is mentioned because anytime legislation creates a tax break for one classification of property, all other taxpayers in that special taxing district are forced to make up the tax difference.

Starting with taxes payable in 2013, the Department of Revenue instructed every county in Minnesota to deduct agricultural homestead market value credit from the 1st agricultural parcel rather than distributing this credit amongst all the linked parcels. When the tax on the 1st agricultural parcel is less than the amount of the ag credit, the tax on that parcel is reduced to zero. The remainder of the ag credit is extended to the next agricultural parcel in the tax linkage.

Another programming change to agricultural credit was made in 2014. This change no longer allows the use of agricultural credit to reduce the amount of residential tax (the tax on the house, garage, and building site) on a parcel unless the ag credit has first reduced the amount of ag tax on all ag parcels involved in the tax linkage. Under unique circumstances, the ag credit may reduce the amount of the residential tax on the house, garage and building site but ag credit can NEVER reduce the amount of residential market value school referendum tax.

RESIDENTIAL HOMESTEAD MARKET VALUE CREDIT

The homestead credit was eliminated for taxes payable in 2012 and was replaced with the homestead market value exclusion program. The homestead market value exclusion does not provide the same benefit to all homestead taxpayers since a reduced taxable value means a reduced tax capacity value. The tax capacity value is multiplied by the tax rate to arrive at base tax. Homestead property in special taxing districts with higher tax rates benefit more than those with lower rates.

EMV	Excluded Value	TMV	TC	Old HS Credit	Tax Rate 1.50	Tax Rate 1.25	Tax Rate 1.00	Tax Rate .75
50,000	-20,000	30,000	-200	\$200	\$300	\$250	\$200	\$150
100,000	-28,200	71,800	-282	\$282	\$423	\$353	\$282	\$212
150,000	-23,700	126,300	-237	\$237	\$356	\$296	\$237	\$178
200,000	-19,200	180,800	-192	\$192	\$288	\$240	\$192	\$144
250,000	-14,700	235,300	-147	\$147	\$221	\$184	\$147	\$110
300,000	-10,200	289,800	-102	\$102	\$153	\$128	\$102	\$ 77
350,000	-5,700	344,300	- 57	\$ 57	\$ 86	\$ 71	\$ 57	\$ 43
400,000	-1,200	398,800	- 12	\$ 12	\$ 18	\$ 15	\$ 12	\$ 9
450,000	0	450,000	0	0	0	0	0	0

REFERENDUM MARKET VALUE TAX

The referendum market value tax is added to the base tax on all property classifications **except** ag/rural vacant land and non commercial seasonal residential recreational (cabins). This tax is most commonly used by school districts to raise additional operating funds. These taxes are levied on referendum market value as opposed to the regular levies which are levied on tax capacity. By law, all school debt levies (new schools) must be based on net tax capacity. As a result all property classifications pay on a school debt levy. The referendum tax for a property valued at \$200,000 with a referendum rate of .0021841 would be \$436. ($\$200,000 \times .0021841 = \436)

STATE GENERAL TAX

Per legislation the state general tax is added to the base tax of commercial/industrial, cabin/resort, and qualifying non-profit community service oriented organizations. 95% of this tax is paid by commercial/industrial property - the remaining 5% is paid by cabin, resort and community service organizations. Cabins qualify for a lower tax capacity rate (.40%) on the first \$76000 of taxable value whereas the other property classifications pay on the same tax capacity rate used for base rate tax calculation. The state sets the tax rates which are used state wide.

Property Type	2014	2015	2016	2017	% Change
Commercial/Industrial	.52160	.50840	.48641	.47000	- 3.37%
Cabin/resorts...	.22836	.21703	.21167	.21000	- .79%

Unlike other property taxes collected by the county, the money raised from the state general tax will NOT be used at the local level; the entire tax amount is forwarded to the state to be deposited in the state general fund. In Douglas County \$7,332,150 will be raised by general property tax. \$5,587,732 will be collected from commercial industrial property and the balance of \$1,744,418 will be collected from cabin/resort properties.

NET PROPERTY TAX

Taxable Market Value x Classification Rate = Tax Capacity x Tax Rate = Base Tax
 Base Tax - Ag Credit + Referendum Tax + State General Tax = NET PROPERTY TAX

PROPERTY CLASSIFICATION	TMV	TC	TR	Base Tax	AG CR	REF TAX	STATE TAX	NET TAX
Ag homestead (excludes H/G)	\$200,000	1000	1.00	\$1000	-302			\$ 698
Residential homestead (EMV 200000)	\$180,800	1808	1.00	\$1808		436		\$2,244
Seasonal residential recreational	\$200,000	2000	1.00	\$2000			324	\$2,324
Ag non-homestead (excludes H/G)	\$200,000	2000	1.00	\$2000				\$2,000
Residential non-homestead	\$200,000	2500	1.00	\$2500		436		\$2,936
Commercial Industrial	\$200,000	3250	1.00	\$3250		436	1690	\$5,376