#1

Handout #1

Minnesota Department of Education

COMMISSIONER:
Alice Seagren

Minnesota School District and Charter School Student Fees for Fiscal Years 2002 through 2005

FOR MORE INFORMATION CONTACT:

Dick Guevremont, Supervisor
Financial Management, Facilities and Transportation
Division of Program Finance
T: (651) 582-8788
E-MAIL: dick.guevremont@state.mn.us

Mary Annala, Financial Management Specialist
Financial Management Section
Division of Program Finance
T: (651) 582-8737
E-MAIL: mary.annala@state.mn.us

MEDIA CONTACT:

Amy Rudolph. Acting Communications Director
T: (651) 582-1145
E-MAIL: amy.rudolph@state.mn.us

1500 Highway 36 West
Roseville, Minnesota 55113

REPORT TO THE LEGISLATURE

January 25, 2006

As required by Minnesota Laws 2005, First Session, Chapter 3, Article 11, Section 7, Subd. 2

Upon request, this report can be made available in alternative formats including Braille, audio tape, computer disk and large print.
Printed on recycled paper with a minimum of post consumer waste.

Report on Minnesota School District and Charter School Student Fees
Fiscal Years 2002-2005

Minnesota Laws 2005, First Special Session, Chapter 3, Article 11, Section 7, Subdivision 2, states:

> By January 15, 2006, the Department of Education shall provide the house and senate education finance divisions and tax committees with a report that examines the total annual fees collected under Minnesota Public School Fee Law, Minnesota Statutes, sections 123B.34 to 123B.39, in fiscal years 2002 to 2005. The report must detail all different types of fees charged to Minnesota students under the law. The report must report total fees statewide as well as by school district and charter school.

This report will communicate to the house and senate education finance divisions and tax committees the total annual fees collected under Minnesota Public School Fee Law from fiscal years 2002 to 2005.

Districts and charter schools report to the Minnesota Department of Education (MDE) fees charged to students through Uniform Financial Accounting and Reporting Standards (UFARS). The financial data reported to MDE by districts and charter schools is verified by independent auditors on an annual basis.

The following three tables summarize student fees collected under the Minnesota Public School Fee Law and expenditures by program dimensions as reported in the general fund in UFARS. The Appendices contain information by individual district and charter school regarding the fees collected by revenue source dimensions, fees collected by program dimensions and expenditures by program dimensions. Definitions of the UFARS dimension codes and Minnesota Statutes referenced in this report are available in the Appendices.

Fees by Revenue Source Dimension

The Minnesota Public School Fee Law (Minn. Stat. §§ 123B.34 to 123B.39) provides districts and charter schools the authority to charge and collect fees from Minnesota students. Table one summarizes student fees in three categories: Fees from Patrons, Admissions and Student Activity Revenue, and Sale of Materials Purchased for Resale. Fees from Patrons are charges made to students, parents or guardians for rental or user fees for items such as musical instruments, physical education equipment and all other charges permitted by law including transportation and activity or athletic fees. Admission and Student Activity Revenue are admissions, gate receipts and voluntary donations relating to attendance to any event or activity sponsored by and under the control of the school board such as: athletic events, fine arts performances, and exhibitions. Sale of Materials Purchased for Resale include sales of materials and supplies to pupils including lumber sold to industrial arts classes, supplies sold to family living classes, and any other materials sold which were originally purchased for resale to pupils.

Table One: Summary of Fees by Revenue Source for Fiscal Years 2002-2005

Description	Fiscal Years and Percent of Change Between Fiscal Years 2002-2005							
Fee Category	FY 02	FY 03	% of Change FY 02-03	FY 04	% of Change FY 03-04	FY 05*	% of Change FY 04-05	Total % Change FY 02-05
Fees From Patrons	$21,390,398	$27,883,425	30.35%	$30,156,201	8.15%	$32,804,345	8.78%	53.36%
Admission & Student Activity	$19,589,056	$24,151,213	23.29%	$26,020,462	7.74%	$27,573,716	5.97%	40.76%
Sale of Materials Purchased for Resale	$5,804,020	$5,678,496	-2.16%	$8,659,202	52.49%	$7,487,765	-13.53%	29.01%
Total	$46,783,474	$57,713,134	23.36%	$64,835,865	12.34%	$67,865,826	4.67%	45.06%

*Data Complied as of 12/16/05

Conclusions from **Table 1** include:

1. Total annual fees increased each fiscal year with the largest increase occurring in fiscal year 2003.
2. The increases in all revenue categories over the four year period are significant; 53.36% for Fees from Patrons, 40.76% for Admission and Student Activity and 29.01% for the Sale of Materials Purchased for Resale, the total increase being 45.06%.
3. For the category Sale of Materials Purchased for Resale there was a small decrease from fiscal year 2002 to fiscal year 2003 (-2.16%) then a substantial increase from fiscal year 2003 to fiscal year 2004 of 52.49% followed by a decrease of 13.53% from fiscal year 2004 to fiscal year 2005.
4. Fees from Patrons had the largest total percentage of change of 53% between fiscal years 02-05 with an overall percentage of change of 45% for the three fee categories during the same time period.

Fees by Program Dimension

Districts and charter schools record student fee information by using UFARS program dimension codes. Program dimension codes describe the following information in Table 2; Athletics, Co-Curricular Activities (Non-Athletics), Extra-Curricular Activities, Music, Transportation and Other miscellaneous fees. Athletics include co-educational sports or contests for boys and girls, sports or contests for just boys and sports or contests for just girls. Co-Curricular activities represent school sponsored and directed activities designed to provide opportunities for pupils to participate in school and public events for the improvement of skills (for example Student Council or Yearbook). Extra-Curricular activities are under board control for public school pupils that are managed and operated under the guidance of an adult or staff member. Music includes courses that impart the skills and knowledge necessary for the creation, understanding and performance of music. Transportation includes fees charged to pupils to and from school or between schools for instructional purposes. The Other program category includes all program codes not previously identified.

The Athletic, Co-curricular and Extra-curricular program dimensions include both Fees from Patrons, and Admission and Student Activity Revenue. The Music program dimension includes both Fees from Patrons and the Sale of Materials Purchased for Resale. The Transportation program dimension includes Fees from Patrons. The Other category includes all remaining program dimensions and the three revenue source dimensions (Fees from Patrons, Admission and Student Activity Revenue, Sale of Materials Purchased for Resale). The Appendices provide a list of specific revenue source and program dimension codes.

Table Two: Summary of Fees by Program for Fiscal Years 2002-2005

	Fiscal Years and Percent of Change Between Fiscal Years 2002-2005							
Fees From Patrons	FY 02	FY 03	% of Change FY 02-03	FY 04	% of Change FY 03-04	FY 05*	% of Change FY 04-05	Total % Change FY 02-05
Athletics	$8,528,525	$10,825,253	26.93%	$12,749,831	17.78%	$14,401,583	12.96%	68.86%
Co-Curricular & Extra Curricular	$1,572,219	$1,910,808	21.54%	$2,260,887	18.32%	$2,556,563	13.08%	62.61%
Admission & Student Activity								
Athletics	$11,220,139	$12,406,253	10.57%	$13,227,198	6.62%	$13,211,779	-0.12%	17.75%
Co-Curricular & Extra Curricular	$4,381,244	$5,691,060	29.90%	$6,733,693	18.32%	$8,459,705	25.63%	93.09%
Other Fees by Category								
Music	$540,249	$612,335	13.34%	$605,320	-1.15%	$657,622	8.64%	21.73%
Transportation	$639,744	$1,893,442	195.97%	$1,584,942	-16.29%	$1,880,133	18.62%	193.89%
District wide & Other	$19,901,353	$24,373,982	22.47%	$27,673,995	13.54%	$26,698,439	-3.53%	34.15%
Total	$46,783,473	$57,713,133	23.36%	$64,835,866	12.34%	$67,865,824	4.67%	45.06%

*Data Complied as of 12/16/05

Conclusions from **Table 2** include:

1. Every revenue category experienced a significant increase from fiscal year 2002 to fiscal year 2005.
2. Total fees collected rose from $46,783,473 in fiscal year 2002 to $67,865,824 in fiscal year 2005, an increase of 45.06%.
3. Transportation fees collected in fiscal year 2002 more than doubled in fiscal year 2003 ($639,744 to $1,893,442).

Revenues and Expenditures by Program Dimension

This table provides a comparison between revenues and expenditures by program dimension. The following program dimensions were utilized: Athletics, Co-Curricular and Extra-Curricular Activities, Music, Transportation and Other. The Appendices provide the detail program dimension codes.

Table 3: Summary of Revenues and Expenditures by Program for Fiscal Years 2002-2005

	FY 02			FY 03			FY 04			FY 05*		
Category	Fee Revenue	Expenditure	Fees as % of Expenditures	Fee Revenue	Expenditure	Fees as % of Expenditures	Fee Revenue	Expenditure	Fees as % of Expenditures	Fee Revenue	Expenditure	Fees as % of Expenditures
Athletics	$19,748,664	$121,536,193	16.25%	$23,231,506	$126,798,912	18.32%	$25,977,029	$134,137,456	19.37%	$27,613,362	$138,086,572	20.00%
Co-Curricular & Extra-Curricular	$5,953,463	$46,273,329	12.87%	$7,601,868	$50,600,506	15.02%	$8,994,580	$54,766,507	16.42%	$11,016,268	$55,763,129	19.76%
Music	$540,249	$119,609,627	0.45%	$612,335	$122,310,586	0.50%	$605,320	$125,590,510	0.48%	$657,622	$129,859,903	0.51%
Transportation	$639,744	$378,636,584	0.17%	$1,893,442	$392,486,815	0.48%	$1,584,942	$393,803,624	0.40%	$1,880,133	$414,750,951	0.45%
Other	$19,901,353	$6,052,025,546	0.33%	$24,373,982	$6,314,437,190	0.39%	$27,673,995	$6,472,894,399	0.43%	$26,698,439	$6,671,861,049	0.40%
Total	$46,783,473	$6,718,081,279	0.70%	$57,713,133	$7,006,634,009	0.82%	$64,835,866	$7,181,192,496	0.90%	$67,865,824	$7,410,321,604	0.92%

Data Complied as of 12/16/05

Conclusions from **Table 3** include:

1. For the two categories, Athletics and Co-Curricular and Extra-Curricular the proportion of fee revenues to expenditures increased each of the fiscal years reviewed.
2. The total fee revenues collected for all categories represent less than 1% of the total expenditures.
3. For each of the individual categories, Athletics and Co-Curricular and Extra-Curricular the percentage of fee revenue collected was approximately 20% of expenditures in fiscal year 2005.

Summary

The Minnesota Public School Fee Law authorizes public schools to establish fees for extra curricular, noncurricular and supplementary programs. The fees charged by school districts increased each fiscal year from 2002 to 2005. Total fees collected rose from $46,783,473 in fiscal year 2002 to $67,865,824 in fiscal year 2005, an increase of 45.06 percent. More than half of the increase for the four-year period occurred between FY 2002 and FY 2003, when fees increased by $10.9 million, or 23.35 percent. Between FY 2003 and FY 2004, the increase was $7.1 million, or 12.34 percent, and between FY 2004 and FY 2005, the increase was $3.0 million, or 4.67 percent.

The increases over the four-year period varied among revenue categories and programs. When the increases are broken down by revenue category, Fees from Patrons increased by 53.36 percent, while Admission and Student Activity fees increased by 40.76 percent and Sales of Materials Purchased for Resale increased by 29.01 percent. When the increases are broken down by program, the largest increase occurred in transportation, where fees nearly doubled between FY 2002 and FY 2003.

Fees are a significant source of revenue for athletics and other co-curricular and extra-curricular programs, but still amount to less than one percent of total school district general fund expenditures. Between FY 2002 and FY 2005, total fees for all programs increased from 0.70 percent to 0.92 percent of total general fund expenditures. For athletics, fee revenues increased from 16.25 percent to 20.00 percent of expenditures between FY 2002 and FY 2005. For other co-curricular and extra-curricular activities, fee revenues increased from 12.87 percent to 19.76 percent of expenditures between FY 2002 and FY 2005. Fees for other areas represent less than 1 percent of related expenditures in both FY 2002 and FY 2005.

#V

Changes in Fees, Co-pays, and Surcharges-- ALL FUNDS
2003 and 2[illegible]5 Sessions, by Committee and Fund

REVISED

Positive amounts are increases; Estin[illegible]s from End-of-Session

(000's)

Fund	Agency	Change Item	Description	FY 2004	FY 2005	FY04-05	FY 2006	FY 2007	FY06-07
		2003 K-12 EDUCATION							
GF	MDE	Teacher and Admin License Renewal	Increased fee $10 fee, from $47 to $57	310	310	620	310	310	620
		K-12 Education Total		310	310	620	310	310	620
		General Fund Subtotal		*310*	*310*	*620*	*310*	*310*	*620*
		2003 ENVIRONMENT, AGRICULTURE, AND ECONOMIC DEVELOPMENT							
		(Economic Development)							
GF	L&I	Boiler Inspection and License Fee	Temporary $5 surcharge	345	345	690	0	0	0
GF	COM	Weights and Measurements Fee Increase		253	253	506	253	253	506
GF	COM	Various Commerce Fee Reductions		(743)	(743)	(1,486)	(743)	(743)	(1,486)
SR	L&I	Apprenticeship Program Registration Fee	New $30 fee for indiviuals entering apprenticeship program	300	300	600	300	300	600
SR	DEED	Marriage License Fee Increase	For displaced homemakers fund	240	240	480	240	240	480
WDF	DEED	Work Force Development Fund Fees	Increased special assessment to businesses from 0.07% to 0.10% of salary up to about $18,900 (indexed).	4,824	12,360	17,184	7,686	0	7,686
Petro	COM	Petroleum Tank Release Cleanup Fee	Temporary fee exemption for NWA.	(2,000)	(2,000)	(4,000)			0
Petro	COM	Petroleum Tank Release Cleanup Fee	Extended existing fee by 2 years.			0	24,800	24,800	49,600
		Economic Development Total		3,219	10,755	13,974	32,536	24,850	57,386
		General Fund Subtotal		*(145)*	*(145)*	*(290)*	*(490)*	*(490)*	*(980)*
		Special Revenue Fund Subtotal		*540*	*540*	*1,080*	*540*	*540*	*1,080*
		Petroleum Fund Subtotal		*(2,000)*	*(2,000)*	*(4,000)*	*24,800*	*24,800*	*49,600*
		Workforce Development Fund Subtotal		*4,824*	*12,360*	*17,184*	*7,686*	*0*	*7,686*
		(Agriculture)							
AG	MDA	Seed inspection fee increase	Part new fee, part increase fee	200	200	400	200	200	400
AG	MDA	Food handler reinspection fee	Increased from $25 to $75; from $50 to $100	15	15	30	15	15	30
AG	MDA	Dairy Processor and Reinspection Fees	Increased from 5¢ to 7¢ per hundredweight; from $25 to $40 per farm reinspection	285	285	570	285	285	570
AG	MDA	Nursury and phytosanitary fee	Fees approximately doubled	990	1,020	2,010	1,020	1,020	2,040
GF	MDA	Consolidated food handler fee	Increased fees by approx 35% (based on gross sales)	708	708	1,416	708	708	[illegible]
GF	MDA	Nursury and phytosanitary fee incr	Moved existing fees from GF to Ag Fund (See above)	(543)	(543)	(1,086)	(543)	(543)	[illegible]
SR	BAH	Captive cervidae inspection fee	New fee set at $10 per animal	61	61	122	61	61	[illegible]
		Agriculture Total		1,716	1,746	3,462	1,746	1,746	[illegible]
		Agricultural Fund Subtotal		*1,490*	*1,520*	*3,010*	*1,520*	*1,520*	[illegible]
		General Fund Subtotal		*165*	*165*	*330*	*165*	*165*	[illegible]
		Special Revenue Fund Subtotal		*61*	*61*	*122*	*61*	*61*	[illegible]
		(Environment)							
ENV	PCA	Stormwater permit fees	New construction > 5 acres $400; Annual industrial $400	2,555	2,555	5,110	2,555	2,555	[illegible]
ENV	PCA	Water quality permit fees	Increased from $240 to $350	10	24	34	93	65	[illegible]
ENV	PCA	Individual Sewage Treatment System Fee	New fee set at $25	480	480	960	480	480	[illegible]
ENV	PCA	Hazardous waste fees	New fee	0	2,000	2,000	2,000	2,000	[illegible]
G&F	DNR	Trout and salmon stamp	Increased from $8.50 to $10.00	120	158	278	158	158	[illegible]
G&F	DNR	Commercial fishing licenses	Increased from $90 to $280 for netting; from $20 to $65 for packing, etc.	79	193	272	193	193	[illegible]
G&F	DNR	Acquatic plant management	Inc. from $20 to $50; eliminate cap on group permits	125	125	250	125	125	[illegible]
G&F	DNR	Winter aeration permits	New $250 fee for training and inspection	35	35	70	35	35	[illegible]
G&F	DNR	Camp Ripley archery application fee	Increased from $6.00 to $8.00	11	11	22	11	11	[illegible]

Handout #2

(000's)

Fund	Agency	Change Item	Description	FY 2004	FY 2005	FY04-05	FY 2006	FY 2007	FY06-07
G&F	DNR	Wild rice harvesting license	Increased from $12.50 to $25.00	15	15	30	15	15	30
G&F	DNR	Waterfowl stamp	Increased from $5.00 to $7.50	45	302	347	302	302	604
G&F	DNR	Pheasant stamp	Increased from $5.00 to $7.50	45	248	293	248	248	496
G&F	DNR	Small game licenses	Inc. from $12.00 to $12.50; new ½ price youth license	28	83	111	83	83	166
G&F	DNR	Wildlife acquisition surcharge	Inc. from $4.00 to $6.50 and allow youth to purchase	393	738	1,131	393	738	1,131
G&F	DNR	Deer licenses	Inc. from $25 to $26; new ½ price youth license	0	(2)	(2)	0	(2)	(2)
GF	DNR	Utility license fees	$40 application fee plus one-time fee based on value of land crossed	185	185	370	185	185	370
GF	DNR	Water use fees	Increase in existing fees	1,262	1,262	2,524	1,262	1,262	2,524
GF	DNR	Forest campground fee	Increase in existing fees	13	13	26	13	13	26
GF	BWSR	Wetland banking fees	New fee	128	128	256	128	128	256
NRF	DNR	State park camping fees	Increase from $8 to $11 for rustic spot; from $12 to $15 for semi-modern	709	709	1,418	709	709	1,418
NRF	DNR	State entrance fees	Increased existing fees	1,290	1,290	2,580	1,290	1,290	2,580
NRF	DNR	Off Highway Vehicle Registration Fees	Increased existing fees	425	670	1,095	915	915	1,830
NRF	DNR	Off Highway Vehicle Civil Citations	Increased existing fees	80	80	160	80	80	160
SR	ZOO	Zoo elementary school fee	New fee set at $3 per student	215	215	430	215	215	430
		Environment Total		8,248	11,517	19,765	11,488	11,803	23,291
		Environmental Fund Subtotal		*3,045*	*5,059*	*8,104*	*5,128*	*5,100*	*10,228*
		Game and Fish Fund Subtotal		*896*	*1,906*	*2,802*	*1,563*	*1,906*	*3,469*
		General Fund Subtotal		*1,588*	*1,588*	*3,176*	*1,588*	*1,588*	*3,176*
		Natural Resources Fund Subtotal		*2,504*	*2,749*	*5,253*	*2,994*	*2,994*	*5,988*
		Special Revenue Fund Subtotal		*215*	*215*	*430*	*215*	*215*	*430*
		2003 HIGHER EDUCATION							
SR	HESO	Private Postsecondary Institution Registration	Initial registration increased from $550 to $1,100; Annual renewal increased from $400 to $950	34	34	68	34	34	68
		Higher Education Total		34	34	68	34	34	68
		Special Revenue Fund Subtotal		*34*	*34*	*68*	*34*	*34*	*68*
		2003 HEALTH AND HUMAN SERVICES							
		MA Basic Health Care Grants--Families and Children							
GF/fed	Copay	Apply Co pays to Managed Care	New $6 copay for non-emergency visits and $3 for non-preventive	1,554	2,615	4,169	2,822	2,964	5,786
GF/fed	Copay	Apply Co pays to FFS	clinic and eye glasses; $1 generic drugs; $3 non-generic drugs.	8,130	12,009	20,139	13,206	14,812	28,018
GF/fed	Copay	$20 Cap on Pharmacy co-pays		(77)	(117)	(194)	(125)	(131)	(256)
GF/fed	Copay	Buy back Anti-psychotic Co-pay		(700)	(1,000)	(1,700)	(1,000)	(1,000)	(2,000)
	Copay	Exempt MH Clinics, AMHRS		(1,224)	(1,224)	(2,448)	(1,923)	(2,115)	(4,038)
GF/fed	Copay	Buy back Cover PT,OT, ST Copay		(72)	(82)	(154)	(75)	(80)	(155)
		MA Basic Health Care Grants - Elderly and Disabled							
GF/fed	Copay	Apply Co pays to Managed Care--see above.		1,295	1,315	2,610	602	632	1,234
	Copay	$20 Cap on Co pays		(549)	(621)	(1,170)	(646)	(690)	(1,336)
	Copay	Cover PT,OT, ST Copay		(250)	(282)	(532)	(259)	(275)	(534)
GF/fed	DHS	Modify EPD Program -- premium.	Minimum $35 premium.	164	328	492	328	328	656
GF/fed	DHS	Modify EPD Program -- additional payment.	Minimum additional payment of 5% of unearned income.	76	113	189	(113)	(113)	(226)
GF/fed	DHS	Modify EPD Program	Partial enrollee payment of Medicare Part B; sliding scale	303	456	759	456	456	912

Changes in Fees, Co-pays, and Surcharges-- ALL FUNDS
2003 and 2005 Sessions, by Committee and Fund

Positive amounts are increases; Estimates from End-of-Session (000's)

Fund	Agency	Change Item	Description	FY 2004	FY 2005	FY04-05	FY 2006	FY 2007	FY06-07
		General Assistance Medical Care							
GF	Copay	Apply Co pays to Managed Care--see above.		549	440	989	906	942	1,848
GF	Copay	Apply Co pays to FFS--see above.		1,156	800	1,956	1,648	1,712	3,360
GF	Copay	$20 Cap on Pharmacy co-pays		(66)	(44)	(110)	(91)	(94)	(185)
GF	Copay	Buy back PT,OT, ST Copay		(40)	(44)	(84)	(91)	(94)	(185)
GF	Copay	Emergency Room Copay	New $25 copay ER visits; conforms to MnCare	838	526	1,364	1,084	1,126	2,210
GF	Copay	Limit Dental Benefits	New 50% copay for restorative svcs.; conforms to MnCare	1,070	781	1,851	1,609	1,671	3,280
GF	Copay	Copay for Eyeglasses	New $25 copay conforms to MnCare	215	143	358	295	306	601
		MA LTC Facilities Grants Base							
GF/fed	DHS	MA Surcharge (Nursing Homes)	Increase surcharge from $990 to $2,815 per bed.	72,212	71,755	143,967	71,755	71,755	143,510
GF/fed	DHS	MA Surcharge (ICF/MR beds)	New surcharge $1,040 per bed.	2,272	2,094	4,366	1,894	1,695	3,589
GF	DHS	County Share--large intermediate care facilities/MR	Required counties to pay a larger share of program costs		10,579	10,579	10,788	10,052	20,840
GF	DHS	County Share--Regional Treatment Centers--IMDs	Required counties to pay a larger share of program costs		5,804	5,804	3,475	2,176	5,651
		Alternative Care Grants Base							
GF	DHS	Minimum premium for AC grant+case mgmt. svcs.	Recipients 100-150% fpg pay 10% of care.	1,849	3,162	5,011	3,159	3,157	6,316
GF	DHS	Minimum premium for AC grant+case mgmt. svcs.	Recipients 150-200% fpg pay 15% of care.	83	142	225	142	142	284
GF	DHS	Minimum premium for AC grant+case mgmt. svcs.	Recipients above 200% fpg pay 30% of care.	1,142	1,954	3,096	1,952	1,951	3,903
GF	DHS	Restructure parental fees for TEFRA	Paid by parents of disabled children; % of costs based sliding scale	2,075	2,075	4,150	2,075	2,075	4,150
GF	DHS	DHS licence fees	Seven fees increased.	1,225	1,225	2,450	1,225	1,225	2,450
GF	Copay	Increase Basic Sliding Fee Co-Payment	Increase co-payments.	3,555	4,491	8,046	4,491	4,491	8,982
GF	Copay	MFIP/Transition Year Child Care Co-Payment	Increase co-payments.	1,425	1,800	3,225	1,792	1,792	3,584
		MnCare Grants Base							
HCAF	Copay	Apply Co pays to Managed Care - Families	New $6 copay for non-emergency visits and $3 for non-preventive	495	866	1,361	984	1,098	2,082
HCAF	Copay	Apply Co pays to Managed Care - Adults	clinic	918	1,607	2,525	1,826	2,037	3,863
HCAF	Copay	Apply Co pays to FFS		39	58	97	60	64	124
HCAF	Copay	$20 Cap on Pharmacy co-pays		(59)	(108)	(167)	(118)	(132)	(250)
HCAF	Copay	Adjust Copays		(486)	(913)	(1,399)	(897)	(933)	(1,830)
HCAF	DHS	Rollback MnCare Children Exceptions	$4 premium for children in households >150% fpg.	1,440	2,404	3,844	2,584	2,778	5,362
HCAF	DHS	MnCare Premium Increase	Changed premium calculation for parents/pregnant women	2,125	3,194	5,319	3,329	3,464	6,793
SR	DHS	Child Support Custodial Parent Fee	New charge to custodial parents for access to child support services equal to 1% annual child support grant amount	0	883	883	884	884	1,768
SR	MDH	Hearing Instrument Dispenser Regulation Fee	Suspend fee for FY04; increase for FY05	(78)	58	(20)	58	58	116
SGSR	MDH	Alcohol/Drug Counselor Fee/Surcharge		153	159	312	156	154	310
SGSR	MDH	Behavorial Health and Therapy Board	New Board and fee.		259	259	259	259	518
SGSR	MDH	Occupational Therapist Fee Holiday	Suspend license fee for FY04/05	(220)	(220)	(440)	0	0	0
SGSR	MDH	Plumbing Plan Review	Fee amounts set to generate $985,000 per year.	985	985	1,970	985	985	1,970
SGSR	MDH	Swimming Pool Regulation	Fee amounts set to generate $87,000 per year.	87	87	174	87	87	174
SGSR	MDH	Newborn Screening System	Increase fee from $21 to $61	2,870	2,870	5,740	2,870	2,870	5,740
		Health and Human Services Total		106,479	133,382	239,861	134,448	134,541	268,989
		General Fund Subtotal		*6,917*	*25,838*	*32,755*	*23,487*	*21,449*	44,936
		Health Care Access Fund Subtotal		*3,565*	*5,598*	*9,163*	*5,913*	*6,242*	12,155
		Special Revenue Fund		*(78)*	*941*	*863*	*942*	*942*	1,884
		State Govt. Special Rev. Fund Subtotal		*3,875*	*4,140*	*8,015*	*4,357*	*4,355*	8,712
		MA Surcharges		*74,484*	*73,849*	*148,333*	*73,649*	*73,450*	147,099
		Co-pays--ALL Funds		*17,716*	*23,016*	*40,732*	*26,100*	*28,103*	54,203

2003 and 2005 Sessions, by Committee and Fund Positive amounts are increases; Estimates from End-of-Session (000's)

Fund	Agency	Change Item	Description	FY 2004	FY 2005	FY04-05	FY 2006	FY 2007	FY06-07
		2003 PUBLIC SAFETY							
GF	Courts	Criminal/Traffic Citation Surcharge	Increased from $35 to $60	15,071	18,085	33,156	18,085	18,085	36,170
GF	Courts	Surcharge on Parking Tickets	New fee ste at $3.00	1,891	2,268	4,159	2,268	2,268	4,536
GF	Courts	Court Aministration Fee	Increases to various court fees	6,873	8,365	15,238	8,365	8,365	16,730
GF	Courts	Civil Court Filing Fee	Increased from $135 to $235	10,120	12,144	22,264	12,144	12,144	24,288
GF	Courts	Conciliation Court Filing Fee	Increased $25 to $50	668	801	1,469	801	801	1,602
GF	Courts	Appellate Court Filing Fee	Increased from $250 to $500	330	396	726	396	396	792
GF	Courts	Motion Filing Fee Increase	New fee set at $55	1,638	1,965	3,603	1,965	1,965	3,930
GF	Courts	Tax Court Small Claims Filing Fee	Increased from $25 to $150	7	8	15	8	8	16
GF		DWI Test Refusal Fine	Increase in fine revenue.	104	169	273	169	169	338
GF		Potable Water Installer Cert. Fee	New fee set at $55		51	51	89	75	164
GF	PS	BCA-Crim Just Info Access Fees	Increases to various access fees	82	76	158	76	76	152
GF	PS	BCA-Crim History Internet Charge Fee	New fee set at $5 per inquiry		1,663	1,663			0
GF		Indoor Fireworks Inspection Fee	New fee set at $150	4	4	8	4	4	8
GF		Retail Buyer Liquor Licensing Fee	New fee set at $35	93	93	186	93	93	186
GF	BCA	BCA Fees to Carry Handguns	Chapter 28 increased fee from $10 to $100	1,075	200	1,275			
SR		Fire Marshal Sprinkler Exam Fee	New fee set at $55	12	12	24	12	12	24
SR		Fire Marshal School Inspect. Fee	New fee set at $0.014 per square foot	572	572	1,144	572	572	1,144
SR		Fire Marshal Hotel/Motel Inspect	New fee; amounts vary by unit size	520	520	1,040	520	520	1,040
SR		BCA-Crim Just Info Access Fees	Increases to various access fees	158	158	316	158	158	316
SR		Human Rights Cert. of Comp. Fee	New fee set at $75	60	60	120	60	60	120
SR		Public Defender Co-Pay *	New fee; amounts based on charge severity	2,740	7,681	10,421			
		Public Safety Total		39,278	47,610	86,888	45,785	45,771	91,556
		General Fund Subtotal		*37,956*	*46,288*	*84,244*	*44,463*	*44,449*	*88,912*
		Special Revenue Fund Subtotal		*1,322*	*1,322*	*2,644*	*1,322*	*1,322*	*2,644*
		** This fee was subsequently declared unconstitutional and collections were halted. Amounts NOT included in totals.*							
		2003 STATE GOVERNMENT							
GF	CFB	Fee Recovery Proposal	Unspecified new fee schedule for lobbyists and principals.	420		420			0
GF	DOR	Board of Assessor Fees		25	25	50	25	25	50
GF	DOR	Revenue Recapture Fee		408	408	816	408	408	816
GF	DOR	Paper Filing Fee		1,200	800	2,000	1,200	800	2,000
GF	AmSp	Unspecified New Fees	Developed by MASC; charged to affiliated non-profits	225	225	450	225	225	450
SR	DOR	Revenue Recapture Fee		167	167	334	167	167	334
SR		Gambling Control Board Fees		1,857	2,268	4,125	1,857	2,268	4,125
SR		Racing Commission		286	286	572	286	286	572
SR		G/HVAC surety bond program	$15 bond filing fee	37	37	74	37	37	74
SR		911 Fee Change	Increase fee from 33c to 40cents per line per month.	4,881	5,187	10,068	5,187	5,187	10,374
		Public Safety Total		9,506	9,403	18,909	9,392	9,403	18,795
		General Fund Subtotal		*2,278*	*1,458*	*3,736*	*1,858*	*1,458*	*3,316*
		Special Revenue Fund Subtotal		*7,228*	*7,945*	*15,173*	*7,534*	*7,945*	*15,479*
		2003 TRANSPORTATION							
GF	DPS	Title fee and transfer fee	Increased from $2 to $3	1,600	1,700	3,300	1,700	1,700	3,400
GF	DPS	Driver license reinstatement fee		21	22	43	22	22	44

(000's)

Fund	Agency	Change Item	Description	FY 2004	FY 2005	FY04-05	FY 2006	FY 2007	FY06-07
HUTDF	DPS	License plate fee increase	Increased existing fee	1,342	1,342	2,684	1,342	1,342	2,684
HUTDF	DPS	Driver licence reinstatement fee--State Patrol		358	358	716	358	358	716
SR	DPS	Driver license surcharge--brain injury		1,074	1,074	2,148	1,074	1,074	2,148
TH	DPS	Driver license reinstatement fee		29	31	60	31	31	62
TH	DPS	Driving wo/Insurance Reinstatement fee	New penalty with new $20 reinstatement fee	95	55	150	55	55	110
TH	DPS	2am Bar Closing Fee	New fee for extended bar hours; variable by business size	3,500	3,700	7,200	3,700	3,700	7,400
		Transportation Total		8,019	8,282	16,301	8,282	8,282	16,564
		General Fund Subtotal		*1,621*	*1,722*	*3,343*	*1,722*	*1,722*	*3,444*
		Highway Users Tax Distribution Fund Subtotal		*1,700*	*1,700*	*3,400*	*1,700*	*1,700*	*3,400*
		Special Revenue Fund Subtotal		*1,074*	*1,074*	*2,148*	*1,074*	*1,074*	*2,148*
		Trunk Highway Fund Subtotal		*3,624*	*3,786*	*7,410*	*3,786*	*3,786*	*7,572*
		2003 TAX COMMITTEE							
GF	DOR	Non-settlement Cigarette Fee	35c/pack fee on cigarette manufacturers not part of the tobacco settlement	6,390	6,560	12,950	6,730	6,800	13,530
		Tax Committee Total		6,390	6,560	12,950	6,730	6,800	13,530
		General Fund Subtotal		*6,390*	*6,560*	*12,950*	*6,730*	*6,800*	*13,530*

(000's)

Fund	Agency	Change Item	Description	FY 2004	FY 2005	FY04-05	FY 2006	FY 2007	FY06-07
		2005 ENVIRONMENT, AGRICULTURE, AND ECONOMIC DEVELOPMENT							
		(Economic Development)							
GF	COM	License Fees (13 Items)	Simplification of insurance fee structure, some increases, some new				734	734	1,468
GF	COM	Insurance Certificate Fee	New $1,500 fee to sell insurance in Minnesota				18	18	36
GF	L&I	Boiler Inspection License	$5 surcharge on boiler inspectors made permanent				121	121	242
GF	L&I	Boiler Registration Fee	$5 surcharge on boiler inspectors made permanent				203	203	406
GF	L&I	Boiler Inspection Fee	Penalties for late inspections				374	374	748
GF	L&I	Pipefitting Inspection Fee	Increase high pressure piping permit fees				50	50	100
GF	L&I	Pipe fitter License Fee	Increase high pressure piping license fees				62	62	124
GF	COM	Service contracts/providers regulated	New fee on service contracts; amount varies by contract				113	113	226
SR	DEED	Marriage license fee reduced (Displac.Home.)	Decrease $10				(200)	(200)	(400)
SR	DEED	Marriage, Dissolution, Ed Fees	$48 surcharge in child custody bill				911	1,139	2,050
SR	L&I	Apprenticeship Fee Reduction	Eliminated fee enacted in 2003, replaced with appropriation.				(300)	(300)	(600)
PF	COM	Petroleum tank release cleanup	Extended existing fee; FY08-09 impact.				0	0	0
WDF	DEED	Workforce Development Fund Fees	Continued special assessment fee put in place in 2003				5,438	13,099	18,537
		Economic Development Total					7,524	15,413	22,937
		General Fund Subtotal					*1,675*	*1,675*	*3,350*
		Special Revenue Fund Subtotal					*411*	*639*	*1,650*
		Petroleum Fund Subtotal					*0*	*0*	*0*
		Workforce Development Fund Subtotal		*0*	*0*	*0*	*5,438*	*13,099*	*18,537*
		(Agriculture)							
AG	AG	Ag BMP Loan Application Fees	New application fee of $50 for each loan issued				9	11	20
AG	AG	Grain Buyer and Storage Fees	Various fee increases, new late fee penalty, new grain storage fees				55	55	110
AG	AG	Nursery Stock Grower Certification	Actual costs incurred to issue the certificate, also increase in minimum fee for first time certification				143	143	286
AG	AG	Phytosanitary Certificate	Actual cost of services needed to issue certificates; inc. in minimum fee for first time certification				9	9	18
AG	AG	Pesticide Application Fees	Chemigation permit fee from $50 to $250, new late fee penalty of $100, pesticide dealer license fee from $50 to $150, aquatic pest control license from $100 to $200, structural pest control license from $100 to $200, new commercial and noncommercial applicator late fee of 50% of fee				92	92	184
AG	AG	Manure Lab Certification Fee	Actual cost of administering the program				35	47	82
AG	AG	Fertilizer Inspection Fees	$.15 per ton to $.30; paid by fertilizer producers.				300	300	600
AG	AG	Commercial Feed License Fee	Makes fee $50 for all late licenses; paid by feed producers.				1	1	2
AG	AG	Feed Free Sale Certificates	New application fee of $25, plus $50 per label				8	8	16
AG	AG	Interstate Tonnage Exemption Fee	New $100 application fee				1	1	2
GF	AG	Apiary Registration Fee Increase	Adds a $.25 per colony minimum				9	9	18
		Agriculture Total					662	676	1,338
		Agricultural Fund Subtotal					*653*	*667*	*1,320*
		General Fund Subtotal					*9*	*9*	*18*

(000's)

Fund	Agency	Change Item (Environment)	Description	FY 2004	FY 2005	FY04-05	FY 2006	FY 2007	FY06-07
ENV	DNR	Limiting septic system installation fees (H749)	Limits septic tank fee to $25 for peformance based individual sewage treatment systems				(8)	(8)	(16)
ENV	PCA	Air Emission Fee Increase					532	839	1,371
G&F	DNR	Special Mgmt. Species-Sturgeon Fish	Sturgeon angler tags at $5 each (M.S. 97A.551, S 6; 97C.087)				25	28	53
GF	DNR	Surcharge of summer water use	Surcharge of $20 per million gallons of 6,7, 8 municipal usage over Jan				330	330	660
GF	DNR	Water permit fee increases	Increase permit application fees, once-through cooling system fee, and ag irrigation fee (103G.271, s6)				213	213	426
NRF	DNR	Cross-country ski pass fee	Increase annual pass from $9 to $14, three year pass from $24 to $39; paid by recreational skiers				140	140	280
NRF	DNR	Electronic Open Burning Permits	New $5 for an annual non commercial permit, $5 each up to $50 for commercial permits (M.S. 88.17,S5)				80	80	160
NRF	DNR	Special Fuelwood	Increase minimum fee from $5 to $25 (con-con)				2	2	4
NRF	DNR	Road Easement Application Fee	$2,000 fee for application for road easement across state land				20	20	40
NRF	DNR	Snowmobile sticker/easement & new position	New fee for MN residents; $15 per year or $30 for 3-years				2,500	2,500	5,000
NRF	DNR	Boat Registration Fee Increase	Schedule of watercraft fees increased by 50% per fee				1,674	1,947	3,621
PSF	DNR	Special Fuelwood Permits	Inncrease minimum fee from $5 to $25				3	3	6
REINM	DNR	Critical Habitat License Plate Fees	$30 per vehicle - expand existing critical habitat plate program to RVs and trailers (M.S. 168.1296, S1)				30	75	105
REM	DNR	Dry cleaner fees adjustment--ch. 157.					395	395	790
SR	DNR	Special Fuelwood Permits	raise minimum fee from $5 to $25 (FMIA)				1	1	2
SR	DNR	State Forestry Nursery Stock Surcharge	surcharge of $.025 added to each tree sold				250	250	500
		Environment Total					6,187	6,815	13,002
		Environmental Fund Subtotal					*524*	*831*	*1,355*
		Game and Fish Fund Subtotal					*25*	*28*	*53*
		General Fund Subtotal					*543*	*543*	*1,086*
		Natural Resources Fund Subtotal					*4,416*	*4,689*	*9,105*
		Permanent School Fund Subtotal					*3*	*3*	*6*
		Reinvest in MN Fund Subtotal					*30*	*75*	*105*
		Remediation Fund Subtotal					*395*	*395*	*790*
		Special Revenue Fund Subtotal					*251*	*251*	*502*
		2005 HIGHER EDUCATION							
SR	HESO	Various Private Career School Fees	Initial license fee, renewal license fee, degree level addition fee, program addition fee, visit or consulting fee, program modification fee, solicitor fee, multiple location fee, student transcript fee, and public document fee; last changed in 2000				11	15	26
		Higher Education Total					11	15	26
		Special Revenue Fund Subtotal					*11*	*15*	*26*

2003 and 2005 Sessions, by Committee and Fund Positive amounts are increases; Estimates fron. .d-of-Session (000's)

Fund	Agency	Change Item	Description	FY 2004	FY 2005	FY04-05	FY 2006	FY 2007	FY06-07
		2005 HEALTH AND HUMAN SERVICES							
GF	DHS	Licensing fees					314	270	584
GF	DHS	Background study fees to $20	Fee increase to $20 PCPO, SNSA, court applied guardian; last changed 2001.				167	167	334
GF	DHS	Parental fee decrease (TEFRA)					(971)	(937)	(1,908)
GF	DHS	Nursing Home Surcharge					(1,793)	(2,579)	(4,372)
GF	DHS	Child care licensing fee					(217)	(217)	(434)
GF	MDH	Hospital license fees-state trauma system					382	352	734
SGSR	HB	Denistry license fees	Duplicate license fee increase				3	3	6
SGSR	HB	Temp. Fee Decrease-Dietetics&Nutrition	Reduce fee app. $35 per license renewal until ???				(36)	(36)	(72)
SGSR	HB	Temp. Fee Decrease-Nursing	Reduce fee app. $5 per license renewal until ???						0
SGSR	HB	Temp. Fee Decrease-Social Work	Reduce fee app. $X per license renewal until ???				(113)	(226)	(339)
SGSR	HB	Behavioral health-no exam fee-drug/alcohol					(23)	(23)	(46)
SGSR	HB	Behavioral health-voluntary license-drug/alcohol					0	5	5
SGSR	MDH	Adverse Health Event Reporting	JACHO hospitals $7,055 to $7555 + $13 per bed; non-JACHO hospitals $4,680 + $234 per bed to $5,180 + ???per bed.				335	335	670
SGSR	MDH	Drinking water connection fee	Fee is currently $5.21, will increase to $6.36 eff. 7-1-06					1,433	1,433
SGSR	MDH	Food Manager's Certification Program	Increase fee from $15 to $28				91	91	182
SGSR	MDH	Food, Beverage & Lodging Program	Fees for schools will double, fees for MDH licensed establishment will increase 27%				1,326	1,326	2,652
SGSR	MDH	Laboratory Certification Program	Base fee from $1200 to $1600; New sample preparation technique fee of $100, test category certification fees increased ???				160	215	375
SGSR	MDH	Occupational Therapy Fee Suspension	Fee suspension for two years						0
SGSR	MDH	Plumbing Plan Review Program					(5)	(5)	(10)
SGSR	MDH	Vital Records Program	Vital record fee increased from $8 to $9; certified copy surcharge from $2 to $4; $20 increase in the amendment/replacement/delayed registration fee				1,420	1,420	2,840
SGSR	MDH	Well Management Fee	well notification, permit and variance form $150 to $175; well sealing: $30 to $35; unused well maintenance permit: $125 to $150; reinstate mineral explorers annual license fee of $50				0	551	551
SGSR		Shaken Infants Video User fee					13	0	13
		Health and Human Services Total					1,053	2,145	3,198
		General Fund Subtotal					*(2,118)*	*(2,944)*	*(5,062)*
		Health Care Access Fund Subtotal					*0*	*0*	*0*
		State Govt. Special Rev. Fund Subtotal					*3,171*	*5,089*	*8,260*
		2005 PUBLIC SAFETY							
GF	Courts	Criminal\Traffic Citation Surcharge	Increased from $60 to $72 (see 2003)				5,880	7,800	13,680
GF	DPS	Realestate and recording fee	Increased state portion by $6.50, from $4 to $10.50				9,550	9,630	19,180
GF	DPS	Liquor Wholesale/Manuf. License Fees	Increased various license fees				757	757	1,514
GF	DPS	Civil Court Filing Fee	Increased $5, to $240 (see 2003)				545	594	1,139
GF	DPS	Parking ticket surcharge	Increased from $3 to $4				500	600	1,100

Positive amounts are increases; Estin s from End-of-Session (000's)

Fund	Agency	Change Item	Description	FY 2004	FY 2005	FY04-05	FY 2006	FY 2007	FY06-07
GF	DPS	Child support modification fee (HF1321/SF630)					747	934	1,681
SR	Courts	Ramsey County Surcharge	Increasd $1				92	110	202
SR	POST	Non-DWI Reinstatement Fees	Widened universe subject to reinstatement fee				763	832	1,595
SGSR	DPS	9-1-1 Fee Increase	Increased monthly fee $.25 per line				17,050	17,080	34,130
THF	DPS	Driver license reinstatement--gas theft	Widened universe subject to reinstatement fee				24	24	48
		Public Safety Total					35,908	38,361	74,269
		General Fund Subtotal					*17,979*	*20,315*	*38,294*
		Special Revenue Fund Subtotal					*855*	*942*	*1,797*
		State Govt Special Rev Fund Subtotal					*17,050*	*17,080*	*34,130*
		Trunk Highway Fund Subtotal					*24*	*24*	*48*
		2005 STATE GOVERNMENT							
ADH	ADH	Hourly Rate Change	Paid by state agencies and local governments.				163	163	326
ADH	ADH	Admin. Hearing Fee (Information Tech.)	Paid by state agencies and local governments.				23	12	35
GF	StAud	Restore audit practice					1,010	1,047	2,057
		State Government Total					1,196	1,222	2,418
		Administrative Hearings Subtotal					*186*	*175*	*361*
		General Fund Subtotal					*1,010*	*1,047*	*2,057*
		2005 TRANSPORTATION							
GF	DPS	Drivers license electronic records fee	$2.50 increase in the Electroinc Retrievial of Records Fee				1,376	1,500	2,876
GF	DPS	Motor vehicle title transfer fee	$4 increase in the Motor Vehicle Transfer Fee				6,463	7,050	13,513
SR	DPS	Repeal of Bicycle Registration	Discontinue Bicycle Registration				(40)	(40)	(80)
SR	DPS	Support Our Troops (fee portion)	New (optional) license plate fee--reflects fee portion only.				261	401	662
SR	DPS	Title Fee	$15 increase for Title Fee				3,500	3,535	7,035
SR	DPS	Salvage Vehicle Fee	$15 increase for the Salvage Vehicle Fee				197	199	396
SR	DPS	Motor Vehicle Dealer Fee	$50 increase for the Motor Vehicle Dealer Fee				215	217	432
SR	DPS	Expedited Service Fee	$20 Expedited Service Fee				909	918	1,827
SR	DPS	Records Fee	Records Fee Increase				620	626	1,246
SR	DPS	Multiple Road Test Fee	$20 Multiple Road Test Fee (for third test after failing first two)				200	202	402
SR	DPS	Multipe Written Test Fee	$10 Multiple Written Test Fee (for third test after failing first two)				300	303	603
SR	DPS	Retainage Fee--Drivers License	$1.50 Retainage Card Fee increase				600	606	1,206
SR	DPS	Driver License Card Fee	$1.50 increase in the Driver License Fee				1,650	1,667	3,317
SR	DPS	Veterans Personal Plates					13	13	26
SR	DPS	MV Registration Temporary Permit					(3)	(4)	(7)
Non-State		Retainage Fee (Deputy Registrar)	$1.50 Retainage Card Fee Increase				1,800	1,818	3,618
		Transportation Total					18,061	19,011	37,072
		General Fund Subtotal					*7,839*	*8,550*	*16,389*
		Special Revenue Fund Subtotal					*8,422*	*8,643*	*17,065*
		Non-State Funds					*1,800*	*1,818*	*3,618*

Changes in Fee: ;o-pays, and Surcharges-- ALL FU' 'S

REVISED

2003 and 2005 Sessions, by Committee and Fund

Positive amounts are increases; Estimates fron. ,d-of-Session (000's)

Fund	Agency	Change Item	Description	FY 2004	FY 2005	FY04-05	FY 2006	FY 2007	FY06-07
			2003 Changes by Fund						
			Agricultural Fund	1,490	1,520	3,010	1,520	1,520	3,040
			Environmental Fund	3,045	5,059	8,104	5,128	5,100	10,228
			Game and Fish Fund	896	1,906	2,802	1,563	1,906	3,469
			General Fund	**57,080**	**83,784**	**140,864**	**79,833**	**77,451**	**157,284**
			Health Care Access Fund	3,565	5,598	9,163	5,913	6,242	12,155
			Highway Users Tax Distribution Fund	1,700	1,700	3,400	1,700	1,700	3,400
			Natural Resources Fund	2,504	2,749	5,253	2,994	2,994	5,988
			Petroleum Fund	(2,000)	(2,000)	(4,000)	24,800	24,800	49,600
			Special Revenue Fund	10,396	12,132	22,528	11,722	12,133	23,855
			State Govt. Special Revenue Fund	3,875	4,140	8,015	4,357	4,355	8,712
			Trunk Highway Fund	3,624	3,786	7,410	3,786	3,786	7,572
			Workforce Development Fund	4,824	12,360	17,184	7,686	0	7,686
			Non-State collected Co-pays--All Funds	*17,716*	*23,016*	*40,732*	*26,100*	*28,103*	*54,203*
			Total 2003 Fee and Co-pay Changes	108,715	155,750	264,465	177,102	170,090	347,192
			2005 Changes by Fund						
			Administrative Hearings				186	175	361
			Agricultural Fund				653	667	1,320
			Environmental Fund				524	831	1,355
			Game and Fish Fund				25	28	53
			General Fund				**26,937**	**29,195**	**56,132**
			Health Impact Fund (Health Impact Fee)**				209,285	223,303	432,588
			Natural Resources Fund				4,416	4,689	9,105
			Permanent School Fund				3	3	6
			Reinvest in MN Fund				30	75	105
			Remediation Fund				395	395	790
			Special Revenue Fund				9,950	10,490	21,040
			State Govt. Special Revenue Fund				20,221	22,169	42,390
			Trunk Highway Fund				24	24	48
			Workforce Development Fund				5,438	13,099	18,537
			Non-State collected MVRT Deputy Registrar Fee				*1,800*	*1,818*	*3,618*
			Total 2005 Fee and Co-pay Changes				279,887	306,961	587,448
			TOTAL 2003 AND 2005 Fees and Co-pays*	**108,715**	**155,750**	**264,465**	**456,989**	**477,051**	**934,640**
			MA Surcharges	*74,484*	*73,849*	*148,333*	*73,649*	*73,450*	*147,099*
			TOTAL: Fees, Co-pays, and Surcharges	***183,199***	***229,599***	***412,798***	***530,638***	***550,501***	***1,081,739***

* Totals do not include tuition, fund transfers, or transactional revenues, such as from sale of unclaimed property or of land.

** General Fund revenues would increase by a net of $401.2M in FY2006-07 after adjusting for $31.4M lower cigarette tax revenues due to lower consumption.

#3

MINNESOTA · REVE

Handout #3

Assessment and Classification Practices Report

Resort property including class 1c and class 4c seasonal recreational resorts

A report submitted to the Minnesota State Legislature
pursuant to
Minnesota Laws 2005, First Special Session Chapter 3, Article 1, Section 37

Property Tax Division
Minnesota Department of Revenue
February 28, 2006

MINNESOTA · REVENUE

February 28, 2006

To the members of the Legislature of the State of Minnesota:

I am pleased to present to you this report on the assessment and classification of resort property including class 1c and class 4c seasonal recreational resorts within the State of Minnesota undertaken by the Department of Revenue in response to Minnesota Laws 2005, First Special Session Chapter 3, Article 1, Section 37.

This report provides a summary of classification practices of resort property including class 1c and class 4c seasonal recreational resorts within the State of Minnesota, as well as recommendations to improve the uniformity of assessment and classification of these types of properties.

Sincerely,

Daniel A. Salomone
Commissioner

Per Minnesota Statute 3.197, any report to the Legislature must contain, at the beginning of the report, the cost of preparing the report, including any costs incurred by another agency or another level of government.

This report cost $21,000.

Introduction

This report was developed in accordance with Minnesota Laws 2005, First Special Session Chapter 3, Article 1, Section 37, which states in part that:

(a) *Recognizing the importance of uniform and professional property tax assessment and classification practices, the commissioner of revenue, in consultation with appropriate stakeholder groups, shall develop and issue two reports to the chairs of the house and senate tax committees. The reports shall include an analysis of existing practices and provide recommendations, where necessary, for achieving higher quality and uniform assessments and consistency of property classifications.*

(b) *The first report will be issued by February 1, 2006, and will address the following property types:...*

(3) resort property including class 1c and class 4c seasonal residential recreational resorts...

The purpose of this report is to examine county assessors' current practices in the valuation and classification ~~of resort property and make recommendations for any changes or clarifications that would increase~~ uniformity throughout the state.

In preparation for issuing this report, the Department of Revenue formed a committee composed of department staff members and assessors. The assessor members were selected by the Minnesota Association of Assessing Officers (MAAO). Members of the committee include:

- Steve Kuha, County Assessor, Cass County, MAAO Region 4
- Steve Skoog, County Assessor, Becker County, MAAO Region 7
- Patricia Stotz, County Assessor, Mille Lacs County, MAAO Region 3
- Marty Schmidt, County Assessor, Crow Wing County, MAAO Region 4;
- Ted Mershon, County Assessor, Cook County, MAAO Region 4
- Keith Albertsen, County Assessor, Douglas County, MAAO Region 7
- Duane Ebbighausen, County Assessor, Beltrami County, MAAO Region 8
- Bill Effertz, Assistant County Assessor, Hennepin County, MAAO Region 9
- Gordon Folkman, Director, Property Tax Division, Department of Revenue
- John Hagen, Manager, Information and Education Section, Property Tax Division, Department of Revenue
- Gary Amundson, Regional Representative, Property Tax Division, Department of Revenue
- Brad Averbeck, Regional Representative, Property Tax Division, Department of Revenue
- Jacque Betz, Appraiser, Information and Education Section, Property Tax Division, Department of Revenue

The following legislative staff members were informed of committee activities throughout the process of developing this report:

- Karen Baker, Legislative Analyst, Research Department, Minnesota House of Representatives
- Steve Hinze, Legislative Analyst, Research Department, Minnesota House of Representatives
- Jack Paulson, Analyst, Minnesota Senate
- JoAnne Zoff Sellner, Director of Counsel/Research/Fiscal Policy Analysis, Minnesota Senate

The committee initially met on October 18, 2005. At this meeting, the committee developed a list of issues to address for the purpose of the report. The committee also developed a survey for assessors to determine the current valuation and classification practices for resorts (see *Resort Survey,* page 15). The survey was conducted in October 2005. The results of the survey are summarized in the report (see *Summary Resort Survey Results,* page 18 for detailed results). The committee met on November 8, November 21, and December 8, 2005, to discuss the survey results, analyze the issues, and to develop recommendations to increase assessment uniformity for resort properties.

Abstracts submitted to the Department of Revenue in 2005 indicate that 65 out of 87 Minnesota counties have class 1c and/or class 4c property (see *Class 1c and 4c Resort Values by County,* page 27).

This report is the result of a cooperative effort between the Department of Revenue, Property Tax Division and the MAAO.

Executive summary

In the course of its work, the committee surveyed the counties to develop a better understanding of current assessment and valuation practices for resort properties. The committee also discussed various resort classification and valuation issues that contribute to the lack of assessment uniformity of these types of properties. The issues and recommendations are summarized below. Please see the *Analysis and recommendations* section (page 4) for more detailed explanations of the issues and recommendations.

- **Review resort valuation procedures:** The committee discussed the proper method for valuing resort property. Valuing property at its highest and best use is a basic appraisal principle and an essential component to the ad valorem tax system. **Recommendations:** We recommend that all resorts be valued at their highest and best use, which means that the assessor should consider the potential for development. If tax burdens are an issue, the committee supports class rate changes to control resort taxation instead of modifying valuation practices.
- **Review usefulness of data used to determine resort class:** The committee discussed the administration of the 250-day rule. The committee also discussed the requirements for class 4c. **Recommendations:** We recommend that these statutory requirements remain unchanged. In addition, all assessors should verify the 250-day requirement on an annual basis and monitor the 4c requirements as needed.
- **Review criteria used to determine how resort sales are utilized in sales ratio studies:** The committee discussed the use of all resort sales in the sales ratio study. Currently resorts that are sold and no longer operate as a resort are not included in the study. **Recommendations:** We feel that all resort sales should be used in the sales ratio study as this supports valuing property based on its highest and best use. The Department of Revenue will study the change-of-use reject code further before making any recommendations due to potential implications on other types of property.
- **Review resort definitions:** The committee discussed the requirements to qualify as a class 1c or 4c resort. **Recommendations:** We recommend that the definition of a resort be more clearly defined in the 1c and 4c classifications and propose a statutory change be made to improve uniformity. The reference that a class 1c resort with any value in tier III (i.e., valued over $2.2 million) must meet all the requirements of class 4c should be removed from statute as class should not be determined by value. The key components of such a definition include a minimum number of units, a clear definition of "unit," clarification that a resort must have recreational activities, clarification on the classification of camping pads, and clear direction on the classification of resort property in which the right to use is transferred to an individual through various means.

- **Determine class when individual units are sold:** The committee discussed the proper classification of resort property when individual units are sold. **Recommendations:** Class should be changed on a unit-by-unit basis as the ownership changes (or until the minimum number of units requirement is no longer met) when the right to use the property is transferred to an individual or entity via deeded interest, or the sale of shares or stock.
- **Determine class when units are rented for residential occupancy during the off season:** The committee discussed the rental of units during the off season for residential use. **Recommendations:** We recommend that any rental of a resort unit for more than 30 days for residential purposes should be classified as residential nonhomestead if there are three or less units or the apartment class if there are more than three units.
- **Review requirement for resort to be located on a lake:** The committee discussed the requirement that class 1c resort property abut lakeshore (class 4c property does not need to abut a body of water). **Recommendations:** We recommend that the class 1c definition be expanded to include property that abuts either a lake or river. We recommend that class 4c property remain free of any water requirements.
- **Review differences between 1c and 4c requirements:** The committee discussed the differences between the 1c and 4c requirements. **Recommendations:** With the clarifications previously mentioned, we agree with the current statutory definitions. Instead of subjecting the entire 1c class to the occupancy and use requirements in class 4c (a change that may cause some properties to lose the 1c class), the committee recommends that tier III of class 1c not be subject to the occupancy and use requirements of class 4c.
- **Review effects of resorts not receiving benefits of Limited Market Value (LMV):** The committee briefly discussed LMV for resorts. **Recommendations:** Rather than making any recommendations pertaining to LMV for resorts, the committee recognizes that this topic is too extensive to be addressed by the committee alone. A broader discussion of LMV is needed to make any recommendations on this matter.
- **Determine proper way to allocate land value to the homestead portion of a class 1c resort:** The committee discussed the proper method for allocating land value to the homestead portion of a class 1c resort. **Recommendations:** We recommend that the land value allocated to the homestead portion of a resort be the minimum amount of land required by zoning to create a conforming lot.
- **Determine class of contiguous land not used for resort purposes:** The committee discussed the proper classification of contiguous and noncontiguous land that is not used for resort purposes. **Recommendations:** Contiguous land owned by the resort but not used for resort purposes shall qualify for the resort class, provided there is no other identifiable use of the parcel. Noncontiguous bare land owned by the resort shall be classified according to its use. The committee recommends no change to the provision that noncontiguous parcels containing rental units shall qualify for the resort class as long as they are within two miles of the resort.
- **Determine class of auxiliary structures used in conjunction with resort property:** The committee discussed the proper classification of auxiliary structures such as a restaurant or convenience store or recreational areas such as tennis courts and volleyball courts used in conjunction with resort property. **Recommendations:** We recommend that all structures directly related to use by resort patrons shall qualify for the resort class. Any structure not directly related to use by resort patrons or any structure available for use by the general public shall not qualify for the resort class – it should be classified as commercial.

Analysis and recommendations

The committee addressed 12 issues involving the valuation or classification of resort property. Each issue is analyzed below followed by the committee's recommendations for improving uniformity in assessment practices across the state.

Review resort valuation procedures

Analysis: Valuing property at its highest and best use is a basic appraisal principle and an essential component to the ad valorem tax system. The International Association of Assessing Officers defines the highest and best use of a property as:

> *A concept in appraisal and in assessment law requiring that each property be appraised as though it were being put to its most profitable use, given probable legal, physical, and financial constraints. The concept is most commonly discussed in connection with underutilized land.* (Property Appraisal and Assessment Administration, 1990 edition, Glossary)

~~The Appraisal Institute defines the highest and best use of a property as:~~

> *the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.* (The Appraisal of Real Estate, Tenth Edition, 1992, page 275)

When examining the highest and best use of a property, the assessor must give consideration to such items as local zoning ordinances and building requirements, uses of surrounding properties, intended use as indicated on Certificates of Real Estate Value for the subject property as well as other sales that have taken place in the area, etc. Assessors then choose the use that is physically possible, legally permissible, financially feasible, and maximally productive that will generate the highest return to the land.

According to our survey, 25.9 percent of respondents value resort property based on its highest and best use, while 55.6 percent value resort property based on it current use (see *Summary Resort Survey Results,* question 1, page 18). To some extent, this is an issue of semantics: some assessors suggest that the highest and best use would reflect development and value the resort based upon the value of the resort's development potential, while other assessors value all of the land at an "improved" rate because of the intense usage as a resort. In many cases, the resulting values are very similar. Highest and best use does not mean valuing the property as though it has already been developed. It means recognizing the value due to the potential for development. The highest and best use could be as a resort.

Assessors value resort land based on sales of property on the same or a similar lake. A majority of counties with large amounts of resort property value all the land used by the resort at the "high" rate, while other counties apply a size adjustment on front footage. Only a few assessors grant reductions in structure values. There does not seem to be as much variation in resort valuation procedures as in resort classification procedures.

Resort effective tax rates are relatively low and decreased significantly in 2006 as a result of class rate reductions (see *County Average Effective Tax Rates,* page 31).

Recommendations: We recommend that all resorts be valued at their highest and best use, which means that the assessor should consider the potential for development. Highest and best use analysis includes examining the amount of land owned by a resort, the suitability of the structures to development, local ordinances affecting development potential, market trends, etc. The rate of resort development varies from one area to the next. In one area, the highest and best use may be as a resort; in another area, the highest and best use may be to develop the land. The assessor needs to analyze the market to make such determinations.

The class rate changes made by the 2005 legislature were rather significant. However, due to the limited resort tax base, the changes did not create a noticeable tax shift (see *County Average Resort Tax Base,* page 35). The committee supports class rate changes as a means of modulating resort taxation instead of modifying valuation practices.

Review usefulness of data used to determine resort class

Analysis: According to our survey, 63 percent of respondents annually collect data from resorts to administer the 250-day rule devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment (see *Summary Resort Survey Results,* question 6, page 23). Only 38.1 percent of respondents annually verify the requirements for class 4c (i.e., at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle), but respondents feel this data is especially valuable for use in questionable situations (see *Summary Resort Survey Results,* question 7, page 23).

Recommendations: We recommend these statutory requirements remain unchanged. In addition, all assessors should verify the 250-day requirement on an annual basis and monitor the 4c requirements described above as needed.

Review criteria used to determine how resort sales are utilized in sales ratio studies

Analysis: Criteria for the sales ratio study provides that properties with a change of use from one legal property class to another are not used in the study. A change from residential to commercial would be an example of this type of use change. However, a change of use would not be involved if a restaurant were converted to an office building since both would be classified as commercial property. One exception to this is a change of class from seasonal residential recreational to residential or vice versa. These sales will be used. Sales of 34.5 acres or more are not automatically excluded if the class changes are among the agricultural, residential, seasonal recreational or timber classes. In these instances, the property will remain in the class it was in before the sale.

According to our survey, assessors are divided over the use of all resort sales in determining the value of other resorts. The survey indicated that 56 percent of respondents felt sales should be used only when the resort use continues, and 32 percent felt that all resort sales should be used (see *Summary Resort Survey Results,* question 8, page 24). Using all resort sales would be consistent with highest and best use practices. Using sales of resorts that change use reduces the subjectivity of adjusting for personal property and "blue sky." Use of these sales could result in higher coefficients of dispersion in areas where highest and best use is not well defined.

Recommendations: We feel that all resort sales should be used in the sales ratio study as this supports valuing property based on its highest and best use. However, the Department of Revenue will study the change-of-use reject code further before making any recommendations due to potential implications on other types of property.

Review resort definitions

Analysis: A majority of assessors feel there should be a minimum number of units to qualify for resort class. This would help in determining what properties qualify as a resort. Due to the significant class rate reductions for ma and pa resorts, some assessors envision that people will argue that they should qualify for the class. Without a minimum number of units, the door could be open for an owner-occupied property with only one or two units to qualify as a 1c resort.

Applying the 250-day rule to camping pads is problematic in that even though the travel trailers, park trailers, etc. that frequently are located on the pads are used seasonally, they oftentimes are left on the pad year round. Still other "camp grounds" may have some or all of the units utilized year round.

Recommendations: We recommend that the definition of a resort be more clearly defined in the 1c and 4c classifications. The key components of such a definition include a minimum number of units, a clear definition of "unit," clarification that a resort must have recreational activities, clarification on the classification of camping pads, and clear direction on the classification of resort property in which the right to use is transferred to an individual through various means.

The committee agrees that the resort definition needs to specify a minimum number of units. While the specific number is debatable and any number may result in some properties no longer qualifying for the resort class, we are recommending a minimum of five units to coincide with the licensing requirement for resorts under Minnesota Statutes, Section 157.15, subdivision 11 which defines a resort as follows:

> *'Resort' means a building, structure, enclosure, or any part thereof located on, or on property neighboring, any lake, stream, skiing or hunting area, or any recreational area for purposes of providing convenient access thereto, kept, used, maintained, or advertised as, or held out to the public to be a place where sleeping accommodations are furnished to the public, and primarily to those seeking recreation for periods of one day, one week, or longer, and having for rent five or more cottages, rooms, or enclosures. Resorts with five or more units are required to be licensed.*

Since the legislature differentiates between resorts and hotels/motels, we thought it was important to include a recreational component in the definition. This would clarify that, to be classified as a resort, the property should provide recreational activities typically associated with a resort. The Department of Revenue has issued guidelines in the past to that effect. In a letter dated February 26, 1996, the department recommended that hotels and motels be classified according to their use. "If they do not provide recreational activities or pursuits, like those typically associated with a resort, they should continue to be classed as commercial property." We have added references to the recreational activities mentioned in the 4c definition to fulfill this requirement but are open to other suggestions for defining "recreational" activities.

Counties currently grant the lc classification to properties that are located on lakes and rivers, and a 1977 bulletin issued by the department stated that the shore of a river qualifies. To align the law with existing practices, we recommend that the requirement for a 1c resort to "abut a lakeshore line" be amended to read "abut a meandered body of water" or other suitable language to allow a class 1c resort to be located on either a lake or a river.

The reference that a class 1c resort with any value in tier III (i.e., valued over $2.2 million) must meet all the requirements of class 4c should be deleted. Class should be determined by use not value.

The committee recommends that the following changes be made to the class 1c and 4c resort classifications to better align the definitions and to clarify any areas that are contributing to a lack of uniformity in assessment practices (key: (1)~~Language to be deleted~~ (2)New language):

(c) Class 1c property is commercial use real and personal property that abuts ~~a lakeshore line~~ a meandered body of water and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. To qualify for class 1c, a property must have minimum of five rental units. A rental unit is defined as a cabin, condominium, townhouse, sleeping room, or camping pad with water and electrical hookups. Any combination of these types of units equaling five or more meets the requirement for class 1c. For property offering less than five rental units, each unit should be classified seasonal residential recreational if the unit was rented 250 days per year or less in the year preceding the year of assessment and class 3a commercial if the unit was rented for more than 250 days in the year preceding the year of assessment. To qualify for the 1c classification, recreational activities must be provided by the resort such as renting fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, providing marina services, launch services, or guide services, or selling bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity via deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c shall also be class 1c, regardless of the term of the rental agreement as long as the use of the camping pad does not to exceed 250 days. A property with an inventory of rental units consisting of camping pads only qualifies for class 1c, provided the pads were used 250 days or less in the year preceding the year of assessment and the property otherwise qualifies for class 1c. The portion of the property used as a homestead by the owner ~~has the same class rates as~~ is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first $500,000 of market value is tier I, the next $1,700,000 of market value is tier II, and any remaining market value is tier III. The class rates for class 1c are: tier I, 0.55 percent; tier II, 1.0 percent; and tier III, 1.25 percent. ~~If a class 1c resort property has any market value in tier III, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.~~ Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c;

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. To qualify for class 4c, a property must have minimum of five rental units. A rental unit is defined as a cabin, condominium, townhouse, sleeping room, or camping pad with water and electrical hookups. Any combination of these types of units equaling five or more meets the requirement for class 4c. For property offering less than five rental units, each unit should be classified seasonal residential recreational if the unit was rented 250 days per year or less in the year preceding the year of assessment and class 3a commercial if the unit was rented for more than 250 days in the year preceding the year of assessment. To qualify for the 4c classification, recreational activities must be provided by the resort such as renting fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, providing marina services, launch services, or guide services, or selling bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity via deeded interest, or the sale of shares or stock, no longer qualifies for class 4c even though it may remain available for rent. Instead, such units should be classified as seasonal residential recreational if the unit was used for 250 days or less in the year preceding the year of assessment or class 3a commercial if the unit was used more than 250 days in the year preceding the year of assessment. A camping pad offered for rent by a property that otherwise qualifies for class 4c shall also be class 4c, regardless of the term of the rental agreement as long as the use of the camping pad does not exceed 250 days. A property with an inventory of rental units consisting of camping pads only qualifies for class 4c, provided the pads were used 250 days or less in the year preceding the year of assessment and the property otherwise qualifies for class 4c. In order for a property to be classified as class 4c, seasonal residential recreational for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class ~~1c or~~ 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class ~~1c or~~ 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class ~~1c or~~ 4c property must provide guest registers or other records demonstrating that the units for which class ~~1c or~~ 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class ~~1c or~~ 4c;

Determine class when individual units are sold

Analysis: Assessors feel strongly that a resort unit that is sold to an individual but remains available for rent is no longer eligible for the resort class (see *Summary Resort Survey Results,* question 11, page 26). When a resort unit is granted to an individual via the sales of stock or shares, assessors feel less strongly but still favor removal of the resort class on the unit (see *Summary Resort Survey Results,* question 12, page 26).

Recommendations: Class should be changed on a unit-by-unit basis as the ownership changes (or until the minimum number of units requirement is no longer met). Any unit in which the right to use the property is transferred to an individual or entity via deeded interest, or the sale of shares or stock, no longer qualifies for the resort class even though it may remain available for rent. Such units should be valued as a whole when stock or shares are sold, and valued individually when deeded interest is transferred.

Determine class when units are rented for residential occupancy during the off season

Analysis: According to our survey, 73.9 percent of respondents felt that, if resort units were rented during the off season for residential use, those units should be removed from the resort class (see *Summary Resort Survey Results,* question 13, page 26).

Recommendations: We recommend that any rental of a resort unit for more than 30 days for residential purposes should be classified as residential nonhomestead if there are three or less units. If there are more than three resort units rented for more than 30 days for residential purposes, the units should receive the apartment class.

Review requirement for resort to be located on a lake

Analysis: Currently, to receive the 1c classification, the property must abut lakeshore. Class 4c property does not need to abut a body of water.

Recommendations: As noted earlier, we recommend that the class 1c definition be expanded to include property that abuts either a lake or river. We recommend that class 4c property remain free of any location requirements pertaining to water.

Review differences between 1c and 4c requirements

Analysis: Class 1c must be homestead and located on a body of water. Class 4c need not be located on a body of water. Class 4c must meet the further requirements concerning occupancy and use. If a class 1c resort has any value in tier III, the entire resort must meet the occupancy and use requirements of class 4c. The committee felt strongly that the class should not be dictated by the value.

Recommendations: With the exceptions already mentioned, we agree with the current definitions. Instead of subjecting the entire 1c class to the occupancy and use requirements in class 4c (a change that may cause some properties to lose the 1c classification), the committee recommends that tier III of class 1c not be subject to the occupancy and use requirements of class 4c.

Review effects of resorts not receiving benefits of Limited Market Value (LMV)

Analysis: The failure of resorts to qualify for LMV may have contributed to the perception of unequal assessment practices. As the lakeshore value increases on a particular lake, some properties (cabins for example) are eligible for limited market value and other properties (resorts) are not.

Recommendations: Rather than making any recommendations pertaining to limited market value for resorts, the committee recognizes that this topic is too extensive to be addressed by the committee alone. A broader discussion of limited market value is needed to make any recommendations on this matter.

Determine proper way to allocate land value to the homestead portion of a class 1c resort

Analysis: There is no clear indication in statute about how to properly allocate the land value to the homestead portion of a class 1c resort. Several assessors on the committee noted that they often use the minimum zoning requirements to allocate the land value.

Recommendations: We recommend that the land value allocated to the homestead portion of a resort be the minimum amount of land required by zoning to create a conforming lot.

Determine class of contiguous land not used for resort purposes

Analysis: Questions have arisen regarding the proper classification of contiguous land that is not used for resort purposes. Several assessors on the committee noted that, absent another use, they would give it the resort class.

Statute provides that noncontiguous parcels containing rental units shall qualify for the resort class as long as they are within two miles of the resort.

Recommendations: Contiguous land owned by the resort but not used for resort purposes shall qualify for the resort class, provided there is no other identifiable use of the parcel. Noncontiguous bare land owned by the resort shall be classified according to its use.

The committee recommends no change to the provision for noncontiguous parcels containing rental units to qualify for the resort class as long as they are within two miles.

Determine class of auxiliary structures used in conjunction with resort property

Analysis: There is some confusion as to the proper classification of auxiliary structures such as a restaurant or convenience store or recreational areas such as tennis courts and volleyball courts used in conjunction with resort property. The law states:

> *The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;*

Recommendations: We recommend that all structures directly related to use by resort patrons shall qualify for the resort class. Any structure not directly related to use by resort patrons or any structure available for use by the general public shall not qualify for the resort class – it should be classified as commercial. A resort structure need not be used exclusively by resort patrons to qualify for the resort class, but use by other persons should be incidental to the purpose of serving resort guests. If a resort has a sign promoting a restaurant, convenience store, or other structure for use by the general public, or if they advertise in the phone directory, online, or by other means that they are open to serve the general public, they should be class 3a commercial. If a resort has recreational areas such as tennis courts, volleyball courts, horseshoe pits, or croquet greens, that are available for use by the general public for a fee, or they conduct league or tournament play on these facilities that are open to the public, they should be class 3a commercial.

Conclusion

In conclusion, the committee determined that one of the reasons for the lack of uniformity in the valuation and classification of resort property is the ambiguity in the class 1c and 4c definitions. Such ambiguity leads to different interpretations and different applications across the state. The committee believes that the best way to promote uniformity in the classification of resort property is for the legislature to clarify the existing class 1c and 4c definitions. Adding key components such as a minimum number of units, a clear definition of "unit," clarification that a resort must have recreational activities, clarification on the classification of camping pads, and clear direction on the classification of resort property in which the right to use is transferred to an individual through various means would result in a more precise classification that could be applied more uniformly throughout the state.

Many of the other issues addressed in this report that contribute to a lack of uniformity can be managed without making statutory changes. To help alleviate any disparities, the department will issue a bulletin to all assessors outlining specific guidelines for classifying resort property. To promote uniformity in valuation practices, the bulletin will reiterate that resort property should be valued at its highest and best use. The department will study the change-of-use reject code further before making any recommendations regarding the use of these sales in the sales ratio study.

Appendix

Resort Survey

Because there was much discussion in the last legislative session concerning the valuation and classification of resorts and the appropriate valuation and classification methods, the Resort Working Group requests your responses to the following questions.

1. How do you value resort property?

   a. Considering its development potential.
   b. Based on its current use.
   c. Based on its highest and best use.
   d. Other: Please explain. ______________________________

2. Which of the following best describes the way you value resort property?

   a. Based on sales of other resorts
   b. Based on sales of other non-resort lakeshore parcels.
   c. Based on the income produced by the resort.
   d. Other: Please explain. ______________________________

3. Describe in detail the method you use to value resort land (include the source of land rates and any parcel size modifications allowed).

4. Describe in detail the method you use to value resort structures (indicate additional functional or economic obsolescence allowed).

5. Is this the same method you use to value non-resort structures?

   a. Yes
   b. No

   Comments:

6. Do you annually collect data from resorts regarding unit usage in administering the 250-day rule?

   a. Yes
   b. No

   Comments:

7. Do you find the criteria found in the statutory description of class 4c1 property to be helpful in determining resort classification? (40 percent of bookings during a 90-day period, 60 percent of bookings for two or more nights, 20 percent of income from the sale or rental of recreational services or equipment).

   a. Yes
   b. No

   Comments:

   How often do you request this data?

8. The sale of a resort should be utilized in determining the value of other resorts.

   a. Never
   b. Always
   c. Only when the sold property continues to function as a resort
   d. Other: Please explain.

9. A resort should contain a minimum of ____________ rental units.

   a. 1-3
   b. 3-5
   c. More than 5
   d. Other: Please explain.

10. If a resort had units that were rented on an annual or entire season basis, rather than a daily or weekly basis, how would you classify them?

    a. SRR
    b. Resort
    c. Commercial
    d. Other: Please explain.

11. When a resort transfers ownership interest in a unit or number of units to an individual, by conveying a deeded interest, thus creating a separate parcel, and the units remain available for rent on a nightly or weekly basis, for less than 250 nights per year, how would you classify them?

    a. SRR
    b. Resort
    c. Apartment
    d. Other:

12. When a resort transfers ownership interest in a unit or number of units to an individual, via the sale of shares in an association or other entity, and the units remain available for rent on a nightly or weekly basis, for less than 250 nights per year, how would you classify them?

    a. SRR
    b. Resort
    c. Apartment
    d. Other:

13. If a resort rented units in the off season on a monthly basis, for residential occupancy, would this cause you to remove the resort classification?

    a. No
    b. Yes

    If yes, to what classification?

Summary Resort Survey Results

This survey was sent to all 87 county assessors. Counties with no resort property and no desire to share their opinions could indicate so and decline to complete the survey. However, all counties were encouraged to participate in the survey. In total, 27 counties completed the survey, 25 counties declined to participate because they do not have any resort property, and 35 counties did not respond to our request. According to 2005 abstract data, 65 counties have value in class 1c and/or class 4c and 22 counties do not have any value in class 1c or class 4c. The discrepancy in the number of counties with class 1c and 4c value and those reporting no resort property appears to be attributable to campgrounds.

1. How do you value resort property?

	Responses (#)	Responses (%)
a. Considering its development potential.	1	3.7%
b. Based on its current use.	15	55.6%
c. Based on its highest and best use.	7	25.9%
* Both b & c.	2	7.4%
d. Other: Please explain.	2	7.4%
Total	27	100.0%

- *We value the lakeshore based on sales of residential lakeshore parcels, and then we value each building or home through application of a market driven cost approach. We have not necessarily valued them based on their "resort" value, however using the approach we have come right into the sale price of one of the resorts we have.*
- *Assuming that its highest and best use is some type of conversion, then we probably tend toward the middle with conversions on the high end and ma & pa resorts on the low end. The way we value resorts has changed radically in the last three to four years.*

Comments:

- *Buildings are valued based on current use, however, land (lakeshore) is valued based on highest and best use (market).*

2. Which of the following best describes the way you value resort property?

	Responses (#)	Responses (%)
a. Based on sales of other resorts.	7	26.9%
b. Based on sales of other non-resort lakeshore parcels.	8	30.8%
* Both a & b.	6	23.1%
c. Based on the income produced by the resort.	0	0.0%
d. Other: Please explain.	5	19.2%
Total	26	100.0%

- *Both a & b; Mostly b due to lack of sales.*
- *All of the above depending on the situation for highest and best use and availability of data.*
- *Based on all lake sales then add premium for concentrated use.*
- *All considered, but with many non-resort lakeshore sales, most weight placed on b.*
- *No sales – we value land separately and add site values for the campsites.*

3. Describe in detail the method you use to value resort land (include the source land rates and any parcel size modifications allowed).
    - *We value by the front foot based on sales occurring on the lake. Sales data being mostly non-commercial cabin sales, we discount excess lakeshore the same as the cabins.*
    - *The value of the land is based on sales of bare and improved lakeshore tracts on that lake or similar lakes if there is not enough sales data on a particular lake. The lakeshore is graded depending on the physical attributes of the property and current zoning. We then add value for site improvements – site prep for building, water, sewer, and electrical service same as a single residential type developed lot. As additional residential buildings are added, a value is added to the tract for the extra site improvements necessary to support the extra residential unit. This covers in part the extra cost of site preparation and water, sewer, and electrical hookup.*
    - *We use sales of small tract lakeshore to determine the lakeshore value. We do not use size adjustment factors on the resort shoreline. If a resort has a thousand feet of shoreline it all goes at the same rate.*
    - *We use an abstraction method using sales of residential properties (because that is all we have) and then apply the abstracted land value per front foot, including any appropriate adjustments, and then use a market driven cost approach for the improvements. Our lakeshore values have been very good on all lakeshore properties as we have continued to annually do abstraction techniques. Our ratios on lakeshore parcels has been within acceptable standards over the last two years.*
    - *Same as other land on the lake. I have a front foot schedule that has a size factor. Also there is a utility value added based on their wells, sewers, and electric available.*
    - *Value per front foot is based on sales of resort and non-resort properties; Size adjustment is much less than on non-resort parcels.*
    - *Lakeshore land sale analysis to determine site amenities and front foot value.*
    - *Value is based upon the front foot of lakeshore and the excess land beyond 200 foot depth upon the per acre value. The per acre value does have a size adjustment based upon the number of acres: 1-5, 6-10, 11-15, 16-20, 21-25, 26-30, 31-55, 36 plus. If the resort uses the entire lakeshore frontage, we value all of it at the top rate, but we do adjust for low and wet. Our rates are based upon sales.*
    - *Base rate arrived at by using combination of current sales and needed local effort. Adjustments are made for quality. Generally, a plus adjustment is made (5 to 20 percent) for concentrated use or what seems to be a premium that people pay to become a part of these co-ops. Hookup sites are valued at about $2,000 a site. Excess land (building sites, acres, etc.) is valued normally.*
    - *We value the full lakeshore frontage at full rate for that particular lake and a value per acre (if there is acreage) on all but one of my resorts as they are comparable to other lakeshore properties in their location. After a lengthy discussion with the township board, one resort is like a peninsula so I value one side that way and the back side is valued lower as it is swampy and full of cattails and is unusable at this point.*
    - *We use the same land and lakeshore rates as on our residential properties.*

- *By frontage rates extracted from any lakeshore parcels sold on the same lake. Parcel size modifications exist. The remainder of a parcel, that isn't used as a resort, is valued by its acreage as either farmland, or residential according to use, or size. The frontage rate will be reduced on shore land that is swampy or very steep although, an additive for well and septic may apply. There is also, a reduction for excess frontage when undeveloped. The reductions are by percentages applied to all the lakes and were extracted from sales from all lakes. There is also a hookup amount added for sewer and water and electrical per space or pad. This additional amount is based on those additives.*
- *Front foot same as other lakeshore properties. One commercial site value.*
- *We use the same schedule as our residential and seasonal recreational.*
- *We value each parcel of land within the resort based upon its size, or frontage on the lake, accessibility, quality of land, number of lakeshore front footage, type of shoreline/elevation, and improvements that may be added to the land: such as well, septic, driveway, etc.*
- *The front foot method is used and based on sales. Highest value used for what is being used for the operation of the resort.*
- *We use current lakeshore values and adjustments. We have many lakes in the county and each has different front foot values.*
- *We value our lakeshore by the front footage and increases or decreases are determined by sales.*
- *Land rates are the same as the rates on non resort property on the same lake. No size modifications are done unless there is excess land not used by the resort. Then we will adjust for size the same we would for non resort properties on the excess.*
- *Use typical county lake/land schedule for area. Front foot valuations based on 300 foot depth for parcel, additional land accounted for as excess acres. Consideration given to: shared utilities, density issues, building site improvements, RV lots, etc.*
- *Similar front foot rates in the neighboring area but size adjustments are made. Buildings are all valued from the same schedule as all other properties in the county.*
- *Site and excess and acres times rate e.g., first acre at $130,000, excess acres at $5500.*
- *We use a tiered system for valuing land. The first tier usually ends between 300 and 600 ff. The second tier ends between 1000 ff and 2000 ff and is about 50 percent to 60 percent of the first tier value. Any additional frontage is valued at 25 percent to 30 percent of the first tier value. Acreage is valued the same as other land in the area. Site values: main site at $7,500 and cabin sites at $2,000; campsites: site at $500, with electric $600, with electric and water at $800, full $1,000; utilities (well/septic): main at $8,000 and cabins at $2000. I begin with the building value, add the land (acreage and site and utility values) and then use the land residual to determine the frontage value and tier breaks.*
- *Land values are established based on land sales; we discount 25 percent after 500 feet.*

- *For the one resort on the river, we value the frontage similar to other river frontage in the county. For the additional acres, we use the same per acre rates we use in the rest of the township. We then add for sites based on their improvements. All of the resorts in the county are RV resorts – no cabins since we have no lakes in the county. For off water resorts, we use the site values plus the per acre value used in the surrounding area.*

4. Describe in detail the method you use to value resort structures (indicate additional functional or economic obsolescence allowed).
   - *We compare the commercial bars, restaurants, gift shops, etc. to other resorts and other commercial buildings similarly used in resort area off lakes. We use square foot and building schedule for cabins that we use for other SRR or residential units. For convention centers, etc. we communicate and view similar properties in surrounding counties.*
   - *The same residential valuation model is used regardless of the classification. We do not allow any additional functional or economic obsolescence.*
   - *We use cost minus depreciation on the cabins and amenities. Example: If a cabin costs $60 a square foot to build and is thirty years old, we depreciate .65 percent per of age after year seven. We give an extra 10 percent functional depreciation for functional obsolescence due to cluster development.*
   - *We didn't need to do that since there weren't any resort-only types of structures such as shower buildings. We did have one shower house that we put on a very low value since the actual market for a shower house would be negligible in this area.*
   - *We use depreciated rate per square foot on buildings. We have only three or four small resorts and many of those are split class between commercial, homestead, and the resort class. We are not really a resort county.*
   - *Each improvement is listed and valued using a modified cost approach. Density factors are considered.*
   - *Use cost estimate and building residual utilizing function and economic depreciation.*
   - *Cost less depreciation.*
   - *Values for structures are based upon the following: 1. type of structure; 2. condition; 3. quality of construction; 4. size; 5. age; 6. story height. We use a rate per square foot.*
   - *Either using the residential building schedule or through Marshall Swift. Cost per square foot less physical depreciation. No additional adjustment is made for being a resort.*
   - *We use our building schedule – cost per square foot less depreciation based on age and condition to value the structures present on the resorts. We do not use a functional or economic obsolescence on them.*
   - *We utilize the cost less any accrued depreciation multiplied times a location factor. No additional functional nor economic obsolescence is allowed just for being a resort.*

- *The resort structures (i.e., resort store, storage buildings, showers, bathrooms, and fish cleaning) are valued initially by the Marshall & Swift cost schedules. They are reduced for any obsolescence that is present. The house, garage, and any outbuildings not a part of the resort, are valued with a county/region-based cost schedule and are adjusted for any obsolescence present. The resort structures are basically considered the same as any other commercial property.*
- *If residential, value is the same as a typical house. We use Marshall & Swift for commercial properties.*
- *Schedule less depreciation.*
- *We value each structure based upon quality of construction, type of construction, size in square footage, story height, foundation, exterior wall type, roof type, shape, exterior wall, roof cover, heat source, heat type, baths, central air, basement, basement finish, hot tubs, and fireplaces. Value is adjusted for age, actual age, effective age, physical, functional incurable, and economic depreciations.*
- *Structures are valued using our building schedule. A 10 percent to 20 percent economic obsolescence has been given but we are having second thoughts on that.*
- *Use current building rates.*
- *We value our improvements by a building schedule by square footage and grade and increases or decreases are based increases on sales.*
- *We use a cabin schedule for small older cabins. Newer more modern cabins are done similar to private cabins. If there are limited amenities we would use the same adjustment as other properties.*
- *Similar schedule as single-family residence/cabins- based on cost to build less depreciation. Properties reviewed on an individual basis. We don't automatically give extra depreciation (functional of economic) because it is a resort, that is handled in the site value.*
- *No functional or economic obsolescence is used but physical is.*
- *Cost, less depreciation based on age and condition.*
- *Structures are valued similarly to other privately owned seasonal structures. Value is based on quality, era, condition and size. Data on each structure is entered into our MCIS CAMA system using a 1.0 neighborhood factor. The total structure value is entered onto an EXCEL spreadsheet along with the already determined land and site values. Once the data is entered, I adjust the neighborhood factor, frontage values and tier breaks to achieve the best fit (lowest coefficient of dispersion) based on the available sales.*
- *Structures are valued in CAMA with our cabin schedules.*
- *The only resort structures we have are little stores, storage buildings or swimming pools. We use Marshall-Swift on the stores and storage buildings and use our regular swimming pool rates. We use no obsolescence on these buildings.*

5. Is this the same method you use to value non-resort structures?
   a. Yes.
   b. No.

	Responses (#)	Responses (%)
a. Yes.	22	88.0%
b. No.	3	12.0%
Total	25	100.0%

6. Do you annually collect data from resorts regarding unit usage in administering the 250-day rule?
   a. Yes.
   b. No.

	Responses (#)	Responses (%)
a. Yes.	17	63.0%
b. No.	10	37.0%
Total	27	100.0%

Comments:
- *Only collected one time.*
- *Only three or four resort parcels in the county, and the resort part is open way less than 250 days per year.*
- *When the need arises we do.*
- *I find it difficult to get 100 percent compliance. I usually get back only about 80 percent. This year I am attempting to do about two-thirds of them by email. So far that seems to be working well.*
- *Part of quintile.*
- *Our campgrounds are only open from April through October so there is no question about the 250-day limit. There are some year-around mobile home sites at two campgrounds, and they are classified as a mobile home park. There are no ma & pa resorts in the county.*

7. Do you find the criteria found in the statutory description of class 4c1 property to be helpful in determining resort classification? (40 percent of bookings during a 90-day period, 60 percent of bookings for 2 or more nights, 20 percent of income from the sale or rental of recreational services or equipment).
   a. Yes.
   b. No.

	Responses (#)	Responses (%)
a. Yes.	10	43.5%
b. No.	13	56.5%
Total	23	100.0%

Comments:
- *Not sure we have had need for this.*
- *It is needed to help determine the correct classification of properties that are hard to classify.*
- *As a county that only has two resort parcels, I had to really study this and contact two counties that have a lot of resorts in order to understand what the deal was.*
- *I consider it.*
- *This process seems to be confusing and complicated.*
- *I think this would be time consuming.*

- *We have not found it necessary to scrutinize the resort operations to this extent. If we questioned the classification, we would use it.*
- *We haven't had many borderline properties; most are clear cut.*
- *The vast majority of resorts in the county are clearly seasonal operations so this is not much of an issue.*

How often do you request this data?

	Responses (#)	Responses (%)
* Annually.	8	38.1%
* Once per quintile.	2	9.5%
* Only once.	2	9.5%
* Never.	5	23.8%
* Other:	4	19.0%
Total	21	100.0%

- *Approximately once per year.*
- *Only when needed. It is helpful if motel owners want to get the resort classification.*
- *May ask the owner about the percent yearly occupancy.*
- *Every four years.*

8. The sale of a resort should be utilized in determining the value of other resorts.

	Responses (#)	Responses (%)
a. Never.	0	0.0%
b. Always.	8	32.0%
c. Only when the sold property continues to function as a resort.	14	56.0%
d. Other: Please explain.	3	12.0%
Total	25	100.0%

- *Only if the resorts are similar in size and location. This rarely happens.*
- *Each situation is different.*
- *It could be used but kept in context with comparability.*

Comments:

- *All sales should be considered and similarities and differences should be examined.*
- *We should consider it like we would any other type of sale.*
- *Even if there will be a use change, you can ascertain valuable info through residual techniques.*

9. A resort should contain a minimum of ___________ rental units.
   a. 1-3
   b. 3-5
   c. More than 5
   d. Other: Please explain.
      - *Five.*
      - *No minimum number as long as the other qualification are met.*

   Comments:
      - *By rental units, I am thinking you only include permanent cabins or motel space. I think mobile homes and travel trailers would fit the same use as a cabin and for that matter a temporary campsite.*

	Responses (#)	Responses (%)
a.	2	9.5%
b.	8	38.1%
c.	9	42.9%
d.	2	9.5%
Total	21	100.0%

10. If a resort had units that were rented on an annual or entire season basis, rather than a daily or weekly basis, how would you classify them?
   a. SRR.
   b. Resort.
   c. Commercial.
   * Residential nonhomestead.
   d. Other: Please explain.
      - *We classified them either as residential non-homestead if they were rented out to the same person for the whole year. If they were rented either weekly or monthly by different people, we classed them as seasonal residential recreational if it was a separate parcel. We classed them as resort if they were part of the resort parcel.*
      - *Resort if used during the season to same party; Residential if used annually.*
      - *Apartment.*
      - *Residential nonhomestead if a cabin; SRR if an RV site.*
      - *Classed as a resort if seasonally used. It should be okay if they reserve the use year to year for a particular cabin or site as long as it isn't used in the off season over 250 days a year.*

	Responses (#)	Responses (%)
a.	0	0.0%
b.	12	48.0%
c.	5	20.0%
*	3	12.0%
d.	5	20.0%
Total	25	100.0%

11. When a resort transfers ownership interest in a unit or number of units to an individual, by conveying a deeded interest, thus creating a separate parcel, and the units remain available for rent on a nightly or weekly basis, for less than 250 nights per year, how would you classify them?

	Responses (#)	Responses (%)
a. SRR.	16	66.7%
b. Resort.	6	25.0%
c. Apartment.	1	4.2%
d. Other:	1	4.2%
Total	24	100.0%

- *Residential nonhomestead.*

12. When a resort transfers ownership interest in a unit or number of units to an individual, via the sale of shares in an association or other entity, and the units remain available for rent on a nightly or weekly basis, for less than 250 nights per year, how would you classify them?

	Responses (#)	Responses (%)
a. SRR.	12	52.2%
b. Resort.	8	34.8%
c. Apartment.	0	0.0%
d. Other:	3	13.0%
Total	23	100.0%

- *Residential nonhomestead.*
- *Too many variables to answer this question – big difference between a unit and number of units AND an association could be very different from an entity.*

13. If a resort rented units in the off season on a monthly basis, for residential occupancy, would this cause you to remove the Resort classification?

	Responses (#)	Responses (%)
a. No.	6	26.1%
b. Yes.	17	73.9%
Total	23	100.0%

If yes, to what classification?

	Responses (#)	Responses (%)
* Residential nonhomestead.	10	62.5%
* Apartment.	1	6.3%
* Other.	5	31.3%
Total	16	100.0%

- *It would depend. It would likely be seasonal recreational residential, or maybe it would be commercial depending on the number of days occupied by the same person.*
- *Split class resort and SRR on whatever is used in the off season.*
- *SRR if used recreational or apartments if rented full time.*
- *Residential nonhomestead or possibly commercial if it started to operate like a hotel.*
- *Commercial if the total number of days exceeded 250 during the year.*

* Not listed as an option on the survey, but separated from the "other" responses due to multiple similar responses.

Class 1c and 4c Resort Values by County (sorted by share of statewide resort value) Assessment Year 2005[1]

County Code	County Name	County Resort TMV	Share of Statewide Resort TMV (Percent)	County Total Real and Personal Property TMV	County Resort TMV to County Total Real and Personal Property TMV (Percent)
11	Cass	164,934,509	19.05%	4,496,093,800	3.67%
18	Crow Wing	133,091,826	15.37%	7,846,923,900	1.70%
56	Otter Tail	72,061,717	8.32%	5,599,488,600	1.29%
29	Hubbard	66,849,517	7.72%	2,353,059,500	2.84%
69	St Louis	58,077,977	6.71%	12,161,586,610	0.48%
31	Itasca	50,146,595	5.79%	3,777,348,000	1.33%
16	Cook	45,743,623	5.28%	1,135,619,300	4.03%
03	Becker	37,213,949	4.30%	2,804,355,500	1.33%
21	Douglas	31,104,216	3.59%	3,618,700,200	0.86%
38	Lake	27,793,895	3.21%	1,104,030,400	2.52%
04	Beltrami	27,080,211	3.13%	2,035,078,600	1.33%
39	Lake of the Woods	17,607,838	2.03%	318,459,400	5.53%
73	Stearns	16,966,264	1.96%	9,838,058,900	0.17%
01	Aitkin	10,670,299	1.23%	2,003,283,200	0.53%
48	Mille Lacs	10,288,818	1.19%	1,762,586,200	0.58%
77	Todd	8,173,072	0.94%	1,562,918,000	0.52%
34	Kandiyohi	8,125,327	0.94%	3,244,486,700	0.25%
58	Pine	7,088,422	0.82%	2,268,355,000	0.31%
61	Pope	6,491,900	0.75%	1,087,241,800	0.60%
13	Chisago	5,905,289	0.68%	4,370,965,200	0.14%
86	Wright	5,623,067	0.65%	9,917,929,000	0.06%

County Code	County Name	County Resort TMV	Share of Statewide Resort TMV (Percent)	County Total Real and Personal Property TMV	County Resort TMV to County Total Real and Personal Property TMV (Percent)
40	Le Sueur	5,173,790	0.60%	2,501,540,500	0.21%
49	Morrison	5,120,845	0.59%	2,452,755,600	0.21%
71	Sherburne	4,683,920	0.54%	6,898,100,920	0.07%
36	Koochiching	3,888,420	0.45%	708,524,200	0.55%
66	Rice	2,896,091	0.33%	4,840,633,100	0.06%
25	Goodhue	2,688,336	0.31%	4,597,486,900	0.06%
30	Isanti	2,606,873	0.30%	2,768,518,300	0.09%
07	Blue Earth	2,188,800	0.25%	4,651,783,585	0.05%
79	Wabasha	2,070,500	0.24%	1,809,190,800	0.11%
23	Fillmore	1,826,740	0.21%	1,827,341,800	0.10%
33	Kanabec	1,683,527	0.19%	1,109,191,300	0.15%
09	Carlton	1,652,890	0.19%	1,925,015,800	0.09%
02	Anoka	1,494,800	0.17%	26,657,308,700	0.01%
82	Washington	1,490,300	0.17%	23,893,275,700	0.01%
44	Mahnomen	1,443,954	0.17%	295,917,000	0.49%
68	Roseau	1,392,580	0.16%	769,067,200	0.18%
85	Winona	1,212,900	0.14%	3,199,738,200	0.04%
26	Grant	1,184,809	0.14%	680,197,900	0.17%
70	Scott	1,150,200	0.13%	11,721,964,800	0.01%
47	Meeker	1,140,163	0.13%	1,938,677,000	0.06%
05	Benton	893,100	0.10%	2,349,188,800	0.04%
15	Clearwater	867,728	0.10%	535,573,600	0.16%
06	Big Stone	694,364	0.08%	489,737,400	0.14%

County Code	County Name	County Resort TMV	Share of Statewide Resort TMV (Percent)	County Total Real and Personal Property TMV	County Resort TMV to County Total Real and Personal Property TMV (Percent)
81	Waseca	595,145	0.07%	1,562,533,300	0.04%
46	Martin	548,000	0.06%	1,921,477,600	0.03%
28	Houston	495,200	0.06%	1,318,208,800	0.04%
20	Dodge	434,800	0.05%	1,648,909,600	0.03%
80	Wadena	356,000	0.04%	716,845,900	0.05%
50	Mower	350,400	0.04%	2,576,112,400	0.01%
32	Jackson	318,454	0.04%	1,265,409,900	0.03%
14	Clay	304,018	0.04%	2,865,852,300	0.01%
78	Traverse	269,200	0.03%	611,903,300	0.04%
24	Freeborn	259,400	0.03%	2,361,380,100	0.01%
19	Dakota	252,600	0.03%	37,830,606,700	0.00%
51	Murray	203,273	0.02%	1,085,204,800	0.02%
12	Chippewa	183,836	0.02%	1,070,852,000	0.02%
74	Steele	178,000	0.02%	2,697,360,400	0.01%
41	Lincoln	163,091	0.02%	530,317,100	0.03%
72	Sibley	147,400	0.02%	1,571,529,700	0.01%
63	Red Lake	82,700	0.01%	227,942,400	0.04%
59	Pipestone	73,200	0.01%	729,361,700	0.01%
35	Kittson	27,600	0.00%	515,937,800	0.01%
37	Lac qui Parle	24,000	0.00%	770,326,100	0.00%
87	Yellow Medicine	23,700	0.00%	1,028,858,500	0.00%
08	Brown	0	0.00%	1,938,578,000	0.00%
10	Carver	0	0.00%	8,698,794,100	0.00%

County Code	County Name	County Resort TMV	Share of Statewide Resort TMV (Percent)	County Total Real and Personal Property TMV	County Resort TMV to County Total Real and Personal Property TMV (Percent)
17	Cottonwood	0	0.00%	1,197,126,400	0.00%
22	Faribault	0	0.00%	1,490,618,900	0.00%
27	Hennepin	0	0.00%	122,294,990,224	0.00%
42	Lyon	0	0.00%	1,893,976,500	0.00%
43	McLeod	0	0.00%	2,598,675,100	0.00%
45	Marshall	0	0.00%	741,149,100	0.00%
52	Nicollet	0	0.00%	2,437,042,900	0.00%
53	Nobles	0	0.00%	1,543,939,700	0.00%
54	Norman	0	0.00%	525,645,200	0.00%
55	Olmsted	0	0.00%	10,559,662,900	0.00%
57	Pennington	0	0.00%	557,551,000	0.00%
60	Polk	0	0.00%	1,909,367,800	0.00%
62	Ramsey	0	0.00%	41,277,396,700	0.00%
64	Redwood	0	0.00%	1,580,386,800	0.00%
65	Renville	0	0.00%	1,868,477,900	0.00%
67	Rock	0	0.00%	953,690,100	0.00%
75	Stevens	0	0.00%	819,510,500	0.00%
76	Swift	0	0.00%	993,123,500	0.00%
83	Watonwan	0	0.00%	943,024,200	0.00%
84	Wilkin	0	0.00%	775,428,400	0.00%

[1]Class 1c and 4c resort taxable market values from the 2005 Assessment Abstract.

County Average Effective Tax Rates[1] by Major Use Classes
Taxes Payable 2005 and 2006

		Class 1c Resorts[2]		Class 4c Resorts[2]		Residential Homesteads		SRR Non-commercial		Commercial	
County Code	County	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
01	Aitkin	0.82	0.51	1.48	1.25	0.59	0.61	1.13	0.97	2.91	2.80
02	Anoka	0.95	0.68	1.54	1.32	0.99	1.02	1.23	1.02	3.17	3.12
03	Becker	0.99	0.66	1.61	1.30	0.87	0.86	1.25	1.09	2.84	2.75
04	Beltrami	1.35	0.85	1.94	1.58	1.16	1.10	1.53	1.32	3.53	3.34
05	Benton	0.00	0.00	1.69	1.49	1.20	1.26	1.48	1.39	3.35	3.38
06	Big Stone	1.30	0.73	1.81	0.00	1.39	1.37	1.35	1.25	3.54	3.48
07	Blue Earth	0.00	0.81	1.55	1.36	0.89	0.93	0.97	0.88	2.83	2.85
08	Brown	0.00	0.00	0.00	0.00	1.11	1.25			3.23	3.48
09	Carlton	1.50	0.83	1.82	1.60	1.19	1.24	1.52	1.41	3.35	3.38
10	Carver	0.00	0.00	0.00	0.00	1.17	1.16	1.41	1.25	3.26	3.20
11	Cass	0.69	0.60	1.36	1.15	0.63	0.62	1.01	0.82	2.45	2.45
12	Chippewa	1.00	0.64	1.51	1.46	1.25	1.27	1.35	1.07	3.54	3.54
13	Chisago	1.17	0.71	1.85	1.56	1.18	1.15	1.49	1.29	3.30	3.24
14	Clay	1.31	0.74	1.71	1.35	1.13	1.19	1.27	1.19	1.69	1.79
15	Clearwater	1.19	0.68	1.65	0.00	1.21	1.26	1.49	1.33	3.78	3.99
16	Cook	0.59	0.45	1.35	1.15	0.43	0.48	0.93	0.77	2.56	2.51
17	Cottonwood	0.00	0.00	0.00	0.00	1.25	1.31	1.73	1.53	3.44	3.55
18	Crow Wing	0.77	0.68	1.50	1.25	0.75	0.76	1.15	0.97	2.84	2.82
19	Dakota	0.84	0.00	0.00	1.23	0.98	1.05	1.17	1.02	3.15	3.13
20	Dodge	0.00	0.00	1.48	1.19	1.12	1.10			3.18	3.13
21	Douglas	0.88	0.60	1.48	1.24	0.80	0.82	1.17	1.00	2.71	2.69

County Code	County	Class 1c Resorts[2]		Class 4c Resorts[2]		Residential Homesteads		SRR Non-commercial		Commercial	
		2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
22	Faribault	0.00	0.00	0.00	0.00	1.06	1.04	0.98	0.89	3.22	3.19
23	Fillmore	0.00	0.00	1.86	1.55	1.02	1.07	1.10	0.99	3.00	3.01
24	Freeborn	0.00	0.00	1.67	1.44	1.06	1.12	1.07	1.01	3.22	3.34
25	Goodhue	0.92	0.47	1.57	1.29	1.17	1.11	1.27	1.05	3.38	3.23
26	Grant	1.39	0.69	1.60	2.56	1.32	1.29	1.34	1.19	3.76	3.64
27	Hennepin	0.00	0.00	0.00	0.00	1.20	1.19	1.46	1.22	3.50	3.40
28	Houston	0.00	0.00	1.79	1.67	1.12	1.13	1.38	1.25	3.17	3.15
29	Hubbard	0.79	0.58	1.50	1.24	0.75	0.78	1.14	1.00	2.73	2.72
30	Isanti	1.00	0.62	1.55	1.26	1.06	1.02	1.27	1.08	3.65	3.46
31	Itasca	0.94	0.61	1.61	1.38	0.71	0.76	1.24	1.11	3.39	3.35
32	Jackson	0.00	0.69	2.24	1.96	1.28	1.27	1.29	1.14	3.74	3.69
33	Kanabec	0.00	0.64	1.72	1.53	1.04	1.06	1.43	1.30	2.96	2.99
34	Kandiyohi	1.25	0.75	2.09	1.95	1.12	1.11	1.48	1.29	3.23	3.18
35	Kittson	0.00	0.00	1.59	1.40	1.21	1.27	0.89	0.86	3.11	3.23
36	Koochiching	0.78	0.41	1.34	1.06	0.78	0.76	0.99	0.84	3.01	2.99
37	Lac Qui Parle	1.09	0.58	0.00	0.00	1.20	1.28	1.23	1.04	3.23	3.35
38	Lake	0.86	0.54	1.40	1.32	0.63	0.60	1.22	1.04	3.35	3.08
39	Lake of the Woods	1.38	0.77	1.94	1.69	1.16	1.14	1.58	1.43	3.30	3.29
40	Le Sueur	1.03	0.55	1.34	1.14	0.91	0.97	1.08	0.93	2.76	2.84
41	Lincoln	1.94	1.02	2.45	0.00	1.25	1.28	1.17	1.04	3.30	3.26
42	Lyon	0.00	0.00	0.00	0.00	1.15	1.23	0.99	0.93	3.41	3.52
43	McLeod	0.00	0.00	0.00	0.00	1.25	1.28	1.11	1.08	3.48	3.51
44	Mahnomen	1.65	1.09	2.20	2.24	1.49	1.63	2.04	2.08	4.30	4.49
45	Marshall	0.00	0.00	0.00	0.00	1.17	1.21	1.19	1.10	3.23	3.21

County Code	County	Class 1c Resorts[2]		Class 4c Resorts[2]		Residential Homesteads		SRR Non-commercial		Commercial	
		2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
46	Martin	0.00	0.00	1.44	1.28	0.91	0.94	0.99	0.93	2.86	2.89
47	Meeker	1.06	0.57	1.58	1.32	1.02	1.01	1.31	1.14	2.98	2.96
48	Mille Lacs	1.30	0.93	1.74	1.46	1.10	1.10	1.45	1.25	3.14	3.05
49	Morrison	0.88	0.56	1.51	1.27	1.02	1.04	1.20	1.06	3.05	3.08
50	Mower	0.00	0.00	1.41	1.25	0.87	0.89	1.20	1.16	2.74	2.72
51	Murray	0.00	0.56	0.00	0.00	1.01	1.06	1.04	0.88	3.05	3.16
52	Nicollet	0.00	0.00	0.00	0.00	0.93	1.02	1.12	1.02	2.78	2.91
53	Nobles	0.00	0.00	0.00	0.00	1.20	1.20	1.57	1.41	3.43	3.39
54	Norman	0.00	0.00	0.00	0.00	1.42	1.50	1.59	1.04	3.46	3.51
55	Olmsted	0.00	0.00	0.00	0.00	1.11	1.19	1.39	1.25	3.34	3.50
56	Otter Tail	0.81	0.54	1.44	1.15	0.75	0.75	1.09	0.92	2.75	2.74
57	Pennington	0.00	0.00	0.00	0.00	1.63	1.63	1.68	1.52	4.21	4.17
58	Pine	1.00	0.64	1.60	1.41	0.93	0.91	1.24	1.10	2.96	2.90
59	Pipestone	0.00	0.00	2.03	1.82	1.09	1.12	0.86	1.01	3.09	3.10
60	Polk	0.00	0.00	0.00	0.00	1.54	1.54	1.66	1.56	3.26	3.23
61	Pope	0.92	0.70	1.44	1.26	0.91	0.98	1.23	1.16	2.91	3.01
62	Ramsey	0.00	0.00	0.00	0.00	1.06	1.09	1.47	1.29	3.30	3.26
63	Red Lake	0.00	0.00	2.20	2.01	1.67	1.78			3.97	4.23
64	Redwood	0.00	0.00	0.00	0.00	1.31	1.37	1.54	1.19	3.60	3.68
65	Renville	0.00	0.00	0.00	0.00	1.37	1.30	1.03	0.91	3.45	3.28
66	Rice	0.69	0.40	1.21	1.04	0.84	0.88	0.96	0.83	2.76	2.78
67	Rock	0.00	0.00	0.00	0.00	0.85	0.97			2.76	2.89
68	Roseau	0.00	0.00	1.95	1.93	1.29	1.42	1.52	1.46	4.01	4.20
69	St. Louis	0.98	0.61	1.51	1.23	0.92	0.90	1.31	1.13	3.23	3.14

County Code	County	Class 1c Resorts[2]		Class 4c Resorts[2]		Residential Homesteads		SRR Non-commercial		Commercial	
		2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
70	Scott	0.00	0.00	1.47	1.25	1.07	1.11	1.30	1.18	3.17	3.16
71	Sherburne	0.00	0.00	1.80	1.61	1.05	1.10	1.23	1.09	3.21	3.29
72	Sibley	0.00	0.00	2.00	1.71	1.19	1.25	1.24	1.16	3.30	3.28
73	Stearns	1.01	0.70	1.62	1.33	1.01	1.03	1.31	1.14	3.09	3.09
74	Steele	0.00	0.00	1.56	1.27	1.11	1.08	1.07	0.92	3.23	3.12
75	Stevens	0.00	0.00	0.00	0.00	1.28	1.38	1.21	1.06	3.48	3.62
76	Swift	0.00	0.00	0.00	0.00	0.97	1.04	1.15	0.98	3.53	3.67
77	Todd	1.32	0.78	1.88	1.57	1.18	1.15	1.53	1.36	3.32	3.28
78	Traverse	0.00	0.00	1.94	1.51	1.66	1.65	1.08	1.06	3.80	3.82
79	Wabasha	0.00	0.00	1.44	1.28	0.94	1.02	1.24	1.12	2.83	2.89
80	Wadena	1.37	0.80	1.88	0.00	1.23	1.30	1.51	1.45	3.43	3.55
81	Waseca	1.22	0.70	1.53	1.32	1.08	1.16	1.11	0.99	3.21	3.35
82	Washington	0.85	0.55	1.29	1.01	0.98	0.98	1.18	0.98	3.16	3.08
83	Watonwan	0.00	0.00	0.00	0.00	1.10	1.11	1.21	1.05	3.10	3.10
84	Wilkin	0.00	0.00	0.00	0.00	0.98	1.09			2.38	2.39
85	Winona	0.00	0.00	1.43	1.28	0.88	1.02	1.25	1.07	2.77	2.89
86	Wright	0.00	0.51	1.41	1.17	0.95	0.96	1.07	0.92	2.95	2.91
87	Yellow Medicine	0.00	0.00	1.66	1.37	1.31	1.26	0.96	1.18	3.46	3.38
	Simple average[3]	1.07	0.66	1.18	0.97	1.08	1.11	1.26	1.13	3.20	3.21

[1]Net tax/taxable market value using 2005 certified levies/assessment abstract and 2006 proposed levies/assessment abstract.
[2]Note: Old class definition for taxes payable 2005; post 2005 session definition for taxes payable 2006.
[3]Non-weighted averages excluding 0.0 rates.

County Average Resort Tax Base
Assessment Year 2005[1]

County Code	County	Total Class 1c Resort NTC	Total Class 4c Resort NTC	Total Class 1c & 4c Resort NTC	Total Real & Personal NTC	Class 1c & 4c Resort NTC to Total Real & Personal NTC (Percent)
01	Aitkin	32,533	52,498	85,031	19,960,397	0.43%
02	Anoka	3,957	8,978	12,935	303,284,864	0.00%
03	Becker	189,296	98,102	287,398	28,390,388	1.01%
04	Beltrami	119,761	89,389	209,150	22,118,808	0.95%
05	Benton	0	8,931	8,931	25,700,946	0.03%
06	Big Stone	3,819	0	3,819	4,213,432	0.09%
07	Blue Earth	12,113	3,025	15,138	51,728,569	0.03%
08	Brown	0	0	0	18,739,409	0.00%
09	Carlton	5,484	6,558	12,042	21,336,975	0.06%
10	Carver	0	0	0	94,801,219	0.00%
11	Cass	939,985	526,486	1,466,471	46,714,887	3.14%
12	Chippewa	251	1,382	1,633	10,197,597	0.02%
13	Chisago	20,540	26,392	46,932	46,089,932	0.10%
14	Clay	1,088	1,062	2,150	30,045,131	0.01%
15	Clearwater	5,173	0	5,173	6,111,776	0.08%
16	Cook	145,202	262,889	408,091	11,737,660	3.48%
17	Cottonwood	0	0	0	11,014,062	0.00%
18	Crow Wing	668,630	596,715	1,265,345	86,035,393	1.47%
19	Dakota	0	2,526	2,526	433,208,329	0.00%
20	Dodge	0	4,348	4,348	15,770,622	0.03%
21	Douglas	121,649	141,615	263,264	38,758,921	0.68%
22	Faribault	0	0	0	13,435,464	0.00%

County Code	County	Total Class 1c Resort NTC	Total Class 4c Resort NTC	Total Class 1c & 4c Resort NTC	Total Real & Personal NTC	Class 1c & 4c Resort NTC to Total Real & Personal NTC (Percent)
23	Fillmore	0	18,605	18,605	16,758,463	0.11%
24	Freeborn	0	2,594	2,594	23,837,094	0.01%
25	Goodhue	603	25,787	26,390	51,098,867	0.05%
26	Grant	5,296	2,219	7,515	6,098,321	0.12%
27	Hennepin	0	0	0	1,489,587,942	0.00%
28	Houston	0	4,952	4,952	12,505,687	0.04%
29	Hubbard	327,109	226,364	553,473	24,376,296	2.27%
30	Isanti	11,571	8,669	20,240	28,579,102	0.07%
31	Itasca	280,900	72,045	352,945	42,987,420	0.82%
32	Jackson	481	2,310	2,791	11,375,700	0.02%
33	Kanabec	3,612	10,268	13,880	10,843,498	0.13%
34	Kandiyohi	41,598	15,742	57,340	33,326,644	0.17%
35	Kittson	0	276	276	5,530,164	0.00%
36	Koochiching	5,357	29,644	35,001	7,771,344	0.45%
37	Lac qui Parle	132	0	132	6,404,285	0.00%
38	Lake	116,724	110,206	226,930	11,702,825	1.94%
39	Lake of the Woods	42,128	104,876	147,004	3,229,738	4.55%
40	Le Sueur	3,020	46,247	49,267	24,601,033	0.20%
41	Lincoln	897	0	897	4,725,079	0.02%
42	Lyon	0	0	0	19,721,937	0.00%
43	McLeod	0	0	0	26,401,215	0.00%
44	Mahnomen	7,554	2,784	10,338	2,888,343	0.36%
45	Marshall	0	0	0	7,330,701	0.00%
46	Martin	0	5,480	5,480	18,898,864	0.03%

County Code	County	Total Class 1c Resort NTC	Total Class 4c Resort NTC	Total Class 1c & 4c Resort NTC	Total Real & Personal NTC	Class 1c & 4c Resort NTC to Total Real & Personal NTC (Percent)
47	Meeker	5,172	1,998	7,170	18,714,941	0.04%
48	Mille Lacs	23,345	72,025	95,370	17,944,762	0.53%
49	Morrison	24,768	14,337	39,105	24,200,532	0.16%
50	Mower	0	3,504	3,504	25,446,149	0.01%
51	Murray	1,118	0	1,118	9,607,600	0.01%
52	Nicollet	0	0	0	24,921,599	0.00%
53	Nobles	0	0	0	14,885,484	0.00%
54	Norman	0	0	0	4,625,497	0.00%
55	Olmsted	0	0	0	120,831,047	0.00%
56	Otter Tail	357,976	209,752	567,728	56,511,342	1.00%
57	Pennington	0	0	0	5,909,129	0.00%
58	Pine	22,795	34,843	57,638	23,314,918	0.25%
59	Pipestone	0	732	732	6,656,663	0.01%
60	Polk	0	0	0	18,991,325	0.00%
61	Pope	38,379	11,555	49,934	10,242,090	0.49%
62	Ramsey	0	0	0	499,711,510	0.00%
63	Red Lake	0	827	827	2,317,885	0.04%
64	Redwood	0	0	0	14,055,378	0.00%
65	Renville	0	0	0	17,234,373	0.00%
66	Rice	12,612	6,030	18,642	50,703,270	0.04%
67	Rock	0	0	0	8,772,688	0.00%
68	Roseau	0	14,641	14,641	7,653,474	0.19%
69	St Louis	331,937	79,604	411,541	136,892,873	0.30%
70	Scott	0	11,502	11,502	128,790,929	0.01%

County Code	County	Total Class 1c Resort NTC	Total Class 4c Resort NTC	Total Class 1c & 4c Resort NTC	Total Real & Personal NTC	Class 1c & 4c Resort NTC to Total Real & Personal NTC (Percent)
71	Sherburne	0	48,355	48,355	79,897,921	0.06%
72	Sibley	0	1,474	1,474	14,192,160	0.01%
73	Stearns	74,684	62,591	137,275	110,277,725	0.12%
74	Steele	0	1,780	1,780	28,614,608	0.01%
75	Stevens	0	0	0	7,857,705	0.00%
76	Swift	0	0	0	9,511,216	0.00%
77	Todd	43,193	11,604	54,797	14,835,061	0.37%
78	Traverse	0	2,692	2,692	5,641,356	0.05%
79	Wabasha	0	20,705	20,705	17,343,863	0.12%
80	Wadena	1,958	0	1,958	7,208,878	0.03%
81	Waseca	3,028	446	3,474	15,104,337	0.02%
82	Washington	9,075	1,328	10,403	265,180,505	0.00%
83	Watonwan	0	0	0	8,603,597	0.00%
84	Wilkin	0	0	0	7,097,456	0.00%
85	Winona	0	12,129	12,129	34,557,456	0.04%
86	Wright	3,513	51,669	55,182	108,947,532	0.05%
87	Yellow Medicine	0	237	237	8,907,261	0.00%
	Statewide Totals	4,070,016	3,196,324	7,266,340	5,222,689,438	0.14%

[1]Net tax capacities from the 2005 Assessment Abstracts

#4

ASSESSMENT AND CLASSIFICATION PRACTICES REPORT

RURAL WOODLANDS

A report submitted to the Minnesota State Legislature
pursuant to
Minnesota Laws 2005, First Special Session Chapter 3, Article 1, Section 37

Property Tax Division
Minnesota Department of Revenue
February 28, 2006

MINNESOTA • REVENUE

February 28, 2006

To the members of the Legislature of the State of Minnesota:

I am pleased to present to you this report on the assessment and classification of rural woodlands property within the State of Minnesota undertaken by the Department of Revenue in response to Minnesota Laws 2005, First Special Session Chapter 3, Article 1, Section 37.

This report provides a summary of classification practices of rural woodlands property within the State of Minnesota as well as recommendations to improve the uniformity of classifications of these types of properties.

Sincerely,

Daniel A. Salomone
Commissioner

Per Minnesota Statute 3.197, any report to the Legislature must contain, at the beginning of the report, the cost of preparing the report, including any costs incurred by another agency or another level of government.

This report cost $11,000.

INTRODUCTION

This report was developed in accordance with Minnesota Laws 2005, First Special Session Chapter 3, Article 1, Section 37, which states in part that:

> (a) *Recognizing the importance of uniform and professional property tax assessment and classification practices, the commissioner of revenue, in consultation with appropriate stakeholder groups, shall develop and issue two reports to the chairs of the house and senate tax committees. The reports shall include an analysis of existing practices and provide recommendations, where necessary, for achieving higher quality and uniform assessments and consistency of property classifications.*
>
> (b) *The first report will be issued by February 1, 2006, and will address the following property types;...*
>
> > (2) *rural woodlands including timber, seasonal residential recreational, agricultural and residential property, and lands used for the production of short rotation woody crops;...*

The purpose of this report is to examine county assessors' current practices in the classification of rural woodlands and make recommendations for any changes or clarifications as needed.

In preparation for issuing this report, the Department of Revenue formed a committee that was composed of Department of Revenue staff members and several county assessors. The members included:

- Tom Dybing, Houston County Assessor
- Mel Hintz, St. Louis County Assessor
- Dale Smith, Carlton County Assessor
- Tom Gilmore, Itasca County Assessor
- Steve Kuha, Cass County Assessor
- Bob Hansen, Hubbard County Assessor
- Don Holm, Clearwater County Assessor
- John Hagen, Manager, Information and Education Section, Property Tax Division, Department of Revenue
- Gary Amundson, Regional Representative, Property Tax Division, Department of Revenue
- Larry Austin, Regional Representative, Property Tax Division, Department of Revenue
- Stephanie Nyhus, Principal Appraiser, Information and Education Section, Property Tax Division, Department of Revenue
- Joan Seelen, Appraiser, Information and Education Section, Property Tax Division, Department of Revenue
- Julie Rosalez, Office Administrator Specialist – Intermediate, Information and Education Section, Property Tax Division, Department of Revenue

This committee initially met on November 28, 2005. At this meeting, it was decided that the Department of Revenue would survey all county assessors on their current classification practices for rural wooded property. The 2005 abstracts showed that 44 out of the 87 counties in Minnesota had property that was classified as Class 2b Timber for the 2005 assessment. The survey was conducted in December 2005. The results are summarized in the Appendix of this report.

On January 18, 2006, the group met for the last time to finalize the recommendations for the report to the Legislature. The group was joined by Karen Baker, House Research, Bruce ZumBahlen, President of the Minnesota Forestry Association, and Henry Erdman, Minnesota Seasonal Recreation Property Owners.

This report is the result of a cooperative effort between the Minnesota Department of Revenue - Property Tax Division, and the Minnesota Association of Assessing Officers.

EXECUTIVE SUMMARY

The initial charge of the Rural Woodlands committee was to analyze the existing classification practices of county assessors for vacant, rural, wooded, non-agricultural property. After analyzing the existing practices, several issues were raised. Most importantly, there is a wide variety of legitimate potential uses and thus, classifications, of vacant, rural, wooded land across the state of Minnesota. These potential uses vary within a single county and between counties across the state. This is very confusing for taxpayers and leads to questions surrounding the lack of uniformity of assessors' classifications even if the different classifications are legitimate. Due to the different classification rates assigned to each classification and the existence of the state general tax, the different classifications often lead to very different property tax amounts, even if the estimated market values of properties with the same characteristics are very similar. The issues and recommendations are summarized below.

Issues and Recommendations

1. **New Classification for Rural Vacant Land** – The current method of classifying vacant land according to its most probable, highest and best use has led to a lack of uniformity in the eyes of taxpayers.

   Recommendation - This committee recommends and the Department of Revenue concurs that the Legislature implement a new rural vacant land classification. This classification would be limited to property at least 10 acres in size that is **not** used agriculturally. It is our opinion that this would decrease the taxpayers' perceptions of lack of uniformity among assessors. In addition, it would simplify the assessor's job by eliminating the analysis necessary to determine the most probable highest and best use of a property and limiting the potential classifications of rural property, not qualifying for the agricultural class, to one – rural vacant land.

2. **Split Classification** – Assessors are very hesitant to split classify properties that consist of one identifiable use when there is also a large amount of excess wooded land. For example, if there is an 80-acre property that contains a house that is used by the owner as a homestead and 79 acres of heavily wooded property, the assessor will likely classify the entire parcel as a residential homestead rather than split classifying the property as residential homestead and timber.

    Recommendation – This issue can be largely resolved by establishing a new rural vacant land classification. In the absence of a law change that implements a new rural vacant land classification, the Department of Revenue will issue specific guidelines on the split classification of properties.

3. **Classification of Hunting Land** – Many rural wooded parcels of property are leased for hunting purposes. The lease may be for a period of as little as one day to as much as a few weeks. This may be the only identifiable use of the property. Some assessors believe that this use, however minimal, should be recognized by classifying the property as Seasonal Residential Recreational.

    Recommendation – This issue can be largely resolved by establishing a new rural vacant land classification. In the absence of a law change that implements a new rural vacant land classification, the Department of Revenue will issue instructions to assessors to ignore the existence of hunting leases for purposes of classifying property for property tax purposes. These leases should not be the sole reason to classify a property as SRR.

4. **Short Rotation Woody Crops** – Assessors are currently divided as to the proper classification of property that is used to grow short rotation woody crops. Some assessors believe they should be considered to be "trees grown for sale as a crop" and should, therefore, be classified as Agricultural. Other assessors believe that since these trees are often grown for paper production which is a "timber, lumber, wood or wood product" that they should be classified as Timber.

    Recommendation - The committee recommends and the Department of Revenue concurs that land used for the production of short rotation woody crops, such as hybrid poplars, be classified as agricultural land for property tax purposes. However, the committee also recommends for clarification purposes that short rotation woody crops be added to the definition of agricultural products under Minnesota Statute 273.13, subdivision 23.

CLASSIFICATION FOR PROPERTY TAX PURPOSES

Improved Property

In Minnesota, improved property is classified according to its **ACTUAL** use on the assessment date of January 2 of each year. There are five basic classifications of property used for property tax purposes. Assessors must classify all property in accordance with these classes, which are outlined in Minnesota Statute 273.13. These classes are divided into numerous subclasses. (A full list of the existing classifications, subclasses, and classification rates is provided in the Appendix of the report.)

Unimproved Property

Generally, it is relatively simple to classify property that is improved with a structure according to its current use. For example, a single family dwelling, a multi-unit apartment building, a restaurant, or a gas station are all easily identifiable and easily classified uses of property. While improved property may be easily classified, problems and questions often arise in cases of unimproved property for which there is no easily identifiable use of the land. In cases where there is no clearly identifiable use of the property, assessors must classify it according to its most probable, highest and best use as required in Minnesota Statute 273.13, subdivision 33.

The term "highest and best use" is a common appraisal concept used by appraisers in estimating the market value of property. This principal of appraisal states that appraisers should value property at a value that provides the highest return to the land. This use must be physically possible, financially feasible, legally permissible, and maximally productive. Again, this concept surrounds the *valuation* of land. It is identified here only because the term "highest and best use" is referenced in Minnesota Statute 273.13, subdivision 33, which governs the *classification* of unimproved property for property tax purposes.

Prior to the 1992 assessment, Minnesota law provided a separate classification for vacant land under Minnesota Statute 273.13. At the time, that classification carried one of the highest classification rates of all of the classes. Because of this, assessors rarely used the vacant land classification. In 1991, legislation was enacted that repealed the vacant land classification and provided for unimproved property to be classified at its most probable, highest and best use. According to the 1991 Department of Revenue law summary, this new law was enacted to bring treatment of unimproved parcels into conformity with the principle of classifying improved parcels according to their current use as of the assessment date and eliminate the inequities of taxation of improved parcels vs. unimproved parcels.

The Department of Revenue issued a bulletin to all assessors in October 1991 that explained the new law which went into effect for the 1992 assessment. The example used in the bulletin stated that a bare lot surrounded by seasonal cabins that was zoned for single family residential use should properly be classed as seasonal residential recreational. A bare lot in a residential development zoned for single family residential use would properly be classed as residential non-homestead just as a vacant lot in an industrial area would be classed as commercial/industrial.

Minnesota Statute 273.13, subdivision 33 outlines the classification of unimproved property. It states that:

> *(a) All real property that is not improved with a structure must be classified according to its current use.*

(b) Real property that is not improved with a structure and for which there is no identifiable current use must be classified according to its highest and best use permitted under the local zoning ordinance. If the ordinance permits more than one use, the land must be classified according to the highest and best use permitted under the ordinance. If no such ordinance exists, the assessor shall consider the most likely potential use of the unimproved land based upon the use made of surrounding land or land in proximity to the unimproved land.

Under current law, assessors are required to classify unimproved property according to this statute. Again, for improved property, assessors classify the property based on how it is ***actually used*** on the assessment date. The classification of unimproved property requires that assessors use their professional judgment and knowledge of the local market to anticipate how a property will ***most likely be used***.

It should be emphasized that the potential uses of land can vary widely both within a county and across the state. There is not just one correct answer; there are numerous possible answers. These classifications must be made on a case by case basis. When examining the highest and best use of a property, the assessor must consider a variety of factors. These factors include, but are not limited to, physical characteristics of the land, local zoning ordinances and building requirements, uses of surrounding properties, the intended use of a property as indicated on Certificates of Real Estate Value, etc. After considering all of the factors, assessors must choose the most probable use of the land that is physically possible, legally permissible, financially feasible, and maximally productive that will generate the highest return to the land.

One example of a single county with a wide spectrum of potential uses of property is St. Louis County. It covers 6,860 square miles, including a large urban area (city of Duluth), timberland that is logged for wood and paper production, land that is used seasonally for recreational purposes by hunters, cabin owners, resort owners, and tourists, land with trees that are used for maple syrup production, and land that may be used residentially year round. Therefore, a 40-acre wooded property located in St. Louis County could conceivably be classified as either Class 2b Timber, Class 2b Agricultural (if the trees were used for maple syrup production), Class 3a Commercial/Industrial (if located within ¼ mile of the taconite mine), 4c(1) Seasonal Residential Recreational, Class 4b(4) Residential Non-Homestead not containing a structure, or Class 5(2) all other property not included in any other class. (It should be noted that since the law was enacted that required unimproved land to be classified according to its most probable highest and best use, very few counties use Class 5(2) for any property. There is usually another alternative to this classification. It is only included here because it is technically a possibility.)

It is important to note that taxpayers do not get to choose their classification based on the most beneficial classification rate. In addition, assessors should not consider the tax implications when classifying property. Classification rates often change over time. With each change, taxpayers are known to make a case to their assessor as to why they should be classified as one class or another. In some cases they have even appealed their classification to the local and county boards of appeal and equalization as well as to Tax Court. For example, in the mid-1990s seasonal residential recreational property had a lower classification rate than residential non-homestead property and many taxpayers asked that the assessor change their classification to Seasonal Residential Recreational even though their property was used residentially and not seasonally. Currently, residential non-homestead property has a more favorable class rate because properties classified as residential non-homestead are not subject to the state general levy. In addition, property that has been classified as seasonal residential recreational at any time under the current ownership is prohibited from receiving a relative homestead (M.S. 273.124, subdivision 1, paragraph (c) or being classified as Class 4bb Residential Non-Homestead (M.S. 273.13, subdivision 25, paragraph (c). As a result, taxpayers are now requesting that their properties be classified as Residential Non-Homestead to avoid having to pay the state general tax.

In conclusion, the law change in 1991, which was intended to improve uniformity and equalization of tax amounts, unintentionally contributed to the lack of uniformity in classification practices that we have today. In reality, this likely diminished uniformity by requiring assessors to classify property according to its most probable, highest and best use rather than simply as vacant land. As we have illustrated, a single parcel of wooded property may have several possible classifications, any one of which may be correct, depending on the situation. If uniformity of classification practices is the desired outcome, the fewer possible classifications for assessors to choose from, the better. By reducing the number of possible classifications for this type of property, it will promote greater uniformity both within individual counties and statewide.

For these reasons, the committee recommends, and the Department of Revenue concurs, that the Legislature adopt the recommended rural vacant land classification in an effort to reduce the number of possible classifications for unimproved property. It is the opinion of the committee that this would provide greater uniformity of classification. It is our opinion that it would also be easier for taxpayers to understand and it would simplify the classification process for assessors.

There are many issues that will need to be addressed if this is the desired avenue to be pursued. While we would like to initiate this discussion, it is impossible for us to explore all of the potential issues and study the impact of a potential classification change on each of them prior to the beginning of the 2006 Legislative Session. Therefore, we have outlined the following five issues that we believe should be considered first and foremost.

1. **Minimum Size** – The committee recommends, and the Department of Revenue concurs, that there should be a minimum size of 10 acres to qualify for the proposed rural vacant land classification. Unimproved property of less than 10 acres should be classified according to its "most probable use" which will be based on the assessor's judgment. We request that the Legislature remove the language that specifies that the assessor classify property according to its most probable, highest and best use since "highest and best use" is a valuation concept and not a classification concept.

2. **State General Levy** – Currently, Seasonal Residential Recreational property makes up only 5 percent of the state general levy. In addition, the value of unimproved property, over 10 acres in size that is currently classified as Seasonal Residential Recreational is considered by assessors to be minimal when compared to the total value of improved property that is classified as Seasonal Residential Recreational. For these reasons, we believe that any tax shifts that may occur are likely to be relatively minimal. However, more extensive analysis is needed.

3. **Unplatted Property** – We recommend that only unplatted property be considered to be eligible for the rural vacant land classification. The platting process clearly signals that development will likely be taking place on that property in the near future.

4. **Structures** – We believe that minor, ancillary structures that have a minimal use should not preclude otherwise vacant property from being allowed into the rural vacant land classification. Typically, these structures add relatively little value to the property. This would also eliminate the need to split class a parcel if this type of building exists. Some examples of ancillary structures include small (i.e., 10'x10') storage buildings, tool sheds and other minor, non-residential structures. In addition, use of the property for incidental camping purposes, would not be recognized in the classification and therefore should not preclude a property from being classified as rural vacant land. It should be emphasized that parcels with permanent structures that are used for residential purposes indicate that there is an actual use of the property. This would preclude the property from being classified as rural vacant land. The property should then be classified according to its actual use.

5. **Classification Rate** – The committee did not recommend a classification rate for the rural vacant land classification. This must be determined by the Legislature after considering all appropriate factors. The Department of Revenue recognizes there will be a need for research and analysis on any potential tax shifts that may occur due to a change in classification rates, although we believe any tax shifts would be minimal.*

CURRENT POSSIBLE CLASSIFICATIONS OF VACANT LAND

Classification Name	Class Rate	Pays State General Tax	Include in New Class?
Class 2a Ag Homestead (Excess Land) 1st $600,000 TMV Over $600,000 TMV	 0.55% 1.00%	No	No[1]
Class 2b Ag Non-Homestead	1.00%	No	No[2]
Class 2b Timber	1.00%	No	Yes
Class 3a Commercial/Industrial (preferred) 1st $150,000 Over $150,000	 1.50% 2.00%	Yes	Yes[3]
Class 4b(4) - Residential Non-Homestead; no structure	1.25%	No	Yes
Class 4(c)1 - Seasonal Residential Recreational - Non Commercial 1st $500,000 TMV Over $500,000 TMV	 1.00% 1.25%	Yes	Yes
Class 5(2) All other property	2.00%	Yes	Yes

1 - If the wooded parcel is contiguous to farmland that is in production and under the same ownership, it will remain classified as agricultural property.

2 - If the wooded parcel is contiguous to farmland that is in production and under the same ownership, it will remain classified as agricultural property.

3 - Rural vacant land that is currently classified as C/I is limited to the Iron Range in St. Louis County. In this instance, acreage which is contiguous to taconite production land is classified as C/I because the assessor believes this represents the highest and best use of the property.

**For example, St. Louis County has estimated that vacant land parcels that are currently classified as SRR property make up roughly 9 percent of the total number of parcels classified as SRR. These parcels represent approximately 6 percent of the total estimated market value of SRR property in St. Louis County. Therefore, we are not anticipating a major class shift if the parcels that are over 10 acres in size were removed from the SRR class and added to the new rural vacant land class.*

This proposed rural vacant land classification would eliminate the need for the Class 2b Timber classification. It would also eliminate the subjectivity for assessors of having to determine the most probable, highest and best use.

It should be noted that we recommend that wooded property that is part of an existing farm and meets the requirements of contiguity and ownership ***not*** be included in the new rural vacant land classification. These parcels should continue to be classified as agricultural property so long as they are contiguous to other agricultural land in production that is under the same ownership.

In the absence of a law change, we recommend that all county assessors identify a "default" classification for unimproved properties with no identifiable use in an effort to make the classification of unimproved property as uniform as possible. Again, this "default" classification will likely vary within a county and will vary from county to county across the state and would not achieve our goal of statewide uniformity of classification practices.

The committee generally agrees that no county in the state should have a "default" classification of Agricultural for wooded property because there are specific performance criteria that must be met for a property to be classified as Agricultural.

OTHER ISSUES

Based on the results of the survey that was conducted as part of this report, we identified three specific issues that must be addressed.

1. **Split classification -**

   Split classification of a property is a concept in assessment that occurs when there are two or more distinct uses of a property. In such cases, the assessor must use separate classifications for each different use of the property. The assessor then distributes the total estimated market value between the classifications. Based on the results of the survey, it seems that most assessors are very hesitant to split-class properties – either on a contiguous land mass or a parcel basis. This is largely due to existence of Limited Market Value and the special complications that these calculations present. The rule is that assessors must calculate new Limited Market Values for the amount of value attributed to each qualifying classification of property annually. Even with computer systems, it is often necessary to perform these calculations by hand. It is theoretically possible with split-classed properties for one of the classifications to receive a limited market value while the other classification does not. In addition, this reluctance to split classify property stems from the desire to simplify the property tax process from beginning to end while split classifications on a property complicate the valuation, classification, and property tax calculations. Furthermore, there are no clear guidelines indicating when a use is "incidental" to the primary use of the property or when that use becomes significant enough to warrant a split classification.

Recommendation

In the absence of a law change that enacts a new rural vacant land classification, the committee would like to implement a minimum acreage requirement for split-classifying a property only if it exceeds 40 acres or is a government lot, which may be slightly greater than or less than 40 acres due to its proximity to the northern or western section lines of a township, a lake, river, etc. Zoning requirements for residential development may vary, with some districts requiring minimum residential tract sizes up to 40 acres. This proposal to limit split classifications to sites with a minimum of 40 acres of rural wooded land would also address the fact that several counties have limited their residential sites to a minimum of 40 acres for a single family residence.

For example, a taxpayer owns two contiguous parcels, each consisting of 40 wooded acres. On one of the parcels, there is a cabin that is used seasonally by the owner for hunting purposes. In this case, we would recommend that the 40-acre parcel that contains the cabin be classified as Seasonal Residential Recreational. The other contiguous 40-acre wooded parcel would be classified as rural vacant land. The same would be true of a single 80-acre parcel with a cabin that is used seasonally. The parcel should be split classed – the cabin and 40 of the 80 acres would be classified as SRR and the remaining 40 acres would be classified as rural vacant land.

In addition, there should not be any "borrowing" to achieve the 40-acre minimum acreage requirement. For example, a taxpayer owns 150 contiguous acres that consist of four parcels. Three of the parcels are 40 acres in size. The fourth parcel is 30 acres in size and contains a home that is used by the owner as a homestead. In this case, the assessor should classify the 30-acre parcel with the home as a residential homestead. The three remaining parcels would all be classified as rural vacant land. The assessor would not "borrow" 10 acres from one of the unimproved parcels and add that to the 30-acre parcel to reach the 40-acre minimum size requirement.

It should be strongly emphasized that this type of split classification only applies to property that could possibly be included in the proposed rural vacant land classification. It in no way suggests that improved properties with two or more significant uses should be held to this 40-acre minimum requirement. This should not affect properties that are residential/agricultural splits, residential/commercial splits, etc.

2. Classification of land that is used for hunting purposes –

Based on the results of the survey, assessors are divided when asked if property leased for hunting for a for a few weeks of the year constitutes enough of a use to warrant changing the classification of a parcel that would likely otherwise be classified as Timber, to Seasonal Residential Recreational when there is no other identifiable use of the property. There are a growing number of cases where property is leased to hunters for a few weeks of the year. Very often, assessors are not aware of these leases since they are typically between individuals, or between individuals and corporations that own forested land. These leases are not recorded anywhere, nor are owners required to notify the assessor that they exist. If an assessor were to find out about land that is leased for hunting purposes, it is likely to be by accident.

Recommendation

The committee has agreed that when an unimproved parcel of property (no permanent structure such as a cabin or home exists on the property) is simply leased for hunting purposes, it is an incidental use of the property and should not be the sole factor used to classify the property as Seasonal Residential Recreational. It is unlikely that the assessor would be aware of these leases that may run for a minimum of a day up to a maximum of a few weeks during the hunting season. Therefore, we believe that the assessor should ignore such incidental uses of a property. However, we still believe that unimproved wooded property may be classified as Seasonal Residential Recreational under current law if that is in the assessor's judgment, the most probable, highest and best use.

3. **Short Rotation Woody Crops**

Short rotation woody crops, such as hybrid poplar trees, were originally considered to be a renewable source of energy (biomass). However, over the years, they have also become a source of fiber for paper products. These short rotation woody crops are typically grown on a 15-year rotation. Over the last few years, there has been an increasing debate between taxpayers, assessors, and industry representatives about whether these short rotation woody crops should be considered to be an agricultural product or a timber product for the purpose of classification of property for property tax purposes.

After speaking with the Minnesota Department of Agriculture and the Minnesota Department of Natural Resources, we were informed that these short rotation woody crops are a combination of a traditional agricultural crop and traditional timber production. Minnesota Statute 17.458, subdivision 1 defines "agroforestry" as: *the cultivation of short-rotation woody crops using agricultural practices to produce timber or forest products*. Subdivision 2 of the same statute indicates that *agroforestry is an agricultural pursuit.*

However, short rotation woody crops are not specifically identified as an "agricultural product" in Minnesota Statute 273.13, subdivision 23 which outlines the classification of property for property tax purposes. In fact, the definition provided in Minnesota Statute 17.458 references "timber and forest products." In the past, production of these products would have been considered to be a timber use in Minnesota Statute 273.13, subdivision 23.

Growing short rotation woody crops involves intensive management practices that are more similar to production of agricultural products than traditional timber management. It is a long term commitment with a fairly large investment and a limited economic return for a number of years. Harvesting short rotation woody crops occurs approximately 10 to 12 years after planting the crop. Currently, there are approximately 20,000 to 25,000 acres of hybrid poplar trees in Minnesota. These trees are typically grown for production of pulp for use in paper production or as a source of biomass energy.

To date, the Department of Revenue has not issued a formal bulletin on land used for short rotation woody crops because they are not listed as an agricultural product in Minnesota Statute 273.13. This would seemingly prohibit us from recommending that property used for short rotation woody crop production be considered to be used for agricultural purposes and should therefore be classified as Agricultural property for property tax purposes. Thus, in the past, we have maintained that because the trees were mainly grown for pulp and paper production, the appropriate classification for land used for short rotation woody crop production would be Class 2b Timber.

However, based on the survey results from all counties, assessors are divided on the proper classification of land used to grow short rotation woody crops. Eighteen counties report that they have property that is used for the production of short rotation woody crops. Of those eighteen, ten counties classified the property as Class 2b Timber, while seven classified the property as Agricultural. One county stated they would classify it as Agricultural if it were part of a farm and Timber if it was not. When explored further, another county admitted that the same field of hybrid poplars would be classified as Agricultural if owned by a "farmer" but would be classified as Timber if owned by a paper company. The Department of Revenue believes that classifying a property based on its ownership is highly inappropriate since the classification is based on the use of the property.

Recommendation

The committee believes, and the Department of Revenue concurs, that a case can be made to consider short rotation woody crops as an agricultural product and that they may meet the definition of a tree that is "grown for sale as a crop" under Minnesota Statute 273.13, subdivision 23. However, the committee recommends that the Legislature add clear, specific legislative language to Minnesota Statute 273.13 that states that short rotation woody crops are considered to be an agricultural product and therefore property used for growing short rotation woody crops should be classified as Agricultural property for property tax purposes. We feel this would remove any ambiguity surrounding the classification of these properties. In the absence of such language, growers of other types of trees that are not short rotation woody crops but are used for paper production will likely contact their assessor with the claim of unfair treatment and will again raise the issue of uniformity of classification practices.

In the absence of specific legislation indicating that short rotation woody crops are considered to be an agricultural product, the committee recommends, and the Department of Revenue concurs, that property that is short rotation woody crops should be considered by assessors to be an agricultural product and those properties where short rotation woody crops are grown should be classified as Agricultural for property tax purposes. The Department of Revenue is prepared to issue a formal bulletin to all assessors to explain this recommendation in an effort to promote uniformity of classification among these properties from county to county.

CONCLUSION

In conclusion, we believe that the best way to promote uniformity in the classification of rural vacant property across the state would be to seek action by the Legislature to establish a new classification for rural vacant land. This new classification would equalize the property tax burden for all rural (non-agricultural) vacant land over 10 acres in size so that all rural vacant land is treated equally with respect to property tax. This new classification would also eliminate the analysis necessary for assessors to determine the most probable, highest and best use as required in Minnesota Statute 273.13, subdivision 33. It is our belief that taxpayers would embrace this classification change because it simplifies the property tax process for owners of such property in that all non-agricultural rural land would have the same classification rate. It would also eliminate taxpayers advocating for one classification over another with their assessor. Because the market value of rural lands has increased dramatically over the past few years, and that trend is expected to continue, it has become increasingly important that assessors classify these lands in a consistent manner. The new rural land class is vital to achieving this goal.

In the absence of a new classification, the Department of Revenue should issue a bulletin to all assessors outlining specific guidelines for classifying rural woodland property. However, we do not believe that any recommended guidelines would promote a higher level of uniformity compared to a new rural vacant land classification since assessors will still be prone to the subjectivity allowed by Minnesota Statute 273.13, subdivision 33.

APPENDIX

DEFINITIONS OF CLASSIFICATIONS AND EXPLANATIONS

Definition of Highest and Best Use - The International Association of Assessing Officers defines the highest and best use of a property as *A concept in appraisal and in assessment law requiring that each property be appraised as though it were being put to its most profitable use, given probable legal, physical, and financial constraints. The concept is most commonly discussed in connection with underutilized land.* (Property Appraisal and Assessment Administration, 1990 edition, Glossary)

The Appraisal Institute defines the highest and best use of a property as *the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.* (The Appraisal of Real Estate, Tenth Edition, 1992, page 275)

Definition of Class 2b Timber - Minnesota Statute 273.13 defines Class 2b Timber as:

> *(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources.*

The committee generally agrees that this is not an "active" class that ***requires*** a forest management plan or a woodland stewardship plan to be in place in order for a property to be classified as timber. In general, it is appropriate for assessors to classify a property as 2b Timber even if the trees are not being actively harvested or there is no formal forest management plan in place. A standing grove of trees may be classified as Timber.

Clause (2) was added during the 1993 legislative session. This was added in response to an assessor's reluctance to classify woodlands held for forest management purposes as Class 2b Timber because they were in relatively close proximity to an urban are and were not "rural in character." These properties can now be classified as timber as long as the owner has that property in a cost-sharing program for afforestation, reforestation, or timber stand improvement with the DNR.

Definition of Class 4c Seasonal Residential Recreational - Minnesota Statute 273.13, subdivision 25, paragraph (d) states that SRR property is:

> *...real property devoted to temporary and seasonal residential occupancy for recreation purposes...*

Prior to the 1991 law change regarding classification of unimproved property, the Department of Revenue maintained that for a property to be classified as Seasonal Residential Recreational, the owner had to occupy the property for residential purposes. Such residential purposes included camping in a tent, occupying a travel trailer, camper or other recreational vehicle, or living in a cabin on a seasonal or occasional basis.

It is our opinion that there does not need to be a residential structure for the property to be used seasonally. Camping and hunting are considered to be seasonal uses. If there is no identifiable use of a property, assessors are instructed to classify it according to "its most probable, highest and best use." What exactly the most probable, highest and best use is, can vary across the state.

Many counties, especially those located in the traditional seasonal areas of the state (primarily "up north") will classify vacant property as Class 4c(1) Seasonal Residential Recreational property. This is based on their professional judgment, knowledge of the local market and the "intended use" portion of the CRVs that are filed on sales in that area and also the current use of area properties. Therefore, they are following the law in respect to classification of unimproved properties in that they are classifying the property according to its most probable, highest and best use.

Definition of Residential Non-Homestead Property – While there is no statutory explanation of residential non-homestead property, the Department of Revenue maintains that it is the same as residential homestead property (i.e. it is occupied as a principal place of residence) but for any number of reasons, the property does not qualify for homestead treatment. Such reasons may include but are not limited to: the property is occupied by a renter, the owner/occupant is not a Minnesota resident, the occupant is not a relative that qualifies for a relative homestead, the property is owned by an entity, etc..

Definition of Agricultural Property - Minnesota Statute 273.13, subdivision 23, paragraph (c) defines agricultural land as:

> *"(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment.* ***Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs*** (emphasis added). *Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership."*

For wooded property to be classified as Agricultural it must be at least 10 acres in size and be used for agricultural production (see Agricultural Uses of Trees – below), **OR** it must be contiguous (either on the same parcel or an immediately adjacent parcel) to other agricultural land that is currently in production and is under the same ownership. If a wooded parcel is NOT used for agricultural production and is NOT contiguous to qualifying agricultural property under the same ownership, it should not be classified as agricultural since it is impossible to meet the performance criteria for the ag class. The most likely alternatives include:

Class 4b(4) – Residential non-homestead not containing a structure.
Class 2b – Timber
Class 4c(1) – Seasonal Residential Recreational
Class 5(2) – All other property not included in any other class

Based on the survey responses, some counties would classify wooded property as agricultural without regard to production, contiguity or ownership. The Department of Revenue feels that this is highly inappropriate.

Agricultural Uses of Trees: It should be noted that there are a few specific uses of trees that are considered to be agricultural in nature. They are specified below.

Minnesota Statute 273.13, subdivision 23, paragraph (e) states that:

The term 'agricultural products' as used in this subdivision includes production for sale of:

(1) livestock,... horticultural and nursery stock,...;
(7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood products; and
(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

Trees grown as a horticultural or nursery product are considered to be an agricultural activity. Trees "grown for sale as a crop" came into law during the 1999 legislative session. Our law summary used the example of Christmas trees as those that would be "grown for sale as a crop and not sold for timber, lumber, wood, or wood products." In addition, maple trees that are used for maple syrup production may be considered to be an agricultural use if they are grown by a person that is licensed as a food processor by the Minnesota Department of Agriculture. As stated in the body of the report, in the absence of specific language that would indicate that SRWC should be considered to be a "tree grown for sale as a crop" and therefore be considered to be an agricultural product, the Department of Revenue is prepared to issue a formal administrative bulletin directing assessors to classify lands used for SRWC production as Agricultural property.

Survey Results

The 2005 abstract indicates that the timber classification is generally only used by counties in the northern half of the state, those counties along the Mississippi River and Nicollet County which abuts the Minnesota River. On December 8, 2005, a survey was sent to all 87 Minnesota counties regarding the classification of wooded properties in their counties. We asked the county assessor to complete the survey and return it to us by December 16, 2005. On December 16, 2005, we sent reminder notices to those counties who had not yet returned their surveys asking that they complete the survey and return it immediately.

The following counties did not return the survey: Chisago, Dodge, Lyon, Martin, Olmsted, Pennington, Red Lake, Scott, Wadena and Yellow Medicine. Of these counties, only Chisago, Pennington, Red Lake and Wadena counties had property classified as Class 2b Timber based on the 2005 abstracts. The final results were compiled into a spreadsheet on December 22, 2005. We then separated the responses of those 44 counties who had property classified as Class 2b Timber on the 2005 abstracts. This was done because the answers of the counties without any Timber property were considered to be hypothetical in nature since none of them utilize the timber classification. In addition, most of the wooded property is likely part of existing agricultural properties and may be classified as such.

Survey of All Counties
Classification of Rural Woodlands

As a part of the legislative requirements for the rural woodlands report, we need to provide an analysis of the existing practices of how counties are currently classifying their rural woodland properties. Please complete the survey and return it via e-mail to our office no later than **December 16, 2005**. Please keep in mind that there are no right or wrong answers; we simply need to identify existing practices.

County Name:

1. **There is one, 40-acre wooded parcel with no water influence (i.e. it does not abut a river or lake) with a year-round residence that is used as a homestead. How would your county classify this parcel?**

   a. All 40 acres would be residential homestead.
   b. Split class – residential and timber.
   c. Other. Please specify.

1a. **Assume you have the same situation as in #1but the property abuts a lake or river. How would you classify the parcel?**

   a. All 40 acres would be residential homestead.
   b. Split class – residential homestead and timber.
   c. Other. Please specify.

2. **There are two, 40-acre wooded parcels with no water influence (i.e. it does not abut a river or lake) with a year-round residence that is used by the owner as a homestead located on one of the 40-acre parcels. How would your county classify each of these parcels?**

   a. The entire contiguous land mass, including both parcels, would be classified as residential homestead.
   b. The occupied 40-acre parcel would be classified as residential homestead and the other 40-acre parcel would be classified as timber.
   c. Split class the occupied 40-acre parcel as residential homestead and timber; the unoccupied parcel would be classified as timber.
   d. Other. Please specify.

2a. **Assume you have the same situation as in #2 but the property abuts a lake or river. How would you classify the parcels?**

   a. The entire contiguous land mass would be classified as residential homestead.
   b. The occupied 40-acre parcel would be classified as residential homestead and the other 40-acre parcel would be classified as timber.
   c. The occupied 40-acre parcel would be classified as residential homestead and the other 40-acre parcel would be classified as SRR.

d. Split class the occupied 40-acre parcel as residential homestead and timber; the unoccupied parcel would be classified as SRR.
e. Other. Please specify.

3. There is one, 40-acre wooded parcel with no water influence (i.e. it does not abut a river or lake) with a hunting cabin. How would your county classify this parcel?

a. All 40 acres would be SRR.
b. Split class – SRR & Timber
c. Other. Please specify.

3a. Assume you have the same situation as in #3 but the property abuts a lake or river. How would you classify the parcel?

a. All 40 acres would be SRR.
b. Split class – SRR & Timber
c. Other. Please specify.

4. There is an 80-acre contiguous land mass that consists of two, 40-acre parcels. There is no water influence (i.e. it does not abut a river or lake) with a hunting cabin. How would you classify this property?

a. The entire contiguous land mass would be classified as SRR.
b. The 40-acre parcel with the cabin would be classified as SRR and the other 40-acre parcel would be classified as timber.
c. Split class the 40-acre parcel with the cabin as SRR and timber; the unoccupied parcel would be classified as timber.
d. Other. Please specify.

4a. Assume you have the same situation as in #4, but both parcels of the property abuts a lake or river. How would you classify this property?

a. The entire contiguous land mass would be classified as SRR.
b. The 40-acre parcel with the cabin would be classified as SRR and the other 40-acre parcel would be classified as timber.
c. Split class the 40-acre parcel with the cabin as SRR and timber; the unoccupied parcel would be classified as timber
d. Other. Please specify.

5. There is a 40-acre parcel of standing trees with no water influence (i.e. it does not abut a river or lake). There is no other identifiable use of the property. How would your county classify this parcel?

a. Timber
b. SRR
c. Other. Please specify.

5a. There is a 40-acre parcel of standing trees with a water (river or lake) influence. There is no other identifiable use of the property. How would your county classify this parcel?

a. Timber
b. SRR
c. Other. Please specify.

6. There is one, 40-acre parcel of standing trees with no water influence. There is no identifiable use but there is a sign that states "no hunting" posted on the property? How would your county classify this parcel?

a. Timber
b. SRR
c. Other. Please specify.

7. There is one, 40-acre parcel of standing trees with no water and no identifiable use. However, there is a sign on the property indicating that it is leased for hunting purposes. How would your county classify this parcel?

a. Timber
b. SRR
c. Other. Please specify.

8. What is your county's criteria for classifying a property as timber?

9. Does your county have a "default" classification for a wooded parcel of property with no identifiable use? If yes, what is that classification?

10. Does your county have land that is used for "short-term woody crops (i.e. hybrid poplar)?"

a. Yes
b. No

10a. If yes, how is that land classified?

a. Timber
b. Agricultural

Summary Results of 44 Counties with Property Classified as Timber

Final – 12/22/05

*** Four of the 44 counties with property classified as Class 2b Timber did not participate in the survey. They are Chisago, Pennington, Red Lake and Wadena Counties.*

1. There is one, 40-acre wooded parcel with no water influence (i.e. it does not abut a river or lake) with a year-round residence that is used as a homestead. How would your county classify this parcel?

a. All 40 acres would be residential homestead.	*34*
b. Split class – residential homestead and timber.	*2*
c. Other. Please specify.	*3*

Kanabec – **Residential/Timber Split if DNR plan**
Morrison – **Ag**
Nicollet - **Ag**

1a. Assume you have the same situation as in #1but the property abuts a lake or river. How would you classify the parcel?

a. All 40 acres would be residential homestead.	*34*
b. Split class – residential homestead and timber.	*2*
c. Other. Please specify.	*3*

Kanabec – **Residential/Timber Split if DNR plan**
Morrison – **Ag**
Nicollet – **Ag Homestead**

2. There are two, 40-acre wooded parcels with no water influence (i.e. it does not abut a river or lake) with a year-round residence that is used by the owner as a homestead located on one of the 40-acre parcels. How would your county classify each of these parcels?

a. The entire contiguous land mass, including both parcels, would be classified as residential homestead.	*25*
b. The occupied 40-acre parcel would be classified as residential homestead and the other 40-acre parcel would be classified as timber.	*5*
c. Split class the occupied 40-acre parcel as residential homestead and timber; the unoccupied parcel would be classified as timber.	*2*
d. Other. Please specify.	*6*

Carlton – **All Residential Homestead unless owner requests Timber class**
Cook – **Split Residential Homestead/SRR**
Crow Wing – **Parcel with house is Residential Homestead, other parcel based on use**
Kanabec – **Residential /Timber Split if DNR plan**
Morrison – **Ag**
Nicollet – **Ag Homestead**

2a. Assume you have the same situation as in #2 but the property abuts a lake or river. How would you classify the parcels?

a. The entire contiguous land mass would be classified as residential homestead.	*25*
b. The occupied 40-acre parcel would be classified as residential homestead and the other 40-acre parcel would be classified as timber.	*5*
c. The occupied 40-acre parcel would be classified as residential homestead and the other 40-acre parcel would be classified as SRR.	*1*
d. Split class the occupied 40-acre parcel as residential homestead and timber; the unoccupied parcel would be classified as SRR.	*0*
e. Other. Please specify.	*8*

Becker **– 40 acre tract would be split classed – lakeshore = homestead; balance of woods, would be Timber. Bare tract would be split classed – lakeshore = SRR; balance as Timber.**
Carlton **– All Residential Homestead unless owner requests Timber class**
Cook **– Split Residential Homestead/SRR**
Crow Wing **– Parcel with house is Residential Homestead, other parcel based on use**
Kanabec **– Residential/Timber Split if DNR plan**
Kandiyohi **– Residential Homestead/Timber**
Morrison **– Ag**
Nicollet **– Ag Homestead**

3. There is one, 40-acre wooded parcel with no water influence (i.e. it does not abut a river or lake) with a hunting cabin. How would your county classify this parcel?

a. All 40 acres would be SRR.	*33*
b. Split class – SRR & Timber.	*6*
c. Other. Please specify.	*0*

3a. Assume you have the same situation as in #3 but the property abuts a lake or river. How would you classify the parcel?

a. All 40 acres would be SRR.	*33*
b. Split class – SRR & Timber	*6*
c. Other. Please specify.	*0*

4. There is an 80-acre contiguous land mass that consists of two, 40-acre parcels. There is no water influence (i.e. it does not abut a river or lake) with a hunting cabin. How would you classify this property?

a.	The entire contiguous land mass would be classified as SRR.	*21*
b.	The 40-acre parcel with the cabin would be classified as SRR and the other 40-acre parcel would be classified as timber.	*8*
c.	Split class the 40-acre parcel with the cabin as SRR and timber; the unoccupied parcel would be classified as timber.	*7*
d.	Other. Please specify.	*3*

Anoka – **Depends on use of surrounding properties**
Cass – **Depends – could be a, b, or c**
Crow Wing – **the parcel with the cabin would be SRR, the other parcel would depend on the use, most likely SRR**

4a. Assume you have the same situation as in #4, but both parcels of the property abuts a lake or river. How would you classify this property?

a.	The entire contiguous land mass would be classified as SRR.	*29*
b.	The 40-acre parcel with the cabin would be classified as SRR and the other 40-acre parcel would be classified as timber.	*3*
c.	Split class the 40-acre parcel with the cabin as SRR and timber; the unoccupied parcel would be classified as timber.	*6*
d.	Other. Please specify.	*1*

Anoka – **Depends on use of surrounding properties**

5. There is a 40-acre parcel of standing trees with no water influence (i.e. it does not abut a river or lake). There is no other identifiable use of the property. How would your county classify this parcel?

a.	Timber	*23*
b.	SRR	*10*
c.	Other. Please specify.	*7*

Anoka – **Depends on the use of surrounding properties**
Benton – **If no definable use, it would be classed as most common uses – Residential NH, SRR, Timber**
Isanti – **Ag**
Kanabec – **If DNR plan, Timber; otherwise SRR**
Wabasha – **Residential NH**
Washington – **Residential NH**
Winona – **SRR or Residential NH**

5a. There is a 40-acre parcel of standing trees with a water (river or lake) influence. There is no other identifiable use of the property. How would your county classify this parcel?

a. Timber	*13*
b. SRR	*19*
c. Other. Please specify.	*8*

Aitkin – **River = Timber; Lake = SRR**
Anoka – **Depends on the use of the surrounding properties**
Becker – **Split SRR/Timber**
Benton – **If no definable use, it would be classed as most common uses – Residential NH, SRR, Timber**
Kanabec – **If DNR plan, Timber; otherwise SRR**
Wabasha – **Residential NH**
Washington – **Residential NH**
Winona – **SRR or Residential NH**

6. There is one, 40-acre parcel of standing trees with no water influence. There is no identifiable use but there is a sign that states "no hunting" posted on the property? How would your county classify this parcel?

a. Timber	*20*
b. SRR	*12*
c. Other. Please specify.	*7*

Anoka – **Depends on the use of the surrounding properties**
Benton – **If no definable use, it would be classed as most common uses – residential NH, SRR, Timber**
Fillmore – **Check with Owner**
Isanti – **Ag**
Kanabec – **If DNR plan, Timber; otherwise SRR**
Wabasha – **Residential NH**
Washington – **Not Applicable to Washington County**

7. There is one, 40-acre parcel of standing trees with no water and no identifiable use. However, there is a sign on the property indicating that it is leased for hunting purposes. How would your county classify this parcel?

a. Timber	*17*
b. SRR	*19*
c. Other. Please specify.	*3*

Kanabec – **If DNR plan, Timber; otherwise SRR**
Wabasha – **Residential NH**
Washington – **Not Applicable to Washington County**

8. What is your county's criteria for classifying a property as timber?

Aitkin – Rural land with no identifiable use and no buildings
Anoka – 273.13
Becker – Primary use of land is growing trees
Beltrami – Minimum of 40 acres; no buildings, not located on water; less than 10 acres of open land
Benton – Active management of the trees on their own or through a forestry program, thinning, cleaning dead fall and harvesting mature trees on an ongoing basis
Carlton – if there are trees growing and for the most part the land is in a natural and undeveloped condition
Cass – 10 acres or more in size; no buildings or improvements; not on water
Clay – standing, marketable trees
Clearwater – Undeveloped wooded parcel 10 acres or more in size
Cook – forest management plan
Crow Wing – according to MN statutes
Douglas – Cultivated (planted) trees and/or a forest management plan
Fillmore – Wooded in nature; ask owner use of the property.
Goodhue – Purely wooded, no ag use, usually zoned ag, non-homestead
Houston – State statute states that the property is used exclusively for growing trees. We have very few properties that have those characteristics.
Hubbard – 10+ acres, well treed or tree plantation, no other use
Isanti – Planted trees with management plan.
Itasca – 10+ acres with no water influence.
Kanabec – DNR plan
Kandiyohi – All wooded, no tillable
Kittson – Must be trees, no cabin, not part of a farm (up to 4 townships away), and not be used for SRR or ag purposes
Koochiching – Wooded vacant land
Lake – If the property owner is engaged in a timber management program, where the owner is actually growing trees, harvesting trees or doing some type of timber management with the local county forestry or DNR.
Lake of the Woods – H & B use and current use.
Mahnomen – wooded tract of land
Marshall – A sizeable stand of trees that are being harvested; i it is a parcel with tillable or pasture it would be included with the entire parcel as ag, unless we know it is being held for harvest.
Mille Lacs – A letter, usually obtained from the DNR, informing us that there is an active plan for harvesting trees.
Morrison – Forest management plan
Nicollet – All trees, no tillable.
Norman – Must be wooded.
Otter Tail – If a rural parcel is larger than 10 acres, has less than 10 acres of tillable and no buildings are on the parcel, it would be timber.
Pine – Forest management or land stewardship plan is in place.

Pope – If the owner has an official timber plan either through the US Forestry Service or DNR or possibly through county soil and water. If the owner is planting trees on CRP or RIM lands I would not consider that a timber use, as these are agricultural programs.

Roseau – If the owner intends or is actually selling off the harvested wood for wood/wood products.

St. Louis – Rural vacant land with no water influence and no readily identifiable use (residential or cabin development).

Todd – Property must be enrolled in a forest management plan and/or the property must be used exclusively for growing trees for wood/wood products (Ex. Hybrid poplar – Champion Paper Co.)

Wabasha – Timber management plan

Washington – No structure; DNR forest management plan for the previous year.

Wilkin – Per Cheryl Wall, they do not have woodlands. (2005 abstract indicates 84 acres in Wilkin county).

Winona – Forest management plan.

9. Does your county have a "default" classification for a wooded parcel of property with no identifiable use? If yes, what is that classification?

No = 17
Yes = 22

Timber (14) = Aitkin, Becker, Carlton, Cass, Clay, Clearwater, Crow Wing, Goodhue, Itasca, Kittson, Lake of the Woods, Nicollet, Otter Tail, St. Louis

SRR(7) = Douglas, Houston, Kanabec, Lake, Mille Lacs, Morrison, Pope

Ag (1) = Isanti

10. Does your county have land that is used for "short-term woody crops (i.e. hybrid poplar)?"

a. Yes	*17*
b. No	*22*

10a. If yes, how is that land classified?

a.	Timber	*10*
b.	Agricultural	*5*

Clay **= Ag if enrolled in CRP**
Morrison **= Timber class if not part of a farm; Ag class if part of a farm**

MINNESOTA · REVENUE

Class Rate Percentages of Real and Personal Property by Property Type
Taxes Payable 2005 and 2006

Class	Real Property Description	Payable 2005 Class Rate
1a	Residential homestead	
	first $500,000	1.00%
	over $500,000	1.25%
1b	Blind/Paraplegic Veteran/Disabled homestead	
	agricultural:	
	first $32,000	0.45%
	non-agricultural:	
	first $32,000	0.45%
1c	Commercial seasonal - recreational residential - under 250 days and includes homestead	1.00%
1d	Migrant housing (structures only)	
	first $500,000	1.00%
	over $500,000	1.25%
2a	Agricultural homestead	
	House, Garage, One Acre:	
	first $500,000	1.00%
	over $500,000	1.25%
	Remainder of Farm:	
	first $600,000	0.55% **
	over $600,000	1.00% **

Class	Real Property Description	Payable 2006 Class Rate
1a	Residential homestead	
	first $500,000	1.00%
	over $500,000	1.25%
1b	Blind/Paraplegic Veteran/Disabled homestead	
	agricultural:	
	first $32,000	0.45%
	non-agricultural:	
	first $32,000	0.45%
1c	Commercial seasonal - residential recreational - under 250 days and includes homestead	
	first $500,000	0.55%
	$500,000 to $2,200,000	1.00%
	over $2,200,000	1.25%
1d	Migrant housing (structures only)	
	first $500,000	1.00%
	over $500,000	1.25%
2a	Agricultural homestead	
	House, Garage, One Acre:	
	first $500,000	1.00%
	over $500,000	1.25%
	Remainder of Farm:	
	first $600,000	0.55% **
	over $600,000	1.00% **

Class	Real Property Description	Payable 2005 Class Rate
2b	**Timberlands**	1.00% **
2b	**Non-homestead agricultural land**	1.00% **
3a	**Commercial-Industrial and public utility**	
	first $150,000	1.50% *
	over $150,000	2.00% *
	Public Utility Machinery	
3a	Electric generating public utility machinery	2.00%
3a	All other public utility machinery	2.00% *
3a	**Real property owned in fee by a utility for transmission line right-of-way**	2.00% *
3b	**Employment property**	
	competitive city or zone:	
	first $150,000	1.50% *
	over $150,000	2.00% *
	border city:	
	first $150,000	1.50% *
	over $150,000	2.00% *
	Rental housing	
4a	four or more units, including private for-profit hospitals	1.25%
4b(1)	Residential non-homestead one to three units that does not qualify for class 4bb	1.25%

Class	Real Property Description	Payable 2006 Class Rate
2b	**Timberlands**	1.00% **
2b	**Non-homestead agricultural land**	1.00% **
3a	**Commercial-Industrial and public utility**	
	first $150,000	1.50% *
	over $150,000	2.00% *
	Public Utility Machinery	
3a	Electric generating public utility machinery	2.00%
3a	All other public utility machinery	2.00% *
3a	**Real property owned in fee by a utility for transmission line right-of-way**	2.00% *
3b	**Employment property**	
	N/A	
	border city:	
	first $150,000	1.50% *
	over $150,000	2.00% *
	Rental housing	
4a	four or more units, including private for-profit hospitals	1.25%
4b(1)	Residential non-homestead one to three units that does not qualify for class 4bb	1.25%

Class	Real Property Description	Payable 2005 Class Rate
	Rental housing (continued)	
4b(2)	Unclassified manufactured homes.	1.25%
4b(3)	Farm non-homestead containing more than one residence but fewer than four along with the garage and one acre	1.25%
4b(4)	Residential non-homestead not containing a structure	1.25%
4bb(1)	Residential non-homestead single unit	
	first $500,000	1.00%
	over $500,000	1.25%
4bb(2)	Single house, garage and 1st acre on ag non-homestead land	
	first $500,000	1.00%
	over $500,000	1.25%
4c(1)	**Seasonal recreational residential**	
	commercial	
	first $500,000	1.00% *
	over $500,000	1.25% *
	non-commercial	
	first $500,000	1.00% * **
	over $500,000	1.25% * **
4c(2)	**Qualifying golf courses**	1.25%
4c(3)	**Nonprofit community service oriented organization**	1.50%
4c(4)	**Post secondary student housing**	1.00% **

Class	Real Property Description	Payable 2006 Class Rate
	Rental housing (continued)	
4b(2)	Unclassified manufactured homes	1.25%
4b(3)	Farm non-homestead containing more than one residence but fewer than four along with the acre(s) and garage(s)	1.25%
4b(4)	Residential non-homestead not containing a structure	1.25%
4bb(1)	Residential non-homestead single unit	
	first $500,000	1.00%
	over $500,000	1.25%
4bb(2)	Single house, garage and 1st acre on ag non-homestead land	
	first $500,000	1.00%
	over $500,000	1.25%
4c(1)	**Seasonal residential recreational**	
	commercial	
	first $500,000	1.00% *
	over $500,000	1.25% *
	non-commercial	
	first $500,000	1.00% * **
	over $500,000	1.25% * **
4c(2)	**Qualifying golf courses**	1.25%
4c(3)	**Nonprofit community service oriented organization**	1.50%
4c(4)	**Post secondary student housing**	1.00% **

Class	Real Property Description	Payable 2005 Class Rate	Class	Real Property Description	Payable 2006 Class Rate
4c(5)	Manufactured home parks	1.25%	4c(5)	Manufactured home parks	1.25%
4c(6)	Metro non-profit recreational property	1.25%	4c(6)	Metro non-profit recreational property	1.25%
4c(7)	Certain leased or privately owned non-commercial aircraft storage hangars (includes land) : on leased land	1.50%	4c(7)	Certain leased or privately owned non-commercial aircraft storage hangars (includes land) : on leased land	1.50%
	N/A		4c(8)	Certain leased or privately owned non-commercial aircraft storage hangars (includes land) : on private land	1.50%
4c(8)	Bed and Breakfast up to 5 units	1.25%	4c(9)	Bed and Breakfast up to 5 units	1.25%
			4d	Qualifying low income - land and buildings	0.75%
5(1)	Unmined iron ore	2.00% *	5(1)	Unmined iron ore	2.00% *
5(1)	Low recovery iron ore	2.00% *	5(1)	Low recovery iron ore	2.00% *
5(2)	All other property not included in any other class	2.00%	5(2)	All other property not included in any other class	2.00%

* Subject to the state general property tax.

NOTE: For purposes of the state general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure:

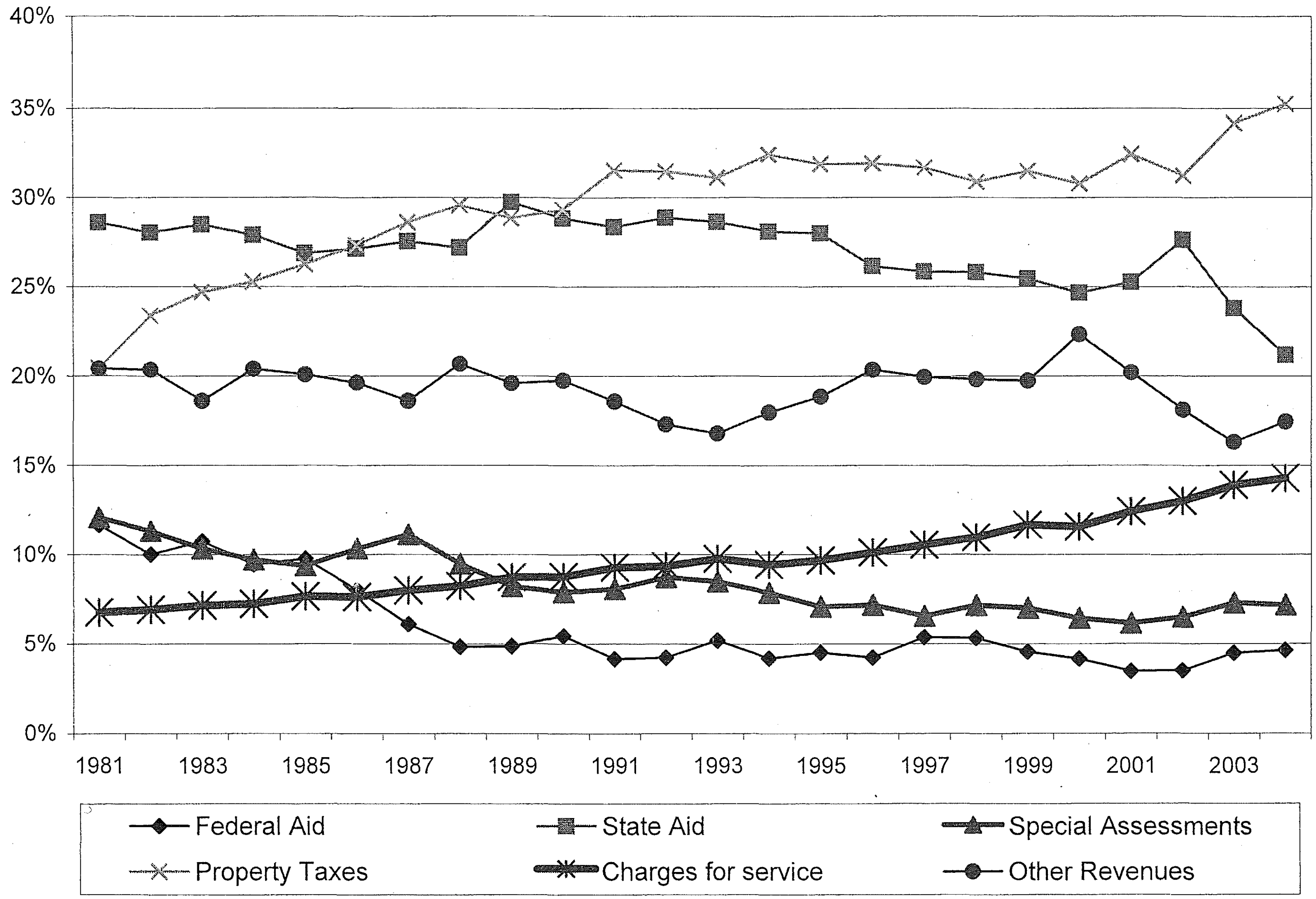
First $76,000	0.40%
$76,000 — $500,000	1.00%
Over $500,000	1.25%

In addition to the state tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the state general property tax (MSP International Airport and Holman Field in St.Paul are exempt under this provision).

** Exempt from referendum market value based taxes.

#5

City Revenue Composition



"Other Revenue" includes Non-property Taxes, Interest Earnings, Local Intergovernmental Revenues, Franchise charges, Fines and Forfeits, and Misc. Revenue

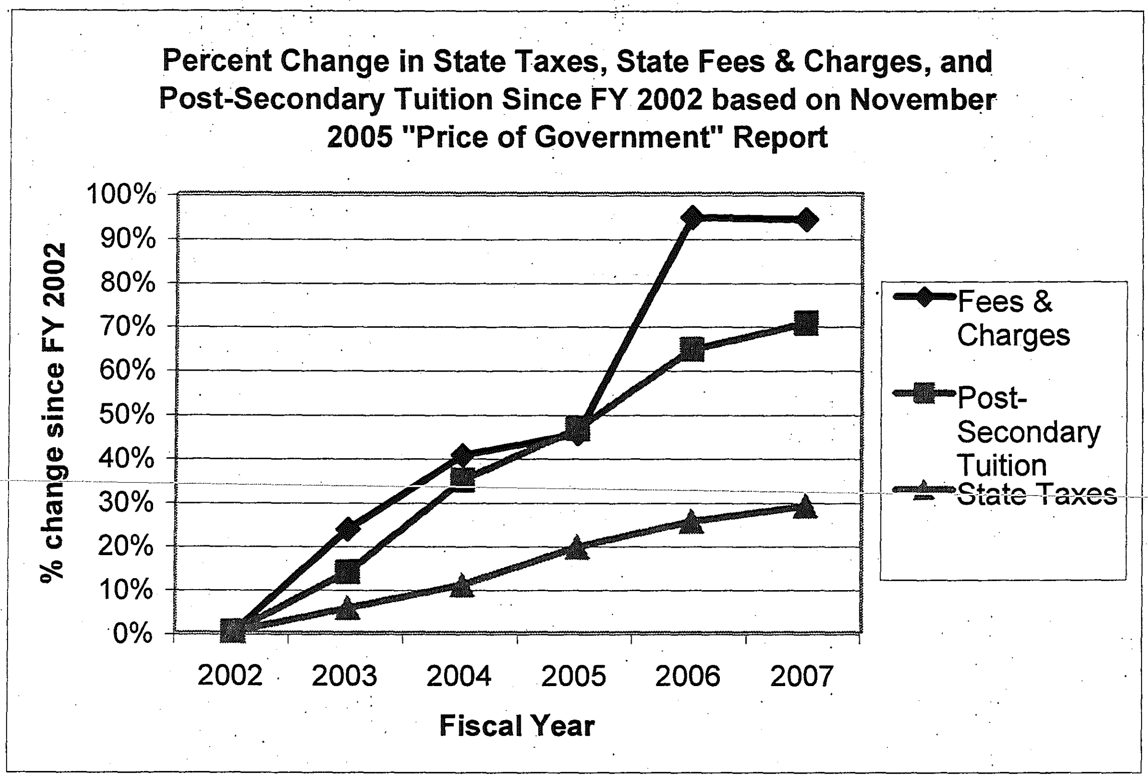
"Charges for Service" includes Licenses and Permits

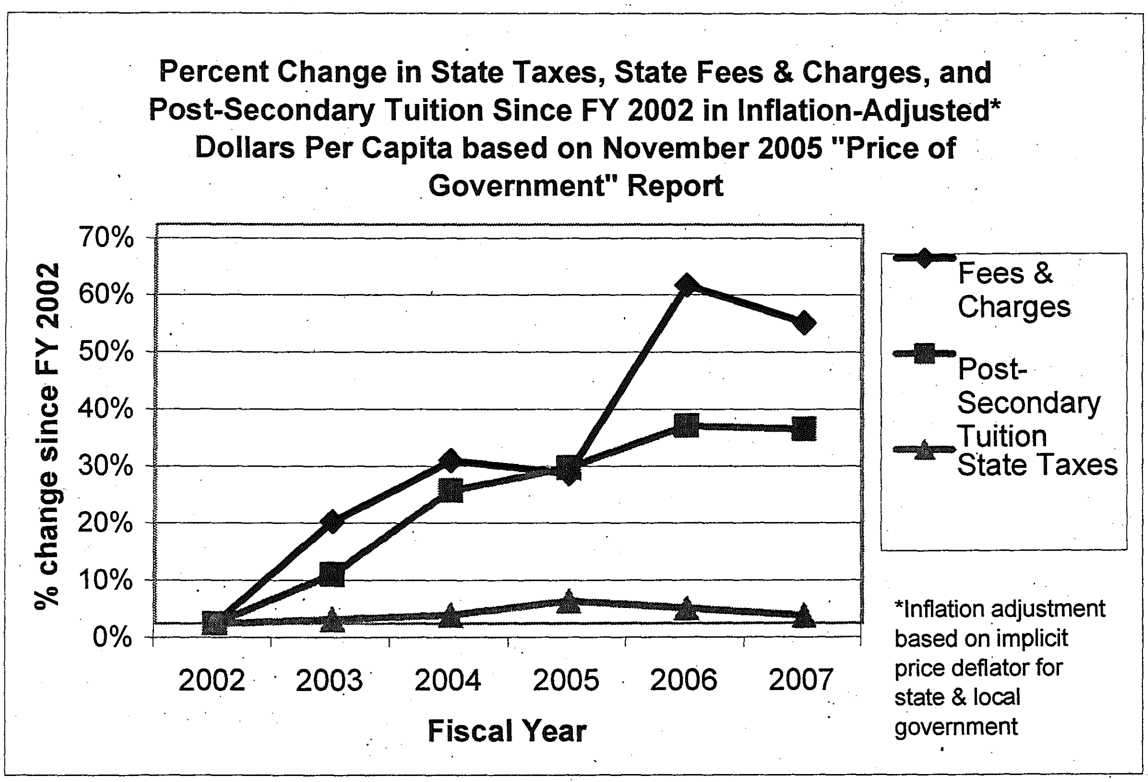
"Charges for Service" is not adjusted for interlocal police and fire contracts

Prepared by LMC, March 20, 2006

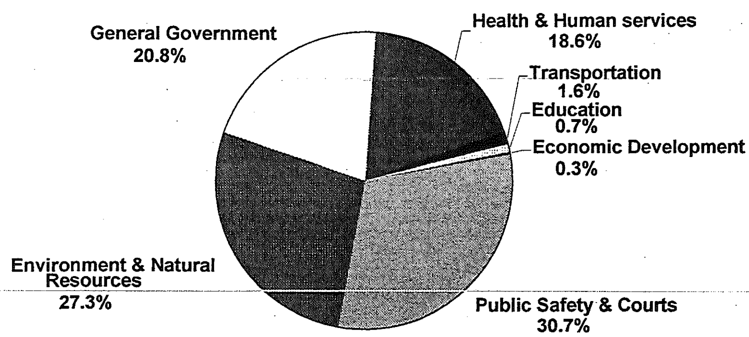
Handout #5

#6


Percent Change in State Taxes, State Fees & Charges, and Post-Secondary Tuition Since FY 2002 based on November 2005 "Price of Government" Report
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
% change since FY 2002
2002
2003
2004
2005
2006
2007
Fiscal Year
Fees & Charges
Post-Secondary Tuition
State Taxes


Percent Change in State Taxes, State Fees & Charges, and Post-Secondary Tuition Since FY 2002 in Inflation-Adjusted* Dollars Per Capita based on November 2005 "Price of Government" Report
70%
60%
50%
40%
30%
20%
10%
0%
% change since FY 2002
2002
2003
2004
2005
2006
2007
Fiscal Year
Fees & Charges
Post-Secondary Tuition
State Taxes
*Inflation adjustment based on implicit price deflator for state & local government

Various Legislative Committees have Jurisdiction Over Fees



2003 Session Enacted $206 Million in Fee Changes for FY 2004-05

- **Courts ($92 million)**
  - $25 surcharge on traffic/criminal offenders, Court fee increases
- **Public Safety ($16 million)**
  - 2 am bar closing fee, Motor vehicle plate and title fee increase
- **Natural Resources ($9 million)**
  - Annual park permit fees increase, Camping fee increase, Water use fees increase
- **Health Department ($8 million)**
  - Newborn screening system
- **Pollution Control ($6 million)**
  - Storm water regulatory program
- **Gambling Control ($4 million)**
  - Fund operating costs through fees