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<https://mn.gov/tax-court>

AT A GLANCE

- Ten full-time staff: three judges, four administrative staff, and three law clerks.
- The Tax Court recently went live with its new E-File system, which will eventually replace the outdated system of emailing documents which are then docketed by court staff.
- Generally, approximately 3,100+ cases are filed with the tax court annually.
- A property tax appeal is filed with the district court administrator in the county in which the property is located, then transferred to the tax court; an appeal from an order of the Commissioner of Revenue is filed directly with the Tax Court.
- FY 2022 base budget of \$1,827,000.
- The Tax Court’s Courtroom was fitted with audio, video, and communication equipment to eliminate the use of physical documents, ensure social distancing for all in-person attendees, and allow for remote appearances, thereby increasing both safety and accessibility for taxpayers.
- The Court files written findings of fact, conclusions of law, and an explanatory memorandum in each case within three months of submission; final orders are appealable to the Minnesota Supreme Court.

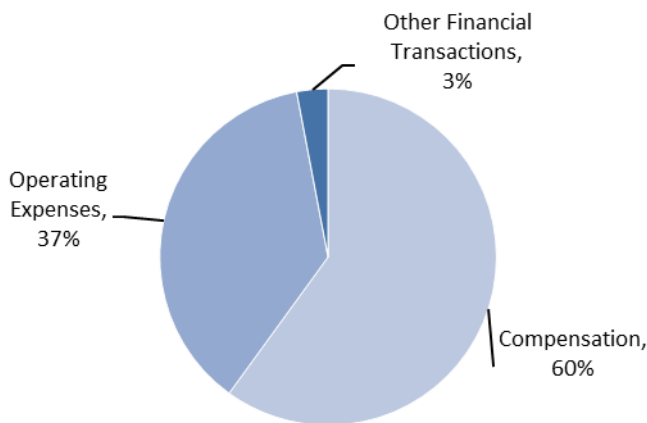
PURPOSE

The Minnesota Tax Court is a specialized trial court in the executive branch with statewide jurisdiction. By statute, it is “the sole, exclusive, and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state.” Minnesota Statutes section 271.01, subdivision 5.

The Tax Court resolves disputes between property owners and counties concerning the correct value and classification of real property and adjudicates taxpayer appeals from orders of the Minnesota Commissioner of Revenue. The Court’s three judges strive to ensure that the Court is managed according to best practices by working closely with the Department of Administration’s Small Agency Resource Team (SmART) and with MN.IT.

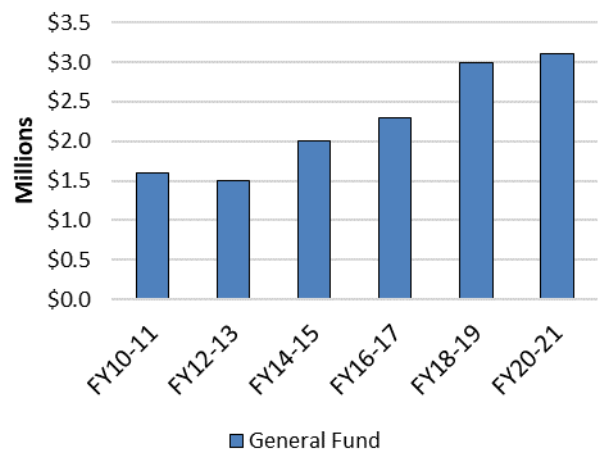
BUDGET

**Spending by Category
FY 2021 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Source: Consolidated Fund Statement

The Minnesota Tax Court generates approximately \$900,000 annually in non-dedicated revenue from filing fees, which are deposited into the General Fund. All funding for Tax Court operations, in turn, comes from a General Fund appropriation.

STRATEGIES

The Tax Court is a specialized trial court. Tax Court actions are governed by the Minnesota Rules of Civil Procedure and of Evidence, and proceed in largely the same manner as civil actions filed in the Minnesota District Courts. Like other trial courts, the Tax Court resolves discovery and trial-management disputes, decides dispositive and non-dispositive motions, and conducts bench trials (jury trials are not available in Tax Court). The Tax Court files written findings of fact, conclusions of law, and an explanatory memorandum in each case submitted for decision. If dissatisfied with a Tax Court decision, a litigant may appeal directly to the Minnesota Supreme Court.

New E-filing System: The Tax Court recently went live with its E-file system (instead of requiring parties to email documents for filing which are docketed by court staff). Eventually, this new e-file system will replace the outdated system of filing and the court’s filing system will be in line with almost all courts’ filing systems. In addition to filing documents, parties will be able to view case dockets and documents.

Harness Available Resources: To ensure the Court is managed according to best practices, we work closely with the Department of Administration’s Small Agency Resource Team (SmART) and with MN.IT. SmART assists the Court with human resources and budgeting. The Court’s budget now includes line-items for statutorily mandated services such as judicial travel to conduct hearings, the purchase of transcripts for indigent taxpayers, and translators for court proceedings. MN.IT assists the Court in maintaining its recently acquired case management and E-File electronic infrastructure (which accounts for the bulk of the Court’s increased operating expense since FY 2015) and in helping to guarantee that the Court’s technology will meet its future needs

Active Case Management: Filings in the Tax Court increased from approximately 1,200 in calendar year 2000 to almost 6,000 in 2010. Filings for the last five years (2017 through 2022) have averaged approximately 3,100+ cases per year. Although the Court had a backlog because of the onset of COVID-19, that is no longer so. In addition, to facilitate settlements in Commissioner of Revenue cases and particularly in property tax cases (in which counties would otherwise have to request special funds to pay for an outside mediator), the judges of the Court all received training in civil mediation. This enables parties to mediate appropriate cases (at no cost to the parties) in hopes of resolving them short of trial. Finally, the court has implemented streamlined procedures that reduce the time (and cost to the parties) of trying cases that cannot otherwise be resolved.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>8/15/2016</i>	<i>8/15/2018</i>	<i>8/15/2020</i>	<i>8/15/2022</i>
Quantity	Open/Pending Cases	4,003	3,080	3,804	3,417

As used here, “Open and Pending Cases” refers to matters that have been entered into the Tax Court’s electronic case-management system, but have not yet been settled or tried.

The Minnesota Tax Court is authorized by Minnesota Statutes Chapter 271 (<https://www.revisor.mn.gov/statutes/?id=271>).

Tax Court

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
<u>Expenditures by Fund</u>								
1000 - General	1,325	1,754	1,746	1,922	1,841	1,841	2,133	2,268
Total	1,325	1,754	1,746	1,922	1,841	1,841	2,133	2,268
Biennial Change				590		14		733
Biennial % Change				19		0		20
Governor's Change from Base								719
Governor's % Change from Base								20

Expenditures by Program

Tax Court	1,325	1,754	1,746	1,922	1,841	1,841	2,133	2,268
Total	1,325	1,754	1,746	1,922	1,841	1,841	2,133	2,268

Expenditures by Category

Compensation	952	1,056	1,155	1,255	1,296	1,250	1,513	1,602
Operating Expenses	373	645	584	664	545	591	620	666
Other Financial Transaction		53	8	3				
Total	1,325	1,754	1,746	1,922	1,841	1,841	2,133	2,268

Full-Time Equivalent

	7.50	8.00	9.40	10.00	10.00	9.00	10.50	10.50
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(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Balance Forward In		495		81				
Direct Appropriation	1,807	1,808	1,827	1,841	1,841	1,841	2,133	2,268
Transfers Out		250						
Cancellations		299						
Balance Forward Out	482		81					
Expenditures	1,325	1,754	1,746	1,922	1,841	1,841	2,133	2,268
Biennial Change in Expenditures				590		14		733
Biennial % Change in Expenditures				19		0		20
Governor's Change from Base								719
Governor's % Change from Base								20
Full-Time Equivalents	7.50	8.00	9.40	10.00	10.00	9.00	10.50	10.50

Tax Court

Agency Change Summary

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Direct				
Fund: 1000 - General				
FY2023 Appropriations	1,841	1,841	1,841	3,682
Forecast Base	1,841	1,841	1,841	3,682
Change Items				
Maintain Current Service Levels		217	352	569
Case Management System - Tax Court E-Filing		75	75	150
Total Governor's Recommendations	1,841	2,133	2,268	4,401
 Revenue Change Summary				
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	12	12	12	24
Total Governor's Recommendations	12	12	12	24

Tax Court

FY 2024-25 Biennial Budget Change Item

Change Item Title: Maintain Current Service Levels

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	217	352	352	352
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	217	352	352	352
FTEs	1	1	1	1

Recommendation:

The Governor recommends additional funding of \$217,000 in FY 2024 and \$352,000 in each subsequent year from the general fund to maintain the current level of service delivery at the Tax Court.

Rationale/Background:

Each year, the cost of doing business rises—employer-paid health care contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

For the Tax Court, operating cost pressures exist in multiple categories—increases in compensation and insurance costs at the agency, increasing costs to maintain our current staff compliment in a challenging labor market, and increasing IT costs. If an operational increase is not provided, the services the Tax Court delivers to Minnesotans will be impacted. An example of potential impact includes reducing staff which could reduce high-quality legal analysis or result in slower, less efficient interaction with the public.

Proposal:

The Governor recommends increasing agency operating budgets to support maintaining the delivery of current services. For the Tax Court, this funding will cover expected and anticipated employee compensation growth and IT services.

Results:

This proposal is intended to allow the Tax Court to continue to provide current levels of service and information to the public.

Tax Court

FY 2024-25 Biennial Budget Change Item

Change Item Title: Case Management System – Tax Court E-Filing

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	\$75	\$75	\$75	\$75
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	75	75	75	75
FTEs	.5	.5	.5	.5

Recommendation:

The Governor recommends an operational increase of \$75,000 each year for the Tax Court. Funds will be used to add .5 FTE to effectively maintain the court’s existing electronic filing system.

Rationale/Background:

One-time funding of \$609,000 was received in FY 2017 to obtain a modern case management system (C-Track). Ongoing funding to maintain the system was not included. This is the same case management system used by the Office of Administrative Hearings, Minnesota Court of Appeals, and Minnesota Supreme Court.

The electronic filing component of C-Track requires real-time monitoring and timely problem solving to mitigate service disruptions for attorneys and parties who use the system to electronically file and serve court documents.

An additional FTE, will ensure that the court maintains a case management system that consistently provides an electronic filing platform that is user-friendly, accurate, and available.

Proposal:

Add .5 FTE to effectively mitigate service disruptions in our case management system.

Impact on Children and Families:

- The change level request does not directly impact children and families.
- There are no potential positive or negative impacts on children and families.

Equity and Inclusion:

- The change level request does not directly impact any Racial and Ethnic groups.
- There are no potential positive or negative impacts on the identified groups.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
 No