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Tax Court

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

AT A GLANCE

- Ten full-time staff: three judges, four administrative staff, two law clerks, and one staff attorney.
- Approximately 3,100+ cases are filed with the tax court annually.
- FY 2024 base budget of \$2,133,000.
- 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.
- The Tax Court recently hired an experienced Court Administrator to lead the administrative side of the agency. The new Court Administrator is currently reviewing all court practices to ensure compliance with best practices.
- The Tax Court recently completed the rulemaking process; in October 2023, the court's new and amended rules went into effect, which primarily offer guidance for using the mandatory E-filing system and mediation.

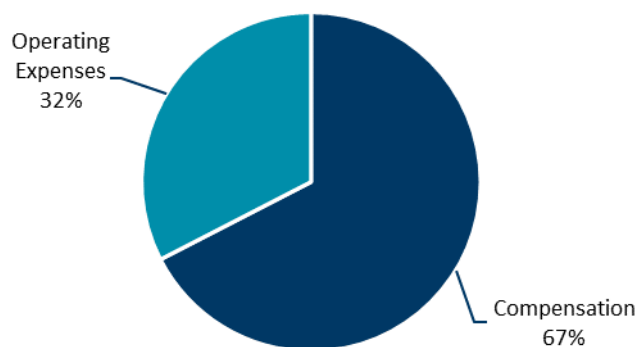
PURPOSE

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.

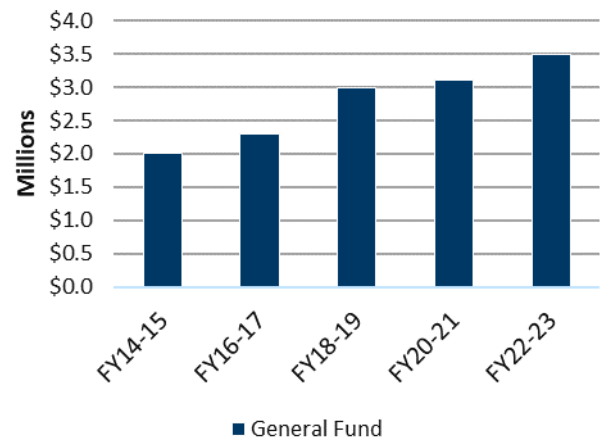
BUDGET

**Spending by Category
FY 2023 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. Recent budget increases are attributable primarily to technology expenses.

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 Court Administrator: The Tax Court recently hired a new Court Administrator with extensive Judicial Branch experience to oversee operations. She is currently reviewing and revamping most court procedures to conform with best practices. This has resulted in consolidation of procedures, cost savings, transparency for litigants, and increased capacity for all members of the court to take on new projects.

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 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 four years (2019 through 2023) have averaged approximately 3,100+ cases per year. Although there were approximately 4,100 filings in 2024, 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 are certified 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

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Supreme Court Affirmances	Quality	Supreme Court Opinions (https://www.mncourts.gov/SupremeCourt/RecentOpinions.aspx)	Of the five Tax Court cases reviewed by the MNSC between 24 and 12 months ago, three were affirmed, and two were reversed.	Of the five Tax Court cases reviewed by the MNSC in the past 12 months, four were affirmed, and one was affirmed in part, vacated in part and remanded.

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Open/Pending Cases ¹	Quantity	The Court's internal case management system (C-Track, a Thomsen Reuters product)	2016 — 4,003 2018 — 3,080 2020 — 3,804 2022 — 3,417	2024 — 4,458 ²

¹ 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.

² The Minnesota Tax Court saw a dramatic increase in petitions filed in 2024; this follows a national trend.

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

Tax Court

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
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Expenditures by Fund

1000 - General	1,746	1,765	1,890	2,511	2,271	2,271	2,312	2,353
Total	1,746	1,765	1,890	2,511	2,271	2,271	2,312	2,353
Biennial Change				889		141		264
Biennial % Change				25		3		6
Governor's Change from Base								123
Governor's % Change from Base								3

Expenditures by Program

Tax Court	1,746	1,765	1,890	2,511	2,271	2,271	2,312	2,353
Total	1,746	1,765	1,890	2,511	2,271	2,271	2,312	2,353

Expenditures by Category

Compensation	1,155	1,183	1,324	1,436	1,458	1,483	1,499	1,565
Operating Expenses	584	571	566	1,075	813	788	813	788
Capital Outlay-Real Property		6						
Other Financial Transaction	8	4						
Total	1,746	1,765	1,890	2,511	2,271	2,271	2,312	2,353

Full-Time Equivalents

9.40	9.99	9.49	10.00	10.00	10.00	10.00	10.00
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Tax Court

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In		84		243				
Direct Appropriation	1,827	1,841	2,133	2,268	2,271	2,271	2,312	2,353
Transfers Out		130						
Cancellations		29						
Balance Forward Out	81		243					
Expenditures	1,746	1,765	1,890	2,511	2,271	2,271	2,312	2,353
Biennial Change in Expenditures				889		141		264
Biennial % Change in Expenditures				25		3		6
Governor's Change from Base								123
Governor's % Change from Base								3
Full-Time Equivalents	9.40	9.99	9.49	10.00	10.00	10.00	10.00	10.00

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Direct				
Fund: 1000 - General				
FY2025 Appropriations	2,268	2,268	2,268	4,536
Base Adjustments				
Minnesota Paid Leave Allocation		3	3	6
Forecast Base	2,268	2,271	2,271	4,542
Change Items				
Operating Adjustment		41	82	123
Total Governor's Recommendations	2,268	2,312	2,353	4,665
Revenue Change Summary				
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	15	15	15	30
Total Governor's Recommendations	15	15	15	30

Tax Court

FY 2026-27 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	41	82	82	82
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	41	82	82	82
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of \$41 thousand in FY 2026 and \$82 thousand in each subsequent year from the general fund to help address operating cost increases at the Tax Court.

Rationale/Background:

The cost of operations rises each year due to increases in employer-paid health care contributions, FICA and Medicare, along with other salary and compensation-related costs. 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 year to year.

Agencies face challenging decisions to manage these rising costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. For FY 2026-27, agencies will need to continue to find additional efficiencies and leverage management tools to help address budget pressures. Holding open vacancies in certain programs or delaying hiring in other programs are examples of ways agencies manage through constrained operating budgets. Such decisions are difficult and must be weighed against a program's ability to conduct business with less staffing and its impact to service delivery.

This recommendation provides additional resources to help address these cost pressures and pay for agency operations.

Proposal:

The Governor recommends increasing agency operating budgets to support current services. For Tax Court, this funding will help cover expected growth in employee compensation and insurance, rising rents, IT services, and other operating costs.

Dollars in Thousands

Net Impact by Fund	FY 26	FY 27	FY 26-27	FY 28	FY 29	FY 28-29
General Fund	41	82	123	82	82	164

Results:

This recommendation is intended to help Tax Court address rising cost pressures and mitigate impacts to current levels of service and information to the public.