

020223

## MINNESOTA • REVENUE

February 28, 2002

RECEIVED

MAR 14 2002

LEGISLATIVE REFERENCE LIBRARY  
STATE OFFICE BUILDING  
ST. PAUL, MN 55155

The Honorable Lawrence J. Pogemiller  
Chair, Senate Committee on Taxes  
Room 235, State Capitol  
75 Constitution Avenue  
St. Paul, Minnesota 55155-1606

The Honorable Ron Abrams  
Chair, House Committee on Taxes  
Room 585, State Office Building  
100 Constitution Avenue  
St. Paul, Minnesota 55155-1606

Dear Senator Pogemiller and Representative Abrams:

Last month we requested that the initial issuance date for the Market Value and Assessment Practices Report (Chapter 5, Section 92 of the 2001 Omnibus Tax Bill) be delayed until March 1, 2003. We asked for the delay to give the department more time to develop a high quality and useful report.

Since we have had no response to our request, this letter will serve as our 2002 Report on our efforts to meet the legislatively mandated study. The primary purpose of the report will be to provide state and local policymakers with a county-by-county profile of trends in market value and assessment quality. Annually, the department will be compiling information on the following:

1. Ten year trend in estimated market value by major property classification:
  - a. Isolating new construction value from inflation
  - b. Trend in "taxable" market value vs. estimated market value
    - Limited Market value (summary analysis from Limited Market Value Report)
    - "This Old House" value (summary analysis from "This Old House" report)
  - c. Shift-in-share in estimated and taxable market value
  - d. Shift-in-share in tax capacity value
  - e. To the extent possible, provide some indication of projected growth in valuation
    - New housing permits
    - Vacancy rates for business and apartment properties
2. Assessment quality factors and indicators by major property classification:
  - a. Trend in sales ratios and coefficients of dispersion, and report, to the extent possible:
    - Number of sales per year
    - Percentage of parcels that change in value per year
  - b. Summary of State Board ordered valuation changes
  - c. To the extent appropriate, report assessment quality measures for selected sub-county geographical jurisdictions.

We fully support the legislature's request for this information which will be very beneficial for lawmakers and legislative staff, property tax administrators, and the public to better understand the underlying factors which affect our property tax system. This information, when collected, analyzed, and reported on a regular basis will also greatly assist the department's efforts to monitor property assessment practices throughout the state.

Because we think that this information and reporting requirement is important, we want to have the opportunity to put forth an initial report that is thoughtful and useful. However, in order to develop a high quality report we would like to delay its first issuance date to March 1, 2003. This information will be included in the March 1, 2003 report and will also include our work with assessors to develop a presentation format that is concise, informative, and useful.

Please feel free to contact me or Gordon Folkman if you have further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Smith", with a stylized flourish at the end.

Matthew G. Smith  
Commissioner

CC: Secretary of Senate  
Chief Clerk of House  
Legislative Reference Library – 6 copies