960019

Property Tax Area Study

A Report to the 1995 Legislature

on

Changing the Method of Property Taxation

Prepared by

The Minnesota Department of Revenue

February 1995

Pursuant to 1994 Minn. Laws Chap. 587 Art. 5 Sec. ~~28~~ 28

Report Cost

As per the Laws of 1994, Chapter 559, Section 1

This provision in the Laws of 1994 requires that the cost of preparing any report for the legislature be included in the beginning of that report. Thus, the cost of the preparation of this study is itemized below:

1. **Wages-** $16,365.00
2. **Travel-** $1,614.00
3. **Data Processing-** $342.00
4. **Postage-** $120.00
5. **Office Supplies-** $400.00

Total **$18,841.00**

Executive Summary

This is the "Property Area Study." This project was mandated in the 1994 legislative session. The results of this study are now collected and submitted to the Legislature by the Department of Revenue.

The purpose of this study was to explore the feasibility of implementing a property tax system based on a property's area instead of its estimated market value.

The Department was asked to collect the area of all legally classified property in Blue Earth and Hennepin counties. Once this information was collected, it was to be analyzed and the feasibility of the implementation of this system was to be determined. This report outlines and explains the steps that were taken and the conclusions that resulted.

The major findings of this study are:

1. The effect on current tax capacities when using a system based on property area is that, in most instances, properties with higher values have a decrease in tax capacity, while properties with lower values generally see an increase in tax capacity.

2. The necessary steps in collecting the data that represent a property's area are complex, costly, and currently lack uniformity. Right now there is no uniform method of measuring property, this was especially a factor in reviewing and reporting the characteristics for split class properties (properties with more than one property classification). An example of this would be a residential/commercial split. In this instance, two classifications are housed on one property. Currently, the estimated market value is known for each class. However, the area is not. Currently, the area for the above property is listed as a single item (one square footage value for both classes). If a system of area taxation is implemented, accurate measurement would be necessary. According to the survey completed by 73 of the 87 county assessors, approximately 69% of all parcels would need new measurements, which would cost an estimated $9.64 million.

Introduction

This is the "Property Area Study." This project was mandated in the 1994 legislative session. The results of this study are now collected and submitted to the Legislature by the Department of Revenue.

Specifically, the Department was asked to conduct research on the total square footage of both the land and buildings in Blue Earth and Hennepin Counties. Blue Earth and Hennepin Counties were chosen for this study because of their property class mix. Blue Earth has a good mix of residential, commercial/industrial, and agricultural property. Hennepin has large, diverse amounts of residential and commercial/industrial properties.

This study includes all available legally classified real property. Besides the collection of area for land and buildings, the Department was asked to report on the feasibility of developing a statewide system of property taxation in which a property's tax base would be determined by its square footage. This research was to be conducted and the results submitted to the Tax Committee of the House of Representatives and the Committee on Taxes and Tax Laws of the Senate by February 15, 1995.

Property tax controversy has existed from the first imposition of the tax. Questions of the appropriateness of using value as a basis for taxation was an issue then, and still is today. This report's purpose is to provide information on one possible alternative to the current method of ad valorem taxation.

The alternative that this report discusses would change the current measurement used to determine a property's tax base. The current basis for property taxation is estimated market value, and the alternative being examined is square footage or area.

Property Taxation

To understand the direction of this study, a summary of the Minnesota property tax system is necessary.

Currently, property taxes in Minnesota are based on a property's estimated market value. Market value is defined as the most probable sale price of a property in terms of money in a competitive and open market, assuming that the buyer and seller are acting prudently and knowledgeably, allowing sufficient time for sale, and assuming that the transaction is not affected by undue pressures.

The current system follows these steps: First, the property is classified. The present system offers 28 different property classifications including subclasses with each class and subclass assigned a percentage of market value. The second step is to calculate the estimated market value. The assessor uses his/her experience and judgment to arrive at the best estimate of what the property will actually bring on the open market. The final step in the assessment process is to calculate the property's tax capacity. The tax capacity is calculated by multiplying the property's estimated market value by the percentage applicable to that particular class of property. Once these three steps are completed, the local tax rates are multiplied by the property's tax capacity, and the result is the tax amount.

Methodology

A number of steps were involved in the process of collecting the data for the study. The first step in the collection process was to answer some questions on how the data for the study would be collected and evaluated. Below is a list of these questions, and their answers.

Question	Answer
1.) On what tax period will this study base its information?	1993 assessments taxes payable 1994
2.) How will the information in each county be collected?	Each county electronically stores the majority of the information desired.
3.) What information concerning each parcel will be collected?	a. Property identification number b. Tax rate or district c. Property classification d. Land value e. Building value f. Total estimated market value g. Tax capacity h. Taxes payable I. Land area j. Building area
4.) What will be done with properties that lack necessary information?	When and where it is possible, manual collection of parcel information will be done.
5.) How will the square footage be defined for both land and building?	a. Land: All land area that is related to the property's identification number. b. Building: All livable or useable area of a parcel's building or buildings.
6.) How will split class properties be treated?	All classifications within a parcel will be listed separately.
7.) How will properties be classified?	Minnesota's Property Tax system has 5 main classifications, and 23 sub-classes. For this study, all sub-classes will be disregarded. Thus, the classes are: 1= Residential Homestead

Question 7 continued	2= Agricultural 3= Commercial and Industrial 4= Rental/Residential Non-Homestead 5= All other
8.) How will properties be compared?	All same property classifications will be compared as groups.

The answers to these questions set the guidelines for which the data was collected. The second step was to notify and meet with each county to explain the study and its purpose, and to listen to the suggestions and concerns of the assessors of the two counties.

The Department first met with Hennepin County. The results of this meeting are summarized below:

1. Hennepin County's total number of parcels for the 1993 pay 1994 assessment period was 352,939.

2. The data and characteristics that were sought are available electronically.

3. Hennepin County is not directly responsible for the assessments of approximately 50% of the cities within the county. Therefore, in order for the Department to collect the square footage for the entire county, these cities will have to be contacted individually.

4. The square footage for the land and buildings of apartments, condominiums, and townhomes would be inaccurate in most instances because the current estimated market value system does not require square footage to be used in determining the final assessment. Thus, in the case of apartments, condominiums, and townhomes, it would be easier and more efficient to use a site value system.

5. The data concerning the property involved in the study will be provided to the Department at the end of October 1994.

After the meeting with Hennepin County, the Department made the necessary arrangements with the independently assessed cities to provide those property characteristics which Hennepin County dose not maintain. After all necessary arrangements were made in Hennepin County, a similar meeting was arranged in Blue Earth County.

The results of the Blue Earth County meeting are summarized as follows:

1. Blue Earth County's total number of parcels for the 1993 pay 1994 assessment period was 25,733.

2. All characteristics sought were available electronically except for the square footage of land and buildings of approximately 1/3 of the total parcels.

3. It was determined that the building areas concerning agricultural property would be inaccurate. The reason for inaccurate data is the many additional buildings that are often a part of an agricultural operation. Currently, these additional buildings make

up part of the property's total estimated market value, but are not listed separately. This problem affects over 80% of the agricultural property in Blue Earth County, and similar problems exist throughout all the state's agriculturally classified parcels. The lack of accurate data concerning agricultural property was detrimental to the future analysis of the effects a taxation system based on area would have on agricultural property in Blue Earth County and throughout the state.

4. Land and building areas for apartments, condominiums, and townhomes would be inaccurate, and their inclusion in the study would inaccurately represent the total square footage for this property class. The explanation for this problem is the same as for Hennepin County.

5. Blue Earth County will provide the Department with the electronically available data by the beginning of August 1994.

The developments of each of these meetings raised concerns for the overall accuracy of the data in this study. A solution to these proposed problems was necessary. In conjunction with the authors of the law which called for the study and Department of Revenue personnel, it was decided to omit any parcels that were not accurately represented by the data collected. Although this unfortunately meant eliminating some information that was to be considered for this study, the benefit in eliminating parcels with insufficient data was an increase in the dependability of the results.

Many of the complications that appeared in the data collection stage of the study were related to the fact that there is currently no standard method of measurement for property. The lack of a standard method of property measurement makes the investigation into the area of land and buildings in Minnesota complicated and difficult.

The third step of the collection process was to begin the actual collection of the data. Blue Earth County provided the Department with the necessary data at the beginning of August, and initial analysis showed that 1/3 of the properties lacked sufficient data. The manual collection of data for these parcels began in the middle of August. In the middle of October, with the collection phase coming to a close, nearly 5000 of the 25,733 total parcels still had insufficient data. Many reasons contributed to this fact. Of those parcels which had data available, many different methods of reporting the square footage were used. Understanding how the square footage was calculated and what it represented was often confusing. After all efforts to collect the data were exhausted, any parcel that still lacked sufficient data was eliminated.

The 5000 parcels excluded in Blue Earth were a mix of all property classes. These parcels accounted for only 1/5 of the total county estimated market value of $1.7 billion. The Department believes that the exclusion of the 5000 parcels does not affect the overall accuracy of the final analysis of Blue Earth County. The resulting data for Blue Earth County accounts for approximately $22 million of the approximate $31 million total tax capacity, and approximately $1.3 billion of the approximate $1.7 billion total estimated market value.

After the data collection in Blue Earth, a similar process began in Hennepin. Although the previously mentioned discrepancies for Hennepin County existed, the data concerning property in Hennepin proved to be more accurate in representing the major classes of property. Many cities in Hennepin County were contacted, and they individually supplied the Department with their properties' characteristics. The overall analysis of the data supplied by Hennepin County is, statistically speaking, very accurate.

The results of the data collection in Hennepin County accounted for nearly 80% of the 352,939 records. This 80% represents approximately $781.5 million of the approximate $1.03 billion total tax capacity, and approximately $36 billion of the approximate $45 billion total estimated market value.

In the scope of this study, it was impossible to accurately collect and report on all taxable parcels for either county. Of the nearly 360,000 parcels that make up the two counties, the study focused on approximately 300,000 of the parcels. The remaining 60,000 parcels were representative of parcels that lacked sufficient data.

Once the parcels were chosen which represented an adequate portion of the property in both counties, the next step was to organize the data in a way that would make it more easily understood. The first step in making the data more easily understood was to simplify the way in which it was classified.

As mentioned in the beginning of this section, there are 28 different classifications a property may have. Although there are 28 classifications, many of which are subclasses, there are only five major classes of property. The major classes are: Residential Homestead, Agricultural, Commercial/Industrial, Rental/Residential Non-Homestead, and Other. The property analyzed in this study has been broken down into the five main classes. The classes are:

a.) 1= all Residential Homestead
b.) 2= all Agricultural
c.) 3= all Commercial and Industrial
d.) 4= all Rental and Residential Non-Homestead
e.) 5= all Other property

This simplification of the classification system was necessary to simplify the study and its analysis. The changes did not shift the previous tax capacities or tax amounts by more than ± 3 percent in any one class.

Once the changes were made to the data, and all collection was complete, the analysis and evaluation of the statewide implementation of a taxation method based on a property's area could begin.

Data Analysis and Evaluation

There are two aspects to this section of the study. One aspect is the analysis of the square footage collected. The other is the results of a survey completed by the county assessors throughout Minnesota.

The first aspect, data analysis, discusses the different methods that the Department used to evaluate the proposed system of property area taxation. While analyzing the data, the Department examined examples in the cities of both counties where tax capacity disparities among similarly sized parcels exist. Also, the Department applied the alternative method of property taxation to the parcels included in the study to see the effect a system based on area would have on current tax capacities.

The second aspect of this section discusses the results of a survey that was prepared by the Department and completed by the 87 assessors offices throughout the state. The survey asked the assessors to answer questions that would help the Department in evaluating the feasibility of future implementation of a system of taxation based on a parcel's area.

Data Analysis

In the analysis of the data from each county, the Department examined and compared many different aspects, such as current tax capacities of parcels of similar size in the same county, current tax capacities of similarly sized parcels in Hennepin County versus Blue Earth County, and the effects of current tax capacities if a system of taxation based on a parcel's area was implemented. The comparisons and analysis are explained in this section, and the graphic representations of this data are located in the appendix of this study.

In any state there will be areas where the values of property are high, and areas where the values are low. One aspect of this study was to compare some of these differences in parcel values and tax capacities.

In the two counties analyzed, it was immediately discovered that there were instances of parcels with similar size and general location (same city and taxing district) having much different market values and tax capacities.

Examples as the one cited above were found in both counties and can be found throughout the state. Below is a chart listing some specific examples of disparities that existed. This chart identifies the average sized residential homestead parcel for each of the cities. Each example shows the greatest extreme for that particular sized parcel. In all

instances, the extremes represented situations where the location of the parcel was most responsible for the disparity.

Hennepin County Residential Homestead

City	Building Square Feet	Land Square Feet	Land Value	Building Value	EMV	Tax Capacity
Minneapolis	1,400	6,000	$32,000	$103,000	$135,000	$1,980
Minneapolis	1,400	6,000	$11,000	$6,000	$17,000	$170
Brooklyn Center	1,150	10,100	$19,500	$66,000	$86,100	$1,002
Brooklyn Center	1,150	10,100	$19,500	$42,500	$62,000	$620
Bloomington	1,400	13,500	$50,900	$107,500	$158,400	$2,448
Bloomington	1,400	13,500	$17,600	$52,600	$70,200	$702

These examples in Hennepin County were not surprising to the Department. As mentioned previously, it is well known that there would be instances where properties similar in size, or even identical, would have drastically different estimated market values. A similar test was completed in Blue Earth County and the results are shown in the chart below.

Blue Earth County Residential Homestead

City	Building Square Feet	Land Square Feet	Land Value	Building Value	EMV	Tax Capacity
Mankato	1,800	10,350	$17,000	$81,300	$98,400	$1,248
Mankato	1,800	10,350	$3,100	$15,700	$18,800	$188
Beauford Township	1,450	270,000	$16,200	$65,200	$81,400	$908
Beauford Township	1,450	270,000	$16,800	$61,600	$78,400	$848

The above chart followed the exact criteria as did the Hennepin County chart. As displayed in the chart, Mankato showed a great disparity among similar parcels. However, the disparity in Beauford Township is much smaller in comparison to the other examples. The explanation for this is related to the relatively small size of Beauford. The smaller the city, the more consistent the real estate values will be.

These examples represent only the Residential Homestead classification. Other examples were analyzed, and the same results were found. In the larger cities, great disparities among similarly sized parcels existed for all property classes, and, in the smaller cities or townships, the disparities were consistently less drastic.

The next aspect of the data analysis was to compare the differences in total estimated market values for similarly sized parcels in Hennepin County and Blue Earth County.

The comparisons of these parcels showed that the square foot cost of land and buildings in Hennepin County is greater than in Blue Earth County. The fact that the real estate in Blue Earth County is less per square foot than in Hennepin County is well known. Several factors contribute to these differences in value, and these aspects go beyond the defined scope of this study.

The previous charts showed that an 1,800 square foot home on a 10,000 square foot lot in Mankato had a value less than a smaller home and lot in Minneapolis. Again, the reasons for these disparities go beyond the scope of this study.

The final aspect of the data analysis was to use the data and design an example of a system based on property area, and demonstrate the effects such a system as this would have on current tax capacities.

The process the Department followed in organizing examples to demonstrate the effects are as follows. The first step was to select example cities in each county. In Hennepin County the samples used represented all property classes in Minneapolis and Eden Praire. The same was done in Blue Earth for the cities of Mankato and Lake Crystal. Besides using these cities, a county example was prepared for all residential homesteads. The four cities chosen (Minneapolis, Eden Praire, Mankato, and Lake Crystal) represent slow, moderate, and steady growth patterns (slow = Minneapolis and Lake Crystal, moderate = Mankato, and steady = Eden Praire). In examining these cities, the Department selected properties in the same taxing district. Many cities can be made up of one or more taxing districts. A taxing district is a mix of political subdivisions, school districts, and districts or areas with special levying capabilities. Once the sample cities were chosen, the Department summed the total area of each class of property, calculated the percentage of the total the land and building areas represented, and, by using a weighted average, determined the cost per foot the land and building represented of the total tax capacity. The results are shown in the following chart.

City	Property Class	Tax Rate	Records	Total Area	Percent Land	Percent Building	Tax Capacity	Land Rate	Building Rate
Minneapolis	Residential	141.568	40,994	304,863,198 Ft²	82%	18%	$28,933,814	$.02 Ft²	$.45 Ft²
Minneapolis	Commercial/Industrial	141.568	4,536	263,964,042 Ft²	57%	43%	$141,127,958	$.40 Ft²	$.71 Ft²
Eden Praire	Residential	131.858	9,470	189,563,234 Ft²	92%	8%	$18,895,069	$.009 Ft²	$1.12 Ft²
Eden Praire	Commercial/Industrial	131.858	247	46,991,032 Ft²	99%	1%	$9,631,045	$.002 Ft²	$20.29 Ft²
Mankato	Residential	121.204	5,327	66,290,935 Ft²	86%	14%	$3,774,139	$.06 Ft²	$.06 Ft²
Mankato	Commercial/Industrial	121.204	534	30,368,832 Ft²	79%	21%	$6,566,676	$.06 Ft²	$.82 Ft²
Lake Crystal	Residential	105.282	553	7,399,756 Ft²	87%	13%	$257,013	$.005 Ft²	$.24 Ft²
Lake Crystal	Commercial/Industrial	105.282	57	1,229,190 Ft²	85%	15%	$69,122	$.01 Ft²	$.057 Ft²

The above chart is based on the information provided by each city. The information is defined as follows:

1. Property Class: The classification that was decided by the assessor's office following state guidelines.

2. Tax Rate: The rate calculated for that city based on the property class mix to raise the correct amount of tax revenue to cover the levy.

3. Records: The total number of records in the specified classification of property for that taxing district of the city.

4. Total Area: This is the total square foot area of all the records land and buildings for that tax rate area of the city.

5. Percent Land: This is the percent of the total square foot area that accounts for land based on the records provided by the cities.

6. Percent Building: This is the percent of the total square foot area that accounts for the buildings based on the records provided by the cities.

7. Tax Capacity: This is the total tax capacity for that specific class of property in the tax district used as the example.

8. Land Rate and Building Rate: These figures were calculated by using a weighted average. A weighted average is used to account for different degrees of importance or frequency the observations may have. In this study, it was determined that in most instances, the building accounted for a greater portion

of the tax capacity than did the land. Therefore, a weighted average was used to show this relationship. The following example uses Minneapolis Residential to demonstrate the calculations used to complete the previous chart.

- Total Area = 304,863,198 Ft^2
- Percent Land = 82% of total area = 249,987,822 Ft.
- Percent Building = 18% of total area = 54,875,376 Ft^2
- Tax Capacity = $28,933,814
- Land Rate = The inverse percent of the total area multiplied by the total tax capacity divided by the total land area equals land rate per square foot.

  Therefore, 18% x $28,933,814/249,987,822 Ft^2 = $.02 Ft^2
- Building Rate = The inverted percent of the total area multiplied by the total tax capacity divided by the total building area equals building rate per square foot.

  Therefore, 82% x $28,933,814/54,875,376 Ft^2 = $.45 Ft^2

This calculation was used to calculate the rate per square foot for the four cities in the previous chart, and all of the area considered in this study. Once these steps were taken, the next step was to apply the newly calculated land and building rates to the properties of each city.

The Department used the calculated land and building rates to multiply the square footage of the land and buildings in each county. The results reflect the changes in tax capacities for seven levels of estimated market value. The results to the current tax capacities are illustrated in the charts on the following pages

Minneapolis

Property Class	EMV Range	Average Current Tax Capacity	Average Adjusted Tax Capacity Using Area	Net Difference	Percent Change	Number of Records
Residential (1)	$0-$20,000	$123	$391	$268	218%	101
	$20,001-$40,000	$352	$588	$236	67%	2,707
	$40,001-$60,000	$516	$637	$121	23%	17,713
	$60,001-$80,000	$713	$697	($16)	-2%	14,492
	$80,001-$100,000	$1,045	$842	($203)	-19%	3,824
	$100,001-$200,000	$1,809	$1,064	($745)	-41%	1,952
	More Than $200,000	$5,751	$1,677	($4,074)	-71%	204
Commercial and Industrial	$0-$20,000	$484	$2,711	$2,227	460%	617
	$20,001-$40,000	$1,239	$3,720	$2,481	200%	445
	$40,001-$60,000	$1,910	$5,849	$3,939	206%	359
	$60,001-$80,000	$2,568	$8,573	$6,005	234%	321
	$80,001-$100,000	$3,294	$9,082	$5,788	176%	285
	$100,001-$200,000	$5,689	$11,981	$6,292	111%	864
	More Than $200,000	$80,799	$73,190	($7,609)	-9%	1,645

Eden Praire

Property Class	EMV Range	Average Current Tax Capacity	Average Adjusted Tax Capacity Using Area	Net Difference	Percent Change	Number of Records
Residential (1)	$0-$20,000	$99	$1,465	$1,366	1380%	194
	$20,001-$40,000	$296	$2,625	$2,329	787%	105
	$40,001-$60,000	$529	$2,192	$1,663	314%	75
	$60,001-$80,000	$753	$1,332	$579	77%	766
	$80,001-$100,000	$1,097	$1,367	$270	25%	1660
	$100,001-$200,000	$1,990	$2,011	$21	1%	5500
	More Than $200,000	$4,862	$3,444	($1,418)	-29%	1092
Commercial and Industrial	$0-$20,000					0
	$20,001-$40,000	$1,353	$573	($780)	-58%	6
	$40,001-$60,000	$2,036	$7,148	$5,112	251%	10
	$60,001-$80,000	$2,933	$3,427	$494	17%	3
	$80,001-$100,000	$4,147	$1,047	($3,100)	-75%	9
	$100,001-$200,000	$6,612	$10,478	$3,866	58%	31
	More Than $200,000	$55,315	$54,486	($829)	-1%	169

Mankato

Property Class	EMV Range	Average Current Tax Capacity	Average Adjusted Tax Capacity Using Area	Net Difference	Percent Change	Number of Records
Residential (1)	$0-$20,000	$153	$648	$495	324%	73
	$20,001-$40,000	$320	$554	$234	73%	905
	$40,001-$60,000	$500	$596	$96	19%	1523
	$60,001-$80,000	$695	$720	$25	4%	1656
	$80,001-$100,000	$1,046	$888	($158)	-15%	692
	$100,001-$200,000	$1,718	$1,458	($260)	-15%	468
	More Than $200,000	$4,086	$6,135	$2,049	50%	8
Commercial and Industrial	$0-$20,000	$467	$1,811	$1,344	288%	19
	$20,001-$40,000	$980	$1,998	$1,018	104%	72
	$40,001-$60,000	$1,579	$3,397	$1,818	115%	63
	$60,001-$80,000	$2,343	$3,599	$1,256	54%	46
	$80,001-$100,000	$3,074	$5,866	$2,792	91%	45
	$100,001-$200,000	$4,863	$6,798	$1,935	40%	112
	More Than $200,000	$31,622	$28,929	($2,963)	-9%	177

Lake Crystal

Property Class	EMV Range	Average Current Tax Capacity	Average Adjusted Tax Capacity Using Area	Net Difference	Percent Change	Number of Records
Residential (1)	$0-$20,000	$165	$327	$162	98%	43
	$20,001-$40,000	$304	$419	$115	38%	204
	$40,001-$60,000	$491	$474	($17)	-3%	188
	$60,001-$80,000	$681	$541	($140)	-21%	89
	$80,001-$100,000	$1,002	$592	($410)	-41%	21
	$100,001-$200,000	$1,742	$690	($1,052)	-60%	8
	More Than $200,000	N/A				0
Commercial and Industrial	$0-$20,000	$408	$845	$437	107%	28
	$20,001-$40,000	$973	$1,401	$428	44%	13
	$40,001-$60,000	$1,639	$1,445	($194)	-12%	8
	$60,001-$80,000	$2,017	$1,277	($740)	-37%	3
	$80,001-$100,000	$3,490	$3,583	$93	3%	2
	$100,001-$200,000	$4,391	$1,662	($3,269)	-66%	2
	More Than $200,000	$9,054	$1,420	($7,634)	-84%	1

The previous results show the effects a property area method of taxation would have on the current tax capacities of the property in these cities. Graphic representations of this data are located in the appendix. In addition to the graphs representing the four examples above, an additional graph displays the resulting tax capacities for all residential homestead property in each county. The effect on the tax capacities was generally consistent in all cities sampled. In situations of residential properties, the tax capacities for properties with an estimated market value below $100,000 generally increased, and properties above $100,000 saw tax capacities decrease. These results were similar to each class of property tested.

Survey Explanation and Results

The final part of this section is the explanation of a survey sent to the 87 county assessors. The survey asked the assessors the following questions:

1. How many taxable parcels are in the county?
2. On how many of your taxable parcels are land and improvement area currently not available?
3. How long would it take your county to collect and electronically store all the property characteristics currently not available?
4. How much would it cost your county to collect and make electronically available all the necessary information?
5. How many individual property owners appeared at the local board of review for '93 pay '94?

Seventy-three of the 87 county assessors responded to this survey, and the results are shown in the following chart.

Counties Responding	Taxable Parcels	Parcels Without Area Data	Amount of Time	Cost to Counties	Board of Review Appearances
73	1,789,530	1,233,910 (69%)	3 Years	$9,648,500	12,577 (.7%)

The results of this survey were helpful in determining the feasibility of the implementing of this method of property taxation. The two items of this survey that were most important in determining any future implementation was the huge percentage of parcels currently not having the proper information available and the relatively insignificant number of appearances at the local boards of review.

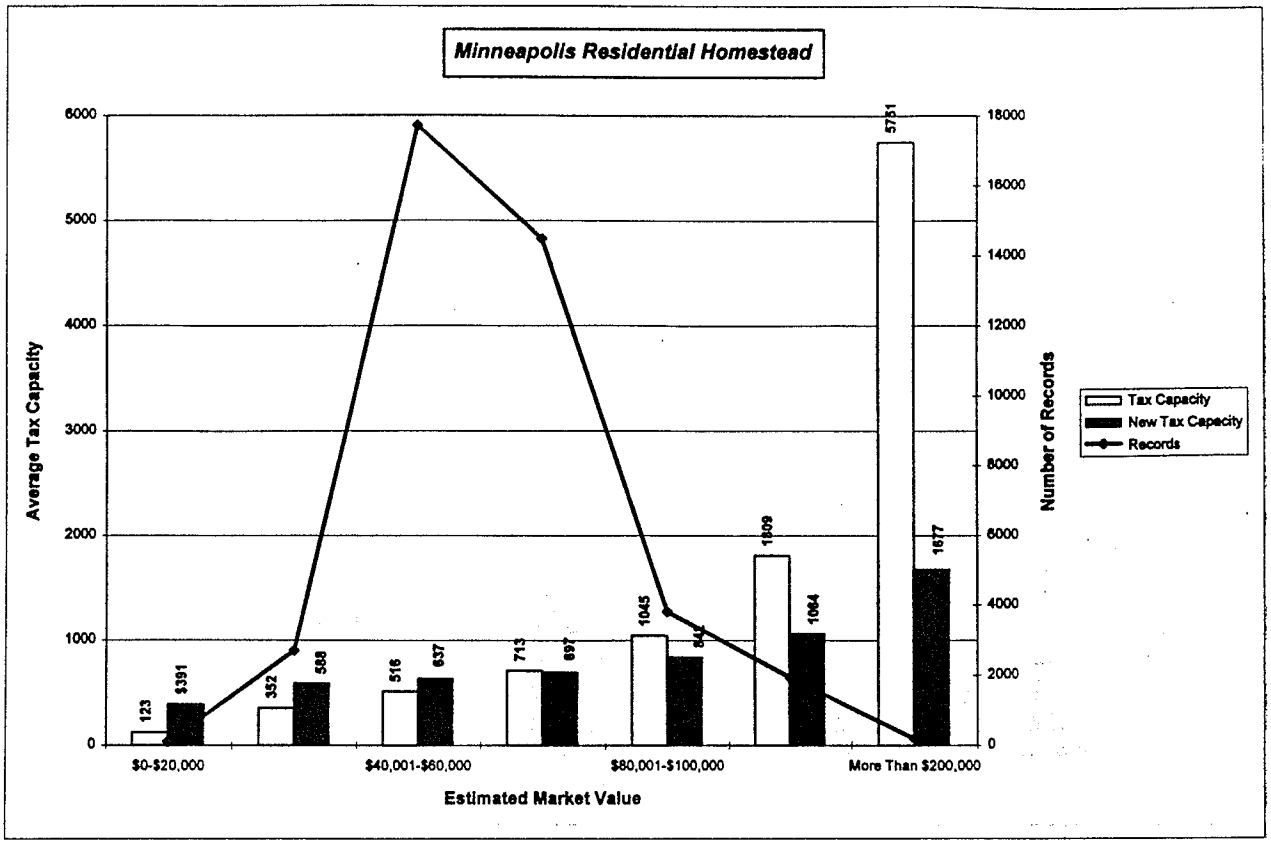
Conclusions

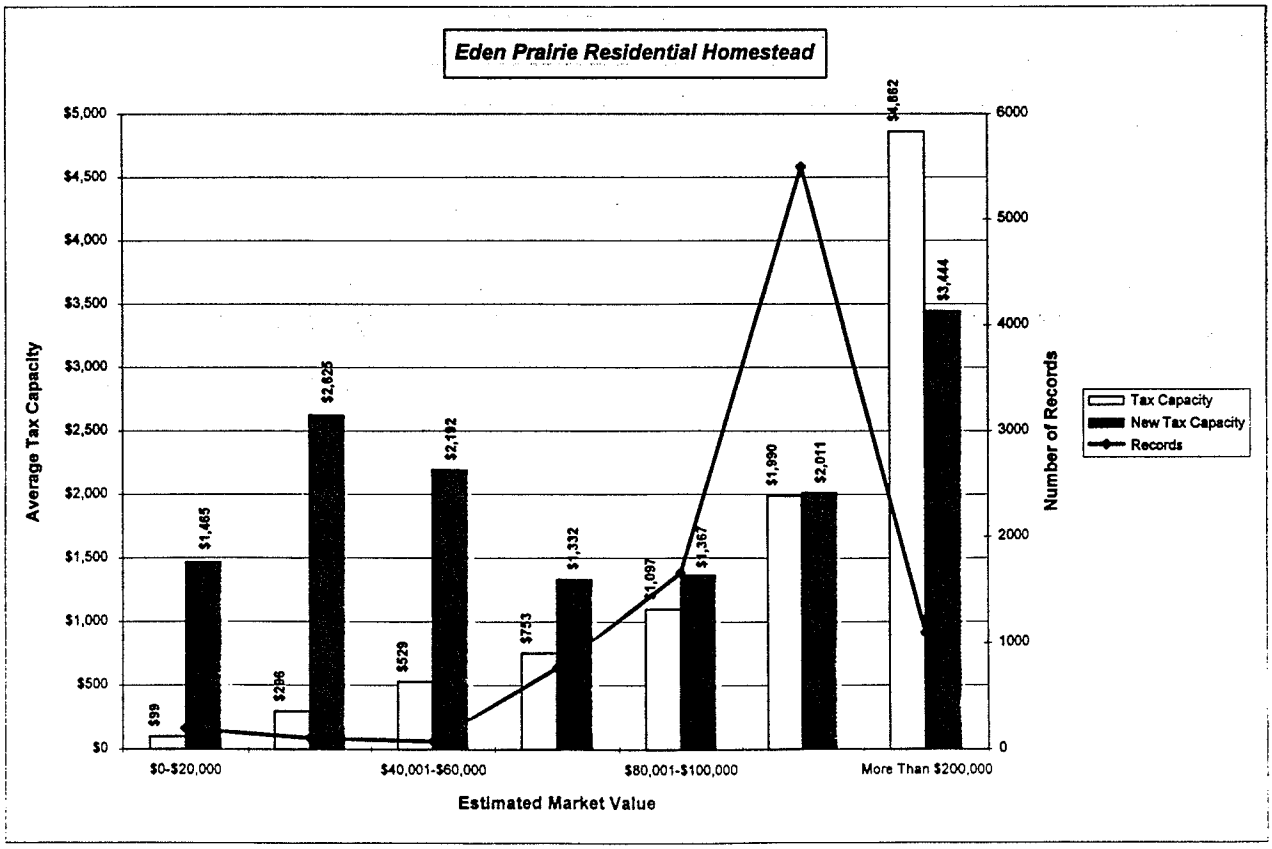
The mandate for this project was straightforward and simple: Collect and report the total land and building square footage for all legally classified real property in Blue Earth and Hennepin Counties, and report the feasibility of implementing a property taxation system based on property area. The conclusions of this study are:

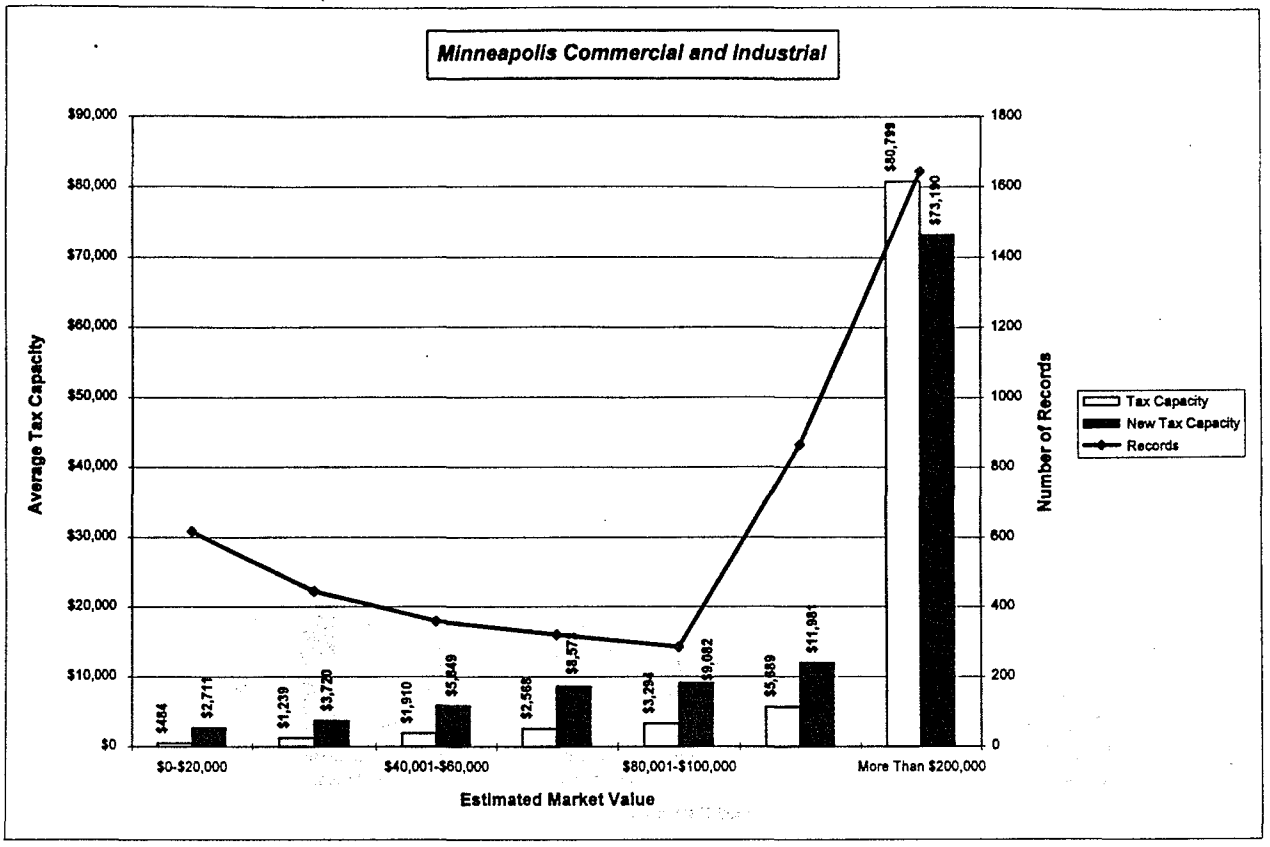
1. The effect on current tax capacities when using a system based on property area is that, in most instances, properties with higher values have a decrease in tax capacity, while properties with lower values generally see an increase in tax capacity.

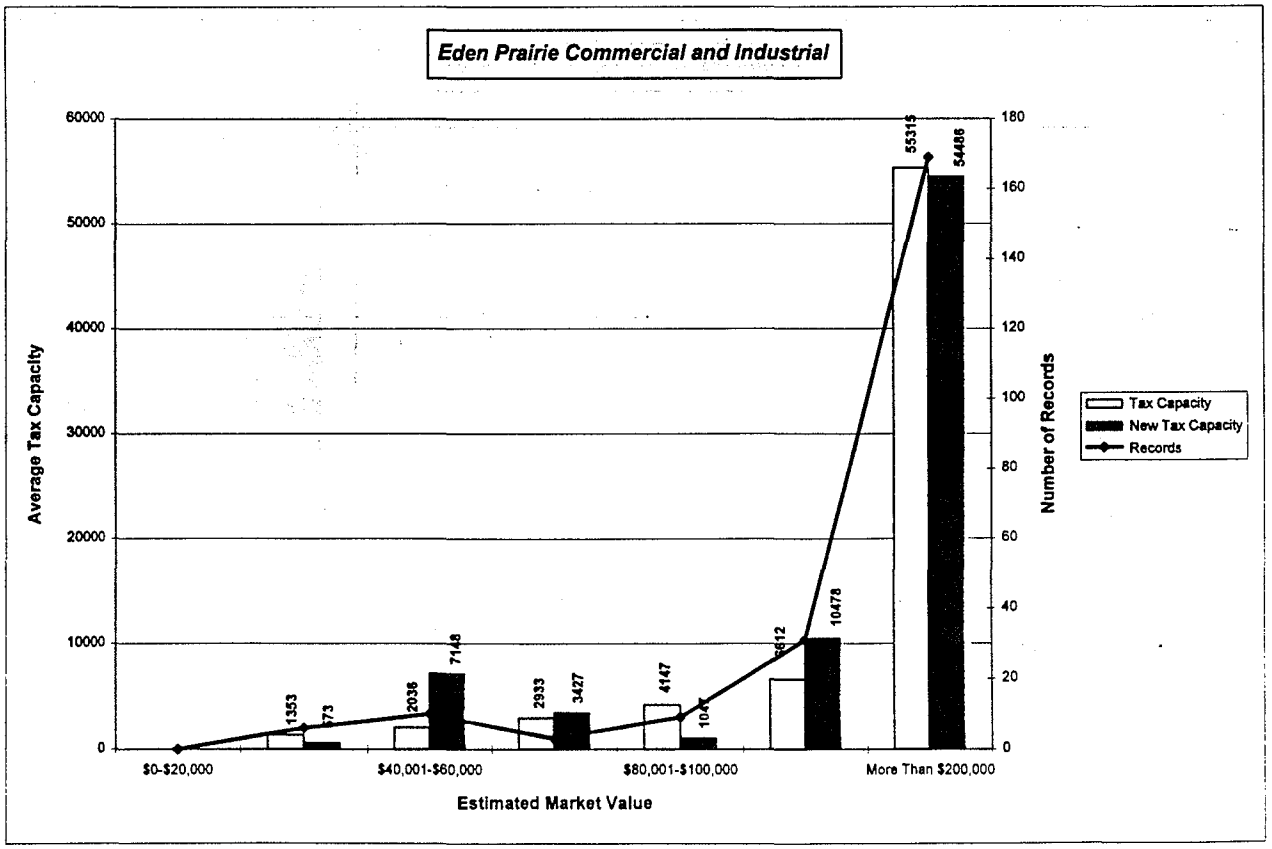
2. The necessary steps in collecting the data that represent a property's area are complex, costly, and currently lack uniformity. Right now there is no uniform method of measuring property, this was especially a factor in reviewing and reporting the characteristics for split class properties (properties with more than one property classification). An example of this would be a residential/commercial split. In this instance, two classifications are housed on one property. Currently, the estimated market value is known for each class. However, the area is not. Currently, the area for the above property is listed as a single item (one square footage value for both classes). If a system of area taxation is implemented, accurate measurement would be necessary. According to the survey completed by 73 of the 87 county assessors, approximately 69% of all parcels would need new measurements, which would cost an estimated $9.64 million.

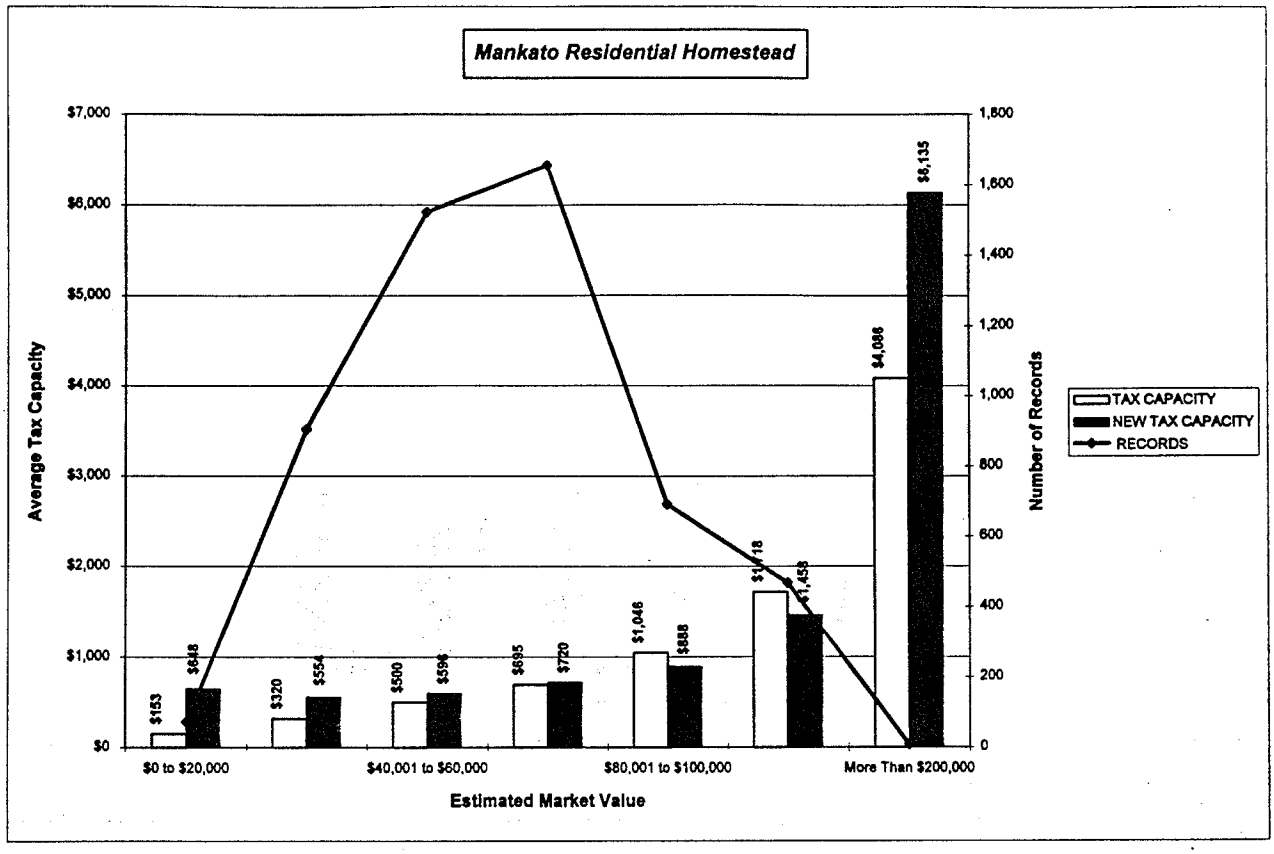
Appendix

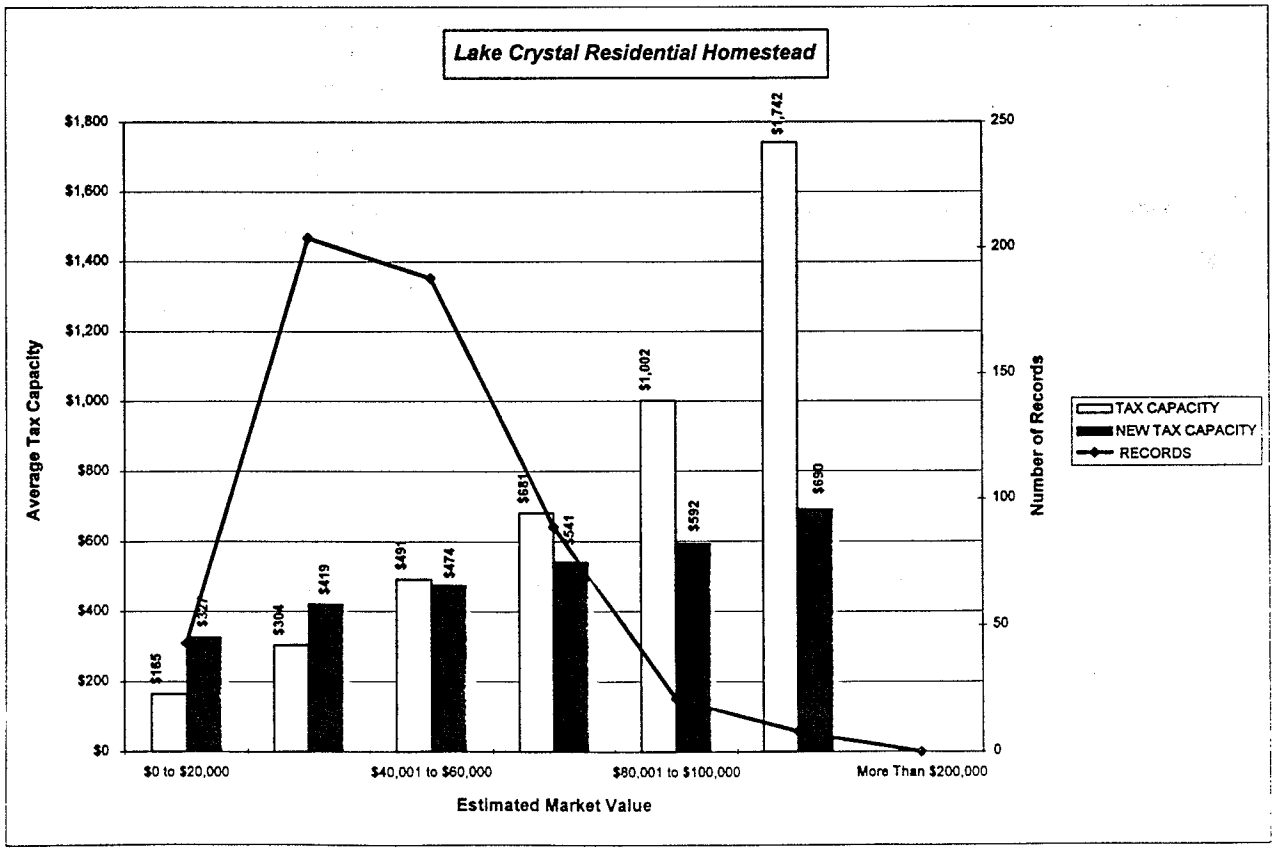

Minneapolis Residential Homestead
Average Tax Capacity
Number of Records
Estimated Market Value
$0-$20,000
$40,001-$60,000
$80,001-$100,000
More Than $200,000
Tax Capacity
New Tax Capacity
Records
123
$391
352
588
516
637
713
697
1045
844
1809
1064
5751
1677

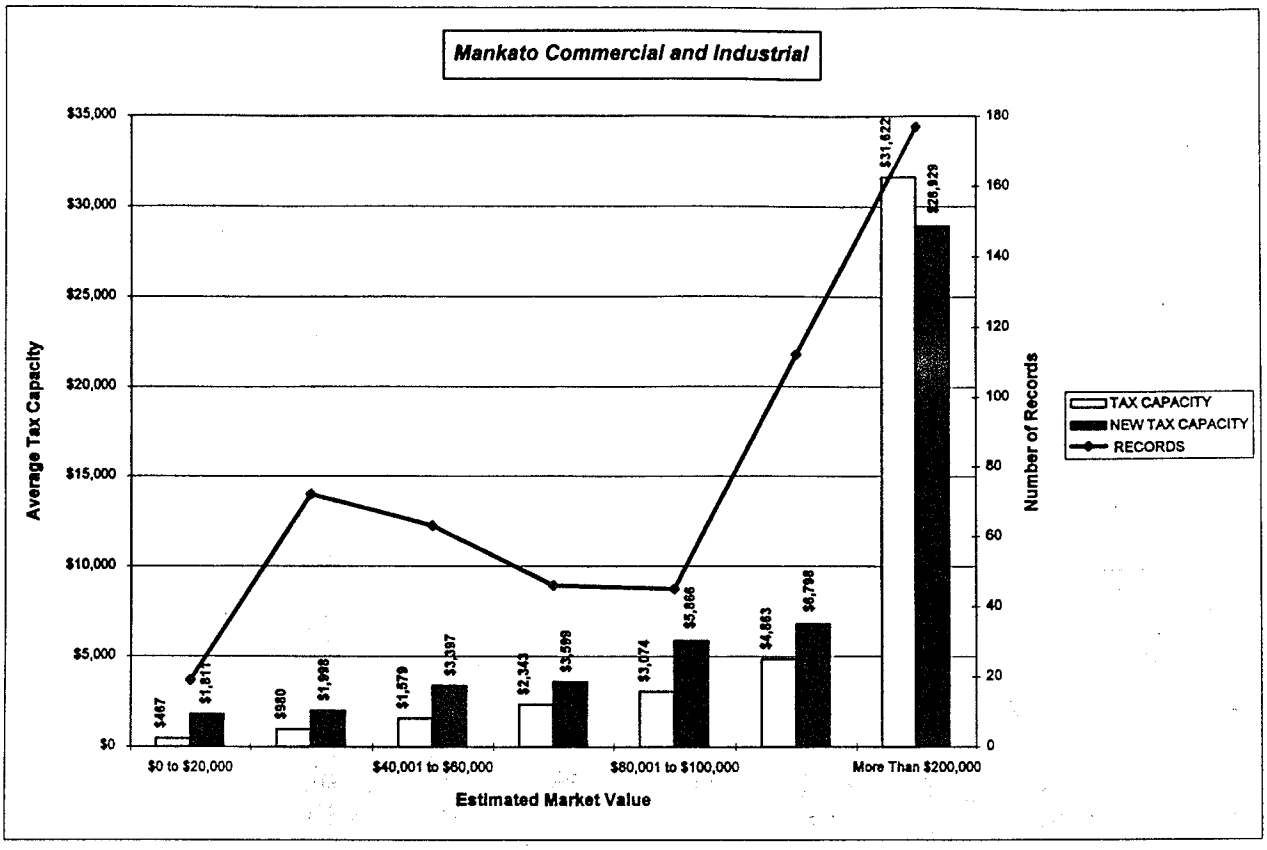

Eden Prairie Residential Homestead
Average Tax Capacity
Number of Records
Estimated Market Value
$0-$20,000
$40,001-$60,000
$80,001-$100,000
More Than $200,000
Tax Capacity
New Tax Capacity
Records
$99
$1,485
$296
$2,625
$529
$2,192
$753
$1,332
$1,097
$1,367
$1,990
$2,011
$4,862
$3,444

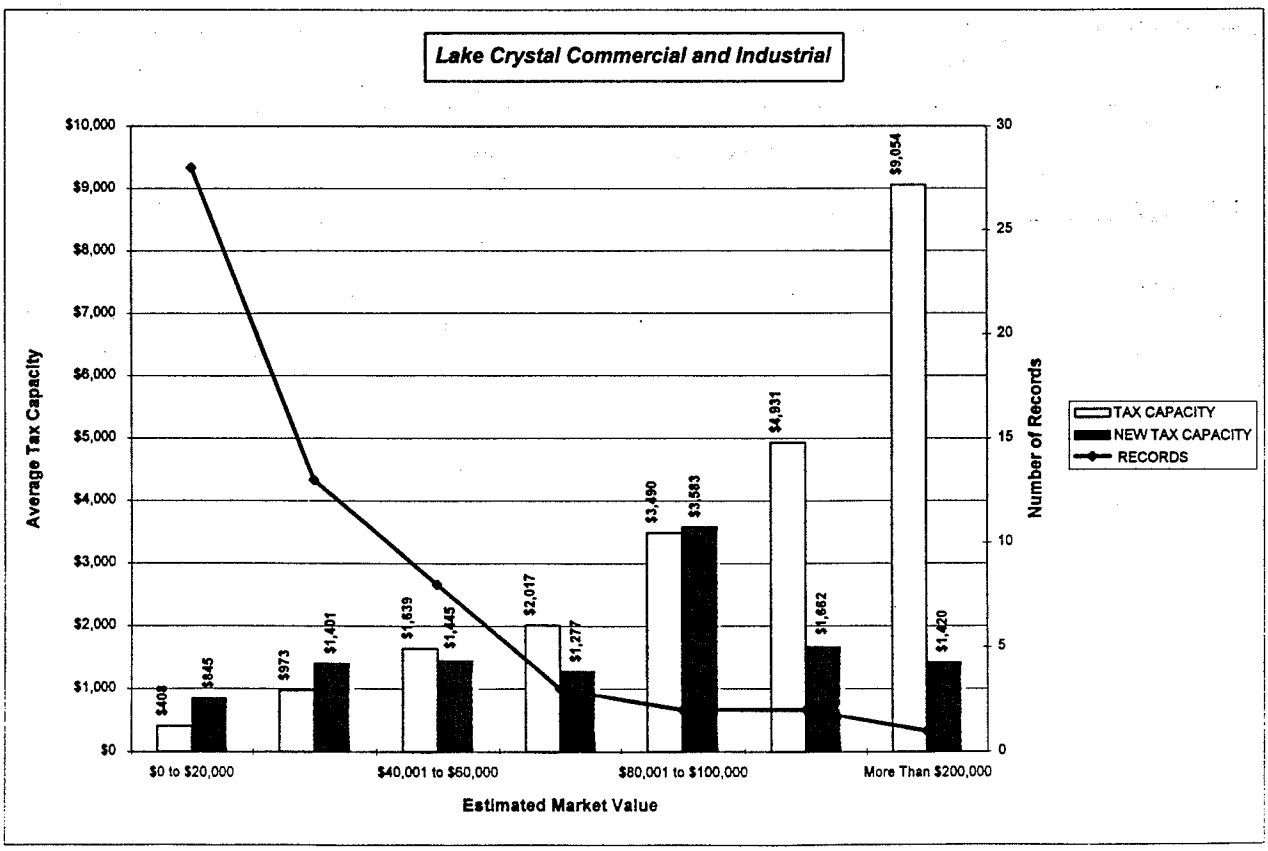

Minneapolis Commercial and Industrial
$90,000
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
Average Tax Capacity
1800
1600
1400
1200
1000
800
600
400
200
0
Number of Records
$484
$2,711
$1,239
$3,720
$1,910
$5,849
$2,568
$8,57
$3,294
$9,082
$5,859
$11,98
$80,799
$73,190
$0-$20,000
$40,001-$60,000
$80,001-$100,000
More Than $200,000
Estimated Market Value
Tax Capacity
New Tax Capacity
Records

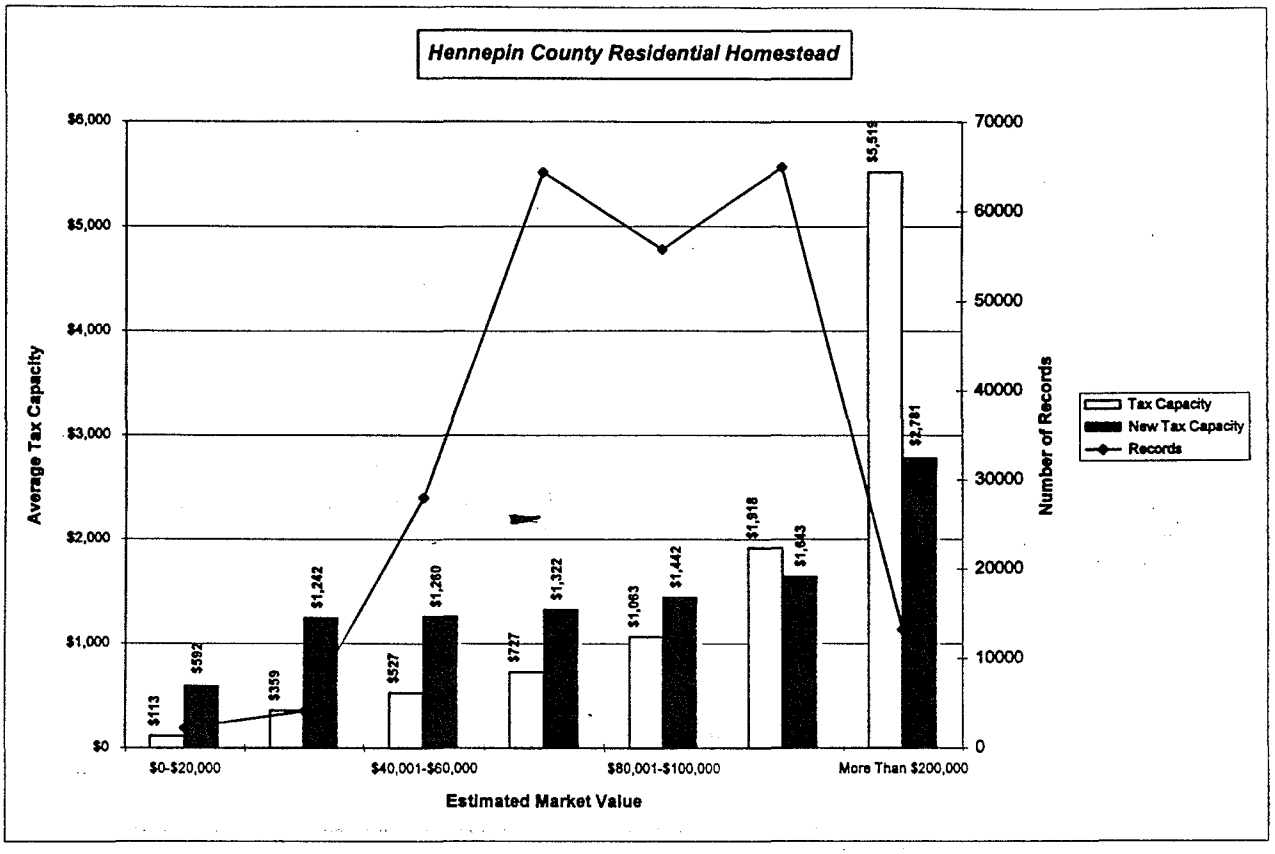

Eden Prairie Commercial and Industrial
60000
50000
40000
30000
20000
10000
0
Average Tax Capacity
180
160
140
120
100
80
60
40
20
0
Number of Records
1353
573
2036
7148
2933
3427
4147
1045
6612
10478
55315
54486
$0-$20,000
$40,001-$60,000
$80,001-$100,000
More Than $200,000
Estimated Market Value
Tax Capacity
New Tax Capacity
Records

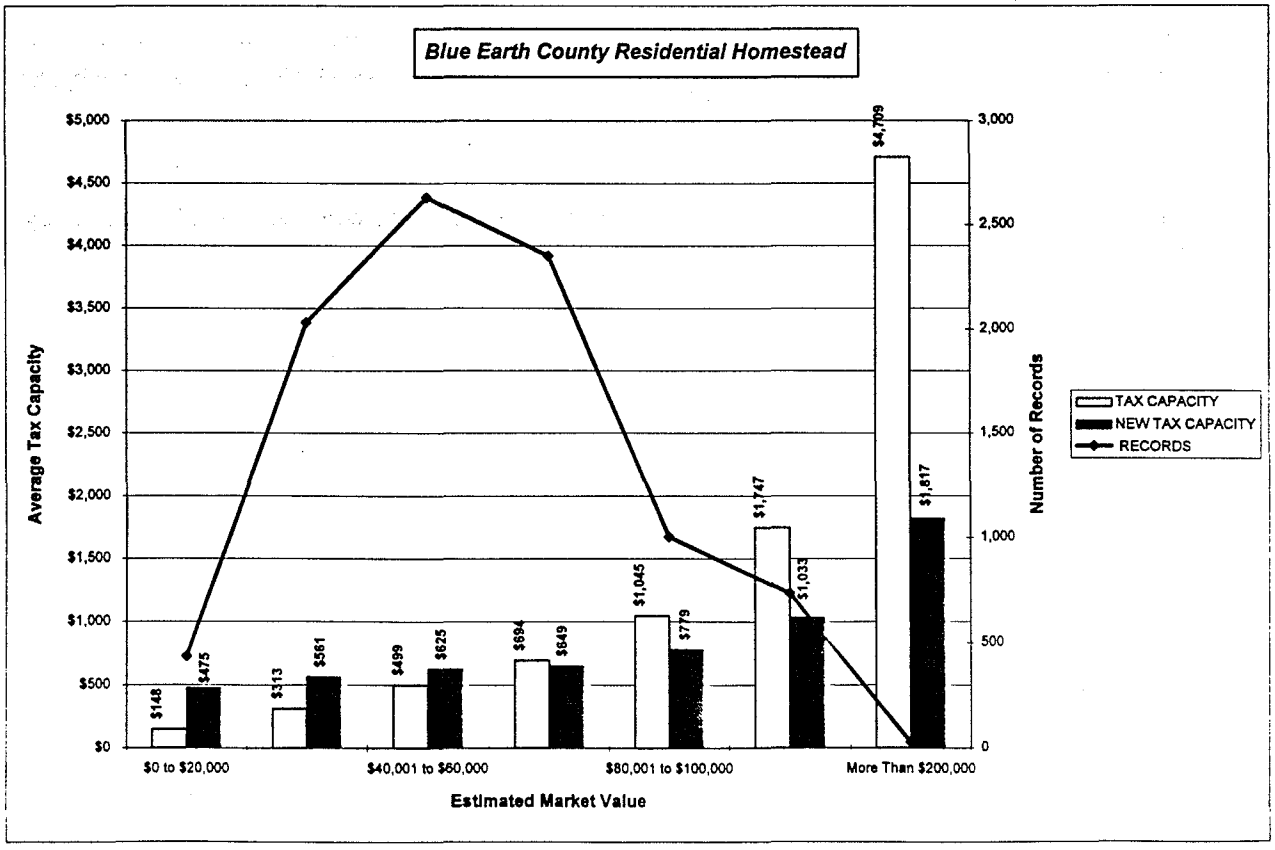

Mankato Residential Homestead
Average Tax Capacity
Number of Records
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0
$153
$648
$320
$554
$500
$596
$695
$720
$1,046
$888
$1,718
$1,458
$4,086
$6,135
$0 to $20,000
$40,001 to $60,000
$80,001 to $100,000
More Than $200,000
Estimated Market Value
TAX CAPACITY
NEW TAX CAPACITY
RECORDS


Lake Crystal Residential Homestead
Average Tax Capacity
Number of Records
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
250
200
150
100
50
0
$165
$327
$304
$419
$491
$474
$681
$541
$1,002
$592
$1,742
$690
$0 to $20,000
$40,001 to $60,000
$80,001 to $100,000
More Than $200,000
Estimated Market Value
TAX CAPACITY
NEW TAX CAPACITY
RECORDS


Mankato Commercial and Industrial
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
Average Tax Capacity
180
160
140
120
100
80
60
40
20
0
Number of Records
$467
$1,811
$980
$1,998
$1,579
$3,397
$2,343
$3,599
$3,074
$5,868
$4,863
$6,798
$31,622
$28,929
$0 to $20,000
$40,001 to $60,000
$80,001 to $100,000
More Than $200,000
Estimated Market Value
TAX CAPACITY
NEW TAX CAPACITY
RECORDS


Lake Crystal Commercial and Industrial
$10,000
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
Average Tax Capacity
30
25
20
15
10
5
0
Number of Records
$408
$845
$973
$1,401
$1,639
$1,445
$2,017
$1,277
$3,490
$3,583
$4,931
$1,662
$9,054
$1,420
$0 to $20,000
$40,001 to $60,000
$80,001 to $100,000
More Than $200,000
Estimated Market Value
TAX CAPACITY
NEW TAX CAPACITY
RECORDS


Hennepin County Residential Homestead
Average Tax Capacity
Number of Records
$0
$1,000
$2,000
$3,000
$4,000
$5,000
$6,000
0
10000
20000
30000
40000
50000
60000
70000
$113
$592
$359
$1,242
$527
$1,260
$727
$1,322
$1,063
$1,442
$1,918
$1,663
$5,515
$2,761
$0-$20,000
$40,001-$60,000
$80,001-$100,000
More Than $200,000
Estimated Market Value
Tax Capacity
New Tax Capacity
Records


Blue Earth County Residential Homestead
Average Tax Capacity
Number of Records
$0
$500
$1,000
$1,500
$2,000
$2,500
$3,000
$3,500
$4,000
$4,500
$5,000
0
500
1,000
1,500
2,000
2,500
3,000
$148
$475
$113
$561
$499
$625
$694
$649
$1,045
$779
$1,747
$1,033
$4,709
$1,817
$0 to $20,000
$40,001 to $60,000
$80,001 to $100,000
More Than $200,000
Estimated Market Value
TAX CAPACITY
NEW TAX CAPACITY
RECORDS

Property Area Study Survey

Instructions: This is a property area study. The kind of information that has been collected for the study has been all taxable property characteristics. The specific characteristics are: Property ID, Property Class Code, Land Value, Improvement Value, Total Estimated Market Value, Tax Capacity, Tax Amount, Land Area, and Improvement Area. In the two counties that are being used to complete this study, the latter two characteristics have been the most challenging to collect. When I say challenging I mean that much of the land and improvement area are not readily available electronically. The availability of this information is what this survey is about. It has been my responsibility to collect all the necessary data on the taxable properties in both Blue Earth and Hennepin counties. While collecting, approximately 35% of the land and improvement areas have not been available. In the survey, I will be asking you some questions that will pertain to the availability of this data. Also, I will ask you to estimate the cost and amount of time it would take to have all of this information available. An additional note is that this is just a study. This type of system has several hurdles to overcome before it would, if ever, be implemented. Please be as complete as possible in estimating the completeness of this information in your county, and how much it would cost and how much time would be necessary to update your records to be fully complete. Once again, your help with this study is greatly appreciated.

County: _____

1.) How many taxable parcels are in the county? _____

2.) On how many of your taxable parcels is land and improvement **area** currently **not available**?
_____

3.) How long would it take your county to collect and electronically store all of the property characteristics (property ID, property class, land value, improvement value, total estimated market value, tax capacity, tax amount, land area, and improvement area)? _____

4.) How much would it cost your county to collect and make available (electronically) all of the necessary information? _____

5.) How many individual property owners appeared at the local board of review this past year?
_____

- This completes the survey, if you have any questions, please call me at (612) 297-1342. Also, if you would like to write any comments concerning this study, please do so in the comment section below. Your advice and comments will be useful in writing the feasibility section of this study. Thank you again for your cooperation. **Please return by November 30, 1994.**

Comments-

_____
_____
_____
_____
_____

County	Taxable Parcels	Unavailable Parcels	Amount of Time	Cost to Counties	Board of Review
Anoka	96,000	96,000	4.00	n/a	69
Aitkin	32,000	31,000	4.00	$400,000	200
Becker	24,469	12,950	1.25	$35,000	250
Beltrami	24,000	24,000	1.00	$10,000	150
Benton	15,500	7,000	10.00	$300,000	180
Big Stone	6,200	6,200	4.00	$30,000	52
Blue Earth	26,326	8,000	2.00	$50,000	173
Brown	16,900	14,000	4.00	$200,000	124
Carlton	24,000	24,000	2.00	$56,000	82
Carver	23,500	1,000	n/a	$0	393
Cass	33,000	33,000	12.00	$500,000	342
Chippewa	9,300	6,700	5.00	$175,000	36
Chisago	20,000	20,000	8.00	$60,000	73
Clay	20,000	18,000	1.00	$10,000	160
Clearwater	6,500	500	0.17	$2,000	40
Cook	7,700	800	0.17	$7,500	45
Crow Wing	65,000	65,000	3.00	n/a	600
Dakota	110,000	100,000	1.00	$30,000	300
Dodge	9,500	9,500	n/a	n/a	100
Douglas	23,139	15,000	4.00	$250,000	282
Faribault	12,000	120	1.00	$20,000	62
Fillmore	15,500	15,500	3.00	$75,000	20
Freeborn	19,733	17,000	0.17	$12,000	34
Grant	5,800	5,800	3.00	$290,000	82
Goodhue	23,500	3,000	2.00	$50,000	550
Houston	13,000	13,000	4.00	n/a	105
Hubbard	20,000	20,000	2.00	$30,000	200
Isanti	16,400	16,400	4.00	$200,000	n/a
Itasca	42,000	16,500	2.00	n/a	184
Kanabec	8,824	8,824	n/a	$100,000	52
Kandiyohi	24,372	24,372	1.00	n/a	225
Kittson	8,000	8,000	5.00	$150,000	13
Koochiching	13,685	13,685	n/a	n/a	20
Lac qui Parle	6,794	1,700	1.00	$25,000	53
Lake	16,550	1,838	0.50	n/a	60
Lake of the Woods	5,000	5,000	n/a	n/a	20
Le Sueur	15,700	12,000	n/a	n/a	108
Lincoln	5,872	5,872	2.00	$40,000	35
Lyon	13,000	13,000	4.00	$300,000	50
Martin	13,000	800	4.00	$10,000	100
Marshall	12,900	12,900	7.00	$750,000	57
McLeod	16,128	16,128	2.50	$50,000	142
Mecker	14,300	10,000	15.00	$360,000	235
Morrison	27,000	15,000	2.00	$500,000	298
Maurer	20,000	20,000	n/a	n/a	35
Murray	8,500	8,500	2.00	$100,000	80
Nicollet	13,000	10,000	2.00	$50,000	224
Nobles	13,820	10,000	2.00	$90,000	183

Olmstead	46,121	16,000	1.00	$50,000	200
Otter Tail	50,684	50,684	3.00	$300,000	747
Pennington	8,500	8,500	n/a	n/a	20
Pine	25,000	8,500	4.00	$500,000	400
Pope	10,875	8,500	3.00	$85,000	60
Ramsey	150,000	1,500	0.04	$3,000	100
Red Lake	3,200	n/a	n/a	n/a	3
Renville	13,247	13,247	4.00	$90,000	39
Rice	21,339	6,987	2.00	$71,000	121
Rock	6,305	5,000	2.00	$25,000	32
Scott	30,000	30,000	4.00	n/a	200
Sherburne	25,000	0	-	$0	150
Stearns	52,000	10,000	5.00	$750,000	683
Steele	16,000	16,000	2.00	$30,000	100
Stevens	6,300	6,300	4.00	$30,000	55
St. Louis	100,200	66,000	5.00	$360,000	1088
Swift	9,009	7,000	2.00	$63,000	107
Todd	21,354	21,000	3.50	$750,000	341
Traverse	4,984	4,984	4.00	$30,000	11
Wabasha	14,081	8,000	0.50	$20,000	350
Waseca	10,000	10,000	2.00	$25,000	30
Washington	73,619	73,619	2.00	$75,000	520
Watonwan	7,200	400	-	$4,000	81
Wiona	20,000	20,000	1.00	n/a	225
Wright	38,000	35,000	4.00	$1,000,000	n/a
Yellow Medicine	9,100	9,100	8.00	$70,000	36
Totals	**1,789,530**	**1,233,910**	**203.80**	**$ 9,648,500.00**	**12577**
		68.95%	**2.79**		**0.70%**