

City Council
Board of Review continuation of meeting from April 7, 2021
Vergas Event Center and/or Zoom Id number 267-094-2170 password 56587
1:00 PM on Tuesday, April 27, 2021

1. Call to Order

Training is closed until July 1, 2021. This is the DOR link to training. <https://www.revenue.state.mn.us/board-appeal-and-equalization>

2. Review of Vergas

3. Re-open meeting from April 7, 2021

4. Property Recommendations

5. Adjournment

Topic: Vergas Board of Review Zoom Meeting
Time: Apr 27 2021 01:00 PM Central Time (US and Canada)

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2. Review of Vergas

Files Attached

- Appeal and Equalization handbook.pdf



Board of Appeal and Equalization Handbook

*This handbook was created to satisfy the training requirements of Minnesota Statutes,
sections 274.014 and 274.135*

Updated January 2018

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Purpose of the board

The purpose of the Board of Appeal and Equalization is to provide a fair and objective forum for property owners to appeal their valuation or classification. The local board often serves as the first formal step in the appeals process for taxpayers.

One of the most important duties placed by law upon the governing body of a township, city, or county is to serve as the Board of Appeal and Equalization. Effective actions taken by the board may potentially make a direct contribution to attaining assessment equality.

The goal of the Board of Appeal and Equalization should be to attempt to address property owners' issues efficiently, fairly and objectively.

Always keep in mind that any changes made by the board must be substantiated by facts. Any value reductions must be justified because they have the effect of shifting the tax burden to other property in the jurisdiction. Further, any changes made by the board must meet statutory guidelines.

Training for Boards of Appeal and Equalization

Legislation enacted in the 2003 and 2008 sessions requires that there be at least one member at each meeting of a Board of Appeal and Equalization who has completed an appeals and equalization course developed or approved by the Commissioner of Revenue within the last four years.

Board members have a four-year certification cycle. They may have also taken additional appeals and equalization courses as a refresher. This handbook and the accompanying presentation have been updated to provide additional useful information to help the local board members better understand the overall assessment process and their role within it.

The impetus for the legislation

The legislation was enacted in part as a response to complaints that were directed to the Governor, Legislature and Department of Revenue. The legislature determined that training was needed to address the procedural shortfalls of some boards. This training will provide information and education for board members that will make the process more efficient and result in a better overall experience for both property owners and board members.

The appeals and equalization course details the responsibilities, procedures and requirements of the Board of Appeal and Equalization. The legislation also requires the Commissioner of Revenue to develop a handbook to be reviewed during this course. This handbook includes:

Does “training” sound familiar?

Training for Local Boards of Appeal and Equalization is not a new concept. From 1947 to 1979, Local Boards of Appeal and Equalization (then referred to as local boards of review) were required by law to attend an instructional meeting at the county. In 1979, Minnesota Statutes, Section 273.03, subdivision 1 read as follows:

“The assessors and at least one member of each local board of review shall meet at the office of the county auditor on a day to be fixed by the commissioner of taxation for the purpose of receiving instructions as to their duties under the laws of the state.”

While training or instructional meetings may not be a “new” idea, the 2003 legislature determined that training for Local Boards of Appeal and Equalization was necessary to explain and clarify the role and duties of the board to help ensure that property owners receive a fair and impartial review of their valuation and classification. County Boards were added in 2008.

- The role of the board in the assessment process;
- Legal and policy reasons for fair and impartial appeal and equalization hearings;
- Meeting procedures that foster fair and impartial assessment reviews and best practices recommendations;
- Quorum requirements for boards; and
- Explanations of alternate methods of appeal.

Compliance requirements

All cities and towns must comply with the training and quorum requirements listed below. All counties must comply with the training and quorum requirements listed below:

- At least one voting member at each board meeting has completed the appeals and equalization course within the last four years; **and**
- A quorum was present at each board meeting for the previous assessment year.

Failure to comply

Any **city or town** that fails to meet the compliance requirements by February 1 of each year is deemed to transfer its powers to the County Board of Appeal and Equalization for a minimum of two assessment years beginning with the current assessment year. The jurisdiction would lose its local board for a minimum of two years and then they would need to provide proof of compliance and a resolution to the County Assessor by February 1 of the assessment year they want to reinstate their board powers.

Any **county** that fails to meet the compliance requirements by February 1 of each year is deemed to transfer its powers to the Special Board of Equalization for a minimum of two assessment years beginning with the current assessment year (see alternate methods of appeal section for more information on special boards). A county board that does not comply with the requirements and has not appointed a special board of equalization shall appoint a special board of equalization before the following year's assessment.

A special board of appeal and equalization must also meet the training requirements of the regular board of appeal and equalization.

The Notice of Valuation and Classification must notify property owners when the Board of Appeal and Equalization for a city or town has been transferred to the county or for a county has been transferred to a special board for failure to comply with these requirements. Instead of a Local Board of Appeal and Equalization meeting, property owners must be provided with a procedure for reviewing their assessments, such as open book meetings, prior to the meeting of the County Board of Appeal and Equalization. This alternate review process will take place in April and May.

A board who fails to meet these requirements may be reinstated by resolution of the governing body and upon proof that one of the members of its Board of Appeal and Equalization has completed the appeals and equalization course. The resolution and proof must be provided to the county assessor for cities and towns and to the commissioner of revenue for counties by February 1 to be effective for the current assessment year.

Note: The citation for the appeals and equalization course and meeting requirements for local boards is Minnesota Statutes, Section 274.014 and for county boards is section 274.135.

Role of the board in the assessment process

The Board of Appeal and Equalization has the authority to change the valuation or classification of a property for the current assessment year. Taxes or prior year assessments are not within the jurisdiction of the board.

Any decisions made by the board must be supported by facts and by Minnesota law. The board must make informed decisions and ensure all taxpayers are treated fairly and uniformly.

In order to make an informed decision on the valuation or classification of a property, it is important to understand the concepts of valuation and classification. These two concepts are equally important in the assessment process. They are both determined on the assessment date, January 2, each year.

We will look at the definition of market value and explain how classifications are determined.

Market value

State law requires that all property shall be valued at its market value (Minnesota Statutes, Section 273.11, subdivision 1).

Minnesota Statutes, Section 272.03, subdivision 8 defines "market value" as follows:

" 'Market value' means the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The price obtained at a forced sale shall not be considered."

Market value

The price that would tend to prevail under typical, normal competitive open market conditions.

Many professional appraiser/assessor organizations have a more detailed definition of market value. The elements of these definitions can be used to clarify the statutory definition.

The definition of market value usually implies the consummation of a sale as of a specific date under the following conditions:

- The buyer and seller are typically motivated;
- Both parties are well informed or well advised and both are acting in what is considered to be their own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in cash or its equivalent;
- Financing, if any, is on terms generally available in the community on the specified date and typical for the property type in its locale; and
- The price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs or credits incurred in the transaction.

In other words, market value is the price that would tend to prevail under typical, normal competitive open market condition

Minnesota Statutes, Section 273.11, subdivision 1 further states:

“In estimating and determining such value, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor shall the assessor adopt as a criterion of value the price for which such property would sell at a forced sale, or in the aggregate with all the property in the town or district; but the assessor shall value each article or description of property by itself, and at such sum or price as the assessor believes the same to be fairly worth in money.”

The law provides that all property **must** be valued at market value, not that it **may** be valued at market value. This means that factors other than market value issues (such as personalities or politics) should not affect the market value determined by the assessor. Non-market value factors also should not affect the actions of the Board of Appeal and Equalization.

Estimated market value

The value determined by the assessor as the price the property would likely sell for on the open market is called the estimated market value (EMV). This value is determined on the assessment date, January, 2 of each year.

The EMV for the current assessment year is the only value property owners may appeal to the board, even though taxpayers will also be given a taxable market value.

Taxable market value

Taxable market value (TMV) is the value that property taxes are actually based on, after all reductions, limitations, exemptions, exclusions and deferrals.

There are many programs and provisions in Minnesota law that allow for a property's EMV to be different from its TMV. For example, qualifying veterans who are disabled receive an exclusion of up to \$150,000 or \$300,000 of their property's EMV. This reduction is reflected in their TMV.

Other programs and provisions to be aware of include the Agricultural Property Tax Law (Green Acres), the Rural Preserve Property Tax Program (effective for the 2011 assessment) and Plat Deferment. If you have questions about these or any other programs, speak with your county assessor.

The board cannot change the TMV of a property. The only value the board has the authority to change is the EMV for the current year. Changing the EMV may ultimately change the TMV, but it is important to note that there can be instances where the board raises or lowers the EMV, and the TMV remains the same.

Classification

In Minnesota, property is classified according to its actual use on the assessment date (January 2 of each year). If the property is not currently being used, it is classified according to its most probable, highest and best use.

Property owners do not get to choose how they want their property to be classified. It is the assessor's job to classify property consistent with Minnesota Statutes, according to its current use or its most probable, highest and best use.

When determining the most probable, highest and best use for a property that is not being used, zoning may be an influencing factor in the classification of the property; however, it is not the sole factor. Additionally, all real property that is not improved with a structure must be classified according to its current use or its highest and best use permitted under the local zoning ordinance if there is no identifiable current use. If zoning permits more than one use, the land must be classified according to the highest and best use permitted.

If no such zoning ordinance exists, the assessor shall consider the most likely potential use of the unimproved land based upon the use of surrounding land or land in proximity to the unimproved land.

Property classifications are defined in Minnesota Statutes. Examples of classifications include residential homestead, residential non-homestead, apartment, commercial, and agricultural.

The board can change the classification for the current assessment year of any property which in the board's opinion is not properly classified. The classification must be based on use, and in order for the board to change the classification, the owner must present evidence that the property is used in a manner consistent with the classification he/she is seeking. The board can only change the classification of a property to a classification that is permitted by law.

For example, the assessor classifies a property as residential. The owner seeks the agricultural classification. In order for the board to change the classification to agricultural, the owner must prove that the property is used agriculturally and meets the statutory requirements of the agricultural class.

It is important to remember that use – not zoning – is the key factor in determining the classification of a property. For example, a property owner has a parcel that is used as an auto repair shop. The assessor has the property classified as commercial. The property is zoned agricultural so the owner is seeking the agricultural classification. Classification is based on use. Since the property is used as an auto repair shop, it is properly classified as commercial. Therefore, the board must vote to uphold the commercial classification.

Split-class property

A property can have more than one property tax classification if it has more than one use. Such properties are called split-class properties. If this is the case, the assessor will classify the different uses accordingly. For example, when an owner-occupied farm also has a structure that is used as a commercial repair shop for farm equipment, the property is split classified agricultural homestead and commercial.

Classification

The assessor assigns a statutorily-defined classification to all property based upon the actual use of the property on January 2 of each year.

Examples of Minnesota property classes include residential, agricultural, commercial-industrial, apartment and seasonal residential recreational.

Highest and best use

A principle of appraisal and assessment requiring that each property be appraised as though it were being put to its most profitable use (highest possible present net worth), given probable legal, physical and financial constraints.

Glossary for Property Appraisal and Assessment, International Association of Assessing Officers, 1997.

Overview of the assessment process

The assessment of property – determining the estimated market value and classification – technically occurs on January 2 (the assessment date) of each year. The work and analysis required to make these estimations involves several months before and after the assessment date, however.

Most of the field inspections of real estate for the next assessment begin in the summer and continue through the fall. For example, assessors will inspect properties starting in the summer of 2012 for the January 2, 2013 assessment. These inspections are when the assessor identifies and records the specific characteristics of each property being reviewed. These characteristics include square footage, condition of the property and number of bedrooms, for example. Assessors gather a lot of information to help them estimate each property's value and determine its use for classification purposes. This field inspection work is completed as the assessment date nears.

At about this same time, assessors start work on analyzing sales and other market data in a sales ratio study to help them estimate values. The sales included in this sales ratio study should represent a typical open market. The sales are from October 1 of two years prior to the assessment year to September 30 of the year prior to the assessment year. In other words, sales from October 1, 2011 to September 30, 2012 are included in the study for the 2013 assessment. The Department of Revenue, through the State Board of Equalization, conducts a similar sales ratio study to monitor the work of the assessors.

Based on the field inspections and sales ratio study, all taxpayers are notified of their value and classification for that January 2 assessment date in the spring of each year. This notification initiates the appeals process that continues until the middle of June at the local level.

Once the appeal process is complete, the assessor starts work on the next assessment, and the entire cycle starts again.

The final value and classification for each property for each assessment year is used in determining that property's taxes in the following year. For example, the value and classification for the 2013 assessment, once finalized, is used to determine the taxes paid in 2014.

Assessor estimates value

The assessor determines the approximate selling price (or EMV) for each taxable parcel based on the conditions of the market on January 2 of each year.

The assessor is required by law to view each property at least once every five years. However, **even if the assessor did not physically visit a property for that assessment year, the property is subject to valuation changes to reflect market conditions.** The assessor is required to estimate the market value as of January 2 of each year to reflect current market conditions because the real estate market is constantly changing – sometimes dramatically.

When the assessor views the interior of a property, he/she can make a more accurate assessment and eliminate any guesswork. The assessor bases his/her assessment on multiple factors, including size, age, condition, quality of construction and other features such as fireplaces.

The assessor compares the property to actual sales of similar properties in the area to determine the EMV of a property. In addition to this approach to determining value, the assessor may also consider the cost to construct the property or the income generated from the property. These techniques are often referred to as the "three approaches to value."

Three approaches to value

The assessor applies one or more of the three approaches to value in estimating a property's value:

- Sales comparison approach;
- Cost approach; and/or
- Income approach.

The assessor will consider all approaches to value, but one approach may be better suited than the others for estimating the value of a particular property. In some cases, one or more approaches may not be applicable.

Sales comparison approach: This approach is based on the reasoning that the value of a property is related to the sale prices of similar properties in the same market.

Using this approach, the assessor identifies similar properties that have recently sold and analyzes the differences between the subject and the comparable properties. The sale price for each comparable sale is adjusted to reflect the differences (i.e. the subject property has three bathrooms and the comparable property has two bathrooms, so the sale price of the comparable property is adjusted upward to make it more similar to the subject property). The assessor then estimates the value based on the analysis of the comparable sales.

The sales comparison approach is most applicable when there is sufficient sales data available for analysis. This approach is most often used for residential properties. It is the most common and preferred method for valuing vacant land when comparable sales data is available.

The sales comparison approach should be supported by other approaches to value when comparable sales are limited or unavailable.

Cost approach: This approach is based on the principle of substitution which means that an informed buyer will not pay more for a property than it would cost to build an acceptable substitute with comparable utility.

Using the cost approach, the assessor calculates market value by estimating the current cost of replacing a structure with one having comparable utility then subtracting depreciation and adding in the land's value.

The cost approach is most reliable when valuing new or relatively new properties because the depreciation is minimal. Depreciation is the loss in value of a property, perhaps due to wear and tear or some other factor.

Estimating the amount of depreciation can be difficult making the cost approach less reliable when valuing older properties. The cost approach can be more useful when valuing structures that are not frequently sold.

Income approach: This approach is based on the reasoning that the value of the property is directly related to its ability to produce income. The property value is measured in relation to anticipated future benefits derived from ownership of the property.

Using this approach, the assessor reviews income and expense information for the subject property and estimates the market value of the property based upon the income stream projected to be derived from the property. This approach has limited applicability because it is only appropriate for income-producing properties such as commercial, industrial and apartments. The income approach is the primary approach for valuing income-producing properties.

Assessor determines classification

Along with estimating the market value of each property, the assessor must determine the classification, or use, of each parcel of property. Property classifications are defined in Minnesota Statutes, and the assessor classifies the property based on its use as of January 2 of each year. Examples of classifications include residential homestead, residential non-homestead, apartment, commercial and agricultural.

Assessor reviews sales ratio

Assessors analyze the sales in a community in order to understand local market trends and provide direction in estimating values. Whenever real estate is sold for more than \$1,000 a certificate of real estate value (CRV) must be filed in the county in which the property is located.

The assessor uses CRVs to analyze actual sales of property and to complete sales ratio studies for each community and for each type of property. The ratio is determined by dividing the EMV by the sale price. The assessor uses the sales as guides to estimate what similar properties would likely sell for on the open market. It is important to remember that one sale, taken by itself, does not necessarily reflect the actual real estate market in a jurisdiction.

In addition to the sales ratio study conducted by the assessor, the Department of Revenue conducts a similar independent sales ratio study for the jurisdiction to monitor how close the median ratio is to the required level of assessment and is used by the State Board of Equalization. The Department of Revenue's sales ratio studies should be the same or similar to the studies conducted by the assessor.

The sales ratio study

The sales ratio study is a tool assessors use to help determine values for properties. The study helps assessors plan the upcoming assessment and evaluate the current assessment. If results of the study are not within acceptable guidelines, the assessor is required by law to either decrease or increase values so that they more closely reflect the market.

The sales ratio study period includes sales that have occurred in a twelve month period. For the January 2, 2013 assessment, the assessor reviews sales that occur between October 1, 2011 and September 30, 2012. By design, there is a lag between the sale and when it is used to help estimate value so it can be verified and reviewed for accuracy.

The assessor only considers sales that have been verified as typical and open market. This means the buyer and seller are typically motivated, both parties are acting in their own best interests and a reasonable time is allowed for marketing. According to state law, the assessor must not use sales that cannot be verified as open market sales. This means sales between family members, for example, are not included. This also means that foreclosure sales are very rarely (if ever) included.

The assessor completes a sales ratio study by gathering basic data and screening and editing information to make any adjustments and exclude all sales that do not represent arm's-length transactions. The remaining data is put into an acceptable format for processing (usually done by computer) and sorted by similar property types within each city or township (or neighborhood if possible). Finally, statistics are computed to describe the information and determine results of the assessor's work.

There are numerous calculations in a sales ratio study that describe the overall levels and quality of the assessment. An important one is the sales ratio; it shows the relationship between the EMV and a property's sale price. It is the EMV divided by the sales price.

$$\text{Sale Ratio} = \frac{\text{EMV}}{\text{Sale Price}}$$

The median sales ratio is the midpoint (middle) of all the individual ratios that are included for that property type in that city or township for that study period when they are put in order.

In Minnesota, this median sales ratio should be between 90% and 105%. This means that when all sales from that study period for that property type in that city or township are put in order from smallest to largest ratio, the middle ratio should be between 90% and 105%.

In Minnesota, six sales of each property type in each jurisdiction are required to complete a sales ratio study. In fact, just because a property sells does not mean its sale price should be its EMV. Assessors look at all sales in a study to arrive at conclusions and value estimates in mass. When there are limited sales to study, the assessor uses other tools, e.g. expanding the time and/or geographic areas.

Assessor notifies taxpayer

The assessor notifies taxpayers of their values and classifications each year after they have been estimated on the assessment date. This notification – the Notice of Valuation and Classification – must be mailed at least 10 days prior to the Local Board of Appeal and Equalization meeting or 10 days prior to the open book meeting (generally, this means that the notices are mailed in February or March of each year).

At this point, the property owner can appeal the EMV and/or classification if he/she feels that the property is:

- classified improperly;
- valued at an amount higher than they could sell the property for; and/or
- valued at a level different from similar properties in the area.

The property owner should first contact the assessor's office to discuss questions or concerns.

Issues often can be resolved at this level. If questions or concerns are not resolved after talking with the assessor, formal appeal options are available:

- Property owners may appeal to the Local Board of Appeal and Equalization (some jurisdictions that have transferred the local board duties to the county will have open book meetings instead of local board meetings);
- If the property owner is not satisfied with the local board's decision (or the outcome of the open book meeting), he/she may then appeal to the County Board of Appeal and Equalization; and/or
- The property owner may appeal to Tax Court.

The Notice of Valuation and Classification must provide the property owner with the date, time and location of the Local and County Boards of Appeal and Equalization.

Assessor meets with State Board of Equalization

The State Board of Equalization ensures assessors follow approved appraisal and assessment practices and reviews the results of the assessors' work in estimating values. This board meets in June of every year. The meeting, and any resulting changes, occurs only after a review of values and sales ratios and after discussions with the county assessor, county assessors in adjacent counties, and the Commissioner of Revenue.

The Department of Revenue, as the State Board of Equalization, completes its own sales ratio studies – one which is very similar to the assessor's study, plus two additional studies – to be sure values closely match the real estate market.

The department has determined that a minimum of six sales in a jurisdiction are required for the median ratio to be reflective of actual assessment levels for its studies. There are some jurisdictions and property types that may never have enough sales, for example small-town commercial properties. In these instances, the assessor and the State Board of Equalization may examine sales over a protracted period of time or borrow sales from other similar jurisdictions to help evaluate the assessment and estimate values.

The State Board of Equalization completes this verification statewide for each property type and jurisdiction and can order changes to EMVs if the assessor's work does not comply with law and guidelines. If the study indicates that the median ratio is below 90 percent or above 105 percent, the Commissioner of Revenue has the authority to increase or decrease values to bring about equalization.

The equalization process is designed not only to equalize values on a county-, city- and township-wide basis but also to equalize values across county lines to ensure a fair valuation process across taxing districts, county lines and by property type.

State Board orders are usually on a county-, city- or township-wide basis for a particular classification of property. All State Board orders must be implemented by the county, and the changes are made to the current assessment year.

The board meeting

Who must attend the meeting - Local Boards

Per Minnesota Statutes, Section 274.01, subdivision 1, paragraph (a), the town board of a town or the council or other governing body of a city is the Local Board of Appeal and Equalization, except in the following situations:

- Cities whose charters provide for a board of equalization;
- Cities or towns that have transferred their local board duties to the county (*see Chapter 5*);
- Cities with Special Boards of Appeal and Equalization appointed by the governing body (*see Chapter 5*); or
- Cities or towns whose local board duties have been transferred due to noncompliance with the training requirements.

When a Local Board of Appeal and Equalization convenes, a majority of the voting members (quorum) must be in attendance in order for any valid action to be taken (*see Chapter 4 for more information about quorum requirements*).

The local assessor – when applicable – is required by law to be present with his/her assessment books and papers. The local assessor is required to take part in the proceedings to support his values or recommend a change, but the local assessor has no vote. He/she should be prepared to explain how the value was determined, and in doing so, the assessor should be able to describe the characteristics of the property, such as: location and neighborhood, public or private restrictions on the property, building type and size, quality of construction, age of the structure, physical condition of the structure, total number of rooms and total number of bedrooms and bathrooms, and market conditions, etc.

The local assessor should be knowledgeable about the local real estate market and the property in the area. While it is not the goal of the assessor to influence the board, the assessor should provide factual information to support the value and classification or to support a recommended change to a subject property. The local assessor also should be able to explain how the property classification was determined.

In addition to the local assessor, the county assessor or one of his/her assistants is required to attend. The board should ask the local and/or county assessors to present any tables that have been prepared, making comparisons of the current assessments in the district. Either the local or county assessor is required to have maps and tables relating particularly to agricultural land values for the guidance of the Local Board of Appeal and Equalization.

The local board should be prepared to ask the local and county assessors questions, and assessors should be prepared to answer questions and provide information that will assist the board in its deliberations.

Meeting dates and times for the local board

The meeting date and time for the Local Board of Appeal and Equalization is set by the county assessor. The county assessor must provide written notice of the date and time to the city or town clerk by February 15 of each year. The clerk shall publish and post notice of the meeting at least 10 days before the date of the meeting.

The Local Board of Appeal and Equalization meeting must be held between April 1 and May 31 of each year (unless the provisions of a charter provide otherwise). The local board must conduct its business and adjourn within 20 days of the date stated in the published notice. Upon request, the Department of Revenue (at its discretion) may grant extensions beyond the 20-day time period to date no later than May 31.

No changes may be made by the local board after adjourning. The county assessor also may not make any changes in valuation or classification that are intended to correct errors in judgment by the county assessor after the local board has adjourned. However, the county assessor may make changes that are clerical in nature or changes that extend

homestead treatment until the tax extension date for that assessment year. A list of all the changes made by the local board must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board must be sent to the county board no later than December 31 of the assessment year.

Who must attend the meeting County Boards

Per Minnesota Statutes, Section 274.13, subdivision 1, the county commissioners, with the county auditor, or, if the auditor cannot be present, the deputy county auditor, or, if there is no deputy, the court administrator of the district court, shall form a board for the equalization of the assessment of the property of the county, including the property of all cities whose charters provide for a board of equalization.

When a County Board of Appeal and Equalization convenes, a majority of the members (quorum) must be in attendance in order for any valid action to be taken (*see Chapter 4 for more information about quorum requirements*).

The county assessor is required by law to attend the meeting of the county board of equalization. He/she takes part in the proceedings to support values and classifications or to recommend changes to the board but is not a voting member of the board. The county assessor investigates and reports on any assessment ordered by the county board and enters all changes made by the board in the assessment books.

The county assessor should be prepared to explain how the value was determined, and in doing so, the assessor should describe the characteristics of the property, such as: location and neighborhood; public or private restrictions on the property; building type and size; quality of construction; age of the structure; physical condition of the structure; total number of rooms and total number of bedrooms and bathrooms; and market conditions, etc.

The county assessor is knowledgeable about the local real estate market and the property in the area. He/she provides factual information to support the value or to support a recommended change to a subject property. The county assessor also should explain how the property classification was determined and why the classification is appropriate or why it should be changed. While the County Board of Appeal and Equalization is in session, the county assessor assists the board in performing its duties. The assessor shall furnish the board with all necessary charts, tables, comparisons, and data which it requires in its deliberations, and shall make whatever investigations the board may desire.

The county assessor should present any information that has been prepared, making comparisons of the current assessments in the county. The county assessor is required to have maps and tables relating particularly to agricultural land values for the guidance of the County Board of Appeal and Equalization.

The board should be prepared to ask the county assessor questions, and the county assessor should be prepared to answer questions and provide information that will assist the board in its deliberations.

Meeting dates and times for the county board

The board may meet on any 10 consecutive meeting days in June, after the second Friday in June. The actual meeting dates must be contained on the Notice of Valuation and Classification mailed to each property owner in the county.

New legislation resulting from the 2008 session now allows the board to meet on Saturdays. The legislation also requires at least one meeting must not end prior to 7:00 pm. Similarly, if the board requires appointments, some of the available times must extend until at least 7:00 pm. The Saturday meeting may be in lieu of the extended meeting time requirement.

No action taken by the County Board of Appeal and Equalization after June 30 is valid, except for corrections that are

clerical in nature or changes that extend homestead treatment until the tax extension date for that assessment year. Any such changes made by the assessor after adjournment must be fully documented and maintained in a file in the assessor's office and shall be available for review by any person. A copy of any changes made by the assessor during this period shall be sent to the county board no later than December 31 of the assessment year.

The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue, with the abstract of assessment.

Documenting board actions

Before adjourning, the Board of Appeal and Equalization must prepare an official record of all actions taken by the board.

This means that the board must prepare an official record of the proceedings. **The record must reflect all board actions.** Therefore, the record must list all:

- Assessments of property added to the tax rolls with the market value for each **local boards only**;
- Appeals brought before the board, indicating the action taken by the board (including all appeals in which the board voted "no change");
- All blanket changes (changes to an entire class of property) **county boards only**;
- Assessments that have been increased or decreased with the market value for each;
- All classification changes; and
- All changes that the county assessor brought to the board for action, indicating the action taken by the board.

For each meeting, a certification form must be signed and dated by the members of the board who were present at the meeting. The certification form must also list the names and titles of **all voting members of the board**, including those who are present and those who are absent, to verify that the quorum and training requirements were met. The county assessor is to make all changes ordered by the board that are authorized by law.

Required forms for documenting board actions

County assessors are required to submit any changes made by the Local and County Boards of Appeal and Equalization to the Commissioner of Revenue, along with a copy of the proceedings of each board. For **local boards**, this must be done within 10 working days following final action of the local board. For **county boards**, this must be done within 5 working days of the final action. The information must be filed in the manner prescribed by the Commissioner of Revenue (Minnesota Statutes, Chapter 270C and Section 270C.89 subdivision 1).

In recent years, there has been increasing interest by the legislature and others in the number of appeals at the local level and the effect of the changes that were made. However, because of the manner in which many counties submit this information, the Department of Revenue has not been able to respond to requests for this information. Therefore, we are requiring that the counties provide the data in a format that is complete, readable and easily interpreted. Each county will be required to submit this information in an electronic format as instructed by the Department of Revenue.

To ensure that the information is consistent from local jurisdiction to local jurisdiction and from county to county, the Department of Revenue requires that each board complete the following two forms for each meeting:

- *Board of Appeal and Equalization Certification Form* – must be completed **and signed** to verify that the quorum and training requirements were met and to provide a summary of board actions; and
- *Board of Appeal and Equalization Record Form* – must be completed to provide a detailed report of the proceedings of the board.

The county assessor will provide these forms to the board. The board will complete the forms (the jurisdiction total EMV is to be completed by the assessor), and the county assessor will take possession of the completed forms at the end of the meeting.

A *Certification Form* must be completed in the case of a reconvene meeting. If a recess is called, a quorum and trained member must also be present at the reconvene meeting for the board to take valid action. To verify that the quorum requirement was met, the board must complete and sign a *Certification Form* for each reconvene meeting. The board will continue to complete the **original Record Form** at each reconvene meeting.

The reconvene meeting(s) must be held and all business of the **local board** must be concluded within 20 calendar days (including the day of the initial meeting) unless the board requests a time extension in writing from the Department of Revenue and the time extension is granted by the department (no extensions will be granted beyond May 31). For **county boards**, no action may be taken after June 30. The date and time for the reconvene meeting must be determined before the initial meeting is recessed. Once the Board of Appeal and Equalization has adjourned, it cannot reconvene.

Duties of the board

The board is to determine whether all of the taxable property in the jurisdiction has been properly valued and classified for the current assessment. All property is to be valued at its market value, and all property is to be classified according to use. At the county level, the board is to ensure equalization from jurisdiction to jurisdiction as well.

The **county** board is required by law that each member take an oath to fairly and impartially perform duties as a member. It is assumed that the assessor has properly valued and classified all the property in the jurisdiction. The burden of proof rests with the property owner who must present factual evidence to disprove the assessor's value or classification.

The complaints and objections of property owners appealing individual assessments for the current year should be considered very carefully by the board. An appeal may be made in person, by letter, or through a representative of the owner. Written objections should be filed prior to the meeting of the Board of Appeal and Equalization and must be presented to the board for consideration while it is in session. The board **must hear all complaints and examine all letters**. Such assessments must be reviewed in detail, and the board has the authority to make corrections as it deems to be just. The board may recess from day to day until all cases have been heard.

The Board's Responsibility to Hear All Appeals

It is the board's responsibility to hear all appeals presented until the board adjourns. A property owner can present their appeal at the initial meeting or at any of the reconvene meetings. The board **must hear** that appeal and make a decision. The board cannot dismiss the property owner's appeal, unless the meeting is adjourned.

The board should look for improvements that are not on the tax rolls. When improvements are missing from the tax rolls, an unfair burden falls upon the owners of all properties that have been assessed. If the board finds any improvements that are not on the tax rolls, the board should place it on the assessment list along with its market value, and correct the assessment so that each tract or lot of real property and each article, parcel or class of personal property is entered on the assessment list at its market value.

Prohibition on changes within 10 days of local board meeting

Since the Notice of Valuation and Classification must be mailed to taxpayers at least 10 days prior to the meeting of the Local Board of Appeal and Equalization, the assessor should not make changes to the valuation or classification of a property within that 10-day window without bringing the change to the local board for action.

After receiving the notice, the property owner can contact the assessor to discuss questions or concerns. The assessor can make changes to the valuation or classification without bringing the change to the local board if a new notice is mailed to the property owner at least 10 days prior to the local board meeting.

Oftentimes, the assessor will continue to review properties within 10 days of the local board meeting. However, if the assessor makes a change, that change should be brought to the local board for action. If the property owner agrees with the change, he/she does not need to personally appeal to the board. Instead, the assessor should present such changes to be voted on by the board.

What the board can do

Reduce the value of a property. The board may reduce the value of a property if the facts show that the property is assessed at a value that is higher than its market value. All property is to be valued at its market value. It is assumed that the assessor has properly valued the property. The burden of proof rests with the property owner who must present factual evidence to disprove the assessor's value.

Increase the value of a property. The board may increase the value of a property if the facts show that the property is assessed at a value that is lower than its market value. The board must also base the decision to increase the market value on facts. All property is to be valued at its market value. It is assumed that the assessor has properly valued the property. The board must rely on factual evidence to disprove the assessor's value.

Before the board raises the market value of a property, it must notify the owner. The law does not prescribe any particular form of notice, except that the person whose property is to be increased in assessment must be notified of the intent of the board to make the increase. The owner must be notified either in writing or orally. He/she should be given a time to appear before the board. After the hearing, the board should make any corrections that it deems just.

Add improvements to the assessment list. In reviewing the individual assessments, the board may find instances where property is not listed at its market value because the value of a building or other improvement was not included when the market value of the property was estimated. These should be carefully reviewed by the board and placed on a tentative list of property values to be increased. The board should then determine to what extent the valuation of such property should be increased. Before the board adds value for new or overlooked improvements, it must notify the owner.

Change the classification of a property. In Minnesota, property is classified according to its use on the assessment date (January 2 of each year). If the property is not currently being used, it is classified according to its most probable, highest and best use. Property owners do not get to choose how they want their property to be classified. It is the assessor's job to classify it according to its current use or its most probable, highest and best use. The board can change the classification of any property which in the board's opinion is not properly classified. Again, it is assumed that the assessor has classified the property correctly. The classification must be based on use, and in order for the board to change the classification, the appellant must present evidence that the property is used in a manner consistent with the classification.

Local Boards Only: Add properties to the assessment list. If the board finds that any real or personal property has not been entered onto the assessment list, the board shall place it on the assessment list along with its market value, and correct the assessment so that each tract and lot of real property and all personal property is entered on the assessment list at its market value.

County Boards Only: Order percentage increases or decreases for an entire class of property (blanket changes). The county board can order a percentage increase or decrease to an entire class of property if it feels that the original assessment is incorrect. These increases or decreases can be on land alone, buildings alone, or land and buildings together. The county board does not need to notify the property owners affected by blanket changes.

Additionally, the county board has the authority to make changes to market values or classifications established by local boards as it deems appropriate. The County Assessor typically brings these changes to the county board's attention.

What the board can't do

The board can't consider prior year assessments. The Board of Appeal and Equalization does not have the authority in any year to reopen former assessments on which taxes are due and payable. The board considers only the assessments that are in process in the current year. Occasionally, a property owner may appear with a tax statement and protest the taxes or assessment of the previous year. The board should explain tactfully that it does not have the authority to consider such matters. After taxes have been extended, adjustments can be made only by the process of application for abatement or by legal action.

The board can't reduce the aggregate assessment by more than 1 percent. Although the both Local and County Boards of Appeal and Equalization have the authority to increase or reduce *individual* assessments, the County Board alone can increase or reduce the assessments of an *entire* class of property. However the total of all adjustments for both local and county boards must not reduce the aggregate assessment of the jurisdiction by more than 1 percent. The "aggregate assessment" is the total EMV that the board has the authority to change, i.e. the total EMV of assessments within the jurisdiction excluding state assessed property. For example, if the total EMV of a jurisdiction is \$2,000,000, the board cannot reduce the total EMV of the jurisdiction by more than \$20,000. This means the EMV after all board actions must be at least \$1,980,000.

Assessor's EMV + Total board EMV increases - Total board EMV reductions <hr/> EMV after board actions

If the total amount of adjustments made by the board does lower the aggregate assessment by more than 1 percent, none of the adjustments will be allowed. This limitation does not apply, however, to the correction of clerical errors or to the removal of duplicate assessments. Clerical errors are limited to errors made by someone performing a clerical function during the course of the actual assessment. Examples of clerical errors are errors such as transposing numbers or mathematical errors. Errors that occur when making estimations during the inspection and appraisal process (judgment errors) are not considered to be clerical errors.

The board can't exempt property. The Board of Appeal and Equalization does not have the authority to grant an exemption or to order property removed from the tax rolls.

A member of the board can't make changes to property in which he/she has a conflict of interest or financial interest. If a property being appealed is owned by a board member, a board member's spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece, by blood or marriage, the board member is prohibited from participating in the actions of the board for that appeal. The board member is also prohibited from participating in an appeal of a property in which a board member has a financial interest. If the remaining members constitute a quorum, the board may vote on the action with the compromised board member abstaining from the vote. Otherwise, or if the board wishes to prevent any perception of preferential treatment, it should mark "No change" on the record form for the meeting. The taxpayer will be eligible to appeal to the next appeal level (County Board, Tax Court).

The board can't grant special program status. If a property owner is appealing for enrollment in special programs that require an application (e.g. Green Acres), they must follow the proper application procedure.

The local and county board can't make changes benefiting a property owner who refuses entry by the assessor.

The board may not make an individual market value adjustment or classification change that would benefit the property in cases where the owner or other person having control over the property will not permit the assessor to inspect the property and the interior of any buildings or structures. It seems obvious that for an assessor to make a fair and knowledgeable value estimate, he/she must first be allowed to view the entire property. Until such access is granted, the board should not grant a value reduction.

The local board can't order percentage increases or decreases for an entire class of property. The county board can't add properties to the assessment list. It can request that the auditor place such omitted properties on the tax rolls.

Recommendations for board members

Become familiar with sales information prior to board meeting

Most board members are not necessarily aware of current trends in the real estate market or trained in the field of appraisal. Therefore, advance preparation is essential to making informed, fair decisions on the appeals heard by the local board.

The county assessor (or the local or city assessor in some instances) should provide information on the real estate market in advance of the board meeting. If this information is not provided, the board should request that the assessor provide the information at least one week prior to the meeting so board members have time to review it.

The following are examples of the type of data that the assessor may provide for the board to use when determining if an adjustment is necessary. This is not an all-encompassing list, and depending on the jurisdiction, it may or may not be necessary for every board to have all the items on the list. The board should work with the assessor to determine the specific information to be supplied to the board.

- Information on sales within the district that occurred in the previous year.
- Valuation tables of land types.
- Copy of the values from the mini-abstract for the district (current year and prior year).
- Printout of parcel listings for the district with the values.
- Review of the current statutory classifications and the corresponding class rates.
- Review of value changes by property type in the district.

The board should also be prepared to request additional background information and to ask questions of the assessor in order to assist with the board's deliberations. As a board member, you should review the information provided by the assessor. If you have any questions about the materials, please be sure to contact the assessor. Being knowledgeable about the real estate market is the key to making informed and fair decisions.

Duties of the clerk – Local Boards

The town or city clerk plays an important role in the Local Board of Appeal and Equalization process. The following is a brief list of the duties of the clerk pertaining to the local board meeting:

- Work with the county assessor to establish the meeting date(s) for the local board;
- Publish and post notice of the meeting at least 10 days prior to the date of the (Minnesota Statutes, Section 274.01, subdivision 1);
- Ensure that a quorum will be present;
- Provide a sign-in sheet for appellants;
- Take minutes of the meeting as part of the town or city record; and
- Return all necessary records to the county assessor in a timely manner.

In some jurisdictions, various duties of the clerk may be performed by the city or county assessor or the assessor's staff. In these instances, it is recommended that the clerk be aware of and monitor these duties to ensure they are completed

Legal reasons for fair and impartial local board meetings

Minnesota Statutes, Section 274.01, subdivision 1, paragraph (b) states:

“The [local] board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor.”

Minnesota Statutes, Section 274.13, subdivision 1 states: *“The [county] board shall examine and compare the returns of the assessment of property of the towns or districts, and equalize them so that each tract or lot of real property and each article or class of personal property is entered on the assessment list at its market value...”*

This means that any action taken by the board must be done in an effort to ensure that all taxable property in the jurisdiction has been *properly* valued and classified by the assessor. It is assumed that the assessor has correctly valued and classified all property. The burden of proof rests with the property owner who must present factual evidence to disprove the assessor’s valuation or classification of the property.

Minnesota Statutes, Section 273.11, subdivision 1 requires that all property be valued at its market value. The assessor is required to value all property at market value, and the Board of Appeal and Equalization also must keep this in mind when adjusting market values.

The board is to hear all appeals and act in a manner that is just. Minnesota Statutes, Section 274.01, subdivision 1, paragraph (b) states:

“On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just.”

To act in a just manner, the board must only make changes that are **based on facts**.

County Boards of Appeal and Equalization are required by Minnesota, Statutes, section 274.13 to take an oath to fairly and impartially perform their duties.

A sample of the oath is as follows:

“I, <board member’s name>, will solemnly swear that I will support the Constitution of the United States and the Constitution of the State of Minnesota, and that I will faithfully execute and discharge the duties of the <county name> Board of Appeal and Equalization according to law and to the best of my ability and understanding.”

The oath may be administered by a district judge or the clerk of the court and underscores the importance of acting fairly and impartially on all appeals brought before the county board.

Policy reasons for fair and impartial board meetings

Property owners expect and deserve a fair and impartial hearing. Serving as the Board of Appeal and Equalization is an important duty. It is very important that the meeting be conducted in a fair and impartial manner, or the property owner's confidence in the entire appeal process will be undermined.

In order for the property owner to receive a fair and impartial hearing, the property owner must have an opportunity to present his/her appeal and provide evidence to support it. Then the assessor should explain his/her valuation or classification. It is assumed that the assessor has valued and classified the property correctly, and the burden of proof rests with the property owner, who must present factual evidence to disprove the assessor's value or classification. Then the local board must take the appeal under consideration.

An educated board is the key to a fair and impartial hearing. A board that is knowledgeable about the local real estate market does not simply "rubber stamp" the assessor's value but makes independent decisions based on facts. It is important that the property owner does not perceive the outcome to be predetermined or believe that the board is "defending" the assessor's value. This does not mean that the board should not uphold the assessor's value. It does mean that if the local board changes the assessor's value or classification, it must be based on the facts presented.

A fair and impartial hearing does not necessarily mean that the property owner is granted the value reduction or classification change that he/she is seeking. Receiving a fair and impartial hearing only means that the owner had the opportunity to present his/her appeal, the board considered the appeal and based its decision on facts.

Board meeting procedures that foster fair and impartial assessment reviews and other best practices recommendations

Each board meeting is conducted differently. While there are not any specific statutory guidelines for conducting the meeting, this chapter will outline meeting procedures that foster fair and impartial assessment reviews.

Also included in this chapter are best practices recommendations. We acknowledge that some jurisdictions may have bylaws or rules of procedures that may preclude some of these recommendations. Keep in mind that these are recommended procedures for the boards, and they are not intended to contradict such rules or bylaws. It is up to each board to determine which procedures are most appropriate for its Board of Appeal and Equalization meeting.

Meeting procedures

The board should run the meeting

The board should take charge of the meeting. It is not the assessor's meeting. The board is intended to be a fair and impartial review of the assessment. The assessor should realize that the appeal decisions are not in his/her hands. The board's decisions are between the board and the appellant. The assessor is not on trial for his/her work. The board should not critique the assessor's performance or blame the assessor for increasing values (or taxes). Assessors should try not to become too personally involved with the decisions and remember that they have already done their best job. It is now the task of the local board to review the facts and make decisions as it deems just.

Establish ground rules for the meeting

Before hearing any appeals, the Board Chair should outline the ground rules for the meeting. The ground rules set the tone for the meeting. The specific ground rules may vary for each board but should include:

- The purpose of the meeting;
- A reminder to property owners that only appeals for the current year valuation or classification can be made – taxes or prior years' assessments are not within the jurisdiction of the board;
- A reminder to property owners that they may only appeal the estimated market value (EMV), and that the appeals process is concerning this amount - not tax amounts;
- An explanation of the order of the appellants (will it be by appointment first, followed by walk-ins on a first-come basis, etc.);
- The expectations of the appellant when presenting his/her appeal (the appeal must be substantiated by facts; where the appellant should stand or sit; the appellant should be prepared to answer questions posed by the board, etc.);
- The time limits imposed (if any); and
- The procedure the board will follow for making decisions (will the board hear all appeals before making any decisions, will the board send a letter to appellants to inform them of the decision, etc.).

The Board Chair should give the assessor the opportunity to present a brief overview of the property tax process and a recap of the current assessment.

Appellants should then present their appeals. If the assessor has had a chance to review the property prior to the meeting, the assessor can present facts and information to the board to support the valuation or classification or recommend that the board make a change. If the assessor has not had a chance to review the property prior to the meeting, the assessor can present such information to the board at the reconvene meeting.

All proceedings must be public

The board meetings are subject to the open meeting law. The open meeting law requires that meetings of governmental bodies generally must be open to the public. Therefore, all board proceedings must be public.

Board members should not leave the meeting to the assessors while they talk about other business.

Board members should not confer with each other, the assessor, or appellants regarding appeals in question outside the board meeting(s).

Make appellants feel comfortable

Presenting an appeal to the Board of Appeal and Equalization can be intimidating for appellants. The goal of the board should be to make the appellant feel comfortable, not intimidated. To make the appellant more comfortable when presenting an appeal to the board, it is recommended that the appellant sit (or stand) in front of the board and present directly to the board rather than having the appellant speak and address all present in the audience. This not only allows the appellant to be more comfortable, but also decreases the potential that an angry “mob” will form at the meeting.

Dealing with angry or difficult property owners

The following are some tips that may be helpful when dealing with an angry or difficult property owner:

- Always treat the property owner with respect;
- Listen to the property owner;
- Speak calmly and keep your body language calm;
- Encourage the property owner to discuss his/her concerns;
- Do not get defensive;
- Keep things on a positive level;
- Avoid blaming statements (“You...”);
- Keep the conversation focused on the issue, not personalities (“The assessor doesn’t like me,” etc.);
- Clarify the problem;
- Acknowledge the property owner’s concerns;
- Show empathy for the property owner;
- Emphasize collaboration (“Let’s see if we can find a solution to this problem.”);
- Let the property owner know that you will be reviewing the facts of the case; and
- End the property owner’s presentation by acknowledging in a tactful manner that you’ve heard what he/she has to say and will consider the matter.

If things get too heated, it may be a good idea to suggest a short break so the parties can calm down. Do not let things get out of hand before informing the authorities. If the board is anticipating any problems, it may be a good idea to inform local law enforcement of the meeting in advance. Do not take threats or someone talking about violence lightly. Safety should be your main concern. If you feel threatened, call the authorities.

Oftentimes, property owners are frustrated by the process because they are unsure about how to appeal to the local board. To reduce their frustration, it is recommended that the local board let them know what they will need to do to substantiate their appeal (*see “Handouts for property owners” section in the Appendix for information local boards may supply to property owners*).

The Notice of Valuation and Classification will direct property owners to the Minnesota Department of Revenue website (<http://www.revenue.state.mn.us>) for information on the appeal process and how to substantiate appeals. Many counties also have information on their websites concerning how to appeal, property information, frequently asked questions, etc. If your county website does have information relating to assessment or property taxes, it is a good idea to become familiar with this information so you can refer property owners to it.

Hearing appeals

The Board Chair should call the appellant. The board must be attentive when the appeals are being presented. Take the time to listen to the person presenting the appeal, but do not let the appellant dominate the meeting.

After an appellant has presented his/her case, the chair should ask the assessor to explain how the value and/or classification was determined. To keep things moving and to conduct a fair meeting, any time limits imposed on an appellant should also be imposed on the assessor.

The board should ask questions of the appellant and the assessor if more information is needed.

Depending on the procedure that the board is following, the chair should either:

- Have the board make a decision on the appeal; or
- Inform the appellant that his/her concern will be taken into consideration and let the appellant know when a decision will be made, as well as how he/she will be informed of the board's decision.

Review process, not value-reduction process

The appeal process is a review process and not just a value-reduction process. The Board of Appeal and Equalization is an important step in maintaining an equitable property tax system. It is vital that the board members take this responsibility seriously. Any value changes – increases or decreases – must be justified as value changes have the effect of shifting the tax burden to other property owners in the jurisdiction.

The purpose of the board is to ensure equality between taxpayers so that each taxpayer is paying the fair share of taxes – no more, no less. Keeping in mind that a reduction in estimated market value may not reduce taxes, and sharing this information with appellants, may help set the proper tone for the meeting.

Therefore, it is not incumbent upon the board to reduce the value of all individuals who appeal to the board, as that may be unfair to the property owners who have not appealed. The board should not give reductions to people just for “showing up.” It is assumed that the assessor has properly valued and classified all property in the jurisdiction. The burden of proof rests with the property owner who must present factual evidence to disprove the assessor's value or classification. All changes made by the board must be based on facts.

Recess or adjourn

The board may not take action after adjourning. All issues must be resolved before the meeting is adjourned. If issues still need to be considered, the board should recess until the next meeting.

For **county boards**, the next (reconvene) meeting must be held within the ten-day time limit for the board and no later than June 30. For **local boards**, the reconvene meeting must be held within 20 calendar days (including the day of the initial meeting) unless the local board requests a time extension from the Department of Revenue, and the time extension is granted by the department. The date and time for the reconvene meeting must be determined before the initial meeting is recessed.

Once the Board of Appeal and Equalization has adjourned, it cannot reconvene.

Recess

A break in a meeting or proceedings until a certain date and time. Recess is not to be confused with “adjournment,” which ends the proceedings.

Adjourn

The final closing of a meeting, such as a meeting of the board of directors or any official gathering. Adjourn is not to be confused with “recess,” which means the meeting will break and then continue at a later time.

Decisions

It is the board’s duty to review the facts and make corrections as it deems just. It is not appropriate to turn the decision over to the assessor. The board should not order the assessor to review the property and change the value or classification and then adjourn. In this instance, the issue is not resolved. The board may ask the assessor to review the property and report back to the board at a reconvene meeting. Ultimately, it is the board that must make any adjustments.

All decisions should be adopted by a formal vote. Options for decisions include:

- No change;
- Lower the value;
- Raise the value;
- Notify a property owner of intent to raise the value;
- Change the classification; or
- Have the assessor inspect the property and report to the board (within the appropriate meeting timeframe).

There are certain circumstances, such as appeals involving contamination values or income-producing properties, which may require more than the given time for the assessor to review. In such instances, a **local board** may decide to vote “no change” and forward the appeal to the County Board of Appeal and Equalization.

There also may be circumstances involving complicated appeals, in which the board may review the information presented and not be able to determine if the assessor’s value should stand or if the property owner’s evidence justifies a value or class change. If the board is faced with a situation in which it is not sure how to rule based on the facts presented, the proper decision would be “no change.” In these instances, the board should keep in mind that the taxpayer can appeal to Tax Court.

For local boards:

- The property owner can appeal to the countyboard or he/she can take the case to Tax Court;and
- The county assessor can ask the county board to review the property value or classification if he/she believes that the local board change was not justified.

Appeals must be substantiated by facts

Appeals must be based on facts. The property owner must present supporting evidence to convince the board that the current year valuation or classification is incorrect. The supporting evidence can be presented either in person, through a letter or through an authorized representative.

The property owner should describe the property, how the property is used, as well as its current condition. Photos can be very helpful in illustrating the condition of the property. The property owner should review the assessor's data on the property to make sure that it is correct. The property owner should also review recent property sales in the area. At the assessor's office, the property owner can review Certificates of Real Estate Value (CRVs) for properties in the area. Other evidence such as a recent appraisal may also be helpful information to present.

The property owner should keep in mind that taxes are not the issue. The board should not consider arguments based on the ability of the taxpayer to pay, services received for taxes paid or tax equalization. Given the broad spectrum of tax capacity rates, tax classifications and state credit programs that apply to various properties throughout the jurisdiction, tax comparisons are misleading. To strengthen their appeal, property owners should present evidence about the property's value or classification, not how much they are paying in taxes.

Property in Minnesota is classified according to its actual use, such as commercial, agricultural, or residential homestead, not zoning. Property owners disputing the classification need to present information that proves how they use the property. For example, a property is classified as residential. The property owner believes that his/her property is eligible for the agricultural classification and appeals to the board. In order for the board to change the classification to agricultural, the owner must prove that the property is used agriculturally and meets the statutory requirements of the agricultural class.

As a board member, you should be objective and be sure that any changes are based on facts. Do not recommend changes without any supporting documentation. Do not recommend changes for all people who appeal to the board (unless each appeal can be substantiated). Simply taking the time to appeal is not a valid reason for adjusting the market value or changing the classification of a property. Always keep in mind that any reductions that the board may make will have the effect of shifting the tax burden to other property in the jurisdiction. The amount the jurisdiction levies will not change when values are increased or decreased; only the amount paid by each taxpayer changes.

For information on the appeal process and how to substantiate an appeal, you can direct property owners to the Minnesota Department of Revenue website (<http://www.revenue.state.mn.us>). If your county website also contains additional information such as how to appeal, property information, frequently asked questions, etc., it is a good idea to become familiar with this information so you can refer property owners to it.

Best practices recommendations

Have appellants call for appointments

It is recommended that the board hear appeals on an appointment basis. The Notice of Valuation and Classification sent to all taxpayers to notify them of their property value and classification can instruct appellants to call for an appointment with the board.

Appointments benefit the board, the assessor and the appellant. Appointments give the board an idea of how many property owners will be appealing, so the board can manage their time appropriately. It gives the assessor time to assist in the board's deliberations by reviewing the property and collecting supporting data or recommending that the board make a change.

Appellants also benefit because they need only come to their scheduled appointment and do not have to spend time listening to other appellants. In some instances, property owners call to schedule appointments with the local board, and the appeal is avoided altogether because the issue can be resolved easily by the assessor's staff. Property owners who call for appointments can also be given information on preparing and presenting an appeal so they will know what to expect at the meeting (see *"Handouts for property owners" section in the Appendix*).

In addition to hearing appeals by any appellants who scheduled appointments, the board **also must hear any appeals by property owners who come to the meeting without having scheduled an appointment prior to the meeting.** (Unless extenuating circumstances apply, the property owner must first appeal to the local board before appealing to the **county board**.) When outlining the ground rules for the meeting, the board chair should inform the appellants that the board will be hearing appeals from those who have scheduled appointments first, and then the board will be hearing appeals by others (in the order listed on the sign-in sheet).

The Board's Responsibility to Hear All Appeals

It is the board's responsibility to hear all appeals presented until the board adjourns. A property owner can present their appeal at the initial meeting or at **any of the reconvene meetings**. The board must hear that appeal and make a decision. The board cannot dismiss the property owner's appeal, unless the meeting is adjourned.

Time limits for presenting appeals

Time limits can help to keep the meeting moving. Time limits may be more appropriate in jurisdictions with a significant number of people appealing their valuation or classification. If there are only a few people at the meeting, time limits may not be necessary. If there are several appellants, it may be beneficial to establish a time limit for each appeal.

If time limits are established, they should be included in the ground rules that are outlined at the beginning of the meeting. Whether or not a time limit is established, it is the responsibility of the board chair to keep the meeting moving. If an appellant goes on at length about a specific point, the Board Chair should intervene – in a professional manner – to keep the meeting on track. The chair should ensure that appellants stick to their time allotments. If the appellant discusses taxes or previous assessments, the Board Chair should remind him/her tactfully that the issue is the current year valuation or classification.

If the board determines that time limits are appropriate for appellants, it also should impose time limits for the assessor to support his/her valuation or classification or recommend that the board make a change.

Hear all appeals first

It is recommended that the board hear all appeals before making any decisions. The board should make all decisions later in the meeting or at the reconvene meeting (within the appropriate meeting timeline) if it is determined that the assessor should view the property or if the board requests additional information from the assessor. Hearing all appeals first gives the board an opportunity to get a better understanding of what happened in the district, so it can make consistent recommendations. It eliminates situations where the board feels obligated to respond in a certain manner to one property owner because of an earlier decision. It also speeds up the process for appellants as they may leave after they present their appeal.

If a reconvene meeting is necessary for the assessor to report back to the board, it should be limited to appeals made at the initial meeting. The reconvene meeting is typically not for hearing a property owner's initial appeal, however it is **the board's responsibility to hear all appeals**, therefore if a property owner appears for the first time at a reconvene meeting, the board must hear the appeal. If the board feels that they don't have enough information to make a decision, they should vote no change and allow the property owner to attend the county board of appeal and equalization meeting.

Conducting other business at the board meeting

It is best to hold a special meeting for the Board of Appeal and Equalization and not conduct the regular council meeting (or other business) at the board meeting. However, due to the low attendance in some jurisdictions, conducting other business at the meeting may be an acceptable practice if handled appropriately.

If other business is also to be conducted at the meeting, the time listed on the Notice of Valuation and Classification should be the start time for the appeals portion of the meeting. You should conduct other business either before the meeting (table any discussion if not completed when it is time for the Board of Appeal and Equalization) or after the meeting (allow any late arrivals to present their appeal even if the board has moved on to other business).

There have been instances in the past where the board members have held their regular meeting in one part of the hall, and the assessor has been told to meet with appellants in another area. **This is not an acceptable practice.** It is the responsibility of the board to hear the appeals and the facts presented to make an informed and fair decision.

Notifying property owners of decisions

It is recommended that all appellants be notified in writing of the decision of the board, even if the appellant was present for the decision. Given the recommended format of hearing all appeals before making any decisions, appellants may choose not to stay for the entire meeting. A letter notifying appellants of the decisions ensures that they understand and are aware of the action, if any, taken by the board. It is also an opportunity to notify appellants of additional appeal options if they are not satisfied with the board's decision (*see "Recommended format to notify appellants of board decisions" in the Appendix*).

Quorum requirements

A majority of the voting members of the Board of Appeal and Equalization must be in attendance in order for any valid action to be taken. When a board meets and conducts business without a quorum, it is conducting an illegal meeting. This means that any changes made by a board which does not meet the quorum requirement are null and void.

What constitutes a quorum?

Quorum requirements differ depending on the type of body that is meeting. Per Minnesota Statutes, Section 274.01, subdivision 1, paragraph (a), the town board of a town, or the council or other governing body of a city is the Local Board of Appeal and Equalization.

Quorum

The number of people required to be present before the members at a meeting can conduct business. For the Board of Appeal and Equalization, a majority of the voting members of the board must be present to meet the quorum requirement.

Townships: Per Minnesota Statutes, Section 366.01, subdivision 1, the supervisors of each town constitute the town board. Two supervisors constitute a quorum at a town board meeting unless the town is operating under “option A,” which means it has a five-member board of supervisors. In the latter case, three supervisors are required to meet the quorum requirement.

City councils: According to Minnesota Statutes, Section 412.191, the city council in a standard plan city shall consist of an elected mayor, an elected clerk, and three or five elected council members (which means these cities have either five or seven voting members). In optional plan cities, the city council consists of an elected mayor and four or six elected council members (which means these cities have either five or seven voting members). In all statutory cities, the mayor is a voting member of the council and must be counted when determining whether a quorum is present. A majority of the voting members must be present to meet the quorum requirement.

Charter cities may provide that a different number of council members constitute a quorum.

Special boards: Appointed by the governing body of a city, a majority of the voting members must be present in order to meet the quorum requirement.

County commissioners serve as the County Board of Appeal and Equalization: The number of commissioners is either five or seven. (Generally, there are five members; however, counties with more than 100,000 in population may, by board resolution, increase their county board from five to seven members.) When the county board is serving as the County Board of Appeal and Equalization, the county auditor is also a voting member. If there are six total voting members, at least four must be present to meet the quorum requirement. If there are eight total voting members, at least five must be present to meet the quorum requirement.

If a quorum is not present, the meeting cannot legally be held. The County Board of Appeal and Equalization will be transferred to a special board for the next assessment for failure to comply with the quorum requirement.

A county board whose powers are transferred to the special board for failing to meet either the training or quorum requirement may be reinstated by resolution of the county board and upon proof that at least one of the county board’s members has completed the appeals and equalization course. The resolution and proof must be provided to the commissioner of revenue by February 1 to be effective for the current assessment year.

Note: The citation for the appeals and equalization course and meeting requirements for county boards is Minnesota Statutes, Section 274.135.

County commissioners appoint a Special Board of Equalization: The county board of any county may appoint a Special Board of Equalization and delegate its powers and duties to this special board. The special board of equalization serves at the direction and discretion of the appointing county board, and is subject to the restrictions imposed by law on the appointing board. The appointing board may determine the number of members to be appointed to the special board, the compensation and expenses to be paid, and the term of office of each member. At least one member of the special board must be an appraiser, real estate agent, or other person familiar with property valuations in the county. For a special board, the county auditor is a nonvoting member and serves as the recorder.

When a quorum is not present

Each year, there are numerous complaints from property owners who have taken time off from work – or simply taken their personal time – to attend a board meeting only to find that the meeting cannot take place due to the lack of a quorum.

When a **local board** does not meet because a majority of the members are not present, it sends a message to property owners that the board does not value their time. It also sends the message that the board does not take the responsibility of serving as the Local Board of Appeal and Equalization seriously.

Rather than simply sending home angry and frustrated property owners, the assessor changes the format to an “open book” meeting. Property owners can discuss their issues one-on-one with the assessor or the assessor’s staff. If they are not satisfied with the outcome, they can appeal to the County Board of Appeal and Equalization. This assures that the time property owners set aside to appeal to the local board is not wasted.

If a **county or special board** of appeal and equalization fails to satisfy quorum or training requirements, owners and taxpayers who would have appealed to the board can appeal to the Commissioner of Revenue before August 1. A fee of \$500 per tax parcel that is appealed will be assessed to the county.

Arrive on time for the meeting

It is also very important that the board members and all required attendees (county assessor, local assessor, clerk, auditor, etc.) arrive at the meeting on time and that the meeting begins at the scheduled time. This shows respect for the people who are appealing to the board, and also shows that their time is valued.

Explanations of alternative methods of appeal

Open Book Meetings

Role of the board in the assessment process

Traditionally, open book meetings have been scheduled for jurisdictions in which the Local Board of Appeal and Equalization duties have been transferred to the county.

During “open book” meetings, the valuation and classification issues are handled by the assessor’s staff on a one-on-one basis with the property owner.

Typically, open book meetings are held by the county assessor’s staff. However, larger cities with an appointed city assessor may hold their own open book meetings.

The open book meetings are held in locations that are convenient for property owners. Often open book meetings are held over several days during both day and evening hours. This allows property owners to appeal when it best suits their schedules instead of having to rearrange their schedules to attend a meeting held at one place and time.

The open book meetings provide a forum for property owners to meet with assessment staff on an informal basis to review information about their property and to ask questions about the assessment. This setting allows the assessor’s office to resolve questions and reduce the number of appeals to the County Board of Appeal and Equalization (or the Special Board of Equalization).

Property owners do not need to make an appointment to meet with the assessment staff. They can simply show up at the dates and times stated on the Notice of Valuation and Classification to discuss their assessment.

Depending on the jurisdiction, the appraisers may have laptop computers to access information about the taxpayer’s property. Some counties may be able to link directly to their computer-assisted mass appraisal (CAMA) system which allows the appraiser to obtain data on sales of comparable properties.

When reviewing the details of the property with the owner, the appraiser can verify the accuracy of the county’s data and correct any errors. The property owner can also schedule an appointment for the appraiser to view the property if needed.

Benefits for the property owner

Property owners often find that the open book meeting is less intimidating than presenting their appeal to the board of appeal and equalization. They often appreciate the fact that they can have their questions answered in a more private setting, and not have to be apprehensive about making a presentation in front of their friends and neighbors. In this one-on-one setting, property owners may spend as much time with the appraiser as they need. They can compare the value of their home with the values of similar homes owned by their neighbors.

The process is very efficient because concerns and questions are often resolved immediately. Property owners can see that the appraiser collects the same information on all properties, reassuring them that the process is the same for everyone, and they have not been singled out for a value increase.

Open book meetings

An open book meeting is a meeting held by the county assessor’s office to discuss property owners’ questions regarding their assessments. The one-on- one meeting usually is held as an alternative to the Local Board of Appeal and Equalization.

Property owners who are not satisfied with the “open book” approach may appeal to the County Board of Appeal and Equalization (or Special Board of Equalization) and/or appeal to Tax Court.

It is only a recommendation that the property owner attend the open book meeting to discuss concerns prior to the county or special board. If a jurisdiction does not have a Local Board of Appeal and Equalization, **the property owner is not required to attend an open book meeting in order to appeal to the County Board of Appeal and Equalization (or Special Board of Equalization).**

Open book benefits for property owners

“Open book” meetings provide many benefits:

- No appointment needed.
- Property owners can verify or correct information about their property.
- Property owners can schedule a time for the assessor to view their property.
- The setting is less intimidating than a board meeting.
- The property owner does not need to “present” their appeal in front of friends and neighbors.
- Property owners can compare their values to the values of other similar homes.
- Questions and concerns are often resolved immediately.
- The process is very efficient.
- Property owners may appeal to the County Board of Appeal and Equalization (or the Special Board of Equalization) and/or to Tax Court if not satisfied with the outcome.

Benefits for the local board

The benefit for the local board is that an open book meeting saves time for board members. It eliminates the need for the board to become familiar with and educated on the local real estate market. Board members will be able to spend this time concentrating on their other duties as town board or city council members. In addition, board members can avoid confrontational situations with constituents and will no longer be put into difficult situations by having to make decisions about the property values or classifications of property owned by friends and neighbors.

However, one possible disadvantage is that the assessor who made the original assessment may also be reviewing the property for the open book appeal.

Objectivity (or the appearance of objectivity) may be lost.

Benefits for the county

While the number of appeals made at the open book meeting may not be less than the number of appeals to the local board, the benefit for the county is that the open book process allows for immediate consideration of issues, and in many cases, appeals are resolved before the County Board of Appeal and Equalization. The process is efficient for the county because it can often consolidate several jurisdictions into one meeting (or a series of meetings) instead of holding at least one meeting in each jurisdiction.

Option 1: Transferring assessment and local board duties to the county

The town board or city council may transfer the powers and duties of the Local Board of Appeal and Equalization to the county board (under Minnesota Statutes, Section 274.01, subdivision 3) and no longer perform the function of a Local Board of Appeal and Equalization.

However, in order to exercise this option, the local jurisdiction also must have its assessment done by the county. This means that the local jurisdiction must give up its local assessor. Some jurisdictions do not see this as an option, because they have no intention of relinquishing this power to the county. For other town boards or city councils, this may be a good option.

Before transferring the powers and duties to the county board, the town board or city council must give public notice of the meeting at which the proposal for transfer is to be considered (the public notice needs to follow the procedure contained in Minnesota Statutes, Section 13D.04, subdivision 2).

A town board or city council that wishes to transfer the assessment and local board duties to the county board must communicate this intent in writing to the county assessor before December 1 of any year to be effective for the following year's assessment. This transfer of duties may either be permanent or for a specified number of years. However, the duties must be transferred to the county board for a minimum of three years, and the length of the transfer must be stated in writing. A town or city may renew its option to transfer its duties to the county board.

Property owners in jurisdictions that have chosen this option would be provided with an open book meeting in place of the Local Board of Appeal and Equalization.

Property owners who are not satisfied with the outcome of the open book meeting may appeal to the County Board of Appeal and Equalization and/or to Tax Court.

Option 2: Transferring local board duties to the county

Previously, the only option for transferring the local board duties to the county board meant that the local jurisdiction had to give up its local assessor as well. Some jurisdictions saw this option as a loss of control, and therefore, it was not considered to be an option for the city or town.

The quorum and training requirements for local boards were implemented to improve the local board process so that the boards function fairly and objectively. The intent of the legislation was not to force or require a city or town to give up its local assessor. However, a jurisdiction that fails to meet these requirements must transfer the duties of the Local Board of Appeal and Equalization to the County Board of Appeal and Equalization. In this situation, the jurisdiction would lose the right to hold its local board, but it would be able to retain its local assessor.

It seems unfair that a jurisdiction which **voluntarily transfers** its Local Board of Appeal and Equalization duties to the County Board of Appeal and Equalization must give up its local assessor, while a local board that **must transfer** its duties to the county board for failing to meet the training or quorum requirements may retain its local assessor.

It seems appropriate that the local jurisdiction be given the opportunity to decide to forego its right to act as a Local Board of Appeal and Equalization and still maintain its local assessor. If the town board or city council deems that property owners would be best served with an open book meeting, which also would relieve the board from having to make difficult value and classification decisions, the board or council should contact the county assessor and inform him/her of the jurisdiction's intent to be treated as though it did not meet the quorum or training requirements. It should clarify that the city or town is transferring its duties to the county board, but will retain its local assessor. The town board or city council must notify the county assessor of this decision in writing before December 1 of any year to be effective for the following year's assessment.

Property owners in a jurisdiction that has chosen to transfer its Local Board of Appeal and Equalization duties to the County Board of Appeal and Equalization would be provided with an open book meeting in place of the local board. Property owners who are not satisfied with the outcome of the open book meeting may appeal to the County Board of Appeal and Equalization and/or to Tax Court.

The local board can be reinstated by resolution of the governing body of the city or town and upon proof of compliance with the training requirements. The resolution and proof of compliance must be provided to the county assessor before December 1 of any year to be effective for the following year's assessment

Other alternate methods of appeal

Special Boards of Appeal and Equalization - Local

The governing body of a city (including cities with charters that provide for a board of equalization) may appoint a Special Board of Appeal and Equalization in lieu of a **local board**. The city may delegate to the Special Board of Appeal and Equalization all of the powers and duties of the Local Board of Appeal and Equalization. Town boards are not able to appoint special boards.

The special board serves at the direction and discretion of the appointing body, subject to the restrictions imposed by law. The appointing body shall determine the number of members of the board, the compensation and expenses to be paid, and the term of office of each member.

At least one member appointed to the Special Board of Appeal and Equalization must be an appraiser, realtor or other person familiar with property valuations in the assessment district. The special board must also meet the training and quorum requirements that a local board must meet.

Special Board of Appeal and Equalization - County

As mentioned in the quorum requirements section of this handbook, the **county** commissioners of any county can appoint a special board of equalization and delegate the powers and duties to this special board. A special board may also be required when the training or quorum requirements are not satisfied by the county board of appeal and equalization.

These special boards serve at the direction and discretion of the appointing body and are subject to the restrictions imposed by law. The appointing body shall determine the number of members of the board, the compensation and expenses to be paid, and the term of office of each member.

At least one member appointed to the Special Board of Appeal and Equalization must be an appraiser, real estate agent, or other person familiar with property valuations in the county. This special board must also meet the training and quorum requirements that regular boards must meet.

Tax Court

Minnesota has a specific court established to hear and determine all questions of law and fact arising under the tax laws of the state. The Tax Court has statewide jurisdiction. Except for an appeal to the Supreme Court, the Tax Court is the sole and final authority. The petitioner must file in Tax Court on or before **April 30 of the year in which the tax is payable, not the year of the assessment**.

There are two divisions of Tax Court: the Small Claims Division and the Regular Division. The Small Claims Division only hears appeals in certain circumstances and is less formal. Property owners often represent themselves and there is no official record of the proceedings, meaning the decisions cannot be appealed further. The Regular Division hears all types of appeals and the decisions can be further appealed.

There is a filing fee and other fees associated with appealing to Tax Court. The court is based in St. Paul, but it travels to the county where the property being appealed is located for the trial. More information is available at www.taxcourt.state.mn.us.

Appendix

Glossary

Abatement – Reduction of estimated market value, taxes, costs, penalties or interest which have been erroneously or unjustly paid.

Adjourn – The final closing of a meeting, such as a meeting of the board of directors or any official gathering. Adjourn is not to be confused with “recess,” which means the meeting will break and then continue at a later time.

Agricultural property – Property including the house, garage, farm buildings and farm land used for raising or cultivating agricultural products for sale. Defined in Minnesota Statutes as Class 2a agricultural land. An agricultural homestead is class 2a land that is homesteaded along with any contiguous class 2b rural vacant land under the same ownership. Agricultural property may also be non-homestead.

Apartment property – Residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Defined in Minnesota Statutes as Class 4a rental housing.

City council – The legislative body of a city. The city council in a standard plan city consists of an elected mayor, an elected clerk, and three or five elected council members (which means these cities have either five or seven voting members). In optional plan cities, the city council consists of an elected mayor and four or six elected council members (which means these cities have either five or seven voting members). In all statutory cities, the mayor is a voting member of the council and must be counted when determining whether a quorum is present. Charter cities may provide that a different number of council members constitutes a quorum.

Class rate – The percent of market value (as defined in Minnesota Statutes) used to determine a property’s net tax capacity.

Classification – The assessor assigns a statutorily-defined classification to all property based upon the use of the property on January 2 of each year. Examples of Minnesota property classes include residential, agricultural, commercial-industrial, apartment and seasonal residential recreational.

Commercial-industrial property – Property used for commercial or industrial purposes such as retail or manufacturing. Defined in Minnesota Statutes as Class 3a commercial and industrial property.

Comparable property sales – Properties that have recently been sold which have similar property characteristics to a property being appraised.

Computer-assisted mass appraisal (CAMA) system – A computerized system that uses statistical analysis to generate estimates of property value.

County Board of Appeal and Equalization – A group of people, typically the county commissioners and the county auditor, authorized to examine, compare and equalize property assessments so that each parcel in the county is listed at its market value.

Estimated market value (EMV) – This is the value that the assessor estimates the property would likely sell for on the open market. This value may be appealed to the Local Board of Appeal and Equalization, County Board of Appeal and Equalization or Tax Court.

Exempt property – Property that is not subject to taxation. All property, real and personal, in the state is taxable except that which by law is exempt. Exemption laws are to be construed strictly, not broadly. Local or County Boards of Appeal and Equalization cannot grant an exemption. Ownership, use and necessity of ownership are key elements reviewed by the assessor when determining exemption.

Highest and best use – “A principle of appraisal and assessment requiring that each property be appraised as though it were being put to its most profitable use (highest possible present net worth), given probable legal, physical, and financial constraints.” *Glossary for Property Appraisal and Assessment*, International Association of Assessing Officers, 1997.

Home rule charter city – Any city which has adopted a home rule charter pursuant to the constitution and laws; “statutory city” means any city which has not adopted such a charter.

Homestead – Property that is occupied as the principal place of residence by the owner is eligible to receive the homestead status and the market value homestead exclusion. Property may be a residential or agricultural homestead.

Local assessor – An assessor who works on a contract basis for a township or city.

Local Board of Appeal and Equalization – A group of people, typically the town board or city council, authorized to determine whether the assessor has properly valued and classified all parcels of taxable property located within the district.

Mass appraisal – The process of valuing a group of properties as of a given date using standard methods and statistical testing.

Median sales ratio – The midpoint (middle) of all the individual ratios that are included for that property type in that city or township for a sales ratio study period when they are put in order. In Minnesota, the median sales ratio should be between 90% and 105%. This means that when all sales from that study period for that property type in that city or township are put in order from smallest to largest ratio, the middle ratio should be between 90% and 105%.

Net tax capacity – Determined by multiplying the class rate by the taxable market value for each property.

Notice of Valuation and Classification – A notice mailed to taxpayers at least 10 days prior to the Local Board of Appeal and Equalization (generally in February or March) to inform them of their property values and classifications for the current assessment year. Minimally, the notice must include: the estimated market value for the current and prior assessment; the value of any new improvements; the amount qualifying for any deferral or exclusion; the taxable market value for the current and prior assessment; the property classification for the current and prior assessment; the assessor’s office address, phone number, website and time when property information can be viewed by the public; and the dates, places and times set for the meetings of the Local Board of Appeal and Equalization, any open book meetings and the County Board of Appeal and Equalization.

Open book meeting – A meeting held by the county assessor’s office to discuss property owners’ questions regarding their assessments. The one-on-one meeting usually is held as an alternative to the Local Board of Appeal and Equalization.

Property characteristics – Distinguishing interior and exterior features of a property and its surroundings such as its: location and neighborhood; public or private restrictions on the property; building type and size; quality of construction; age of the structure; physical condition of the structure; and the total number of rooms, bedrooms and bathrooms.

Quorum – The number of people required to be present before the members at a meeting can conduct business. For the Local Board of Appeal and Equalization, a majority of the voting members of the board must be present to meet the quorum requirement.

Recess – A break in a meeting or proceedings until a certain date and time. Recess is not to be confused with “adjournment,” which ends the proceedings.

Residential property – Property that is residential in nature consisting of the house, garage and land including homestead and non-homestead single-family houses, duplexes and triplexes. Defined in Minnesota Statutes as Class 1a residential homestead, Class 1b disabled homestead, Class 4b(1) residential real estate containing less than four units that does not qualify as class 4bb, Class 4bb(1) nonhomestead residential real estate containing one unit, other than seasonal residential

recreational property; and Class 4bb(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm.

Rural vacant land – Property that is unplatted, rural in character and not improved with a structure unless it is a minor, ancillary and nonresidential structure. Defined in Minnesota Statutes as Class 2b rural vacant land. Rural vacant land may be part of an agricultural homestead if it is contiguous to class 2a agricultural land under the same ownership.

Sales ratio study – A tool assessors use to help determine values for properties. The sales ratio study period includes sales that have occurred in a twelve month period. For the January 2, 2013 assessment, the assessor reviews sales that occur between October 1, 2011 and September 30, 2012. A sales ratio shows the relationship between the EMV and the sale price of a property. It is the EMV divided by the sales price. In Minnesota, six sales of each property type in each jurisdiction are required to complete a sales ratio study. One sale is not enough evidence for the assessor to change values. Assessors look at all sales in a study to arrive at conclusions and value estimates in mass.

Seasonal residential recreational property – Real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real 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. Defined in Minnesota Statutes as Class 4c(1) commercial or noncommercial seasonal residential recreational property.

Special Board of Equalization – A specially-appointed board established by the governing body to complete the appeals and equalization duties delegated to it. One member of the board must be an appraiser, real estate agent, or other person familiar with proper valuations in the assessment district.

State Board of Equalization – The Commissioner of Revenue, serving as the State Board of Equalization, ensures assessors follow approved appraisal and assessment practices and reviews the results of the assessor's work in estimating values. This board meets

in June of every year. The board can increase or decrease values to bring about equalization on a county-, city- and township-wide basis as well as across county lines to ensure a fair valuation process across taxing districts, county lines and by property type.

Statutory city – Any city which has not adopted a home rule charter pursuant to the constitution and laws; the term "home rule charter city" means any city which has adopted such a charter.

Tax Court – A specific court established to hear and determine all questions of law and fact arising under the tax laws of the state. The Tax Court has statewide jurisdiction. Except for an appeal to the Supreme Court, the Tax Court is the sole and final authority. The petitioner must file in Tax Court on or before April 30 of the year in which the tax is payable, not the year of the assessment.

Tax levy – The total amount of property tax revenue needed to meet a jurisdiction's budget requirements.

Tax rate – Determined by taking the total amount of property tax revenue needed (tax levy) divided by the total net tax capacity of all taxable property within the taxing jurisdiction.

Tax statement – Mailed to taxpayers in March of each year, the property tax statement includes the actual tax amounts to be paid in the current year. Property tax statements for manufactured homes assessed as personal property are mailed in May of each year.

Taxable market value (TMV) – This is the value that property taxes are actually based on, after all reductions, exclusions, exemptions and deferrals.

Town board – The supervisors of a town constitute the town board. Unless provided otherwise, there are three supervisors. Towns operating under "option A" have five supervisors.

Truth in Taxation Notice – Mailed to taxpayers in November of each year, the truth in taxation notice contains the estimated tax amounts for the following year. The statement also includes current year tax amounts for comparison purposes and notice of budget meetings.

Duties of local and county boards

Comparison of Duties: Local and County Boards

Local Board of Appeal and Equalization

Ensures individual assessments within the jurisdiction are properly valued and classified.

County Board of Appeal and Equalization

Ensures equalization among individual assessments, between classes and from jurisdiction to jurisdiction.

What can local and/or county boards do?

<input type="checkbox"/> Increase or decrease value of individual property.	✓ Yes	✓ Yes
<input type="checkbox"/> Add properties to the assessment list.	✓ Yes	No
<input type="checkbox"/> Add improvements to the assessment list.	✓ Yes	✓ Yes
<input type="checkbox"/> Increase or decrease value for an entire property class.	No	✓ Yes
<input type="checkbox"/> Change the classification of a property.	✓ Yes	✓ Yes

What local and county boards cannot do:

- ☐ The board cannot change prior year assessments.
- ☐ The board cannot reduce aggregate assessment by more than 1 percent.
- ☐ The board cannot exempt property.
- ☐ The board cannot make change benefiting owner who refuses entry by assessor.
- ☐ Individual board members cannot participate in actions or discussions of appeals involving their own property, property of relatives, or property in which they have a financial interest.

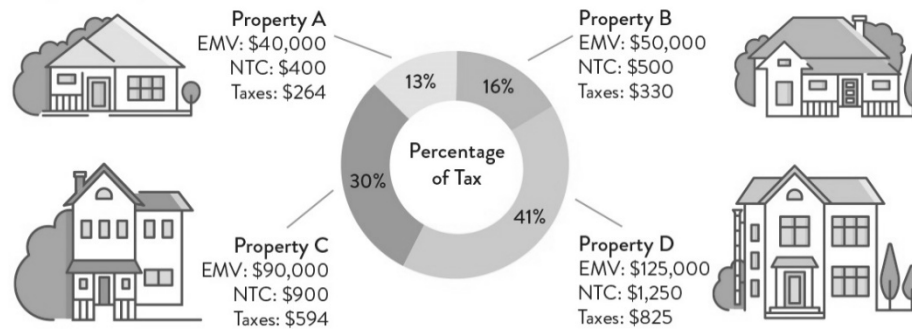
How value changes affect taxes

The examples below are based on a fictional town consisting of four residential non-homestead houses that are not subject to any deferrals, exclusions, or reductions. The small tax base is used to illustrate how **value changes** may affect taxes for each house. As the tax base becomes larger, value changes will not affect taxes as dramatically as the examples shown. Even if a value change results in a smaller tax bill for one property owner and an increased burden to be shared by all property in the jurisdiction, any value change will ultimately affect all taxpayers in the jurisdiction.

Example 1

Total EMV = \$305,000 Class Rate = 1% Township Levy = \$2,000 Tax Rate = 66%

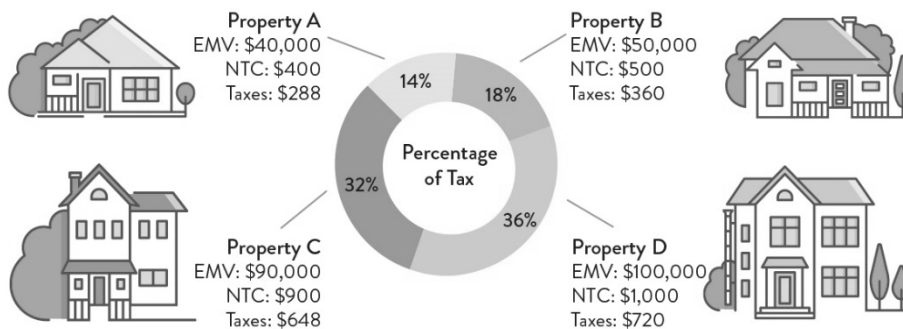
The values and corresponding share of the tax burden for the four properties before the meeting of the Local Board of Appeal and Equalization.



Example 2

Total EMV = \$280,000 Class Rate = 1% Township Levy = \$2,000 Tax Rate = 72%

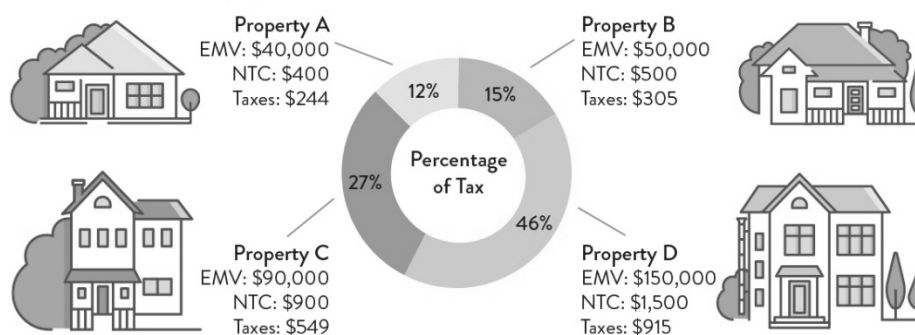
The owner of Property D appealed the value of his property. He did not provide any evidence as to why his value should be reduced. The board reduced his value by \$25,000. The example shows how the change affects the share of the tax burden for the four properties.



Example 3

Total EMV = \$330,000 Class Rate = 1% Township Levy = \$2,000 Tax Rate = 61%

The owner of Property D appealed the value of his property. He did not provide any evidence as to why his value should be reduced. The board raised his value by \$25,000. The example shows how the change affects the share of the tax burden for the four properties.



Recommended format to notify appellants of board decisions

[DATE]

{Insert property owner's name}

{Address line 1}

{Address line 2}

Dear {Insert name here}:

This letter is to acknowledge an appeal to the {insert jurisdiction here} Board of Appeal and Equalization regarding the value or classification of parcel number {Insert parcel number here}.

The local board considered the appeal and any information presented (or supplied in the case of written appeals). As a result of its review, the local board voted to:

_____ Make no change to the {YEAR} value or classification

_____ Change the {YEAR} classification from _____ to _____

_____ Reduce the {YEAR} value from \$ _____ to \$ _____

_____ Increase the {YEAR} value from \$ _____ to \$ _____

Comments:

If you are not satisfied with the outcome of the Board of Appeal and Equalization, you may appeal to Tax Court [*local boards only*]. You may also appeal to the County Board of Appeal and Equalization. {Add details about scheduling appointments or how to appeal to the county board.}. For more information on the Tax Court, go to <http://www.taxcourt.state.mn.us>.

Sincerely,

{insert name}

{insert title}

Frequently asked questions by board members

What is the purpose of the Board of Appeal and Equalization?

One characteristic of the valuation (and to a lesser extent the classification) part of the property tax process is that there are subjective elements involved. Both mass appraisal and independent appraisal are inexact sciences. The property tax system has a method for property owners to appeal the decisions made by the assessor.

Effective actions taken by the Board of Appeal and Equalization may potentially make a direct contribution to attaining assessment equality. Any value reductions have the effect of shifting the property tax burden to other properties, so any changes made by the board must be justified.

On what basis should I make my decisions as a board member?

You have an obligation to objectively listen to the property owner's appeal, which should focus on the market value and facts that impact the market value or the facts that focus on the classification. It is assumed that the assessor has valued the property correctly. The burden of proof rests with the property owner who must present factual evidence to disprove the assessor's value. For example, if the property owner states that his/her home is overvalued because it is located on a busy street, the property owner should present comparable sales also located on that street. The board would want to take that information under advisement. Then the board should ask for information from the assessor concerning how the value of the property was determined. Again, any decisions made by the board should be based on facts because any reductions have the effect of shifting the property tax burden to other properties. It is important to keep in mind that all decisions must meet statutory guidelines as well.

What options do property owners have if they are not satisfied with the board's decision?

For **local boards** the property owner can:

- appeal by letter, representative or in person to the County Board of Appeal and Equalization (a property owner must appeal to the local board to be able to appeal to the county board); and/or
- appeal to Tax Court.

For **county boards**, the property owner can appeal to Tax Court.

What factors make up the valuation of property?

The critical question is whether the property is valued in excess of market value or a theoretical selling price as of January 2 of each year. The components that make up the market value are developed from vacant land sales, replacement cost schedules, abstraction from sales data, and other sources. The mass appraisal system includes both quantitative and qualitative variables.

Quantitative variables are objective characteristics, such as square footage, number of bathrooms or fireplaces, and other straightforward items. It is important that the property description is accurate to allow for a fair application of the mass appraisal schedule to the property.

Qualitative variables are more subjective in nature. They include the grading (or estimating the construction quality) of the property which always involves judgment.

Why do values change?

There are basically three reasons why values change.

Appreciation or depreciation in the real estate market. The assessor's office collects information on the local real estate market and adjusts property values annually in order to reflect the market. The requirement that the assessor actually view properties once every five years does not limit the assessor to revaluing properties once every five years. The assessor is required to review property values and classifications each year.

Physical changes to improvements on the property. Improvements such as building a deck or finishing the basement increase the value of the property, and the assessor would adjust the value to reflect these improvements. Similarly, the assessor should adjust the value for any structural components that may be removed.

Equalization process. The Commissioner of Revenue, acting as the State Board of Equalization, has the authority to increase or decrease values to bring about equalization. The orders are usually on a county-, city-, or township-wide basis for a particular classification of property. All State Board orders must be implemented by the county for the current assessment year.

The equalization process is designed not only to equalize values on a county-, city-, and township-wide basis but also to equalize values across county lines to ensure a fair valuation process across taxing districts, county lines, and by property type. State Board orders are implemented only after a review of values and sales ratios, discussions with the county assessors in the county affected by the State Board orders, county assessors in adjacent counties and the Commissioner of Revenue.

Frequently asked questions by property owners

Is it legal for the assessor to increase my value so much in one year?

Yes. The assessor must value property at market value each year. Property values change continuously with changing economic conditions. There is no limit to the amount of increase or decrease in estimated market values in a given year. The assessor is required to review the values and classifications as of January 2 of each year.

Why are my taxes so high?

Taxes are not within the authority of the board. The property tax on a specific parcel is based on its market value, property class, the total value of all property within the taxing area, and the budget requirements of all local government units located within the taxing area. Only concerns relating to the current year valuation and/or classification may be heard by the board.

Will I be taxed out of my home?

The local board cannot reduce tax amounts. There is relief for property classified as homestead. The market value homestead exclusion may be applied. In addition to the homestead classification, Minnesota provides property tax relief to homeowners through the Property Tax Refund program. This program has been around for many years and includes two different kinds of refunds: the regular refund and the special refund. The regular refund was designed to relieve the burden on homeowners whose property taxes are high in relation to their income. The special refund is for homeowners who experience a property tax increase of more than 12 percent (and at least \$100), regardless of their income level. Both of these refunds must be applied for using form M1PR from the Minnesota Department of Revenue. There are specific requirements for each refund, which are included in the M1PR instructions.

In addition, qualifying individuals may participate in the Senior Citizen Property Tax Deferral program. This is a deferral of tax, not a reduction. The taxes accumulate along with interest at a rate not to exceed 5 percent and a lien is attached to the property.

Forms and instructions for the Property Tax Refund and Senior Citizen Property Tax Deferral program are available on the Department of Revenue website (<http://www.revenue.state.mn.us>).

Property Tax Fact Sheets

All Property Tax Fact Sheets can be found on the Minnesota Department of Revenue's website at:

<http://www.revenue.state.mn.us/property-tax-fact-sheets>

Please advise anyone who needs more information regarding property taxes, appeals and special programs to visit our website.

Note: This handbook is designed to provide information to city, town, and county boards or special boards serving as the Boards of Appeal and Equalization. This handbook mentions local, city and county assessors. The specific responsibilities of the local, city and county assessor may differ from one jurisdiction to the next. Not all jurisdictions have a local assessor. For example, counties with a true county assessing system (all assessments are done by the county) will not have a local assessor. In counties having a city of the first class, the powers and duties of the county assessor within such city shall be performed by the duly appointed city assessor. In all other cities having a population of 30,000 persons or more, according to the last federal census (except in counties having a county assessor prior to January 1, 1967), the powers and duties of the county assessor within these cities will be performed by a duly appointed city assessor. The county assessor will, however, retain the supervisory duties contained in M.S. 273.061, subdivision 8. For example, the county assessor may provide sales information for the local boards in the entire county, or a city assessor may be responsible for providing the information for the local board in a city that has an appointed city assessor. If the board has questions about the division of assessor duties in the jurisdiction, please contact the county assessor for clarification.

City Council
Board of Review continuation of meeting from April 7, 2021
Vergas Event Center and/or Zoom Id number 267-094-2170 password 56587
1:00 PM on Tuesday, April 27, 2021

5. Adjournment

Topic: Vergas Board of Review Zoom Meeting
Time: Apr 27 2021 01:00 PM Central Time (US and Canada)

Join Zoom Meeting
<https://us02web.zoom.us/j/2670942170>

Meeting ID: 267 094 2170
One tap mobile
+13126266799,,2670942170# US (Chicago)

Dial by your location
+1 312 626 6799 US (Chicago)

Meeting ID: 267 094 2170
Find your local number: <https://us02web.zoom.us/u/kfUtQ8RB7>