

# *Why Do Property Taxes Vary from Year to Year?*

## **1. Aid and revenue from the State and Federal governments may have changed.**

Each year the state legislature reviews and adjusts the level of funding for a variety of aids provided to local governments including Local Government Aid and County Program Aid. The formulas for how aid is determined and distributed among local governments may have changed.

While direct aid and revenue from the federal government to local governments has declined greatly in recent years, federal revenue continues to make up a portion of the local government revenue stream and that revenue stream may have changed.

## **2. Federal and State mandates may have changed.**

Both the state and federal governments require local governments to provide certain services and follow certain rules. These mandates often require an increase in the cost and level of service delivery.

## **3. The market value of a property, or other properties in the same taxing jurisdiction, may have changed.**

Each parcel of property is assessed every year, and viewed at least once every five years. An estimated market value and classification is placed on each property annually. If the market value of a property increases or decreases more or less than the average in a taxing jurisdiction, that property's "share" of the overall tax burden will change. If the taxing jurisdiction's tax levies do not change, this "shifting" will increase taxes for some and reduce taxes for others.

Additions and improvements made to a property also may increase its tax burden.

## **4. The State General Property Tax may change.**

The state legislature directly applies a State General Property Tax to commercial/industrial and seasonal recreational property classes. More information on the State General Property Tax (also referred to as the State General Levy) can be found at [www.taxes.state.mn.us/taxes/property/publications/fact\\_sheets/property\\_fact\\_sheet.shtml](http://www.taxes.state.mn.us/taxes/property/publications/fact_sheets/property_fact_sheet.shtml).

## **5. The city and county budget and levy may change.**

Each year, the city and the county review the needs and wants of their citizens and how to meet those needs and wants. This is called "discretionary spending" in the city budget. Also included in the budget is non-discretionary spending which is required by state and federal mandates and court decisions and orders.

## **6. The school district budget and levy may change.**

The legislature determines basic funding levels for K-12 education and mandates services that schools must perform.

## **7. Special assessments may be added to your property tax bill.**

Water lines, curb and gutter, and street improvements that directly benefit your property may be funded, in whole or in part, through a special assessment that is added to your tax bill.

## **8. Voters may have approved a school, city, county or special district referendum.**

Local referendums may be held for local government construction projects, excess operating levies for schools or many other purposes. Referendum levies may be spread on the market value or the tax capacity of a property depending on process and type of referendum levy.

## **9. The State Legislature may have changed the portion of the tax base paid by different types of properties.**

A change in the classification rates for some types of properties will require a change in the overall tax rate to raise the same amount of money. When classification rates are changed for some but not all types of property, a "shift" in property tax from one class of property to another will occur. This may result in increased property tax for some, and reductions in property tax for others.

## **10. Other state law changes may adjust the tax base.**

Fiscal disparities, personal property taxes on utility properties, special tax benefits to certain properties, and tax increment financing are examples of laws that affect property taxes.