



Making a Difference!

Truth in Taxation Presentation

December 8, 2014

for Taxes Payable in 2015

Truth in Taxation Law

- State law initially approved in 1988
- Amended in 2009
- Requirements
 - Counties must send out “proposed property tax statements” between November 11-24, based on preliminary tax levies set by all taxing jurisdictions (counties, cities, townships, school districts, etc.)
 - Taxing jurisdictions must present information on proposed levy and current year budget
 - Discuss percentage change and reasons for change- Total 2015 levy will increase by \$1,134,224 (9.24%)
 - Allow for comments from audience at a regularly scheduled meeting

School Levy vs. Budget Cycle

Unlike cities and counties, a *school district does not set its budget* when setting the tax levy.

- **Property Tax Levy**

- Final levy set in December
- Property taxes levied on a calendar year basis

- **Budget**

- Final budget approved in June, 6 months later
- School fiscal year is July 1 through June 30
- Mid-year budget revision to be completed in January

Tax Levy – Budget Relationship

- Tax levy is based on many state-determined formulas.
- Some changes in tax levies are revenue neutral, offset by reductions or increases in state aid.
- Expenditure budget is limited by state-set revenue formulas, voter-approved levies, available fund balance, and program needs, not just by tax levies.
- Because approval of the budget lags behind certification of the tax levy by six months, only current year budget information and prior year actual financial results will be presented at this hearing.

Budget Information

- All school district budgets are divided into separate funds, based on purposes of revenue, as required by law.
- For our district, 8 active funds:
 1. General fund (includes former transportation and capital expenditure funds)
 2. Food Service fund
 3. Community Service fund
 4. Building Construction fund
 5. Debt Service fund
 6. OPEB Debt Service fund
 7. HRA Trust fund
 8. OPEB Trust fund

2014-15 Revenues by Fund

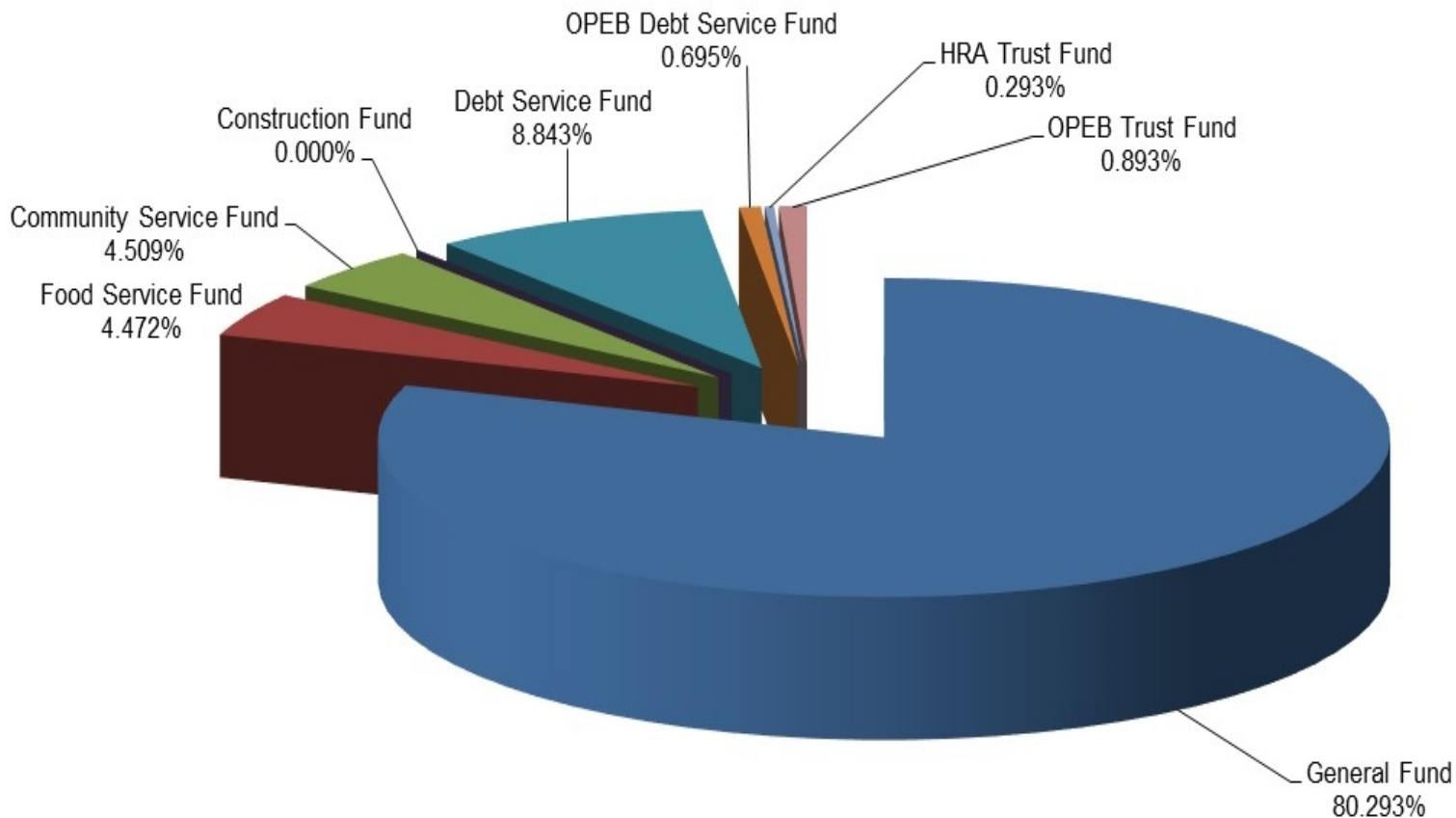
ISD 877 BUFFALO-HANOVER-MONTROSE 2014-2015 BUDGET

ALL FUNDS - REVENUE SUMMARY (Excluding Debt Service Refundings, OPEB Bonds, and Transfers)

	2011-2012 Actual	2012-2013 Actual	2013-2014 Revised Budget	2013-2014 Actual	2014-2015 Budget
General Fund	\$54,459,601	\$53,543,041	\$55,239,387	\$55,500,647	\$57,705,267
Food Service Fund	\$2,884,441	\$2,859,617	\$2,871,397	\$2,974,079	\$3,214,162
Community Service Fund	\$3,280,334	\$3,600,627	\$3,524,960	\$3,725,243	\$3,240,853
Construction Fund	\$0	\$3,958,576	\$1,342	\$1,342	\$0
Debt Service Fund	\$6,697,016	\$6,657,376	\$6,459,577	\$6,400,094	\$6,355,556
OPEB Debt Service Fund	\$521,213	\$517,906	\$516,091	\$523,093	\$499,659
HRA Trust Fund	\$0	\$253,626	\$139,809	\$225,818	\$210,586
OPEB Trust Fund	\$306,759	\$1,462,638	\$1,735,058	\$2,129,655	\$641,976
Total	\$68,149,363	\$72,853,407	\$70,487,621	\$71,479,971	\$71,868,059

2014-15 Revenues by Fund

2014-2015
Revenues By Fund
(Excluding Debt Service Refundings and OPEB Bonds and Transfers)



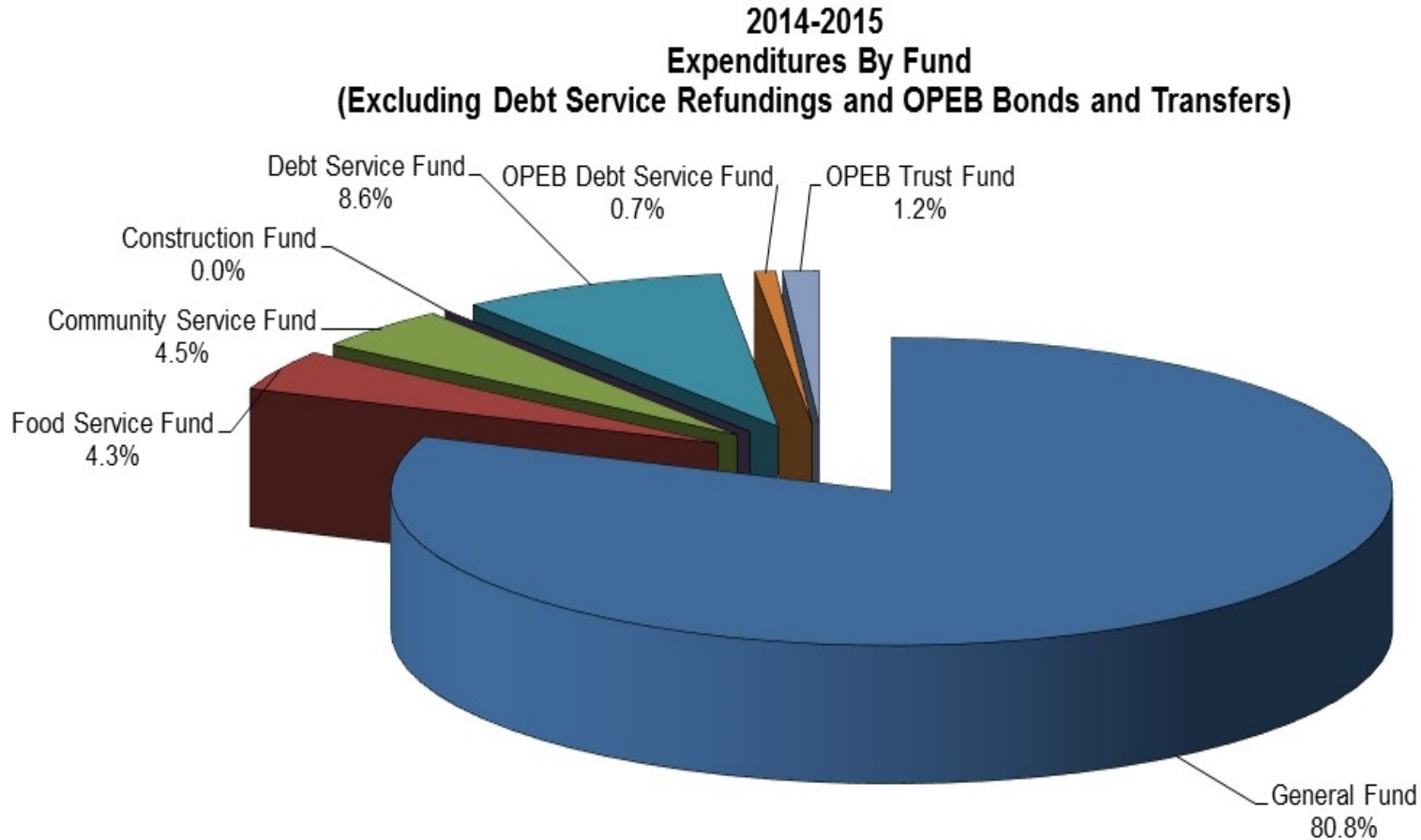
2014-15 Expenditures By Fund

ISD 877 BUFFALO-HANOVER-MONTROSE 2014-2015 BUDGET

ALL FUNDS - EXPENDITURE SUMMARY (Excluding Debt Service Refundings, OPEB Bonds, and Transfers)

	2011-2012 Actual	2012-2013 Actual	2013-2014 Revised Budget	2013-2014 Actual	2014-2015 Budget
General Fund	\$52,145,701	\$52,122,185	\$56,220,707	\$55,785,572	\$59,328,097
Food Service Fund	\$2,993,198	\$2,887,006	\$2,871,397	\$2,974,079	\$3,127,390
Community Service Fund	\$3,222,841	\$3,757,182	\$3,581,076	\$3,772,546	\$3,316,047
Construction Fund	\$0	\$1,599,189	\$2,360,729	\$2,360,729	\$0
Debt Service Fund	\$6,937,603	\$6,684,465	\$6,437,506	\$6,436,881	\$6,316,675
OPEB Debt Service Fund	\$494,438	\$494,438	\$494,438	\$494,438	\$494,438
OPEB Trust Fund	\$0	\$1,092,461	\$1,056,654	\$1,027,514	\$858,137
Total	\$65,793,780	\$68,636,925	\$73,022,507	\$72,851,760	\$73,440,784

2014-15 Expenditures By Fund



Budget Information

- **General Fund Revenue Changes for 2014-15**
 - 1.9% increase on the General Education Revenue formula allowance
 - 1.0 % increase in state Special Education Aid
 - \$189.55 per pupil unit board approved referendum allowance
 - Enrollment projection of 5,703 (ECSE-12) - a decrease from prior year projection - current enrollment on 10/1/14 - 5,719
 - Teacher Development revenue (new for 2014-15)
 - Integration Revenue decreased to 83% of prior year revenue
 - Kindergarten pupil units budgeted at 90% full-time

2014-15 General Fund Revenue Summary

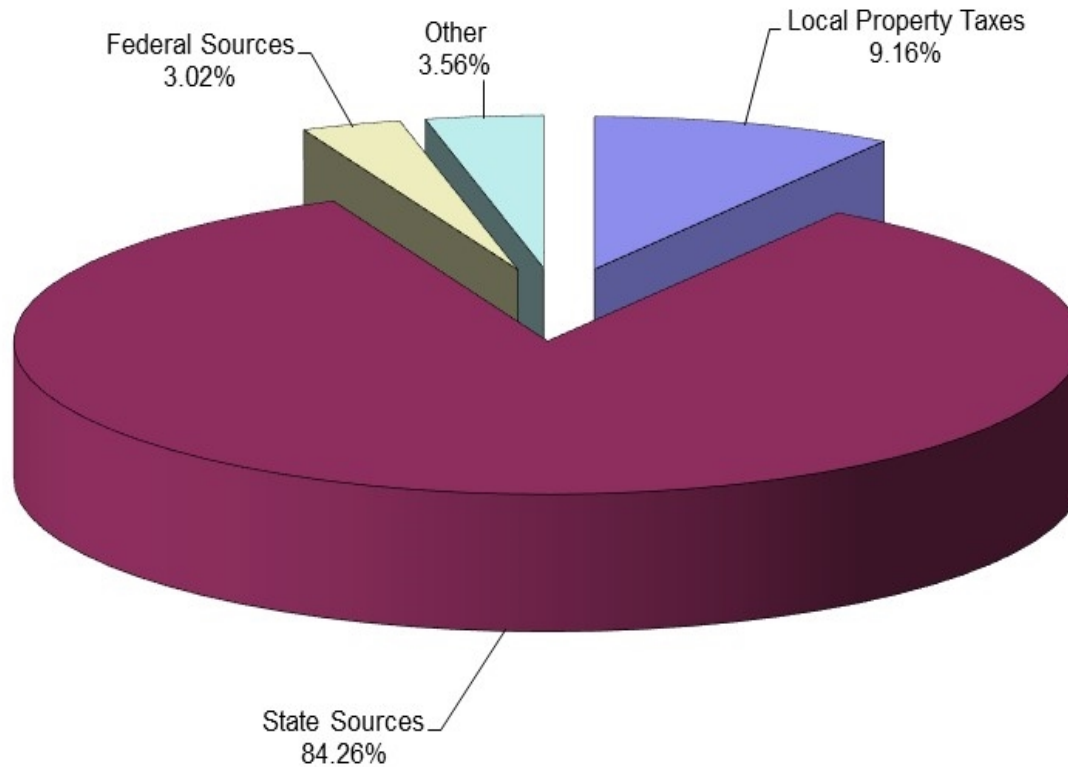
ISD 877 BUFFALO-HANOVER-MONTROSE 2014-2015 BUDGET

GENERAL FUND 01 - REVENUE SUMMARY BY SOURCE (Excluding OPEB Bond Proceeds and Transfers)

	2011-12 Actual	2012-13 Actual	2013-2014 Revised Budget	2013-14 Actual	2014-2015 Budget
Local Property Taxes	\$5,722,356	\$5,997,896	\$3,329,072	\$3,240,609	\$5,284,291
State Sources	\$43,450,185	\$44,035,578	\$48,182,117	\$48,544,438	\$48,624,622
Federal Sources	\$2,831,837	\$1,614,558	\$1,709,473	\$1,640,022	\$1,740,596
Other	\$2,455,223	\$1,895,009	\$2,018,725	\$2,075,578	\$2,055,758
Total	\$54,459,601	\$53,543,041	\$55,239,387	\$55,500,647	\$57,705,267

2014-15 General Fund Revenue Summary

**2014-2015
General Fund Revenue By Source
(Excluding OPEB Bond Proceeds and Transfers)**



Budget Information

- **General Fund Expenditure Changes for 2014-15**
 - Superintendent & Special Ed staffing contingencies
 - Contract & benefits based on contracts & expected market conditions
 - Other expenditures (supplies & utilities) 0-5% increase
 - Continued cost containment initiatives
 - Integration program submitted to MDE at 83% of 2012-13 program
 - \$405,000 set aside for capital, curriculum, and technology
 - \$330,000 set aside for class size reduction (continuation)
 - 3.3 FTE added for full implementation of free all day kindergarten
 - 6.0 FTE added for Local Option Revenue (class size reduction)

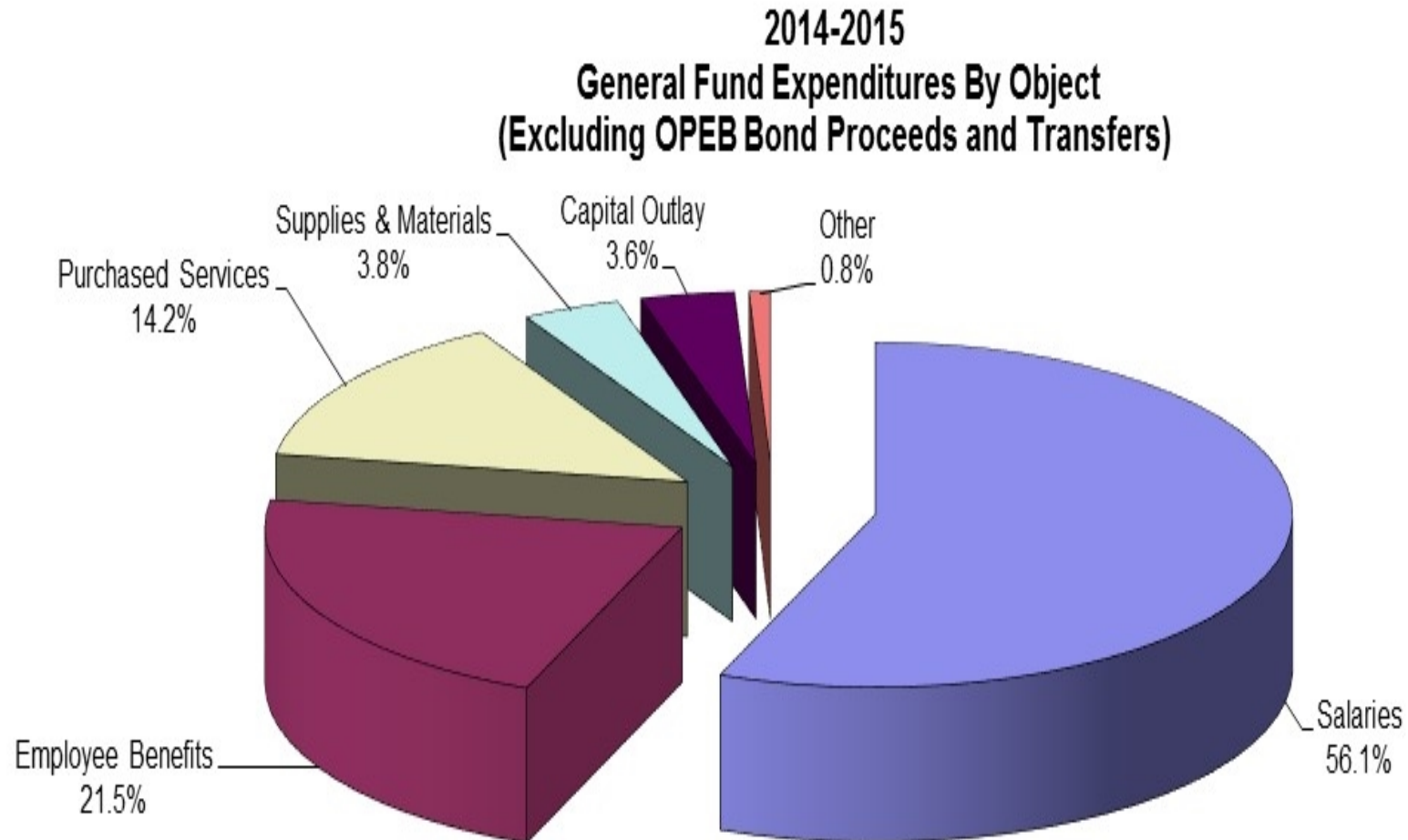
2014-15 General Fund Expenditure Summary

ISD 877 BUFFALO-HANOVER-MONTROSE 2014-2015 BUDGET

GENERAL FUND 01 - EXPENDITURE SUMMARY (Excluding OPEB Bond Proceeds and Transfers)

	2011-12 Actual	2012-13 Actual	2013-2014 Revised Budget	2013-14 Actual	2014-2015 Budget
Salaries	\$29,718,036	\$29,854,800	\$31,412,371	\$31,080,937	\$33,263,655
Employee Benefits	\$10,393,408	\$10,469,046	\$11,707,139	\$11,390,937	\$12,757,011
Purchased Services	\$7,660,959	\$7,577,695	\$8,047,822	\$8,200,465	8,417,335.00
Supplies & Materials	\$2,268,987	\$2,059,259	\$2,438,054	\$2,312,864	\$2,246,635
Capital Outlay	\$1,793,889	\$1,825,149	\$2,139,213	\$2,203,165	2,158,192.00
Other	\$310,422	\$336,237	\$476,108	\$597,204	485,269.00
Total	\$52,145,701	\$52,122,185	\$56,220,707	\$55,785,572	\$59,328,097

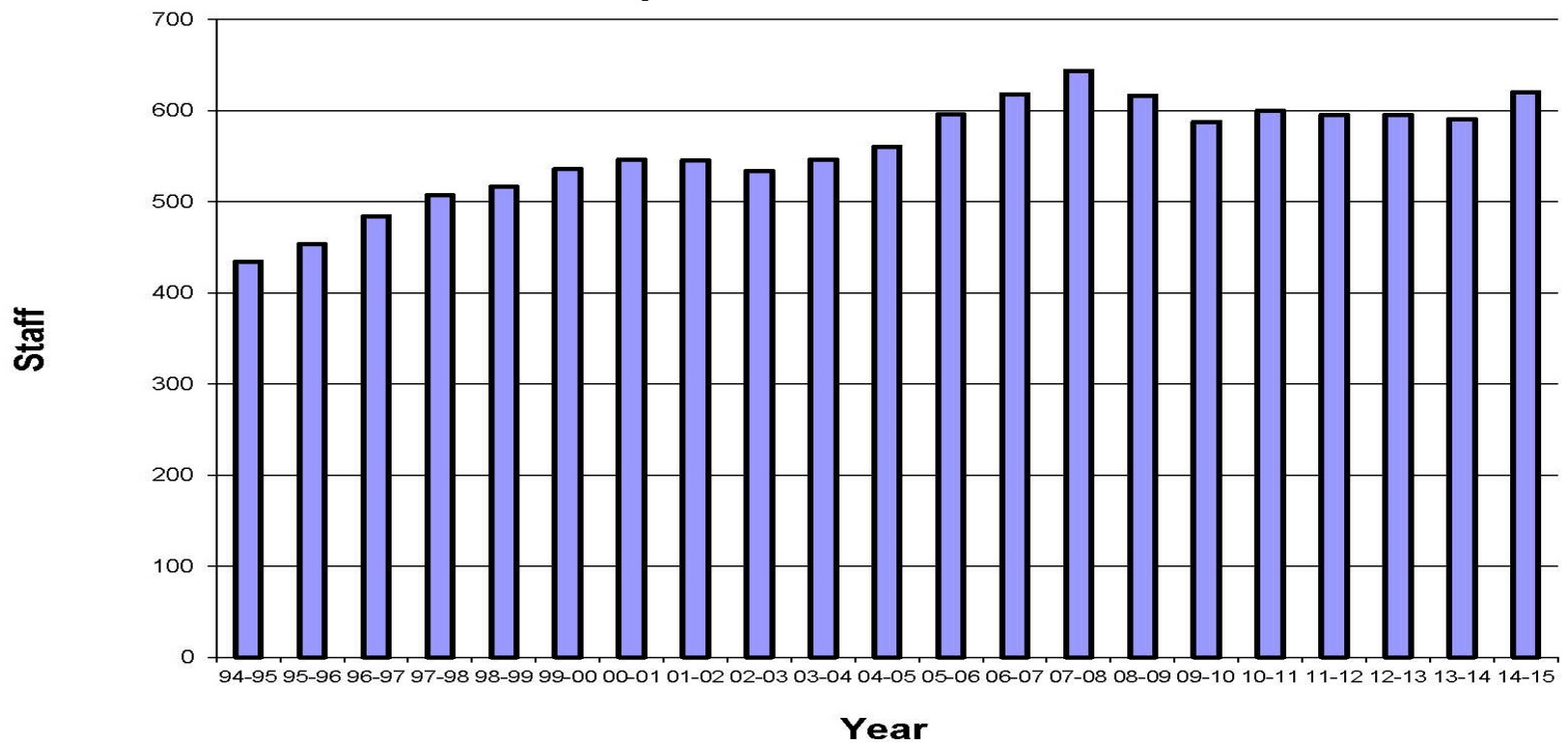
2014-15 General Fund Expenditure Summary



Staff Full-Time Equivalent Comparison

July 1, 2014

Staff FTE Comparison
July 1, 2014



Overview of Proposed Levy Payable in 2015

- Law requires that we explain the major changes in the levy.
 1. We will review how taxes are determined.
 2. We will review the major changes in the levy total and the reasons for those changes.
 3. We will look at some specific examples of tax impact.
 4. We will review the Minnesota Property Tax Refund programs.

School Revenues and Taxes are Highly Regulated by the State

- **State sets** formulas which determine revenue; most revenue is based on specified amounts per pupil (Other local levies).
- **State sets** tax policy for local schools.
- **State sets** maximum authorized property tax levy. (Districts can levy less but not more than amount authorized by state, unless approved by the voters.)
- **State authorizes** school board to submit referendums for operating and capital needs to voters for approval (voter approved levies)- Board discretion up to \$300 per pupil for the first time with Pay 2014 Levy.

Minnesota School District Property Taxes- Key Steps and Participants in the Process

A. Tax Determination and Preparation

Step 1. The **City or County Assessor** determines the estimated market value for each parcel of property in the county.

Step 2. The **Legislature** sets the formulas for tax capacity (e.g. for homestead residential property, tax capacity = 1% of first \$500,000 in value + 1.25% of value over \$500,000.) These formulas determine how much of the tax burden will fall on different types of property.

Step 3. The **County Auditor** calculates the tax capacity for each parcel of property in the county (based on values from step A.1. and tax capacity formulas from step A.2.), as well as the total tax capacity for each school district.

Step 4. The **County Auditor** divides the final levy (determined by the school board in step B.3. by the district's total tax capacity (determined in step A.3.) to determine the tax rate needed to raise the proper levy amount. The auditor multiplies this tax rate times each property's tax capacity to determine the school tax for that property.*

B. Levy Determination and Certification

Step 1. The **Legislature** sets the formulas which determine school district levy limits. These are the maximum amounts of taxes that school districts can levy in every category.

Step 2. The **Minnesota Department of Education** calculates detailed levy limits for each school district based on the formulas approved by the Legislature in step B.1. These limits tell districts the exact amounts that can be levied in every category.

Step 3. The **School Board** adopts a proposed levy in September based on the limits set in step B.1. and calculated in step B.2. After a public hearing, the board adopts a final levy in December. The final levy cannot be more than the preliminary levy, except for amounts approved by voters.

*For certain levy categories (referendum, equity, and transition levies), tax rates and levy amounts are based on **referendum market value**, rather than **tax capacity**.

Levy Timeline in 2015

- Schedule of events in approval of district's 2014 (Payable 2015) tax levy
 - Early September – Minnesota Department of Education prepared and distributed the first draft of levy limit worksheets setting maximum authorized levy
 - September 22 – Board approved the proposed levy
 - November 4 – Bond Election
 - Mid-November – County mailed “Proposed Property Tax Statements” to all property owners
 - December 8 – Tax information presentation and School Board certifies final levy

Overview of Proposed Levy Payable in 2015

- Four main factors affect your taxes-(School portion only for this discussion)
 1. Levy totals
 - A. Truth In Taxation notices** - Decreased \$45,305 or -.37% (School District portion only) - Bond issue not included
 - B. Final Tax statements issued in spring 2015** – Net increase of \$1,134,224 or 9.24% - Bond issue included
 2. Total value of all property within the school district boundaries,(tax base) - Referendum Market Value and Net Tax Capacity **up** for the district - **County Assessor**
 3. Assessed value of your property (estimated and taxable market value) - **County Assessor**
 4. Market Value Exclusion - **State Legislature**
 - Reduces your taxable market value based on a state-determined formula
 - It is the reason why some statements show a difference between Estimated Market Value and Taxable Market Value

School Levy Total - Truth in Taxation Notices

Bond Issue Not Included

Buffalo-Hanover-Montrose School District #877			December 8, 2014	
Comparison of Proposed Tax Levy Payable in 2015 to Actual Levy Payable in 2014 by Fund				
Using Final Levy Payable in 2014 as Base Year				
Category	2014 Final Levy	2015 Truth In Taxation Proposed Levy	Change from Prior Year	Percent Change
General Fund	\$ 5,040,652	\$ 5,102,489	\$ 61,837	1.23%
Community Education	\$ 479,555	\$ 444,304	\$ (35,251)	-7.35%
Debt Service	\$ 6,752,252	\$ 6,680,361	\$ (71,891)	-1.06%
Total Certified Levy	\$ 12,272,459	\$ 12,227,154	\$ (45,305)	-0.37%

School Levy Total – Final Tax Statements

Bond Issue Included

Buffalo-Hanover-Montrose School District #877			December 8, 2014	
Comparison of Proposed Tax Levy Payable in 2015 to Actual Levy Payable in 2014 by Fund				
Using Final Levy Payable in 2014 as Base Year				
Category	2014	2015	Change from Prior Year	Percent Change
	Final Levy	Final Proposed Levy		
General Fund	\$ 5,040,652	\$ 5,102,489	\$ 61,837	1.23%
Community Education	\$ 479,555	\$ 444,304	\$ (35,251)	-7.35%
Debt Service	\$ 6,752,251	\$ 7,859,889	\$ 1,107,637	16.40%
Total Certified Levy	\$ 12,272,458	\$ 13,406,682	\$ 1,134,224	9.24%

Explanation of Levy Changes

- Category: Health and Safety
- Change: +\$397,928
- Use of funds: State-approved capital projects related to health and safety
- Reason for increase:
 - The amount of this levy is based on the estimated cost of qualifying state-approved projects.
 - The levy is going up based on two factors:
 - More projects to complete
 - Expenditures made caught up with revenues last year so this year is based on estimated costs for next two years

Explanation of Levy Changes

- Category: General Fund Adjustments
- Change: -\$254,523
- Use of funds: general operating expenses
- Reason for decrease:
 - Annually, the Minnesota Department of Education adjusts final program revenues to final expenditures or final allocations for per student-based funding programs.
 - Adjustments this year are primarily in the areas of health and safety, reemployment, and the OPEB pay as you go levy.

Explanation of Levy Changes

- Category: School Age Care
- Change: -\$30,000
- Use of funds: KidKare program expenses
- Reason for decrease:
 - Revenue is used to fund the additional costs of providing services to children with disabilities or children experiencing family or related problems of a temporary nature who participate in the school-age care program.
 - Revenue is based on actual expenses and equalized for some districts.
 - Anticipated costs are less than original estimates.

Explanation of Levy Changes

- Category: Reduction for Excess Fund Balance
- Change: -\$78,910
- Use of funds: Principal and interest payments on bonds
- Reason for decrease:
 - Districts are required annually to levy 105% of their debt service payments to cover the loss of revenue from delinquent tax payments.
 - Districts are limited in the amount of fund balance in the debt service fund based on a state-determined excess fund balance formula.
 - Based on the refunding of bond issues in prior years, the district's required excess reduction is increased, resulting in a decrease in the levy.

Explanation of Levy Changes

- Category: Voter Approved Debt Service
- Change: +\$1,179,528
- Use of funds: To pay principal and interest payments on voter approved debt service
- Reason for increase:
 - On November 4, 2014, voters approved a \$33.05 million ballot question.
 - The District is placing the first year estimated levy payment on the 2015 payable tax levy in the abovementioned total.
 - The bonds will be sold on January 12, 2015 and this levy amount will be incorporated into the final bond structure.

Market Value Exclusion Review

- Specifics
 - Applies to residential homestead property only
 - Eliminates the homestead market value credit
 - Declines to \$0 at property value of \$413,800
 - Reduces the Taxable Market Value of your property on a sliding scale in relationship to \$76,000 of value
 - Excludes 40% of the value up to \$76,000
 - Adds back 9% of the value over \$76,000
- Effects on property values
 - Artificially reduces your taxable market value
 - The exclusion is the difference between your Estimated Market Value for 2015 and your Taxable Market Value for 2015 as shown on your tax statement
 - Artificially reduces the net tax capacity of the school district causing a higher tax rate
- Effects on taxes
 - Shifted state paid credits onto local levies
 - Created a greater net tax capacity tax rate
 - Shifted tax burden among the different property classes
 - Pay 2015 is the fourth year of the program so we now have a better comparison to prior year taxes

Property Value Changes- School District Portion

Buffalo-Hanover-Montrose School District #877			12/8/2014
Estimated Valuations used in Tax Calculations for Final Proposed Pay 2015 Levy			
Combined Values for Hennepin and Wright County			
Category	Pay 2014 Final	Pay 2015 Final Proposed	Net Change
Referendum Market Value*	\$ 2,317,864,765	\$ 2,502,675,120	\$ 184,810,355
Net % Change in Value			7.97%
Net Tax Capacity*	\$ 26,370,985	\$ 28,612,856	\$ 2,241,871
Net % Change in Value			8.50%
*All values for taxes payable in 2015 are estimates from Hennepin and Wright County			

- Individual property valuations above these district valuation changes should see a slight increase for the school portion of their taxes
- Individual property valuations at or below these changes should see no change or a slight decrease for the school portion of their taxes

Property Value Changes- Tax Rate Calculations

Buffalo-Hanover-Montrose School District #877

12/8/2014

Analysis of Impact of Proposed 2015 Tax Levy and Rates

Using Final Levy Payable in 2014 as Base Year

Tax Rate Calculations Used for Truth in Taxation Notices	2014 Final Levy	2015 Projected Levy
Net Levy on Referendum Market Value	\$ 3,160,111	\$ 3,124,785
Total Referendum Market Value**	\$ 2,317,864,765	\$ 2,502,675,120
Total RMV Tax Rate (applied to Estimated Market Value)	0.13634%	0.12486%
Net Levy on Net Tax Capacity	\$ 8,934,445	\$ 8,940,986
Net Tax Capacity Value***	\$ 26,370,985	\$ 28,612,856
Total NTC Tax Rate (applied to Taxable Market Value)	33.8798%	31.2481%

Property Value Changes- Tax Rate Calculations

Buffalo-Hanover-Montrose School District #877		12/8/2014
Analysis of Impact of Proposed 2015 Tax Levy and Rates		
Using Final Levy Payable in 2014 as Base Year		
Tax Rate Calculations Used for Final Tax Statements	2014	2015
	Final Levy	Projected Levy
Net Levy on Referendum Market Value	\$ 3,160,111	\$ 3,124,785
Total Referendum Market Value**	\$ 2,317,864,765	\$ 2,502,675,120
Total RMV Tax Rate (applied to Estimated Market Value)	0.13634%	0.12486%
Net Levy on Net Tax Capacity	\$ 8,934,445	\$ 10,120,514
Net Tax Capacity Value***	\$ 26,370,985	\$ 28,612,856
Total NTC Tax Rate (applied to Taxable Market Value)	33.8798%	35.3705%

Impact on Taxpayers- School Portion Only

Buffalo-Hanover-Montrose School District #877
Analysis of Impact of Proposed 2015 Tax Levy and Rates
Using Final Levy Payable in 2014 as Base Year
Truth in Taxation Notices

Tax Impact on Various Classes of Property-School Portion Only	2014 Final Levy	2015 Projected Levy	Difference
Residential Homestead Property			
\$100,000	\$ 379	\$ 349	\$ (30)
\$150,000	\$ 632	\$ 582	\$ (50)
\$200,000	\$ 885	\$ 815	\$ (71)
\$215,760	\$ 965	\$ 888	\$ (77)
\$300,000	\$ 1,391	\$ 1,280	\$ (111)
\$400,000	\$ 1,896	\$ 1,745	\$ (151)
Commercial/Industrial Property			
\$75,000	\$ 483	\$ 445	\$ (38)
\$100,000	\$ 645	\$ 594	\$ (51)
\$108,961	\$ 702	\$ 647	\$ (56)
\$250,000	\$ 1,781	\$ 1,640	\$ (141)
Agricultural Homestead Property			
\$400,000.00 Ag Homestead+	\$ 1,224	\$ 1,127	\$ (97)
\$600,000.00 Ag Homestead+	\$ 1,563	\$ 1,440	\$ (123)
\$800,000.00 Ag Homestead+	\$ 1,901	\$ 1,752	\$ (149)
\$1,000,000.00 Ag Homestead+	\$ 2,240	\$ 2,064	\$ (176)

-Referendum market values are based on an estimated 7.97% average increase for Wright and Hennepin

-Net Tax Capacity values are based on an estimated 8.50% average increase for Wright and Hennepin

-Market Value Credit was replaced by the Market Value Exclusion for Taxes

+A value of \$200,000.00 was assumed for the house, garage, and 1 acre for Ag Homestead Property

Examples - Truth In Taxation

	Parcel #1-City of Buffalo			Parcel #2-City of Buffalo			Parcel #5-Buffalo Township		
	2014	2015	Net Change	2014	2015	Net Change	2014	2015	Net Change
Estimated Market Value	\$ 189,800	\$ 204,900	\$ 15,100	\$ 106,500	\$ 111,600	\$ 5,100	\$ 310,800	\$ 335,800	\$ 25,000
EMV % Change			8.0%			4.8%			8.0%
Taxable Market Value	\$ 169,600	\$ 186,100	\$ 16,500	\$ 78,800	84,400	\$ 5,600	\$ 301,500	328,800	\$ 27,300
TMV % Change			9.7%			7.1%			9.1%
Market Value Exclusion	\$ 20,200	\$ 18,800	\$ (1,400)	\$ 27,700	\$ 27,200	\$ (500)	\$ 9,300	\$ 7,000	\$ (2,300)
Voter Approved Levy	\$ 360	\$ 360	\$ 0	\$ 169	\$ 166	\$ (4)	\$ 636	\$ 633	\$ (3)
Other Local Levies	\$ 474	\$ 477	\$ 4	\$ 243	\$ 237	\$ (6)	\$ 809	\$ 814	\$ 5
Total Tax Amount	\$ 833	\$ 837	\$ 4	\$ 412	\$ 403	\$ (9)	\$ 1,445	\$ 1,447	\$ 1

- District estimated EMV percentage – 7.97% increase
- District estimated TMV percentage – 8.50% increase

Impact on Taxpayers- School Portion Only

Buffalo-Hanover-Montrose School District #877			
Analysis of Impact of Proposed 2015 Tax Levy and Rates			
Using Final Levy Payable in 2014 as Base Year			
Includes New Bond Issue			
Tax Impact on Various Classes of Property-School Portion Only	2014	2015	
	Final Levy	Projected Levy	Difference
Residential Homestead Property			
\$100,000	\$ 379	\$ 379	\$ (1)
\$150,000	\$ 632	\$ 634	\$ 2
\$200,000	\$ 885	\$ 889	\$ 4
\$215,760	\$ 965	\$ 970	\$ 5
\$300,000	\$ 1,391	\$ 1,399	\$ 9
\$400,000	\$ 1,896	\$ 1,910	\$ 14
Commercial/Industrial Property			
\$75,000	\$ 483	\$ 492	\$ 8
\$100,000	\$ 645	\$ 655	\$ 11
\$108,961	\$ 702	\$ 714	\$ 12
\$250,000	\$ 1,781	\$ 1,815	\$ 35
-Referendum market values are based on an estimated 7.97% average increase for Wright and Hennepin			
-Net Tax Capacity values are based on an estimated 8.50% average increase for Wright and Hennepin			
-Market Value Credit was replaced by the Market Value Exclusion for Taxes			
+A value of \$200,000.00 was assumed for the house, garage, and 1 acre for Ag Homestead Property			

Bond Issue Tax Impact - Published versus Final

Buffalo-Hanover-Montrose School District #877				
Final Tax Comparison From Approved Ballot Question				
Published Tax Impact Versus Proposed Final Tax Impact				
Tax Impact on Various Classes of Property-School Portion Only	Published	Final	Net Difference	
Residential Homestead Property				
\$100,000	\$ 35	\$ 30	\$ (5)	
\$150,000	\$ 61	\$ 52	\$ (9)	
\$200,000	\$ 88	\$ 74	\$ (14)	
\$215,760	\$ 96	\$ 82	\$ (14)	
\$300,000	\$ 141	\$ 119	\$ (22)	
\$400,000	\$ 194	\$ 165	\$ (29)	
Commercial/Industrial Property				
\$75,000	\$ 55	\$ 47	\$ (8)	
\$100,000	\$ 73	\$ 61	\$ (12)	
\$108,961	\$ 80	\$ 67	\$ (13)	
\$250,000	\$ 207	\$ 175	\$ (32)	

Individual Property Examples

Tax Impact Example 2014 Payable 2015 Tax Levy			
Residential Homestead Property Value			\$200,000.00
Tax Impact for Truth in Taxation Notice			\$ 815.00
Tax Impact for Final Statement			\$ 889.00
Net Increase due to Bond Issue			\$ 74.00
Published Tax Impact for Bond Issue			\$ 88.00
Net Difference Published to Final			\$ (14.00)

- The tax amount change will vary based on the change in individual property value.

State Property Tax Refunds

- State of Minnesota has two tax refund programs and one tax deferral program available for owners of homestead property.
- These programs may reduce the net tax burden for local taxpayers, but only if you take time to complete and send in the forms.
- For help with the forms and instructions:
 - Consult your tax professional, or
 - Visit the Department of Revenue website at www.taxes.state.mn.us

State Property Tax Refunds

- Minnesota Property Tax Refund
 - (aka “Circuit Breaker” Refund)
 - Has existed since 1970s
 - Available to all owners of homestead property
 - Annual income must be approximately \$105,500 or less (income limit is higher if you have dependents)
 - Refund is a sliding scale, based on total property taxes and income
 - Maximum refund is \$2,657
 - Especially helpful to those with lower incomes
 - Fill out state tax form M-1PR

State Property Tax Refunds

- Special Property Tax Refund
 - Available for all homestead properties with a gross tax increase of more than 12% and \$100 or more over the prior year
 - Refund is 60% of the amount by which the tax increase exceeds the greater of 12% or \$100, up to a maximum of \$1,000
 - No income limits
 - Fill out state tax form M-1PR

Senior Citizen Property Tax Deferral

- Allows people 65 years of age or older with a household income of \$60,000 or less to defer a portion of the property taxes on their home.
- Taxes paid in any year limited to 3% of household income for the year before entering deferral program; this amount does not change in future years.
- Additional taxes are deferred, but not forgiven.
- State charges interest up to 5% per year on deferred taxes and attaches a lien to the property.
- The deferred property taxes plus accrued interest must be paid when the home is sold or the homeowner(s) dies.



Next Steps

- Tonight
 - Board will accept public comments and questions on proposed levy.
 - Board certifies final amount of tax levy payable in 2015.
- Final levy is certified to county auditor by December 31, 2014.

Comments and Questions