

Property Values Are Recovering – How Does That Affect Your Property Taxes?

By Michael T. Etmund | 612.877.5309 | Mike.Etmund@lawmoss.com

Although the exact time period is debatable, it is generally accepted that the residential and commercial real estate markets declined through 2011 before starting a gradual recovery in recent years. Since 2012, the number of sales and average sale prices of residential and commercial properties in Minnesota have continued to steadily increase. New construction has also seen a recent resurgence. Even with this positive outlook, many industry experts believe it will still take another five years before the real estate markets have fully recovered from the Great Recession.

In conjunction with the real estate market recovery, property owners are seeing an increase in the assessed valuations for many properties. The assessed valuations are used to determine the property tax basis for each property as part of total government budgeting. The Minnesota Department of Revenue estimates that property taxes could rise by an average of 4% in 2015. Due to a combination of escalating property tax rates and steady increases in assessed property valuations, property owners are at risk of substantial increases in property taxes payable.

As with the economic downturn, the market upturn signifies an opportunity for re-evaluation of the assessed valuation of your property. An inflated assessed valuation will magnify the impact of tax rate increases. Although many properties have increased in value, it should not be assumed that every property has followed that trend. The market value of your property may not reflect external market conditions. Despite some market recovery, there remain several factors that could adversely influence the market value of a specific property and that could easily be overlooked when a standardized increase is applied to all properties in a given area. For residential property, the overall condition and need for remodeling could be a determinative factor, especially in areas with significant new construction or updating of many homes. A sales comparison may unfairly increase the value of homes that, in fact, are not comparable.

For commercial property, the condition of the property, occupancy rates, and lease rates all impact the market valuation. An assessor may not be privy to detailed information about a specific property unless it is provided by the property owner.

In March of every year, property owners receive a notice containing the estimated market value of their property for the current year and previous year. If you disagree with the estimated assessed market valuation of your property for the current year, there is still time to initiate an appeal of that valuation or other property issue before turning to the Minnesota Tax Court. Typically, an appeal involves an appearance before a City/County Board of Appeal and Equalization and is usually finalized by early fall of each year. If not satisfied with the decision on appeal, a property owner may still file an appeal with the Minnesota Tax Court before the filing deadline.

In late November or early December of each year, property owners receive a “proposed” tax statement based on the estimated market value that indicates the anticipated taxes payable on the property based on governmental budgets for the upcoming year. At that point, the assessed valuation used to determine those taxes may only be challenged by filing an appeal with the Minnesota Tax Court. You have until April 30th of the year the tax becomes payable to appeal the valuation (or classification) to the Minnesota Tax Court. For example, an appeal of the 2014 valuation must be filed before April 30, 2015. All property taxes must continue to be paid in a timely fashion while an appeal is pending. Depending on the nature of the appeal and the volume of appeals in a specific county, it may take several months or even years to resolve an appeal.

There are several considerations that can assist you in determining whether to appeal your property taxes:

1. Compare the estimated market value of your property with that of other similarly situated properties in your area. The

estimated market value of each property is available online for nearly every county in Minnesota.

2. Review recent sales information from nearby properties that are comparable with your property. This is sometimes more beneficial for residential property as there tends to be more information available concerning such properties.
3. Research the classification of your property to make certain it is accurate.
4. Set up an appointment with the assessor to discuss your property valuation. The assessor can provide information as to how the value and classification of the property was determined.
5. Take advantage of the opportunity to appeal to the Board of Appeal and Equalization before heading to the Minnesota Tax Court. Nearly every city has such a board. If you are not satisfied by the result at the city level, you can appeal to the County Board of Appeal and Equalization. The appeal will need to be completed as soon as possible to avoid missing the April 30th deadline for appealing to the Minnesota Tax Court, if you are unsatisfied with the result at local levels. You always have the option of appealing directly to the Minnesota Tax Court.

For further information regarding property tax appeals, visit the website of the city or county assessor where your property is located (for Minneapolis, the website is <http://www.ci.minneapolis.mn.us/assessor/>) or contact your attorney at Moss & Barnett.



Michael T. Etmund represents clients in the areas of property tax appeals, creditor’s remedies, collections, and contractual disputes. Mike is also a member of ACA International Members’ Attorney Program (MAP), which offers members resources to help defense, collection, and in-house attorneys enhance representation to ACA members. To learn more about Mike, visit LawMoss.com/michael-t-etmund. He can be reached at 612.877.5309 or Mike.Etmund@lawmoss.com.