

TRUTH IN TAXATION

Presented by:
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Requirements for the Hearing

Minnesota Statute 275.065

- Tax levy for taxes payable 2012.
- The proposed percent increase (decrease) and the reasons for the increase (decrease).
- Current school district budget.
- Time for the public to comment.

Minnesota School District Property Taxes

Seven Key Steps

Any of these steps may affect the taxes on a parcel of property, but the school district has control over only 1 of the 7 steps.

Step One

- The County Assessor determines the estimated market value for each parcel of property in the county.

Step Two

- The legislature sets the formula for tax capacity. The formula determines how much of the tax burden will fall on different types of property.

Step Three

- The County Auditor calculates the tax capacity for each parcel of property in the county, as well as the total tax capacity for each school district.

Step Four

- The Legislature sets the formulas which determine school district levy limits.

Step Five

- The MN Department of Education calculates detailed levy limits for each school district based on the formulas approved by the Legislature.

Step Six

- The School Board adopts a proposed levy in September, based on the limits set in step five.

Step Seven

- The County Auditor divides the final levy by the district's total tax capacity to determine the tax rate needed to raise the proper levy amount. The auditor then multiplies this tax rate times each property's tax capacity to determine the school tax for that property.

School District Levy

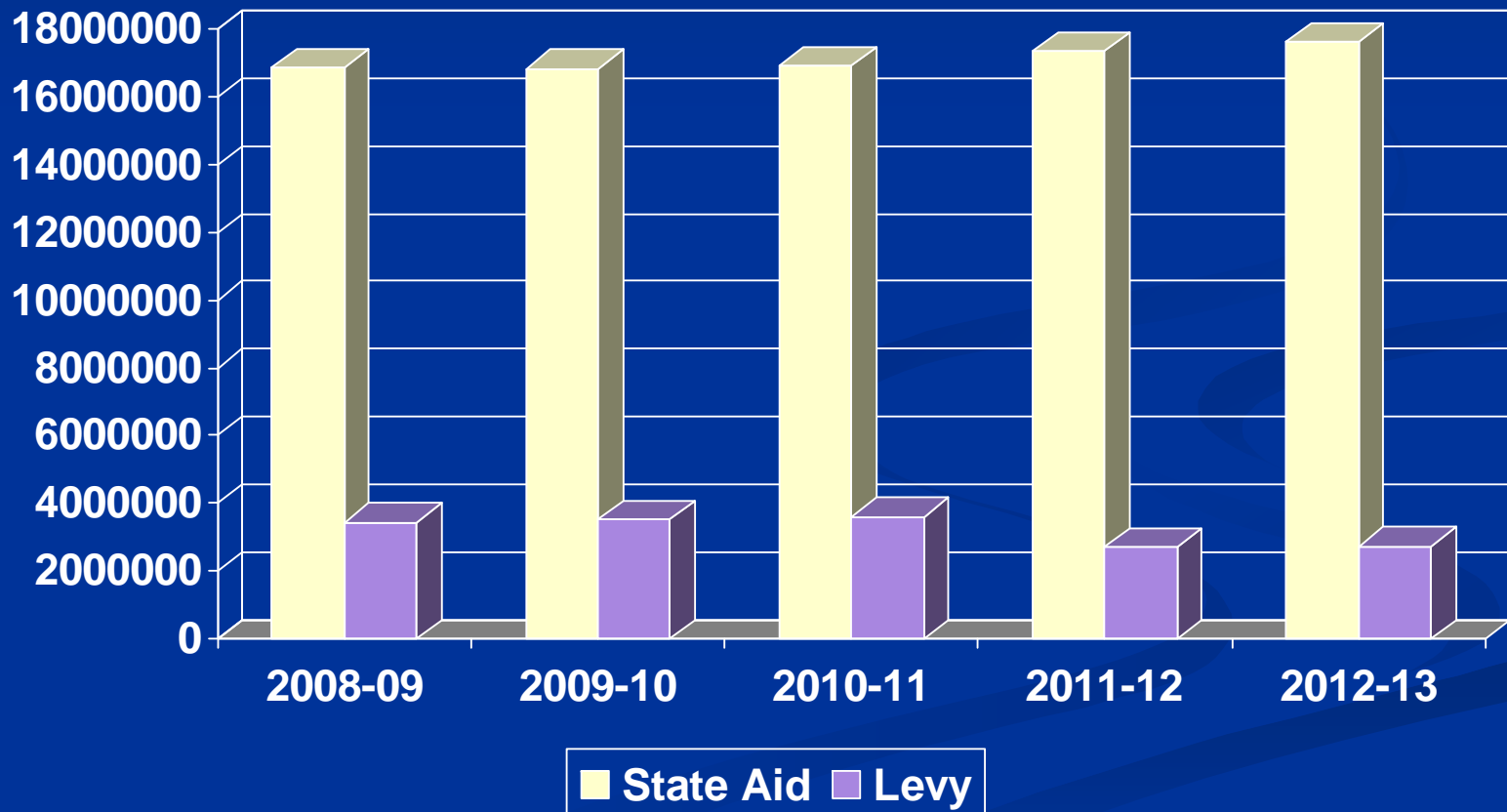
- 2011 Payable 2012
- 2012-2013 School Year



2011 Payable 2012 Levy

	State Aid	Proposed Levy	% of Levy Spent Where	Total Revenue
General Fund	\$17,567,407	\$1,401,615	51.22%	\$18,969,022
Community Service Fund	\$70,416	\$124,917	4.57%	\$195,333
Debt Service Fund	\$0	\$1,209,785	44.21%	\$1,209,785
Total	\$17,637,823	\$2,736,317	100%	\$20,374,140
	86.57%	13.43%		100%

State Aid Compared to Levy



The School District levy
is increasing by

\$27,554

or

1.02%

Breakdown of Change

General Fund decreasing by \$42,301

Net tax capacity decreased by 8.9% which shifts amount from levy to state aid

Community Ed decreasing by \$7,544

Prior year adjustment in kids club

Debt Service increasing by \$77,399

Debt service excess adjustment

Other Variables that Cause Property Tax Increases and Decreases

- Changes in market values.
- Changes in ANTC (adjusted net tax capacity).
- Changes in class rates.
- Enrollment
- Voter approved referendums and/or bond issues.

Market Values

- Market values are final and are not a subject for this hearing.
- The county determines the market value of each property.



Class Rates

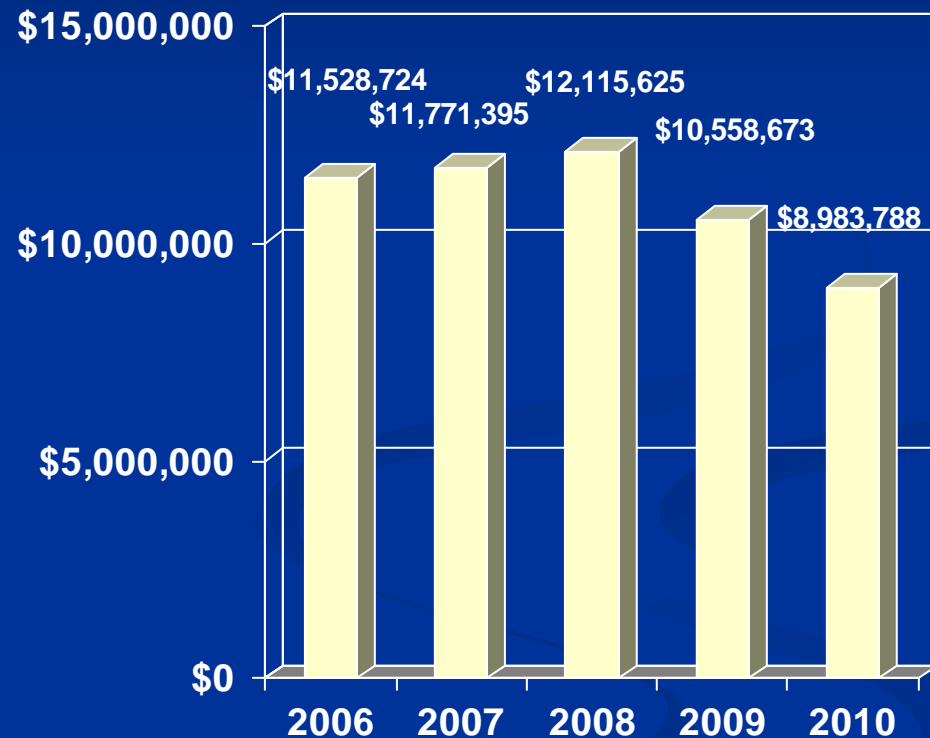
Property Tax Class	Tax Rate Pay 2011	Tax Rate Pay 2012
Residential Homestead		
First \$500,000	1.00%	1.00%
Over \$500,000	1.25%	1.25%
Apartments		
Regular 4+ units	1.25%	1.25%
Low income rental housing	0.75%	0.75%
Commercial-Industrial-Public Utility		
First \$150,000	1.50%	1.50%
Over \$150,000	2.00%	2.00%

Class Rates (continued)

Property Tax Class	Tax Rate Pay 2011	Tax Rate Pay 2012
Agricultural Homestead		
House, Garage and One Acre		
First \$500,000	1.00%	1.00%
Over \$500,000	1.25%	1.25%
Land and Buildings		
First \$1,210,000	0.50%	0.50%
Over \$1,210,000	1.00%	1.00%
Non-Homestead Agricultural Land	1.00%	1.00%
Non-Commercial SRR – Cabins		
First \$500,000	1.00%	1.00%
Over \$500,000	1.25%	1.25%

Adjusted Net Tax Capacity

- ANTC compares market values across the State of Minnesota by county and is intended to neutralize the effect of differing assessment practices by local county assessors.



■ ANTC

Tax Rate Calculation

Total Levy Certified on Net Capacity/Net Tax
Capacity of School District =
School District Tax Rate

$$\$1,866,918 / \$8,983,788 = 20.78\%$$

Percentages: 7.31% Other
13.47% Voter Approved

Homestead Credit Shift of 2011

- Statewide value of credit was \$261 million
- State paid credit has been eliminated
- A portion of the market value is now excluded from the calculation
- More of levy will now come from local taxpayers

Impact of Property Tax Law Change

	Residential Homestead	
	Old Law	New Law
Taxable Market Value	\$250,000	\$250,000
Excluded Value	<u>\$0</u>	<u>(\$14,740)</u>
Included Value	\$250,000	\$235,260
Tax Capacity (Class Rate)	\$2,500.00 (1.00%)	\$2,352.60 (1.00%)
School District Tax Rate Initial Taxes (20.78%)	\$519.50	\$488.88
Homestead Credit	<u>(\$147.40)</u>	<u>\$0</u>
Total	<u>\$372.10</u>	<u>\$488.88</u>

Voter Approved Referendums and/or Bond Issues

- Operating Referendum of \$461.46 per pupil unit
(7 year issue)
- Building Bonds:
 - Cokato Elementary bond, matures FY 2013
 - ECFE/DO/Commons bond, matures FY 2015
 - Auditorium bond, matures FY 2023

State Property Tax Refunds

- State of Minnesota has two tax refund programs available for owners of homestead property.
- These programs may reduce the net tax burden for local taxpayers, but only if you complete the forms.

State Property Tax Refunds

- Homeowners and renters are eligible for a refund if their property taxes are disproportionate to their income.
- A special refund is available for homeowners whose taxes increase by more than 12% and \$100 from the prior year. No income limits apply.

State Property Tax Refunds

- Form M1-PR can be filed to claim the refunds.
- For help with the forms and instructions:
 - Consult your tax professional, or
 - Visit the Department of Revenue website at www.taxes.state.mn.us
 - Forms are also available at post offices, banks and libraries.

School District Budget

Current School Year

2011-12



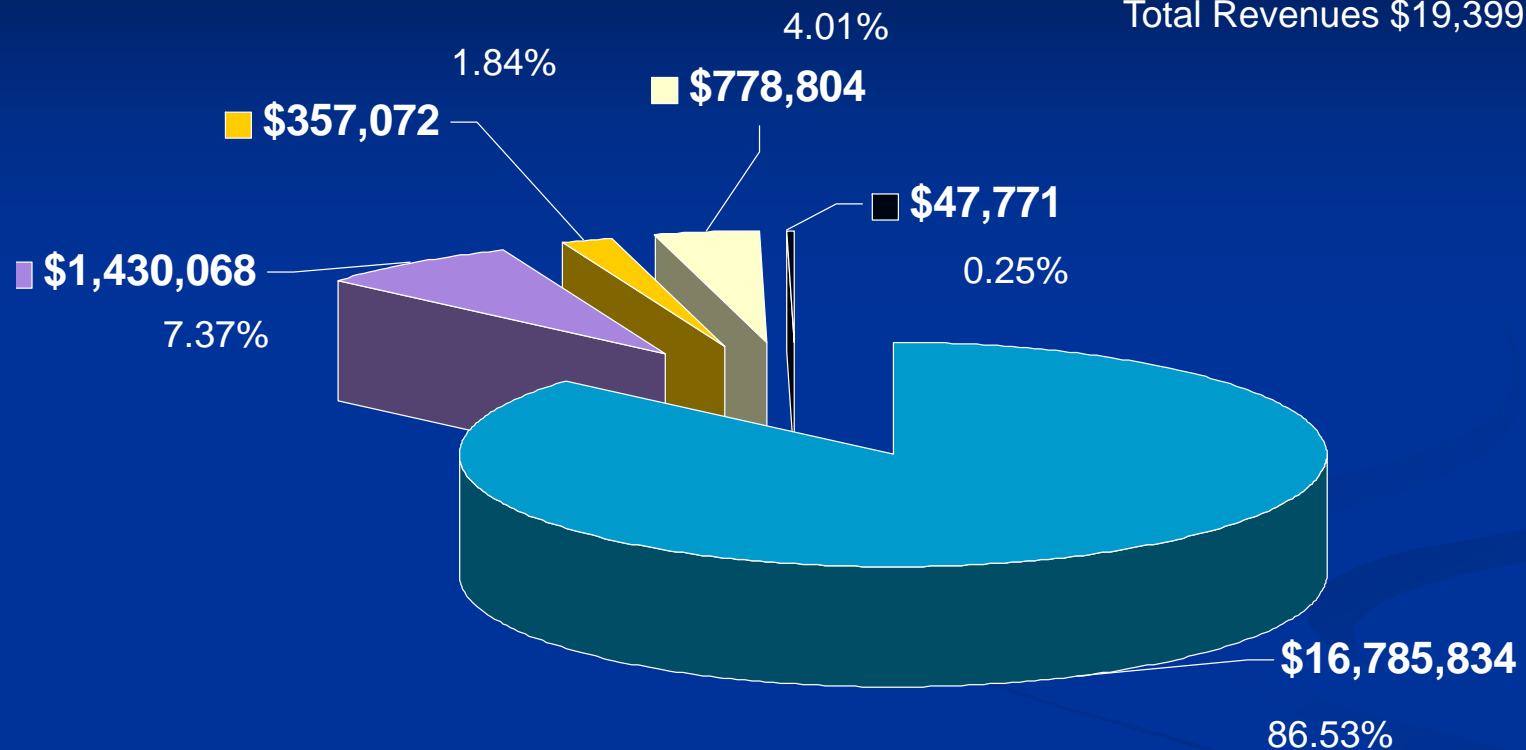
2011-2012 Budget Overview

Revenues

	10-11 Actual	11-12 Budget	Percent Change
General Fund	\$18,090,642	\$17,416,772	-3.72%
Transportation	\$1,142,082	\$1,191,465	4.32%
Capital Expenditure	\$840,861	\$791,312	-5.89%
Food Service	\$875,003	\$855,125	-2.27%
Community Ed	\$660,633	\$625,871	-5.26%
Trust	\$9,203	\$9,300	1.05%
Dental	\$166,851	\$160,015	-4.10%
Debt Service	\$9,860,687	\$1,184,071	-87.99%
Total	\$31,645,962	\$22,233,931	-29.74%

General Fund Revenues by Source

Total Revenues \$19,399,549



State Sources

Local property tax levies

Other local & county sources

Federal Sources

Sale and other conversion of assets

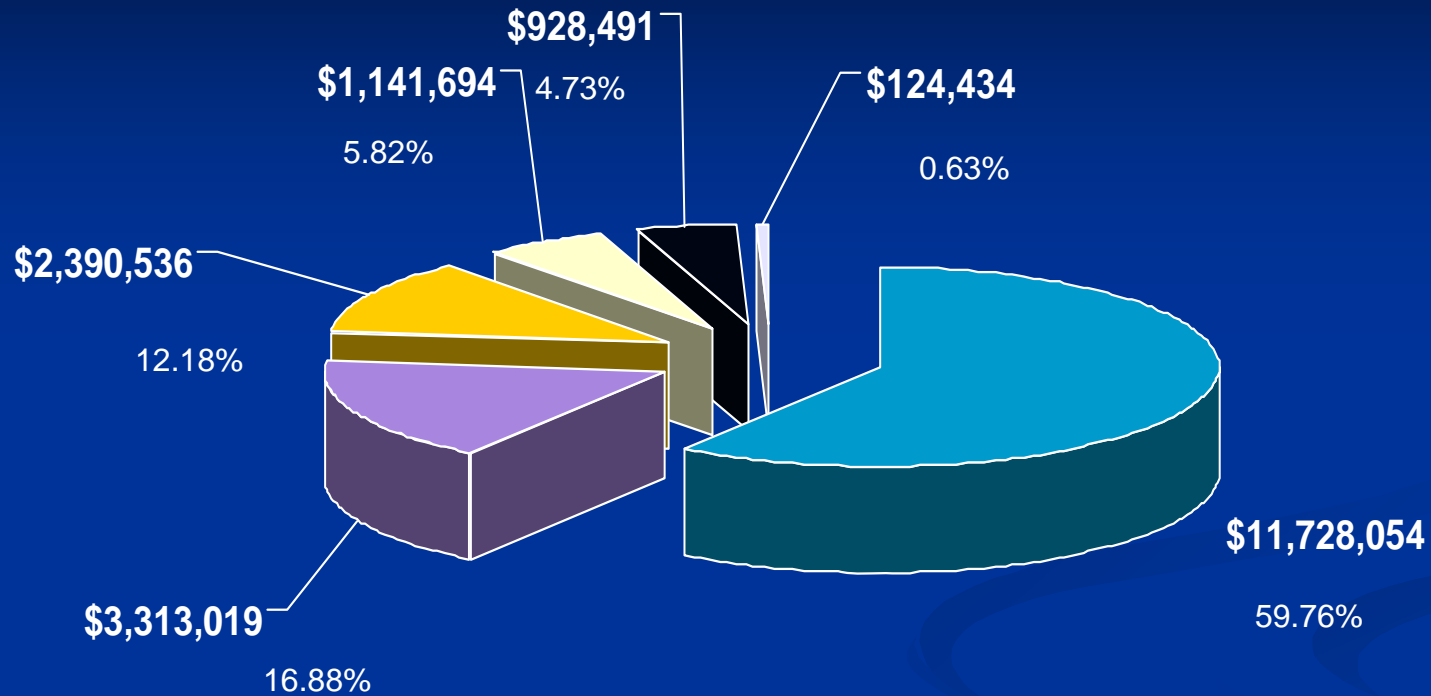
2011-2012 Budget Overview

Expenditures

	10-11 Actual	11-12 Budget	Percent Change
General Fund	\$17,608,274	\$17,418,990	-1.07%
Transportation	\$1,142,082	\$1,191,465	4.32%
Capital Expenditure	\$1,058,131	\$1,015,773	-4.00%
Food Service	\$869,297	\$959,208	10.34%
Community Ed	\$711,889	\$617,600	-13.24%
Trust	\$15,232	\$14,500	-4.81%
Dental	\$147,833	\$160,470	8.55%
Debt Service	\$2,013,306	\$1,281,435	-36.35%
Total	\$23,566,044	\$22,659,441	3.85%

General Fund Expenditures by Object

Total Expenditures \$19,626,228



Questions?

If questions come up, please feel free to call
Tina Palmer at 286-4102