

**HOPKINS CITY COUNCIL
AGENDA
Wednesday, November 30, 2022
6:30 pm**

**THIS AGENDA IS SUBJECT TO CHANGE
UNTIL THE START OF THE CITY COUNCIL MEETING**

I. CALL TO ORDER

II. ADOPT AGENDA

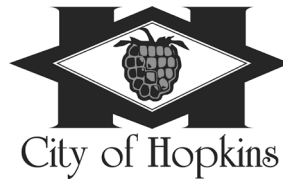
III. PUBLIC HEARING

1. 2023 Budget Meeting, 2023 Tax Levy, 2023 HRA/EDA Levy and General and Special Revenue Fund Budgets;
Bishop

IV. ANNOUNCEMENTS

- Next Regular City Council Meeting: Tuesday, December 6 at 6:30 p.m.

V. ADJOURN



**2023 BUDGET MEETING, 2023 TAX LEVY
2023 HRA/EDA LEVY AND GENERAL AND
SPECIAL REVENUE FUND BUDGETS**

Proposed Action

The primary purpose of tonight's meeting is to hold a public hearing on the proposed 2023 budget and tax levy. The 2023 property tax levy must be approved by December 28, 2022.

The following motion can be approved after the public hearing: Move to Adopt Resolution 2022-081 Approving the 2023 Tax Levy, 2023 HRA Levy and Adopting the 2023 General and Special Revenue Fund budgets.

Overview

The City's Financial Management Plan and related budget projections were presented on June 14th. Based on information available at that time the tax levy for 2023 would be approximately \$19.25 million or a 6.10% increase from the 2022 Levy.

A draft version of the 2023 Budget and Tax Levy was prepared by staff and presented to City Council on July 12th. The City also hosted a budget engagement session on August 15th that reviewed this version of the budget and tax levy. The budget presented included the addition of two full time employees and relied on general fund surplus to pay for capital projects. The tax levy presented was \$18,860,814 a \$720,714 or 3.97% increase from 2022. City Council directed staff to look for options to reduce this amount before the preliminary levy was adopted.

On September 6th City Council approved a preliminary tax levy of \$18,766,224, which is a \$626,124 or 3.45% increase from 2022. The preliminary levy was reduced by using \$50,000 of park franchise fees to pay the debt levy for Burnes Park and the delayed start of the fire command officer position.

The budget in its current form recommends spending in the general fund at \$17,188,440 and a total tax levy of \$18,766,224. In addition, a proposed HRA/EDA levy of \$451,531 is also being recommended.

Primary Issues to Consider

- The 2023 levy must be certified to Hennepin County by December 28, 2022.

Supporting Information

- Tax Levy and Budget Overview
- HRA/EDA Levy Overview
- Truth in Taxation Statements Summary
- Resolution 2022-081
- 2023 General Fund and Special Revenue Fund Budgets
- 2023 Tax Levy Summary
- Association of MN Counties – “Why Property Taxes Vary from Year to Year”



Nick Bishop, CPA
Finance Director

Tax Levy and Budget Overview

The Final 2023 levy would be set at \$18,766,224, a \$626,124 or 3.45% increase from 2022. Based on preliminary tax capacity information, city taxes on a median value home (\$361,000) will be \$2,188, a \$148 or 9.3% increase from 2022.

The two largest areas supported by the levy are public safety and capital projects & debt. This is a breakdown of City property taxes:

	Median Value Home (\$361,000)	Percentage
Public Safety	\$ 869	39.8%
General Government	\$ 315	14.4%
Public Works	\$ 247	11.3%
Parks and Recreation	\$ 154	7.0%
Arts Center	\$ 40	1.8%
Activity Center	\$ 40	1.8%
Pavilion	\$ 40	1.8%
Capital projects & debt	\$ 483	22.1%
Total	\$ 2,188	100.0%

Public Safety is comprised of police, fire and inspection departments. In total they make up 39.8% of the levy.

The Police Department’s Mission is to serve the community with Honesty, Integrity and Respect. They accomplish this through community engagement, relationship building and providing education and youth initiatives. They also responded to 21,432 calls for service in 2021. They work diligently to prevent and deter crime. The Police Department will add one position in 2023 funded through the American Rescue Plan Act.

The Fire Department makes a positive difference everyday by providing quality fire response, prevention services, emergency medical, hazardous materials handling and emergency preparedness. In 2021, they responded to 1,585 calls. Their average response time is 4.6 minutes. The Fire Department will conduct a staffing study in 2023 funded by general fund surplus and add one position starting on July 1.

Inspections – this is the smallest department within public safety and accounts for 1.3% of the tax levy. The Inspections Department budget is primarily funded through charges for service. The 2023 budget includes revenues of \$735,550 and expenditures of \$1,062,119. The Inspections Department will add one position in 2023 funded by increased fees related to new development.

Capital projects and debt is the next largest portion of the levy making up 22.1%. It supports street reconstruction, capital projects at municipal buildings and equipment purchases.

The City is completing a street reconstruction plan paid for through bond issuance, special assessments and user charges for water, sewer and storm-sewer. All streets in Hopkins are planned to be reconstructed by 2031. The current capital improvement plan calls for a one year break in projects in 2024. Continuing this program ensures the future preservation of our streets and helps maintain the quality of life Hopkins residents have come to expect.

In order to fully realize the benefits of Southwest Light Rail the city invested in 8th Avenue and created the Artery. The Artery is a bike, pedestrian and vehicle connection and community space between a future light rail transit station and the City's historic downtown. The \$5.7 million project leveraged \$2.6 million of grants from Metropolitan Council, Hennepin County and Three Rivers Park District.

The City has also invested in the Blake Road Corridor. The City is adding several pedestrian friendly amenities including: multi-use trails, landscaped boulevards and upgraded street lighting. The Road will also be upgraded to handle future traffic and development demands. The \$16 million project will receive reimbursements from Hennepin County (\$8 Million) and utilize Municipal State Aid of (\$3 million).

The City's share of the Artery project and Blake Road reconstruction were funded with debt. They also took advantage of limited outside funding sources in order to make needed improvements. Delaying the projects would likely result in higher costs and a larger City-share of the overall cost.

The Arts Center levy being proposed is \$347,697 or 1.8% of the total levy. The Arts Center is a premiere cultural and artistic destination drawing over 250,000 visitors annually. The City believes that it is an excellent economic development tool that helped make Mainstreet vibrant and authentic. With this levy, the Arts Center will continue to be an asset to the Community.

The Activity Center is a separate facility that is included in the general fund budget. The general fund levy amount being used for the Activity Center is \$343,392 or 1.8% of the levy. The Activity Center's mission is to provide pathways to "Experience the Upside of Aging". It is a gathering place for mature adults. It is also used as a rental facility and community space.

The Pavilion levy being proposed is \$340,000 or 1.8% of the levy. In 2018, the Pavilion was upgraded and expanded. The City needed to complete a project to replace a 27-year old refrigeration system that was unreliable, developing leaks and being phased out by the EPA. The City was able to increase the scope of the project to include remodeled locker rooms, shower rooms, expanded lobby, remodeled offices, remodeled concession stand and expanded restroom facilities after receiving contributions from Hopkins School District (\$1.0 Million) and Hopkins Youth Hockey Association (\$1.0 Million). The project still required bond proceeds of \$3.1 million to complete. The debt service for the bonds will be paid with a Pavilion levy through 2033.

HRA/EDA Levy

The HRA/EDA Levy is the main revenue sources for the City's Economic Development Fund and plays an important role in the City's continued efforts for redevelopment.

There are levy limits based on 0.01850% of the City's estimated market value. The market value used for the 2023 Levy is \$2,440,709,800, resulting in a maximum tax levy of \$451,531 which would be an increase of \$60,229 or 15.39% from 2022. The HRA/EDA was set at the maximum allowed in 2018-2020 and lesser amounts in 2021-2022.

Tax Year	Maximum Allowable Levy	HRA/EDA Levy	\$ Increase	% Increase
2018	331,367	331,337	21,137	6.81%
2019	350,154	350,154	18,817	5.68%
2020	367,951	367,951	17,797	5.08%
2021	407,727	378,070	10,119	2.75%
2022	434,750	391,302	13,232	3.50%
2023-Proposed	451,531	451,531	60,229	15.39%

For the proposed levy, taxes on a median value home (361,000) will be \$53, a \$10 or 23.3% increase. The HRA/EDA levy is a separate levy and appears on tax statements under Other Taxing Districts.

Economic Development Fund

The Fund coordinates the economic development processes not directly funded by specific project budgets and also supports Artstreet, the Arts Center, the Façade Improvement program, and marketing efforts. The main revenue sources of the fund are the HRA/EDA tax levy and excess tax increment financing. The 2023 budget includes a \$30,000 increase for marketing.

Truth in Taxation Summary

Based on preliminary levies, the total taxes on a median value home in Hopkins will increase by \$432 or 9.1%. Hennepin County and Hopkins Public Schools adopted preliminary levy increases of 4.5% and 10.2%, respectively.

TOTAL TAX COMPARISON			
	Actual 2022	Preliminary 2023	% Increase
Median Value Home	315,000	361,000	14.60%
Hennepin County	1,220.23	1,282.32	5.09%
City of Hopkins	2,002.68	2,188.24	9.27%
School District 270	1,261.76	1,429.36	13.28%
Metropolitan Council	68.56	70.08	2.22%
Other Special Taxing Districts	216.19	231.44	7.05%
	4,769.42	5,201.44	9.06%

Hennepin County provides Cities with summarized data from Truth in Taxation statements. The following chart shows the percentage of each property type that will see a decrease or increase in total taxes based on preliminary levies. Residential properties, which includes single family houses, condominiums, townhomes and duplexes, will see the largest increases.

CITY OF HOPKINS			
	Residential	Apartment	Commercial/ Industrial
Decrease/No Change	6.92%	52.85%	64.44%
Increase .1% - 4.9%	21.73%	17.16%	15.56%
Increase 5.0% - 9.9%	34.26%	15.71%	11.85%
Increase 10.0% - 14.9%	26.33%	5.71%	1.48%
Increase 15.0% and Over	10.76%	8.57%	6.67%
*based on total taxes			

Tax changes are caused by both the preliminary property tax levies and changes to estimated market values. The value of residential has grown at a faster rate than the value of apartments and commercial/industrial properties. This causes a shift of property taxes to residential. Most Cities in Hennepin County are experiencing the same value and tax changes. This chart shows the changes in total taxes for residential properties in Hopkins and Suburban Hennepin County.

RESIDENTIAL SINGLE FAMILY PROPERTIES		
	City of Hopkins	Suburban Hennepin County
Decrease/No Change	6.92%	7.93%
Increase .1% - 4.9%	21.73%	19.63%
Increase 5.0% - 9.9%	34.26%	32.47%
Increase 10.0% - 14.9%	26.33%	27.26%
Increase 15.0% and Over	10.76%	12.71%
*based on total taxes		

CITY OF HOPKINS

Hennepin County, Minnesota

RESOLUTION NO. 2022-081

RESOLUTION APPROVING 2023 TAX LEVY, 2023 HRA LEVY AND ADOPTING THE 2022 GENERAL AND SPECIAL REVEUNE FUND BUDGETS

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF HOPKINS, MINNESOTA,

That the following sums of money be levied for the current year collectible in 2023 upon the taxable property in the City of Hopkins, for the following purposes.

General Levy

General Operations \$14,873,478

Special Levies

Debt Levies

2014A GO Bonds	100,000
2015A GO Street Reconstruction Bonds	255,000
2015B GO Tax Abatement Bonds	125,000
2016A GO Improvement Bonds	102,000
2016B GO Tax Abatement Bonds	37,411
2016C Equipment Certificates	205,000
2017A GO Street Reconstruction Bonds	940,000
2017B GO Tax Abatement Bonds	111,860
2018A GO Equipment Certificates	80,535
2018A GO Improvement Bonds	435,000
2019A GO Bonds	315,000
2019B GO Refunding Bonds	118,300
2020A GO Bonds	194,993
2020B GO Refunding Bonds	322,537
2021A GO Bonds	212,717
2022A GO Bonds	337,393

Subtotal Special Levies 3,892,746

Total Levy

\$18,766,224

HRA/EDA Levy

Housing & Redevelopment Authority Levy

\$ 451,531

This levy is made based on current law and the **2023 General Fund Budget** of \$17,188,440.

That based upon staff analysis of specials assessments currently levied for Permanent Improvement Bonds, alternative revenue sources for the Capital Improvement Bonds and Equipment Certificates, and available reserves within all debt service funds listed below, that the debt service levies for 2023 for the following issues be levied at amounts less than that provided by the bond covenants.

<u>Bond Issue</u>	<u>Net Debt Service Levy</u>
\$1,895,000 G.O. Improvement Bonds of 2014A (B2964)	\$ 100,000
\$4,100,000 G.O. Street Reconstruction bonds of 2015A (B3031)	\$ 255,000
\$4,335,000 G.O. Improvement Bonds of 2016A (B3123)	\$ 102,000
\$1,875,000 G.O. Bonds of 2016C (B3020)	\$ 205,000
\$11,795,000 G.O. Street Reconstruction Bonds of 2017A (B3198)	\$ 940,000
\$3,170,000 G.O. General Obligation Bonds of 2017B	\$ 111,860
\$6,715,000 G.O. Bonds of 2018A (B3024)	\$ 435,000
\$3,285,000 G.O. Tax Abatement Bonds of 2018B (B3023)	\$ 0
\$12,185,000 G.O. Bonds of 2019A (B3025)	\$ 315,000
\$2,015,000 G.O. Refunding Bonds of 2019B (B3026)	\$ 118,300

BE IT FURTHER RESOLVED, that the following amounts are budgeted for the Special Revenue Funds:

State Chemical Assessment	\$65,000	TIF 2.9 Oaks of Main	\$8,591
Economic Development	\$519,236	TIF 2.11 Super Valu	\$3,700,000
TIF 1.2 Entertainment District	\$16,046	5 th Avenue Flats	\$0
Parking	\$158,610	TIF 1.4 – Marketplace & Main	\$215,828
Hopkins Race & Equity Initiative	\$6,000	TIF 1.5 – Moline	\$2,487,887
Communication (Cable TV)	\$293,596	Arts Center	\$1,104,132
Depot Coffee House	\$263,224		

BE IT FURTHER RESOLVED, that the City Clerk is hereby ordered and directed to transmit a certified copy of this resolution to the County Auditor of Hennepin County, Minnesota.

Adopted by the City Council of the City of Hopkins on this this 30th day of November, 2022.

Patrick Hanlon, Mayor

ATTEST:

Amy Domeier, City Clerk

**City of Hopkins
General Fund Revenue Budget
For the Year Ending December 31, 2023**

**RECOMMENDED
November 30, 2022**

Department	2022 Budget	2023 Budget	% Increase (Decrease)
Property Taxes	13,304,739	14,020,781	5.38%
Intergovernmental Revenue			
Local Government Aid	880,066	925,794	
Intergovernmental Revenue - Other	622,000	705,000	
Total Intergovernmental Revenue	1,502,066	1,630,794	8.57%
Licenses, Permits & Fines			
Court Fines & Penalties	176,000	176,000	
Building Permits & Inspections	475,500	557,000	
Inspection Fines & Citations	2,500	3,000	
City Clerk - Business Licenses	7,000	8,000	
PD - Liquor, Animal Licenses & Penalties	98,300	101,800	
Fire - Licenses & Permits	2,300	4,000	
Public Works - Licenses & Permits	19,415	19,415	
Planning & Zoning - Licenses & Permits	1,000	1,000	
Total Licenses, Permits & Fines	782,015	870,215	11.28%
Charges for Service			
Finance Department	5,500	5,500	
Assessing	3,000	3,000	
Inspections	109,400	175,450	
Police	35,000	35,000	
Fire	10,500	10,500	
Public Works	3,150	3,150	
Activity Center	90,000	94,300	
Total Charges for Service	256,550	326,900	27.42%
Miscellaneous Revenue			
Franchise Fees	296,200	296,200	
Miscellaneous	15,250	20,250	
Finance Department	3,000	3,000	
Police	500	500	
Fire	3,500	3,500	
Public Works	5,300	5,300	
Activity Center	4,500	11,000	
Total Miscellaneous	328,250	339,750	3.50%
Total Revenues	16,173,620	17,188,440	6.27%

**City of Hopkins
General Fund Expenditure Budget
For the Year Ending December 31, 2023**

**RECOMMENDED
November 30, 2022**

Department	2022 Budget	2023 Budget	% Increase (Decrease)
City Council	104,699	105,851	1.10%
Administrative Services	912,950	1,020,031	11.73%
Finance	462,665	488,794	5.65%
Legal	225,000	225,000	0.00%
Municipal Building	380,901	380,832	-0.02%
Assessing	244,158	256,089	4.89%
City Clerk	219,803	245,466	11.68%
Inspections	904,960	1,062,119	17.37%
Police	6,417,543	6,958,766	8.43%
Fire	1,616,824	1,633,390	1.02%
Public Works	3,509,559	3,632,027	3.49%
Recreation	295,475	306,993	3.90%
Activity Center	466,388	486,192	4.25%
Planning & Zoning	204,784	170,842	-16.57%
Community Development	118,711	126,848	6.85%
Tuition Reimbursement	19,200	19,200	0.00%
Contingency	50,000	50,000	0.00%
Transfer to Other Funds	20,000	20,000	0.00%
Total Expenditures	16,173,620	17,188,440	6.27%

**City of Hopkins
Special Revenue Funds Budget
For the Year Ending December 31, 2022**

**RECOMMENDED
November 30, 2022**

Revenues

Fund No.	Fund	2021 Budget	2022 Budget	% Increase (Decrease)
203	State Chemical Assessment	65,000	65,000	0.00%
204	Economic Development	506,302	571,531	12.88%
211	TIF 1.2 Entertainment District	30,000	45,000	50.00%
214	Parking	130,500	143,250	9.77%
216	Hopkins Race & Equity Initiative	6,000	6,000	0.00%
217	Communications (Cable TV)	243,000	233,000	(4.12%)
219	Depot Coffee House	254,169	248,224	(2.34%)
229	TIF 2.9 Oaks of Main	250	250	0.00%
231	TIF 2.11 Super Valu	2,370,000	2,820,000	18.99%
232	5th Avenue Flats	-	-	0.00%
233	TIF 1.4 - Marketplace & Main	206,300	226,000	9.55%
234	TIF 1.5 - The Moline	1,015,000	2,515,000	147.78%
250	Arts Center	1,087,458	1,164,132	7.05%

Expenditures

Fund No.	Fund	2021 Budget	2022 Budget	% Increase (Decrease)
203	State Chemical Assessment	65,000	65,000	0.00%
204	Economic Development	502,072	519,236	3.42%
211	TIF 1.2 Entertainment District	9,046	16,046	77.38%
214	Parking	162,030	158,610	(2.11%)
216	Hopkins Race & Equity Initiative	6,000	6,000	0.00%
217	Communications (Cable TV)	271,945	293,596	7.96%
219	Depot Coffee House	254,169	263,224	3.56%
229	TIF 2.9 Oaks of Main	8,591	8,591	0.00%
231	TIF 2.11 Super Valu	2,150,000	3,700,000	72.09%
232	5th Avenue Flats	-	-	0.00%
233	TIF 1.4 - Marketplace & Main	201,410	215,828	7.16%
234	TIF 1.5 - The Moline	944,101	2,487,887	163.52%
250	Arts Center	1,027,458	1,104,132	7.46%

**City of Hopkins
Tax Levy
For the Year Ending December 31, 2023**

**RECOMMENDED
November 30, 2022**

Purpose	Actual FY2022	Preliminary FY2023	% Increase (Decrease)
General Operations			
General Fund	13,219,739	13,935,781	5.42%
Capital Levy	50,000	-	-100.00%
Arts Center	339,317	347,697	2.47%
Pavilion Fund	418,000	340,000	-18.66%
Equipment Replacement	-	250,000	100.00%
Permanent Improvement	110,000	-	-100.00%
Total General Operations	14,137,056	14,873,478	5.21%
Debt Levy	4,003,044	3,892,746	-2.76%
Total Levy	18,140,100	18,766,224	3.45%

Fourteen Reasons WHY PROPERTY TAXES VARY FROM YEAR TO YEAR

- 1. THE MARKET VALUE OF A PROPERTY MAY CHANGE.**
- Each parcel of property is assessed at least once every five years and a sales ratio study is done to determine if the property is assessed similarly to like properties. If not, the Commissioner of Revenue may issue an 'order' that would affect the taxable value of a parcel.
 - Additions and improvement made to a property generally increases its market value.

- 2. THE MARKET VALUE OF OTHER PROPERTIES IN YOUR TAXING DISTRICT MAY CHANGE, SHIFTING TAXES FROM ONE PROPERTY TO ANOTHER.**
- If the market value of a property increases more or less than the average increase or decrease in a taxing district, the taxes on that property will also change.
 - New construction in a taxing district increases the tax base and will affect the district's tax rate.

- 3. THE STATE GENERAL PROPERTY TAX MAY CHANGE.**
- The state legislature directly applies a State General Property Tax to commercial/industrial and season/recreational property classes.

4.

THE CITY BUDGET AND LEVY MAY CHANGE.

- Each year, cities 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.

5.

THE TOWNSHIP BUDGET AND LEVY MAY CHANGE.

- Each March, townships set the levy and budget for the next year.

6.

THE COUNTY BUDGET AND LEVY MAY CHANGE.

- Each year, counties review the needs and wants of their citizens and how to meet those discretionary needs and wants. In addition, also included in the county budget is non-discretionary spending which is required by state and federal mandates and court decisions and orders. As much as sixty to eighty-five percent of the county expenditures are used to deliver mandated services.

7.

THE SCHOOL DISTRICT'S BUDGET AND LEVY MAY CHANGE.

- The Legislature determines basic funding levels for K-12 education and mandates services that schools must perform. On average, approximately seventy percent of school costs are paid by the state.
- Local school districts set levies for purposes including safe school and community education, etc.

8.

A SPECIAL DISTRICT'S BUDGET AND LEVY MAY CHANGE.

- Special districts such as the Metropolitan Council, hospital districts, watershed districts, drainage districts, etc. set levies to balance their budgets.

9.

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.

10. VOTERS MAY HAVE APPROVED A SCHOOL, CITY/TOWNSHIP, 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.

11. 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.

12. 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 be a key portion of the local government revenue stream and that revenue stream may have changed.

13. THE STATE LEGISLATURE MAY HAVE CHANGED THE PORTION OF THE TAX BASE PAID BY DIFFERENT TYPES OF PROPERTIES.

- A change in class rates will require a change in the tax rate to raise the same amount of money.

OTHER STATE LAW CHANGES MAY ADJUST THE TAX BASE.

- Fiscal disparities, personal property taxes on utility properties, limited market value, and tax increment financing are example of laws that affect property taxes.

Glossary of Terms

CATEGORICAL AID: Aid given to a local unit of government to be used only for a specific purpose.

CIRCUIT BREAKER: See "Property Tax Refund."

CLASS RATES: The percent of market value set by state law that establishes the property's tax capacity subject to the property tax.

COUNTY PROGRAM AID: State property tax relief aid to counties, distributed with a formula based on needs (households on foodstamps, age of the population, number of serious crimes) and tax base equalization for counties with smaller tax bases.

EDUCATION AID: The total amount of state dollars paid for K-12 education. This aid is paid to the school districts.

FISCAL DISPARITIES: A program in the Twin Cities metropolitan area and on the iron range in which a portion of the commercial and industrial property value of each city and township is contributed to a tax base sharing pool. Each city and township then receives a distribution of property value from the pool based on market value and population in each city.

GENERAL PURPOSE AID: Aid given to units of government to be used at their own discretion. Examples are Local Government Aid and County Program Aid.

HIGHWAY AID: Motor fuels tax and license tab money the state distributes to counties, cities and townships for highways and bridges.

HOMESTEAD: A residence occupied by the owner.

INDIVIDUAL INCOME TAX: A state tax on the income of residents and non-residents with Minnesota sources of income that is deposited into the state general fund.

LEVY: The imposition of a tax, associated with the property tax.

LEVY LIMIT: The amount a local unit of government is permitted to levy for specific services under state law.

LIMITED MARKET VALUE: A state imposed limit on property value increases for the purpose of calculating property taxes.

LOCAL GOVERNMENT AID (LGA): A state government revenue sharing program for cities with low property wealth or high service burdens that is intended to provide an alternative to the property tax.

LOCAL SALES TAX: A local tax, authorized by the state, levied on the sale of goods and services to be used for specific purposes by the local government.

LOCAL TAX RATE: The tax rate usually expressed as a percentage of tax capacity, used to determine the property tax due on a property.

MARKET VALUE: An assessor's estimate of what property would be worth if it were sold.

MARKET VALUE AGRICULTURE CREDIT: A state credit to reduce the property tax paid by agricultural homesteads to the local taxing jurisdiction.

MARKET VALUE HOMESTEAD CREDIT: The Market Value Homestead Credit (MVHC) program was eliminated during the 2011 Special Session for taxes payable in 2012 and beyond. The credit was replaced with a *market value exclusion* (defined below). This guide describes the (MVHC) reimbursement program. The program was designed to provide state-paid property tax relief to owners of certain qualifying homestead property.

MARKET VALUE HOMESTEAD EXCLUSION: The exclusion reduces the taxable value of qualifying homesteads. Despite the decreased taxable value, taxes will increase on most properties including apartments and businesses and is independent of any action taken by local governments. The exclusion provides for a portion of each home's market value to be excluded from its value for property tax calculations. The amount of value excluded is directly proportional to the MVHC the home received under the old law. In this way, each home contributes a smaller amount to each taxing jurisdiction's tax base. The tax rate tends to be a little higher because of the reduced tax base, which is why taxes increase for the other types of property. The tax burden on any given homestead could be lesser or greater depending upon the mix of properties in the jurisdiction and the level of the tax rate.

PROPERTY TAX: A tax levied on any kind of property.

PROPERTY TAX REFUND: A partial property tax refund program for those who have property taxes out of proportion with their income. This program is available to homeowners and renters.

SALES RATIO STUDY: A study conducted by the Department of Revenue of open market property sales, which is then compared to local assessments to ensure that local assessments adequately reflect the market.

STATE GENERAL PROPERTY TAX: A state-imposed property tax on commercial, industrial, and seasonal recreational properties.

STATE SALES TAX: A state tax (6.5%) levied on the sale of goods and services that is deposited into the state general fund.

TAX CAPACITY: The valuation of property based on market value and class rates, on which property taxes are determined.

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