

Purpose of the board

The purpose of the Board of Appeal and Equalization is to provide a fair and objective forum for property owners to appeal their valuation or classification. The local board often serves as the first formal step in the appeals process for taxpayers.

One of the most important duties placed by law upon the governing body of a township, city, or county is to serve as the Board of Appeal and Equalization. Effective actions taken by the board may potentially make a direct contribution to attaining assessment equality.

The goal of the Board of Appeal and Equalization should be to attempt to address property owners' issues efficiently, fairly and objectively.

Always keep in mind that any changes made by the board must be substantiated by facts. Any value reductions must be justified because they have the effect of shifting the tax burden to other property in the jurisdiction. Further, any changes made by the board must meet statutory guidelines.

Training for Boards of Appeal and Equalization

Legislation enacted in the 2003 and 2008 sessions requires that there be at least one member at each meeting of a Board of Appeal and Equalization who has completed an appeals and equalization course developed or approved by the Commissioner of Revenue within the last four years.

Board members have a four-year certification cycle. They may have also taken additional appeals and equalization courses as a refresher. This handbook and the accompanying presentation have been updated to provide additional useful information to help the local board members better understand the overall assessment process and their role within it.

The impetus for the legislation

The legislation was enacted in part as a response to complaints that were directed to the Governor, Legislature and Department of Revenue. The legislature determined that training was needed to address the procedural shortfalls of some boards. This training will provide information and education for board members that will make the process more efficient and result in a better overall experience for both property owners and board members.

The appeals and equalization course details the responsibilities, procedures and requirements of the Board of Appeal and Equalization. The legislation also requires the Commissioner of Revenue to develop a handbook to be reviewed during this course. This handbook includes:

Does “training” sound familiar?

Training for Local Boards of Appeal and Equalization is not a new concept. From 1947 to 1979, Local Boards of Appeal and Equalization (then referred to as local boards of review) were required by law to attend an instructional meeting at the county. In 1979, Minnesota Statutes, Section 273.03, subdivision 1 read as follows:

“The assessors and at least one member of each local board of review shall meet at the office of the county auditor on a day to be fixed by the commissioner of taxation for the purpose of receiving instructions as to their duties under the laws of the state.”

While training or instructional meetings may not be a “new” idea, the 2003 legislature determined that training for Local Boards of Appeal and Equalization was necessary to explain and clarify the role and duties of the board to help ensure that property owners receive a fair and impartial review of their valuation and classification. County Boards were added in 2008.

- The role of the board in the assessment process;
- Legal and policy reasons for fair and impartial appeal and equalization hearings;
- Meeting procedures that foster fair and impartial assessment reviews and best practices recommendations;
- Quorum requirements for boards; and
- Explanations of alternate methods of appeal.

Compliance requirements

All cities and towns must comply with the training and quorum requirements listed below. All counties must comply with the training and quorum requirements listed below:

- At least one voting member at each board meeting has completed the appeals and equalization course within the last four years; **and**
- A quorum was present at each board meeting for the previous assessment year.

Failure to comply

Any **city or town** that fails to meet the compliance requirements by February 1 of each year is deemed to transfer its powers to the County Board of Appeal and Equalization for a minimum of two assessment years beginning with the current assessment year. The jurisdiction would lose its local board for a minimum of two years and then they would need to provide proof of compliance and a resolution to the County Assessor by February 1 of the assessment year they want to reinstate their board powers.

Any **county** that fails to meet the compliance requirements by February 1 of each year is deemed to transfer its powers to the Special Board of Equalization for a minimum of two assessment years beginning with the current assessment year (see alternate methods of appeal section for more information on special boards). A county board that does not comply with the requirements and has not appointed a special board of equalization shall appoint a special board of equalization before the following year's assessment.

A special board of appeal and equalization must also meet the training requirements of the regular board of appeal and equalization.

The Notice of Valuation and Classification must notify property owners when the Board of Appeal and Equalization for a city or town has been transferred to the county or for a county has been transferred to a special board for failure to comply with these requirements. Instead of a Local Board of Appeal and Equalization meeting, property owners must be provided with a procedure for reviewing their assessments, such as open book meetings, prior to the meeting of the County Board of Appeal and Equalization. This alternate review process will take place in April and May.

A board who fails to meet these requirements may be reinstated by resolution of the governing body and upon proof that one of the members of its Board of Appeal and Equalization has completed the appeals and equalization course. The resolution and proof must be provided to the county assessor for cities and towns and to the commissioner of revenue for counties by February 1 to be effective for the current assessment year.

Note: The citation for the appeals and equalization course and meeting requirements for local boards is Minnesota Statutes, Section 274.014 and for county boards is section 274.135.

Role of the board in the assessment process

The Board of Appeal and Equalization has the authority to change the valuation or classification of a property for the current assessment year. Taxes or prior year assessments are not within the jurisdiction of the board.

Any decisions made by the board must be supported by facts and by Minnesota law. The board must make informed decisions and ensure all taxpayers are treated fairly and uniformly.

In order to make an informed decision on the valuation or classification of a property, it is important to understand the concepts of valuation and classification. These two concepts are equally important in the assessment process. They are both determined on the assessment date, January 2, each year.

We will look at the definition of market value and explain how classifications are determined.

Market value

State law requires that all property shall be valued at its market value (Minnesota Statutes, Section 273.11, subdivision 1).

Minnesota Statutes, Section 272.03, subdivision 8 defines “market value” as follows:

“ ‘Market value’ means the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The price obtained at a forced sale shall not be considered.”

Market value

The price that would tend to prevail under typical, normal competitive open market conditions.

Many professional appraiser/assessor organizations have a more detailed definition of market value. The elements of these definitions can be used to clarify the statutory definition.

The definition of market value usually implies the consummation of a sale as of a specific date under the following conditions:

- The buyer and seller are typically motivated;
- Both parties are well informed or well advised and both are acting in what is considered to be their own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in cash or its equivalent;
- Financing, if any, is on terms generally available in the community on the specified date and typical for the property type in its locale; and
- The price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs or credits incurred in the transaction.

In other words, market value is the price that would tend to prevail under typical, normal competitive open market condition

Minnesota Statutes, Section 273.11, subdivision 1 further states:

“In estimating and determining such value, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor shall the assessor adopt as a criterion of value the price for which such property would sell at a forced sale, or in the aggregate with all the property in the town or district; but the assessor shall value each article or description of property by itself, and at such sum or price as the assessor believes the same to be fairly worth in money.”

The law provides that all property **must** be valued at market value, not that it **may** be valued at market value. This means that factors other than market value issues (such as personalities or politics) should not affect the market value determined by the assessor. Non-market value factors also should not affect the actions of the Board of Appeal and Equalization.

Estimated market value

The value determined by the assessor as the price the property would likely sell for on the open market is called the estimated market value (EMV). This value is determined on the assessment date, January, 2 of each year.

The EMV for the current assessment year is the only value property owners may appeal to the board, even though taxpayers will also be given a taxable market value.

Taxable market value

Taxable market value (TMV) is the value that property taxes are actually based on, after all reductions, limitations, exemptions, exclusions and deferrals.

There are many programs and provisions in Minnesota law that allow for a property's EMV to be different from its TMV. For example, qualifying veterans who are disabled receive an exclusion of up to \$150,000 or \$300,000 of their property's EMV. This reduction is reflected in their TMV.

Other programs and provisions to be aware of include the Agricultural Property Tax Law (Green Acres), the Rural Preserve Property Tax Program (effective for the 2011 assessment) and Plat Deferral. If you have questions about these or any other programs, speak with your county assessor.

The board cannot change the TMV of a property. The only value the board has the authority to change is the EMV for the current year. Changing the EMV may ultimately change the TMV, but it is important to note that there can be instances where the board raises or lowers the EMV, and the TMV remains the same.