

DEFINITIONS:

ESTIMATED MARKET VALUE – This value is what the assessor estimates your property would likely sell for on the open market.

M.S. 272.03; Subd. 8, defines market value as: "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 International Association of Assessing Officers further defines market value in the following manner: Market value is the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

The assessor is mandated by state law M.S. 273.11 to value property at Market Value. The Department of Revenue qualifies this mandate by requiring the assessor to maintain values that support a sales ratio range of 90% - 105%. The sales ratio is the comparison of the assessor's assessed value of a property to the actual selling price. If this ratio falls below 90% for a particular property class the assessor must increase the values to improve the ratio to a minimum of 90%. If the assessor does not take such action the Department of Revenue will mandate the appropriate value increase to achieve an acceptable ratio level.

USE CLASSIFICATION – The statutory classification that has been assigned to your property based upon your use of the property. (Note that for Ad Valorem purposes Classification is how your property is used or it's highest and best' use. It does not mean how it is zoned). A change in Classification of your property can have a significant impact on the Taxable Market Value. Classifications pay different tax rates, which are set by the Minnesota State Legislature.

NEW IMPROVEMENTS – This is the assessor's estimate of the value of new or previously unassessed improvements you have made to your property. These improvements are not eligible for Limited Market Value.

TAXABLE MARKET VALUE – This is the value that your property taxes are actually based on, after all reductions, limitations, exemptions and deferrals. Your Taxable Market Value, along with the use classification rate and the tax rates that apply to your property will determine how much you will pay in taxes.

REAL PROPERTY - refers to the rights, interests, and benefits connected with real estate. The rights include the right to occupy the real estate, sell it, enter it, give it away, borrow against it or to exercise any one or all of the rights. Property taxes for real property are based on the previous year's assessment. For example, real property is assessed in 2007 for taxes payable in 2008.

REAL ESTATE – can be defined as the LAND or any IMPROVEMENTS to the land. Real estate is fixed and immobile.

LAND – is considered to be the earth's surface (land and water) and anything that is attached to it. This includes mineral deposits, timber, etc. It also includes any improvements made to the land such as clearing and grading.

FIXTURES – are items that alone could be considered personal property, but then they are attached to the land or buildings, they become part of the real estate and thus add value to the property. For example: A deck that is not attached to the house; but is attached to the land via footings should be considered as part of the real estate.

PERSONAL PROPERTY – can be defined by exception in that anything that is not real property is personal property. The main characteristic of personal property is that it is movable. If it is movable without causing damage to itself or the real estate, it is considered to be personal property. For example: hot tubs located on a slab outside of a house or small metal sheds that are easily dismantled and moved. Personal property (manufactured homes only) is assessed in 2007 for taxes payable in 2008.

AD VALOREM TAX – USPAP (Appraisal Standards Board – The Appraisal Foundation, *Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications*) – A tax levied in proportion.

AD VALOREM –

Minnesota Real Estate Licensing Guide – Principles of Minnesota Real Estate, 3rd Addition – A Latin phrase that means "according to value", used to refer to taxes that are based on the value of property. Also – The Merriam-Webster Concise School and Office Dictionary – Latin, according to the value: imposed at a percentage of the value (an ad valorem tax).

RELATIONSHIP OF ESTIMATED MARKET VALUE TO TAX EXEMPTION RATE -

Property taxes are determined by various budgets. It is like a teeter-totter; one end is the Estimated Market Value,, the other end is the base from which a property tax is determined and the middle is the budget. If the Estimated Market Value is increased, lowered or remains the same it is inversely proportional to the other. Example: if the Estimated Market Value increases then it reduces the base and if the Estimated Market Value is lowered then it increases the base. In all cases the required budget dollars must be met.