

Truth in Taxation for Taxes Payable in 2023

December 12, 2022

Agenda

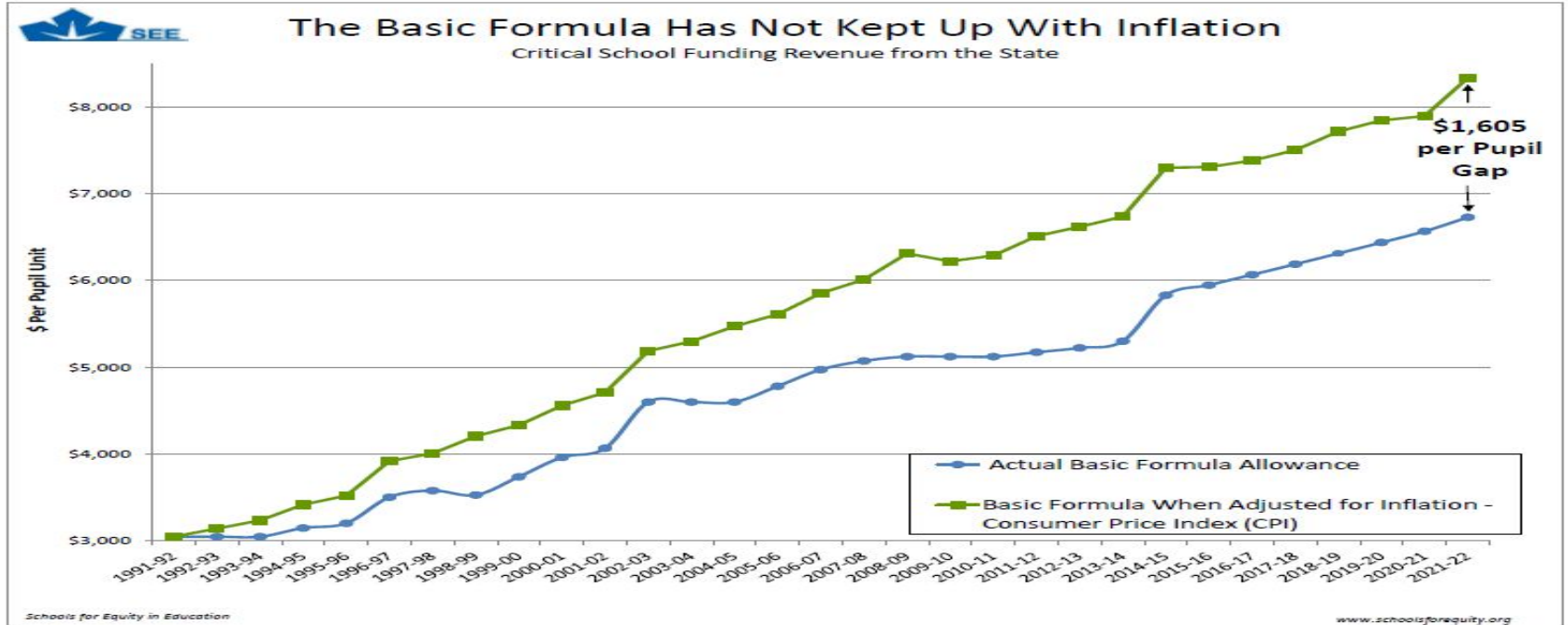
- Review of School Funding
- Overview of Levy Process
- 22 Pay 23 Levy Summary
- District's FY 23 Budget
- Questions

School District Funding

MN Legislature Sets Funding for Schools

- The State sets:
 - Formulas which determine revenue; most revenue based on a per pupil amount.
 - Tax policy for local schools
 - Maximum authorized property tax levy
- The State also requires school board to submit referendums for operating and capital needs to the voters for approval.

Basic Funding Formula History



Levy Process

Minnesota School District Property Taxes - Key Steps in the Process

Step 1. The **City or County Assessor** determines the estimated market value for each parcel of property in the county.



Step 2. The **Legislature** sets the formulas for tax capacity. (E.g., for homestead residential property, tax capacity = 1% of first \$500,000 in value + 1.25% of value over \$500,000.) These formulas determine how much of the tax burden will fall on different types of property.



Step 3. The **County Auditor** calculates the tax capacity for each parcel of property in the county (based on values from step 1 and tax capacity formulas from step 2), as well as the total tax capacity for each school district.



Step 7. The **County Auditor** divides the final levy (determined by the school board in step 6) by the district's total tax capacity (determined in step 3) to determine the tax rate needed to raise the proper levy amount. The auditor multiplies this tax rate times each property's tax capacity, to determine the school tax for that property.*

Step 4. The **Legislature** sets the formulas which determine school district levy limits. These are the maximum amounts of taxes that school districts can levy in every category.



Step 5. The **Minnesota Department of Education** calculates detailed levy limits for each school district, based on the formulas approved by the Legislature in step 4. These limits tell districts the exact amounts that can be levied in every category.



Step 6. The **School Board** adopts a proposed levy in September, based on the limits set in step 5. After a public hearing, the board adopts a final levy in December. Final levy cannot be more than the preliminary levy, except for amounts approved by voters.



* For certain levy categories (referendum, equity and transition levies), tax rates and levy amounts are based on **referendum market value**, rather than **tax capacity**.

Levy Cycle

	2022												2023												2024					
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Legislation																														
School District																														
Tax Levy Decision																														
Collection of Levy																														
Budget Year																														

Review of Taxes Payable in 2023

2022 Payable 2023 Levy Summary

2022 Payable 2023 Tax Levy Certification				
Fund	21 Pay 22 Certified	22 Pay 23 Limitation	Increase (Decrease)	Percent Change
General Fund				
Referendum Market Value-Voter Approved	\$2,093,647	\$2,537,625	\$443,978	21.21%
Referendum Market Value Other	\$3,473,255	\$3,971,445	\$498,190	14.34%
Net Tax Capacity Other	\$2,600,469	\$2,682,123	\$81,654	3.14%
Total General Fund	\$8,167,371	\$9,191,193	\$1,023,822	12.54%
Total Community Service	\$314,158	\$319,831	\$5,673	1.81%
Debt Service				
Voter Approved	\$9,451,530	\$9,486,775	\$35,245	0.37%
Total Debt Services	\$9,451,530	\$9,486,775	\$35,245	0.37%
Total Levy	\$17,933,059	\$18,997,799	\$1,064,740	5.94%

General Fund Levy Limitation

Total General Fund Levy Limitation

	21 Pay 22 Certified Levy	22 Pay 23 Proposed	Change	
Referendum Market Value- Voter Approved	\$2,093,647	\$2,537,625	\$443,978	
Referendum Market Value Other				
Equity	\$617,443	\$720,904	\$103,461	
Transition	\$157,136	\$182,677	\$25,541	
Local Optional	\$2,698,676	\$3,067,864	\$369,188	
Total Referendum Market Value	\$3,473,255	\$3,971,445	\$498,190	
Net Tax Capacity Other				
Operating Capital	\$379,987	\$388,563	\$8,576	
Achievement and Integration	\$142,734	\$140,654	-\$2,080	
Safe Schools	\$181,068	\$183,565	\$2,497	
Career Technical	\$165,890	\$183,507	\$17,617	
 Buildings/Land Lease	 \$409,497	 \$413,338	 \$3,841	
LTFM	\$983,469	\$1,071,202	\$87,733	
Reemployment	\$92,119	\$48,581	-\$43,538	
Abatement	\$25,211	\$7,687	-\$17,524	
Annual Other Postemployment Benefits (OPEB)	\$220,494	\$245,024	\$24,530	
 Total Net Tax Capacity	 \$2,600,469	 \$2,682,123	 \$81,654	
Total General Fund Levy Limitation	\$8,167,371	\$9,191,193	\$1,023,822	12.54%

Explanation of Levy Changes

Category: Operating Referendum, Local Optional, Equity, and Transition Revenue

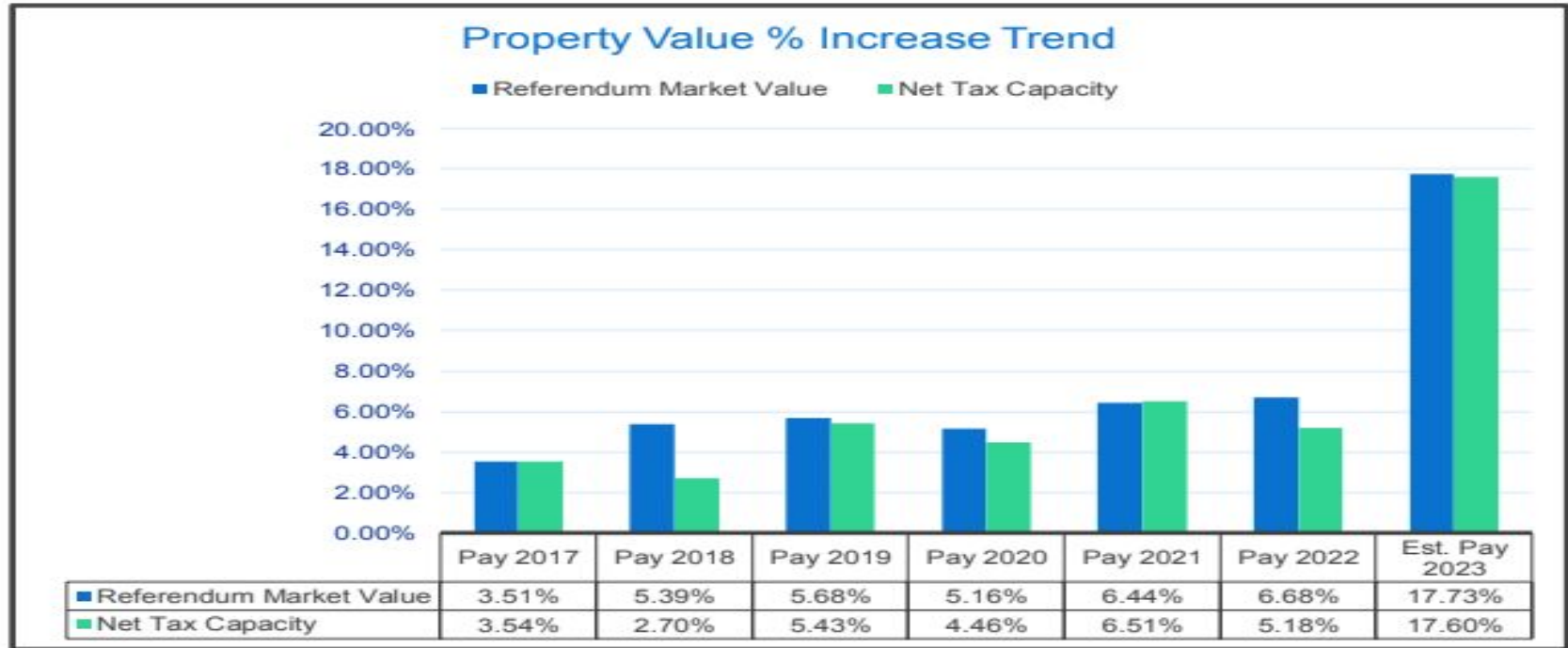
Change: +\$942,168

Use of Funds: General Operating Expenses

Reason for Change:

- No change in authorized levy per pupil for voter and board approved amounts.
- All of these revenues are partially funded through state equalization aid. The district's total property valuation increased significantly, resulting in a reduction in aid from the State, and an offsetting increase in local levy.

Property Value Increase



What happens to school taxes if property values stayed the same?

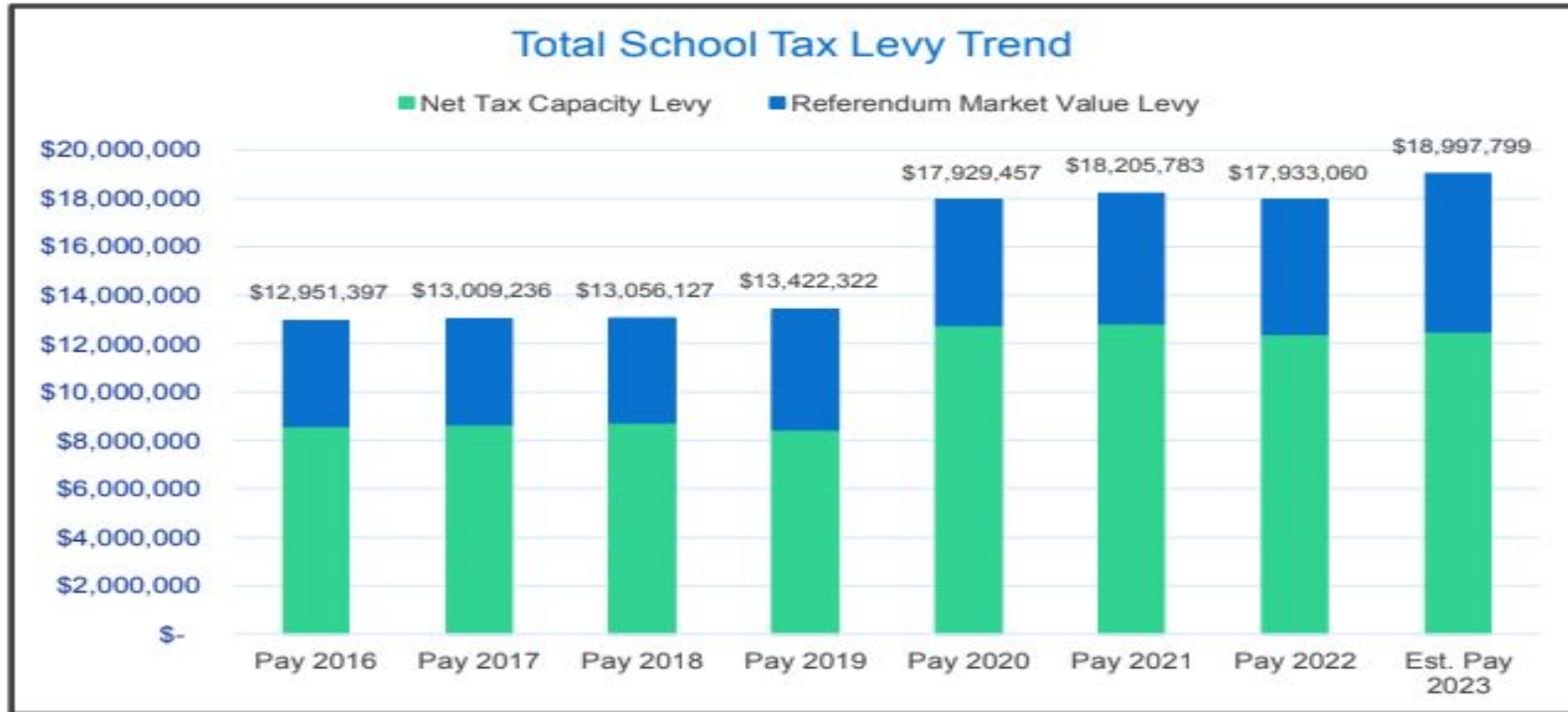
Type of Property	Pay 2022 Value	Pay 2023 Est. Value	% Change Value	Pay 2022	Pay 2023	\$ Change	% Change
Residential Homestead	\$250,000	\$250,000	0%	\$1,334	\$1,214	(\$119)	-8.94%
	250,000	287,500	15%	1,334	1,413	\$79	5.96%
	250,000	325,000	30%	1,334	1,612	\$278	20.87%

Levy Authority

A District's tax levy is either approved by voters or set by state law.

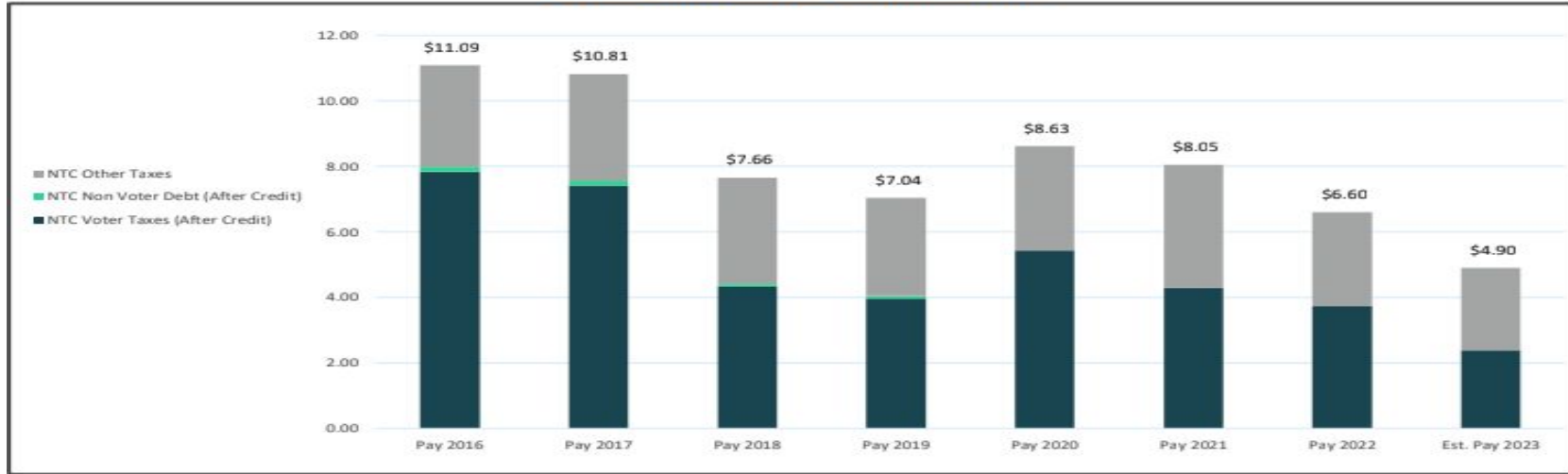
	Total	Percent
Voter Approved		
Referendum	\$2,537,625	13.36%
Bonded Debt Service	\$9,486,775	49.94%
Total Voter Approved	\$12,024,400	63.29%
Set by State Law		
Total General Other	\$6,653,568	35.02%
Community Service	\$319,831	1.68%
Debt Service Other	\$0	0.00%
Total Set by State Law	\$6,973,399	36.71%
Total Levy Authority	\$18,997,799	100.00%

Certified Levy History



Ag2School Property Tax Credit

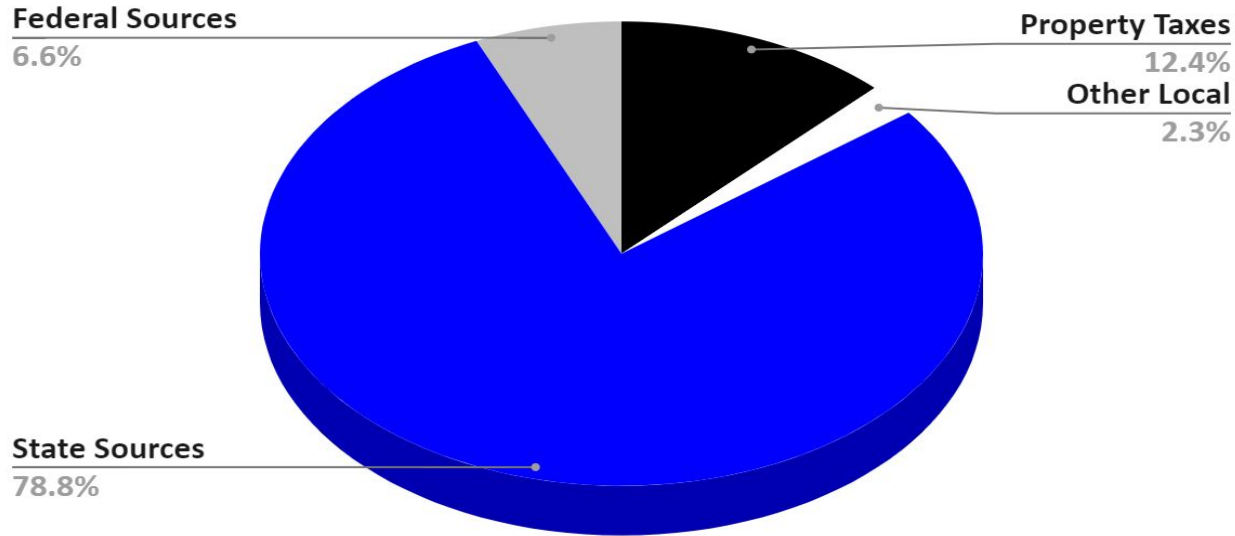
Owatonna Public School District Agricultural Homestead Land School Tax Trend



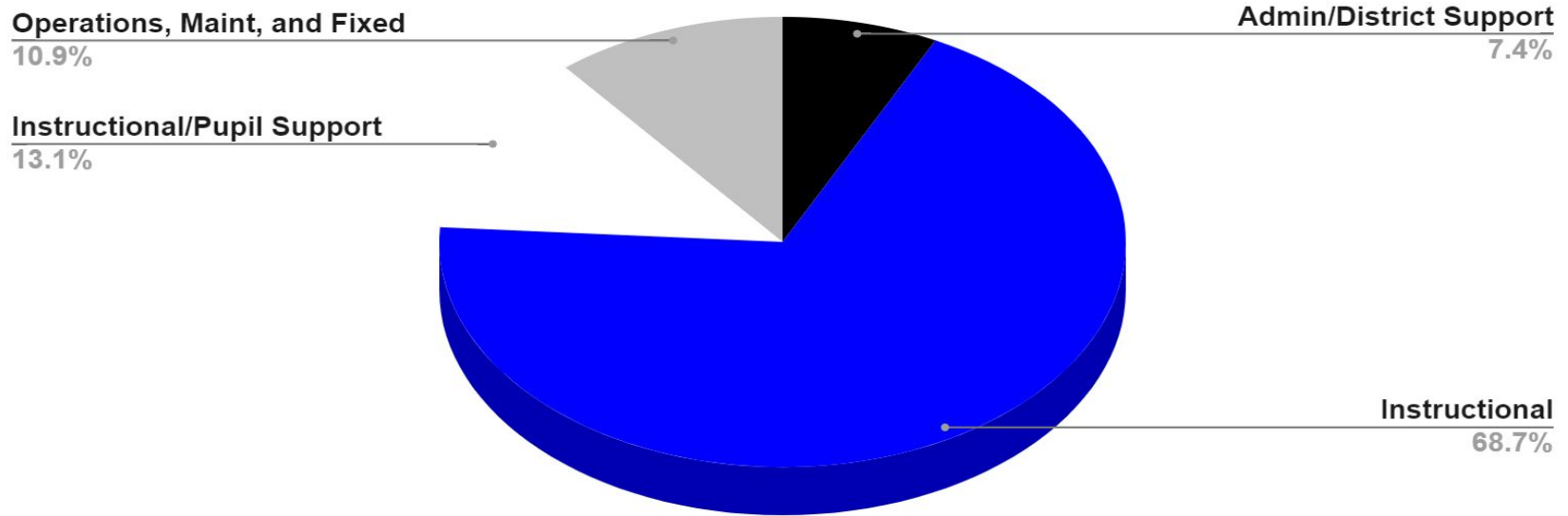
	Pay 2016	Pay 2017	Pay 2018	Pay 2019	Pay 2020	Pay 2021	Pay 2022	Est. Pay 2023
Value per Acre	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
NTC Voter Taxes (After Credit)	7.83	7.42	4.32	3.97	5.43	4.30	3.72	2.38
NTC Non Voter Debt (After Credit)	0.16	0.15	0.09	0.08	0.00	0.00	0.00	0.00
NTC Other Taxes	3.10	3.24	3.25	2.99	3.19	3.75	2.87	2.51
Total School Taxes	\$ 11.09	\$ 10.81	\$ 7.66	\$ 7.04	\$ 8.63	\$ 8.05	\$ 6.60	\$ 4.90

FY 23 District Budget Review

General Fund Revenue Summary (\$66,874,384)



General Fund Expenditure Summary (\$68,454,818)





Spruce County
Jane Smith, Auditor-Treasurer
345 12th Street East, Box 78
Spruceville, MN 55555-5555
(555) 345-6789
www.co.spruce.mn.us

TAXPAYER(S):

John and Mary Johnson
123 Pine Rd S
Spruceville, MN 55555-5555

Property Information

PIN Number: 01.234.56.789.R1 Property Address: 789 Pine Rd S
Spruceville, MN 55555

Property Description:
Lot 1, Block 1, Spruce Acres Subdivision

PROPOSED TAXES 2023

THIS IS NOT A BILL. DO NOT PAY.

Step	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2022	2023
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd

PROPOSED TAX		
Step 2	Property Taxes before credits	\$1,562.46
	School building bond credit	\$ 12.00
	Agricultural market value credit	
	Other credits	
	Property Taxes after credits	\$1,550.46

Step 3	PROPERTY TAX STATEMENT
	Coming in 2023

**The time to provide feedback on
PROPOSED LEVIES is NOW**

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2022	Proposed 2023
State General Tax	No meeting required	\$0	\$0
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 2, 7:00 PM	\$438.06	\$484.18
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7654	December 1, 6:30 PM Spruceville City Hall	\$273.79	\$312.06
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789 Voter Approved Levies Other Levies	December 9, 7:00 PM Spruceville High School Cafeteria	\$289.35 \$340.11	\$296.68 \$374.60
<i>Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2023 may be higher than the proposed amount shown on this notice.</i>			
Metro Special Taxing Districts		\$57.76	\$58.70
Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December 12, 7:30 PM Spruce Park Centre 500 Pine St.		
Other Special Taxing Districts	No meeting required	\$12.80	\$13.02
Tax Increment Tax	No meeting required	\$10.15	\$11.22
Total excluding any special assessments		\$1,422.02	\$1,550.46
			9.0%

This is a sample of the notice mailed to every property owner between November 11-24 with information on the impact of the proposed 2023 levy on their property.

Contents:

- Proposed property tax compared to last year
- By voter approved and other
- By taxing jurisdiction
- Contains time and place of public meeting

Minnesota Homestead Credit Refund

- Has existed since 1970s
- Available each year to owners of homestead property (applies to taxes paid on house, garage, and one acre for ag homestead property)
- Annual household income must be \$119,790 or less
- Sliding scale - refund based on income and total property taxes
- Maximum refund for homeowners is \$2,930.
- Complete state tax form M-1PR (www.revenue.state.mn.us)

Minnesota Special Property Tax Refund

Available each year to owners of homestead properties with a gross tax increase of at least 12% and \$100 over prior year

Helpful in first year after referendum

Refund is 60% of amount by which tax increase exceeds greater of 12% or \$100, up to a maximum of \$1,000

No income limits

Complete state tax form
M-1PR
(www.revenue.state.mn.us)

Senior Citizen Property Tax Deferral

- Allows people age 65 and older with household income of \$60,000 or less to defer a portion of property taxes on their home
- You have lived in, owned your home, and had it homesteaded for the last 15 years
- Limits maximum amount of property tax paid to 3% of household income
- Additional taxes are deferred, not forgiven
- Provides predictability; amount of tax you pay will not change for as long as you participate in the program
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

Questions?