
Special Assessments

Special assessments are one of the ways a local government may collect money to pay for local improvements. This information brief provides an overview of the law authorizing and governing special assessments for local improvements, and certain services and unpaid charges. It also describes the procedures a local government must follow in imposing special assessments. Finally, it provides some historical data on the trends in the use of special assessments in Minnesota.

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What Are Special Assessments?

A special assessment is a charge imposed on real property to help pay for a local improvement that benefits the property.

The state constitution allows the legislature to authorize local governments to use special assessments to help pay for local improvements based on the benefit the improvement gives the property.¹

The legislature has long authorized local governments to levy special assessments to pay for specified local improvements. Since 1953, that authority has been primarily found in [Minnesota Statutes, chapter 429](#).² [Chapter 429](#) authorizes cities, towns, urban towns, and counties to make specific improvements described on the next page.³ [Chapter 429](#) does not apply to home rule cities if their charters establish other procedures. To the extent a home rule charter city does not specify other procedures, it may use [chapter 429](#).⁴

¹ [Minn. Const. art. X § 1](#), provides: “The legislature may authorize municipal corporations to levy and collect assessments for local improvements upon property benefited thereby without regard to cash valuation.”

² There are a number of other statutes that authorize local improvements paid for with special assessments or other revenues that are not discussed in this information brief. *See, e.g.*, [Minn. Stat. ch. 365A](#) (town subordinate service districts); [ch. 375B](#) (county subordinate service districts); [ch. 428A](#) (special service districts, housing improvement areas); [§ 435.44](#) (sidewalk improvement districts); [§ 443.015](#) (garbage collection); [§ 444.075](#), subd. 1a (waterworks, sewers, and storm sewers in second-, third-, fourth-class cities, towns, and nonmetropolitan counties); [§§ 444.16 to 444.21](#) (storm sewer improvement districts); and [§ 459.14](#) (parking facilities).

³ The purposes for which local governments are authorized to use special assessments for depend on the applicable definition of “municipality.” There are three definitions in [Minn. Stat. § 429.011](#):

(1) Subd. 2 (“ ‘Municipality’ means any city of the second, third, or fourth class however organized, or any statutory city or any town as defined in [section 368.01](#)”) (A town defined in [section 368.01](#) is one with (a) platted portions where at least 1,200 reside, (b) platted area within 20 miles of the city hall of Minneapolis or St. Paul, or (c) a population of at least 1,000 that has determined to organize under [chapter 368](#). It is commonly called “an urban town.”);

(2) Subd. 2a (“ ‘Municipality’ also includes a county in the case of construction, reconstruction, or improvement of a county state aid highway or county highway as defined in [section 160.02](#) including curbs and gutters and storm sewers; a county exercising its powers and duties under [section 444.075](#), subdivision 1; and a county for expenses not paid for under [section 403.113](#), subdivision 3, paragraph (b), clause (3)"); and

(3) Subd. 2b (“ ‘Municipality’ also includes any town not having the powers granted herein pursuant to any other law in the case of construction, reconstruction or improvement of a town road including curbs and gutters and storm sewers and in the case of those improvements designated in [section 429.021](#), subdivision 1, clauses (1), (2), (4), (5), (6), (7), (8), and (10)”).

⁴ [Minn. Stat. § 429.021](#), subd. 3 (“When any portion of the cost of an improvement is defrayed by special assessments, the procedure prescribed in this chapter shall be followed unless the council determines to proceed under charter provisions.”); [Minn. Stat. § 429.111](#) (A home rule charter city “may proceed either under this chapter or under its charter in making an improvement unless a home rule charter or amendment adopted after April 17, 1953, provides for making such improvement under this chapter or under the charter exclusively.”); *Singer v. City of Minneapolis*, 586 N.W.2d 804, 805 (Minn. App. 1998) (“Absent a specific charter or ordinance provision governing the assessment procedure, Minn. Stat. ch. 429 applies to special assessments made under [Minneapolis’s] home rule charter. *Gadey v. City of Minneapolis*, 517 N.W.2d 344, 348 (Minn. App. 1994), review denied (Minn. Aug. 24, 1994).”)

What May Be Paid for with Special Assessments?

Local Improvements

The list below provides a brief summary of the local improvements that second-, third-, and fourth-class cities and urban towns may pay for with special assessments.⁵ A home rule charter city may use special assessments to pay for those local improvements as provided in its charter or other statutes. Counties and other towns may rely on this statute only for those improvements indicated.

Cities, urban towns, other towns, counties

- Streets and roads. For cities and urban towns, it includes streets, sidewalks, pavement, gutters, curbs, vehicle parking strips, grading, graveling, oiling, beautification, and storm sewers or other street drainage and connections from sewer, water, or similar mains to curb lines. For counties and other towns, it includes county state-aid highways and town roads, respectively, including curb, gutter, and storm sewer.

Cities, urban towns, other towns

- Storm and sanitary sewers and systems, including outlets, holding areas and ponds, treatment plants, pumps, lift stations, service connections, etc.
- Street lights, street lighting systems, and special lighting systems
- Water works systems, including mains, valves, hydrants, service connections, wells, pumps, reservoirs, tanks, treatment plants, etc.
- Parks, open space areas, playgrounds, and recreational facilities
- Planting trees on streets and provide for their trimming, care, and removal
- Abatement of nuisances, draining and filling swamps, marshes, and ponds on public or private property
- Retaining walls and area walls

Cities, urban towns

- Steam heating mains
- Dikes and other flood control works
- Pedestrian skyways and underground pedestrian concourses
- Public malls, plazas, or courtyards
- District heating systems
- Fire protection systems in existing buildings
- Highway sound barriers
- Municipal gas and electric distribution facilities
- Certain Internet access facilities

Cities, urban towns, counties

- Enhanced 911 telephone service markers

⁵ [Minn. Stat. § 429.021](#), subd. 1.

Services and Unpaid Charges

Cities and urban towns may impose special assessments by ordinance to pay for certain services that often are paid for with general revenues (e.g., property taxes). In addition, they may adopt an ordinance to collect unpaid charges imposed on an individual property using the special assessment process. The statute authorizes using special assessments to pay for the following services:⁶

- Snow, ice, or rubbish removal from sidewalks
- Repair of sidewalks, alleys
- Weed removal from streets and private property
- Elimination of public health hazards from private property
- Installation or repair of water service lines, street washing
- Tree trimming, removal, and treatment of insect-infested or diseased trees on private property
- Operation of street lighting systems
- Operation and maintenance of a fire protection or pedestrian skyway system
- Certain housing reinspections

Other statutes and some city charters also authorize the collection of a charge using the special assessment process even though there is no increase in the property's market value (the benefit test) because it is a convenient way to collect the charge and if it remains unpaid, becomes a lien on the property.⁷

Determining the Amount of the Special Assessment

The assessment amount charged to the property cannot exceed the amount by which the property benefits from the improvement, as measured by the increase in the market value of the land due to the improvement. The assessment must be uniformly applied to the same class of property. A local improvement may benefit properties that are not abutting the improvement and those benefited properties also may be assessed.⁸

In order for a special assessment to be valid:

- the land must receive a special benefit from the improvement being constructed,
- the assessment must be uniform upon the same class of property, and
- the assessment may not exceed the special benefit. Special benefit is measured by the increase in the market value of the land owing to the improvement.

⁶ [Minn. Stat. § 429.101](#).

⁷ For example, [Minn. Stat. § 89.56](#), subd. 3 (Commissioner of Natural Resources may collect unpaid charges for tree pest control through special assessment process).

⁸ [Minn. Stat. § 429.051](#) ("cost of any improvement, or any part thereof, may be assessed upon property benefited by the improvement, based upon the benefits received, whether or not the property abuts on the improvement").

A special assessment that does not meet these requirements is an unconstitutional taking.⁹

The benefit is measured by the difference between what a willing buyer would pay a willing seller for the property before and after the improvement, based on the highest and best use of the land.¹⁰ Present use of the land is not the controlling factor.¹¹

The assessment roll is prima facie evidence that the assessment does not exceed the special benefit. The contesting party has the burden of introducing competent evidence to overcome this presumption.¹²

Procedure to Impose Special Assessments

Minnesota Statutes, chapter 429, specifies the procedures that must be followed in order to use special assessments.¹³ Local governments must be careful to follow all of the necessary steps to insure that the assessments are properly imposed to avoid legal challenges from the landowners.

The following summarizes the procedure as if it has three phases. Although the statutes do not refer to phases, it may be easier to understand the complicated process this way. For specific types of projects, there are specific additions or exceptions to these procedures. The law also provides for supplemental assessments and appeals from assessments, which are not covered here.

Phase I: Initiation and Preliminary Assessment¹⁴

- **Initiate the process.** Either the local government or a petition signed by the affected property owners may initiate the proceedings.
- **Prepare a report.** The local government must have a report prepared on the necessity, cost-effectiveness, and feasibility of the proposed improvement. The city engineer or some other competent person prepares the report.

⁹ *Southview Country Club v. City of Inver Grove Heights*, 263 N.W.2d 385, 387-388 (Minn. 1978) (citing *Carlson-Lang Realty Co. v. City of Windom*, 307 Minn. 368, 369, 240 N.W.2d 517, 519 (1976); *Quality Homes, Inc. v. Village of New Brighton*, 289 Minn. 274, 183 N.W.2d 555 (1971); *In re Improvement of Superior Street, Duluth*, 172 Minn. 554, 559, 216 N.W. 318, 320 (1927)).

¹⁰ *Eagle Creek Townhomes, LLP v. City of Shakopee*, 614 N.W.2d 246, 250 (Minn. App. 2000) *review denied* (Sept. 13, 2000) (citing *EHW Properties v. City of Eagan*, 503 N.W.2d 135, 139 (Minn. App. 1993) and *Buzick v. City of Blaine*, 491 N.W. 2d 923, 925 (Minn. App. 1992), *aff'd* 505 N.W. 2d 51 (Minn. 1993)).

¹¹ *Anderson v. City of Bemidji*, 295 N.W.2d 555, 560 (Minn. 1980).

¹² *Buzick v. City of Blaine*, 505 N.W. 2d 51, 53 (Minn. 1993) (citing *Tri-State Land Co. v. City of Shoreview*, 290 N.W.2d 775, 777 (Minn. 1980)).

¹³ Chapter 429 does not prescribe the procedures to be followed by a municipality in making improvements financed without the use of special assessments. Minn. Stat. § 429.021, subd. 3.

¹⁴ Minn. Stat. § 429.031.

- **Give notice of public hearing.** The local government must publish a notice for the public hearing twice in the newspaper, at least one week apart. In addition, the local government must mail a notice to all property owners in the proposed assessment area at least ten days prior to the hearing.
- **Hold public hearing.** The hearing must be at least three days after the second notice in the newspaper. A reasonable estimate of the total amount to be assessed and a description of the methodology used in calculating the individual assessments must be available at the hearing. Interested persons must be allowed to speak at the hearing. (This public hearing is not required if 100 percent of the landowners requested the proposed assessment.)
- **Adopt a resolution ordering the improvement.** If the local government initiated the proposed assessment, a four-fifths vote is needed to pass the resolution. If the property owners initiated the petition, the local government only needs a majority vote to adopt the resolution. In both cases, the resolution must be adopted within six months of the hearing held during phase I.

Phase II: Detailed Analysis¹⁵

- **Solicit bids.** After a local government decides to do a project, it must determine the actual cost of the project in order to prepare the assessment roll. The statute specifies the bidding process.
- **Prepare proposed assessment roll.** The local government must calculate the proper amount to be specially assessed for the improvement against every assessable parcel of land. The assessment roll must be available for the public to inspect.
- **Give notice of public hearing.** The local government must *publish* a notice in the newspaper at least once, not less than two weeks prior to the scheduled meeting. The notice must state the day, time, place, general nature of the improvement, area proposed to be assessed, total amount of the proposed assessment, and describe the process for objecting to the improvement.

In addition, the local government must *mail* a notice to each affected property owner at least two weeks prior to the public hearing on the proposed assessment. The notice must state the amount to be specially assessed against the property owner's particular property, the prepayment options, the interest rate if the payment is not prepaid, and that the local government may adopt the proposed assessment at that hearing. The notice must also state that no appeal may be made as to the amount of the assessment adopted at the hearing unless the property owner has filed a signed written objection with the local government prior to the hearing or presented the objection at the public hearing.

- **Hold public hearing.** The local government may make amendments to the proposed assessment at the hearing. The hearing may be continued at another time.

¹⁵ Minn. Stat. §§ 429.041, 429.061.

Phase III: Approval of Final Assessment Roll, Certification

- **Approve and certify the assessment roll.** The local government must approve the final assessment roll and then the assessment roll must be certified to the county auditor. If any of the assessments contained in the final roll are different than the proposed assessments, the local government must mail a notice to the property owner stating the new amount.¹⁶ The local government may have to go back to phase II.
- **Issue debt to finance the improvement.** The local government issues obligations to finance the improvement. The local government may issue local improvement bonds or assessment revenue notes to pay for the local improvement. Local improvement bonds are general obligation bonds, backed by the full faith and credit of the local government. If less than 20 percent of a project is to be paid for with special assessments, the local government must hold a referendum on the issuance of the bonds.¹⁷
- **Collect the assessments.** The local government may certify to the county auditor the entire assessment roll (for the entire project), or the local government may certify annually the amount of assessment on each parcel for that year. A taxpayer may prepay the entire assessment amount and avoid interest charges, in which case the prepaid amounts are taken off the assessment rolls.¹⁸
- **Let contracts for work on the improvement.** The local government must let the contracts within one year, unless the resolution specifies another time frame.¹⁹

Home rule charter cities: special note. If a city is following procedures set in its charter, a few of the statutory provisions still apply. Specifically, if a city proceeds under its charter provisions, it must give property owners notice of the procedures they must follow under the charter in order to appeal the assessments to district court. The notice must also inform property owners of any deferment procedure established by the municipality.²⁰ A city proceeding under its charter must let the contract for the work, or order the work done by day labor or otherwise as may be authorized by the charter, no later than one year after the adoption of the resolution ordering such improvement, unless a different time limit is specifically stated in the resolution ordering the improvement.

¹⁶ Minn. Stat. § 429.061, subd. 2.

¹⁷ Minn. Stat. § 429.091.

¹⁸ Minn. Stat. § 429.061, subd. 3.

¹⁹ Minn. Stat. § 429.041, subd. 1.

²⁰ Minn. Stat. § 429.021, subd. 3 (referring to Minn. Stat. §§ 435.193 to 435.195 described on page 9).

Can Special Assessments Be Deferred?

There are three types of special assessment deferrals.

- **Senior Citizen and Disability.** A local government may defer the special assessments on the homesteads of a senior citizen (a person at least 65 years of age) or a person that is totally and permanently disabled.²¹ This is often referred to as a “hardship deferral.” The assessment is still imposed, but it is not due and payable until a later point in time—usually when the homeowner dies, the property is sold, or the property loses its homestead status. The local government may adopt a resolution or ordinance that sets the criteria for the hardship deferral. The criteria may include the income and assets of the property owner, and the interest rate and terms of the deferral.
- **Green Acres.** The owner of property enrolled in the Minnesota Agricultural Property Tax Program,²² the Green Acres program, may apply to the county to defer the special assessments levied against the property. The assessment payments are deferred until the property is developed or when the property no longer qualifies for Green Acres. Property enrolled in Green Acres must be used for agricultural purposes and as such, does not directly benefit from many of these assessments until the property is developed and converted to some other use, such as residential, commercial, or industrial.²³

When a property no longer qualifies for Green Acres and special assessment bonds are outstanding, the taxpayer must pay off the assessments and interest in equal installments spread over the remaining term of the outstanding bonds. If no bonds were issued, or if the bonds have already been paid off, then the entire amount of the assessment is due and payable within 90 days of losing the property’s status in the program.

- **Unimproved land.** By resolution, a local government may defer payment of a special assessment imposed on unimproved property until a specified date or until it is improved.²⁴

Other Ways to Pay for a Local Improvement or Service

In some cases, even if a local government wanted to derive the full cost of the assessment solely from the benefited property, it would not be able to, since the total cost of these improvements often exceeds the amount by which the improvements increase the market value of the affected properties. Thus, in addition to special assessments, local improvements and services may be paid for with a general property tax levied on all property in the taxing jurisdiction and from

²¹ [Minn. Stat. §§ 435.193 to 435.195.](#)

²² [Minn. Stat. § 273.111.](#)

²³ Local governments cannot impose most types of special assessments against property enrolled in the Metropolitan Agricultural Preserves under [Minnesota Statutes, chapter 473H](#). [Minnesota Statutes, section 473H.11](#), specifies which assessments are prohibited.

²⁴ [Minn. Stat. § 429.061](#), subd. 2.

other miscellaneous funds and sources. As with special assessments, the revenue collected may be used to pay for the improvement directly or to repay the bonds issued to pay the costs of the improvements.

How Are Special Assessments Different from Property Taxes?

Special assessments are a form of taxation and may be paid using the same mechanism and at the same time as property taxes. However, there are a number of differences between them:

- the basis for determining the amount charged
- what real property is subject to the charge
- whether personal property may be charged
- whether there are any statutory limits
- deductibility for income tax purposes

Market value v. benefit. Property taxes are based on the market value of the property—ad valorem taxes. Special assessments, on the other hand, are determined without regard to cash valuation. They are based on the benefit to the property. The formula used by a local government to determine how much of a project or service will be paid for by special assessments will typically use factors such as per foot of frontage amount after finding that the improvement provides substantially the same benefit on that basis to adjacent properties. Whatever factors are used, the formula used must approximate a market analysis for the specific local improvement.²⁵

For example, two houses located in the same taxing jurisdictions, one with an estimated market value of \$200,000 and one with estimated market value of \$500,000, pay significantly different property taxes. But if each home had 150 feet of frontage on the street, and the city was installing curb and gutter to that street, both homes would pay the same amount for the assessment for the improvements since the assessment charge is based on footage and not on the market value of the property.

Taxable property v. all real property. Property taxes can be levied only on taxable property, but special assessments are imposed on nearly all real property that is benefited. The state constitution does not exempt any property from special assessments for local improvements. Any exemption must be statutory and there are few exceptions.²⁶

²⁵ *Bisbee v. City of Fairmont*, 593 N.W.2d 714, 719 (Minn. App. 1999) (special assessment was invalid on its face because front-footage method calculation based on average costs of projects from prior years did not approximate a market analysis and was unrelated to particular costs).

²⁶ *State v. Roselawn Cemetery Assn.*, 259 Minn. 479, 481, 108 N.W.2d 305 (1961) (tax-exempt property subject to special assessment unless statutorily exempted as is cemetery property under specified circumstances under [Minn. Stat. §§ 306.14, 307.09](#)); but note that federal property is exempt, Op. Atty. Gen. 408-C (Sept. 21, 1953). Several statutes specify that one governmental unit must pay special assessments imposed by another. *See, e.g.*, [Minn. Stat. § 473.448](#) (the Metropolitan Council's transit operations or special transportation services are exempt from all taxation, licenses, or fees imposed by the state or by any political subdivision but are subject to

All property v. real property. Property taxes are levied on both real and personal property, although at this time, personal property subject to property tax is primarily public utility property. Special assessments may be imposed only on real property.²⁷

Property tax limits do not apply to special assessments. In general, special assessments are not subject to limits that apply to local property taxes. This may be one of the reasons why they are used. They are a means of raising revenue outside of any levy, tax, or per capita limits. Furthermore, any bonds that are issued that are repaid with special assessment revenues are outside of the government's net debt limits.²⁸ Also, as long as at least 20 percent of the project will be paid for with special assessments, the local government may issue the bonds without holding a referendum.²⁹

Special assessments generally are not deductible. For individual income tax purposes, property owners who claim itemized deductions may deduct state and local property taxes in determining federal and state taxable income. However, property taxes that provide specific benefits that tend to increase the value of the property may not be deducted.³⁰

Federal individual income tax instructions³¹ specify that property taxes may be deducted if the tax is based on the assessed value of the real property and the tax is assessed at a uniform rate on all property in the jurisdiction. The instructions further specify that to be deductible "the tax must be for the welfare of the general public and not be a payment for a special privilege granted or service rendered to you" [the taxpayer].³² Property taxes may not be deducted if the taxes are charges for services or assessments for local benefits.

special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement). Special assessments imposed on property that is tax-forfeited are cancelled, but are collected when the property is sold. Minn. Stat. §§ 282.01, subd. 5, 282.02.

²⁷ *Country Joe, Inc. v. City of Eagan*, 548 N.W.2d 281, 285 fn 3 (Minn. App. 1996) (dicta) (road unit connection charge not a special assessment because it was not assessed on property), *aff'd* 560 N.W.2d 681 (Minn. 1996).

²⁸ Minn. Stat. §§ 475.51, subd. 4 (definition of net debt excludes debt repaid with special assessment revenues), 475.53 (net debt limit).

²⁹ Minn. Stat. § 429.091, subd. 3.

³⁰ IRC § 164. Note that when an assessment increases the value of a property, the basis of the property increases by the amount of the increase in the property's value, and the assessment is not allowed as a deduction. However, if the assessment increases the value of improvements to the property, such as buildings, rather than increasing the value of the land itself, the property owner may be able to claim depreciation for the value of the improvement. This is the case for property owned by both individuals and businesses.

³¹ Internal Revenue Service publication 530, "Tax Information for First-Time Homeowners, for use in preparing 2003 Returns."

³² *Ibid.*

Data: Sources of Special Assessment Data

There are two primary sources of statewide data on special assessments: Department of Revenue data and State Auditor data.

Department of Revenue (DOR) data. The DOR annually receives an Abstract of Tax Lists from the 87 county auditors. The abstract contains the total special assessment amount due and payable for that year for each taxing jurisdiction within the county. In general, the special assessment amounts listed in the abstract are the collective amounts for all special assessments that appear on that year's property tax statements for the taxable property on which these assessments are imposed. It includes the amount of service charges collected as special assessments by the local governments although those amounts cannot be separated from the special assessments for local improvements. The abstract does not, of course, include special assessments imposed on tax-exempt property, since it itemizes only taxable property.

State Auditor data. The State Auditor publishes annual reports that contain the revenues, expenditures, and debt of all Minnesota cities and counties. These reports are based on the financial audits of the governmental entities. The only special assessments reported separately in the financial audits are those that are deposited in their general governmental funds. Special assessments may also be deposited in local government enterprise funds (for services such as utilities, housing, and sewers), but they are not listed separately in the auditor's reports.

Differences between the two source documents

The statewide special assessment totals from the State Auditor data are significantly greater than those amounts reported in the Abstract of Tax Lists. The table on the following page compares the total city special assessment amounts from the two sources for each five-year time period from 1970 to 2000. Since cities are the primary users of special assessments, the table compares only that category of local government. It would be difficult to reconcile the two sources of data without doing a comprehensive survey, which is not possible at this time.

**Table 1: Comparison of City Special Assessments
 from Department of Revenue and State Auditor
 1970-2000³³**

Year	Special Assessments Dept. of Revenue	Special Assessments State Auditor
1970	\$34,959	\$53,929
1975	56,388	88,553
1980	76,742	175,168
1985	117,520	164,336
1990	126,636	186,148
1995	118,868	197,534
2000	129,778	238,101

State Auditor data is probably higher than DOR’s data in part because it includes amounts that have been prepaid and special assessments imposed on tax-exempt property. There may also be other unidentified reasons for differences in the data. However, it is impossible to quantify how much prepayments, special assessments on tax exempt, and any other unknown reasons account for differences in the data.

- **Prepayments**

Property owners. Property owners may prepay special assessments under the statutes. If not prepaid, the special assessments are collected through the property tax statement along with property taxes. Some people suggest that the smaller assessment amounts (such as for certain street repair) are more frequently prepaid by the taxpayer than the larger ones.

Developers. A developer may prepay the special assessments imposed by the local government on the land being developed and then include each property’s share of the prepaid special assessments in the price of the house.

Property sellers. A person selling real property may prepay outstanding special assessments on the property because the buyer’s loan agreement requires it, or because of other agreements made between the buyer and the seller.

Service charges/unpaid charges. A property taxpayer may pay the local government for service charges before the local government certifies to the county auditor the

³³ *Revenue, Expenditures, and Debt of Minnesota Cities Over 2,500 in Population: Year Ended December 31, 2001, and Revenue, Expenditures, and Debt of Minnesota Cities Under 2,500 in Population: Year Ended December 31, 2001*, St. Paul: Government Information Division, Office of the State Auditor. Defines “special assessment” on page 161, as revenue from “levies made against certain properties to defray all or part of the costs of a specific improvement, such as new sewer and water mains, deemed to benefit primarily those properties. The amount includes the penalties and interest paid on the assessments.” In other words, it does not seem to include service charges.

amounts that are to be collected through the property tax collection process. As an example, the city of St. Paul bills property owners for right-of-way and storm sewer maintenance. Some property owners pay these amounts directly to the city. However, if they don't, the city includes them on their annual list to the county for collection along with the property taxes.³⁴

- **Tax-exempt property.**

Unlike ad valorem property tax, special assessments are imposed on most tax-exempt property, unless there is a statutory exception. The special assessment amounts on these tax-exempt entities are often collected by the local government through a separate billing since these entities are exempt from property taxes and, therefore, do not receive a property tax statement and would not be included in the DOR abstract amounts.

Department of Revenue Data

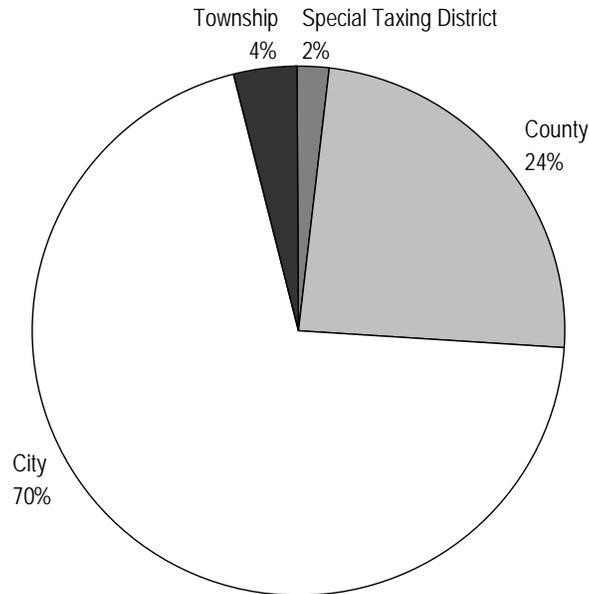
Figures 1 and 2 and the Appendix table contain special assessment data that was obtained from the annual Property Tax Bulletins prepared by the Department of Revenue. These Bulletins are a compilation of the information reported in the Abstract of Tax Lists (and other information annually certified to the department by the counties). As noted earlier, there is no way to separate how many of the dollars are for public improvements and how many relate to the services and unpaid charges.

Figure 1 shows that 70 percent of the total payable in 2003 special assessments were levied by the cities. Counties levy 24 percent, a significant but distant second to the dollars levied by cities. Townships and special taxing districts levy only 4 percent and 2 percent respectively. School districts do not levy special assessments.

³⁴ The "Right of Way Maintenance Assessment" in St. Paul covers sweeping, flushing, patching, and chip sealing streets and alleys; patching, blading, and placing crushed rock on unimproved right-of-way; street overlays; litter pick-up; ordinance enforcement; emergency services; snow plowing, salting, and sanding; snow removal; tagging and towing; sidewalk maintenance and repair; boulevard tree maintenance and trimming. Annual cost is about \$21.3 million, of which about \$14.3 million is paid with special assessments and the remainder with city general funds. The assessments are on a per-foot basis within six classes, each with two rates. Property owners are billed and may pay up front or pay along with their property taxes. The storm sewer charges are treated in much the same way in St. Paul.

**Figure 1: Total Special Assessments by Taxing District
Taxes Payable 2003**

(School Districts Do Not Levy Special Assessments)

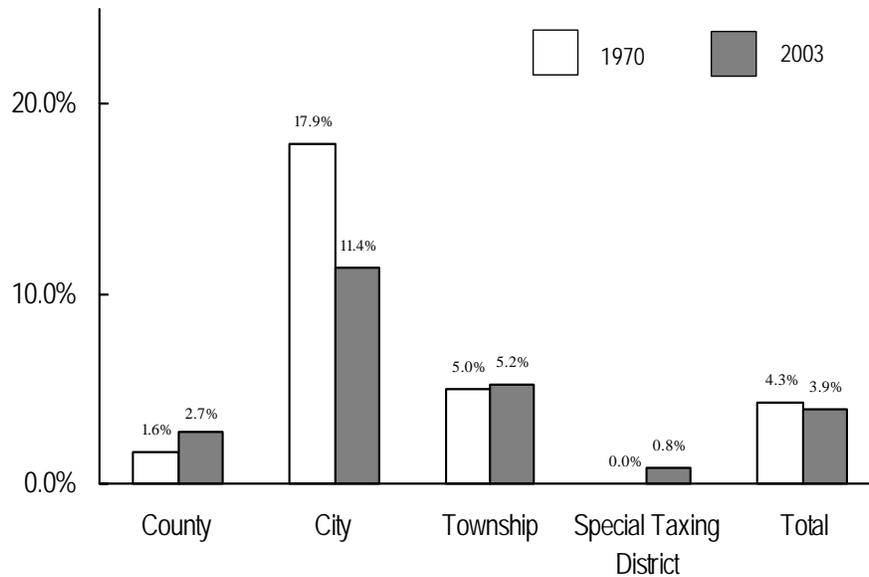


Source: Department of Revenue

Figure 2 is a bar graph that gives a historical comparison of special assessments as a percentage of the total property tax levy for each of the types of taxing districts that levy special assessments (i.e., counties, cities, townships, and special taxing districts). The historical data dates back to 1970, just before the Minnesota Miracle of 1971 that made major property tax and intergovernmental financing changes to our system. Data from 1970 is compared to data from 2003, which is the most current DOR data available.

Note that the county special assessments as a percent of total levy has increased from about 1.6 percent to about 2.7 percent. In terms of dollars, the amount has grown from \$3 million to \$50 million, which is more than 15 times larger. City special assessments as a percentage of levy, on the other hand, have gone in the opposite direction. They have decreased from 17.9 percent of levy in 1970 to 11.4 percent in 2003. The higher percentage in 1970 may be closely related to the rapid housing growth in the suburbs from baby boomers. One would expect a higher expenditure in infrastructure (i.e., streets, curbs, gutters, sewers) with that housing growth. In terms of dollars, the total amount of city special assessments is now four times larger than in 1970. However, these changes appear to be as much a function of the total city levy increasing at a more rapid rate than special assessments, than it is of the actual dollar change in total special assessments.

Figure 2: Special Assessments as Percent of Taxing District Total Levy Taxes Payable 1970 and 2003³⁵



Source: Department of Revenue

The table containing the supporting data for Figure 2 is in the Appendix. It contains all of the special assessment and property tax levy data from 1970 through 2003. In the earlier years, the data is for each five-year time period, whereas, beginning in 1996 it is for each year. The data has not been adjusted for any inflationary changes but is the actual dollars reported on that year's Abstract of Tax Lists.

No attempt was made to look at the individual counties, cities, townships, and special districts to see what the range in percentages is across the state within the types of districts. It is presumed, as with most data, that although averages are useful in getting a sense of the big picture statewide, some of the taxing districts' percentages may be significantly different from the statewide averages of each respective type of district.

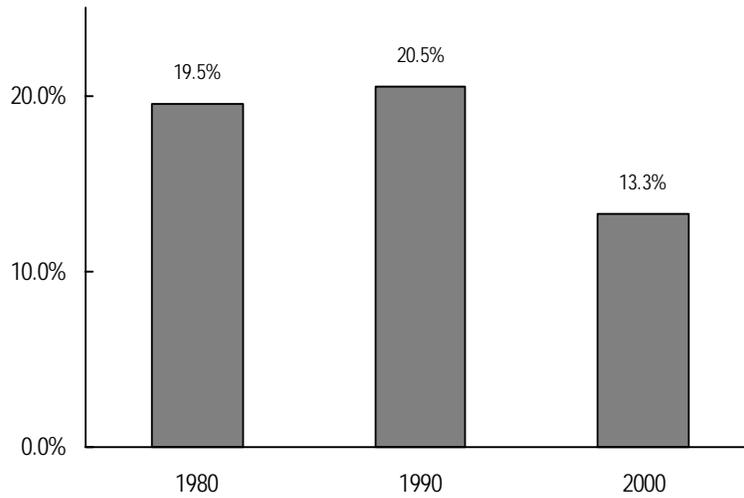
Comparison of Department of Revenue and State Auditor Data

As previously mentioned, the total special assessment amounts as reported by the counties to the Department of Revenue are different from the total special assessments as reported to the State Auditor by each of the local governments.

³⁵ The fiscal disparity distribution levy that the taxing districts receive has been incorporated into the levy amounts.

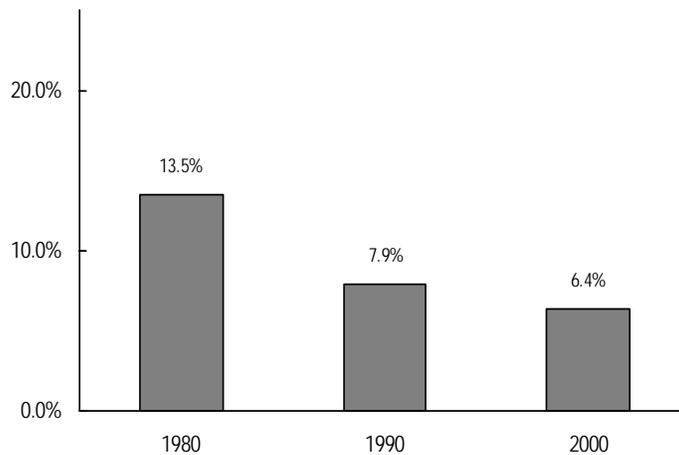
However, in spite of these differences, it seems worthwhile to compare each of them to their respective total levy amounts (using DOR's data) and total revenue amounts (using the State Auditor's data). Figure 3 depicts the total *city* special assessments as a percent of the total city property tax levy, both from DOR sources. Whereas, Figure 4 presents the "bigger picture" by comparing the total city special assessment amount to the city's total revenue, both from the State Auditor's report.

Figure 3: City Special Assessments as a Percent of Total Property Tax Levy



Source: Department of Revenue, Abstract of Tax Lists

Figure 4: City Special Assessments as a Percent of Total Revenue



Source: *Revenue, Expenditures, and Debt of Minnesota Cities Over 2,500 in Population: Year Ended December 31, 2001*, and *Revenue, Expenditures, and Debt of Minnesota Cities Under 2,500 Population: Year Ended December 31, 2001*, St. Paul: Government Information Division, Office of the State Auditor.

Appendix: Special Assessments (1970-2003)

Special Assessments on Real Property by Type of Taxing District as a Percent of Total Levy Taxes Payable 1970-2003³⁶ (Amounts in \$1,000s)

Taxes Payable	County			City			Township		
	Total Levy	Special Assessments	Special Assessments as a % of Total	Total Levy	Special Assessments ³⁷	Special Assessments as a % of Total	Total Levy	Special Assessments	Special Assessments as a % of Total
1970	\$207,861	\$3,253	1.6%	\$195,278	\$34,959	17.9%	\$14,617	\$733	5.0%
1975	323,903	3,572	1.1%	280,237	56,388	20.1%	17,523	851	4.9%
1980	492,335	6,446	1.3%	374,696	76,742	20.5%	34,866	1,113	3.2%
1985	754,438	13,154	1.7%	590,175	117,520	19.9%	63,707	2,569	4.0%
1990	914,036	17,603	1.9%	650,828	126,636	19.5%	70,495	4,536	6.4%
1995	1,232,628	35,539	2.9%	768,329	118,868	15.5%	80,697	4,920	6.1%
1996	1,291,481	38,520	3.0%	806,972	124,407	15.4%	85,249	5,055	5.9%
1997	1,342,396	41,437	3.1%	852,300	122,718	14.4%	86,168	4,862	5.6%
1998	1,398,945	43,980	3.1%	885,760	122,872	13.9%	92,866	5,498	5.9%
1999	1,457,578	44,140	3.0%	933,041	133,838	14.3%	99,055	6,222	6.3%
2000	1,510,715	47,354	3.1%	973,191	129,778	13.3%	103,337	6,604	6.4%
2001	1,565,211	50,442 ³⁸	3.2%	1,059,209	136,874	12.9%	111,338	7,742	7.0%
2002	1,675,241	50,986 ³⁸	3.0%	1,203,415	143,167	11.9%	144,474	8,341	5.8%
2003	1,820,795	49,389 ³⁸	2.7%	1,273,793	144,766	11.4%	157,264	8,179	5.2%

continued on next page

³⁶ Special assessments are not included in the taxing district levy when tax rates are determined.

³⁷ The statewide city total amounts include street maintenance and storm sewer service charges in the city of St. Paul. The amounts in the earlier years were about \$5 million to \$6 million (street maintenance only), and since 1987 have grown from \$8 million to \$16 million (street maintenance and storm sewer).

³⁸ Excludes the Ramsey County Waste Management service charges of about \$14 million per year. Beginning in 2003, this amount is no longer on the abstract of tax lists reported to the Department of Revenue, but rather is collected directly by waste haulers.

Special Assessments on Real Property
by Type of Taxing District as a Percent of Total Levy (continued)
Taxes Payable 1970-2003
(Amounts in \$1,000s)

Taxes Payable	Special Taxing Districts			Total ³⁹		
	Total Levy	Special Assessments	Special Assessments as a % of Total	Total Levy	Special Assessments	Special Assessments as a % of Total
1970	\$5,339	-	-	\$912,399	\$38,944	4.3%
1975	37,342	88	0.2%	1,307,398	60,897	4.7%
1980	50,580	885	1.7%	1,844,023	85,185	4.6%
1985	149,161	3,428	2.3%	3,011,667	136,671	4.5%
1990	298,202	2,816	0.9%	3,298,638	151,590	4.6%
1995	405,343	1,722	0.4%	4,452,593	161,048	3.6%
1996	432,359	2,193	0.5%	4,650,901	170,174	3.7%
1997	446,658	2,005	0.4%	4,829,446	171,021	3.5%
1998	457,423	3,618	0.8%	4,822,107	175,868	3.6%
1999	473,312	2,550	0.5%	4,914,758	186,750	3.8%
2000	494,487	2,516	0.5%	5,075,950	186,252	3.7%
2001	542,213	2,657	0.5%	5,713,614	197,714	3.5%
2002	420,913	2,843	0.7%	4,930,342	205,337	4.2%
2003	446,043	3,560	0.8%	5,242,693	205,895	3.9%

For more information about taxes and local government, visit our web site, www.house.mn/hrd/hrd.htm.

³⁹ Columns do not add across because school districts are included in total levy, but not itemized in the table.