

Tax Abatement Policies

APPENDIX F

Minnesota counties have authority for considering and abating taxes to people who paid taxes erroneously or unjustly. Tax abatement policies provide guidelines for using this authority and can help limit the consideration of unwarranted or frivolous abatement requests. Fifty-five of the 87 county assessors, or 63 percent, indicated their county had explicit written policies for considering tax abatements in 1994 and another 13 county assessors, or 15 percent, reported they were considering a tax abatement policy.

We received copies of tax abatement policies from 52 of the 55 counties with adopted policies. Ten of those policies specify which county personnel are responsible for handling tax abatement requests and outline the appropriate procedures they should follow. The remaining policies only contain conditions that county staff use to determine whether abatement requests qualify for consideration. In this appendix, we present additional background information on the tax abatement policies of the 52 counties.

LIMITS ON THE TIMING OR AMOUNT OF ABATEMENT REQUESTS

State statutes restrict the time period during which abatement requests are eligible for consideration.¹ Of the 52 abatement policies we examined, 31 policies limited the counties' consideration of abatement requests to the current year only.² (See Table F.1.) Because of the time and other costs involved with processing abatement requests, some counties required the amount of the tax abatement request to meet a certain threshold. Thirty-five of the 52 coun-

ties, or 67 percent, did not consider abatement requests when they were less than a threshold limit. The median threshold was \$50, although 11 counties set their threshold at \$100. (See Figure F.1.) Two counties' policies required abatement requests to represent a minimum change of \$5,000 in estimated market value before considering them.

Table F.1: Counties With Time Limits in Abatement Policies

	Current Year ^a		Current + 1 Year		Current + 2 Year	
	#	%	#	%	#	%
Counties	31	60	8	15	10	19

Note: Three counties' policies did not specify a time limit.

Source: Legislative Auditor's Office analysis of 52 county tax abatement policies.

^aFour of the 31 policies provided allowances to consider applications beyond the current year for certain rare conditions.

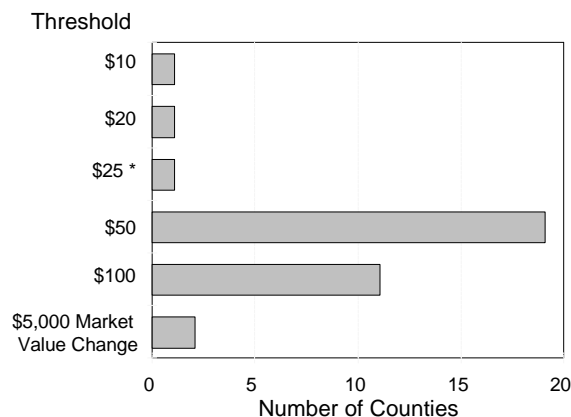
CONDITIONS ON CONSIDERING ABATEMENT REQUESTS

Thirty-one policies, or 60 percent of those we examined, prohibited considering abatement requests for homestead classifications if the taxpayer did not file a homestead application by a specific deadline. Many of the counties' policies specified the actions taken by the assessor to notify owners of the need for the homestead application, including newspaper notices, mailed notices, and certified letters. Only taxpayers who were not subject to these notifica-

1 County boards may consider abatements as they relate to taxes payable in the current year and the two prior years if clerical errors were made or the taxpayer failed to file due to hardship, as defined by the county board. (See *Minn. Stat.* §375.192, subd. 2.)

2 In four of those 31 policies, the counties made provisions to consider requests for earlier years in certain rare exceptions.

Figure F.1: Counties' Dollar Thresholds for Considering Abatement Requests



Source: Legislative Auditor's Office analysis of 52 county tax abatement policies.

*Either the dollar threshold or a minimum 10 percent change in estimated market value qualified for consideration.

tions could apply for a homestead classification abatement. Twenty-four counties' policies, or 36 percent, set conditions that taxpayers had to meet before the county would consider their abatement application. One common condition was that applicants must have paid previous years' taxes in full. Another was that no abatement would be considered if the taxpayer had a petition filed in tax court with the outcome still pending. A third common condition prohibited requests that could have been handled during the local board of review or county board of equalization processes.

Sixteen county policies, or 31 percent of those we studied, had a policy regarding abating tax penalties or interest. Many refused to abate tax penalties, but some considered abatements for penalties paid on current taxes only under strict conditions, such as when taxpayers could prove that they paid the taxes in a timely fashion but the payment was lost in the mail. Eight counties, or 15 percent, included prohibitions regarding special assessments. Typically, these policies prohibited granting an abatement for a special assessment unless the request was accompanied by a written approval from the local govern-

ment that levied the special assessment. Eight of the policies also contained deadlines by which the abatement request had to be filed to be eligible for consideration.

Smaller numbers of county abatement policies contained other conditions. Four of the policies we analyzed, or 8 percent, prohibited requests for abatements regarding "This Old House" provisions.³ These policies disqualified from consideration any requests for abatements from homeowners who failed to submit by certain deadlines the necessary applications for deferring value increases due to home improvements. Three policies had provisions for handling numerous requests for abatements due to homestead classification changes. In these policies, the county board delegated authority to county personnel, such as the county assessor or auditor, to approve abatement requests due to changes in homestead classifications or clerical errors. These changes could be made without county board approval. Three policies set conditions specific to abatement requests for manufactured homes, typically specifying dates by which such requests are due.

³ "This Old House" refers to statutes allowing homeowners to defer increases in estimated market value due to improvements they made to their property. The program is intended to remove a disincentive to improving residential property. The law exempts from taxation, for a ten-year period, all or a portion of the value of improvements made to homes that are at least 35 years old. Many conditions apply to determine eligibility for this exemption. (See *Minn. Stat.* §273.11, subd. 16.)