

Olmsted County Truth In Taxation **2023 Levy and Budget**

December 1, 2022

Government Center Boardroom



Building the foundation of a vibrant community

Which entities play a role in our property tax?

State Legislature

Establishes property classes and class rates, determines levels of state aid to local units of government, sets the amount of homestead market value exclusion, sets the state general tax rate and mandates programs to local governments.

Local Governments

(Olmsted County, City Councils, Township Boards, School Districts, and others) determine the tax levy amount needed to provide services.

County Assessor

Assigns each property in Olmsted County a market value, property classification and calculates property tax as prescribed by state statute.

What factors affect our property taxes?

Changes in market values

Changes to local tax levies

New taxes approved by referendum

Legislative changes to property classification rates, state aid formulas and other tax laws

Legislative unfunded or not properly funded mandates



What is the local tax levy?

Local Tax Levy is the amount of property tax revenue needed to support services.

Total Proposed Local Budget minus Non-Property
Tax Revenue equals **Local Tax Levy**



Calculating taxes payable

Tax Capacity x Tax Rate = Property Tax Payable

Levy Amount / Total Tax Capacity = Tax Rate

2023 Tax Rate example for Olmsted County:

$$\$119.5\text{M} / \$267.9\text{M} = 44.61\%$$

Levy Amount = Comes From Taxing Entity (County, City, School, etc.)



Examples - Tax capacity and tax amount calculations

\$600,000 - Residential Property

Taxable Value	Class Rate	Net Tax Capacity
\$500,000	1.00%	\$5,000
\$100,000	1.25%	\$1,250
\$600,000		\$6,250

\$600,000 - Commercial Property

Taxable Value	Class Rate	Net Tax Capacity
\$150,000	1.50%	\$2,250
\$450,000	2.00%	\$9,000
\$600,000		\$11,250

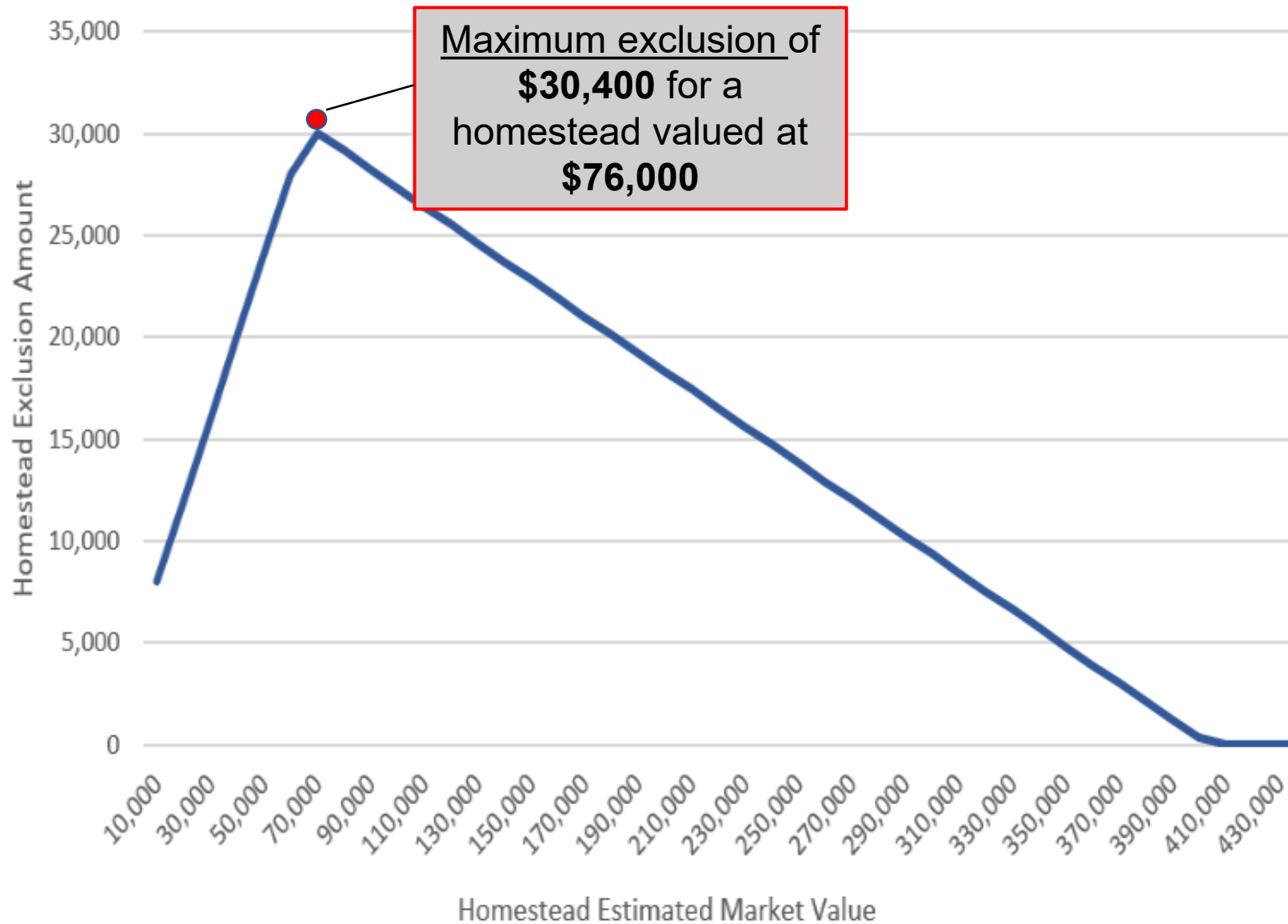
**Net Tax Capacity
\$5,000 or
80%
Higher**

Jurisdiction	Tax Rate	Net Tax Capacity	Property Tax
Olmsted	44.614%	\$6,250	\$2,788.38
Rochester	46.338%	\$6,250	\$2,896.13
ISD 535	18.078%	\$6,250	\$1,129.88
HRA	1.691%	\$6,250	\$105.69
State Market Value Rate	0.1794%	\$600,000	\$1,076.10
State Tax	0%	\$6,250	\$0
			\$7,996.16

Jurisdiction	Tax Rate	Net Tax Capacity	Property Tax
Olmsted	44.614%	\$11,250	\$5,019.08
Rochester	46.338%	\$11,250	\$5,213.03
ISD 535	18.078%	\$11,250	\$2,033.78
HRA	1.691%	\$11,250	\$190.24
State Market Value Rate	0.1794%	\$600,000	\$1,076.10
State Tax	34.00%	\$9,750	\$3,315.00
			\$16,847.21

**Tax Amount
\$8,851 or
110.7%
Higher**

Homestead market value exclusion



- Provides a tax reduction to all properties classified as homestead and valued below \$413,800
- As home value increases, the portion of market value eligible for exclusion phases out and is zero for homes valued at \$413,800 or more
- Prescribed by state law
- Not adjusted for inflation



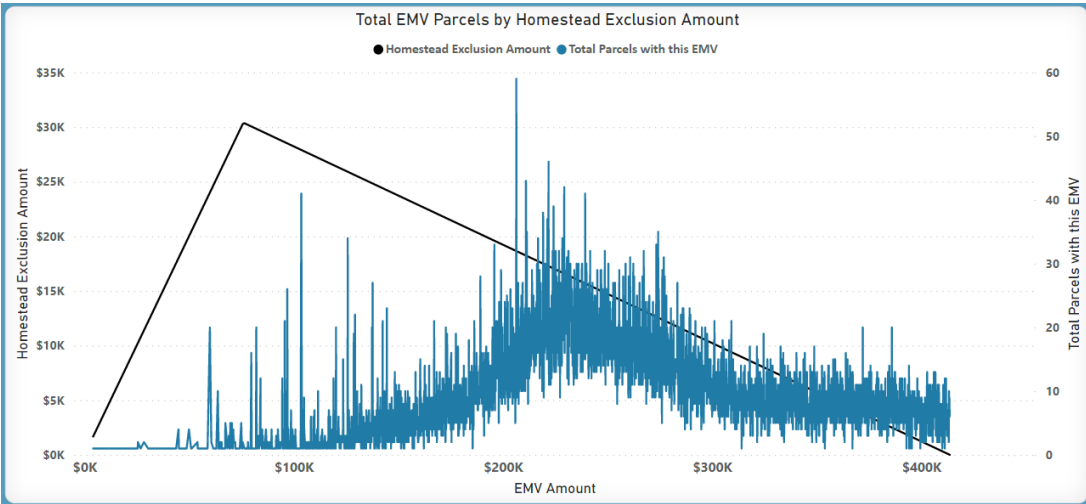
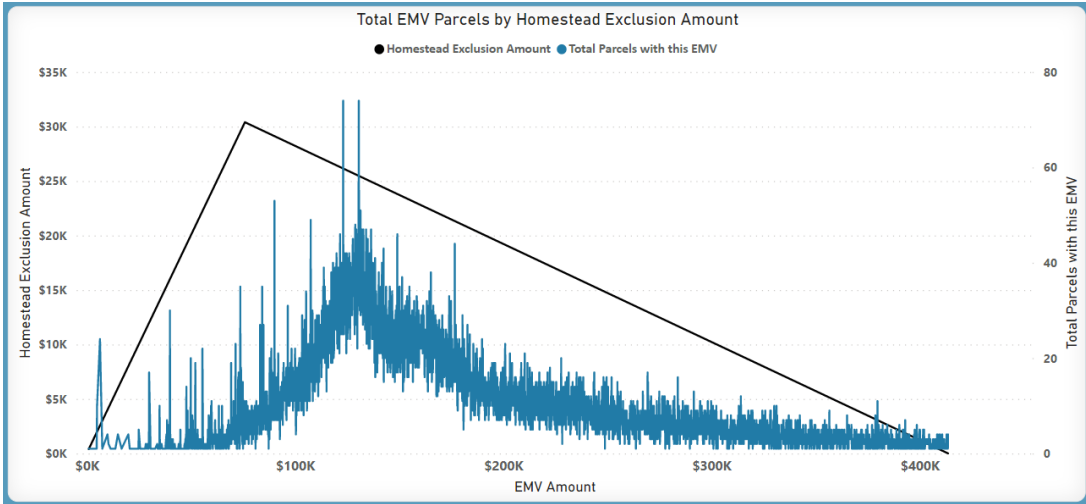
Homestead market value exclusion – High level

Pay Year 2016

\$9.1bn	\$8.3bn	52,783	38,765	73.4%	\$12,669,960	\$327	\$804.1M	\$20,743
Total EMV	Total TMV	Overall Parcels	Parcels Qualifying	% Parcels Qualifying	Total Exclusion Savings	Average Savings Per Parcel	Total Exclusion Amount	Average Exclusion Per Parcel

Pay Year 2023

\$16.1bn	\$15.7bn	54,879	32,386	59.0%	\$5,789,286	\$179	\$440.6M	\$13,606
Total EMV	Total TMV	Overall Parcels	Parcels Qualifying	% Parcels Qualifying	Total Exclusion Savings	Average Savings Per Parcel	Total Exclusion Amount	Average Exclusion Per Parcel



Between 2016 and 2023, the number of parcels that qualify for the homestead market value exclusion decreased from 73% to 59%. The average homestead market value tax reduction (for all jurisdictions) per parcel decreased by about 45% or \$148 dollars per parcel (from \$327 in 2016 to \$179 in 2023).

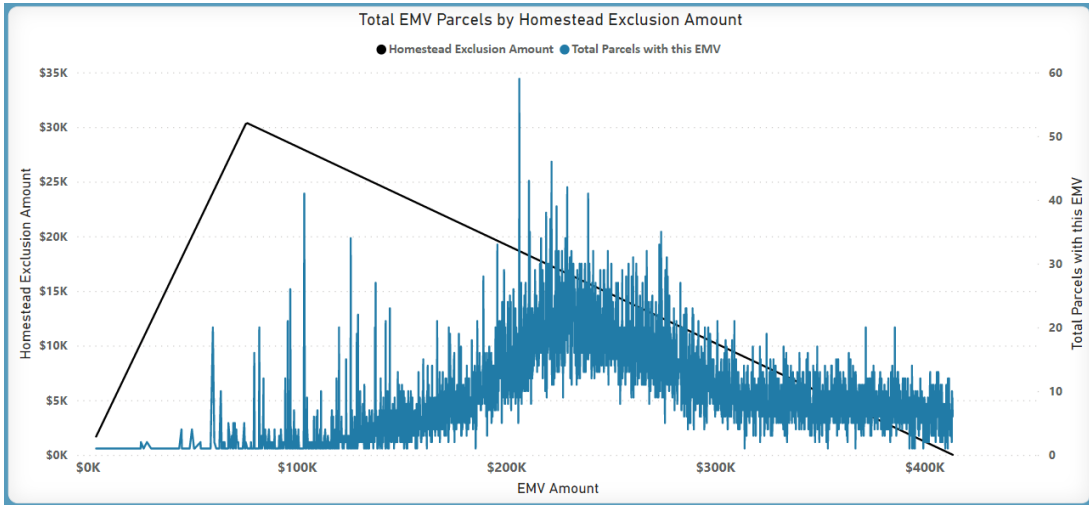
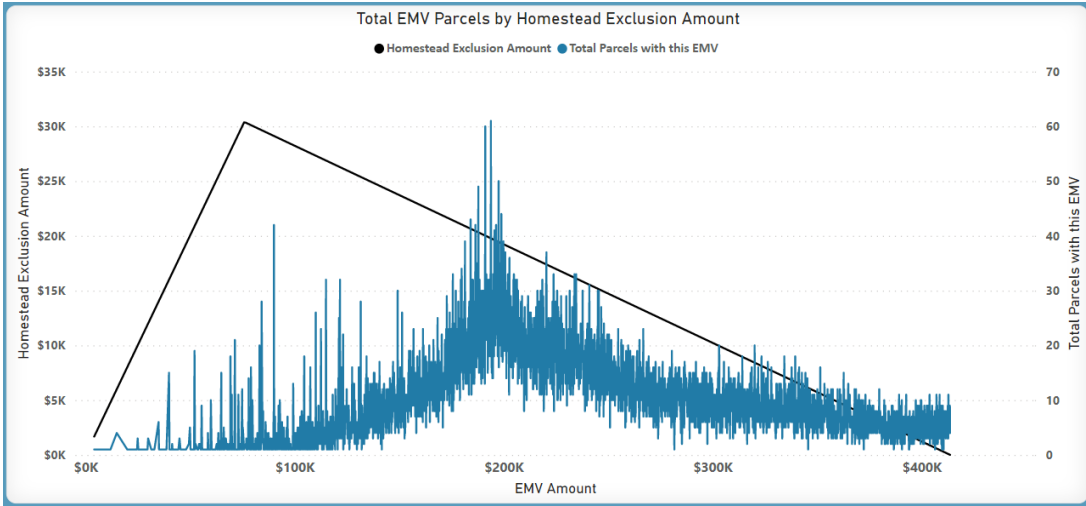
Homestead market value exclusion – High level

Pay Year 2022

Pay Year 2023

\$13.9bn	\$13.4bn	54,305	36,100	66.5%	\$8,129,502	\$225	\$561.5M	\$15,554
Total EMV	Total TMV	Overall Parcels	Parcels Qualifying	% Parcels Qualifying	Total Exclusion Savings	Average Savings Per Parcel	Total Exclusion Amount	Average Exclusion Per Parcel

\$16.1bn	\$15.7bn	54,879	32,386	59.0%	\$5,789,286	\$179	\$440.6M	\$13,606
Total EMV	Total TMV	Overall Parcels	Parcels Qualifying	% Parcels Qualifying	Total Exclusion Savings	Average Savings Per Parcel	Total Exclusion Amount	Average Exclusion Per Parcel



Between 2022 and 2023, the number of parcels that qualify for the homestead market value exclusion decreased from 66.5% to 59%. The average homestead market value tax reduction (for all jurisdictions) per parcel decreased by about 20% or \$46 dollars per parcel (from \$225 in 2022 to \$179 in 2023).

Strong residential market

Cities within Olmsted County continue to experience a strong residential market

<u>City</u>	<u>* Median Sales Price</u>	
• Stewartville	\$290,000	+17.3%
• Rochester	\$322,000	+11.0%
• Byron	\$390,000	+16.4%
• Oronoco	\$545,000	+39.0%

* Year to date as of October 2022, compared to 2021



County + HRA property taxes (levies)

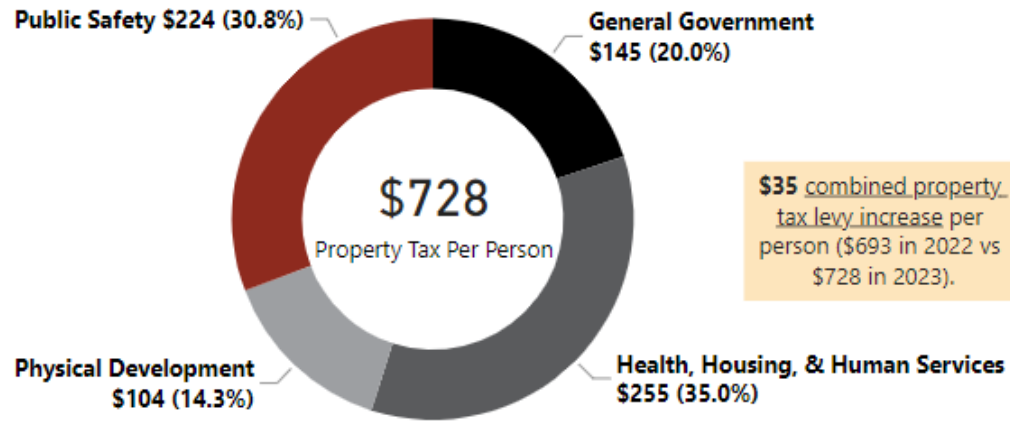
	2022 Combined Levies	+	2023 Recommended increases	=	2023 Recommended Combined Levies	Percent Change
County	\$112,822,877		\$6,656,550		\$119,479,427	5.90%
HRA	\$3,934,341		\$632,814		\$4,567,155	16.08%
Total	\$116,757,218		\$7,289,364		\$124,046,582	6.24%



2023 property tax (levy) per capita

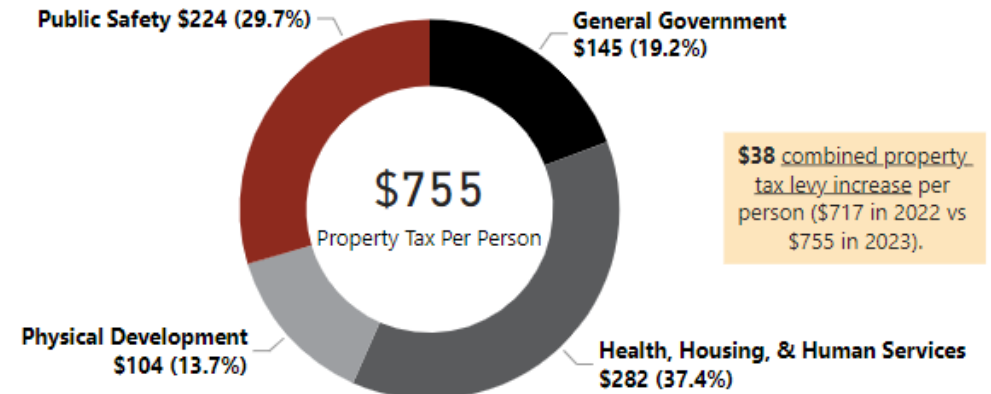
2023 countywide budget per capita

2023 Recommended Property Taxes by Division (Per Person)

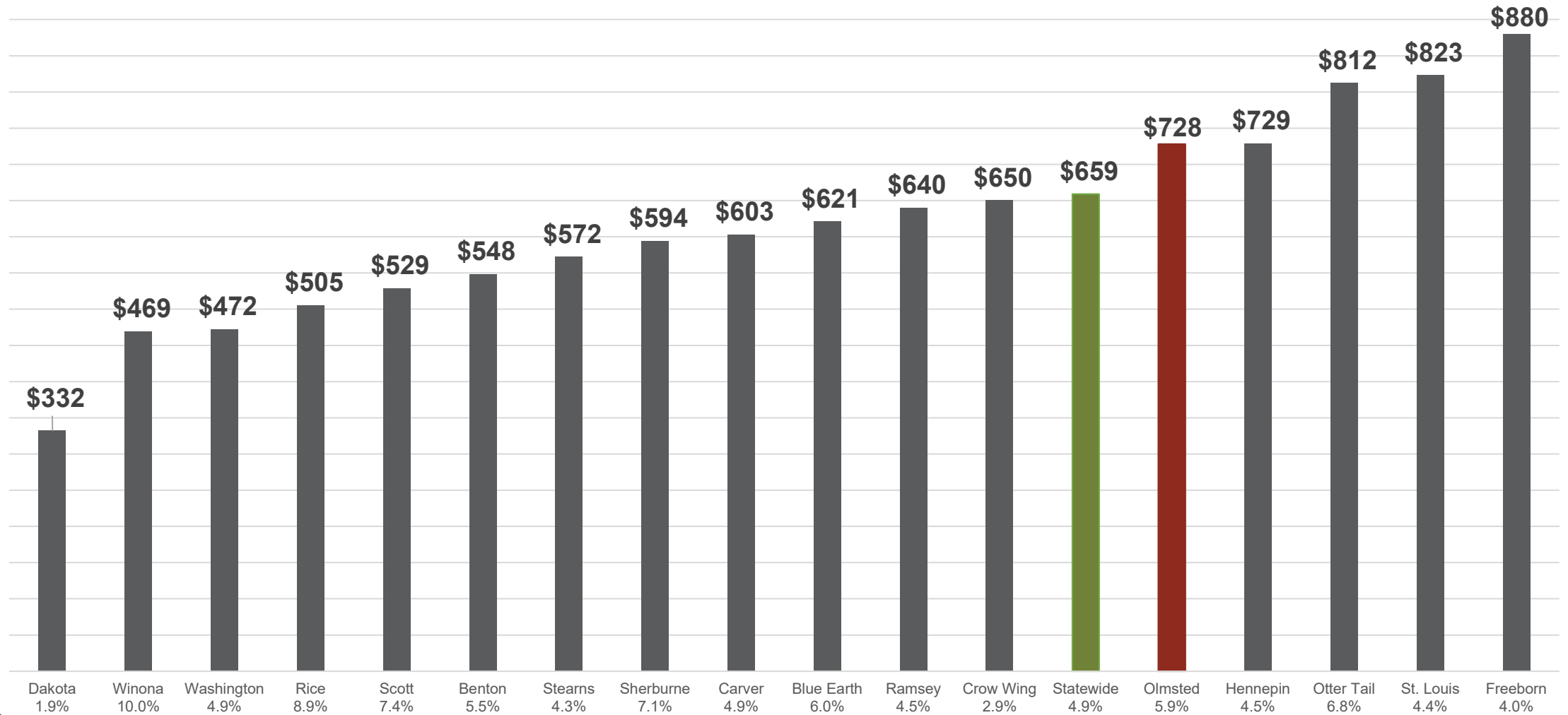


2023 countywide budget per capita (Including all OCHRA operations)

2023 Combined Recommended Property Taxes by Division (Per Person)

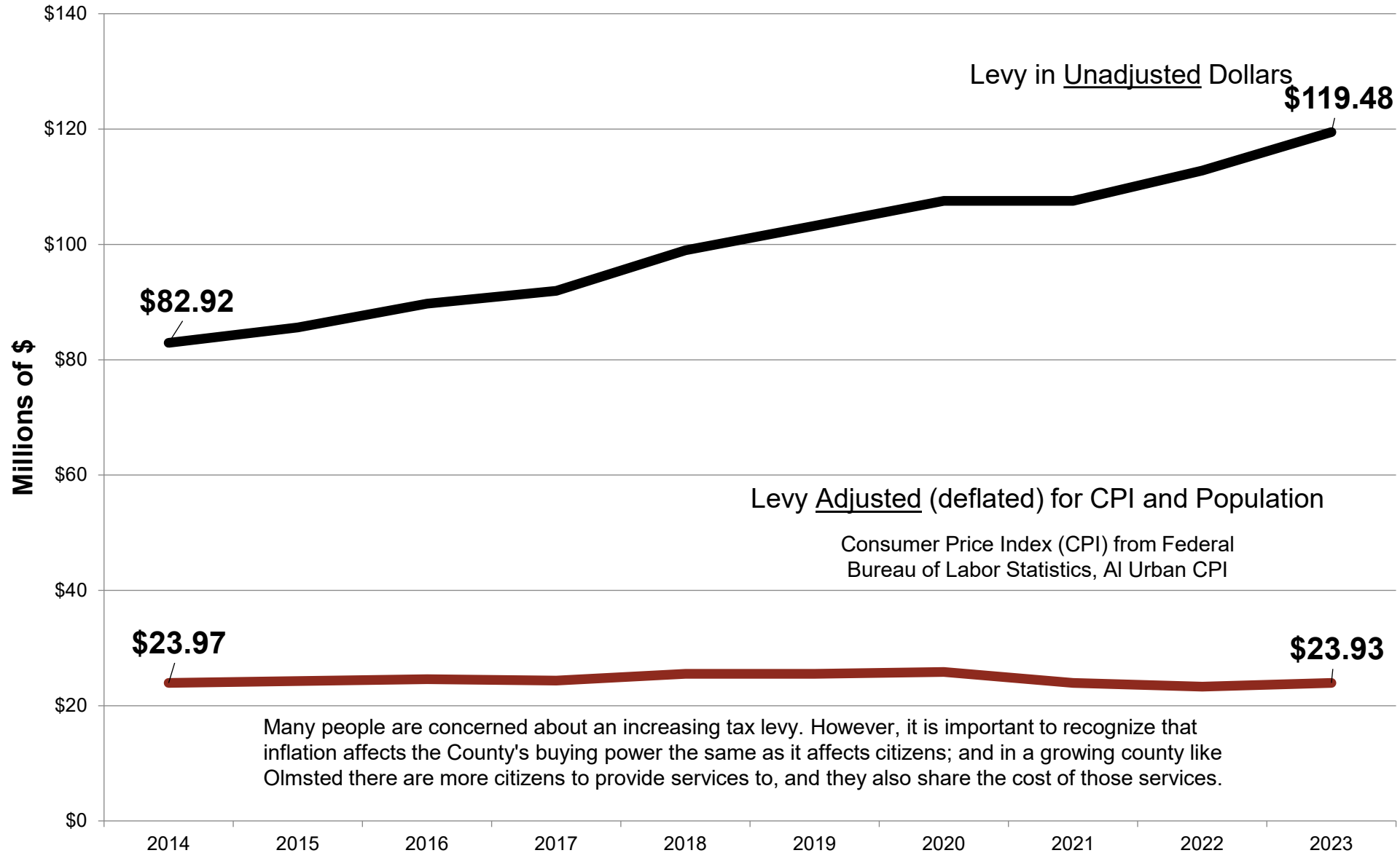


2023 property tax per capita comparison



For year 2023, Olmsted County ranks # 31 (out of 87 counties) for property taxes payable per capita. Dakota County ranks #1, as the lowest and Cook County ranks #87, as the highest.

Property Tax (Levy) Olmsted County Only



Many people are concerned about an increasing tax levy. However, it is important to recognize that inflation affects the County's buying power the same as it affects citizens; and in a growing county like Olmsted there are more citizens to provide services to, and they also share the cost of those services.

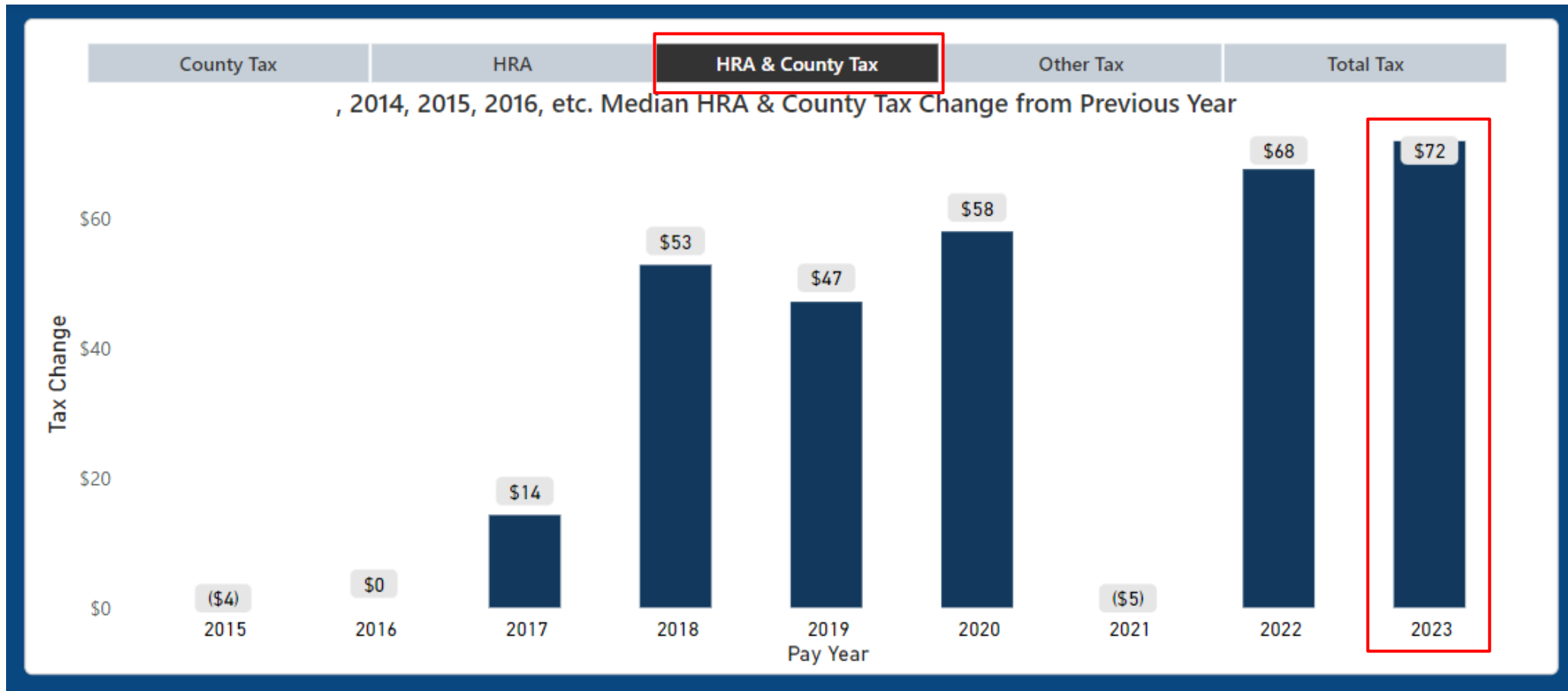


Residential parcels only (2023 median property taxes)

Estimated Taxable Value - Range	\$150,000 to \$199,999	\$200,000 to \$249,999	\$250,000 to \$299,999	\$300,000 to \$399,999	\$400,000 to \$499,999
Median, for the range above	\$180,000	\$223,800	\$271,100	\$346,900	\$444,100
<u>Median tax:</u>					
County	\$775	\$963	\$1,166	\$1,498	\$1,923
HRA	\$30	\$38	\$46	\$59	\$75
All jurisdictions Taxes	\$2,342	\$2,890	\$3,473	\$4,399	\$5,547



Residential parcels only (Median tax change from prior year)

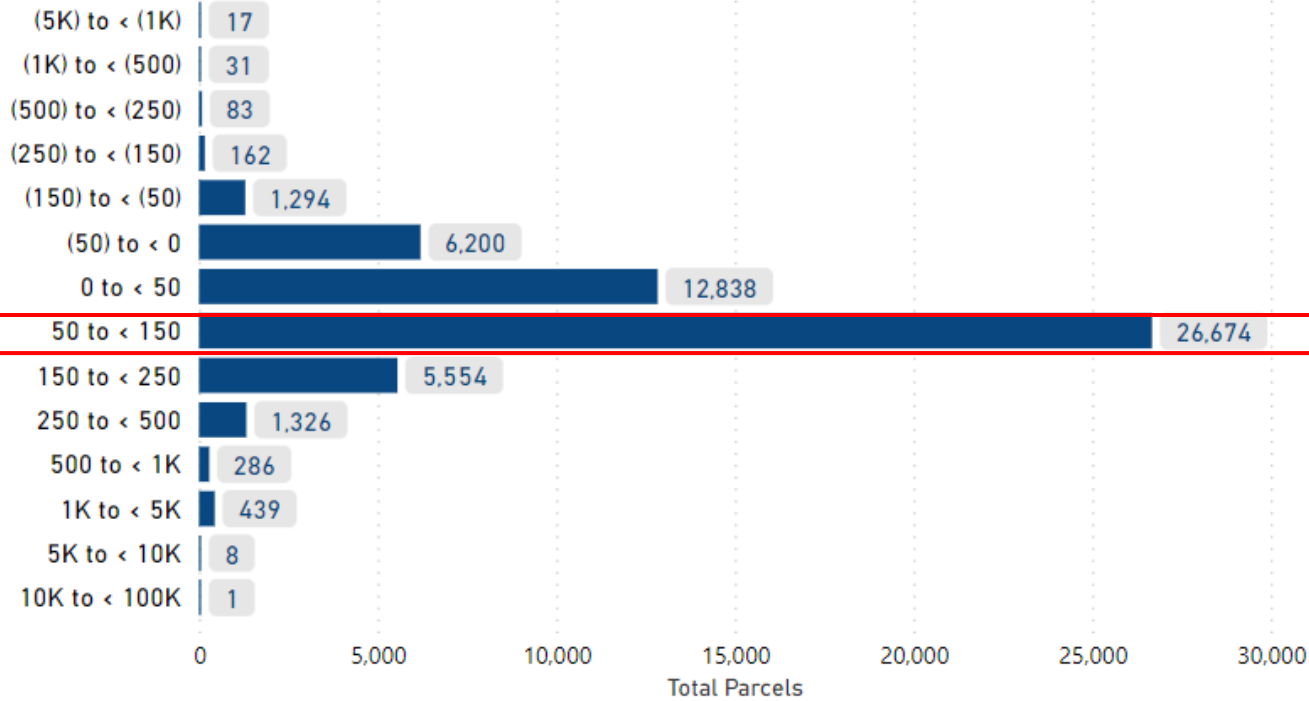


In 2023, the median County and HRA tax for Residential parcels increased by \$72, when compared to payable year 2022.



Residential parcels only (county + HRA)

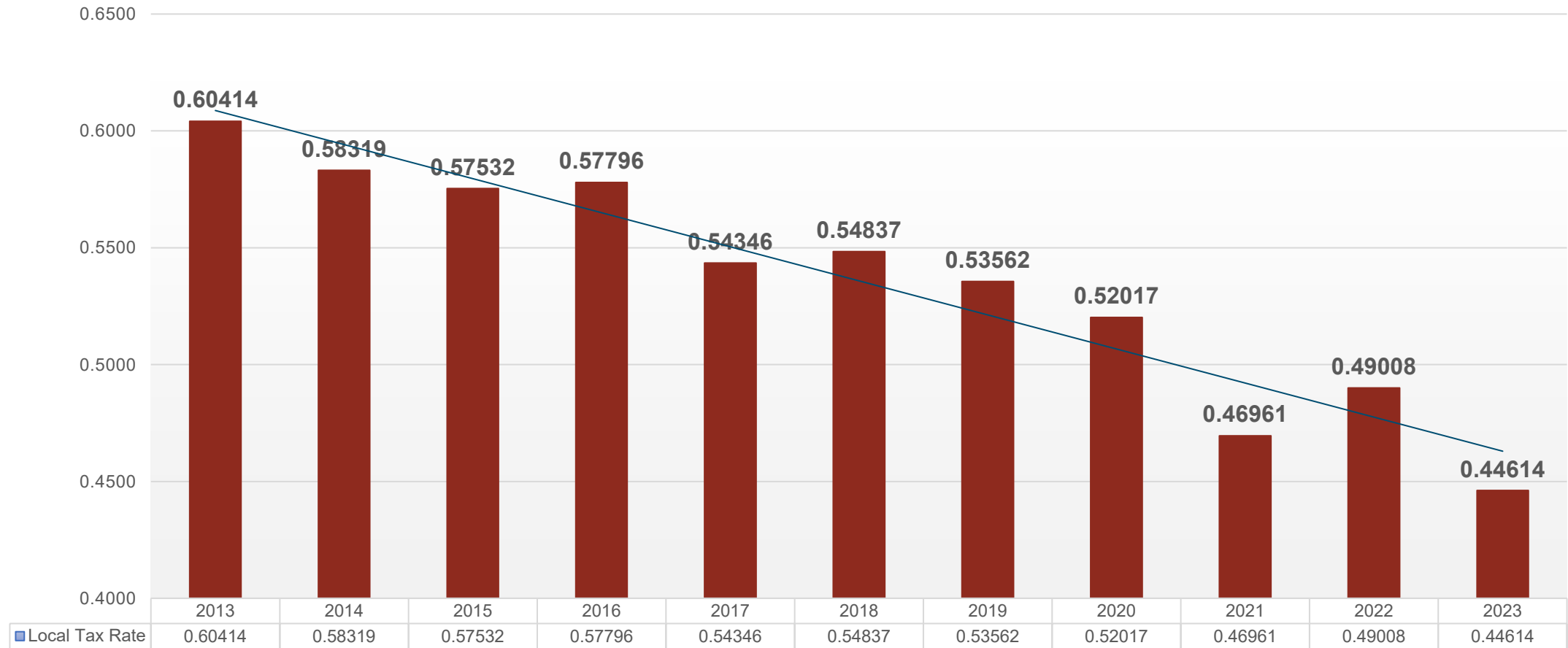
Showing Total Parcels by Tax Change Category (compared to Prior Year)



Proposed County + HRA Change Category	Total Parcels	% of Total Parcels	Cumulative %
10K to < 100K	1	0.00%	100.00%
5K to < 10K	8	0.01%	100.00%
1K to < 5K	439	0.80%	99.98%
500 to < 1K	286	0.52%	99.18%
250 to < 500	1,326	2.41%	98.66%
150 to < 250	5,554	10.11%	96.25%
50 to < 150	26,674	48.58%	86.13%
0 to < 50	12,838	23.38%	37.56%
(50) to < 0	6,200	11.29%	14.18%
(150) to < (50)	1,294	2.36%	2.89%
(250) to < (150)	162	0.30%	0.53%
(500) to < (250)	83	0.15%	0.24%
(1K) to < (500)	31	0.06%	0.09%
(5K) to < (1K)	17	0.03%	0.03%
Total	54,913	100.00%	100.00%

Almost 49% of residential parcels will experience an increase in County + HRA property tax between \$50 and \$149.

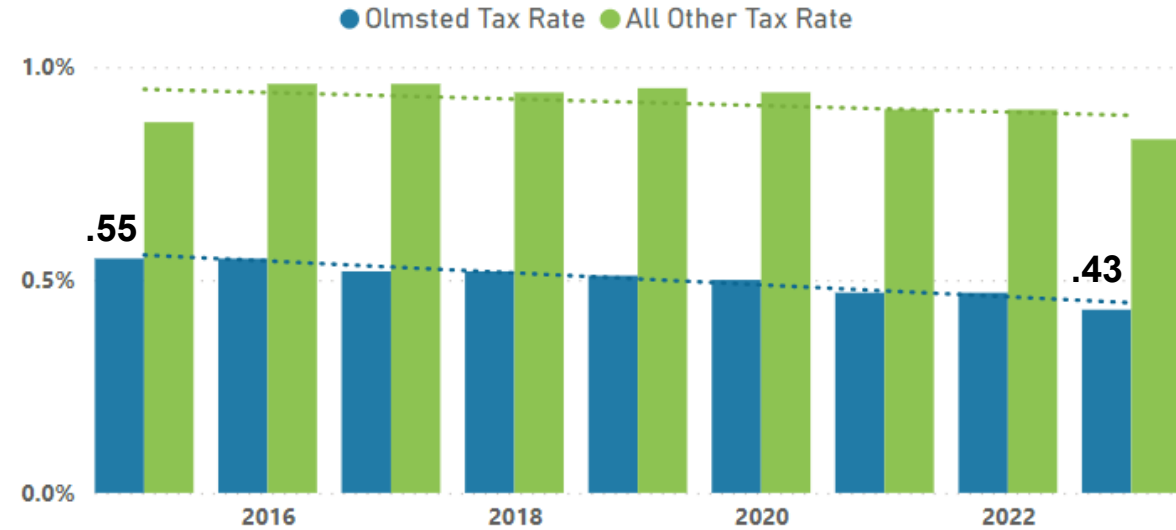
Olmsted County only local tax rate - History



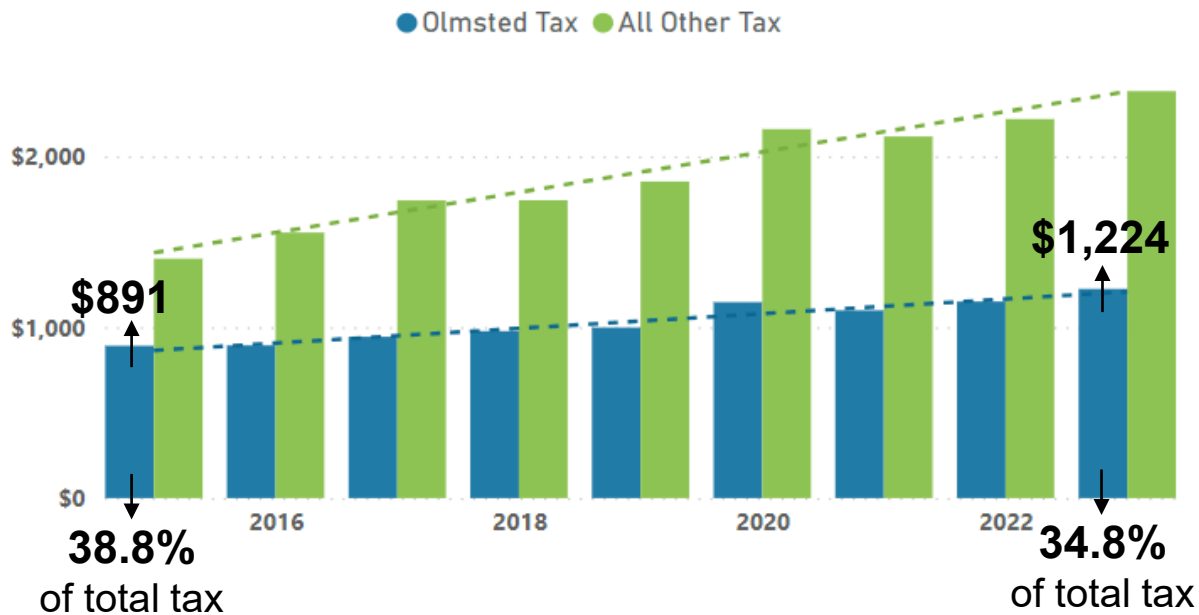
$$\text{Local Tax Rate} = \frac{\text{(Property tax revenue needed)}}{\text{(Total Tax Capacity)}}$$

Residential home in
 Rochester Par ID
 #742921074282
 \$161,100, TMV in 2015
 \$286,900, TMV in 2023
 \$125,800 or 78% increase

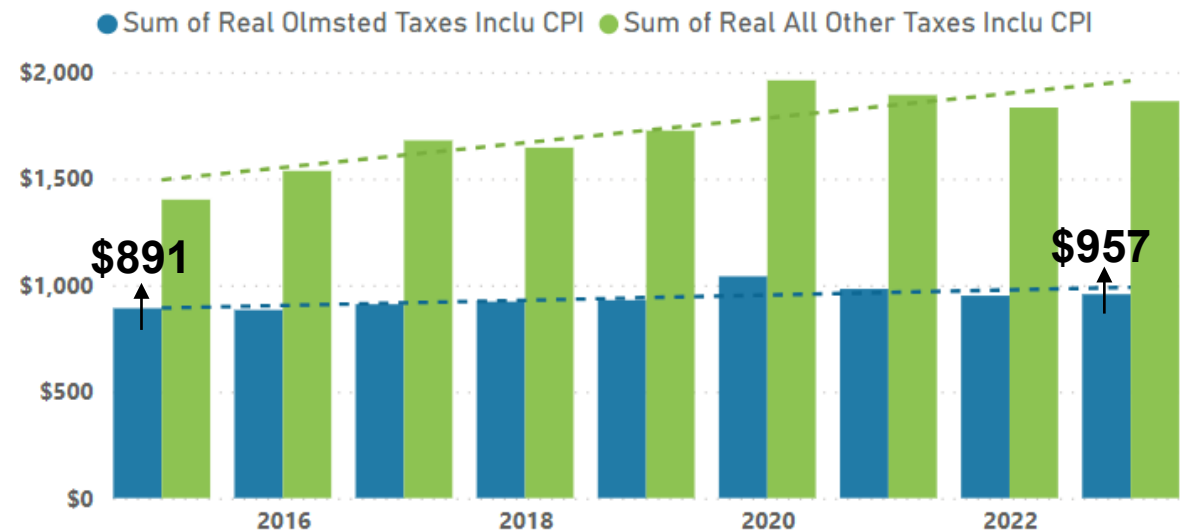
Change in Tax Rates for City of Rochester



Nominal Change in Taxation for City of Rochester

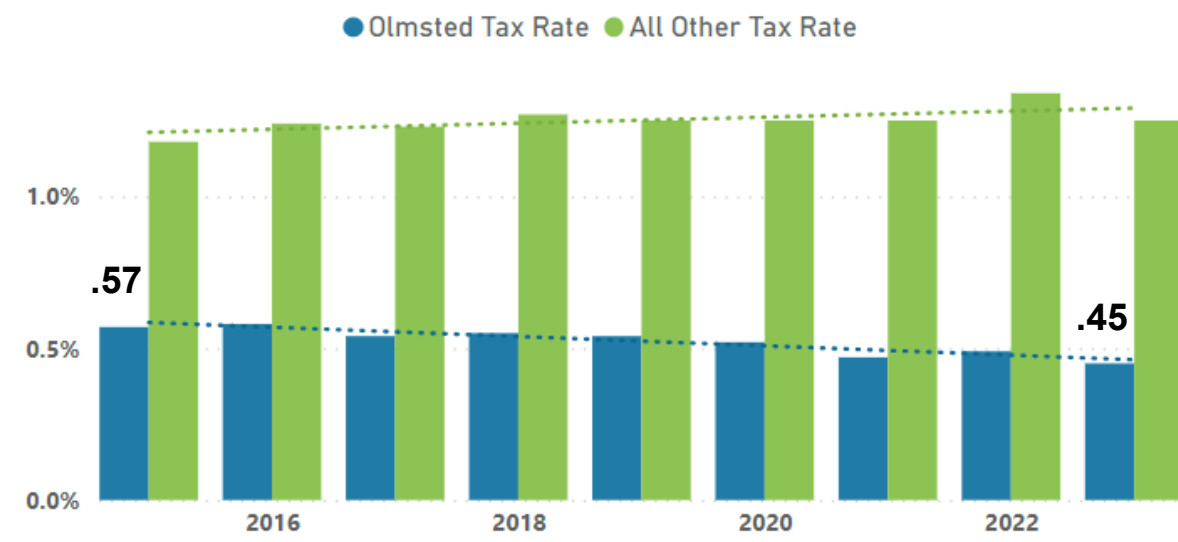


Real Changes in Taxes Against CPI

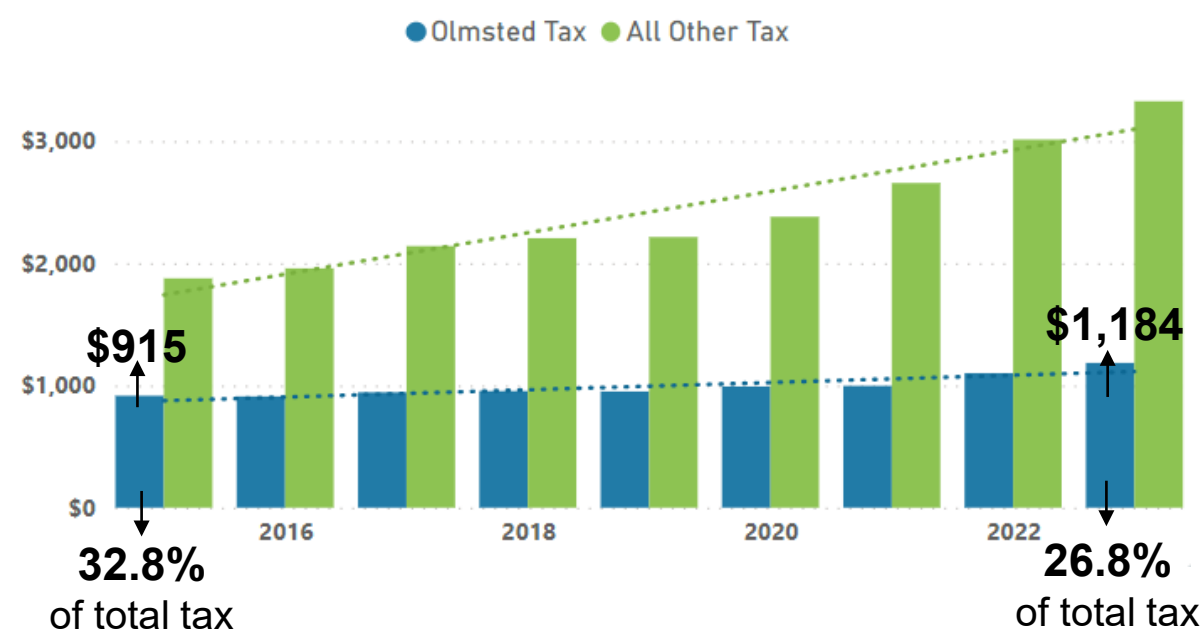


Residential home in
 Byron
 Par ID #752932053857
 \$159,300, TMV in 2015
 \$265,500, TMV in 2023
 \$106,200 or 66%
 increase

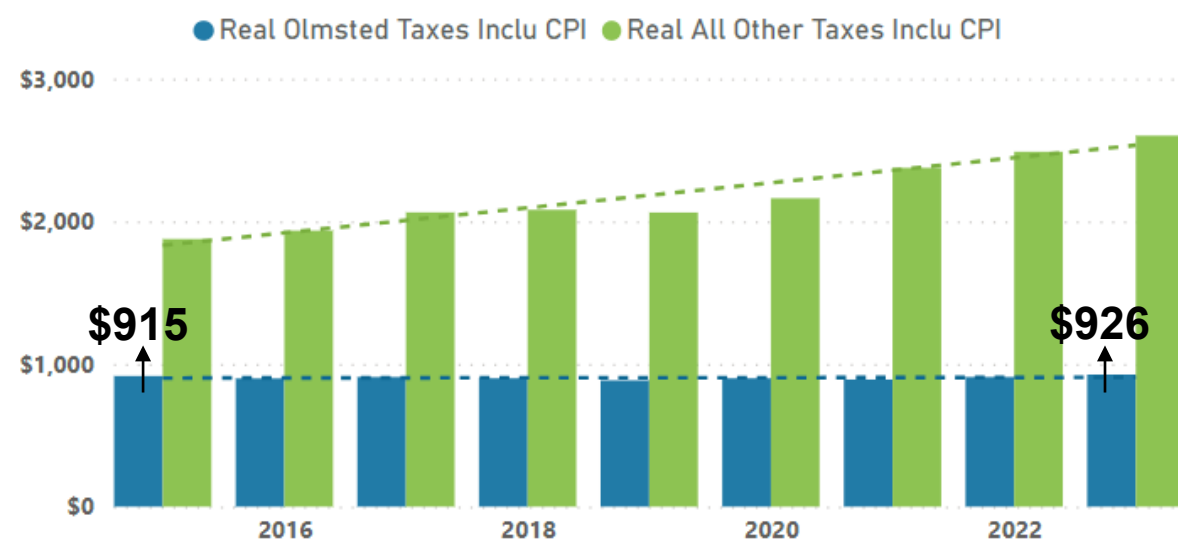
Change in Tax Rates for City of Byron



Nominal Change in Taxation for City of Byron

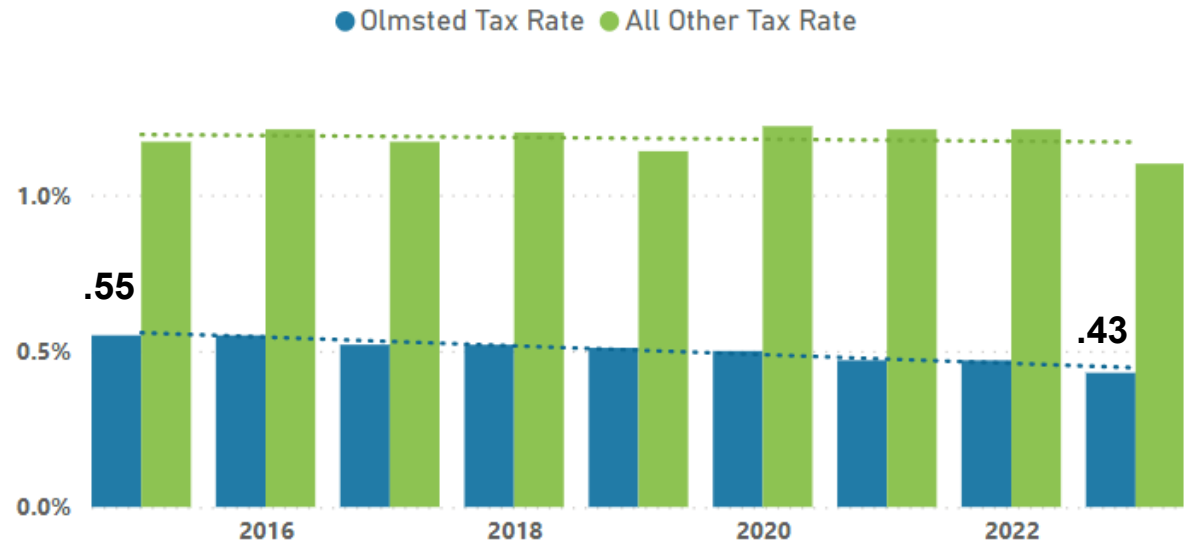


Real Changes in Taxes Against CPI for City of Byron

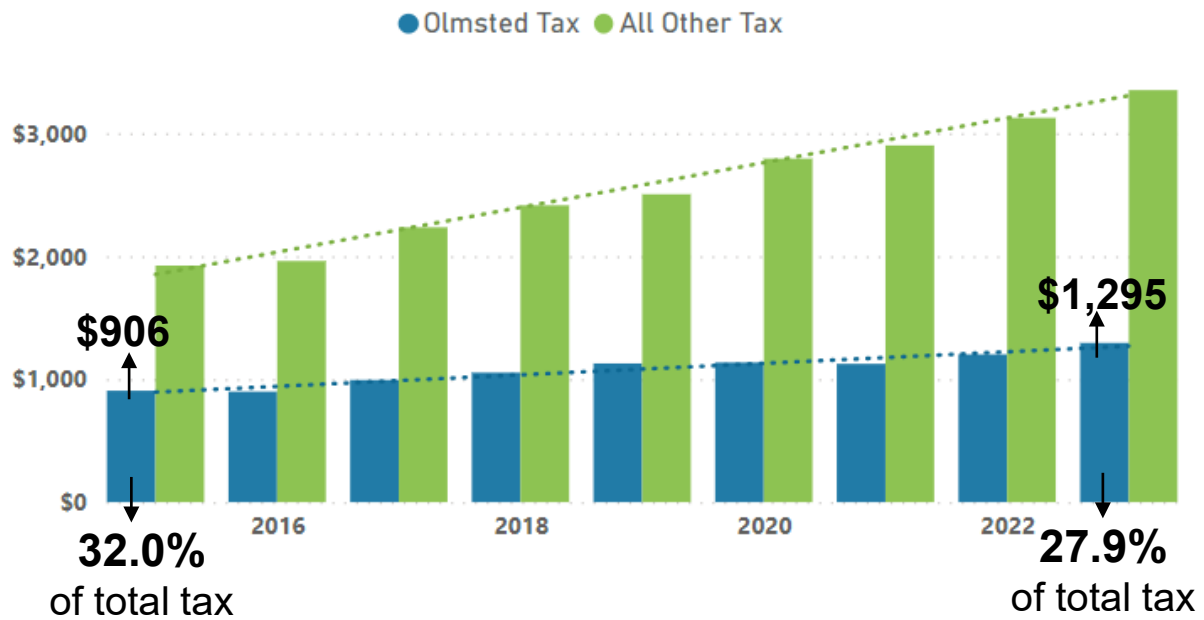


Residential home in Stewartville
 Par ID #440224057194
 \$163,900, TMV in 2015
 \$303,400, TMV in 2023
 \$139,500 or 85% increase

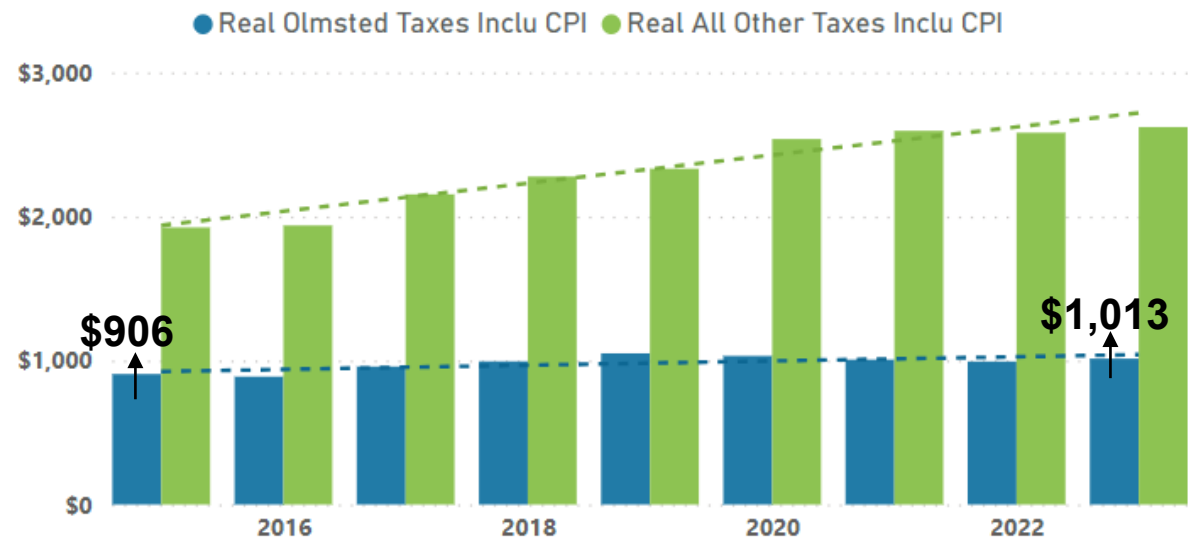
Change in Tax Rates for City of Stewartville



Nominal Change in Taxation for City of Stewartville

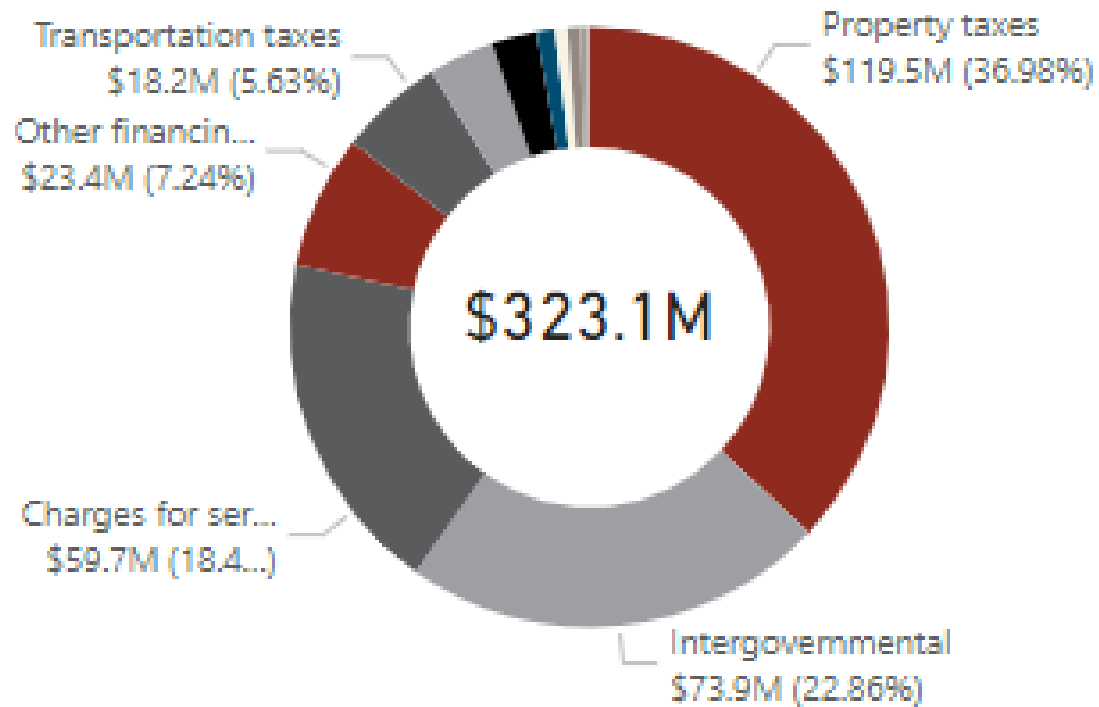


Real Changes in Taxes Against CPI for City of Stewartville



2023 revenue budget (county only)

Revenues and other funding sources

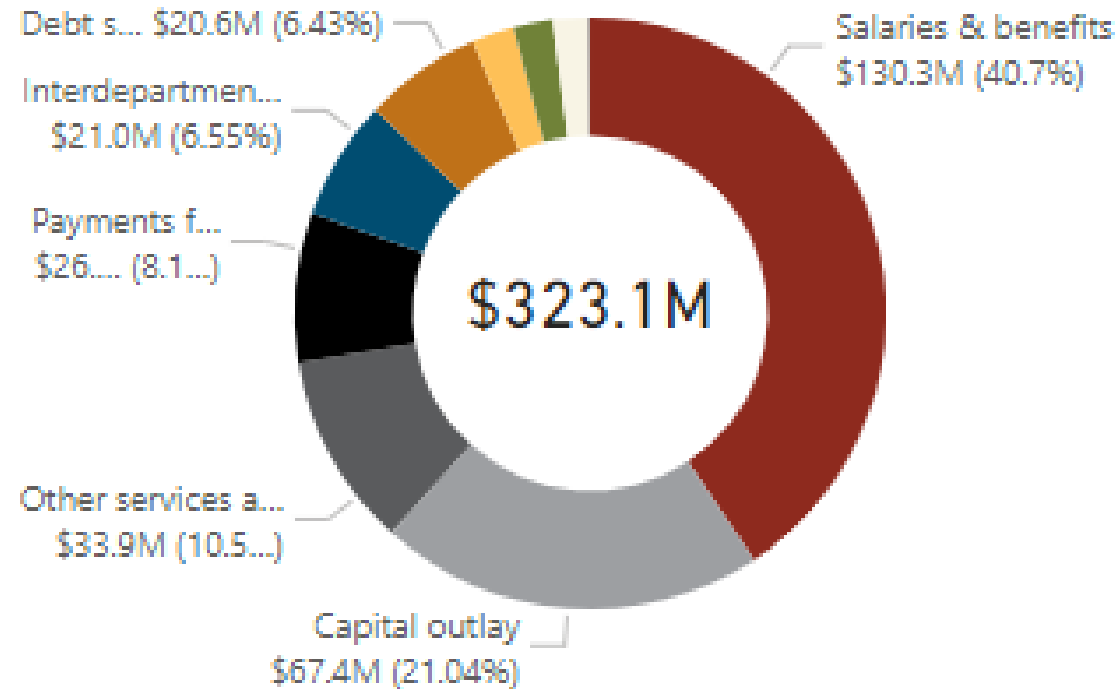


Category	Amount	%
Property taxes	\$119,479,427	36.98%
Intergovernmental	\$73,865,463	22.86%
Charges for services	\$59,663,595	18.47%
Other financing sources	\$23,376,117	7.24%
Transportation taxes	\$18,200,000	5.63%
Transfers in	\$11,456,535	3.55%
Reserves	\$7,819,484	2.42%
Interest	\$3,225,138	1.00%
Miscellaneous	\$2,214,314	0.69%
Licenses & permits	\$2,201,000	0.68%
Wheelage taxes	\$1,400,000	0.43%
Gifts	\$168,501	0.05%
Total	\$323,069,574	100.00%



2023 expense budget (county only)

Expenses and other funding uses

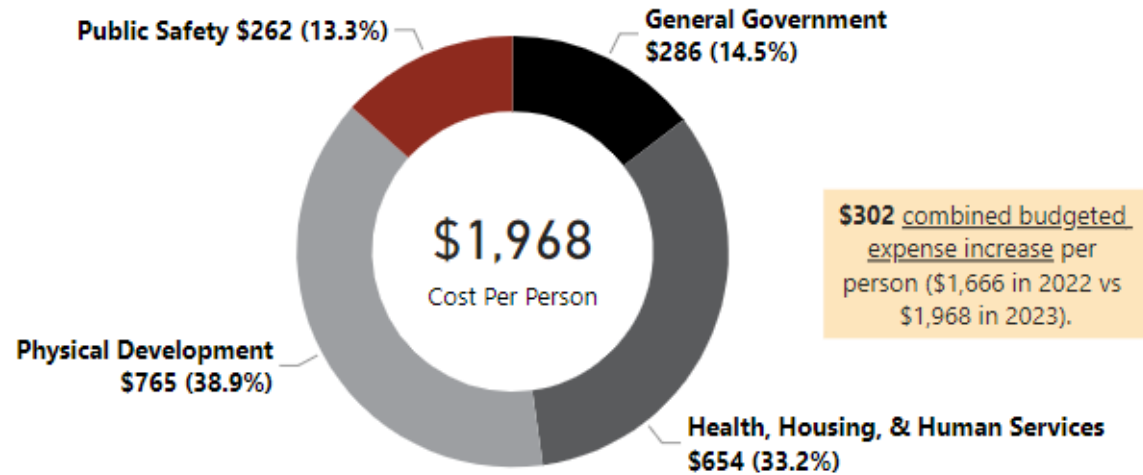


Category	Amount	%
Salaries & benefits	\$132,025,747	40.87%
Capital outlay	\$67,365,511	20.85%
Other services and charges	\$34,513,863	10.68%
Payments for clients	\$26,225,732	8.12%
Interdepartmental	\$21,902,150	6.78%
Debt service	\$20,587,070	6.37%
Supplies	\$7,461,012	2.31%
Transfers out	\$6,817,910	2.11%
Miscellaneous	\$6,136,702	1.90%
Contingency	\$404,500	0.13%
Contra-accounts	(\$370,623)	-0.11%
Total	\$323,069,574	100.00%

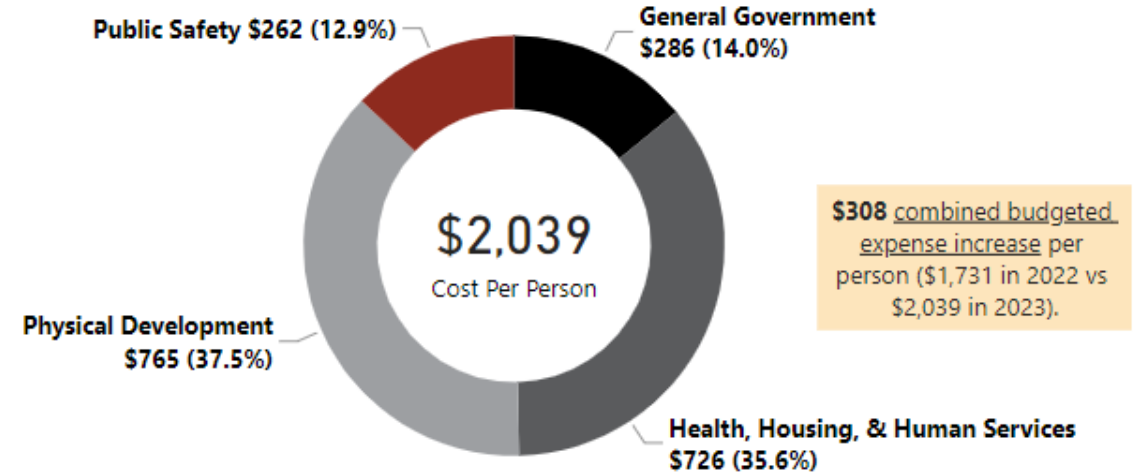


2023 budgeted cost per capita

2023 Olmsted County Expense Budget by Division (Cost Per Person)



2023 Olmsted County & OCHRA Expense Budget by Division (Cost Per Person)





Sample of services funded with property taxes

- **Public Health**
- **Children Protective Services**
- **Vulnerable Adult Protective Services**
- **Housing**
- **Public Safety / Law Enforcement**
- **Roadways Maintenance**
- **Elections**
- **Parks**



In summary

- 2023 County Levy per capita = **\$728** (ranks in the lowest one third of all MN counties)
- 2023 County Property Taxes (Levy) increased by **5.90%**
- The median County and HRA tax change for residential parcels in 2023 is **\$72.**
- **Almost half** of residential parcels will see an increase in County + HRA property tax between **\$50 and \$149.**
- **Property Taxes** help us support the foundation of a vibrant community while at the same time serving our most vulnerable members.



2023 budget adoption

The 2023 levy and budgets will be adopted at the regular board meeting which begins at **9 a.m. Tuesday, December 20, 2022**,

Government Center Boardroom,
151 4th Street SE, Rochester, MN

This presentation will be available
on the Olmsted County website.

<https://www.olmstedcounty.gov/government/county-departments/finance/budgets-and-statements>

If you have questions, email the Olmsted County Finance office:
Lucas.Ferrian@olmstedcounty.gov



Public comment opportunity

PLEASE:

- Use the microphone at the lectern.
- State your name and address for the record before speaking.
- Please make sure you've entered your name and address on the circulated sign-in sheet.

