



# Saint Louis County

County Administration • 100 North Fifth Avenue West, Room 202 • Duluth, MN 55802

November 1, 2011

## **RE: State Property Tax Law Change Will Impact Your Taxes**

Dear St. Louis County Taxpayer,

We, your St. Louis County Board of Commissioners, are writing to address a significant change in state property tax law, which will impact your property tax bill. The change is beyond our control, but since it will increase tax rates on all properties in St. Louis County, we want to be sure you are aware of the change.

This past summer, as part of the overall solution to balance the state budget and end the government shutdown, the state eliminated the 44-year-old Market Value Homestead Credit. As a result, \$261 million per year in statewide direct property tax relief is gone and will no longer help lower property tax bills. The elimination of the Homestead Credit will increase property taxes on homes and businesses in rural Minnesota at a much greater rate than in the Twin Cities metro area.

Here in St. Louis County, the elimination of the Homestead Credit results in a net loss of \$6.7 million in state paid property tax relief for our residents. This will mean an automatic average property tax increase of more than six percent for most property owners, according to the nonpartisan Minnesota House Research Department. Even if St. Louis County kept its property tax levy the same as last year, property taxes would still go up because of the elimination of the state-paid Homestead Credit.

The state replaced the Homestead Credit with a new program called the Market Value Homestead Exclusion. Nearly every property owner in our county will see a significant property tax increase because of the loss of the Homestead Credit. Specifically, with overall homestead market values reduced (or excluded), other property types and homes of higher value must now pay a larger share of the total property tax bill. Even owners of homestead properties that have a reduced taxable value through the “exclusion,” will be paying property taxes at a higher rate.

This change in the state’s property tax system couldn’t have come at a worse time for so many of our residents who are enduring the prolonged effects of economic recession. We are committed to maintaining and improving programs that are crucial to the immediate and long-term health and safety of our residents, despite continuous reductions in state aid. We will accomplish this with a 2012 property tax levy increase of no more than 1.8 percent, significantly below the rate of inflation for the fourth year in a row.

Serving a county of this geographic size and diversity is a challenge and a privilege. We are committed to maintaining the best quality of life for all county residents - focusing on public roads, public safety, and protecting the vulnerable. If you would like more information about this change in state tax policy, please visit our website at [www.stlouiscountymn.gov/budget](http://www.stlouiscountymn.gov/budget), e-mail us at [budget@stlouiscountymn.gov](mailto:budget@stlouiscountymn.gov), or call our hotline at **218-726-2383**. Thank you for the opportunity to serve you.

St. Louis County Board of Commissioners:

Frank Jewell, District 1    Steve O’Neil, District 2    Chris Dahlberg, District 3

Mike Forsman, District 4    Peg Sweeney, District 5    Keith Nelson, District 6    Steve Raukar, District 7