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*In Support of Fair Property Taxes for All  
Minnesota Lakeshore and Recreational Property Owners*

# MSRPO Update

## President's Message

All members should give yourselves a hand. As the backbone of our organization, you did a terrific job this past year.

The Board of Directors, Executive Director Jeff Forester and the office staff remain fully committed to you and your goals.

We have had a good year and look forward to an even better one in this election year. Our membership has increased. Many members have reported slight decreases or modest increases this year in their property tax bills. We went through the last state legislative session without being harmed. Sometimes it is as important to hold on to what you have as making further gains.

We now head into an election year in which property tax reform will be a major issue. It is time to strike while the iron is hot. Get to know the candidates running for office in your area. Ask them what their positions are regarding Blue Waters, Limited Market Value or any other way to slow rising property tax bills due to market price increases. You are important to getting this job done.

Also we will have a new and much improved website in the near future. Take a good look at it. It will also have a section under MSRPO PAC where you can see what other members say about certain candidates.

Thank you all for what you have done. It is extremely important to Jeff Forester and our lobbyists when they meet with your legislators. Let me say that Jeff and our lobbyists have done a great job again this year. I think things are starting to gel because we have stability in our staff and are well along on the learning curve in working with the state legislature.

I hope to see you all at the annual meeting. Please come up and let me give each of you a pat on the back.

**President,  
Dale L. Carlton**

# Some Facts as Ammunition

MSRPO has long maintained that seasonal properties in Minnesota are family places, heirlooms not assets in both use and intent. The facts support this position.

Last year MSRPO hired an independent research firm to determine the demographics of the average seasonal property owner in Minnesota. Researchers chose 3,800 households randomly from our database of 185,000 names, and then conducted phone interviews. The survey is thus a random sampling of the Minnesota seasonal property owner universe, including both lakeshore and inland owners, MSRPO and non-MSRPO members, resident and non-Minnesota resident owners, those with structures on their land, and those owning vacant land. The results in brief:

- Seasonal owners have an average age of 62 years.
- 55% of owners are retired, 45% live on fixed incomes.
- Average HOUSEHOLD income was \$58,383.
- 83% have structures on their land. 62% of these are not winterized.
- Average length of ownership is 24 years.
- 72% purchased their property for family recreation, 20% inherited their property while only 8% bought their property as an investment.
- The average assessed value of a seasonal property is \$119,637.
- 75% of owners do not believe that there is a correlation between their tax bill and services received.
- 86% said they did not want to sell their property, 30% want to leave their property to a family member.
- 6%, almost 12,000 families, said they fear they will have to sell their property in the next three years because it is no longer affordable.

Minnesota's seasonal owners are unique in the nation, however. A report by the National Association of Realtors in 2006 paints a much different picture:

- Typical vacation home owner nationally is 59 years old.
- Nationally, the average household income of a seasonal owner is \$120,000 a year.
- 10% plan to sell their property in the next two years.
- Nationally, 48% of owners bought their seasonal property as an investment.
- Nationally, just 22% of seasonal homes are cottages. In the Midwest the average is 42%.
- Nationally the average value of a vacation property is \$300,000. In the Midwest the average value is \$287,500. In Minnesota the average assessed market value of seasonal property is \$119,637.
- Nationally, the average seasonal owner spent 39 days a year at their property. The average in the Midwest is 55 days, and in Minnesota it is almost 60 days.

The facts paint a picture of Minnesota seasonal owners that is unique in the United States. By and large Minnesota seasonal owners are families of moderate income who make a choice to live and recreate in Minnesota, spending their money here in this state, in support of local communities and the environment. They are not speculators or investors, their places are not extravagant, and they do not buy them as investments. The property is largely considered a family retreat, a multi-generational place, a place where family roots are sunk deeply into a landscape. Unfortunately, Minnesota tax code does not reflect this reality, and instead taxes these places as if they were income-generating investments, ignoring the facts. Please, when you write to your legislators, or write letters to the editor refer to these facts as a way to educate people about the true and unique quality of those who choose to have a family place in the woods, or by a lake or river in Minnesota. We have a wonderful resource here in this state, a resource that is inexorably being taxed out of existence.

**Cabins are where family happens in Minnesota**

# In Your Corner

Greetings MSRPO Members:

First, I want to thank the literally hundreds of you who have written to the MSRPO office over the last year. Your support and encouragement really buoy us in this difficult work. These communications are very valuable to MSRPO, and we try to answer each personally as quickly as we can. MSRPO is here to serve you, and to try to address the issues that you face.

Nothing gives us a better idea as to how to best apply our energy than your letters, phone calls and visits.

There is a lot happening at MSRPO these days. With your generous donations, MSRPO has updated its database and now has the contact information for nearly every person who owns Seasonal Recreational Property in Minnesota. Last year we began mailing materials to different segments of this list. We do not have the funds to mail to all 122,000 families at once, and so are doing the work piecemeal. It will continue through this year and into the next.

The response, so far, has been great. Membership numbers are rising. But there is much more work to be done in this area. Please read on to see what you can do to help us increase MSRPO's contributing, active members. More members mean a louder voice, the option of taking out advertisements to promote our positions, of sending out more correspondence, and of getting more people to write, call, or visit directly with their legislators.

The MSRPO Political Action Committee is in place for the upcoming election. We have a modest amount of money in our war chest, but don't expect us to be heavy contributors to specific campaigns. The money will be used to energize the Seasonal Owner base, to get out the word about candidate's events, and to elevate our issues in the public debate. One important tool in this effort will be the PAC section of our web page. Please go here to see what political events will be happening in your area and to learn how you can help elect candidates sensitive to our issues.

We are also updating our web page. Please go to [www.msrepo.org](http://www.msrepo.org) to see it. You will find that our web site is now far more interactive and informative. It is easier to navigate. MSRPO's main task is communication, communication with law makers, with members, and ultimately to facilitate member communication directly with their legislators. This new web site, combined with updated and more interactive email newsletters, should really streamline this process, increase our effectiveness.

I am going into my fourth year as Executive Director of MSRPO. I cannot believe how fast the last four years have passed. It is a real pleasure working for each of you and your family's interests. And if there is anything I might be able to do for you in the upcoming year, please do not hesitate to call the office. Please stay in touch.

Sincerely,

**Jeff Forester**  
**Executive Director**

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## Playground of the Rich

*This article, written by Jeff Forrester, was the cover story of the July 2005 issue of The Rake magazine. Go to [www.rakemag.com](http://www.rakemag.com) to see the full series with pictures.*

Why regular people can't own cabins anymore.

The iron ore mine in Tower, Minnesota, closed in 1962. Now Tower's major industry is Lake Vermilion, an island-studded jewel and one of the last outposts of private property before you arrive at the Boundary Waters Canoe Area Wilderness.

Outside Tower, there is a turn to Old Highway 169, and then another onto an old logging road that wanders through the Mud Creek basin. This is U.S. Steel land, the largest undeveloped area on Lake Vermilion—roughly five miles of empty, wild shoreline. The Mud Creek basin is a critical wildlife corridor, providing moose, deer, wolves, Canada lynx, and cougar a route from the Burntside Lake area to the western BWCA.

John Pahula's father built a cabin here on land leased from U.S. Steel in 1946. John and his two sisters grew up walking a winding, mile-long trail with their parents from town to the cabin, where they hunted, fished, picked blueberries, cut firewood, and watched the wildlife. John, a Finnish bachelor, has lived year round in this idyllic seclusion for the last twenty years—until last year. U.S. Steel terminated his family's lease and evicted him. The largest steel producer in the country plans to develop the area. As one local property-tax assessor said, "We used to mine iron ore, but now we mine lakeshore."

A little south and west, down on Leech Lake, the rough blacktop of Highway 200 winds out of Walker through dense aspen and pine forest. Suddenly, the back-roads driver comes upon a new road, one guarded by a fake-stone fence and heavy, electronically operated security gates. Forest Royal is a new gated community

where luxury log homes, starting at \$1,230,000, dot a grassy glen overlooking Leech Lake. Empty lots of 3.2 acres with 260 feet of shoreline sell for \$800,000.

Connie Larson owns a cabin next door to Forest Royal—one of those rustic, bucolic nests where Minnesota families return generation after generation. (She asked that her real name not be used, due to her concerns about tax assessor retribution.) Her father, a Minneapolis school-teacher, bought a fifteen-acre lot in 1943 and spent nine days and nine hundred dollars building his family's retreat. Connie's father died in 1980, and not long after, her husband perished in a plane crash. Then her mother died. Her younger sister could not afford the place, so Connie mortgaged her own home in order to keep the cabin. "After so much, I just couldn't let it go," she said. "It was the center of my family." (Continued on page 4)

*(Continued from page 3)*

When homes and lots at Forest Royal came on the market, the local assessor raised the estimated market value of Connie's property from \$14,300 in 2002 to \$74,600 in 2003, an increase of 422 percent. As properties at Forest Royal continue to sell, her assessments continue to increase. Her tax bills keep pace.

People like Pahula and Larson represent the past. Minnesota Seasonal and Recreational Property Owners, an association of seasonal property owners, reports that the average Minnesota cabin has been in constant family ownership for twenty-five years. Owners have an average household income of fifty-nine thousand dollars. An estimated seventeen thousand families in Minnesota fear that they will have to sell their cabins in the next three years because they can no longer afford to pay their new property taxes. "Most of the local people have been taxed off the lake," said Pahula. "I don't like it, but what you gonna do? Money talks."

Minnesota lakeshore is a hot commodity today, with properties averaging about a twenty percent increase in value statewide in the last year alone. Some values have doubled every year for three years. The stock market crash in 2001 and the resulting low interest rates actually accelerated the vacation real estate market.

Minnesota's property-tax system favors development of lakeshore, rather than conservation of it. John James, commissioner of revenue under Governor Rudy Perpich from 1987 to 1991, writes in *Taxing Our Strengths*, a road map to property tax reform that was prepared for the 2000 Minnesota Smart Growth Conference II: "Local units of government use zoning and other land-use tools to maximize tax revenues and minimize costs, often without regard for the long-term economic, social, or environmental consequences." You can say that again.

For example, the planned U.S. Steel "Three Bays" project violates local authority—particularly Department of Natural Resources regulations regarding lakeshore development—but the St. Louis County Board seems more than a little sympathetic to U.S. Steel.

There are sometimes more cautious voices within local governments, residents who have the odd idea that the natural quality and integrity of the area is worth preserving for future generations. But often the drive for development comes from people further up the political structure—from the inherent commercial biases of county boards and chambers of commerce, to the state's property tax code itself.

Rod McPeak, who serves on the Breitung township planning commission, said, "Two years ago, Breitung Township put together a land-use plan for what we hoped to see as the future of the township"—a plan that St. Louis County approved last year. "Development is inevitable, and we're not against it. We just don't want to destroy the pristine beauty of the lake."

There is strong evidence to support McPeak's concerns. In June, 2003, a study conducted by the Mississippi Headwaters Board, the Minnesota Pollution Control Agency, and Bemidji State University found that, on average, a one-meter increase in water clarity increased the value of Minnesota lakeshore property—property upon which local tax bases are built—by about twenty-five dollars per foot. Conversely, a decrease of one meter diminished the value of a foot of lakeshore by about fifty dollars per foot. That study found that "While the overall quality of Minnesota lakes may be good, lakeshore development has [degraded] and continues to degrade lake quality."

Well over half of Minnesota's lakeshore is privately owned, yet current tax policies, market pressures, and other destructive incentives guarantee that this land will be developed at ever-increasing rates. Ironically, development often costs local townships more than they regain in a larger property tax base. "The [U.S. Steel] development will triple our expenses," said McPeak. "The first three years will bankrupt us." Regarding his eviction, Pahula said, "At first it was sad. Now it don't bother me much, and I'll tell you why. The lake is only a playground for the rich now. The good old days are done and they are gone. That was the last nice part of the lake that was left, and now it'll get all built."

Trends in Minnesota's lake country and forests today are moving away from community control, away from promoting historical context and continuity between generations, away from connections with places and people, away from preservation and protection—in short, away from Minnesota's heritage.

"Much of the high-quality lakeshore in Minnesota is already developed or rapidly being developed," said Paula West, executive director of the Minnesota Lakes Association. "And redevelopment of priority lakes is occurring in some parts of the state. Seasonal cabins are being replaced with suburban-type homes and lawns, which create more impervious surfaces—driveways, roads, and roofs—that increase polluted runoff into our lakes."

The solution, said West, is for "state and local governments to put proper controls for development in place and be willing to enforce them." So far, state government has not been much help. Its minimum shoreline management standards were written in 1969 and are woefully inadequate. Hence the need for locals to try to strengthen the standards for their lakes, although they often lack the power to enforce these regulations.

As for local enforcement, McPeak is alarmed that no one has complained to the St. Louis County Board, and by the larger ramifications of this passivity. "It is amazing to me that they [the board] hear nothing from the people," he said. "If U.S. Steel overrides the Breitung plan, all local plans are up for grabs."

The little cabin by the pristine lake is an endangered species. Without drastic changes in Minnesota's property tax system, and without development regulation and a change in development patterns, Forest Royal on Leech Lake and Three Bays on Lake Vermilion are Minnesota's future. Lakes are part of our motto, our state quarter, and our license plates. They define Minnesota. Nevertheless, that heritage might soon be lost to short-term economic gain and long-term economic pain.

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# A Cautionary Word About Conservation Easements

We have had many, many seasonal owners ask about conservation easements in the last few years. Typically these are people who own a lot of shoreline, and have held it for a long time. They see themselves as stewards of this land, and they do not want to develop it. Their problem is that escalating market values, and subsequent taxes, are making it very difficult to continue to own and protect the land. Many fear they will have to subdivide and sell - a loss to their families, the shoreline, and the State, and so are considering entering their land into a conservation easement as a way to protect the land from future development and to shield it from excessive taxation.

Unfortunately, a conservation easement is not a good way to protect land from taxation. The tax benefits come mostly from the federal government through income tax deductions,

and so are suited more to those with substantial income. In addition, often local assessors will claim that the land protected by an easement is more valuable because it can never be developed. Or they will claim that the adjacent land is now more valuable, so while owners may see a modest reduction in the market value of land they commit to an easement, the assessment on their adjacent cabin skyrockets.

When pressed assessors will state that since there have been so few sales of easement lands, there is little to contradict their assessments. One owner of an easement on Burntside Lake in the Ely area pressed her case all the way to state tax court. She did win a modest reduction in the assessment for one year, but it began to climb the next year. For this and other reasons, conservation easement programs on forest lands and shorelines are very underused.

So if you are considering putting your land into a conservation easement, please do call the MSRPO office so that we can put you in touch with a good attorney to help you choose the best easement program available to you. In the meantime MSRPO will continue to pursue better solutions like Blue Waters and an extension of the Sustained Forestry Initiative as well as a rewrite of assessment and classification practices. These measures will go a long way towards providing common sense shoreline conservation and preservation. Those who own undeveloped shoreline provide a real benefit to the state, but assessment and tax pressures seriously impinge on owners' ability to preserve this legacy. With so much work being done by so many to protect our waters, it is time to first remove the disincentives owners face that undo all these efforts.

## Cabins are where family happens in Minnesota

*Thank you to all who have shared your lovely cabin stories with us over the last year. Here is one story from the batch as a sample. As the new MSRPO web site comes on line, we will post other stories from time to time in a rotation to share them with all of you. The following, by Ron and Margaret Berg, is about their place on Eagle Lake in Hubbard County:*

Our cabin story began in high school when we visited friends whose parents owned cabins. We dreamed of owning lake property ourselves. After college and marriage in 1961, our friend John called one day to say excitedly, "There is a cabin for sale outside Park Rapids." That is all it took. . . one ad, one cabin.

My husband and I bought the little 1940s cabin in 1962 when we were 23 years old. We didn't own a house, (we were living in a 10 X 45 trailer) and we drove a 1953 Chevrolet, but we bought a 20 X 22 cabin on a lake with friend John and his wife Sarah. It's a good thing we bought our cabin and 18 acres with friends, for four years later we were transferred out of state. We lived away for fifteen years before returning to Minnesota. However, we never once thought about selling our "Forest Acres" as we had fondly named our land, and we returned for summer vacations as often as we

could. Our girls learned to swim, boat, and ski in northern Minnesota.

When we were transferred back to Minnesota in 1981 our partners were willing to sell, and we immediately began to remodel and to add on. Finally the outhouse would not have to be used anymore, but we did keep the pump at the kitchen sink so we could have water when we went up cross-country skiing at New Years! Ten years later we added on a living room.

As retirees now we absolutely love our lake, our woods, the wildlife, and can hardly wait to return each spring. Our three girls have thanked us many times over for having such a great place to, "hang out and chill." Our life at Forest Acres is part of what defines us. When we see bald eagles soaring, fish jumping, and hear the call of the loons, we have a peace within that we just don't find anywhere else.



Then



Now

# Regarding Assessment Practices

One day, in 1993, a man took his tax statement in to the local assessor where his cabin was located to complain about the market value the assessor had assigned to his property.

The assessor said, when this man complained that both the valuation and the resulting taxes seemed awfully high, “If you don’t like it, sell.” The man was shocked, and then angry. This property was a lifelong dream, a place where he had spent vacations with his family, a place he hoped to leave to his children.

The man’s name was Dick Wray, and he responded by sending a letter out to other cabin owners on his lake to see if they had similar experiences. And so MSRPO was born.

Much has changed since then. Dick retired some years ago, and now lives full time at his lake place. MSRPO has grown from the few hundred owners on Lake Vermilion to an organization that includes people from almost all fifty states, and nearly every lake in Minnesota. But some things have not changed. Just last week our office received a letter from a member who complained that his assessor had given him the same old “if you don’t like it sell” line.

MSRPO has been sharing the stories of rude and questionable assessment practices with legislators. Rep. Ray Vandever began using a

very apt phrase to describe seasonal owners’ special relationship with local assessors, calling it “over-aggressive assessment of the politically vulnerable.”

In 2005 the legislature passed into law Chapter 3, Article 1, Section 37 of Minnesota Laws, which reads in part:

*Recognizing the importance of uniform and professional property tax assessment and classification practices, the commissioner of revenue, in consultation with appropriate stakeholder groups, shall develop and issue two reports to the chairs of the house and senate tax committees. The reports shall include an analysis of existing practices and provide recommendations, where necessary, for achieving higher quality and uniform assessments and consistency of property classifications.*

The Department of Revenue convened a committee made up entirely of Department of Revenue staff and various county assessors from around the state. After repeated requests, an MSRPO representative was included in the committee’s deliberations.

The committee began by sending a test sampling of various fictional properties out to assessors across the state asking how they would

classify these properties and assess them. The results were all over the map, particularly regarding vacant forestlands. Assessors classified some as seasonal, some as non-residential homestead, some as timber and so forth.

As a result, the committee decided to recommend that the state adopt a new classification – rural woodlands – to cover all undeveloped forestland in the state. This would end the multiple classifications. The committee also addressed the idea of split classifications so that a cabin and the surrounding land can be classified as seasonal, and adjacent land as rural woodland.

The Department of Revenue, however made recommendations only and did not propose any specific legislation. Nor did they run any cost analysis or revenue projections and so both the House and the Senate tax committees asked them to continue their work and come back in 2007 with specific legislation. MSRPO will stay involved in this process, attending the committee meetings and making sure that seasonal owner’s concerns are considered during their deliberations. To see a copy of the report, visit either the MSRPO web site, or go to:

[http://www.taxes.state.mn.us/property/other\\_supporting\\_content/final\\_timber-woodlands\\_report.pdf](http://www.taxes.state.mn.us/property/other_supporting_content/final_timber-woodlands_report.pdf)

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## Regional Representation

A few years ago, in response to member mail we were receiving, the MSRPO Board decided that a system of regional representation would increase MSRPO’s effectiveness in achieving legislative solutions to our issues as well as provide more value to MSRPO members.

We began this program by asking MSRPO members who were interested in this work to contact the office. Happily a number of members did respond, but the objectives of the program seemed to be too broad. After further debate and study, the Board decided to focus efforts in one area at first.

MSRPO is looking for regional representatives to carry the MSRPO message to Lake Associations or conservation groups in your area. Nearly every lake in Minnesota has a lake association. Also, there are many hunting, fishing and conservation groups in Minnesota. The board and Executive Director Jeff Forester do attend a number of these organizations’ annual meetings every year, but we can attend only a small fraction.

The commitment would be minor, a few hours a month. The job would be limited to speaking informally at group meetings, telling people how

MSRPO has helped them in the past, what we are currently doing, and asking them to join as members and get involved. MSRPO will contact the various organizations, and then let you know the times and dates of the meetings. We will also supply a slide, overhead or power point presentation for you to use, an outline of talking points if that is easier, and materials to distribute. Take a stand against unfair and dysfunctional assessment and taxation practices by getting the word out to other like-minded property owners

**Cabins are where family happens in Minnesota**

# MSRPO 2006 Session Report

*Bob Johnson and Henry Erdman from Robert Johnson Government Relations, lobbyist for MSRPO contributed this article.*

Going into the 2006 legislative session legislators repeatedly touted a short session with a short agenda; bonding projects, property tax relief and maybe a stadium. In the end they were correct about two of those items, with property tax relief being left on the table for the 2007 session. News of a modest state surplus sparked talk about rising property taxes and the need for the legislature to take some action. At a Senate Tax Committee hearing early in the session an estimated run from fiscal staff unveiled some attention-grabbing numbers. At the same time seasonal recreational property taxes were projected to decrease by one percent, even with the highest market value pressure; homesteads were looking at double digit increases. While this was good news for MSRPO and its members, demonstrating the positive impact of last year's legislative successes (LMV extension, state general tax modification) it set off an alarm with legislators who were all about to run for re-election in the fall.

In light of these numbers cabin owners had a

rather large bull's eye painted on them. Of all property tax classifications only they were projected for a decrease. With election year politics ratcheting up all around we had no choice but to take some defensive stances. At the very least we could not tolerate a take-away from last year's gains. We were successful in preventing any "share the pain" proposals that could have arose given these numbers.

Early in the session we made the rounds with Mr. Forester touching base with key members of the two tax committees to gauge the climate for the session as it related to property taxes. In the House many legislators were skeptical that a tax bill would even be put forth by the House. During the first two months of session the House Committee had met only once, fueling the speculation that the House would not have a tax bill.

Another dynamic in this equation was the uncertainty over the "health impact fee" enacted in the 2005 session. Tobacco companies were challenging the state's authority to assess the fee based on agreements reached previously in a settlement case. In court, the tobacco companies prevailed. The state then appealed to the Supreme Court. If the Supreme Court were to

uphold the lower court's ruling it would mean a \$400 million hit to the state's general fund. In effect this would wipe out any projected surplus that could have possibly gone for property tax relief or any other programs. Late in the session, the House proposed to refund homeowners 9% of their projected property tax increase if the Supreme Court ruled with the state. In the end the court sided with the state but the session was nearly over.

In the Senate, Chairman Pogemiller crafted a tax bill well ahead of the House. His first proposal, which was defeated on the Senate floor, called for increases in the commercial industrial (CI) side of the state general tax. Pogemiller and other key members of the tax committee had given us assurances that cabin properties would not be adversely affected. With the increase the bill planned to provide some property tax relief by increasing local government aid hoping to "buy down" future local levies. In his second bill, which was stripped of the controversial tax hike for CI, the Senate sought to make similar changes, only this time relying on anticipated surplus spending. This Senate version went to conference committee along with the House bill calling for rebates.

Conferees were unable to agree on how to provide property tax reform and in the end chose to do nothing. The 2006 Omnibus tax bill included very few property tax provisions. The short list includes the following items:

- Indexes the first tier classification (0.55 percent) of agricultural homestead property.
- Provides personal property exemptions for a couple utility facilities, and extends authorization for a few previously authorized facilities
- Increases the maximum property tax levy limit on emergency medical services district, and extends the sunset by two years.
- Allows political subdivisions to enter into abatement agreements with certain utility property owners.
- Provides homestead status for certain individuals called to active military duty.
- Modifies the levy for the Buffalo-Red River watershed district
- Allows the Faribault and Rocori school districts to levy for leased administrative space under certain circumstances.
- Authorizes the Cook-Orr Hospital district to enter an agreement to include Bois Forte reservation lands in the district

As you can see the legislature was not able to reach agreement on any substantial property tax reforms or relief mechanisms. Undoubtedly this will transform into a hot-button election year, providing MSRPO members with an opportunity to engage legislators both now and in the next session regarding sustentative property tax reform. The way things are lining up reminds us of the 2001 session. Property taxes will definitely be on the table next session. Legislators will have talked the issue to death on the campaign trail and will want to deliver a package to their constituents. Our charge will be to engage candidates and remind them that homesteads are not the only classification of property deserving of relief and reform in the 2007 Session.

# All Politics is Local

This is a critical election year, but unlike other associations, our issues cut through party lines. Our issue, happily, is not a partisan issue, and so is best suited to the type of grass roots effort we engage in. Legislators on both sides of the aisle have supported our agenda, and no one party has stepped forward to either oppose or support us completely.

That is both a good thing and a bad thing. It is good because it proves that the themes of fairness, equity, common sense, and protection of our lands and water ring true with most people, regardless of political leanings. For instance, in the last session, groups as diverse as the Sierra Club and the Minnesota Taxpayer's League supported our Blue Waters bill, and both rural and urban, progressive and conservative legislators saw the wisdom of using incentives instead of top-down regulation to preserve and protect water quality.

But having such a broad issue makes our job more difficult, and yours. We cannot urge you to support a single party. And our issue requires more political courage on the part of our members. It may well be that the candidate who is running on a ticket you do not typically support may strongly favor the tax policy work MSRPO is trying to accomplish. Would you be willing to go outside your usual party to vote for fair, practical and sensible property tax policy? Most people claim to vote across party lines. Our issue will demand, in many cases, just such a philosophy.

The MSRPO Political Action Committee's challenge lies in defining which candidates understand our issue, and those that do not. The second challenge is to get this information to the over 300,000 voting-aged seasonal property owners in Minnesota.

In the past, MSRPO has employed two different strategies. We used to ask a sympathetic legislator from both the House and the Senate to

offer our bills on the floor, and get a floor vote. Then we would publish the results of these votes in an effort to inform our members as to the commitment of their legislators on our issues.

This strategy has holes, however. First, these votes often come down to party caucus decisions, where a caucus tells members how to vote, and so their vote does not reflect either the legislator's personal opinion about the bill in question or the bill's merit. In an election year, neither does this strategy give any indication as to how a challenger, a potential legislator may decide to vote in the future. In addition, by forcing these floor votes we often put legislators who support us into difficult and unwarranted political dilemmas. And in the final analysis, we were rarely successful in passing our bills on the floor.

Our other tool was to send all candidates a survey, and ask them to fill it out and return it to us. Then we would publish the results of these surveys in our newsletter so that our members could make more informed decisions. The problem is that many other groups, some on the fringe, have begun to use surveys as well.

Candidates are flooded with surveys, some of which are specifically designed to corner legislators into supporting bad policy decisions or untenable positions. Many have decided that if they chose to answer one of these surveys, they must answer all of them, and so have made the decision to answer none of them.

We will send out surveys this summer, and will post the results on our web site. We may also, in the future, work to get a bill offered as a floor amendment. But we can no longer rely on these two strategies as our primary tools.

The third, and best option is to combine old-fashioned grass roots activism with the power of the Internet to disperse information immediately to a large group of people. This strategy is dependent on the commitment of our members.

MSRPO is blessed with a large base of energetic individuals, people with a stake in Minnesota and a commitment to our political process. Please make our web site your home page, at least until after the election. We will ask candidates to send us their schedules, and we will post these events on our web site so that you may attend their house parties, debates, parades, and public appearances. In addition, you can be sure that both your current legislator and their challengers will knock on your door at some point before November 2nd. When they do, question them directly about our issues. Ask them if they understand Limited Market Value and how devastating its phase-out will be in 2009. Ask them what they think should be done about the fact that we pay higher taxes in areas where we use far fewer services, all without the right to vote for or AGAINST those services. Ask them if they understand the negative environmental consequences of taxing undeveloped forest, timber and lakeshore so aggressively, and whether they would support the Blue Waters initiative. Press them to provide solutions to these problems. You all know our issues. You live them.

And then REPORT their answers on the DISCUSSION BOARD of the MSRPO web site. Visit the site to see how your candidates have responded to other MSRPO members, and press them directly when you have a chance. We will be monitoring this web bulletin board and may well decide to send some of your entries out in a broadcast email, or in hotly contested races, as a direct mailer in the weeks leading up to the November 2nd election.

Finally, VOTE on November second. Remember that our issue is NOT a partisan issue and dare to cross party lines to support candidates that understand our issues and have well reasoned solutions to address our problems.

# Leaving a Legacy

Twenty percent of seasonal property owners in Minnesota have family places that were passed down to them, and thirty percent hope to leave their place to family members. A place on a lake or in the woods is a long standing family tradition in Minnesota. The fact that the average seasonal owner has had the property for twenty-five years is testament to the fact that these places are viewed by most as heirlooms, not assets.

In an effort to provide more information and value to MSRPO members, MSRPO has been researching the pros and cons of different strategies for passing along these heirloom properties.

The first, and most important thing we have learned is that each case is different, and the best course of action varies from one family to the next.

Also, as the values and subsequent taxes on these properties continue to increase, many are worried that even if they can afford to gift the place to their families, the children or grandchildren will not be able to pay the upkeep and taxes.

To help our members sort out all the important considerations, MSRPO will be sponsoring a seminar this spring with well-known trust and estate attorney (as well as MSRPO member) Jeffery Colyer, and MSRPO members and financial planners Bruce Carlson and Michael Cote.

In the meantime, we wanted to include some important late breaking news sent to us by Mr. Colyer regarding recent changes to the Medical Assistance Law in Minnesota:

“The “look-back” period has been increased to 60 months (five (5) years) for all types of transfers. The presumption will continue as under prior law that any assets transferred by an applicant or the applicant's spouse during the look-back period are for an “improper” purpose. The penalty period (disqualification period) will begin to run only after the applicant applies for Medical Assistance and meets all the other eligibility requirements.

In other words, starting February 8, 2006, if a transfer (i.e., gift) is made, the person making

the transfer (transferor) must be able to privately pay for nursing home care for 60 months. Otherwise, the transferor will be ineligible for Medical Assistance for the calculated period of ineligibility if application for Medical Assistance is made prior to the running of 60 months from the date of the transfer.

Based on the above, anyone gifting to his or her children would have to be able to privately pay for nursing home care for a period of at least 60 months. Otherwise, such person risks being considered ineligible for Medical Assistance and potentially unable to pay (because of prior gifting of assets) for nursing home care.”

Please feel free to call or e-mail the MSRPO office if you would like to contact Mr. Colyer regarding this or other aspects of trust and estate law. Being able to leave a legacy of an heirloom seasonal property is too important to the fabric of our families not to make informed decisions.

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# Mark Your Calendar

On September 16th, at St. Cloud State, Envision Minnesota will sponsor a debate between all the gubernatorial candidates. This will be an excellent event at which to hear the various candidates talk about the future of Minnesota's forests and waters.

Over the past six months, dozens of Minnesota leaders have enthusiastically worked through a series of focus groups and team deliberations. These dedicated volunteers of the Envision Minnesota Project have endeavored to identify the most significant environmental priorities facing our state and to strategize about how we might address those priorities in a focused, thoughtful, meaningful way. This effort has been deliberately non-partisan in approach,

bringing together individuals from all ideologies around a consent agenda that all Minnesotans should agree on.

It is no surprise that this group has identified sprawl and over development as one of the key issues. The Census Bureau projects that the fastest growing counties in Minnesota over the next twenty years will be in the lake districts around Stearns, Ottertail, Itasca and Crow Wing Counties. This will be no surprise to those of us who have seen the growth on our lakes. This evening will be a unique opportunity to hear the best thinking on possible solutions to our common problem – how do we preserve the Minnesota we love for future generations amid an increasingly complex economic climate,

rising population, and escalating market values?

## Other Dates to Remember:

*MSRPO will have a booth at the following events.*

September 7-9, 2006

### **2006 Lakes and Rivers Conference**

Sponsored by the Minnesota Lakes Association and the Rivers Council  
Duluth

January 26-28, 2007

### **Timber Home Show**

Minneapolis Convention Center

April 27-29, 2007

### **Lake Home & Cabin Show**

Minneapolis Convention Center

# MSRPO “Booby Prize” Winner for 2006

*The Booby, a bird now extinct from excessive hunting pressure, seems to be a good metaphor for Minnesota Seasonal Property Owners – who are targeted for unfair and over aggressive taxation.*

In 2003, MSRPO, a bit tongue in cheek, began offering a “Booby Prize” to the cabin owner with the biggest percent increase in their property tax bill in a single year. The “prize” is a one-year free membership in MSRPO. (Again, the prize is also somewhat tongue in cheek as our membership dues are flexible. We encourage people to give what they can afford. The average is about \$55.) In this case though, the more you give in membership contributions, the more you might win!

Please continue to send MSRPO copies of your 2005/2006 property tax statements. Beyond a bit of fun for our annual “Booby Prize” winner, these tax statements are invaluable to MSRPO as

we make our case at the legislature. Legislators are often floored when they see these bills. They cannot argue with them. Nothing makes the case more clearly that seasonal property has endured extreme tax pressure in the last few years than actual tax statements.

This year’s winner/loser is Alan Moy, a new member with land in Deer River, Itasca County. Mr. Moy’s estimated market value rose from \$85,000 in 2005 to \$355,500 in 2006. In accepting this most prestigious award Mr. Moy wished to thank Scott Winter, the township assessor for his assistance, and for the sage advice so many of us have heard over the years, “If you aren’t willing to pay your fair

share and think the taxes were too high, then sell.” In addition, Mr. Winter also decided, for obscure reasons known only to him, that a parcel owned by Mr. Moy which had been classified as “Timber” for more than sixteen years was now “Seasonal Recreational” and so subject to the State General Tax.

A very special thanks to Mr. Winter. Without assessors like him, MSRPO would not exist.

For more on how MSRPO is working to standardize assessment practices and the classification of property, please see the article Regarding Assessment Practices in this newsletter.

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## To My Fellow Cabin Owners

*An open letter to seasonal recreational property owners from Representative Bill Belanger.*

As a cabin owner, I understand completely the many issues that seasonal recreational property owners face. Yes, I am a legislator, but I am also a property owner who has stood beside you, as one of you. Your battle against unreasonable property taxes is my battle too. Like you, I am concerned about the inequity for cabin owners who are non-residents most of the year, yet pay half or more of the property tax bill in some of our lake counties. Their taxes are paying for services that they do NOT receive. THIS IS TAXATION WITHOUT REPRESENTATION.

One thing that Legislators do not realize is that cabin owners are not the most wealthy in the state. The average household income of recreational property owners is \$58,000. The word needs to get out.

Property and Cabin Taxes

Property taxes on most ag land were reduced by over \$10 million annually. Excluding the house, garage, and one acre, this results in a 5% tax cut.

Why do we need to get involved... because we are being taxed without representation. We are here to save families from being forced out of their homes. We are here to support property tax reform and to assure that a CAP is placed on valuation increases. We are here to support the fight against the age-old cause of taxation without representation.

As is, the current tax policy discriminates against people with two homes and creates enormous discrepancies. Homes of unequal values are being taxed at similar rates. This too is TAXATION WITHOUT REPRESENTATION. I will continue to support legislation to help relieve the seasonal recreational taxpayer from bearing over 66% of the education costs in the non-homestead counties.

The last time American citizens threw a rally against taxation without representation, they were throwing tea into the Boston harbor! The bottom line is that Minnesota needs significant property tax reform. You can count on my vote!

I try to encourage constituents to contact their Legislators to get their message out. I take every

comment and suggestion into careful consideration. The more cabin owners communicate with lawmakers, the more these important issues become known.

We are lucky to have an organization like the MSRPO to communicate how important our rights are. With a combination of you, the MSRPO and Legislators we can make Minnesota a better place for relaxation!

Please contact me at any time, my contact information is below. Again, thank you for allowing me to represent you and I will continue to fight for our rights as cabin owners.

Sincerely,

**Senator Bill Belanger**

District 40 (Bloomington, Burnsville, Savage)

Senator Bill Belanger  
100 Dr. Martin Luther King Jr. Blvd.

113 State Office Building  
St. Paul, MN 55155

651-296-5975

sen.bill.belanger@senate.mn

**Cabins are where family happens in Minnesota**

# To Those of You Who Have Homesteaded

Minnesota's current tax policy unites all lakeshore owners, homesteaded or seasonal. Just because you have made your seasonal property your primary residence is no reason to drop out of MSRPO.

When MSRPO began, in 1993, our first goal was to lower the tax rate on cabins, which at the time was more than twice that on homesteaded property. In the early years, MSRPO made presentations at a number of Lake Association meetings, but got some resistance as many of the members of these associations were year round residents, and felt, rightly, that any gains MSRPO made would increase their tax bills. As MSRPO lowered the tax rate on cabins, some of the tax burden did indeed shift to homestead property.

That is no longer the case. Cabin owners no longer have a tax rate problem. We have a tax bill problem, a problem of ballooning assessments, market pressure, and over-development, and this problem applies to all lakeshore owners. All lakeshore owners' tax bills are rising. The same market pressures that impact cabins also impact homesteads. Recently the MSRPO board recognized this changing demographic and altered our by-laws. MSRPO membership is open to anyone who shares our mission, not just seasonal property owners.

Seasonal property owners get fewer state buy downs than homestead owners, no circuit breaker protection, no refunds. Seasonal owners pay the raw tax, so to speak, and so have more exposure to market pressures than homesteads. Seasonal owners are feeling the nip of the wringer first, but lakeshore homesteads are not far behind us. Cabins are like the canary in the coalmine, an indicator species for all lakeshore property owners.

Lakeshore property is increasing in value faster than any other property type in the state. As Limited Market Value phases out; the tax bills on homesteads and cabins will both rise precipitously. Any gains MSRPO makes in reinstating LMV will benefit ALL lakeshore property owners. None of the bills MSRPO is pushing would shift taxes to lake homeowners.

Second, the passage of Blue Waters would benefit ALL lakeshore property owners, even if they didn't own the required 300 feet of undeveloped land required. Blue Waters would increase water quality, and would slow development on lakes.

And finally, even seasonal owner's removal from the onerous state general tax would have no impact on homestead property. The burden would shift to Commercial/Industrial property or to apartments, but homesteads would be held harmless. So, if you are thinking of homesteading your cabin, or if you own a lakeside home, realize that MSRPO is providing as much benefit to you as it did when your property was classified as seasonal.

# Seeking Solutions. . .The 2006 MSRPO Annual Meeting

The 2006 Annual Meeting will be October 4th, 7-9 PM at the Ramada Mall of America (formerly Thunderbird Hotel), 2300 East American Blvd., Bloomington, MN.

Mark your calendars now. A strong showing will send a big message to our public servants that seasonal property owners expect continued property tax reform in 2007. A capacity crowd will make a lasting impression on lawmakers as they head into the next legislative session.

The theme of this meeting is Seeking Solutions. We will be asking our speakers to address our issues by suggesting workable legislative solutions. The time has come for MSRPO members to be single-issue voters, to vote in a block, and to let legislators know we are united.

This year we've invited:

**Gov. Tim Pawlenty**

**Mike Hatch**

Democratic Gubernatorial Candidate

**Peter Hutchinson**

Independent Gubernatorial Candidate

The **AmeriSuites in Bloomington**, near the MSRPO offices will give members a \$52 rate on a suite, complete with kitchenette. Ask for MSRPO member Jane Serrano when making your reservation, and let her know that you are also an MSRPO member. Shuttles to the Mall of America, IKEA, and the Mississippi National Wildlife Refuge run on the quarter hour. The new Light Rail runs from a few blocks of the AmeriSuites to downtown Minneapolis, including stops at the Metrodome. Use the MSRPO Annual Meeting as an excuse to get in a little early holiday shopping and sightseeing. All MSRPO members are encouraged to attend, and to take advantage of this special rate.

**Please give this membership application to a cabin/lakeshore property owner neighbor or friend and encourage them to join MSRPO now!**

## Yes, I want to help in the effort to achieve tax fairness for cabin/lakeshore properties!

Name \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_  
State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Phone: ( ) \_\_\_\_\_  
Email address: \_\_\_\_\_

Lakeshore Property Information:  
Lakeshore Address: \_\_\_\_\_  
City: \_\_\_\_\_ MN, Zip: \_\_\_\_\_  
County: \_\_\_\_\_ Phone: \_\_\_\_\_  
Lake/River Name: \_\_\_\_\_

*Mail this form and make check payable to:*  
**MSRPO Coalition, Inc.**  
**PO Box 50868**  
**Mendota, MN 55150**

Membership is not conditioned on any level of dollar contribution but any amount you can give is greatly appreciated.

Enclosed is my contribution of:

- \$50.00 (14¢ a day)  
 \$75.00 (21¢ a day)  
 \$100.00 (27¢ a day)  
 \$200.00 (54¢ a day)  
 Other \_\_\_\_\_

As we call on you to advise/discuss issues and events that are relevant to your particular seasonal property locale, it is important that you complete all this information. Since MSRPO is a lobbying organization, according to IRS rules your contribution is *not tax deductible*.