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*Minnesota Seasonal Recreational Property Owners*

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## *Greetings Seasonal Property Owners:*

Yesterday morning, [Minnesota Public Radio](#) aired a story about the recent increases in property taxes many have seen on their recent property tax statements. [Click here](#) to read the full story. On Friday, December 11th, Jeff Forester will appear on KSTP Radio, AM 1500 from 7:05 to 7:30. Reports of increases over 40 percent on cabin owners are common, and the media is finally beginning to take notice. Everyone is wondering how such increases are possible at a time when real estate prices are falling?

There are a number of answers, of course. For cabin or hunting land owners, the end of [Limited Market Value](#), LMV, is a prime culprit. In the early 1990s, many people saw rapid increases in property taxes due to increases in market value. But just because a property is worth more does not mean that the owner has more money to pay the property tax bill. This impact was particularly acute on lake shore property, where values were climbing higher and faster than on other property types. With MSRPO leading the way, the legislature passed LMV in 1993. LMV limited the amount that a property's taxable market value could increase from one year to the next. It was passed specifically to help mitigate rising property taxes as a result of ballooning property values in a hot real estate market. The thought was that when the market cooled down or dropped, the Limited Value would catch up with the actual market value.

In 2001, however, at the beginning of the real estate boom, the legislature and state economists complained that the program had been too effective. The gap between LMV and market value was growing, and looked like it was going to continue to widen. That year the Legislature began a phase out of LMV, slowly closing the gap between LMV and actual market values.

The timing could not have been worse. As the real estate boom continued, two property classes, Lake Shore and Farm Land adjacent to urban areas, continued to grow in "bubble" value faster than the rate of the phase out. The environmental impacts have been huge. As people saw their property tax bills grow in the double digits year after year, they began to sell or subdivide their property.

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In Minnesota, over forty percent of the timber land in the state, and associated riparian habitat, is owned privately. This is the largest ownership block in the state. [Brett Butler, USDA Forest Service](#) studied family forest land owners in the United States, and found that more than 75 percent owned the land for its beauty or scenery. More than 50 percent want to pass the land on to their heirs. Less than 10 percent plan to sell or subdivide their land in the next five years. Most want to leave the land as it is. In Minnesota, however, while the average size of a family forest land parcel was 78 acres in 2001, by 2005 that number had declined to 53 acres and continues to decline. Excessively high property taxes are a main driver of this development - people cannot afford to hold large parcels that include some of the most important riparian zones in the state. For these people a property tax incentive program would go a long, long way in restoring and preserving riparian areas along our lakes and streams. MSRPO is currently sitting on a Riparian Zone study group to look at the condition of our riparian habitats in Minnesota and make a recommendation on possible property tax incentives to help owners preserve these important areas. The report will be released in the spring of next year.

The other culprit in property tax increases is Minnesota's systemic budget crisis. Since 2001, Minnesota has had eight budget deficits, with the amounts growing year by year. During that same time, while fees have increased dramatically, there have been no increases in income or state sales taxes, except for the Constitutional Amendment passed in 2008.

Property taxes during this time, however, have skyrocketed. 2010 sees no relief.

On Tuesday, the Senate held its first tax committee meeting to discuss the recent [budget forecast](#) released by state economist Tom Stinson. Next year the state is looking at a deficit of \$1.2 billion which will grow to \$5.4 billion, about 16 percent of the state's total budget, over the next few years. Gov. Pawlenty, true to his "no new taxes" pledge, is looking at another round of budget cuts to close the gap. This will mean less money flowing from the state to local governments for everything from road repair to education. As local communities, already hurt by years of cuts to their budgets, struggle to provide basic infrastructure, they will increase property taxes.

In response to the budget crisis, the Governor's office proposed a [Constitutional Amendment](#) that would limit state spending to the revenue raised. "The proposed constitutional amendment question on the 2010 ballot would read as follows: Shall the Minnesota Constitution be amended to require that state government general fund expenditures be limited to the amount of actual general fund revenues received by the state in the previous two-year budget period?"

At Tuesday's Tax Committee meeting, Sen. Bakk worried that such an amendment would put further pressure on property taxes while Republican supporters argued that the measure would leave plenty of flexibility for the legislature to respond to changing priorities.

The answer to why property taxes have gone up on your cabin or hunting land is mostly these two realities: 1) Years of reductions in state aid to local governments have forced property tax increases, 2) The phase-out of Limited Market Value coincided with a real estate bubble.

Coalition, visit [www.msrepo.org](http://www.msrepo.org). The Minnesota Seasonal Recreational Property Owners coalition is the ONLY voice seasonal property owners have in state affairs.

Sincerely,



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Not a member of MSRPO? [Click here](#) to join our mailing list. Together, we can protect the family lake place from confiscatory property taxes.

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