



League of Women Voters of Minnesota Records

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Assessment.

The General Property Tax has been the base of Minnesota Tax System since the beginning of the state. It has been severely critic~~ing~~ criticized for years but since its temporary breakdown during the Depression, the criticism has become intense. Some of it is justifiable; much of it is not. It is very easy to critic~~ing~~ criticize the tax but it is not so easy to find a substitute that will be satisfactory. ~~The Property Tax~~ has fundamental qualities that are desirable and with proper changes it can be made to form one of the best and most important sources of our tax revenues.

The root of the ail in our tax system is in the method of assessment. Except in Ramsey County, which is an assessment unit itself, the work of assessment is done by local assessors in towns, villages, and cities. There are now 2700 separate assessment districts in the state, most of them with assessors elected every two years. There are over 2800 assessors in the state none of whom need to have any special qualifications for their ~~positions~~ ^{office}. Real Property is assessed in the even numbered years and Personal Property every year as of the value on May 1st. The work must be completed and the reports in the hands of the County Auditors by the first Monday in July. Most assessors do not continue in office for a long period of years. Obviously expert assessment cannot be had under these circumstances and because of the recognized deficiencies in ~~the system~~ ^{the method of assessment}, we have been forced to build up a three step system for reviewing, correcting and equalizing property assessments in Minnesota, namely Local Review and correction of assessments, county Equalization, and State Equalization. However the Tax Commission says that "it is in the beginning of the assessment, in the work done or left undone by the local assessors that the fundamental defect in our tax system is to be found and no amount of equalization can overcome it."

Assessment under our present system is unequal and inequitable. Some property is assessed

too high while much property is assessed too low. Real property cannot be properly assessed by untrained assessors no matter how conscientious they may be. Assessments to be accurate should be continuous and not a two months job.

Assessments today are not uniform for the same type of land or for the same type of personal property. Much taxable property is omitted from the tax lists entirely under the present system. Political and personal influence is an important factor in many of our assessments. Discriminations against individuals and localities are the rule rather than the exception. Moreover over assessment is one of the important causes of tax delinquency. It is also practically impossible for the State Tax Commission to ^{adequately} supervise the work of 2800 assessors. ^{must} The assessor today must be an economic expert competent to evaluate and apportion the tax-paying ability of the community as a whole. ^{virtually} It is absolutely impossible to secure such an assessor under our present system, law.

Larger assessment districts with fewer assessors chosen on a basis of merit must be substituted for the present system. The County Assessor has been advocated by the Tax Commission since its establishment. Contrary to general opinion the County assessor is not to be a political appointee. Neither is he to be an appointee of special interests. He is to be chosen on a basis of merit through civil service examinations. He is to be trained for his work. He need not work in the county in which he lives. He may be appointed by the County Board or by the State Tax Commission depending on how the Legislature decides but he can only be appointed from civil service lists. He is to work under the supervision of the Tax Commission ^{and} only. He can be removed only for cause by the Tax Commission. Obviously such an assessor would be removed from

Assessment - Poster.

Present system

2800 local assessors most of whom are elected.
no qualifications needed.

Defects

1. Poorly qualified assessors evaluating real property, which is work that calls for highly qualified experts.
2. Assessments made too infrequently. Continuous assessment service necessary to scientific assessment.
3. Under and over-valuation prevalent under the present system. Over assessment causes delinquency.
4. Wide variety of judgment as to valuation.
5. Political and personal influence determine many assessments.
6. Discriminations against individuals and localities.
7. Much taxable property omitted from the tax lists.
8. Assessments can be neglected or poorly done.
10. Equalizations cannot correct the work of the local assessor satisfactorily.

County Assessor

1. 8-9 qualified, trained assessors chosen on the basis of merit from civil service lists either by the County Board or State Tax Commission, working under the Tax Commission and removed only for cause by that body.
1. Would be removed from political pressure or personal influence - all property would be assessed.
 2. Would not be so amenable to local influence.
 3. Could work in a county where he did not reside.
 4. Would be able to aid in administration of the Income Tax Law.
 5. Would be an economic expert along assessment lines. Could interpret such laws as the Homestead Law.
 6. Would work twelve months of the year. Assessment would be continuous.
 7. Variations of judgment would not be found.
 8. Assessment would be scientific - no over nor under valuation, no discriminations against individuals or localities.
 9. Easily supervised by the Tax Commission.

political pressure, he would not be so amenable to local and personal influence. He could become skilled in his work under a reasonably long tenure of office. Assessments could be supervised efficiently by the Tax Commission.

Two thirds of the states have the county assessor system ~~at present~~ and have greatly improved the assessment of General Property as a result. There is every reason to believe that a similar situation ~~now~~ will result in Minnesota if we substitute a scientific assessment system for the obviously insufficient, un-scientific ~~one~~ we have at present.

~~the State Income Tax Law~~

* The Homestead Law passed by the last regular session of the Legislature is of such a complicated nature that local assessors have been unable to assess property correctly.

Assessment Procedure in Minnesota

Equitable assessment is a necessary basis for a fair distribution of the property tax burden.

OUR PRESENT SYSTEM

2800 local assessors, most of whom are elected. No qualifications are needed. They work only a short time in each year.

Results:

1. Poorly qualified assessors are evaluating real property, which is work that calls for highly qualified experts.
2. Assessments are made too infrequently. Continuous assessment service is necessary.
3. Under and over valuations are prevalent. Over assessment causes delinquency.
4. Political and personal influence determine many assessments.
5. Discriminations are made against individuals and localities.
6. Much taxable property is omitted from the tax lists.
7. Equalization cannot satisfactorily correct the work of the local assessor.

THE COUNTY ASSESSOR SYSTEM

87 qualified trained assessors chosen on the basis of merit from civil service lists either by the County Board or the State Tax Commission, working under the Tax Commission and removed only for cause by that body.

Results:

1. Fewer assessors could be supervised more easily.
2. They would be removed from political pressure or personal influence.
4. They could be trained as economic experts along assessment lines.
5. Assessment would be continuous.
6. Assessment would be more scientific, fewer over and under valuations.
7. There would be more property on the tax rolls.
8. Variations of judgment would not be found so frequently.
9. Assessors would be able to aid in the administration of the Income Tax Law, as in Wisconsin.

MINNESOTA LEAGUE OF WOMEN VOTERS

914 Marquette Avenue, Minneapolis

THE PLATFORM

The Platform consists of governmental issues and specific legislation to which the League has given sustained attention through the years. The League may resume support of any such issues or specific legislation whenever the State Board shall decide that active work is needed for (a) the preservation, improvement or enforcement of legislation previously enacted into law, or (b) the passage of any such legislation not previously enacted into law.

CHILD WELFARE:

Regulation of employment of children in street trades
Acceptance by legislature of Sheppard-Towner Maternity and Infancy Act
Increased maximum mother's allowance
Reimbursement of counties for 1/3 of their expenditures under Mother's Allowance Law
Raised marriageable age of girls from 15 to 16, except with approval of juvenile court judge
Appropriation of \$43,000 a year for infancy-maternity work, nearly compensating for withdrawal of federal aid
Prohibited theatrical employment of children under 10 years of age (The "Stage Child" Bill)
Ratified Child Labor Amendment
Included girls as well as boys up to age 21 under minimum wage law
Aid to Dependent Children

STATUS OF WOMEN:

Limited work week of women in industry to 54 hours
Made women eligible for jury service
Removed discrimination against employment of women in public services because of marital status, through:
(1) Opposition to amendment to Teacher Tenure Law proposing abolition of all married teachers
(2) Opposition to 2 bills and 2 resolutions making possible discharge of married women from public employment

SOCIAL PROBLEMS AFFECTING GENERAL WELFARE:

Improved marriage laws - 5-day waiting period between application for a marriage license and its issuance
Adequate lay representation on Welfare Boards
Permissive Legislation to enable Minnesota to participate in the Federal Public Housing Program

Extension of Public Health Services, including:

- (1) Larger Units of Public Health Services
 - (2) The Public Health Nursing Bill
- Merit provision in Minnesota Unemployment Compensation Act relating to administration, personnel

IMPROVED EDUCATIONAL OPPORTUNITIES:

Minimum school year increased from 6 to 8 months
Enforced compulsory school attendance
Secured physical education in all schools
Revised State Aids to Schools
Secured Teacher Tenure Law for cities of first class
Reorganization of State Teachers' Retirement Fund
Reorganization of School Units
Secured survey for reorganization of School Districts in each County

INCREASED EFFICIENCY IN ADMINISTRATION OF GOVERNMENT:

Appointed Interim Comm. on Reorganization of State Departments
Established a Legislative Research Committee
Provided equitable assessment of property through creation of office of Supervisor of Assessments or County Assessor for each County
A State Civil Service System
Ratification of "Lame Duck amendment (Ratification by Minnesota of 20th amendment to Constitution of the United States)

STATE OF MINNESOTA

FORTY-EIGHTH }
SESSION }

H. F.

No. 855

Introduced by Mr. Day, W. E.

February 7, 1933.

Referred to Committee on Taxes and Tax Laws.

Reported back March 17, 1933.

Matter in italics is new; matter in capitals when in () is old law to be omitted.

A BILL

For an Act Providing for County Assessors and Relating to the Assessment and Equalization of Property for Purposes of Taxation.

Be it enacted by the Legislature of the State of Minnesota:

SECTION 1. The county board of any county in this state having a population of less than 150,000 according to the last decennial census may provide for the assessing of all the property in the county by a state officer to be known as the county assessor, instead of by local assessors. The county board desiring to make such change shall, at any regular meeting before September first of any year, adopt a unanimous resolution establishing such county assessor system of assessing the property in the county, and shall thereupon appoint a county assessor who shall be a resident of said county and whose term, duties, powers and compensation shall be as hereinafter provided. He shall be appointed for a term of four years, commencing on October first next following the date of his appointment. Every four years thereafter the county board of any county establishing such system shall appoint his successor to serve for a like term. He shall, before entering upon his duties, execute an oath and shall furnish a bond, approved by the county board, in such form and in such amount as may be required by the Minnesota Tax Commission. Said oath and bond shall be recorded in the office of the register of deeds and shall be filed in the office of the Minnesota Tax Commission. Every deputy assessor appointed as hereinafter provided shall in like manner execute and file an oath and bond.

SEC. 2. County assessors shall receive as compensation for their services, payment to be made in monthly installments out of the county treasury upon warrant of the county auditor, an annual salary of not less than \$1500.00 nor more than the amount of the salary fixed by law for the county auditor of the county for which the said county assessor is appointed. The amount of the salary herein provided shall be fixed, under the limitations in this section contained, by the board of county commissioners of each county.

In addition to such salary the county assessor shall receive an allowance fixed by the county board for his necessary traveling expenses while in performance of his duties outside the county seat of his county.

SEC. 3. Whenever any county assessor finds that he cannot, by devoting his entire time and attention to the duties of his office, make the assessment of property required by law, he is hereby authorized to appoint,

3 with the consent and approval of the county board, one or more deputy assessors, who, subject to the super-
4 vision of the county assessor, shall have the same powers and duties as are herein imposed upon the county
5 assessor, for whose malfeasance or nonfeasance in the performance of their duties the county assessor shall
6 be held liable.

7 Such deputies shall hold office during the pleasure of the county assessor.

8 The number of deputies in any county shall not exceed one deputy for each 5,000, or major fraction thereof,
9 of the population of such county unless the Minnesota Tax Commission shall authorize an increase in such
10 number.

11 The compensation of each deputy engaged in field or office work shall be fixed by the county board.

12 The compensation of a deputy shall be paid out of the county treasury upon the warrant of the county
13 auditor after allowance by the county board.

14 The claim of the deputy before allowance shall have attached thereto the affidavit of the county assessor
15 stating the amount due such deputy.

SEC. 4. The county assessors and their deputies herein provided for shall be under the supervision and
2 direction of the Minnesota Tax Commission and shall do and perform such work and render such informa-
3 tion and reports relative to matters of taxation as such commission may from time to time direct or require.

SEC. 5. Every county assessor shall devote his entire time to his duties as such assessor and shall not hold
2 any other position of trust or profit, or engage in any occupation or business interfering or inconsistent with
3 his duties as such assessor; nor shall he or any deputy appointed by him serve on or under any committee of
4 any political party, or contribute any money in the interest of any political party or organization, or take
5 active part in any political campaign.

SEC. 6. Any county assessor may be suspended or removed by the Minnesota Tax Commission, with the
2 approval of the governor, for incompetency or inability to satisfactorily perform his duties, or for misfeas-
3 ance, malfeasance or nonfeasance in the discharge of the duties of his office. Provided, that no such re-
4 moval or suspension shall be made until such officer shall have had a reasonable opportunity to appear and
5 defend himself before the governor and the Minnesota Tax Commission.

SEC. 7. In case of a vacancy in the office of county assessor, the county board shall appoint a suitable per-
2 son to fill said office for the unexpired term, who shall qualify in the manner herein provided.

SEC. 8. The county board of each county shall provide suitable office room at the county seat for the
2 county assessor, with suitable furniture and heat and light, and also such books, maps, blanks, paper, sta-
3 tionery and postage as may be necessary for the discharge of his duties.

SEC. 9. The county auditor shall annually provide the necessary assessment books and blanks at the ex-
2 pense of the county.

3 He shall make out in the real property assessment book complete lists of all lands or lots subject to taxa-
4 tion, showing the names of the owners, if to him known, and, if unknown so stated, opposite each tract or
5 lot, the number of acres, and the lots or parts of lots or blocks included in each description of property.

6 The list of real property becoming subject of assessment and taxation every odd numbered year may be
7 appended to the personal property assessment book of such year.

8 The assessment books and blanks shall be ready for delivery to the county assessor on or before the first
9 Monday of April of each year.

SEC. 10. The county assessor shall actually view, when practicable, and determine the value of each
2 tract or lot of real property listed for taxation, and shall enter the value thereof, including the value of all
3 structures, improvements and attached machinery thereon, opposite each description.

4 He shall make an alphabetical list of the names of all persons liable to assessment of taxes for personal
5 property and for money and credits in each assessment district of the county, and shall require each person
6 to make and deliver correct lists and statements of such property, according to the prescribed form, which
7 shall be subscribed and sworn to by the person listing; and the assessor shall thereupon determine the value
8 of the property in such statements, and enter the same in his assessment book opposite the name of the per-
9 son assessed, with the name and post office address of the person listing the property, and if he reside in a
10 city, the street and number, or other brief description of his residence or place of business.

11 If any property is listed or assessed after the fourth Monday in June, and before the return of the assessor's
12 books, the same shall be as legal and binding as if listed and assessed before that time.

SEC. 11. The county assessor shall, as soon as practical and prior to the third Monday in June each year,
2 mail to each person against whom an assessment of personal property or of money and credits appears, a state-
3 ment of the total amount of such assessment against such person, and also notice of the meeting of the local
4 board of review and of the county board of equalization, which statement and notice shall be in such form
5 as may be prescribed by the tax commission.

6 The failure of the county assessor to mail such notice, or of any person to receive the same, shall in no
7 way operate to invalidate such assessment or the taxes thereon.

SEC. 12. The county assessor shall foot each column in his assessment books and make in each book
2 under proper heading, a tabular statement showing the footings of the several columns on each page.

3 He shall also foot the total amounts of the several columns under the respective headings.

4 Said assessment books shall be verified by the certificate of said assessor substantially in the following form:

5 STATE OF MINNESOTA)
6 County of -----) ss

7 I, ----- County Assessor of ----- County, Minnesota,
8 do hereby certify that the book to which this is attached contains a correct and full list of all the (real prop-
9 erty or personal property, as the case may be) subject to taxation in (assessment district) in said county,
10 so far as I have been able to ascertain the same, and that said assessment is according to law.

SEC. 13. The county assessor shall, before the fourth Monday in June of each year, deliver or cause to be
2 delivered to the clerk or recorder of each assessment district in his county, the assessment books, together
3 with all lists and returns to him made relative to the assessment of property therein.

4 Such books, lists and returns shall be by the clerk or recorder submitted to the board of review of such
5 assessment district.

SEC. 14. The town board and clerk of each town, the council and clerk of each village, and the clerk and
2 three members of the city council, to be by it selected for that purpose, of each city, except in cities whose
3 charters provide for a board of equalization and except as provided in General Statutes 1923, Section 2035,
4 shall be a board of review.

5 Such board shall meet on the fourth Monday in June at the office of the clerk, who shall ex-officio be the
6 clerk of the board.

7 The board shall proceed to examine the assessment books for such assessment district and see that all the
8 taxable property therein has been placed upon the list and duly valued by the assessor. The assessor or his
9 deputy shall be in attendance at such meeting of the board of review and the board of review may adjourn
10 to such a date as the assessor or his deputy may attend.

11 In case any property, real or personal, has been omitted the board shall place it upon the list and duly
12 value the same.

13 The board shall correct the assessment so that each tract or lots of real property and each article, parcel or
14 class of personal property shall be entered on the assessment list in conformity with law; but no assessment
15 of the property of any person shall be raised until he has been notified of the intent of the board so to do.

16 On the application of any person feeling aggrieved, the board shall review the assessment and correct it as
17 it shall appear to them just.

18 A majority of said members may act at such meeting and may adjourn from day to day until they shall
19 finish the hearing of all cases presented.

20 All complaints of residents of the assessment district in reference to assessment of property shall be
21 heard by the local board, but the complaint of non-residents in reference to the assessment of any property,
22 and of any person in reference to any assessment made after the meeting of such board, shall be heard and de-
23 termined by the county board of equalization.

24 The clerk of the board shall note upon the assessment books in a separate column all changes and addi-
25 tions made by the board and shall, not later than the first Monday in July, deliver said books, lists, returns,
26 and all papers relating thereto, to the county assessor.

27 In all cases where unorganized territory exists in any county, the duties of the board of review for such
28 territory shall be performed by the county board of equalization at its regular meeting provided for in this
29 act.

SEC. 15. The county commissioners, or a majority of them, with the county assessor and the county
2 auditor, shall form a board for the equalization of the assessment of the property of the county.

3 The board shall meet annually on the third Monday in July at the office of the county assessor and, each
4 member having taken and filed with the county auditor an oath fairly and impartially to perform his duties
5 as such, shall inquire into the valuation of the various classes of property in the respective assessment dis-
6 tricts of the county and make such changes in the assessment of property as shall be necessary in order to se-
7 cure an assessment of property according to law, and in so doing they shall be governed by the following
8 rules, except as otherwise provided for in this act:

9 First: The board shall raise or lower the valuation of any tract or lot of real property, and of any
10 item of personal property of any individual, which in the opinion of the board, is undervalued, or overvalued,
11 to such a valuation as it believes to be in conformity to law. Before the valuation of any tract or lot of real
12 property or any item of personal property of any individual shall be raised the board shall give notice of its
13 intention so to do to the person in whose name the same is assessed as hereinafter provided. Such notice shall
14 be given by mail addressed to such person at his postoffice address as shown on the personal property assess-
15 ment list in the case of personal property, and in the case of real property at his postoffice address, if known
16 to the board. Failure to mail such notice shall not invalidate such assessment or the taxes based thereon.

17 Second: The board shall equalize the valuation of the several assessment districts in the county either by

18 adding to or deducting from the value of any class or classes of real property or of personal property such
19 percentage as may be necessary to make the assessment thereof conform to the provisions of law.

20 Third: The board shall place upon the appropriate assessment list any real or personal property which
21 has been omitted therefrom and value the same according to law.

22 Fourth: The board shall hear and determine any complaints made in reference to the assessment or valu-
23 ation of any property in the county which may be made to them by the owner of such property or his agent or
24 attorney.

SEC. 16. The county board of equalization may continue in session and adjourn from time to time during
2 four weeks, commencing on said third Monday in July; but after final adjournment the board shall not
3 change the assessed valuation of the property of any person or reduce the aggregate amount of the assessed
4 valuation of the taxable property of the county.

5 The county assessor shall keep an accurate record of the proceedings and the orders of said board, which
6 record shall be published in the same manner as proceedings of the county commissioners, and a copy of such
7 published record shall be transmitted to the Minnesota Tax Commission with the abstract of assessment in
8 this chapter hereinafter required.

SEC. 17. The county assessor shall calculate the changes of the assessment lists determined by the county
2 board of equalization, and make corrections accordingly in the real or personal assessment lists or both, as
3 the case may be.

4 He shall make duplicate abstracts of the corrected real and personal assessment lists, one of which he shall
5 file in the office of the county auditor and one he shall forward to the Minnesota Tax Commission on or be-
6 fore the fourth Monday in August.

SEC. 18. The Minnesota Tax Commission shall examine and compare the returns of the assessment of
2 property in the several counties and equalize the same so that all the taxable property in the state subject
3 to the general tax shall be assessed substantially according to law.

4 In performing this duty it shall have power:

5 First: To add to or deduct from the valuation of each class of real property or of personal property in
6 any county or in any assessment district which it believes to be overvalued or undervalued such per cent as
7 will make such assessment conform to the provisions of law.

8 Second: To raise or lower the valuation of any tract or parcel of real property or any item of personal
9 property of any individual to such valuation as it believes is in conformity to law; but before the valuation
10 of any tract or parcel of real property or any item of personal property of any individual shall be raised the
11 commission shall, not less than five days before the hearing thereon, mail a notice of such hearing to the
12 owner of such property if his address be known to the commission, and at such hearing the owner of such
13 property or his agent or attorney may appear and be heard. Failure to mail such notice shall not invalidate
14 such assessment or the taxes based thereon.

15 Third: To require the county assessor to furnish statements showing the assessment of any real or per-
16 sonal property within his county.

17 Provided, however, that nothing in this chapter contained shall be so construed as to in any manner cur-
18 tail or affect the power to raise or reduce the valuation of any property conferred upon the Minnesota Tax
19 Commission by existing laws.

SEC. 19. A record of all proceedings of the Minnesota Tax Commission in the exercise of its powers affecting any change in the assessed valuation of any property, shall be kept by the secretary of the commission and published in the biennial report of said commission; and a copy thereof duly certified by said secretary shall be mailed to the county assessor of each county wherein such property is situate.

Said record shall specify the amount or percent added to or deducted from the valuation of the real property of each assessment district in each county, and also the per cent or amount added to or deducted from the several classes of personal property, and the amount added to or deducted from the assessment of individuals, co-partnerships, associations or corporations in each assessment district of each county.

The county assessor shall add to or deduct from each tract or lot of real property in his county, the required percent on the valuation thereof as it stood after the equalization by the county board, adding in each case a fractional sum of fifty cents or more, and deducting in each case any fractional sum of less than fifty cents, so that no valuation of any separate tract or lot shall contain any fraction of a dollar; and he shall also add to or deduct from the several classes of personal property in his county, the required per cent or amount, or both, on the valuation thereof as it stood after equalized by the county board, adding or deducting in manner aforesaid, any fractional sum, so that no valuation of any separate class of personal property shall contain a fraction of a dollar, and shall also add to or deduct from assessments of individuals, co-partnerships, associations or corporations, as they stood after equalization by the county board, the required amounts to agree with the assessments as returned by the Minnesota Tax Commission.

SEC. 20. The county assessor shall within four weeks after the receipt by him of the certified copy of the proceedings of the Minnesota Tax Commission relative to the equalization of assessments as provided by Section 21 of this act, enter in the appropriate assessment books of his county, all changes in the assessed valuations made by the tax commission, in such manner as to show in appropriate columns, the total equalized valuation of personal property assessed against each person and the total valuation of each described tract of real estate contained in such assessment books, and shall within said four weeks certify to the correctness thereof and deliver said books to the county auditor.

SEC. 21. The county auditor shall make out the tax lists in such form as may be from time to time prescribed by the Minnesota Tax Commission. He shall calculate the rate per cent necessary to raise the required amount of the various taxes on the assessed valuation of all property as returned by the county assessor as provided in Section 20 of this act. But in calculating such rates, no rate shall be used resulting in a fraction other than a decimal fraction or less than one-tenth of a mill. And in extending any tax, whenever it amounts to the fractional part of a cent, it shall be made one cent. The tax lists shall also be made out to correspond with the assessment books in respect to the ownership and description of property and the valuation thereof in such manner and to such extent as may be from time to time prescribed by said tax commission, with columns for the various items of taxes included in the total amount of taxes set down opposite each name and description. Opposite each description of real estate which has been sold for taxes, and which is subject to redemption but not redeemed, shall be placed the words "sold for taxes", and opposite each description of real estate for which the tax of the preceding year is delinquent, shall be placed the words "delinquent tax." The amount of all special taxes shall be entered in the proper columns, but the general taxes may be shown by entering the rate per cent of each tax at the head of the proper columns without extending the same, in which case a schedule of rates per cent of such taxes shall be made on the first page of each list. If the auditor

shall fail to enter on any such list before its delivery to the treasurer, any tax levied, such tax may be subsequently entered by the auditor.

SEC. 22. Every county auditor, and every county assessor or deputy assessor who in any case refuses or knowingly neglects to perform any duty enjoined on him by this chapter, or who consents to or connives at any evasion of its provisions whereby any proceeding required by this chapter is prevented or hindered, or whereby any property required to be listed for taxation is unlawfully exempted, or entered on the tax list at less than its taxable value, shall, for every such neglect, refusal, consent or connivance, forfeit and pay to the state not less than two hundred dollars nor more than one thousand dollars, to be recovered in any court of competent jurisdiction.

SEC. 23. For the purposes of this act:

(1) A "class" of real property shall mean any one of the following: Lands exclusive of structures, improvements and attached machinery; structures, improvements and attached machinery exclusive of the land; unmined iron ore; platted lands; unplatted lands.

(2) A "class" of personal property shall mean any one of the following: Any class of such property prescribed by General Statutes 1923, Section 1993; any item, group or class prescribed by the tax commission under the provisions of General Statutes 1923, Section 2019.

(3) For purposes of equalization by county boards of equalization and by the Minnesota Tax Commission, "assessment district" shall mean any town, village, borough or city, whether it be a separate district for assessment or taxation purposes or not.

SEC. 24. The respective offices of township, town, city, village and borough assessors in any county adopting the county assessor system as herein provided are hereby abolished from and after October 1st following the adoption of the resolution required by Section 1 hereof.

SEC. 25. All acts and parts of acts insofar as they are inconsistent with the provisions of this act are hereby repealed.

ASSESSMENT OF PROPERTY IN MINNESOTA

By Mrs. W. B. Richards

The valuation of property for the purpose of taxation is known as assessment. Except in Ramsey County, which is an assessment unit itself, the work of assessment is done by local assessors in towns, villages, and cities. There are now 2700 separate assessment districts in the state, most of them with assessors elected every two years. In cities, the assessor is usually appointed by the city council or commission although even here some are elected. Real property is assessed in the even-numbered years at the valuation on May 1. Personal property is assessed annually at its valuation on May 1.

Before each annual assessment, the assessors of each district are given the necessary books, blanks, etc., published at the county's expense, by the county auditor. In the even-numbered years, they are given in addition the real estate assessment books with lists of all lands and lots subject to taxation in the county together with the names of owners, as well as other information. The auditor must have this equipment in the assessors' hands by the third Monday in April. The assessment work must be completed and the reports in to the county auditor by the first Monday in July.

Every spring, the assessors meet in the office of the county auditor at which time a member of the State Tax Commission is usually present. Here the problems of assessment are discussed, mistakes of the preceding year talked over, and recent changes of the tax laws explained. The assessors are paid mileage to and from the meeting plus \$4.00 per diem while there. Assessors may appoint deputies and ask advice from the county auditor at any time.

Some assessors do the work in their spare time or on certain set days, but they must keep a record of their time. Separate blanks are used for the assessment of moneys and credits. This blank is filled out by the owner, and the assessor is practically forced to accept the statement of the person as to the amount of his moneys and credits. Here is where the honesty of the taxpayer comes into the picture.

Fractional Prior to 1914, the law required that all property be assessed at its full Valuation and true value, but fractional valuation had been so generally the rule that the law was changed to conform more or less to practice. The 1913 law divided property into four groups. There have been amendments since that time so that the tax rate is now applied to the fractional valuation of property as follows:

- Class 1 - Iron ore, mined or unmined, assessed at 50 per cent of true value.
- Class 2 - Household goods and furniture, wearing apparel and personal property used by the owner for personal and domestic purposes, assessed at 25 per cent of true value.
- Class 3 - Livestock (exception class 3a), poultry, stocks of merchandise, manufacturers' materials, and manufacturers' machinery (exception class 3a), bank stock and all unplatted real estate (not included in classes 1 and 3b) assessed at $33 \frac{1}{3}$ per cent of the true value.
- Class 3a- All agricultural products in the hands of the producer and not for sale, horses and mules used for agricultural purposes, and all agricultural tools and implements, assessed at 10 per cent of true value.
- Class 3b- The first \$4000 of rural homesteads, assessed at 20 per cent of full and true value (value over \$4000 assessed in class 3).

Class 3c- The first \$4000 of urban homesteads assessed at 25 per cent of full value (value over \$4000 assessed in Class 4).

Class 4 - Urban property and property not included in the other groups assessed at 40 per cent of full value.

An act was passed by the 1933 legislature to submit to the voters in 1934 a constitutional amendment to permit the legislature to exempt household goods and farm machinery from taxation.

Since its establishment, the State Tax Commission has been urging the enactment of a law abolishing the local assessors and replacing them with county assessors. The Commission says that "it is in the beginning of the assessment, in the work done or left undone by the local assessors that the fundamental defect in our tax system is to be found." Local assessment is the root of the evil in our tax system and no amount of equalization can overcome it. The county assessor bill has been before the legislature many times. In 1933 it was lost in the closing days of the session without a struggle.

Since 1923, there has been a provision for a county supervisor of assessments appointed by the county boards. St. Louis County and a few other counties have one each, but they are decidedly in the minority. This supervisor is primarily to assist the county board in preparing information which it needs when sitting as a county board of equalization and to do the work of assessment in unorganized territory. This supervisor has no power to direct or control the work of the assessors. His office could be strengthened and made very important if the legislature saw fit to do it. If this were done, it would be a high step in the right direction.

Defects in Pre- There are many defects in the present assessment system. Some of
sent System them are:

1. Poorly qualified assessors evaluating real property. It is work that calls for highly qualified experts.
2. Assessments are made too infrequently. They should be made continuously. Twelve months' service is needed rather than two.
3. There is a grave danger in under- and over-valuation under the present system.
4. There is a wide variety of judgment as to valuation. As long as assessors are elected, the valuation will tend to be low.
5. Assessment under the local assessor system can be neglected or poorly done.
6. There is too much pressure from political influences as well as from friends today.
7. There are discriminations against both individuals and localities.

Arguments for There are many arguments for a county assessor system if the assess-
County System ors are chosen on the basis of merit and not for political reasons.
Some of these arguments are:

1. He would be removed from political pressure in that he should be appointed from a civil service list and be under civil service rules.
2. A county assessor would not be so amenable to local and personal influence especially if he were appointed by the Tax Commission and subject only to their orders and instructions.
3. A reasonably long tenure of office would enable him to become skilled in his work.
4. He would not need to work in the county in which he lives. Much better work might be done away from local pressure although it is admitted that familiarity with the situation is an advantage.
5. It would be much easier for the State Tax Commission to supervise the work of 87 assessors than it is to supervise the work of 2800.

Two-thirds of the states have the county assessor system at the present time. However, it is exceedingly difficult to get this bill through our legislature because of the opposition from the townships and villages. It means that they lose one political office and risk the danger of having higher assessments; hence pressure is brought to bear upon the legislators.

Review, Correction and Equalization Because of the recognized deficiencies in our system of local assessment, we have built up a three step system for reviewing, correcting and equalizing property assessments in Minnesota.

First step: Local Review and Correction of Assessments

On the fourth Monday in June a local board of review meets in each town, village and city assessment district. This board consists of the town board in townships; the assessor, clerk and president or mayor in villages and cities, except where city charters provide for a board of equalization. The powers of this board are:

1. To include at its true value any property, real or personal, which has been omitted from the list.
2. Upon application it may review and reduce the assessment of an individual.
3. With notice to person concerned it may increase any individual assessment.
4. Hear complaints and equalize assessments.

Complaints of non-residents must be referred to the county board. The assessors must attend these meetings, correct their work according to the changes made by the board, verify his returns with an affidavit and turn his books over to the county auditor by the first Monday in July. The auditor issues a certificate attesting to the assessor's completion of his work as required by law and preserves the assessor's books. The assessor's certificate is returned to the clerk of the town, village or city as evidence that he is entitled to his compensation. This step should be eliminated.

Second Step: County Equalization

If, after examining the assessor's books, the auditor finds that any piece of property has been omitted, he must notify the assessor who must correct the mistakes. If the assessor fails, the auditor must correct them. On the third Monday in July, the county board with the county auditor meets as an equalization board of the county. This session may last four weeks. The powers and duties of this board are:

1. Examine the returns from the local units.
2. Hear complaints of individuals.
3. Do specific things toward equalizing assessments:
 - a. May raise aggregate valuation of real estate by fixed percentages throughout the county or in one or more assessment districts.
 - b. May do the same for any class or item of any class of personal property.
 - c. With notice and hearing to owner, may increase the valuation of any tract or lot of real property or item of personal property.
 - d. May reduce the valuation of any particular tract or lot of real property which has been over valued but cannot reduce personal property assessments except in case of non-residents of districts in which assessed.
 - e. Cannot reduce aggregate value of real or personal property below the aggregate figures reached by the assessors.

Formerly the county auditor calculated and recorded all changes made and returned the records to the state auditor. All returns now are made to the Tax Commission directly.

Third Step: State Equalization

The work of the county boards is subject to final review by the State Tax Commission as a board of equalization. This last step is very necessary when we know that in 1924 the Commission accepted the assessment figures of county equalization boards in only fourteen out of the eighty-seven counties. In fourteen others, it accepted the personal property assessments, and in fifteen others, only the real estate assessments. In that year, it increased real property assessments by over \$53,000,000 or 3.2 per cent and personal property assessments by nearly \$7,000,000 or $2\frac{1}{2}$ per cent. Conditions have not changed to any appreciable extent since that date. The abstracts turned in by the county auditors form a basis for the commission's work. It may:

1. Increase or decrease the aggregate assessed valuation of real estate in any county or taxing district therein.
2. Increase or decrease the aggregate assessed valuation of any class or item of personal property in any county or district.
3. Raise or lower assessed valuation of the real or personal property of any individual, co-partnership, company, association or corporation, but before making an increase, it must notify the person or persons concerned and give them an opportunity to be heard.
4. Order refundment in whole or part of taxes, costs, penalties paid unjustly or erroneously.

All corrections and changes must be made by the county auditors before the assessment for the year is final and complete.

MINNESOTA LEAGUE OF WOMEN VOTERS
914 Marquette Ave., Minneapolis

Radio Talk
Tuesday, April 10, 1934
W C C O
Mrs. W. B. Richards
Mrs. J. M. Dobson

TRUE AND FALSE VALUES - THE ASSESSOR

P. - Pa
M. - Matilda, his daughter
E. - Enid, Matilda's daughter, a young lawyer.

- M. Well, Pa, here's our conquering hero - a woman Daniel come to judgement. She got her judgement, too, she tells me, and, incidentally learned a great many of the "ins" and "outs" of taxes, I am sure.
- E. Yes, Mother, and I wish our present system of taxes weren't in, but decidedly out! It is as cumbersome as the ox-cart, and as out-of-date as the town-pump.
- M. Don't forget the iron hitching posts that your Grand-Dad took down just a few years ago, and put pans on the top to make those wonderful bird-baths in the backyard of the factory.
- P. Well, never like to see things go to waste - and I'm thinkin' waste is one thing you're going to spring on me, Enid, in regard to the tax system.
- E. Worse than waste, Grand-Dad, is the inefficiency and unfair distribution, you might say. The whole plan of assessment is a mistake. Especially so in these days of such need of fair and balanced valuations, and of getting in all taxes possible, based upon such valuation.
- M. What about your case, Enid? Did old Mrs. Larrabee succeed in claiming some of the benefits from that land she had let revert to the state?
- E. Yes, when she showed them her huge roll of tax receipts, based upon a much higher figure than was just, before the minerals came to light, they gave her a compromise proposition. She was afraid they wouldn't meet her half-way, even. The poor dear has grown pessimistic, losing so heavily right and left.
- P. She's lost heavily all right, and hasn't much left. She told me her excessive property taxes have made their dent in her disappearin' bank-roll. I kind o' think, Enid, she engaged you for your feminine appeal, if the legal appeal

wouldn't work. She's a shrewd old aristocrat.

E. Now, Grand-Dad, you know I'm a lawyer first and a woman, second. And what is it you're always getting off about an aristocrat - you and Josh Billings --

M. Oh yes - that an aristocrat is a democrat with his pocket full of money. According to that, Mrs. Larrabee is an aristocrat no longer. The depression plus taxes have changed her status.

P. Taxes - taxes! Well, Enid, I'm never too old to learn, and in our talk we had together awhile back I learned a right smart number of things about reorganizin' our counties. What does that bright little head of yours hold about the reorganization of our taxes? Guess our property tax needs changin', don't it?

E. More than any other, Grand-Dad, for 77.66% of all the taxes levied in Minnesota are obtained from the property tax.

M. Well I've never heard so much talk about taxes in my life. People are up in arms about the heavy amounts they have to pay, regardless of whether their property is income-producing or not. Some of our home-owners are fearful they may lose their homes, before definite and helpful changes are made. The little fellows seem to get it, coming or going.

P. The big fellers know how to tuck things away. I remember Ben Stanley used to say he soaked Mr. Vandergriff, upon the hill, for every stone dog he had on his lawn, 'cause he knew the old gentleman had much more wealth than he ever let on. Ben called it licensin' the dogs.

E. That was one case where familiarity with the local situation may have worked out with justice. But usually local assessors have too much pressure brought upon them through political influence or even from friends to do a job, equitable to all. There are other defects in our present system, Grand-Dad. Our assessors, many times, are not sufficiently qualified to evaluate real property. It really is work that calls for highly qualified experts.

M. Where would you get them?

- E. Before answering that, Mother, I must go a step farther back, and tell you that we think our 2800 assessors in Minnesota - think of that number, Grand-Dad! - should give way to a trained assessor for each county, making 87 of them instead of that unwieldy 2800. Think how much easier it would be for our State Tax Commission to supervise the work. The assessor would be removed from political pressure at the outset, for we recommend that he be appointed from a civil service list, and be under civil service rules. He would be sure, under this system, of a reasonably long tenure of office, so it would pay him to train and study for this work, and, with a little experience he could become quite skilled in his line.
- M. That sounds reasonable, of course. This is a day of specialization, anyway, and one can see if an assessor comes in under civil service rules with the expectation of keeping his job as long as he gives excellent service he would not be so amenable to local and personal influence. Would he be responsible only to the Tax Commission? That is, he would be appointed by virtue of his civil service records, and not elected (or demoted), at the will of the people?
- E. Yes, you remember we decided we had too many elective officials anyway, when we were discussing county government?
- P. Under that system, an assessor would have a full-time job, and be assessin' right along instead of trying to squeeze it into about two months, and havin' to slip over a lot of data and investigatin', because of lack of time. 'Pears to me that would do away with a lot of this over-valuation and undervaluation, we hear so much of today.
- M. Can't we even say there seems to be deliberate discriminations at times against both individuals and localities?
- P. Like as not there are, daughter, but you must remember too, judgments differ as to valuation, as much as to what the President ought to do next! - and fact is, we three here, probably, would have three different ideas as to the value of this house, we're sittin' in. The assessor says it decreases in

value every year because it's gettin' old, but, to me, it's bein' my home for forty years makes it worth more than double what I paid for it.

- M. Do you tell the assessor that, darling, or do you let him put it in as an old drug-on-the-market? By the way, Enid, seems to me, the assessors aren't the only ones whose judgments seem to vary. You remember, Pa, that farmer boasting about his wonderful team of horses-wouldn't take \$750 for them - and a few minutes, later when the assessor happened to drive up and began admiring the team, pulling down his mouth and saying he'd be lucky if he could get \$350 for them?
- E. Yes, people who are ordinarily as honest as the day is long, seem to labor under the complex that cheating your government is just another way of driving a shrewd bargain, and not dishonest at all. For instance, in one of the townships of Cook County, Illinois - a wealthy one, too - there were but two watches reported in the whole township.
- P. Mebbe they were all at the jewelers' bein' repaired!
- M. I remember reading in a magazine a few years ago, people were counted much more honest than they used to be - based upon the ^{growing} fast/practice of buying things on the installment plan. This article aimed to prove there were few defaults and few returns of merchandise to the big stores.
- P. That was when the whole world was sittin' pretty and you could pay the installments without its pinchin' you. Guess that writer could have told a different story awhile later. Ben Stanley says that fellers who boast the loudest about their wife's diamonds are the ones who run those same diamonds down the most to the assessor. Seems to be some of that funny human nature.
- E. Abe Martin said, "To err is human: to admit it, hain't." Let me tell you of one case where human nature seems to have erred, or where as you said, Mother, there is a wide variety in judgments. What would you think Grand-Dad, if a horse in our County today were assessed at a different figure in every

township of the county? That happens to be the case in one of our Minnesota counties.

P. What! Forty or more different valuations on the same kind of horse in one county? "Tain't believable! Horse flesh ought to be as valuable one place as another - except, perhaps in old Kentucky. Well, one good county assessor could at least keep a horse the same in one county. H'm h'm. Seems to be, Enid, I remember back in 1923 or thereabouts, our Legislature made a provision for a county supervisor of assessors - to be appointed by the county boards, wasn't he? What's become of this?

E. ^{that} The counties/have taken advantage of this are decidedly in the minority (St. Louis County has one). This supervisor is primarily to assist the county board in preparing information which it needs when sitting as a county board of equalization, and to do the work of assessors in unorganized territory. However, Grand-Dad, this supervisor has no power to direct or control the work of the assessors. His office could be strengthened and made very important if the Legislature saw fit to do it. If this were done, it would be a fine step in the right direction.

P. Sounds like it. Now, Let's see. What was it our last Legislature did? Oh, yes, we are to vote this year on a constitutional amendment to permit the legislature to exempt household goods and farm machinery from taxation. I know Ben Stanley told me he didn't think the personal property tax netted enough money to pay for collectin' it. But I figger that's the fault of the easy goin' assessor, or the feelin' of the taxpayer that the assessor is a sort of Paul Pry, and doesn't need to know more than what he can find out for himself.

M. He would have to be a psychic to find out, at all accurately, about moneys and credit. People are always holding that type of information back. The assessor should carry along one of these new truth-telling devices. He can do much better with tangible property.

- E. That's true, Mother, but you must add that our assessors aren't usually experts along the lines that will help them in assessing tangible things. For instance, can an assessor tell the difference between a copy of an expensive portrait and an original, between a \$100 rug and a \$1000 one? That is impossible. The taxpayers, himself, must do his declaring, - and perhaps, there the public needs educating. An interesting side-light on our assessor is that in early days, he was supposed to have some knowledge of the law. The term assessor in the dictionary was defined as one who sits by, or legal counselor.
- M. "One who sits by", would mean, perhaps, a full-time assessor with his eye on the rise and fall of valuations all the while. Well, I'm fer it. It seems to me it would be a way of redistributing wealth as well as a method of financing our state and government. Our State Tax Commission, though, ought to set the pace for us, surely. Hasn't it been advocating just what you've been telling us, Enid?
- E. Yes, indeed, it has, ever since its establishment. But our state lags behind in this respect. Two-thirds of the states have the county assessor system today, but it seems exceedingly difficult to get such a bill through our legislature. It failed a year ago. There is so much opposition from the townships and villages. You see, they would lose a political office thereby, and are fearful of higher assessments. We have a three-step system for reviewing, correcting and equalizing property assessment now in Minnesota - set up because of the defects in our local assessment method. There is the Local Review and Correction of Assessments, the County Equalization, and State Equalization Boards. Surely with our improved system of trained county assessors subject to the State Tax Commission, we would have fewer unjust assessments, and could take care of those we might have in even better manner.

But prejudice, born in fear, dies hard. Local assessment is the root of the evil in our tax system today, and no amount of equalization can overcome it.

The Commission has gone on record saying, "It is in the beginning of the assessment, in the work done or left undone by the local assessor, that the fundamental defect in our tax system is to be found."

P. Good thing we aren't payin' our lawyer for advice by the word, eh Matilda?

M. You're right, Pa, for it's mighty good advice. I think there's a job for our women's groups, and a job that touches more families than almost any other project. Let's have trained assessors and pay them so well they can't afford to be crooked. I still believe the rank and file of American citizens mean to be honest and would be, in paying taxes if they felt they were being assessed on an absolutely fair and square scale, just like all their neighbors.

P. In other words, if we have to pay thru the nose, let everybody be doin' it.

M. Not one nose to the grindstone, and the other one up in the air, you mean, Pa?

E. That's one way of putting it, Mother.

End



Minnesota Tax Commission
State Income Tax Department

ADDRESS YOUR REPLY TO
STATE INCOME TAX DEPARTMENT
55 E. FIFTH ST., ST. PAUL, MINN.

G. B. BJORNSON
GEO. E. WALLACE
HARRY E. BOYLE
COMMISSIONERS

N. A. NELSON,
SECRETARY

C. E. BASHE
SUPERVISOR OF INCOME TAX

January 5, 1935.

JAN 7 1935

*Copy sent
to Richards*

Miss Ruth Mitchell,
914 Marquette Ave.,
Minneapolis, Minnesota.

Read by
Pres.
Ex. Sec. ✓
Chas. Sec.
Field Sec.

Dear Miss Mitchell:

Enclosed you will find two copies of the pamphlet
on the County Assessor prepared by the Tax Commission
in 1928.

I have studied carefully the plan of The County
Assessor System for Minnesota which you enclosed in your
letter of yesterday. It would be impossible for me to
improve upon the showing you have made.

The Tax Commission has regularly, for the past twelve or
fourteen years, recommended to the legislature to change
our present system of assessment to the County Assessor
System, but without any results. The difficulty which seems
to stand in the way is the myth of home rule. In your letter
you ask whether any measures have been drawn up for presentation
to the legislature at its coming session. In reply to that,
I beg to advise you that the Tax Commission has not, up to
this time, ever prepared bills for introduction but have
left this to the legislators themselves, and we do not know,
at this time, of any bill being fostered for the purpose of
working out the County Assessor System. Perhaps it has been
the fault of the Tax Commission that a change has not been
made. We do appear before committees having some of these
measures before them.

I am very glad that the Minnesota League of Women Voters is
so interested and aggressive in this matter. I speak for
the Tax Commission when I state that we wish you every success
in this undertaking because we consider it fundamental.

Sincerely yours,

MINNESOTA TAX COMMISSION

By

Geo E Wallace
Commissioner

GEW/bb

January 4, 1935

Mr. George E. Wallace
Minnesota Tax Commission
State Capitol
St. Paul, Minnesota

My dear Mr. Wallace:

I am enclosing for your information a copy of the flier on Assessment Procedure in Minnesota which the Minnesota League has just had printed for use, not only among its own membership, but to inform both men's and women's groups which might be interested in furthering this much-needed legislation. We are planning to sell these in quantities, 25¢ for fifty.

Can you tell me whether a measure has as yet been drawn up for presentation at this session of the legislature on this subject of Assessment? If so, I should appreciate having a draft of such a measure. We should also appreciate hearing what plans have been made as to possible authors of such a measure, and how we, as a group, can be most effective in beginning the work for this at the legislature.

We appreciate having in our office the copies of the pamphlet on the County Assessor prepared by the Tax Commission in 1928.

Sincerely,

Ruth H. Mitchell
State President

Minnesota League of Women Voters,
914 Marquette Ave., Minneapolis
October 1942

Price - 1 cent

ASSESSMENT PROCEDURE IN MINNESOTA

Equitable assessment is a necessary basis for a fair distribution of the property tax burden.

Our Present System

2300 local assessors, most of whom are elected. No qualifications are needed. They work only a short time in each year.

Results:

1. Poorly qualified assessors are evaluating real property, which is work that calls for highly qualified experts.
2. Assessments are made too infrequently. Continuous assessment service is necessary.
3. Under and over valuations are prevalent. Over assessment causes delinquency.
4. Political and personal influence determine many assessments.
5. Discriminations are made against individual and localities.
6. Much taxable property is omitted from the tax lists.
7. Equalization cannot satisfactorily correct the work of the local assessor.

The County Assessor System

87 qualified trained assessors chosen on the basis of merit from civil service lists either by the County Board or the State Tax Department, and removed only for cause.

Results:

1. Fewer assessors could be supervised more easily.
2. They would be removed from political pressure or personal influence.
3. They could be trained as economic experts along assessment lines.
4. Assessment could be continuous.
5. Assessment would be more scientific, fewer over and under valuations.
6. There would be more property on the tax rolls.
7. Variations of judgment would not be found so frequently.
8. Assessors would be able to aid in the administration of the Income Tax Law, as in Wisconsin.

NOV-3

State of Minnesota
Department of Taxation
State Office Building, St. Paul

G. HOWARD SPAETH
COMMISSIONER OF TAXATION

RONALD V. POWERS
DEPUTY COMMISSIONER

November 2, 1942

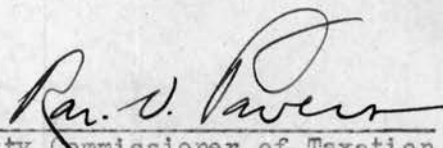
Miss Helen M. Horr
Secretary, Minnesota League of Women Voters
914 Marquette Avenue
Minneapolis, Minnesota

My dear Miss Horr:

I have read with considerable interest the report on the assessment of property at St. Cloud, prepared by the League of Women Voters there, and have also read the card which your organization has prepared with reference to assessment procedure in Minnesota. After I have had an opportunity to look over the St. Cloud report with Mr. Spaeth, I will return it to you for it belongs in your file. We certainly shall be interested in the results of the questionnaires which you have sent out with reference to the legislative attitude on a county assessor bill.

The interest which you are finding in a county assessor system emphasizes the importance of having a good sound bill prepared for the legislature to consider. I shall try to keep you advised of any progress which is made along that line.

Yours cordially


Deputy Commissioner of Taxation

RVP-i

MINNEAPOLIS TRIBUNE, Dec. 9, 1951

Taxes Provide 76 Pct. of State's Funds

Minnesota gets 76 per cent of

legislature amount to \$159,700, as against \$133,700,000 for the preceding two years.

Education got the biggest slice out of the \$285,100,000. The \$149,500,000 authorized for educational purposes represents 52.4 per cent of total appropriations.

The rest is divided as follows:
institutions \$49,000,000, or 17.2



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League of Women Voters of Minnesota
84 South Tenth Street, Room 406
Minneapolis 3, Minnesota

March 1952

Additional copies - 15¢

STATE ECONOMIC STUDY
1951-52

LEADERS GUIDE

Here is your kit of material on the State Economic Item: "The League will study the relationship of revenue requirements and revenue sources in Minnesota". (Agenda item, 1951-52)

The purpose of this study is:

- I. To explain the central problem of Minnesota's finances by describing the present state of revenue and expenditures
- II. To list criteria which are generally and widely used for judging a tax as to its merits
- III. To itemize and show the sources of Minnesota's tax revenue
- IV. To use the property tax as an illustration of weaknesses and possible improvements that might be made within the framework of a single tax
- V. To indicate and outline important facts about assessment that everyone should know
- VI. To encourage local Leagues to investigate their local assessment situation

You will want to know what has been done before on this item:

1949-1950 -- The Economic Item was put on the Agenda for the first time. "The League will make an analysis of state revenues and expenditures in order to understand and support fiscal policies which provide for present and future needs of the state and promote a sound and expanding economy". Our study material was "State Economic Item Study, 1949-50". It covered general background material and information on how Minnesota raises, spends, and should raise and spend its money. In this connection tax bases, duplication and coordination, dedicated funds, demand for governmental services, and types of governmental services were discussed. An Economic Conference was held in the fall at the University for League people with such speakers as Harold Henderson, Bob Gannon, Earl Berg, Carl Jackson, etc.

1950-1951 -- The Economic Item was: "The League will study the state tax structure and its effect on the economy with a view to support a revision of dedicated funds". Our study material was "Dedicated Funds, 1950-51". It covered a study of the relation of dedicated funds to the total state income, reasons for and effect of dedicated funds, what can be done about them, experience in other states, Minnesota's constitutionally and statutorily dedicated funds, and a summary of the problems to be considered in a changing state tax system.

1951-1952 -- Because League members felt they could not support a revision of the present system of dedicating funds until adequate financial support was assured for education, it was agreed that a general study of Minnesota's economic situation be continued. See Agenda item in first paragraph, above.

1952-1953 -- What shall the Economic Item be this year? Shall we continue to study or not? If so, what? Shall we decide to act? If so, on what?

Remember that study and discussion has a purpose ----- DECISION!
Your decision will make the next State Program which will be voted at the 1952 State Convention. See you in Rochester, Minnesota, May 21st and 22nd.

STATE ECONOMIC STUDY

1951-52

"The League will study the relationship of revenue requirements and revenue sources in Minnesota". Agenda, 1951-52

I. INTRODUCTION

- A. ACTION OF THE 1951 LEGISLATURE
- B. PRESENT FISCAL SITUATION
 - 1. Permanent Trust Funds
 - 2. Highway Fund
 - 3. Income Tax Fund
- C. WHAT IS THE PROBLEM?

II. CRITERIA FOR A GOOD TAX SYSTEM

- A. EQUITY OR JUSTICE
- B. WIDE SHARING
- C. ECONOMIC EFFECT
- D. ADMINISTRATION
- E. BENEFITS RECEIVED
- F. ABILITY TO PAY

III. MINNESOTA'S TAX SYSTEM

- A. PROPERTY TAXES
- B. GROSS EARNINGS TAX
- C. SEVERANCE (OCCUPATION AND ROYALTY) TAXES
- D. INCOME TAXES
- E. SELECTIVE SALES TAXES
- F. MOTOR VEHICLE TAXES
- G. INHERITANCE AND GIFT TAXES
- H. MISCELLANEOUS TAXES
- I. SPECIAL BUSINESS, LICENSE AND PRIVILEGE TAXES

IV. PROBLEMS OF MINNESOTA PROPERTY TAX

- A. ADMINISTRATION
- B. SOME SUGGESTED SOLUTIONS

V. ASSESSMENT FACTS IN BRIEF

- A. ASSESSMENT PROCESS
 - 1. Why assess?
 - 2. Who makes the assessments?
 - 3. What qualifications are required?
 - 4. When is the assessment made?
 - 5. How is the local Assessor supervised?
- B. REVIEW AND EQUALIZATION PROCESS
 - 1. Why should the assessor's tax rolls be reviewed and possible changes made?
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- C. PROPERTY ASSESSMENT AND EXEMPTIONS
 - 1. Is all property assessed and taxed alike?
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STATE ECONOMIC STUDY

1951-1952

"A system of taxation that is equitable, that can be economically and effectively administered, and that promotes to the fullest extent the public welfare is not the product of a day but is built up through long years of intelligent, public-spirited, persevering effort. A good tax system can be secured and maintained in a democracy only when basic facts and principles are widely understood and appreciated."

Roy G. Blakey, Taxation in Minnesota

I. INTRODUCTION

A. ACTION OF THE 1951 LEGISLATURE

The 1951 session of the Minnesota Legislature continued the pattern of the two previous sessions and set new records in state spending. It should be remembered, however, that this is not a situation unique in Minnesota but one that prevails on all levels of government today. The most important reasons for the increases are, 1) inflationary conditions which affect government spending as well as spending by business and the consumer and, 2) the general demand of the public for more and improved services from their governments.

Appropriations authorized totaled \$282,915,841 for the biennium 1951-1953 and were 24.7% higher than two years ago. Actual expenditures for the next two years will exceed this figure because the Legislature does not appropriate for many dedicated funds such as highways, federal aid and debt service which are spent as received without any biennial direction of the legislative body.

Some of the major actions taken by the 1951 Legislature include:

1. School aids were increased about \$26,000,000.
2. Old age assistance aids were liberalized requiring an increase of around \$5,000,000.
3. A supplemental bond issue of \$4,000,000 was authorized to complete bonus payments to veterans.
4. Seventeen new activities costing around \$1,300,000 were assumed.
5. Many other activities were expanded at an approximate cost of \$7,000,000 for the next two years.

B. PRESENT FISCAL SITUATION

The fiscal situation as it exists in Minnesota today is briefly this. Minnesota's state government is fortunate in having sizeable surpluses in various state funds as well as over \$200,000,000 in trust funds. Although in recent years it has gone into new debts faster than it has paid off the old, it is meeting its operating costs from current revenues plus surpluses. State government is in the black on the overall balance sheet. Assets far exceed obligations. Yet it is estimated that we are operating on an unbalanced budget for the fiscal years 1951-53. Why?

At the start of the present biennium (July 1, 1951) there was \$21,000,000 in the general revenue fund. That will probably be used up by July 1, 1953 and the 1953 legislature will meet a tax problem. Former Governor Youngdahl based his appeal for added taxes in the last legislative session on the supposition that the state would have a deficit in the biennium if new revenue was not available. The

legislature did not vote the tax raises. It did some trimming of the governor's budget instead. Even so, the outgo may be larger than the income, aside from the money going into permanent trust funds and some dedicated funds.

1. Permanent Trust Funds

The permanent trust funds were made a part of the constitution in 1857. But no one dreamed that the funds would total nearly \$206,000,000 by 1952. They increased by \$11,992,000 in 1951 alone. The money comes chiefly from iron ore, timber and the sale of public lands. These funds now produce an annual income of about \$5,000,000. Serious thought has been given to whether or not some of this revenue might be used for current expenses. One bill in the 1951 Legislature called for a vote on a constitution amendment putting a ceiling of \$225,000,000 on the trust funds. The bill did not pass but it is an indication of possible action to come as the load of federal and local taxes increases.

2. Highway Fund

There was \$42,495,000 surplus in the highway fund on July 1, 1951 but all but $5\frac{1}{2}$ million are earmarked for contracts carrying over the fiscal year. The use of monies from this fund is made inflexible because provisions for tax allocation were established by a constitutional amendment in 1920. Even though any change in the system is made difficult because it would require a constitutional amendment, various suggestions have been made. These include proposals to: 1) alter the allocation system so that local units will receive a greater share; 2) have state aid for all roads; 3) place the proceeds of these motor vehicle taxes into the general revenue fund and appropriate from that fund for highways as well as for other purposes. This last proposal meets with great opposition from those who feel that the motorist pays heavy taxes and should be assured that he will get good roads by using these taxes for that purpose.

3. Income Tax Fund

Of course there has been considerable controversy surrounding the \$56,158,000 surplus (July 1, 1951) in the Income Tax Fund. Traditionally, the Legislature has been dedicating income tax revenue to the schools. Some people, looking at this surplus, feel that the fund should be undedicated to permit the income tax to help finance other state government activities. This problem will arise again in the 1953 legislative session as the state will be forced to look for new revenue for the "General Revenue Fund". Others argue that this is a good cushion to have and maintain in the event of a poor tax year to prevent any chance of having to sacrifice education because of lack of funds. Also it is estimated that the surplus will be reduced in the next few years because of the greatly increased school population, which will increase school aids.

C. WHAT IS THE PROBLEM?

These examples point up the central problem of Minnesota's finances. Minnesota is receiving sufficient income from its present tax structure. However, this income will not make possible a balanced budget because 73% is dedicated and cannot be credited under general revenue. There are other factors which contribute to the generally unsatisfactory tax picture in Minnesota. An effort is made here to analyze the principle sources of tax income and suggest some improvements especially with regard to the property tax and assessment procedure.

II. CRITERIA FOR A GOOD TAX SYSTEM

It is obvious that this situation must be remedied if Minnesota is to enjoy a sound fiscal policy, and the individual taxpayers are to be confident that they are receiving effective governmental services for their money. This is particularly important today since as we demand increasing services from government, inevitably an increasing proportion of our total income is spent by government and must first be raised through taxes of some kind. As an increasing share of our total national income is spent through federal, state and local taxes, it is more important than ever to appraise our tax systems in the light of possible standards. Almost every worker in the tax field has his own list of criteria for judging each individual tax and the tax system as a whole; but some standards tend to remain constant from list to list.

A. EQUITY OR JUSTICE A tax should treat alike all those in similar circumstances. That seems obvious and basic. But almost everywhere we find situations where it seems that this principle is being violated. Why should income from government bonds be tax exempt? Why should certain kinds of property pay no property tax?

B. WIDE SHARING Particularly, in a democracy, it is valuable for taxes to be paid directly by a large proportion of the population in order to underline for each citizen the cost of government services. Every citizen pays "indirect" or "hidden" taxes, but too frequently he fails to identify such expenditures with the cost of government services. Using wide sharing as a criterion, property or personal income taxes rate high. In the opinion of some, sales taxes also meet the test of wide sharing. The taxpayer in effect receives an individual statement of payment due for government services.

C. ECONOMIC EFFECT A third standard for judging taxes is their economic effect. This is a difficult standard to apply. The effect on the economy may be immediate or long-run. A tax that avoids reducing the direct incentive to invest may nevertheless affect investment through reduction in consumer demand. A sales tax presumably has less direct impact on profit incentives and, therefore, on investment than almost any other tax. Yet it is conceivable that high sales taxes, particularly in a period of recession, would so add to the reduction in total demand by consumers that business men would find it unprofitable to increase or perhaps even to maintain production.

D. ADMINISTRATION Some taxes which meet our ideas of desirability are either too expensive to collect or too readily evaded. The cost of collection to the government and to the taxpayer should both be considered. One of the strongest objections to the personal property tax is the difficulty of administering it. Taxpayers find it convenient to forget large amounts of personal property and to under estimate its value. Tax administrators have no easy access to view all personal property, especially intangible personal property, nor any objective standards to value much of it.

E. The principles of BENEFITS RECEIVED AND ABILITY TO PAY are the other standards which we apply to allocation of taxes. Under the first of these we attempt to relate the taxes in some rough proportion to services rendered by the government to the taxpayer. One of the main justifications for local use of the property tax has been the presumed correlation between the municipal services of fire and police protection and development of streets and parks to the value of the property. But there are problems. Who under this theory would pay for relief and welfare institution costs? Moving from the local scene, how would the federal government decide who benefited in what proportion from the United States Navy?

F. The ABILITY TO PAY principle has always had its advocates and in the last three decades they have been increasingly influential although sometimes vague in the meaning to which they attached the concept. How should we compare individuals as to their ability to pay taxes? Should we compare their total wealth or their net annual income? How far should we take into consideration the size of their families? Is an income tax based on ability to pay if the amount is proportionate to income or only if the rate of tax increases with the size of the income.

Tax people classify taxes as regressive -- the smaller the income the larger the proportion taken by the particular tax; proportional -- regardless of the size of income, the same proportion is taken by the particular tax; and progressive -- the higher the income the higher the proportion taken by the tax. Usually, we assume the latter tax type best represents ability to pay and that the personal income tax with progressive rate schedule is the best example of this type tax.

III. MINNESOTA'S TAX SYSTEM

In the fiscal year ending June 30, 1951, Minnesota and its local governments raised over 423 million dollars. A large number of varied types of taxes made up this total revenue. Probably many Minnesota citizens paid some of them without realizing they were paying toward government services. The table below shows the categories of taxes we shall use in this discussion and the absolute and relative amounts they brought in during the last fiscal year.

Minnesota STATE AND LOCAL TAX RECEIPTS IN 1950-51
(Fiscal year ending June 30, 1951)

Type	Amount	% of Total
A. Property taxes - general	\$ 211,496,187	50.0
B. Gross earnings taxes	16,138,000	3.7
C. Severance - occupation and royalty	21,176,000	5.0
D. Income Taxes	62,052,000	14.6
E. Selective sales taxes	27,311,000	6.5
F. Motor Vehicle taxes	62,256,000	14.8
G. Inheritance and gift taxes	3,757,000	.9
H. Miscellaneous taxes	10,668,000	2.5
I. Special business, license and privilege taxes	8,322,000	2.0
	<u>\$ 423,176,187</u>	<u>100.0</u>

A. PROPERTY TAXES - \$211,496,187 - 50%

Property taxes are still the old reliable for Minnesota cities, towns, villages, and school districts. The state also shares in the proceeds in a minor way - \$11,286,000 being collected in 1951. Fifty per cent of the total revenues were raised by state and local units of government in Minnesota from the property tax. Almost four-fifths of the general property tax is levied against real property, that is, land and buildings. Most of the remaining one-fifth of the general property tax is levied on personal property.

The property tax rate is usually stated in terms of mills (or thousandths) per dollar of property owned. When the property tax is judged by our list of standards, it rates well in terms of "wide sharing" and in terms of allocating "benefits received" from local community services. On the basis of administration and allocation according to ability to pay, the property tax is much less satisfactory. Good property tax administration requires experts in property valuation at each stage of the assessing and taxing process, and for the personal property tax, expertise is far from sufficient to meet the problem of locating all property held by taxpayers. Without the necessary experts, much real property escapes its fair share of governmental costs and taxpayers situated alike in terms of amount of property owned are not treated alike for tax purposes. Because of the general tendency to undervalue property and because in our industrial society property owned subject to the general property tax may bear little or no relation to the total wealth of the individual, Minnesota like most other state governments has increasingly shifted to other tax means.

B. GROSS EARNINGS TAX - \$16,138,000 - 3.7%

Minnesota has used a gross earnings tax since 1857 when it taxed railroad property on the basis of a percentage of gross earnings. In this instance it is an in lieu of property tax. Such taxes are called selected property tax. Later this method of taxing was applied to certain other utilities-particularly telephone, telegraph, freight, sleeping car and express companies. The gross earnings tax under present conditions is easily administered and has some relation to ability to pay of the companies concerned.

C. SEVERANCE (occupation and royalty) TAXES - \$21,176,000 - 5%

Five per cent of total taxes raised in Minnesota in 1951 were by means of the severance iron ore taxes. (1) The "occupation" tax is a tax measured by the value of the iron ore mined in a given year, less certain mining costs. One of the costs allowed is the royalty paid by the mining company to the landowner on which the mine is located. Accordingly a tax is levied on the land owner for royalty received. Minnesota levies other taxes on iron mines through the general property tax. The "occupation" and "royalty" taxes are not too difficult to administer and presumably the state has a valid claim against the users of a valuable natural resource. The problem in iron mining taxation is raised on the score of economic incentive and the related area of conservation of natural resources. The general property tax (based on estimated value of iron unmined) encourages rapid mining of the ore which dissipates this resource. The occupation and royalty taxes (usually designated severance taxes) if too high might discourage the mining industry, especially as competition develops in other parts of the world. Since Minnesota has used both taxes for the last thirty years, it is evident that the state has been uncertain of its own desires in this respect.

D. INCOME TAXES - \$62,052,000 - 14.6%

In terms of net tax receipts the income tax is second in importance to the property tax as a revenue producer. Minnesota received \$62,052,000 from the income tax in 1951 but \$8,157,000 of this amount came from surtaxes to pay off the soldiers' bonus debt. Minnesota levies a net income tax on personal income and on the income of corporations doing business in the state. This state actually imposes three different taxes on income earners. All of us with incomes of over \$1,000 (\$2,000 for married couple) pay an annual veterans' bonus tax of \$5. A 5% surtax is levied on income before tax credits are allowed. Then, the general tax is levied on net income after all allowable deductions. The rate is graduated; that is, you pay 1% on the first thousand of net income, a slightly higher rate on the next thousand, and so on.

In Minnesota, corporations pay four different taxes on their income. They all pay a minimum filing fee of \$10. If their gross income is over \$500 a year, they also pay the \$5 veterans' bonus tax. A 5% surtax is levied on net income before certain deductions are allowed, and, finally, the regular tax of 6% on net income is imposed. (We have included in the figure for corporation income tax the bank excise tax amounting to \$1,534,000)

Individual income taxes at least are believed to meet well the standards of equity, wide sharing, and allocation according to ability to pay. Administration of the income tax is not especially difficult.

The chief criticism of income taxes is the possible effect on economic incentive and competition between states. The possible reduction in incentive for some to produce more must be measured against the possibility of increased purchases (and hence increased pressure for production) by income groups taxed less heavily under an income tax system than under alternative tax possibilities.

E. SELECTIVE SALES TAXES - \$27,311,000 - 6.5%

Minnesota has no general sales tax, but it does levy the equivalent of a sales tax on a selected group of products-alcoholic beverages, tobacco, oleomargarine, aviation gas. (The tax on gasoline should be included here, but for discussion purposes has been classed with motor vehicle taxes in general.) Such selective sales taxes represented 6.5% of 1951 total tax collections. The administrative problems for a state in the instance of alcoholic beverages and tobacco products are greater than for the federal government which can simply tax at the point of production no matter where the products are destined. The economic effect of a high oleomargarine tax is rather

obvious in its protection of the dairy industry, but the precise economic effect of the other taxes in the group is less certain. Sales taxes in general do not measure up too well against our other standards.

F. MOTOR VEHICLE TAXES - \$62,256,000* - 14.8%

Motor vehicle taxes of gasoline taxes, automobile license, and drivers licenses provided 14.8% of the 1951 tax receipts reported. (This figure is somewhat exaggerated since refunds of gasoline tax collections for non-highway use would reduce the percentage to 8.3%. The higher figure has been used to account for total taxes officially collected.) Motor vehicle taxes are generally justified on the presumed relation of benefits received by the motor vehicle user in the form of highways to the taxes paid. They are sometimes labelled "user taxes". Administration of the licensing laws and gasoline law is not difficult. The administration of the gasoline tax has the standard problems of all sales taxes plus the difficulty of verifying claims for refunds of tax payments on gasoline for non-highway use.

G. INHERITANCE AND GIFT TAXES - \$3,757,000 - .9%

Finally, Minnesota drew .9% of its revenues from inheritance and gift taxes and 2/5% from miscellaneous taxes. Gift taxes complement inheritance taxes and are intended to prevent avoidance of inheritance tax through gifts before death. Inheritance taxes are relatively easy to administer since collection is part of the settling up of the estate. The economic effect of inheritance taxes is believed to be less discouraging to investment than are individual income taxes. Another justification includes the concept of earned income. Democratic theory suggests that a man is more entitled to income which he has himself earned than to wealth which someone else has earned. Thus inheritance taxes increase as the degree of relationship of the recipient to the deceased becomes more remote.

H. MISCELLANEOUS TAXES - \$10,668,000 - 2.5%

Miscellaneous taxes in Minnesota include a tax on boxing and, a license tax on hunting and fishing, and the unemployment compensation tax. This latter tax represents the employer's contribution to the unemployment insurance system which is administered by the individual states under federal supervision.

I. SPECIAL BUSINESS, LICENSE AND PRIVILEGE TAXES - \$8,322,000 - 2%

States have frequently levied special taxes on some businesses as a means to revenue or as a means to regulation. Minnesota taxes of this type, amounting to 2% of state revenues, include special taxes on corporations, certain occupations, and amusements. The justification for such taxes is frequently expediency although such a tax may at times serve a very useful regulatory purpose.

* This figure represents net gasoline taxes after refunds plus motor vehicle licenses plus drivers' licenses.

IV. PROBLEMS OF MINNESOTA PROPERTY TAX

Minnesota, like most states, has many tax problems, including the perennial one of insufficient revenues. Any full evaluation should consider the present system as a whole since any single tax may have serious deficiencies which become unimportant in the total system. However, it may be well for us at this time to consider particularly the property tax in Minnesota. It represents more than fifty per cent of total taxes collected, is likely to remain the main source of local government revenues, and has problems needing serious attention by all citizens. The state government has not been unmindful of the excessive tax burden on property as it has increased state aids to local units of government materially in recent years. In fact state aids amounted to \$107,694,000 in 1951 and were 42% of all state expenditures.

A. ADMINISTRATION

The property tax has been justified as the main local tax revenue source because of the presumed relation between local community services and property values. Although this correlation is not perfect, there are many justifications in fact. To an extent the difficulties of the property tax are less pronounced in theory than in actual administration. It is, therefore, on the level of administration that we will place our main discussion.

A property tax in the first place involves actual valuation or assessment of the property to be taxed. Someone has to decide the value of different types and innumerable different pieces of property. A single taxing district may include everything from a small lot with average size home to an estate with a mansion, to a grain elevator to even an iron mine. To make an accurate appraisal of such diverse types of property, to say nothing of locating each piece of property originally, requires expert knowledge of property values. A given assessor may be well-versed in the value of home real estate but be totally unprepared to value an intricate piece of industrial machinery. Frequently, a small home is more accurately valued than a large home because the assessor is better acquainted with small home values. AND THE PENALTY FOR INACCURATE VALUATIONS IS INEQUITY AND INJUSTICE TO INDIVIDUAL TAXPAYERS.

Minnesota has tried to meet the problem of better assessments in several ways. In recent years the state tax department has held annual schools for assessors both at the state and county levels at which assessment problems are discussed by experts. The state tax department also provides each assessor with an assessment manual as a guide and has field men available for conference and aid. Since 1947, each county has had the option of appointing a full-time county assessor or county supervisor of assessments to assist and supervise the local assessors in their work. (By statute the county assessor has considerably more power than the county supervisor of assessments who merely supervises and checks the work of the local assessor. It should be added that through special legislation, Hennepin County is not permitted to have a county assessor and the supervisor of assessments selected must not be a Minneapolis resident.)

Despite the improvements listed, complaints relative to Minnesota's property tax system continue. The local assessors, who in all small communities work for a period of 90 days each year, are not required to have any qualifications for the job. Local assessors are frequently elected, few qualified men seek what to many is an unattractive job, and generally the local assessor is competent only to the degree that he has trained himself from his experience on the job. The positions of county supervisor of assessments and county assessor are filled by selection by the appropriate county board of supervisors. The county assessors and county supervisors of assessments are approved by the state tax commissioner who has established minimum standards of qualifications.

The result of such methods of selection of assessors is the inevitable one of a wide range of competence, ability and conscientiousness. Within any given county some assessors do a good job and some do not. If there is a county assessor, some of the discrepancies among districts may be corrected, but if there is only a county supervisor of assessments, correction of discrepancies will depend almost entirely on his ability to sell a particular approach.

At this point you may ask why does it matter whether property among different taxing districts or even among different counties in the state are valued alike? Isn't the essential problem to apply the same standards to all property within a given taxing district so that local tax rates will result in equitable burdens of taxation? The answer to the second question cannot be an unqualified "yes", and the answer to the first question leads us into the reason for and problems of review and equalization. The fact is that the assessment made by the local assessor becomes the basis for distributing the major tax requirements of the county and some of the tax requirements of the state. If the property of one district in a county is undervalued compared to similar property in other districts of the county such lower valued district will be charged with lower portion of the county and state taxes assignable. That same problem applies, of course, to different standards of property valuation among counties of the state. The incentive to unequal valuation is strong, and there have been periods in the history of most states when individual taxing districts have engaged in competitive undervaluation.

Minnesota attempts to equalize property among taxing districts through a series of review or equalization boards. At the town or city level there is a board of review, frequently the regular legislative body of the community. At the county level the county board of supervisors acts as the board of equalization with the duty of reviewing the relative values of property among different districts and making such adjustments as are necessary to produce constant value standards. At the state level the state tax commissioner acts as the board of equalization with the power to review the assessed values of all property in the state to bring them into alignment. With the exception of the state tax commissioner none of the board members can be assumed to have technical competence in the property valuation field. They do have the advice of the local assessor, county assessor or county supervisor of assessments and occasionally other local officials. They may call in property owners. Unfortunately, many local boards of review and county boards of equalization view their job in property tax administration as a purely perfunctory one of approving the work of the assessor. The state tax department is free to change assessed valuations or may even order a new assessment and appoint an outside assessor to do the job. The difficulties of the state tax commissioner accurately adjusting all property in the state to a single standard of valuation in the equalization process at the state level are obvious.

B. SOME SUGGESTED SOLUTIONS

If we are to continue to make the property tax a major revenue source, how can we approach some of these problems? What have other states done? The answer to these questions is obviously not simple or no doubt Minnesota would not yet have the problems. But some solutions suggest themselves.

1. Wherever possible, hire an experienced or trained assessor on a full time basis. During the year when actual assessment is not being done, the assessor could spend much time reviewing tax rolls and other sources of information on property for possible omissions from the property listed.
2. If the basic assessing unit is large enough, men specialized in different types of property valuation might be hired.
3. Place all assessors under a merit system with qualifications to be established by the state tax department.

4. Make the county assessor system mandatory for all counties in order to provide a more effective means of supervision.

5. Expand the advisory and consulting staff of the state tax department.

Other suggestions will occur to you. For instance, Iowa has recently shifted the basic assessment district from the local taxing unit to the county. With the county as the basic unit for property taxation, it would be possible to establish full time jobs at attractive salaries, and with some specialization in areas in Minnesota where today the assessment needs of the local town unit would not permit such development. Another approach, which is more an escape than a solution, is the abolition of the property tax for state purposes and the use of it for county purposes only. This is done in Wisconsin where, as a result, there is no problem of balancing values among counties. (This latter statement should be qualified to state that the Wisconsin Tax Department in fact does an extensive state-wide value equalization job not for tax allocation purposes but for allocation of state grants to local government units.) Valuations need to be standardized within each given county but not between counties in order to assure taxpayer justice.

V. ASSESSMENT FACTS IN BRIEF

A. ASSESSMENT PROCESS

1. Why assess?

To secure accurate property valuation as a basis for determining the distribution of governmental expenditures.

2. Who makes the assessments?

Men elected or appointed to the office of assessor for each local taxing district of a township, village or city. Usually they are elected but in some of the larger cities they are appointed. The city assessor in Minneapolis is appointed. In Hennepin County, the Supervisor of Assessments is appointed by the County Board of Commissioners, but all the local assessors in the villages and townships in Hennepin County are elected.

3. What qualifications are required?

There are no statutory qualifications for assessors. Despite the many difficulties inherent in the job, most assessors are not selected on the basis of technical competence.

4. When is the assessment made?

Actual viewing of property for valuation purposes takes place during the months of April, May and June each year. Personal property (livestock, home furnishings, office and plant equipment, and the like) is valued every year. Real estate property is assessed biennially in the even numbered years. (Exempt real estate is valued every six years.)

5. How is the local assessor supervised?

The 2700 local assessors (one for each assessing district in Minnesota) are normally under the general supervision of their local governing body - town or village board or the like. They are also subject to the more specific supervision of their county assessor (in 45 of Minnesota's 87 counties) or county supervisor of assessments (in 42 of Minnesota's 87 counties). A county assessor in addition to advising and aiding each local assessor in his county may make any changes he wishes in the tax rolls of the local assessor before the roll is presented to the local board of review. A county supervisor of assessments may advise and aid the local assessors in his county but he may not make or order any adjustments to the prepared tax roll.

B. REVIEW AND EQUALIZATION PROCESS

1. Why should the assessor's tax rolls be reviewed and possible changes made?

If property taxes are to be levied with equal fairness on all taxpayers, common standards of property value must be applied.

2. Who has power to review or equalize?

Local boards of review, county boards of equalization and the state tax commissioner. At each level the attempt is made to bring all property within the area of the board's jurisdiction to a common plane of values.

3. Does such review accomplish the purpose of fair equalization?

For many reasons equalization is generally inadequate to correct any but the grosser errors of the original assessments.

(Assessment Facts in Brief-continued)

C. PROPERTY ASSESSMENT AND EXEMPTIONS

1. Is all property assessed and taxed alike?

No. Minnesota, since 1913, has had a property classification act under which all property is supposed to be assessed at 100% of true and full value, but only a proportion of the assessed full value is used as the base for applying the tax rate. Thus, the tax base for iron mines is 50%, for urban homes 40%, and for farm real property $33 \frac{1}{3}\%$. The statutes likewise classify the proportion base for tax rate application for all other property under the property tax.

To the extent that the base rates scale down from 50% of full value (in Minnesota the highest proportionate base is 50%) rather than graded down from 100%, the effect is merely to increase the mill rate since the same total amount of taxes are required and will be collected either by higher proportions of full value or higher mill rates.

2. What kinds of property are exempt from taxation?

The exemptions include such things as churches, schools, government buildings (hospitals, post offices, libraries, state buildings and equipment, city, town and village halls), colleges and universities (except properties held for investment), public charitable institutions and public burying grounds.

3. What is "homestead" exemption?

Minnesota permits exemption on the first \$4,000 of urban and rural homesteads if the homeowner files an affidavit by May 1 (in the year determined by the class of city in which the house is located) stating that he or she owns and lives in the house. The urban home is then assessed at 25% instead of 40% (see above) and the rural home at 20% instead of $33 \frac{1}{3}\%$ (see above).

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