

## Special Assessments: An Overview

### *What are special assessments?*

Special assessments are one of the ways a local government may collect money to pay for local improvements. A special assessment is a charge imposed on real property to help pay for a local improvement that benefits the property. The Minnesota Constitution gives the legislature the authority to allow local governments to use special assessments. This authority is mainly in [Minnesota Statutes, chapter 429](#).

### *What can special assessments be used for?*

Different types of local governments can use special assessments to pay for different types of local improvements. Cities, towns, urban towns, and counties can all use special assessments for the purposes listed in chapter 429. The statute doesn't apply to home rule charter cities if their charters establish other procedures. [Chapter 429](#) lists improvements that local governments can pay for with special assessments. Some examples include streets and roads, storm sewers, street lights, parks, nuisance abatement, district heating systems, and flood control works. For a comprehensive list, see [Minnesota Statutes, section 429.021](#), subdivision 1.

### *How is the amount of a special assessment determined?*

The special assessment cannot exceed the amount by which the property benefits from the improvement. The amount a property benefits from an improvement, called the "special benefit," is measured by the increase in the market value of the land due to the improvement. The assessment must be uniformly applied to the same class of property. A local improvement may benefit properties that are not abutting the improvement, and those properties may also be assessed.

### *How are special assessments imposed?*

Local governments generally follow a set of procedures outlined in chapter 429 to impose special assessments. The procedures may vary depending on the purpose for the special assessment. The process can be divided into roughly three phases: (1) initiation and preliminary assessment, (2) detailed analysis, and (3) approval of final assessment roll, certification, and collection.

During the initiation and preliminary assessment, a local government initiates the proceeding, prepares a report on the necessity, cost-effectiveness, and feasibility of the proposed improvement, gives notice of public hearing, conducts a public hearing, and adopts a resolution ordering the improvement.

Next, the local government solicits bids, prepares a proposed assessment roll, gives notice of a public hearing, notifies affected properties of the proposed assessment, and conducts a public hearing. A property owner must file a written objection to a proposed assessment in order to preserve the right to appeal to the district court.

Last, the local government approves and certifies the assessment roll, issues debt to finance the improvement, collects the assessment, and awards a contract for work on the improvement. A property owner has 30 days to appeal the assessment to district court. In order to issue local improvement bonds without an election, at least 20 percent of the project cost must be paid with special assessments.

***Can special assessments be deferred or delayed?***

Special assessments can be deferred for senior citizens, people who are disabled, and active members of the National Guard and military reserve (“hardship deferral”); for property that is enrolled in the Minnesota Agricultural Property Tax Program (Green Acres); and for unimproved land. In some cases, collection of assessments for street or road improvement made outside municipal boundaries may be delayed until the area is annexed.

***How are special assessments different from property taxes?***

Special assessments are a form of taxation and may be paid using the same mechanism and at the same time as property taxes. However, special assessments and property taxes differ on the following:

- The basis for determining the amount charged (market value vs. benefit)
- What real property is subject to charge (taxable property vs. all real property, including tax-exempt property)
- That personal property is not subject to special assessments (but may be subject to property tax)
- Whether there are any statutory limits (debt limits do not apply to local improvement bonds; property tax levy limits do not apply to special assessments)
- Deductibility for income tax purposes (special assessments are generally not deductible for federal or state taxes)

***Who imposes most special assessments and what are the trends?***

In 2012, over 80 percent of all special assessments were collected by cities (\$196.4 of the \$239.5 million total by cities, counties, and towns). City use of and revenue from special assessments have decreased 29.8 percent from 2003 to 2012. As a percentage of total city revenue, special assessments decreased from 7.3 percent to 5.6 percent (in constant dollars). In the same time period, total city revenues decreased by 9.2 percent (in constant dollars).

***Can services and unpaid charges be collected as if they are special assessments?***

Cities and urban towns may impose by ordinance charges to pay for certain services that often are paid for with general revenues (e.g., property taxes). In addition, they may adopt an ordinance to collect unpaid charges imposed on an individual property using the special assessment collection process. [Minnesota Statutes, section 429.101](#), lists the services that can be paid for as if they are special assessments without regard to the benefit test.

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