

## Overview

This publication summarizes the ways taxpayers may appeal an assessment of state taxes from the commissioner of revenue or a property tax assessment from the county in which the property is located, both informally and in the Minnesota Tax Court.

## Tax Assessments

### State Taxes

State taxes are any taxes imposed by the state of Minnesota and include: individual and corporate income taxes, business taxes and fees, sales and excise taxes, state property tax, and property taxes for utility, pipeline, and railroad operating property that are assessed by the state.

The commissioner of revenue may make a determination that a taxpayer owes tax or should be denied a refund based on information in a taxpayer's tax return or request for refund. This determination is called an "assessment" or an "order." A letter is mailed to the taxpayer detailing how much tax is owed (possibly including penalties and interest) or why a refund was denied, the reason why the amount is owed, and steps a taxpayer may take to appeal the commissioner's determination.

### Property Taxes

A tax assessment from the county in which a property is located states how much property tax is owed based on county, city, school district, and special taxing district levies, as well as any special assessments. On January 2 of each year the county assessor makes a determination of property's estimated market value, and subsequently throughout the year the county sends three notices to property owners: the valuation notice, the truth-in-taxation notice, and the property tax statement. Each of these notices contains information regarding the property's estimated market value, classification, and/or taxes owed.<sup>1</sup> Property owners may use the information on these notices to informally or formally appeal the determinations contained therein.

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<sup>1</sup> For more information regarding the specific content of each tax notice, see House Research publication "Overview of Property Taxes: Handout" <https://www.house.leg.state.mn.us/hrd/issinfo/2019PropTaxHandout.pdf>.

## Appealing State Tax Assessments

When a taxpayer receives a determination from the commissioner of revenue stating that tax is owed or that a request for refund is denied, and the taxpayer believes the determination is an error, the taxpayer can appeal administratively with the department or by filing an appeal in the tax court.

### Administrative Appeals

This is a process in which a taxpayer may request reconsideration of a commissioner's order. This process is less formal than filing an appeal in tax court, and the taxpayer does not incur a cost.

The taxpayer must request an administrative appeal within 60 days of the date on the commissioner's order and must include a statement as to why the taxpayer disagrees with the commissioner's findings, as well as provide supporting documentation. If the taxpayer needs additional time to prepare an appeal, the taxpayer may request a 30-day extension so long as the request is made within the 60-day window.<sup>2</sup>

After an administrative appeal is complete, the commissioner will issue a determination ("final order") based on the information gathered, stating the findings from the appeal. If the taxpayer disagrees with the commissioner's finding, the taxpayer has 60 days from the date of the final order to appeal to the tax court.

### Tax Court<sup>3</sup>

This is a formal process by which a taxpayer can appeal an initial or final order from the commissioner of revenue. The taxpayer may file an appeal with the tax court instead of going through the administrative appeals process, or after the commissioner issues a final order after the administrative appeals process concludes. The taxpayer **does not** have to first request an administrative appeal to file an appeal in tax court.

For state tax appeals, the taxpayer has 60 days from the date of the commissioner's order to file an appeal in the tax court if the taxpayer chooses not to request an administrative appeal. The taxpayer may request from the court a 30-day extension to file the appeal, so long as the request is made within the 60-day window.<sup>4</sup> However, if the taxpayer goes through the administrative appeal process, the taxpayer has 60 days from the date of the final order to file an appeal in the tax court.

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<sup>2</sup> See [Minn. Stat. § 270C.35](#).

<sup>3</sup> Specific information for appealing state taxes to the tax court can be found on the court's website: <https://mn.gov/tax-court/>.

<sup>4</sup> See [Minn. Stat. § 271.06](#), subds. 2-3.

An appeal to the tax court may be made under the regular or small claims division, and is subject to the requisite filing fees.

**Small claims division.** State tax cases heard in the small claims division are cases in which the tax amount at issue is under \$15,000. Filing fees are reduced for this division, however, the taxpayer does not have to ability to appeal the tax court's final decision to the Minnesota Supreme Court.<sup>5</sup> Also, no court record is created for these cases as there is no court reporter present at these hearings, also reducing the cost to the taxpayer in choosing this division.

**Regular division.** State tax cases heard in the regular division are cases in which the amount in controversy is over \$15,000. Regular division cases can be appealed to the supreme court. A taxpayer whose case is eligible to be filed in the small claims division may still file in the regular division.

## Appealing Property Tax Assessments

A property owner may believe that the county assessor erred in assessing the property and may appeal for reasons including: improper classification, the exempt status of the property, and most commonly, that the estimated market value is greater than the actual market value.

As with state tax appeals, there are informal and formal options for appealing a property tax assessment. However, not all appeal options are available at all times of the year. Along the same lines, because the three tax notices are sent to property owners at different times of the year, the information being appealed may be limited at certain points of the year.

It is also important to note that property tax assessment runs on a two-year cycle (the assessment year and the taxes payable year). The assessment year is the year in which the property is assessed. Each year on January 2, the county assessor determines the estimated market value of each property in the county. The taxes owed based on this assessment are not actually paid until the following year (the taxes payable year). For example, a property's value assessed on January 2, 2020, is used to determine taxes due in May 2021.

The three tax notices are mailed to property owners as follows:

- Valuation notice – March of assessment year
- Truth-in-taxation notice – November of assessment year
- Property tax statement – March of taxes payable year<sup>6</sup>

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<sup>5</sup> See [Minn. Stat. § 271.21](#).

<sup>6</sup> It is common for counties to mail the valuation notice and property tax statement in the same envelope. When this occurs, the valuation notice in the envelope is for the current assessment year, whereas the property tax statement is for the current taxes payable year (the previous assessment year).

Property owners can appeal through the county assessor's office, the Local Board of Appeal and Equalization, the County Board of Appeal and Equalization, and the tax court.

## **Call to the Assessor's Office**

The most informal of all of the processes is a conversation with the county assessor's office. A property owner may call the county assessor's office to describe the issue and ask for reconsideration. The assessor may try to schedule a time to inspect the property. If upon inspection, the assessor finds that a value reduction is warranted, the assessor may reduce the property's value or recommend a reduction to the local or county appeals board. If the assessor finds that a value reduction is not warranted, the property owner may choose to appeal further.

## **Local Board of Appeal and Equalization (LBAE)**

Typically the LBAE is made up of members of the city council or township board and an assessor. Not all jurisdictions have an LBAE and instead hold "open book meetings" (see explanation below). The LBAE meets each year between April 1 and May 1. The date is determined by the county assessor. Because of the timing of the LBAE, property owners typically dispute the information contained in the valuation notice (classification and estimated market value) and not the amount of tax owed, which does not appear to the property owner until the truth-in-taxation notice is mailed in November.

At the LBAE, property owners may present their appeals to the board and the board makes a determination as to whether a reduction in value is warranted. The board may also defer a decision to the county board of appeal and equalization. If the board denies a reduction in valuation, the property owner may appeal to the county board as the next step.

**Open book meetings.** These meetings are less formal than LBAE meetings, but do not occur in every jurisdiction. Property owners should consult their valuation notices or local newspaper to determine which type of meeting their jurisdiction has. These meetings are also held between April 1 and May 1.

At these meetings, the county assessor may meet with property owners individually to hear appeals. As with LBAE, if the property owner is not satisfied with the assessor's determination, the property owner may continue the appeal process to the county board.

## **County Board of Appeal and Equalization (CBAE)**

To bring an appeal to the CBAE, the property owner must have first brought an appeal to the LBAE or open book meeting. Typically the CBAE is composed of county commissioners and the county auditor. The CBAE meets in June for a total of ten consecutive days. Meeting dates and times are listed on the valuation notice.

Much like at the LBAE, at the CBAE property owners may present their appeals and the board makes a decision as to whether a reduction in value is warranted. If the board denies a reduction in valuation, the property owner may appeal to the tax court as the next step.

## Tax Court<sup>7</sup>

Much like with state taxes, this is a formal, adjudicatory process by which a property owner appeals a property tax assessment. Also like with state taxes, a property owner **does not** have to go through all of the informal, local appeal options before filing a petition in tax court. A property owner may decide to skip the LBAE/open book meeting and CBAE altogether.

The deadline to file a petition in tax court is April 30 of the *taxes payable year*.<sup>8</sup> A petition in the tax court may be filed under the regular or small claims division, and is subject to the requisite filing fees.

**Small claims division.** Property tax cases heard in the small claims division are cases in which the property at issue has homestead status (residential or agricultural), the property's estimated market value is less than \$300,000, or a current application for homestead has been denied.<sup>9</sup>

As with a state tax appeal, the filing fees are reduced for this division, and the tax court's decision is final. Thus, typical cases heard in this division involve properties of lower values without much tax in controversy. Also, no court record is created for these cases as there is no court reporter present at these hearings, also reducing the cost to the taxpayer in choosing this division.

**Regular division.** Property tax cases heard in the regular division are cases in which the property has any classification and the property's estimated market value is over \$300,000. A property owner whose petition is eligible to be heard in the small claims division may still file in the regular division to retain the ability to appeal to the supreme court, or to have an official court record.



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<sup>7</sup> Specific instructions for filing a property tax petition in tax court can be found on the court's website: <https://mn.gov/tax-court/>.

<sup>8</sup> See [Minn. Stat. §278.01](#). Note that the deadline to file a petition in tax court could fall before the first local appeal options convene. Thus because of the timing, property owners typically use the information in the property tax statement or truth-in-taxation notice to file a petition in the tax court at which point the amount of tax owed is in controversy.

<sup>9</sup> See [Minn. Stat. § 271.21](#), subd. 2.