

2024

ASSESSMENT REPORT



Assessing | 952-939-8220 | assessor@minnetonkamn.gov

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Report Date: March 4, 2024

Executive Summary

The 2024 Assessment Report has been prepared by the Minnetonka assessing division for use by city council, residents and staff. The report includes general information about the assessment process as well as specific information regarding the 2024 assessment.

The 2024 assessment has been completed for all properties in Minnetonka, and property owners will receive a valuation notice in early March 2024. The 2024 assessment applies to property taxes payable in 2025.

The assessor's office is required by State law to value property at market value, which is defined as the usual or most likely selling price. Assessing staff uses mass appraisal to value property, and the assessment is approved and monitored by Hennepin County and the Department of Revenue. Properties are physically inspected every five years and reappraised annually.

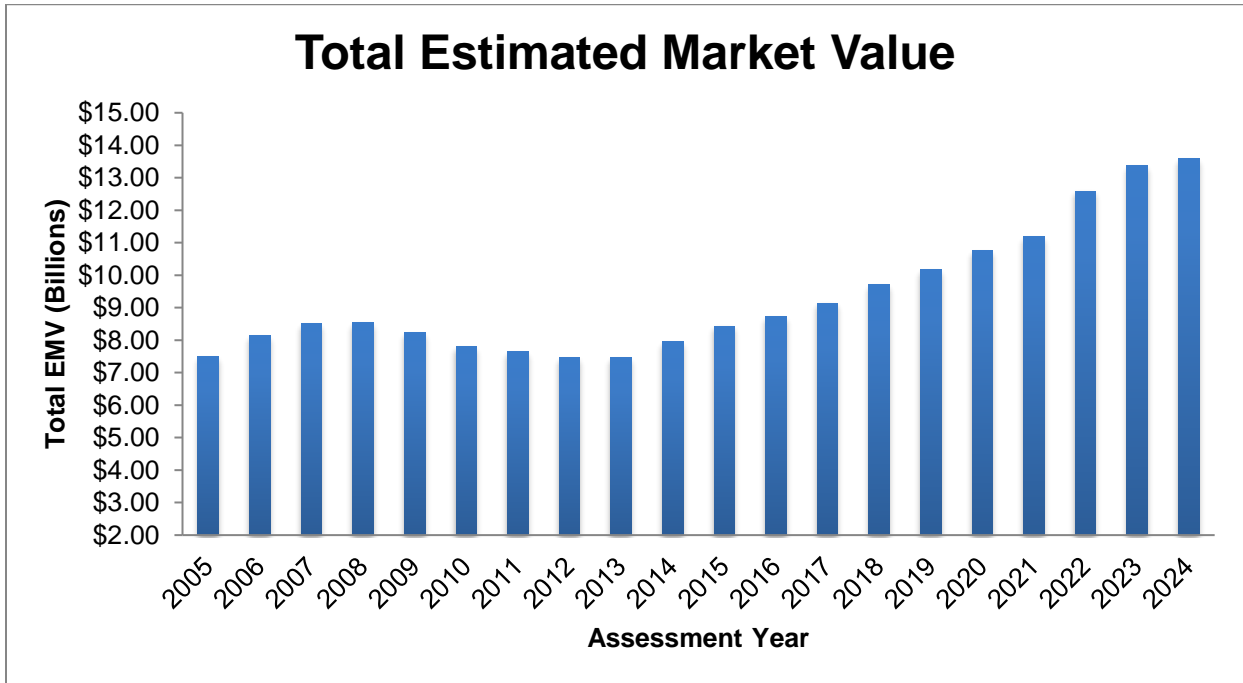
The total estimated market value for Minnetonka in assessment year (AY) 2024 is \$13.59 billion, a 1.5 percent increase from \$13.39 billion in AY 2023. Approximately 71 percent of the total market value comes from residential property, while about 29 percent comes from commercial, industrial, and apartment properties. The table below outlines the growth (including new improvements) in the market by main property classifications and will be explained in further detail throughout the report:

	Overall Growth	Total Change (millions)
Single-household Residential	1.5%	\$105.4
Lakeshore	3.8%	\$20.7
Townhouses	2.0%	\$15.9
Condominiums	-0.3%	\$-1.9
Commercial	0.4%	\$6.4
Industrial	3.0%	\$12.2
Apartments	4.8%	\$83.9
Other Property Types	1.7%	\$3.7
Total Change	2.7%	\$360.7

2024 Assessment from a Historical Perspective

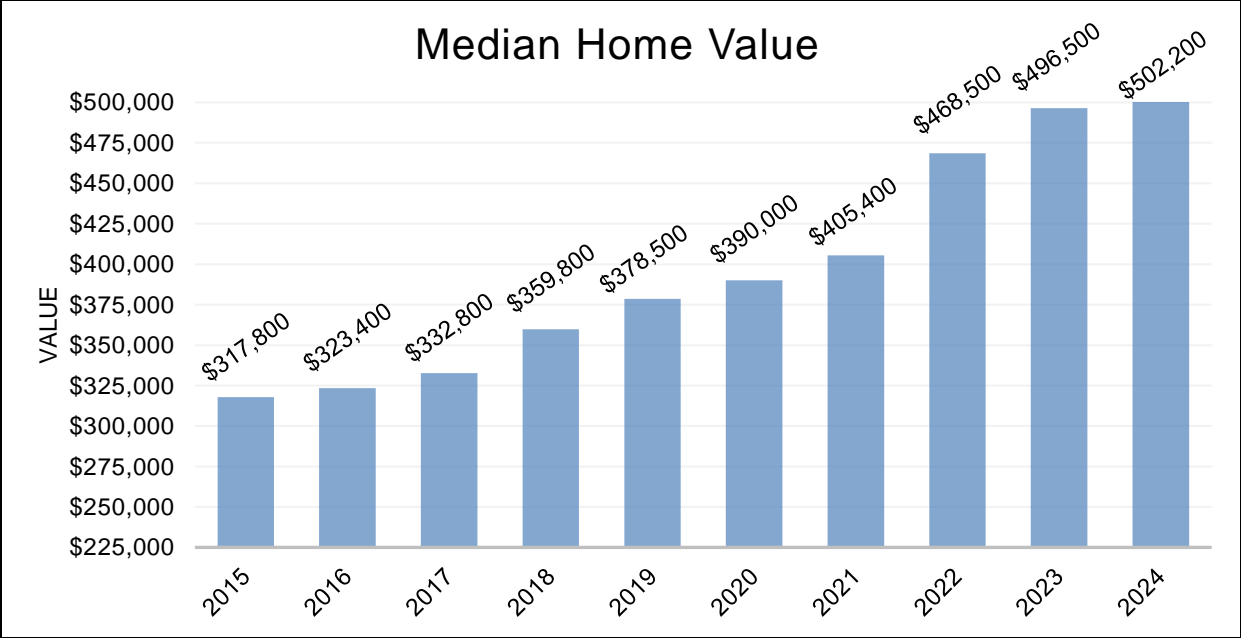
The 2024 property assessment for Minnetonka is complete. Property owners will receive a Notice of Estimated Market Value in March. The 2024 property assessment applies to property taxes payable in 2025 and reflects market conditions between October of 2022 and September of 2023. With values finalized, the overall movement in the city’s real estate market is clear.

Other than during the years of the Great Recession, the City of Minnetonka has typically experienced steady growth in the market value of real property since the early 1990s, as depicted in the chart below. The total estimated market value of real estate in Minnetonka is \$13.59 billion, establishing a new high above the peak of \$13.39 billion in AY 2023.



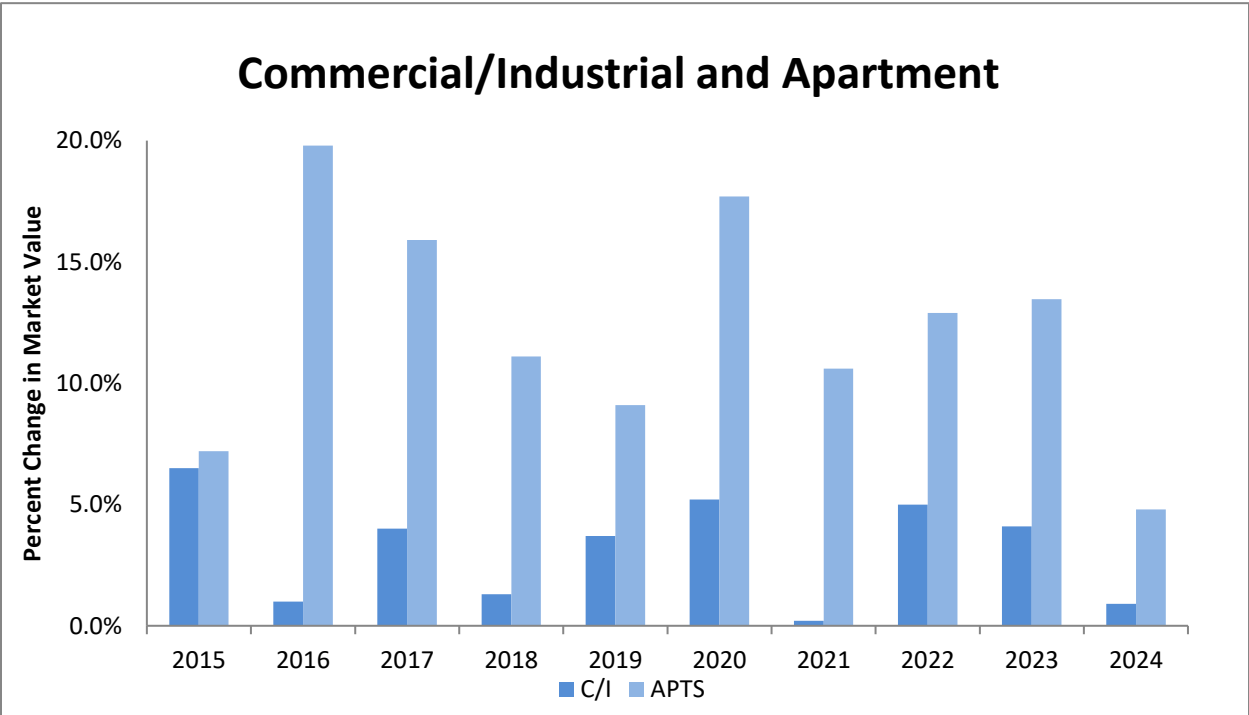
A similar trend is observed for median home values in the City of Minnetonka as they have also steadily increased over the past ten years, as noted in the chart below. The median home value for 2024 is \$502,200.

*The Minnetonka data and statistics used in this report are from the 2024 assessment approved by Hennepin County on January 25, 2024. The data and statistics may not precisely match the 2024 Hennepin County Assessment Report due to the timing or the methodology used in calculating the statistics.



For AY 2024, the commercial markets exhibited changes in value varying by market sector. While the retail sector saw values increase, the office and hotel sectors showed decline. The overall net change for all commercial markets was a slight decline. Industrial continues to show strength and increases as the world shifts towards delivery-reliant distribution centers.

Apartment values have increased significantly over the past ten years due to both new construction and a strong apartment market. For AY 2024, four apartment projects completed construction totaling 1040 units.

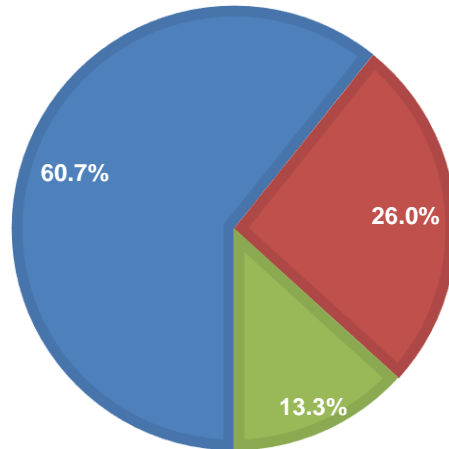


Tax Capacity

The property tax capacity of a city is structured by state law and is used to allocate property taxes each year. The total tax capacity is divided among property classes to determine the allocation of the property taxes paid by class. Tax capacity is a function of market value. When the proportions of value by property class within a jurisdiction change, the tax capacity changes. Single-household residential properties represent the majority of the total tax capacity in Minnetonka, followed by commercial/industrial, and then apartments. Even though 71 percent of the value in Minnetonka is generated by the residential market, only 61 percent of the tax capacity is residential due to the higher class rates for commercial/industrial and apartments.

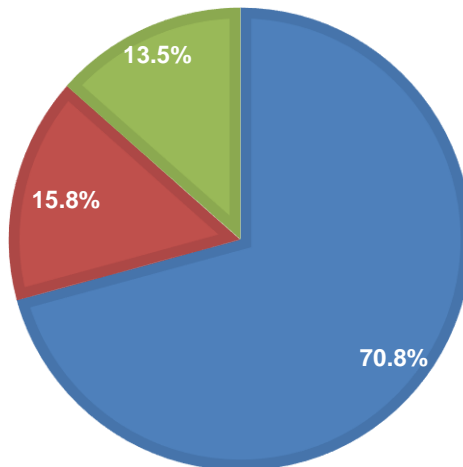
2024 TAX CAPACITY

■ Residential ■ Commercial/Industrial ■ Apartments



2024 MARKET VALUE

■ Residential ■ Commercial/Industrial ■ Apartment



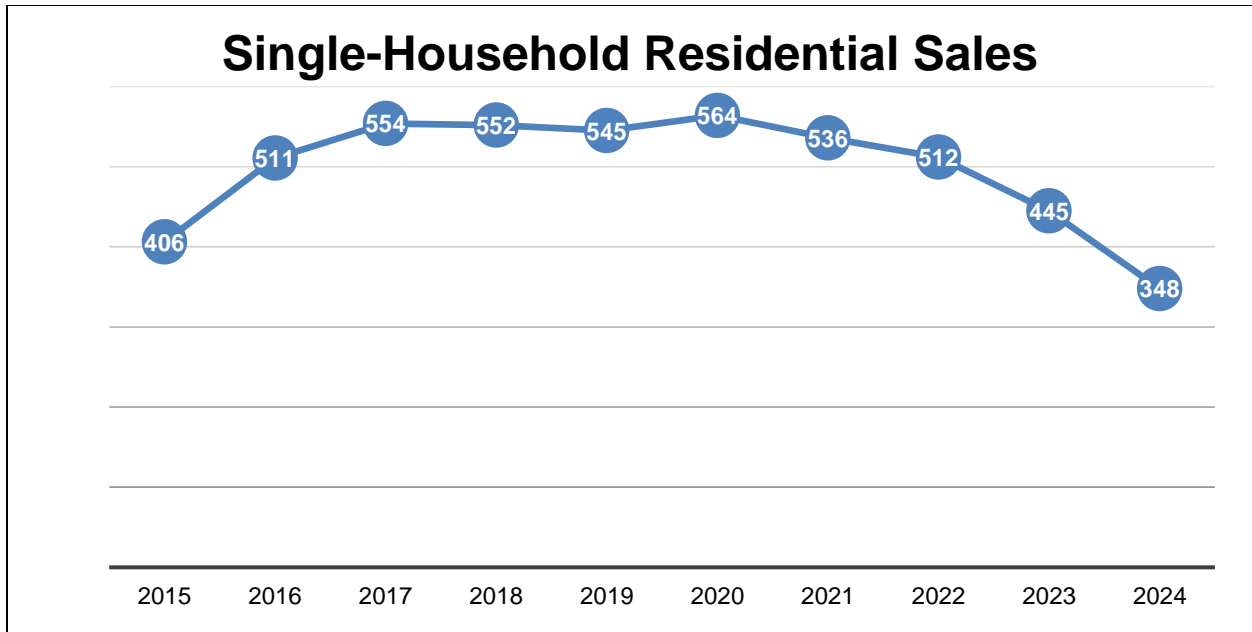
The Residential Market

In Minnetonka, roughly 96% of the 20,932 taxable parcels are residential. To value these residential properties via mass appraisal, assessors conduct reassessment inspections on a quintile schedule, every five years, to verify property characteristics such as quality, size, condition, etc. They also analyze individual neighborhoods and their locational attributes. From there, assessors compare and analyze the sale prices of comparable properties citywide and adjust for differences between the subject property and the comparable sales with the help of a computer-aided mass appraisal (CAMA) system. The city uses the Local Government Information Systems (LOGIS) property data system (PDS) to determine a land value and building value annually for each residential property to produce an accurate and equitable assessment.

Residential Sale Data

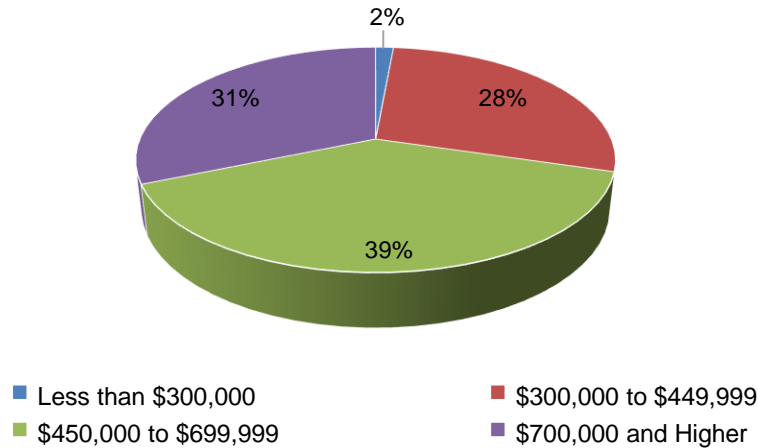
Using sales during the sales study time period, assessors carefully consider all factors that could affect current market conditions and adjust accordingly. Residential values can change at varying rates due to differing property characteristics or submarket conditions, but the general trend indicates that most residential properties either increased or decreased less than 5 percent during this assessment year.

As illustrated in the following graph, the number of qualified single-household home sales has been declining over the past five years. During 2023, this can be attributed to high interest rates and a low inventory of homes.



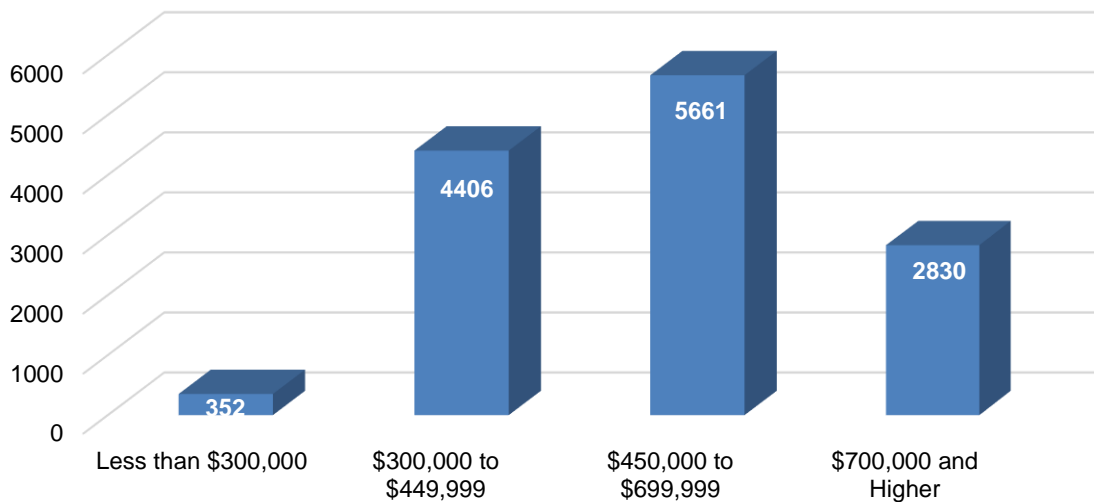
The 2024 Distribution of Sales by Price chart below indicates the largest segment of home sales for AY 2024 is represented by homes selling for \$450,000 - \$699,999 (39 percent), followed by homes selling for \$300,000 - \$449,999 (28 percent), then by homes selling for \$700,000 and higher (31 percent), and finally by homes that sold for less than \$300,000 (2 percent). The two higher-priced strata of sales combine to account for 70 percent of sales over the study period, indicating that the majority of sales continue to be in the higher-valued homes.

2024 Distribution of Sales by Price



The chart below utilizes the same parameters as stated above to reflect the 2024 value distribution. This illustrates that for AY 2024, very few homes remain valued under \$300,000.

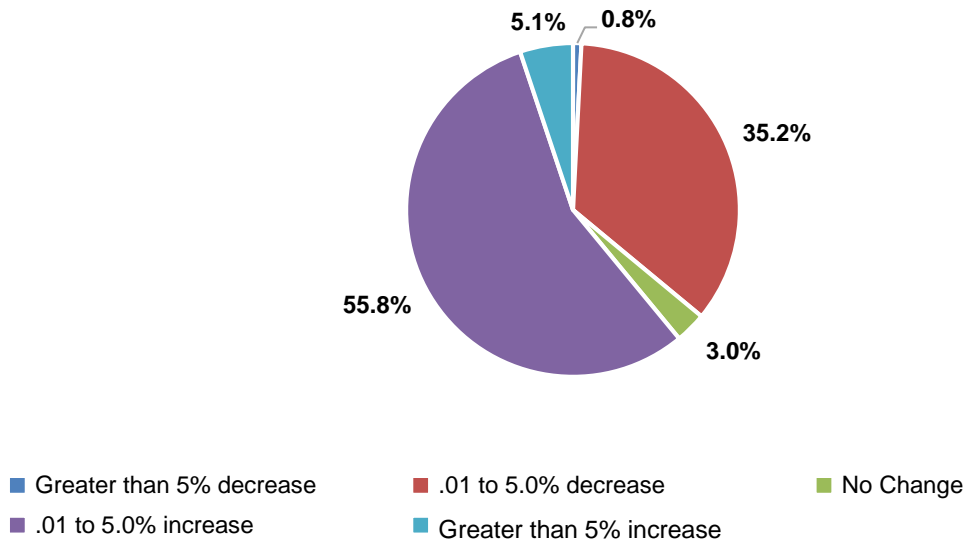
2024 Value Distribution



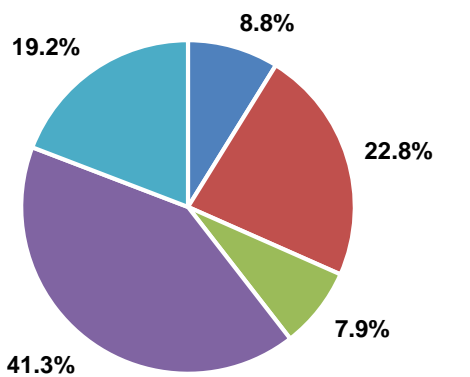
2024 Percentage Change in Value

Various segments of the residential market are illustrated in the charts below. Over half of the single-household market saw between .01 to 5 percent increases in value, followed by approximately 35% of parcels seeing .01 to 5 percent decreases. Townhomes experienced similar trends, where most parcels (41.3%) saw .01 to 5 percent increases in value, followed by parcels seeing .01 to 5 percent decreases (22.8%). On the other hand, most condos saw .01 to 5 percent decreases in value (35.2%), followed by those seeing a .01 to 5.0% increase (30.8%).

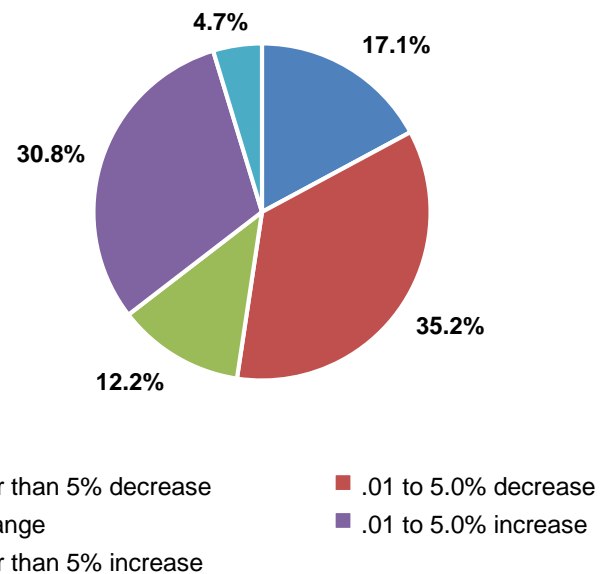
Single-Household Percentage Change in Value



2024 Percentage Change in Value - Townhomes



2024 Percentage Change in Value - Condos



Residential market data throughout neighboring jurisdictions is listed in the chart below. Throughout the west metro, single-household residential real estate net increases were in the range of -0.1 percent to 3.1 percent. Minnetonka’s growth of 0.8 percent was slightly less than the average growth of 0.9 percent.

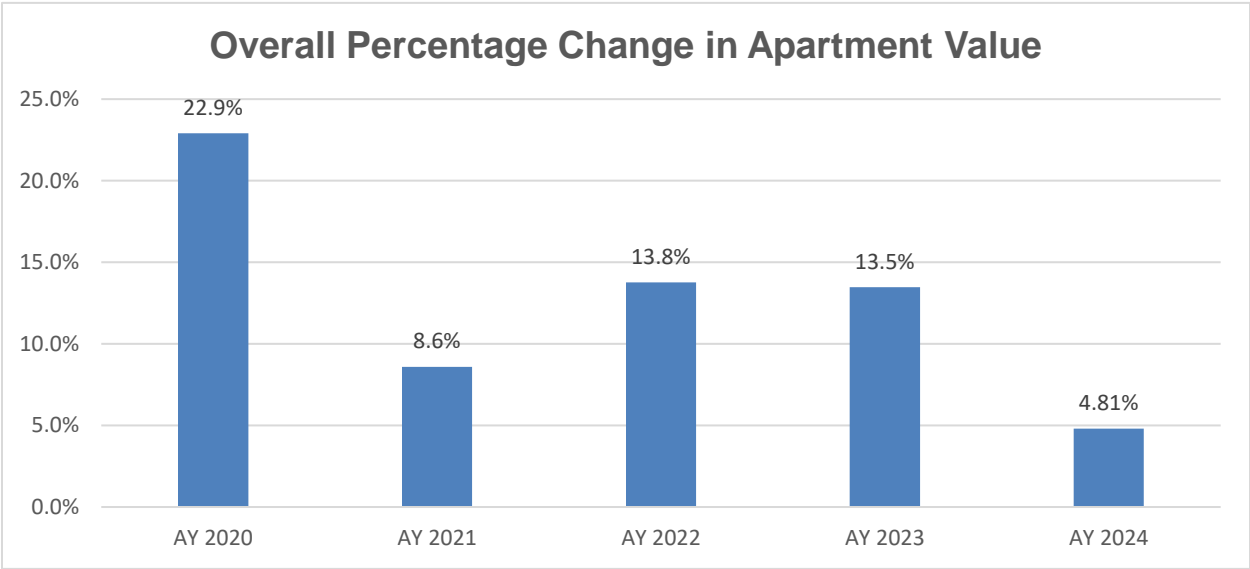
Single-Household Market Adjustments			
Jurisdiction	2022	2023	2024
Bloomington	16.7%	1.7%	-0.1%
Maple Grove	20.5%	1.0%	0.2%
Plymouth	16.9%	5.3%	0.5%
Eden Prairie	19.2%	4.5%	0.8%
Minnetonka	15.3%	4.9%	0.8%
St. Louis Park	11.4%	0.5%	1.1%
Edina	13.4%	6.7%	3.1%
Average	16.2%	3.5%	0.9%

The Apartment Market

The apartment market in Minnetonka has remained strong amidst the COVID-19 pandemic and post-pandemic. After experiencing strong growth in AY 2022 and 2023, the Minnetonka apartment market experienced a cooling off for AY2024 for existing apartments. This is consistent with both the Twin Cities metro area and national trends. Sale prices per unit decreased slightly in the west metro.

Minnetonka has contributed to the active metro new construction apartment market. New development of four apartment projects contributed to the overall growth in Minnetonka’s apartment market for AY24. Minnetonka has over 1,000 new multi-household units completed for AY24, bringing the total number of units from 7,956 to 9,010 over the last year.

	AY 2020	AY 2021	AY 2022	AY 2023	AY 2024
Total EMV:	\$ 1,245,286,100	\$ 1,352,358,900	\$ 1,538,665,100	\$ 1,745,844,600	\$ 1,829,740,100
New Value:	\$ 119,001,000	\$ 94,468,000	\$ 21,250,000	\$ 101,197,500	\$ 137,212,000

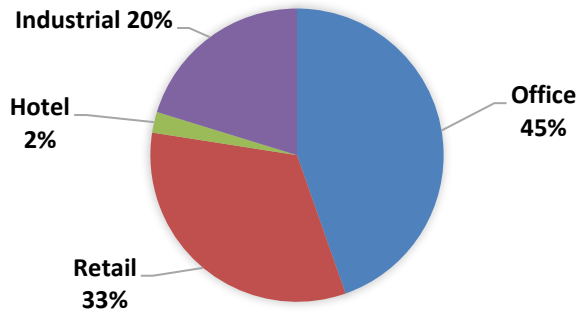


The Commercial and Industrial Market

While only three percent of the assessed parcels in Minnetonka are commercial or industrial, these property types have historically comprised a significant share of the tax base (tax capacity). For AY 2024 (taxes payable in 2025), the commercial and industrial share is 26 percent.

Commercial properties consist of office, retail, and hotel sectors. The chart below displays the market value share of the commercial and industrial submarkets for AY 2024. The sectors stayed relatively consistent from AY 2023 to 2024, though the office portion decreased by two percent as the retail share increased the same amount.

MARKET VALUE BY COMMERCIAL AND INDUSTRIAL SECTOR



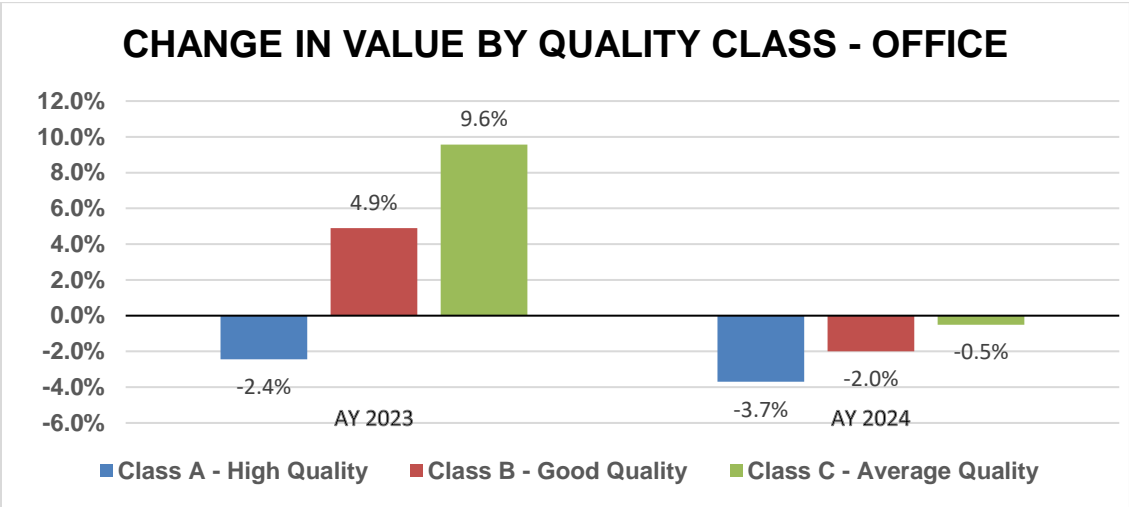
Changes in gross market values for these real estate sectors vary due to several factors. The various commercial real estate submarkets can change independently and at different rates depending on demand within the sector. Commercial real estate can be more sensitive to socio-economic trends as the general outlook of real estate investors is based on the anticipation of relatively short-term gains. The pandemic did have both an immediate and long-term effect on the commercial markets. The most significant immediate effect was on the retail and hotel sectors, which both showed reductions in value in AY 2021, though most of those retail values have recovered to pre-pandemic levels or higher. In contrast, the longer-term effects of the pandemic have been playing out more recently in the office market as it has become more evident that the shift to work-from-home is more permanent and prevalent than anticipated. Overall office values declined in AY 2024 with larger properties decreasing the most as demand has continued to wane and vacancies increase. The industrial market has continued the growth pattern of the last ten years, though the rate of change has slowed.

COMMERCIAL MARKET VALUE CHANGE BY SUBMARKET AND ASSESSMENT YEAR					
	2020	2021	2022	2023	2023
Office	5.73%	1.54%	2.60%	1.92%	-3.18%
Industrial	7.10%	4.09%	10.30%	6.20%	2.95%
Retail	3.79%	-1.75%	5.53%	5.93%	5.05%

Office Market

On the whole, the office market took a downward turn in value for AY 2024. With many companies working on a hybrid or entire work-from-home schedule, less office space is needed than before the pandemic. Many of these companies have reduced the amount of space they occupy, resulting in an oversupply of available area for lease or sublease. With increased risk and uncertainty is a higher rate of return desired by an investor. Combining higher capitalization rates with growing vacancy rates and rent concessions, results in lower prices paid for investment-grade office properties.

Large Class A buildings, and Class B that lack desirable amenities, suffered most. As displayed below, the Class C space saw a smaller decline as these tend to be owner/user-type buildings. They also tend to be smaller properties, making them more affordable to buyers even with increased values.



New construction in the office sector for AY 2024 was limited to tenant improvements and remodeling of existing buildings. Many Class B and C properties continued to be renovated to become more competitive in the future or for use by owner-occupants.

Retail and Hotel Market

The retail sector was affected to varying degrees by the pandemic. In AY 2024, retail saw steady growth throughout the subtypes. Some strong subtypes include properties with drive-thru capability and grocery-anchored retail centers. In addition, Ridgedale Mall saw a slight increase in value due to higher occupancy and foot traffic.

Minnetonka’s hotel sector was hit the hardest by the pandemic. Hotels decreased in value by large percentages in AY 2021 and saw some recovery in AY 2022 and 2023. For AY 2024, we saw values trend downward slightly based on two hotel sales within Minnetonka. This will be an area the city will continue to watch closely and analyze in future years.

Commercial Net Growth

The following chart displays the average net growth of seven adjacent cities surveyed for the 2024 assessment. The seven-city range was negative 2.4 percent to positive 1.3 percent growth, with the average coming in at a flat 0.0 percent. Minnetonka’s net commercial change was negative 0.6 percent, falling below the average.

Commercial Market Adjustments			
Jurisdiction	2022	2023	2024
Edina	3.7%	5.8%	-2.4%
Eden Prairie	0.8%	4.1%	-1.4%
Minnetonka	2.1%	2.6%	-0.6%
Maple Grove	5.1%	5.6%	0.9%
Bloomington	5.4%	2.9%	1.0%
St. Louis Park	1.7%	5.5%	1.1%
Plymouth	4.1%	7.8%	1.3%
Average	3.3%	4.9%	0.0%

Industrial Market

The Minnetonka industrial market continues to increase with moderate growth. Higher rents and lower vacancies were the story again in 2023, though not to the magnitude of prior years. This continued growth through the pandemic and post-pandemic can be seen on a county-wide and regional basis as well. Although flex-industrial style properties led the way, all different types of industrial properties contributed to the AY 2024 industrial growth.

The city will likely continue to see redevelopment and creative changes in the use of its industrial properties. Especially older industrial in locations that could be put to better use. Functional and well-located industrial properties are still in demand by investors.

Serving the Public

The purpose of the assessment process is to accurately estimate the market value of each parcel of property on an annual basis. As assessors, the Minnetonka assessing division upholds the Uniform Standards of Professional Appraisal Practice, which states, “An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.” The assessing office takes pride in serving the city of Minnetonka not only as public employees, but also as appraisers striving to provide impartial, objective, and independent values.

In order to best serve the public, there are many quality control processes in place. These quality checks include verifying data during property visits, using statistics to check the accuracy and equity of our assessment, and working with taxpayers during a review or an appeal.

Property Data

The Minnetonka assessing division maintains a record of every real estate parcel in the city, including its size, location, physical characteristics, and condition. This record is verified and updated at least every five years during the quintile inspection, permit inspections, and when a physical review is requested by the property owner. All data is retained electronically, allowing statistical comparisons of properties by type and location. Any estimate is only as good as the data the appraiser has available. We encourage citizens to work with the assessing staff to view the interior of homes whenever possible, providing a fair assessment for all.

Sales Data

Assessors analyze each sale in the city to gain information about the local real estate market and determine statistical comparisons necessary to make the property assessment. After an electronic Certificate of Real Estate Value is filed with the state of Minnesota, assessors need to determine whether the sale is an arms-length transaction and therefore be included in the sales study to help set property values.

Sales Ratio Standard

The accuracy of the assessing division’s estimated market values is measured by the sales ratio, which is simply the assessor’s estimated market value divided by the actual selling price. For all jurisdictions in the state, the accepted range for the median sales ratio measurement is 90 to 105 percent, with a target of approximately 95 percent. Minnetonka’s median sale ratio for the 2024 assessment is 95.6 percent.

A measure of the equity of the property assessment is the coefficient of dispersion (COD). The COD measures the average deviation from the median or midpoint. The more closely the assessor’s values are grouped around the midpoint, the more equitable the assessment because relatively few properties have been valued too high or too low compared to actual selling prices. For older or heterogeneous areas like Minnetonka, a COD under ten percent is deemed acceptable. Minnetonka’s 2024 assessment reflects a COD of 5.4 percent.

Review Process

The review process is a crucial aspect of the mass appraisal system. Because some properties receive statistic-based adjustments to market value, the review process allows the assessing staff the opportunity to examine certain properties individually. Where there is evidence that a property has been valued inequitably, an appropriate adjustment is applied.

The Appeals Process

The property appraisal system provides individual property owners the right to appeal. Minnetonka's assessment procedures offer this opportunity through inquiries from the property owners to the staff, appeals to the Local Board of Appeal and Equalization (LBAE), appeals to the County Board of Appeal and Equalization (CBAE), and appeals to the Minnesota State Tax Court.

Key steps in the market value appeals process are:

1. **Staff Review** – It is important for anyone having questions about their market value or the assessment process to contact the assessing staff. A vast majority of property owners' concerns can be resolved through this administrative review. The last day on which the assessing staff can make changes without having Local Board approval is **March 29, 2024**.
2. **Local Board of Appeal and Equalization (LBAE)** – The Local Board of Appeal and Equalization will meet on **April 8** and **April 22, 2024**. Staff will attempt to provide complete information regarding each property that is the subject of an appeal. We request that property owners contact the assessing division in advance of the meeting if they intend to appeal. The Minnetonka City Council appoints local real estate professionals as advisors to the LBAE. A property owner who is unsatisfied with the assessing staff's review may appeal to the board. Property owners can reach the assessing division by phone at 952-939-8220 or by email at assessor@minnetonkamn.gov. Property owners who wish to be on the agenda are requested to contact the assessing division by **March 29, 2024**, to notify staff of their intent to appeal.
3. **County Board of Appeal and Equalization (CBAE)** – Property owners may appeal the decision of the LBAE to the CBAE, which meets on **June 17, 2024**. The property owner must first appeal to the Local Board to be eligible to appeal to the County Board. Owners are requested to call to make an appointment with the CBAE by **May 22, 2024** to be placed on the agenda. The number to call is 612-348-7050.
4. **State Tax Court** – Property owners may appeal the decision of the CBAE to the State Tax Court. Petitions regarding the 2024 value for taxes payable in 2025 *must be filed by April 30, 2025*. Petitioners may choose to appeal directly to the Minnesota Tax Court. It is common practice for commercial/industrial property owners to take this approach due to the complexity of the issues. For more information, contact the Minnesota Tax Court at 651-296-2806.

To provide a complete understanding about the appeals process, the assessing staff has posted information on the City of Minnetonka website to assist property owners. Staff may be reached at 952-939-8220.

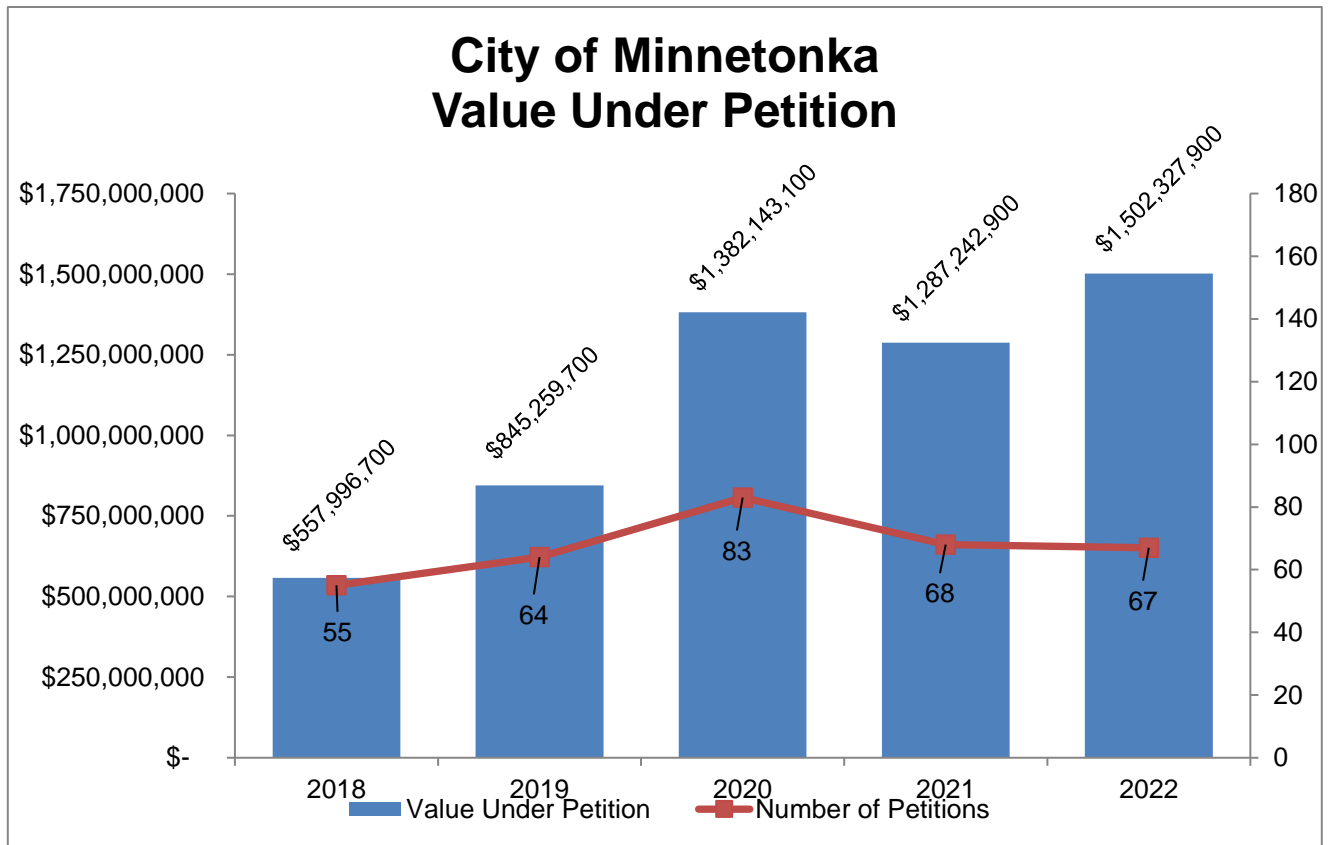
Appeal History

In the following chart is a recap of market value inquiries and appeals over the past five years. As illustrated, the number of formal appeals to the Local Board of Appeal and Equalization (LBAE) is typically less than one percent of the total parcels in the city. Between the mailing of notices on March 10, 2023 and the LBAE reconvene meeting on May 1, 2023, staff fielded 359 calls and reviewed 310 properties. Procedurally, staff cannot make value changes within the ten days prior to the first LBAE meeting. Ultimately, 42 changes were made by the LBAE, 37 recommended by staff and 5 recommended by our advisors.

Local Board Appeal History					
	2019	2020	2021	2022	2023
Total Parcels	20,893	20,910	20,919	20,925	20,932
Staff Inquiries	351	311	239	754	359
Staff Reviews	286	242	159	677	310
Appeals to LBAE	79	77	22	135	42
Appeals to CBAE	6	9	1	1	0

Tax Court

In the past five years, about \$5.6 billion in Minnetonka property value has been appealed by filing petitions with the Minnesota Tax Court. These petitions require a substantial amount of time and resources to resolve. Although the timeframe has been shortened with scheduling orders, many of these cases may remain on the tax court calendar for multiple years. During the interim, the property owners must continue to pay taxes. If a reduction in value is stipulated more than one year after the initial petition is filed, they receive a refund plus interest (at a rate determined by Hennepin County). The deadline to file an appeal with the Minnesota Tax Court is April 30th of the year the taxes are due; thus the most recent category in the chart on the following page is the 2022 appealed values for taxes payable in 2023.



Public Information and Citizen Relations

The city provides public information in several ways to keep Minnetonka residents informed about the market value process, methods for appeal, and current property tax rates. Staff regularly updates the city’s web page with current information, annually posts the assessment report on the City of Minnetonka website, and provides information in the Minnetonka Memo and social media outlets. Information regarding the Property Tax Refund, the Senior Citizens’ Property Tax Deferral, and foreclosure prevention counseling is on the City’s website. During the spring, appeals are organized with a record-keeping inquiry system and reassessment is conducted with advisory letters to owners with a questionnaire option.

Assessing Staff

The assessing staff consists of the City Assessor, one Commercial Appraiser, three Principal Appraisers, and one Assessment Specialist.

Melanie Putz - City Assessor Melanie has been with the City of Minnetonka for seven years and has eight years of experience in the assessment field. Melanie currently holds the Senior Accredited Minnesota Assessor (SAMA) designation.

Jim Dahl - Commercial Appraiser Jim has been with the City of Minnetonka for one year and has nearly 16 years of experience appraising commercial property. Jim currently holds a Certified General appraiser license as well as a Certified Minnesota Assessor Income Qualified (CMA-IQ) designation.

Amy Weber - Principal Appraiser Amy has been with the City of Minnetonka for the past 26 years. Amy currently holds the Accredited Minnesota Assessor (AMA) designation.

Erin Kastner - Principal Appraiser Erin has been with the City of Minnetonka for six years and has nine years of experience in the assessment field. Erin currently holds the Senior Accredited Minnesota Assessor (SAMA) designation.

Amy McNamara – Principal Appraiser Amy has been with the City of Minnetonka for one year and has three years of experience in the assessment field. Amy currently holds the Accredited Minnesota Assessor (AMA) designation.

Laurie Goodman - Assessment Specialist Laurie has been with the City of Minnetonka for the past year and a half and has worked in the assessing field for the last eleven years.

2024 ASSESSMENT CALENDAR

DATE	ACTION
March	Informational articles mailed as part of the March <i>Minnetonka Memo</i>
March	Social media push regarding 2024 valuation notice and property tax bills.
March 4	City Council Receives the 2024 Assessment Report
March 4	City Assessor's target date for mailing the 2024 value notices for taxes payable 2025
March 15	2024 property tax information updated on the Hennepin County website with mailing of 2024 property tax bills to follow
March 25	City council appoints advisors to the Local Board of Appeal and Equalization
March 29	Property owners are requested to file a formal appeal to appear at the Local Board of Appeal and Equalization
April 8 & April 22	Local Board of Appeal and Equalization
April 30	Last day for property owners to file State Tax Court petitions for the 2023 assessment (payable 2024)
June 17	Hennepin County Board of Appeal and Equalization

Appendix: Statutory Requirements

General

Minnesota law establishes specific requirements for the property tax system, including the assessment of property (M.S. Chapter 273). Properties that qualify for the homestead market value exclusion receive a reduction in taxable market value. For taxes payable in 2025, the exclusion is a maximum of \$38,000 at \$95,000 in market value, a 40% exclusion, and is reduced as property value increases. The exclusion phases out for properties valued at \$517,200 or greater.

The law now requires the following:

1. All real property is valued at market value, which is defined as the usual or most likely selling price during the study period. Special exclusions such as the homestead market value exclusion and the veteran's exclusion are subtracted from the market value to arrive at the taxable value.
2. Property is classified according to state law, and the tax capacity is calculated based on the following tax capacity rates.

Tax Capacity Rates for Property Taxes Payable in 2024

Residential Homestead:	
First \$500,000 of value	1.00%
Amount over \$500,000	1.25%
Rental Housing:	
First \$500,000 of value	1.00%
Amount over \$500,000	1.25%
4 or more units	1.25%
Commercial/Industrial Preferred:	
First \$150,000 of value	1.50%
Amount over \$150,000	2.00%
Seasonal Residential:	
First \$500,000 of value	1.00%
Amount over \$500,000	1.25%

3. The tax capacity is multiplied by the tax rate (the total of county, school, city, and miscellaneous levies) to determine the amount of property tax.
4. Finally, any credits, such as those for agricultural preserve, are then subtracted to yield net taxes due

Veterans Exclusion

In 2008, the State legislature amended the homestead law that provides a market value exclusion for all or a portion of property owned and occupied as a homestead by a military veteran who has a service-connected disability of 70 percent or more (M.S. 273.13 subd. 34). To qualify, a veteran must have been honorably discharged from the United States armed forces and must be certified by the United States Veterans Administration as having a service-connected disability. A veteran who has a disability rating of 70 percent or more qualifies for a \$150,000 market value exclusion.

A veteran who has a disability rating of 100% total and permanent qualifies for a \$300,000 market value exclusion. To receive this value exclusion, a property owner must apply to the assessor by December 15 of the assessment year. The exclusion is a one-time application, and the property continues to qualify until there is a change in ownership. If a disabled veteran qualifying for a \$300,000 value exclusion predeceases the veteran's spouse, and if upon death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion carries over to benefit the veteran's spouse until he or she remarries, sells, transfers, or otherwise disposes of the property.

Property Tax Refund

A homeowner in Minnesota may qualify for a property tax refund if they own and occupy a home, have their home classified as homestead with their city/county, and they pay or arrange to pay their property taxes. There are two types of refund in which a homeowner can qualify for one or both:

1. Regular
 - You owned and lived in your home on January 2, 2024
 - Your household income for 2023 was less than \$135,410
2. Special
 - You owned and lived in the same home on January 2, 2023 and on January 2, 2024
 - Your home's net property tax increased by more than 12% from 2023 to 2024
 - The net property tax increase was at least \$100
 - The increase was not because of improvements you made to the property

Owners can claim their refund online, through a software provider or by paper via Form M1PR, Homestead Credit Refund (for Homeowners) and Renter's Property Tax Refund.