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AGRICULTURAL EXTENSION DIVISION  
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THE FARM TAX SITUATION IN MINNESOTA

Prepared by G. B. Clarke

This issue will concern itself with three topics in connection with the tax system: (1) Tax Delinquency, (2) Inequality of Assessment, (3) Remedies.

Tax Delinquency

The tax delinquency has grown to alarming proportions in some sections of the state. Counties in which the percentage of 1927 taxes delinquent Jan. 1, 1929, was over 30 per cent are Aitkin, Beltrami, Cass, Cook, Koochiching, Lake of the Woods, Mahnomen and Roseau. Counties in which the percentage of delinquency was between 20 and 30 per cent are Anoka, Clearwater, Hubbard, Kittson, Lake, Marshall, Pennington and Pine. The highest delinquency in any one county is 60 per cent, the lowest is a little over one-third of one per cent. Five counties have delinquencies of less than one per cent. As might be expected, there is a close relationship between relative tax burdens and the amount of tax delinquency. The counties whose taxes in the townships, excluding cities and villages, amount to more than \$100 for each \$1000 of assessed valuation are Beltrami, Carlton, Cass, Cook, Itasca, Koochiching and Lake. The counties in which taxes are from \$80 to \$100 for each \$1000 of assessed valuation are Aitkin, Lake of the Woods and Mahnomen. The group between \$70 and \$80 includes Crow Wing, Mille Lacs, Pine and Roseau. The other counties having a large amount of tax delinquency have taxes per thousand as follows: Anoka \$47.95, Clearwater \$66.63, Hubbard \$62.90, Kittson \$51.01, Marshall \$55.54 and Pennington \$54.35. The average for the state is \$45.25 for each \$1000 of assessed valuation in the townships. The highest is \$164.00 and the lowest is \$25.60. There are four counties in the state having real and personal property taxes less than \$30 for each \$1000 of assessed valuation. All are located in southwestern Minnesota.

The tax burden of the best agricultural regions of the state in ratio to their wealth is not so heavy as in the less developed portions of Minnesota. In some parts of the state, taxes have become so heavy as to defeat their own purpose of raising more revenue. A large number of taxpayers become either unable to pay their taxes or decide that the present income and future prospects of their holdings do not warrant paying the taxes. This throws a heavier burden on those who do pay their taxes and causes others in their turn to let their taxes go delinquent. This situation has arisen because the cut-over counties have lost the timber which was formerly the principal source of their tax paying ability. Settlements are widely scattered. Agricultural development proceeds slowly because of the cost of clearing and because the agricultural depression makes it difficult to farm profitably even under the most favorable conditions. Taxes are high because the per capita cost of maintaining a good system of roads and schools under these conditions is great.

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The Assessment Situation

In spite of the efforts of the Tax Commission, the assessment system is very unsatisfactory. The Commission has kept records of bona fide sales of real estate in all parts of the state since 1914. Each record of sale gives the assessed value at the time. Since the Minnesota law requires that farm real estate be assessed at one-third of its sale value, if the assessed value of a piece of land is multiplied by three the result is the true and full value and should be close to the actual value realized in a bona fide sale. A comparison of sale values with true and full assessed values both before and after the war reveals many inequalities. Below are tabulated the results of such a comparison for 1100 farms in thirteen counties in the southwestern part of Minnesota. It will be noticed

ASSESSED VALUES COMPARED WITH SALE VALUES IN DISTRICT II		
Sale Value per Acre	Number of Farms	Per Cent True and Full Assessed Value Is of Sale Value
\$175 and above	50	62%
150 to 175	98	72
125 to 150	252	79
100 to 125	362	89
75 to 100	240	100
50 to 75	75	120
Under 50	23	125

that there is a regular progression here. The higher the selling value per acre the lower the rate at which the land was assessed and the lower the sale value of the land the higher the percentage of assessment. In the next table are given farms grouped according to sale value per acre, the highest and lowest groups in each district. The state was divided into six districts to correspond to that number of more or less distinct agricultural regions to be found in Minnesota.

HIGHEST AND LOWEST VALUE GROUPS OF FARMS IN EACH DISTRICT COMPARED IN REGARD TO THE RATIO OF TRUE AND FULL ASSESSED VALUE TO SALE VALUE

	Highest Value Group			Lowest Value Group		
	No. of Farms	Value per Acre	Per cent Assessed is of Sale Value	No. of Farms	Value per Acre	Per cent Assessed is of Sale Value
Dist. I	42	\$200 to 300	67%	29	0 to \$50	111%
Dist. II	50	175 to 300	62	23	0 to \$50	126
Dist. III	47	125 to 475	64	91	0 to \$50	126
Dist. IV	50	100 to 175	64	222	0 to \$25	109
Dist. V	40	75 to 175	66	111	0 to \$25	106
Dist. VI	29	50 to 100	44	42	0 to \$10	123

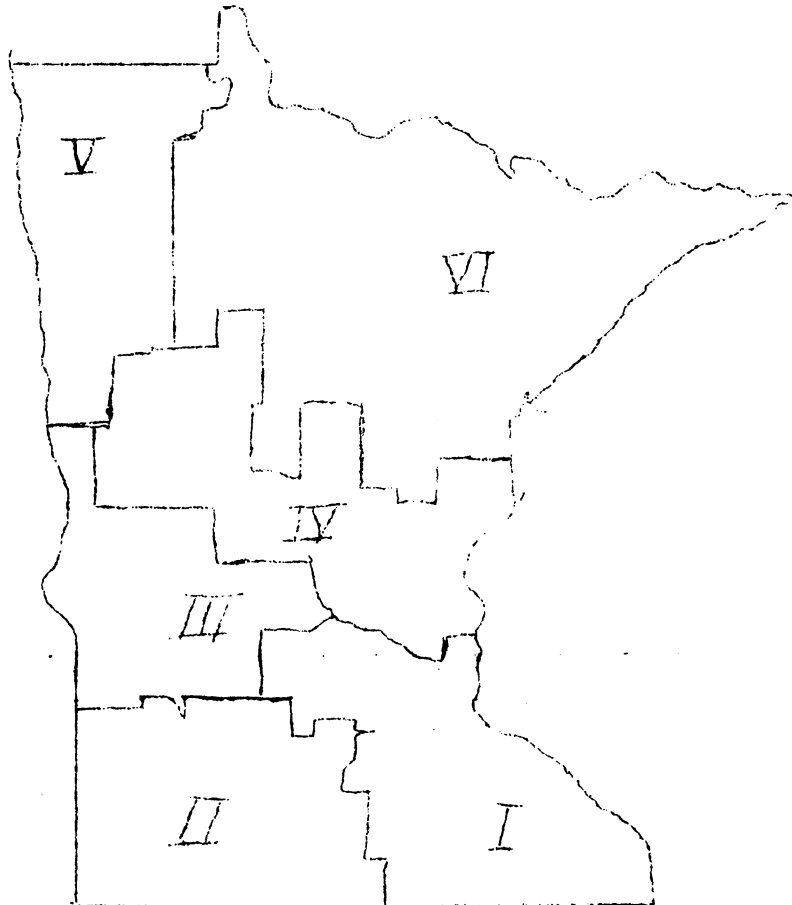
As the table shows there is a very marked tendency to assess high value lands low and low value lands high all over the state. Not only is there this tendency but there is a very wide range of assessment so that in each district the true and full assessed value of farms was found to be anywhere from 25 per cent to 195 per cent of their sale value.

Suggested Remedies

The correction of over-taxation in the cut-over counties is largely a matter of a better land policy on the part of the state. Lands were sold to settlers for farming purposes that were not adapted to agricultural use. The first step to a wise land policy is the classification of all state land, including all land that has reverted to the state because of non-payment of taxes, into agricultural and non-agricultural land. Land classed as non-agricultural should be reserved for forest and recreation purposes and not sold as farm land. When settlement is promoted on the agricultural lands, care should be taken that settlements are concentrated so that roads and schools can be provided without undue cost. When settlers are scattered widely about in the woods, more schools are needed than would be the case otherwise and the cost of transportation is likely to be great.

Better assessments can be obtained by having fewer and better trained assessors. The task of the assessor should be a year round proposition to give time for good work and to allow for specialization. Valuing property is a highly technical matter and should be done by trained men. If there were fewer assessors, each one having at least a county to assess, it would be easier for the Tax Commission to keep in touch with them and give them help and advice. It does its best now, but directing the activities of an assessor in every township during the two months of each year when the assessing is actually done is an extremely difficult task.

The studies that have been made of the general property tax indicate that it bears heavily on the farmer because he cannot earn his income without a considerable investment in property. Therefore other forms of taxation should be adopted to bring about a better distribution of the tax burden. Such taxes as the cigarette tax proposed in the last legislature, the income tax and other forms of taxation that do not fall particularly on the farmer would help him.



Map Showing the Six Districts into Which the State was Divided.