

Lake Shore Stewards Need a Seat at the Table

The Minnesota Seasonal Recreational Property Owners Coalition (MSRPO) was formed in 1994 by cabin owners on Lake Vermilion. Based on early legislative success, MSRPO quickly grew to include thousands of lake shore and forest land owners statewide. In the last ten years more and more MSRPO members fulfilled a common dream; they sold the house in town and moved “full time” to the lake.

MSRPO began to tackle issues that impacted all shore and forest land owners; offered “Legacy Seminars” to help members create trusts for their properties, worked to set up incentives for shore line and forest land protection, worked to improve the transparency and accountability of assessment practices, worked to dampen the effect of a balloon market, and worked to mitigate the impact of state Local Government Aid, LGA, cuts on local property tax bills. In over 250 taxing districts in Minnesota, more than fifty percent of the tax base is on lake shore property. Resort owners, Realtors, the Counties, Chamber of Commerce and others with an interest in our lakes retain full-time lobbyists. Said MSRPO Executive Director Jeff Forester, “There is a joke at the Capitol, ‘You can either be at the table or on the menu.’ Forester sees a great need and opportunity. “With MSRPO,” said Forester, “shoreline property owners get a seat at the table with regard to statewide minimum shoreline standards, dock standards, water quality, statewide variance laws, aquatic invasive species and property taxes.”

The real property tax problem began in 2001

In 2000 the Jesse Ventura tax reform suggested ending Limited Market Value (LMV). LMV capped the amount an assessor could increase an assessment any given year. LMV was intended as a type of “safety value” for a hot real estate market, tempering tax increases created by a bubble market. Legislators saw a gap between assessed and taxable value, and argued that tax burden was shifting off of properties growing in value the most quickly, lake shore, agriculture, and homes in low income urban cores like Powderhorn Park in Minneapolis.

MSRPO argued that LMV was working and eventually the values would stabilize. No one should have to endure a market driven doubling or more increase in property taxes. MSRPO members called and wrote their legislators. The legislature compromised, and instead of ending LMV in 2001, slowly phased it out over five years. The value of shoreline continued to skyrocket from 2001 to 2005 as the pressure valve on a hot market continue to expire. MSRPO continued to lobby, extending the phase out first to 2007, and then 2009.

If LMV had expired in 2001, lake shore owners across the state would have paid full assessed value on their properties through the peak of the most over-inflated real estate market in a generation.

Property Taxes Remain a Critical Issue

In the last decade a number of factors converged; Ventura tax law changes, bubble market, loss of federal revenues, the impact of retiring baby boomers on state income and sales tax revenues, ethanol subsidy, and cuts to LGA, combined to create a *perfect storm* for property tax increases.

From 2002 to 2010, property taxes in Minnesota increased over 250 percent in inflation adjusted dollars.

During this same time Minnesota had steadily increasing budget deficits, with only one year, 2005, in the black. It is clear Minnesota needs a major reform of our state and local fiscal system.

One group that has been central to this effort is [Sensible Tax and Fiscal Systems, STAFS](#), a 501c3 dedicated to improving the structure and operation of the Minnesota tax and fiscal system.

Mr. John James, a former Minnesota Commissioner of Revenue and tax attorney leads the organization. Mr. James notes the connection between property taxes and the degradation of water quality. “When we value land only as a commodity, we consume it,” said James. In his report, [Finding a Way Forward](#), Mr. James lays out specific recommendations to lead us out of the dessert.

The timing for reform is either good, or bad depending. One camp believes that the current crisis will force change. Another contends the opposite. Said Rep. Ron Erhardt, ex-Property Tax Chair from Edina “It is often easier to do tax reform during surpluses when you can move money around and soften the blow.”

Dr. Earl Grinols, Distinguished Professor of Economics at Baylor University worked with the Minnesota Seasonal Recreational Property Owners, MSRPO, on a plan to create incentives to help owners protect the ecological and recreational values on their property from market driven forces. Dr. Grinols has taught at [Cornell University](#), the [University of Chicago](#), and the [University of Illinois](#) in addition to Baylor University. He has worked at the [Department of the Treasury](#) and was a Senior Economist with the [Council of Economic Advisers](#).

Dr. Grinols, working with Jeff Forester, created an incentive plan to protect recreational and ecosystem services, like hunting, berry picking, watershed protection and aesthetics on private lands that is:

- revenue neutral for local and state governments.
- large enough to change behavior and turn shoreline consumers into shoreline conservationists.
- fair to all other property classes, shifting tax burden only to those who are consuming shoreline.

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One thing is certain; property tax increases in Minnesota are unsustainable over the long term for the environment, local communities, and the taxpayer. In May, as the budget impasse approached, Mr. James, wrote in a [Star Tribune Editorial](#), that reform should, “let communities choose change (and lower property taxes) or the status quo (and higher property taxes).”

“Property tax is difficult to reform,” said Erhardt. “When you make a change in one place you affect other payers.” The tax committee is dominated by large, monied interests like the Chamber of Commerce, Business Associations, trade unions, and county and local governments. “The only way to counter immense monetary influence is with grassroots,” said Jeff Forester, Executive Director of MSRPO, “Tax reform is a case where if the people lead, the leaders will follow.”

There are hundreds of thousands of shore line property owners in Minnesota. By joining together under an advocacy group like MSRPO, and engage by talking with candidates, write to legislators, and encouraging friends and family to get involved, this group would counter lobbying groups that have more money and less interest in true tax reform.

