

How Are Taxes Determined?

- **Class Rates** – depending on use, properties have different class rates that determine the properties' relative share of the property tax burden as well as a property's tax capacity.
 - First \$500,000 assessed value of residential homestead & single-unit residential = 1.0 percent;
 - Amount over \$500,000 = 1.25 percent
 - First \$150,000 of commercial/industrial = 1.5percent;
 - Amount over \$150,000 = 2.0 percent
 - Four or more units of rental residential = 1.25 percent
- **Tax Capacity** – is the measure of property tax base value. Each parcel has a tax capacity. Tax capacity is determined by multiplying class rate by property's assessed market value.
 - For example, Tax Capacity of \$500,000 valued owner-occupied home would be: $\$500,000 \times 1 \text{ percent} = \$5,000$
 - The sum of all individual parcel tax capacities is used to compute the local property tax.
 - Medina's 2010 Tax Capacity is \$15,757,648
- **Property Tax Levy** – Cities certify a property tax levy for the following year in dollars, not at a specific rate. (The tax rate is computed by dividing tax capacity by tax levy). Property tax levy should be set at a level to raise adequate revenue for the operating budget, when combined with other expected revenues.
 - Medina's 2010 Tax Levy is \$2,606,100
 - Medina's 2010 Tax Rate is 17.326% (Tax Capacity/Tax Levy)

Examples

- Medina \$500,000 home X 1 percent class rate = \$5,000 tax capacity X 17.326% city tax rate = **\$861.80** in taxes payable
- Minnetrista \$500,000 home X 27.07% = **\$1,353.50** in taxes payable