

Cottage Grove Tax Facts

Over the past decade the price of fuel has increased dramatically, the price of food is soaring, airfares continue to rise, it seems any service or product one buys has increased in price and, until recently, home prices had increased exponentially as well. Property taxes paid by individual home owners in Cottage Grove, however, are up only marginally from 1997 to 2008.

The consumer price index (CPI) from 1997 to the first half of 2008 has increased 34.46%. Average home prices have increased since 1997 from about \$120,000 to \$220,000 in 2008 for an 83% increase in taxable value. The total local property tax bill (including the County, School District, City and miscellaneous taxing jurisdictions) over that same period on average priced homes has increased from \$2,056 in 1997 to \$2,331 in 2008 for a 13.4% increase in the total tax bill.

The City of Cottage Grove monitors tax and spending results among 35 metro area cities with populations similar to Cottage Grove (from 20,000 to 60,000). The average property tax bill in those cities in 1997 was \$2,156 for a homestead with a \$120,000 value. In 2008 the average tax bill for a \$220,000 home for these same comparative cities is \$2,361. In 2008 there are 15 cities for which the tax bill would be higher on a \$220,000 home than in Cottage Grove and 19 cities for which the tax bill would be lower.

In Minnesota a portion of the sales tax paid on purchases is transferred into a program known as Local Government Aid (LGA). LGA is transmitted to local governments in an effort to reduce local property tax. In 2002 the LGA formula experienced significant change which resulted in elimination of this aid payment to Cottage Grove and many other metro area cities. In that same year the State took over a significant portion of the responsibility for funding school districts. As a result of the two moves the portion of the property tax bill attributable to cities increased throughout the metro area. In 2002 the portion of the total tax bill paid to the City of Cottage Grove increased to 32.78% of the total bill (very similar to the metro average). By 2008 the City portion of the total property tax bill has dropped to 30.37%. The \$708 paid on a property tax bill for a \$220,000 home in Cottage Grove in 2008 represents a 5.5% increase over the \$671 paid on that same home (valued at \$160,000) in 2002. Over that same six year period the CPI has increased 16.17%.

In the end, the local property tax rate is determined by local spending relative to the total tax capacity within a community. Even modest spending levels can generate a high tax rate if the tax base (tax capacity) is low. The reverse is also true that a high tax base is able to support high spending levels with a resulting low tax rate.

Total Local Tax Bill on Residential Property (including County, School District, City, and miscellaneous taxing jurisdictions)

	Cottage Grove	35 City Average
1997 Bill on \$120,000 Home:	\$2,056	\$2,156
2008 Bill on \$220,000 Home:	\$2,331	\$2,361
% increase over the 12 years	13.4%	9.5%

Summary: The consumer price index has increased 34.46% from 1997 to 2008, and the average residential taxable market value in Cottage Grove has increased 83% in that same period. The total property tax bill on a home increasing in value from \$120,000 to \$220,000 over the 1997-2008 period increased \$275 (13.4%). This level of property tax increase was about the same as experienced throughout the metro area.

City Tax Bill on Residential Property (#'s included in the above)

	Cottage Grove	35 City Average
1997 Bill on \$120,000 Home	\$447	\$541
2002 Bill on \$160,000 Home:	\$671	\$593
(note: loss in HACA in this year)		
2008 Bill on \$220,000 Home:	\$708	\$693
% increase since 2002	5.5%	16.9%

Summary: The portion of the tax bill attributed to the City generated property tax increased in 2002 due to the loss of state aid transfer payments (currently 64 Twin Cities suburbs receive Local Government Aid (LGA) and 68 cities do not; cities currently receiving these aid payments include nearby cities of Newport, St. Paul Park, South St. Paul, West St. Paul, Stillwater and Hastings; Inver Grove Heights, Oakdale, Woodbury, and Cottage Grove do not receive LGA). The City portion of the tax bill has been dropping since 2002 and tax dollars levied by Cottage Grove upon its taxpayers has been dropping relative to the market since that time as well.

City Tax Capacity and Tax Dollars Generated per Capita (Cottage Grove compares to 35 metro area cities of similar size; 10 of those cities receive a property tax subsidy from the state known as LGA (Local Government Aid), 25 comparison cities do not receive any LGA. Cottage Grove does not receive LGA. When comparing property

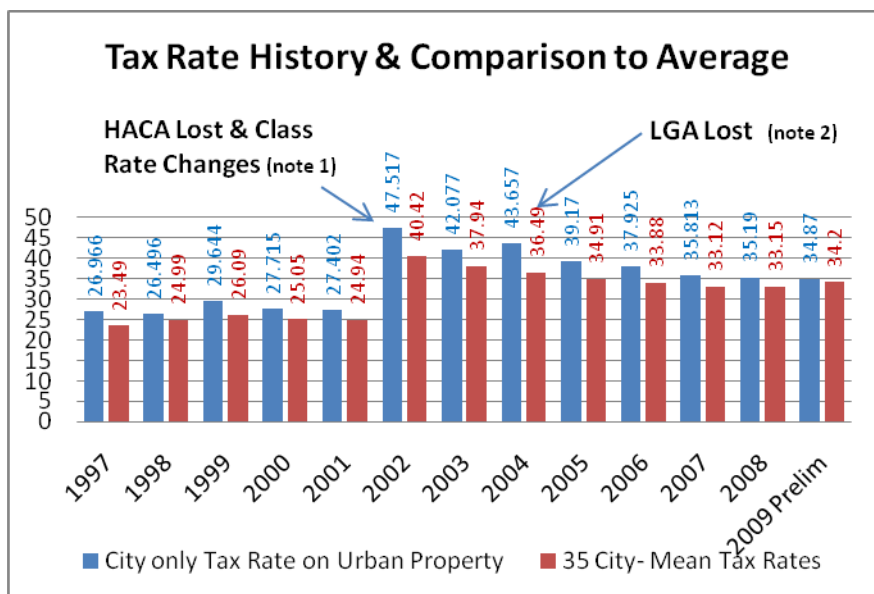
taxes levied by cities LGA should be included as it is a payment from the state intended to supplant the local property tax. Tax capacity/capita represents the total property tax wealth of a city. Development of commercial and industrial property and high value residential property improves this per capita measure and thus the fiscal capacity of a city.

	Cottage Grove	35 City Average	25 Non LGA Cities	10 LGA Cities
Tax Capacity per Capita	\$887	\$1,145	\$1,254	\$898
<i>Cottage Grove Ranks 8th Lowest of the 35 Cities in Tax Capacity Per capita</i>				
Taxes levied per capita	\$312	\$370	\$399	\$303
Avg. LGA received	-0-	-0-	-0-	\$45
Taxes plus LGA	\$312	\$370	\$399	\$348

Cottage Grove Ranks : 8th lowest of 35 cities in total Taxes/LGA /capita

Summary: Property tax wealth in Cottage Grove is relatively modest in comparison to peer group communities. Property tax dollars generated by Cottage Grove (generated from the annual property tax levy upon taxable parcels) is likewise relatively modest. The property tax dollars generated in Cottage Grove in 2008 on a per capita basis is about 16% below that found in the typical similarly sized community in the Twin Cities metro and 22% below that of peer communities not receiving LGA.

City Tax Rate History



Note 1) result was loss of 20.67% of tax capacity value due to change in State Class Rates and approximately \$1,500,000 in Homestead and Agricultural Credit Aid (HACA) from prior year

Note 2) result was additional loss of \$960,479 in intergovernmental revenue from prior year

Cottage Grove Tax Rank in 2008 of 35 cities: 19th lowest

Cottage Grove Projected Tax Rank in 2009: 17th lowest

Summary: Historically the local property tax rate in Cottage Grove has been somewhat above the mean found in peer group communities due to modest tax capacity values. The tax disparity increased in the 2002 to 2004 timeframe as Cottage Grove and some other communities lost aid payments from the state while other communities retained these property tax subsidy payments. Since 2004 the Cottage Grove tax rate has dropped significantly due to tax capacity growth above the Twin City mean and conservative local spending relative to comparison cities.

Total Cottage Grove Operational Spending/Capita by Department; Compared to 35 Metro Area Suburbs (raw data provided by State Auditors office; 2006 is last year currently available):

	Total	Gen. Gov't/ED	Public Safety	Public Works/Parks
2002				
Cottage Grove:	\$326	\$ 97	\$133	\$ 96
Market Average:	\$398	\$128	\$143	\$127
CG % Below Mrkt:	18%	24%	7%	24%
2003				
Cottage Grove:	\$374	\$102	\$144	\$127
Market Average:	\$425	\$142	\$151	\$132
CG % Below Mrkt:	12%	28%	5%	4%
2004				
Cottage Grove:	\$385	\$105	\$142	\$138
Market Average:	\$437	\$143	\$154	\$140
CG % Below Mrkt:	12%	27%	8%	1%
2005				
Cottage Grove:	\$382	\$102	\$149	\$131
Market Average:	\$468	\$161	\$161	\$147
CG % Below Mrkt:	18%	37%	7%	11%
2006				
Cottage Grove:	\$404	\$114	\$149	\$143
Market Average:	\$526	\$189	\$172	\$166
CG % Below Mrkt:	23%	40%	13%	14%

Summary: Operational spending (not including capital improvements) in Cottage Grove has historically been below that found in peer communities. Cottage Grove spending in Public Works and Public Safety is typically near the market means with general government spending significantly below that found elsewhere in the Twin Cities.

