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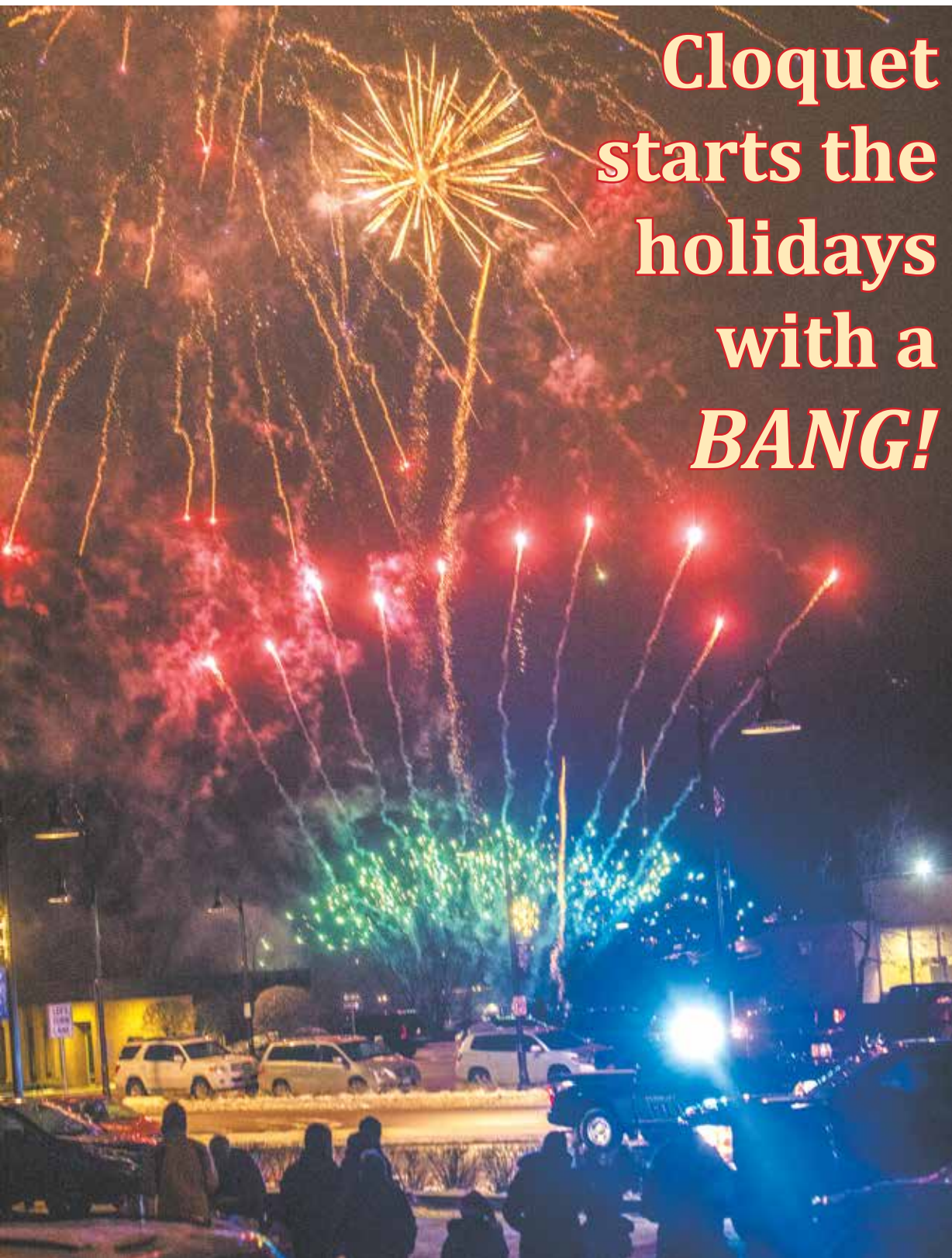


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Cloquet starts the holidays with a BANG!

Tax paybacks continue to sting across the county

Mike Creger
Pine Knot News

They are Carlton County's number crunchers. No-nonsense. Often unheralded if even noticed. Cogs in the government machine.

So when something has assessor Kyle Holmes and auditor Paul Gassert spooked, it's a big deal.

The 300-pound gorilla both men are facing, as are all taxpayers in the county, is the repayment to utility companies for years they were deemed as overtaxed on their properties. Notably, Enbridge Energy, which has a huge footprint in the county as its pipeline network skims across the northern townships on the way to Superior.

Millions of dollars are at stake across the state, and those who took in the taxes — cities, counties, townships and school districts — are all on the hook for repayment. Which ultimately means taxpayers will pay the price.

Holmes said townships in the county that are heavily dependent on the taxes Enbridge pays on pipelines that cross border to border could face bankruptcy, if that is even an option. Taxpayers could see property taxes triple.

"This is the largest issue facing taxpayers in my lifetime," said Holmes, a county native.

Gassert has similar dire notions.

"We have people *now* who can't afford their property taxes," he said.

A big fix

How we got here is a long and complicated story hinging on how the state values utilities. Judges have ruled that the state has erred in how it treats pieces of utilities as they cross over jurisdictions. Court rulings have sided with utilities in cases going back 10 years.

Utility companies are piggybacking on a ruling finalized earlier this year in state tax court and the Supreme Court saying that Minnesota Energy Resources Corporation's (MERC) natural gas pipeline system for the years 2008 through 2012 was overtaxed.

For assessors and auditors across the state, the MERC decision has led to a gold rush of utility companies demanding paybacks. Holmes calls it the "worst-case scenario" playing out.

Enbridge is awaiting a decision on state tax court findings through the Supreme Court, which heard oral arguments in early November. Enbridge has two sets of three-year periods — 2012-2014 and 2015-2017 — it is disputing. The court ruled in its favor on the earlier period in May, a decision the state then appealed. Holmes said it is likely the tax court ruling will be upheld. The court has not yet ruled on the 2015-2017 case.

The state tax court ruled in May that Enbridge pipelines were overvalued by \$3.2 billion from 2012 to 2014. It meant that the company was

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Cloquet caps off its Santa's Home for the Holidays parade with a fireworks display from Veterans Park. See more photos on pages 10-11. Photo by Amy Louhela/Pine Knot News

CLOQUET CITY COUNCIL

Council votes to decrease levy, but overall taxes up

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The Cloquet City Council voted unanimously to lower the city's property tax levy by 1.5 percent Tuesday, but City Administrator Aaron Reeves cautioned that not everyone would see a decline in the city's portion of their property taxes.

"If you have a property that was valued at \$200,000 last year but then the county assessor came

through and reassessed it at \$220,000, even though we may be decreasing our portion of the taxes, you're being taxed at a higher value," Reeves said. "You will quite possibly see an increase, although it would be less of an increase than if the city was raising its taxes."

In fact, very few Cloquet residents probably saw a decrease in the proposed property tax statement that arrived in mailboxes recently, because those figures were based on the preliminary 1 percent increase that the council approved in September. Local governmental bodies such as cities, schools and counties have to approve a preliminary tax levy in Septem-

ber, and a final levy in December. After September the levy amount can decrease, but not increase.

The total tax levy was set at \$2,991,500, versus \$3,037,000 in 2018.

The decrease passed by the council Tuesday won't be reflected until the actual tax statements come out in the spring, said Carlton County Assessor Kyle Holmes.

And even then, they shouldn't be expecting their overall tax bill to decrease. Both the Cloquet School District and Carlton County are expected to approve increases to the levy, along with the Cloquet Area Fire District.

"I would commend/applaud the city on holding the line in their budget and keeping it in check, as every little bit helps, but people shouldn't expect taxes to go down," Holmes said.

That was disappointing news to at least one senior-citizen homeowner in Cloquet, who saw her total estimated taxes go from \$4,440 to \$4,800 this year, an 8 percent increase. Of that, her predicted city taxes went up by \$45, county taxes by \$125 and school district taxes by a total of about \$125, including voter-approved levies. The assessed value of their home increased by \$15,000 from last year.

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