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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 4423

03/12/2020 Authored by Carlson, A.; Davids; Hertaus; Marquart and Brand
The bill was read for the first time and referred to the Property and Local Tax Division

1.1 A bill for an act
1.2 relating to taxation; property and local; creating property valuation definition of
1.3 "highest and best use"; providing considerations for valuation of class 3a property;
1.4 amending Minnesota Statutes 2018, sections 272.03, by adding a subdivision;
1.5 273.11, subdivision 1, by adding a subdivision.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2018, section 272.03, is amended by adding a subdivision
1.8 to read:

1.9 Subd. 16. Highest and best use. "Highest and best use" means the reasonably probable
1.10 use of property that results in the highest value. "Reasonably probable use" means a use
1.11 that is physically possible, legally permissible, and financially feasible.

1.12 EFFECTIVE DATE. This section is effective for property assessed on or after January
1.13 2, 2021.

1.14 Sec. 2. Minnesota Statutes 2018, section 273.11, subdivision 1, is amended to read:

1.15 Subdivision 1. Generally. Except as provided in this section or section 273.17,
1.16 subdivision 1, all property shall be valued at its market value based upon its highest and
1.17 best use. The market value as determined pursuant to this section shall be stated such that
1.18 any amount under \$100 is rounded up to \$100 and any amount exceeding \$100 shall be
1.19 rounded to the nearest \$100. In estimating and determining such value, the assessor shall
1.20 not adopt a lower or different standard of value because the same is to serve as a basis of
1.21 taxation, nor shall the assessor adopt as a criterion of value the price for which such property
1.22 would sell at a forced sale, or in the aggregate with all the property in the town or district;
1.23 but the assessor shall value each article or description of property by itself, and at such sum

2.1 or price as the assessor believes the same to be fairly worth in money. The assessor shall
 2.2 take into account the effect on the market value of property of environmental factors in the
 2.3 vicinity of the property. In assessing any tract or lot of real property, the value of the land,
 2.4 exclusive of structures and improvements, shall be determined, and also the value of all
 2.5 structures and improvements thereon, and the aggregate value of the property, including all
 2.6 structures and improvements, excluding the value of crops growing upon cultivated land.
 2.7 In valuing real property upon which there is a mine or quarry, it shall be valued at such
 2.8 price as such property, including the mine or quarry, would sell for at a fair, voluntary sale,
 2.9 for cash, if the material being mined or quarried is not subject to taxation under section
 2.10 298.015 and the mine or quarry is not exempt from the general property tax under section
 2.11 298.25. In valuing real property which is vacant, platted property shall be assessed as
 2.12 provided in subdivisions 14a and 14c. All property, or the use thereof, which is taxable
 2.13 under section 272.01, subdivision 2, or 273.19, shall be valued at the market value of such
 2.14 property and not at the value of a leasehold estate in such property, or at some lesser value
 2.15 than its market value.

2.16 **EFFECTIVE DATE.** This section is effective for property assessed on or after January
 2.17 2, 2021.

2.18 Sec. 3. Minnesota Statutes 2018, section 273.11, is amended by adding a subdivision to
 2.19 read:

2.20 Subd. 24. **Valuation of class 3a property.** In determining the value of property classified
 2.21 as 3a under section 273.13, subdivision 24:

2.22 (1) the assessor must not reduce the value of the property because of a use restriction
 2.23 on the property that prohibits the continuation of the property's current use or prohibits a
 2.24 competitive use by a subsequent owner;

2.25 (2) a property must have the same highest and best use as the subject property to be
 2.26 considered a comparable property;

2.27 (3) the assessor must determine whether the highest and best use of the property is the
 2.28 continuation of the property's current use; and

2.29 (4) a vacant and available property must not be considered a comparable property unless
 2.30 the subject property itself is also a vacant and available property.

2.31 **EFFECTIVE DATE.** This section is effective for property assessments made on or
 2.32 after January 2, 2021.