

**SENATE
STATE OF MINNESOTA
NINETIETH SESSION**

S.F. No. 487

(SENATE AUTHORS: RELPH and Westrom)

DATE
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451 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to property taxation; modifying the agricultural homestead rules for certain
1.3 properties owned by trusts; amending Minnesota Statutes 2016, section 273.124,
1.4 subdivisions 14, 21.

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

1.6 Section 1. Minnesota Statutes 2016, section 273.124, subdivision 14, is amended to read:

1.7 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten
1.8 acres that is the homestead of its owner must be classified as class 2a under section 273.13,
1.9 subdivision 23, paragraph (a), if:

1.10 (1) the parcel on which the house is located is contiguous on at least two sides to (i)
1.11 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife
1.12 Service, or (iii) land administered by the Department of Natural Resources on which in lieu
1.13 taxes are paid under sections 477A.11 to 477A.14;

1.14 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20
1.15 acres;

1.16 (3) the noncontiguous land is located not farther than four townships or cities, or a
1.17 combination of townships or cities from the homestead; and

1.18 (4) the agricultural use value of the noncontiguous land and farm buildings is equal to
1.19 at least 50 percent of the market value of the house, garage, and one acre of land.

1.20 Homesteads initially classified as class 2a under the provisions of this paragraph shall
1.21 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining
1.22 properties, as long as the homestead remains under the same ownership, the owner owns a

2.1 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use
 2.2 value qualifies under clause (4). Homestead classification under this paragraph is limited
 2.3 to property that qualified under this paragraph for the 1998 assessment.

2.4 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same
 2.5 extent as other agricultural homestead property, if all of the following criteria are met:

2.6 (1) the agricultural property consists of at least 40 acres including undivided government
 2.7 lots and correctional 40's;

2.8 (2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner
 2.9 or of the owner's spouse, is actively farming the agricultural property, either on the person's
 2.10 own behalf as an individual or on behalf of a partnership operating a family farm, family
 2.11 farm corporation, joint family farm venture, or limited liability company of which the person
 2.12 is a partner, shareholder, or member;

2.13 (3) both the owner of the agricultural property and the person who is actively farming
 2.14 the agricultural property under clause (2), are Minnesota residents;

2.15 (4) neither the owner nor the spouse of the owner claims another agricultural homestead
 2.16 in Minnesota; and

2.17 (5) neither the owner nor the person actively farming the agricultural property lives
 2.18 farther than four townships or cities, or a combination of four townships or cities, from the
 2.19 agricultural property, except that if the owner or the owner's spouse is required to live in
 2.20 employer-provided housing, the owner or owner's spouse, whichever is actively farming
 2.21 the agricultural property, may live more than four townships or cities, or combination of
 2.22 four townships or cities from the agricultural property.

2.23 The relationship under this paragraph may be either by blood or marriage.

2.24 ~~(ii) Agricultural property held by a trustee under a trust is eligible for agricultural~~
 2.25 ~~homestead classification under this paragraph if the qualifications in clause (i) are met,~~
 2.26 ~~except that "owner" means the grantor of the trust.~~

2.27 ~~(iii)~~ Property containing the residence of an owner who owns qualified property under
 2.28 clause (i) shall be classified as part of the owner's agricultural homestead, if that property
 2.29 is also used for noncommercial storage or drying of agricultural crops.

2.30 ~~(iv)~~ (iii) As used in this paragraph, "agricultural property" means class 2a property and
 2.31 any class 2b property that is contiguous to and under the same ownership as the class 2a
 2.32 property.

3.1 (c) Noncontiguous land shall be included as part of a homestead under section 273.13,
3.2 subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached
3.3 land is located in the same township or city, or not farther than four townships or cities or
3.4 combination thereof from the homestead. Any taxpayer of these noncontiguous lands must
3.5 notify the county assessor that the noncontiguous land is part of the taxpayer's homestead,
3.6 and, if the homestead is located in another county, the taxpayer must also notify the assessor
3.7 of the other county.

3.8 (d) Agricultural land used for purposes of a homestead and actively farmed by a person
3.9 holding a vested remainder interest in it must be classified as a homestead under section
3.10 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other
3.11 dwellings on the land used for purposes of a homestead by persons holding vested remainder
3.12 interests who are actively engaged in farming the property, and up to one acre of the land
3.13 surrounding each homestead and reasonably necessary for the use of the dwelling as a home,
3.14 must also be assessed class 2a.

3.15 (e) Agricultural land and buildings that were class 2a homestead property under section
3.16 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as
3.17 agricultural homesteads for subsequent assessments if:

3.18 (1) the property owner abandoned the homestead dwelling located on the agricultural
3.19 homestead as a result of the April 1997 floods;

3.20 (2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or
3.21 Wilkin;

3.22 (3) the agricultural land and buildings remain under the same ownership for the current
3.23 assessment year as existed for the 1997 assessment year and continue to be used for
3.24 agricultural purposes;

3.25 (4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles
3.26 of one of the parcels of agricultural land that is owned by the taxpayer; and

3.27 (5) the owner notifies the county assessor that the relocation was due to the 1997 floods,
3.28 and the owner furnishes the assessor any information deemed necessary by the assessor in
3.29 verifying the change in dwelling. Further notifications to the assessor are not required if the
3.30 property continues to meet all the requirements in this paragraph and any dwellings on the
3.31 agricultural land remain uninhabited.

4.1 (f) Agricultural land and buildings that were class 2a homestead property under section
4.2 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified
4.3 agricultural homesteads for subsequent assessments if:

4.4 (1) the property owner abandoned the homestead dwelling located on the agricultural
4.5 homestead as a result of damage caused by a March 29, 1998, tornado;

4.6 (2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur,
4.7 Nicollet, Nobles, or Rice;

4.8 (3) the agricultural land and buildings remain under the same ownership for the current
4.9 assessment year as existed for the 1998 assessment year;

4.10 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of
4.11 one of the parcels of agricultural land that is owned by the taxpayer; and

4.12 (5) the owner notifies the county assessor that the relocation was due to a March 29,
4.13 1998, tornado, and the owner furnishes the assessor any information deemed necessary by
4.14 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the
4.15 owner must notify the assessor by December 1, 1998. Further notifications to the assessor
4.16 are not required if the property continues to meet all the requirements in this paragraph and
4.17 any dwellings on the agricultural land remain uninhabited.

4.18 (g) Agricultural property of a family farm corporation, joint family farm venture, family
4.19 farm limited liability company, or partnership operating a family farm as described under
4.20 subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead
4.21 property, if all of the following criteria are met:

4.22 (1) the property consists of at least 40 acres including undivided government lots and
4.23 correctional 40's;

4.24 (2) a shareholder, member, or partner of that entity is actively farming the agricultural
4.25 property;

4.26 (3) that shareholder, member, or partner who is actively farming the agricultural property
4.27 is a Minnesota resident;

4.28 (4) neither that shareholder, member, or partner, nor the spouse of that shareholder,
4.29 member, or partner claims another agricultural homestead in Minnesota; and

4.30 (5) that shareholder, member, or partner does not live farther than four townships or
4.31 cities, or a combination of four townships or cities, from the agricultural property.

5.1 Homestead treatment applies under this paragraph for property leased to a family farm
5.2 corporation, joint farm venture, limited liability company, or partnership operating a family
5.3 farm if legal title to the property is in the name of an individual who is a member, shareholder,
5.4 or partner in the entity.

5.5 (h) To be eligible for the special agricultural homestead under this subdivision, an initial
5.6 full application must be submitted to the county assessor where the property is located.
5.7 Owners and the persons who are actively farming the property shall be required to complete
5.8 only a one-page abbreviated version of the application in each subsequent year provided
5.9 that none of the following items have changed since the initial application:

5.10 (1) the day-to-day operation, administration, and financial risks remain the same;

5.11 (2) the owners and the persons actively farming the property continue to live within the
5.12 four townships or city criteria and are Minnesota residents;

5.13 (3) the same operator of the agricultural property is listed with the Farm Service Agency;

5.14 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

5.15 (5) the property's acreage is unchanged; and

5.16 (6) none of the property's acres have been enrolled in a federal or state farm program
5.17 since the initial application.

5.18 The owners and any persons who are actively farming the property must include the
5.19 appropriate Social Security numbers, and sign and date the application. If any of the specified
5.20 information has changed since the full application was filed, the owner must notify the
5.21 assessor, and must complete a new application to determine if the property continues to
5.22 qualify for the special agricultural homestead. The commissioner of revenue shall prepare
5.23 a standard reapplication form for use by the assessors.

5.24 (i) Agricultural land and buildings that were class 2a homestead property under section
5.25 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified
5.26 agricultural homesteads for subsequent assessments if:

5.27 (1) the property owner abandoned the homestead dwelling located on the agricultural
5.28 homestead as a result of damage caused by the August 2007 floods;

5.29 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele,
5.30 Wabasha, or Winona;

5.31 (3) the agricultural land and buildings remain under the same ownership for the current
5.32 assessment year as existed for the 2007 assessment year;

6.1 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of
6.2 one of the parcels of agricultural land that is owned by the taxpayer; and

6.3 (5) the owner notifies the county assessor that the relocation was due to the August 2007
6.4 floods, and the owner furnishes the assessor any information deemed necessary by the
6.5 assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the
6.6 owner must notify the assessor by December 1, 2008. Further notifications to the assessor
6.7 are not required if the property continues to meet all the requirements in this paragraph and
6.8 any dwellings on the agricultural land remain uninhabited.

6.9 (j) Agricultural land and buildings that were class 2a homestead property under section
6.10 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as
6.11 agricultural homesteads for subsequent assessments if:

6.12 (1) the property owner abandoned the homestead dwelling located on the agricultural
6.13 homestead as a result of the March 2009 floods;

6.14 (2) the property is located in the county of Marshall;

6.15 (3) the agricultural land and buildings remain under the same ownership for the current
6.16 assessment year as existed for the 2008 assessment year and continue to be used for
6.17 agricultural purposes;

6.18 (4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles
6.19 of one of the parcels of agricultural land that is owned by the taxpayer; and

6.20 (5) the owner notifies the county assessor that the relocation was due to the 2009 floods,
6.21 and the owner furnishes the assessor any information deemed necessary by the assessor in
6.22 verifying the change in dwelling. Further notifications to the assessor are not required if the
6.23 property continues to meet all the requirements in this paragraph and any dwellings on the
6.24 agricultural land remain uninhabited.

6.25 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable in
6.26 2018.

6.27 Sec. 2. Minnesota Statutes 2016, section 273.124, subdivision 21, is amended to read:

6.28 Subd. 21. **Trust property; homestead.** Real or personal property, including agricultural
6.29 property, held by a trustee under a trust is eligible for classification as homestead property
6.30 if the property satisfies the requirements of paragraph (a), (b), (c), ~~(d)~~, or (e).

6.31 (a) The grantor or surviving spouse of the grantor of the trust occupies and uses the
6.32 property as a homestead.

7.1 (b) A relative or surviving relative of the grantor who meets the requirements of
7.2 subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph
7.3 (d), in the case of agricultural property, occupies and uses the property as a homestead.

7.4 (c) A family farm corporation, joint farm venture, limited liability company, or partnership
7.5 operating a family farm in which the grantor or the grantor's surviving spouse is a
7.6 shareholder, member, or partner rents the property; and, either (1) a shareholder, member,
7.7 or partner of the corporation, joint farm venture, limited liability company, or partnership
7.8 occupies and uses the property as a homestead; or (2) the property is at least 40 acres,
7.9 including undivided government lots and correctional 40's, and a shareholder, member, or
7.10 partner of the tenant-entity is actively farming the property on behalf of the corporation,
7.11 joint farm venture, limited liability company, or partnership.

7.12 (d) A person who has received homestead classification for property taxes payable in
7.13 2000 on the basis of an unqualified legal right under the terms of the trust agreement to
7.14 occupy the property as that person's homestead and who continues to use the property as a
7.15 homestead; or, a person who received the homestead classification for taxes payable in 2005
7.16 under paragraph (c) who does not qualify under paragraph (c) for taxes payable in 2006 or
7.17 thereafter but who continues to qualify under paragraph (c) as it existed for taxes payable
7.18 in 2005.

7.19 (e) The qualifications under subdivision 14, paragraph (b), clause (i), are met. For
7.20 purposes of this paragraph, "owner" means the grantor of the trust or the surviving spouse
7.21 of the grantor.

7.22 (f) For purposes of this subdivision, the following terms have the meanings given them:

7.23 (1) "agricultural property" means the house, garage, other farm buildings and structures,
7.24 and agricultural land;

7.25 (2) "agricultural land" has the meaning given in section 273.13, subdivision 23, except
7.26 that the phrases "owned by same person" or "under the same ownership" as used in that
7.27 subdivision mean and include contiguous tax parcels owned by:

7.28 (i) an individual and a trust of which the individual, the individual's spouse, or the
7.29 individual's deceased spouse is the grantor; or

7.30 (ii) different trusts of which the grantors of each trust are any combination of an
7.31 individual, the individual's spouse, or the individual's deceased spouse; and

8.1 ~~For purposes of this subdivision, (3) "grantor" is defined as~~ means the person creating
8.2 or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written
8.3 instrument or through the exercise of a power of appointment.

8.4 (g) Noncontiguous land is included as part of a homestead under this subdivision, only
8.5 if the homestead is classified as class 2a, as defined in section 273.13, subdivision 23, and
8.6 the detached land is located in the same township or city, or not farther than four townships
8.7 or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous
8.8 lands must notify the county assessor that the noncontiguous land is part of the taxpayer's
8.9 homestead, and, if the homestead is located in another county, the taxpayer must also notify
8.10 the assessor of the other county.

8.11 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable in
8.12 2018.