

H. F. No. **1808**

(c) A unit which is owned by the occupant and used as a homestead by the occupant qualifies for homestead treatment as class 1a under section 273.13, subdivision 22, unless the unit meets the requirements of section 273.13, subdivision 25, paragraph (e), clause (2), in which case the unit shall be classified as 4d(2). A unit which is rented by the occupant and used as a homestead by the occupant shall be class 4a or 4b property, under section 273.13, subdivision 25, whichever is applicable. Any remaining portion of the property not used for residential purposes shall be classified by the assessor in the appropriate class based upon the use of that portion of the property owned by the community land trust. The land upon which the building is located shall be assessed at the same classification rate as the units within the building, provided that if the building contains some units assessed as class 1a or class 4d(1) and some units assessed as class 4a or 4b, the market value of the land will be assessed in the same proportions as the value of the building.

EFFECTIVE DATE. This section is effective beginning with assessment year 2024.

Sec. 2. Minnesota Statutes 2022, section 273.128, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Low-income rental property classified as class ~~4d~~ 4d(1) under section 273.13, subdivision 25, is entitled to valuation under this section if at least 20 percent of the units in the rental housing property meet any of the following qualifications:

(1) the units are subject to a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, as amended;

(2) the units are rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code;

(3) the units are financed by the Rural Housing Service of the United States Department of Agriculture and receive payments under the rental assistance program pursuant to section 521(a) of the Housing Act of 1949, as amended; or

(4) the units are subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by the federal government or the state of Minnesota, or a local unit of government, as evidenced by a document recorded against the property.

The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development. The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income,

3.1 adjusted for family size, as determined by the United States Department of Housing and
3.2 Urban Development.

3.3 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2024.

3.4 Sec. 3. Minnesota Statutes 2022, section 273.128, is amended by adding a subdivision to
3.5 read:

3.6 Subd. 1a. **Approval.** A property owner must receive approval by resolution of the
3.7 governing body of the city or town where the property is located before submitting an initial
3.8 application to the Housing Finance Agency, as required under subdivision 2, for property
3.9 that has not, in whole or in part, been classified as class 4d(1) under section 273.13,
3.10 subdivision 25, prior to assessment year 2024. A property owner that receives approval as
3.11 required under this subdivision, and the certification made under subdivision 3, shall not
3.12 be required to seek approval under this subdivision prior to submitting an application under
3.13 subdivision 2 in each subsequent year. If the property is located in a city or town in which
3.14 the net tax capacity of 4d(1) property did not exceed two percent of the total net tax capacity
3.15 in the city or town in the prior assessment year, the property owner does not need to receive
3.16 approval under this subdivision.

3.17 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2024.

3.18 Sec. 4. Minnesota Statutes 2022, section 273.128, subdivision 2, is amended to read:

3.19 Subd. 2. **Application.** (a) Application for certification under this section must be filed
3.20 by March 31 of the levy year, or at a later date if the Housing Finance Agency deems
3.21 practicable. The application must be filed with the Housing Finance Agency, on a form
3.22 prescribed by the agency, and must contain the information required by the Housing Finance
3.23 Agency.

3.24 (b) Each application must include:

3.25 (1) the property tax identification number; and

3.26 (2) evidence that the property meets the requirements of ~~subdivision~~ subdivisions 1 and
3.27 1a.

3.28 (c) The Housing Finance Agency may charge an application fee approximately equal
3.29 to the costs of processing and reviewing the applications but not to exceed \$10 per unit. If
3.30 imposed, the applicant must pay the application fee to the Housing Finance Agency. The
3.31 fee must be deposited in the housing development fund.

4.1 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2024.

4.2 Sec. 5. Minnesota Statutes 2022, section 273.13, subdivision 25, is amended to read:

4.3 Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units
4.4 and used or held for use by the owner or by the tenants or lessees of the owner as a residence
4.5 for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a
4.6 also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt
4.7 under section 272.02, and contiguous property used for hospital purposes, without regard
4.8 to whether the property has been platted or subdivided. The market value of class 4a property
4.9 has a classification rate of 1.25 percent.

4.10 (b) Class 4b includes:

4.11 (1) residential real estate containing less than four units, including property rented as a
4.12 short-term rental property for more than 14 days in the preceding year, that does not qualify
4.13 as class 4bb, other than seasonal residential recreational property;

4.14 (2) manufactured homes not classified under any other provision;

4.15 (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm
4.16 classified under subdivision 23, paragraph (b) containing two or three units; and

4.17 (4) unimproved property that is classified residential as determined under subdivision
4.18 33.

4.19 For the purposes of this paragraph, "short-term rental property" means nonhomestead
4.20 residential real estate rented for periods of less than 30 consecutive days.

4.21 The market value of class 4b property has a classification rate of 1.25 percent.

4.22 (c) Class 4bb includes:

4.23 (1) nonhomestead residential real estate containing one unit, other than seasonal
4.24 residential recreational property;

4.25 (2) a single family dwelling, garage, and surrounding one acre of property on a
4.26 nonhomestead farm classified under subdivision 23, paragraph (b); and

4.27 (3) a condominium-type storage unit having an individual property identification number
4.28 that is not used for a commercial purpose.

4.29 Class 4bb property has the same classification rates as class 1a property under subdivision
4.30 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, for not more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property under this clause must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. A camping pad offered for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c under this clause regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified under this clause, either (i) the business located on the property must provide recreational activities, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (B) at least 20 percent of the annual gross receipts must be from charges for providing recreational activities, or (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c property also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under this clause and devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. In order for a property to qualify for classification under this clause, the owner must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c under this clause

as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c. For the purposes of this paragraph, "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause:

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

7.1 (B) "property taxes" excludes the state general tax;

7.2 (C) a "nonprofit community service oriented organization" means any corporation,
7.3 society, association, foundation, or institution organized and operated exclusively for
7.4 charitable, religious, fraternal, civic, or educational purposes, and which is exempt from
7.5 federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal
7.6 Revenue Code; and

7.7 (D) "revenue-producing activities" shall include but not be limited to property or that
7.8 portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt
7.9 liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling
7.10 alley, a retail store, gambling conducted by organizations licensed under chapter 349, an
7.11 insurance business, or office or other space leased or rented to a lessee who conducts a
7.12 for-profit enterprise on the premises.

7.13 Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The
7.14 use of the property for social events open exclusively to members and their guests for periods
7.15 of less than 24 hours, when an admission is not charged nor any revenues are received by
7.16 the organization shall not be considered a revenue-producing activity.

7.17 The organization shall maintain records of its charitable contributions and donations
7.18 and of public meetings and events held on the property and make them available upon
7.19 request any time to the assessor to ensure eligibility. An organization meeting the requirement
7.20 under item (ii) must file an application by May 1 with the assessor for eligibility for the
7.21 current year's assessment. The commissioner shall prescribe a uniform application form
7.22 and instructions;

7.23 (4) postsecondary student housing of not more than one acre of land that is owned by a
7.24 nonprofit corporation organized under chapter 317A and is used exclusively by a student
7.25 cooperative, sorority, or fraternity for on-campus housing or housing located within two
7.26 miles of the border of a college campus;

7.27 (5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding
7.28 manufactured home parks described in items (ii) and (iii), (ii) manufactured home parks as
7.29 defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision
7.30 3a, and (iii) class I manufactured home parks as defined in section 327C.015, subdivision
7.31 2;

7.32 (6) real property that is actively and exclusively devoted to indoor fitness, health, social,
7.33 recreational, and related uses, is owned and operated by a not-for-profit corporation, and is
7.34 located within the metropolitan area as defined in section 473.121, subdivision 2;

8.1 (7) a leased or privately owned noncommercial aircraft storage hangar not exempt under
8.2 section 272.01, subdivision 2, and the land on which it is located, provided that:

8.3 (i) the land is on an airport owned or operated by a city, town, county, Metropolitan
8.4 Airports Commission, or group thereof; and

8.5 (ii) the land lease, or any ordinance or signed agreement restricting the use of the leased
8.6 premise, prohibits commercial activity performed at the hangar.

8.7 If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be
8.8 filed by the new owner with the assessor of the county where the property is located within
8.9 60 days of the sale;

8.10 (8) a privately owned noncommercial aircraft storage hangar not exempt under section
8.11 272.01, subdivision 2, and the land on which it is located, provided that:

8.12 (i) the land abuts a public airport; and

8.13 (ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement
8.14 restricting the use of the premises, prohibiting commercial use or activity performed at the
8.15 hangar; and

8.16 (9) residential real estate, a portion of which is used by the owner for homestead purposes,
8.17 and that is also a place of lodging, if all of the following criteria are met:

8.18 (i) rooms are provided for rent to transient guests that generally stay for periods of 14
8.19 or fewer days;

8.20 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated in
8.21 the basic room rate;

8.22 (iii) meals are not provided to the general public except for special events on fewer than
8.23 seven days in the calendar year preceding the year of the assessment; and

8.24 (iv) the owner is the operator of the property.

8.25 The market value subject to the 4c classification under this clause is limited to five rental
8.26 units. Any rental units on the property in excess of five, must be valued and assessed as
8.27 class 3a. The portion of the property used for purposes of a homestead by the owner must
8.28 be classified as class 1a property under subdivision 22;

8.29 (10) real property up to a maximum of three acres and operated as a restaurant as defined
8.30 under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under
8.31 section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either devoted to
8.32 commercial purposes for not more than 250 consecutive days, or receives at least 60 percent

of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under item (ii). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year;

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a classification rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same classification rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same classification rate as class 4b property, the market value of manufactured home parks assessed under clause (5), item (ii), have a classification rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a classification rate of one percent if 50 percent or less of the lots are so occupied, and class I manufactured home parks as defined in section 327C.015, subdivision 2, have a classification rate of 1.0 percent, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a classification rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a classification rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent, (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a classification rate of 1.25 percent, and (vii) property qualifying for classification under

clause (3) that is owned or operated by a congressionally chartered veterans organization has a classification rate of one percent. The commissioner of veterans affairs must provide a list of congressionally chartered veterans organizations to the commissioner of revenue by June 30, 2017, and by January 1, 2018, and each year thereafter.

(e) Class 4d property is includes:

(1) qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d 4d(1). The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d 4d(1) also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d 4d(1), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents; and

(2) a unit that is owned by the occupant and used as a homestead by the occupant, and otherwise meets all the requirements for community land trust property under section 273.11, subdivision 12, provided that by December 31 of each assessment year, the community land trust certifies to the assessor that (i) the community land trust owns the real property on which the unit is located, and (ii) the unit owner is a member in good standing of the community land trust. For all units qualifying as class 4d(2), the market value determined by the assessor must be based on the normal approach to value without regard to any restrictions that apply because the unit is a community land trust property.

~~(f) The first tier of market value of class 4d property has a classification rate of 0.75 percent. The remaining value of class 4d property has a classification rate of 0.25 percent. For the purposes of this paragraph, the "first tier of market value of class 4d property" means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d property value must be assigned to individual housing units. The first tier limit is \$100,000 for assessment years 2022 and 2023. For subsequent assessment years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest \$1,000, provided, however, that the limit may never be less than \$100,000. Beginning with assessment year 2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year. Class 4d(1) property has a classification rate of 0.25 percent. Class 4d(2) property has a classification rate of 0.75 percent.~~

11.1 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2024
11.2 and thereafter.

11.3 Sec. 6. **CLASS 4D(1); CLASS-RATE REDUCTION PROPERTY TAX SAVINGS**
11.4 **REPORT.**

11.5 (a) By November 1, 2025, each county must identify ten properties located within the
11.6 county with the greatest number of units classified as class 4d(1) under Minnesota Statutes,
11.7 section 273.13, subdivision 25. After identifying each property, the county must contact
11.8 and survey each property owner as to how each owner used property tax savings resulting
11.9 from the class rate change made to property classified as class 4d(1) under Minnesota
11.10 Statutes, section 273.13, subdivision 25, beginning with property taxes payable in 2025.

11.11 (b) By March 15, 2026, each county shall issue a report to the commissioner of revenue
11.12 and to the legislative committees with jurisdiction over taxes and property taxes indicating
11.13 how each surveyed property owner used property tax savings resulting from the class 4d(1)
11.14 class rate change. The report shall include uses identified by type, including but not limited
11.15 to property maintenance, property security, property improvements, property operations,
11.16 rent stabilization, and increases in the property's capital expenditure fund balance.

11.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

11.18 Sec. 7. **CLASS 4D LOW-INCOME RENTAL PROPERTY 2025 AND 2026**
11.19 **TRANSITION AID; APPROPRIATION.**

11.20 Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms in this
11.21 subdivision have the meanings given.

11.22 (b) "4d property" means class 4d low-income rental property under Minnesota Statutes,
11.23 section 273.13, subdivision 25.

11.24 (c) "Base assessment year" means assessment year 2023.

11.25 (d) "Local unit" means a home rule charter or statutory city.

11.26 (e) "Modified transition tax capacity" means the product of (1) one minus the transition
11.27 ratio for the local unit, times (2) the transition tax capacity for the local unit.

11.28 (f) "Transition ratio" means the ratio of (1) the net tax capacity of 4d property for the
11.29 local unit in the base assessment year calculated using the classification rates and first-tier
11.30 limit in effect for 4d property for taxes payable in 2025, to (2) the net tax capacity of 4d

12.1 property for the local unit in the base assessment year calculated using the classification
12.2 rates and first-tier limit in effect for 4d property for taxes payable in 2024.

12.3 (g) "Transition tax capacity" means the greater of zero or the difference between (1) the
12.4 net tax capacity of 4d property for the local unit in the base assessment year, minus (2) two
12.5 percent of the total net tax capacity for the local unit in the base assessment year.

12.6 Subd. 2. **Aid amount.** In 2025 and 2026 only, transition aid for a local unit equals the
12.7 product of (1) the local unit's tax rate for taxes payable in 2024, times (2) the modified
12.8 transition tax capacity for the local unit.

12.9 Subd. 3. **Administration; payment schedule.** (a) For purposes of this section, net tax
12.10 capacity must be determined by the commissioner of revenue based on information available
12.11 to the commissioner as of July 15, 2024.

12.12 (b) The commissioner of revenue must notify a local unit of its transition aid amount
12.13 before August 1 of the year preceding the aid distribution year and must pay the aid in two
12.14 installments on the dates specified in Minnesota Statutes, section 477A.015.

12.15 Subd. 4. **Appropriation.** An amount sufficient to pay transition aid under this section
12.16 is annually appropriated from the general fund to the commissioner of revenue.

12.17 **EFFECTIVE DATE.** This section is effective for aid payable in calendar year 2025
12.18 and 2026 only.