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State of Minnesota
HOUSE OF REPRESENTATIVES
NINETIETH SESSION

H. F. No. 2186

03/07/2017 Authored by Drazkowski
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; property tax refunds for renters; modifying the determination
1.3 of rent constituting property taxes; amending Minnesota Statutes 2016, sections
1.4 290A.03, subdivisions 11, 13, by adding subdivisions; 290A.19.

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

1.6 Section 1. Minnesota Statutes 2016, section 290A.03, subdivision 11, is amended to read:

1.7 Subd. 11. **Rent constituting property taxes.** (a) "Rent constituting property taxes"
1.8 means 17 percent of the gross rent actually paid in cash, or its equivalent, or the portion of
1.9 rent the amount of gross rent actually paid in cash, or its equivalent, which is attributable
1.10 (1) to the property tax paid on the unit, or (2) to the amount paid in lieu of property taxes,
1.11 in any calendar year by a claimant for the right of occupancy of the claimant's Minnesota
1.12 homestead in the calendar year, and which rent constitutes the basis, in the succeeding
1.13 calendar year of a claim for relief under this chapter by the claimant.

1.14 (b) The amount of rent attributable to property taxes paid or payments in lieu made on
1.15 the unit must be determined by multiplying the gross rent paid by the claimant for the
1.16 calendar year for the unit by a fraction, the numerator of which is the net tax on the property
1.17 where the unit is located and the denominator of which is the total scheduled rent. In no
1.18 case may the rent constituting property taxes exceed 50 percent of the gross rent paid by
1.19 the claimant during that calendar year.

1.20 (c) Rent constituting property taxes equals 20 percent of gross rent actually paid in cash
1.21 or its equivalent for a claimant who resides in a unit for which:

1.22 (1) a rent subsidy is paid to, or for, the claimant based on the income of the claimant or
1.23 the claimant's family; or

2.1 (2) a subsidy is paid to a public housing authority that owns or operates the claimant's
 2.2 rental unit, pursuant to United States Code, title 42, section 1437c.

2.3 (d) For purposes of this subdivision, "rent subsidy" does not include any housing
 2.4 assistance received under the Minnesota family investment program, general assistance,
 2.5 Minnesota supplemental assistance, supplemental security income, or similar income
 2.6 maintenance programs.

2.7 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in 2017
 2.8 and following years.

2.9 Sec. 2. Minnesota Statutes 2016, section 290A.03, subdivision 13, is amended to read:

2.10 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax
 2.11 exclusive of special assessments, penalties, and interest payable on a claimant's homestead
 2.12 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,
 2.13 and any other state paid property tax credits in any calendar year, and after any refund
 2.14 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the
 2.15 year that the property tax is payable. In the case of a claimant who makes ground lease
 2.16 payments, "property taxes payable" includes the amount of the payments directly attributable
 2.17 to the property taxes assessed against the parcel on which the house is located. No
 2.18 apportionment or reduction of the "property taxes payable" shall be required for the use of
 2.19 a portion of the claimant's homestead for a business purpose if the claimant does not deduct
 2.20 any business depreciation expenses for the use of a portion of the homestead in the
 2.21 determination of federal adjusted gross income. For homesteads which are manufactured
 2.22 homes as defined in section 273.125, subdivision 8, and for homesteads which are park
 2.23 trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes
 2.24 payable" shall also include ~~17 percent~~ the amount of the gross rent paid in the preceding
 2.25 year for the site on which the homestead is located, which is attributable to the net tax paid
 2.26 on the site. The amount attributable to property taxes must be determined by multiplying
 2.27 the net tax on the parcel by a fraction, the numerator of which is the gross rent paid for the
 2.28 calendar year for the site and the denominator of which is the gross rent paid for the calendar
 2.29 year for the parcel. When a homestead is owned by two or more persons as joint tenants or
 2.30 tenants in common, such tenants shall determine between them which tenant may claim the
 2.31 property taxes payable on the homestead. If they are unable to agree, the matter shall be
 2.32 referred to the commissioner of revenue whose decision shall be final. Property taxes are
 2.33 considered payable in the year prescribed by law for payment of the taxes.

3.1 In the case of a claim relating to "property taxes payable," the claimant must have owned
3.2 and occupied the homestead on January 2 of the year in which the tax is payable and (i) the
3.3 property must have been classified as homestead property pursuant to section 273.124, on
3.4 or before December 15 of the assessment year to which the "property taxes payable" relate;
3.5 or (ii) the claimant must provide documentation from the local assessor that application for
3.6 homestead classification has been made on or before December 15 of the year in which the
3.7 "property taxes payable" were payable and that the assessor has approved the application.

3.8 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in 2017
3.9 and following years.

3.10 Sec. 3. Minnesota Statutes 2016, section 290A.03, is amended by adding a subdivision to
3.11 read:

3.12 Subd. 16. **Total scheduled rent.** "Total scheduled rent" means the sum of the monthly
3.13 rents assigned to the residential rental units in the property multiplied by 12. The assigned
3.14 rents are the rents effective on April 15 of the year the rent was paid. The rents must be an
3.15 arm's-length rental, including garage rents if any, but not including charges for medical
3.16 services furnished by the landlord as a part of the rental agreement. In determining total
3.17 scheduled rent, no deduction is allowed for vacant units, uncollected rent, or reduced cash
3.18 rents in units occupied by employees or agents of the owner.

3.19 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in 2017
3.20 and following years.

3.21 Sec. 4. Minnesota Statutes 2016, section 290A.03, is amended by adding a subdivision to
3.22 read:

3.23 Subd. 17. **Net tax.** (a) "Net tax" means:

3.24 (1) the property tax, exclusive of special assessments, interest, and penalties, and after
3.25 reduction for any state-paid property tax credits as required in subdivision 13; or

3.26 (2) the payments made in lieu of ad valorem taxes, including payments of special
3.27 assessments imposed in lieu of ad valorem taxes, for the calendar year in which the rent
3.28 was paid.

3.29 (b) If a portion of the property is occupied as a homestead or is used for other than rental
3.30 purposes, the net tax is the amount of tax reduced by the percentage that the nonrental use
3.31 comprises the total square footage of the building. If a portion of the property is used for
3.32 purposes other than for residential rental and none of the property is occupied as a homestead,

4.1 the net tax is the amount of the tax of the parcel multiplied by a fraction, the numerator of
4.2 which is the net tax capacity of the residential rental portion and the denominator of which
4.3 is the total net tax capacity of the parcel. If a portion of the property is used for a purpose
4.4 other than rental residential purposes, the county treasurer shall list on the property tax
4.5 statement the amount of net tax pertaining to the rental residential portion of the property.

4.6 (c) The amount of the net tax must not be reduced by an abatement or a court-ordered
4.7 reduction in the property tax on the property made after the certificate of rent paid has been
4.8 provided to the renter.

4.9 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in 2017
4.10 and following years.

4.11 Sec. 5. Minnesota Statutes 2016, section 290A.19, is amended to read:

4.12 **290A.19 OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE.**

4.13 (a) The owner or managing agent of any property for which rent is paid for occupancy
4.14 as a homestead must furnish a certificate of rent paid to a person who is a renter on December
4.15 31, in the form prescribed by the commissioner. If the renter moves before December 31,
4.16 the owner or managing agent may give the certificate to the renter at the time of moving,
4.17 or mail the certificate to the forwarding address if an address has been provided by the
4.18 renter. The certificate must be made available to the renter before February 1 of the year
4.19 following the year in which the rent was paid. The owner or managing agent must retain a
4.20 duplicate of each certificate or an equivalent record showing the same information for a
4.21 period of three years. The duplicate or other record must be made available to the
4.22 commissioner upon request. For the purposes of this section, "owner" includes a park owner
4.23 as defined under section 327C.01, subdivision 6, and "property" includes a lot as defined
4.24 under section 327C.01, subdivision 3.

4.25 (b) If the owner or managing agent fails to provide the renter with a certificate of rent
4.26 constituting property taxes, the commissioner shall allocate the net tax on the building to
4.27 the unit on a square footage basis or other appropriate basis as the commissioner determines.
4.28 The renter shall supply the commissioner with a statement from the county treasurer that
4.29 gives the amount of property tax on the parcel, the address and property tax parcel
4.30 identification number of the property, and the number of units in the building.

4.31 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in 2017
4.32 and following years.