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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2742

03/07/2012 Authored by Morrow, Davids, Hamilton and Kath
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 taxes; modifying definition of real property;
1.3 amending Minnesota Statutes 2010, section 272.03, subdivision 1.

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

1.5 Section 1. Minnesota Statutes 2010, section 272.03, subdivision 1, is amended to read:

1.6 Subdivision 1. **Real property.** (a) For the purposes of taxation, "real property"
1.7 includes the land itself, rails, ties, and other track materials annexed to the land, and
1.8 all buildings, structures, and improvements or other fixtures on it, bridges of bridge
1.9 companies, and all rights and privileges belonging or appertaining to the land, and all
1.10 mines, iron ore and taconite minerals not otherwise exempt, quarries, fossils, and trees
1.11 on or under it.

1.12 (b) A building or structure shall include the building or structure itself, together with
1.13 all improvements or fixtures annexed to the building or structure, which are integrated
1.14 with and of permanent benefit to the building or structure, regardless of the present use
1.15 of the building, and which cannot be removed without substantial damage to itself or to
1.16 the building or structure.

1.17 (c)(i) Real property does not include tools, implements, machinery, and equipment
1.18 attached to or installed in real property for use in the business or production activity
1.19 conducted thereon, regardless of size, weight or method of attachment, and mine shafts,
1.20 tunnels, and other underground openings used to extract ores and minerals taxed under
1.21 chapter 298 together with steel, concrete, and other materials used to support such
1.22 openings.

1.23 (ii) The exclusion provided in clause (i) shall not apply to machinery and equipment
1.24 includable as real estate by paragraphs (a) and (b) even though such machinery and

2.1 equipment is used in the business or production activity conducted on the real property if
2.2 and to the extent such business or production activity consists of furnishing services or
2.3 products to other buildings or structures which are subject to taxation under this chapter.

2.4 (iii) The exclusion provided in clause (i) does not apply to the exterior shell of a
2.5 structure which constitutes walls, ceilings, roofs, or floors if the shell of the structure has
2.6 structural, insulation, or temperature control functions or provides protection from the
2.7 elements. Such an exterior shell is included in the definition of real property even if it
2.8 also has special functions distinct from that of a building.

2.9 (d) The term real property does not include tools, implements, machinery,
2.10 equipment, poles, lines, cables, wires, conduit, and station connections which are part of a
2.11 telephone communications system, regardless of attachment to or installation in real
2.12 property and regardless of size, weight, or method of attachment or installation.

2.13 (e) The term real property does not include fermentation tanks and beer wells which
2.14 are part of a biofuels production process, regardless of attachment to or installation in real
2.15 property, and regardless of size, weight, or method of attachment or installation.