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State of Minnesota
HOUSE OF REPRESENTATIVES
NINETIETH SESSION

H. F. No. 4175

03/22/2018 Authored by Sauke, Marquart, Poppe, Hornstein, Carlson, A., and others
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; creating a new property classification for in-home
1.3 day care facilities; amending Minnesota Statutes 2016, section 273.124, subdivision
1.4 1; Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22.

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

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

1.7 Subdivision 1. **General rule.** (a) Residential real estate that is occupied and used for
1.8 the purposes of a homestead by its owner, who must be a Minnesota resident, is a residential
1.9 homestead.

1.10 Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used
1.11 as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

1.12 Dates for establishment of a homestead and homestead treatment provided to particular
1.13 types of property are as provided in this section.

1.14 Property held by a trustee under a trust is eligible for homestead classification if the
1.15 requirements under this chapter are satisfied.

1.16 The assessor shall require proof, as provided in subdivision 13, of the facts upon which
1.17 classification as a homestead may be determined. Notwithstanding any other law, the assessor
1.18 may at any time require a homestead application to be filed in order to verify that any
1.19 property classified as a homestead continues to be eligible for homestead status.

1.20 Notwithstanding any other law to the contrary, the Department of Revenue may, upon
1.21 request from an assessor, verify whether an individual who is requesting or receiving
1.22 homestead classification has filed a Minnesota income tax return as a resident for the most
1.23 recent taxable year for which the information is available.

2.1 When there is a name change or a transfer of homestead property, the assessor may
2.2 reclassify the property in the next assessment unless a homestead application is filed to
2.3 verify that the property continues to qualify for homestead classification.

2.4 (b) For purposes of this section, homestead property shall include property which is used
2.5 for purposes of the homestead but is separated from the homestead by a road, street, lot,
2.6 waterway, or other similar intervening property. The term "used for purposes of the
2.7 homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings
2.8 commonly associated with a homestead, but shall not include vacant land held primarily
2.9 for future development. In order to receive homestead treatment for the noncontiguous
2.10 property, the owner must use the property for the purposes of the homestead, and must apply
2.11 to the assessor, both by the deadlines given in subdivision 9. After initial qualification for
2.12 the homestead treatment, additional applications for subsequent years are not required.

2.13 (c) Residential real estate that is occupied and used for purposes of a homestead by a
2.14 relative of the owner is a homestead but only to the extent of the homestead treatment that
2.15 would be provided if the related owner occupied the property. For purposes of this paragraph
2.16 and paragraph (g), "relative" means a parent, stepparent, child, stepchild, grandparent,
2.17 grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship may be by blood
2.18 or marriage. Property that has been classified as seasonal residential recreational property
2.19 at any time during which it has been owned by the current owner or spouse of the current
2.20 owner will not be reclassified as a homestead unless it is occupied as a homestead by the
2.21 owner; this prohibition also applies to property that, in the absence of this paragraph, would
2.22 have been classified as seasonal residential recreational property at the time when the
2.23 residence was constructed. Neither the related occupant nor the owner of the property may
2.24 claim a property tax refund under chapter 290A for a homestead occupied by a relative. In
2.25 the case of a residence located on agricultural land, only the house, garage, and immediately
2.26 surrounding one acre of land shall be classified as a homestead under this paragraph, except
2.27 as provided in paragraph (d).

2.28 (d) Agricultural property that is occupied and used for purposes of a homestead by a
2.29 relative of the owner, is a homestead, only to the extent of the homestead treatment that
2.30 would be provided if the related owner occupied the property, and only if all of the following
2.31 criteria are met:

2.32 (1) the relative who is occupying the agricultural property is a grandchild, child, sibling,
2.33 or parent of the owner of the agricultural property or of the spouse of the owner;

2.34 (2) the owner of the agricultural property must be a Minnesota resident;

3.1 (3) the owner of the agricultural property must not receive homestead treatment on any
3.2 other agricultural property in Minnesota; and

3.3 (4) the owner of the agricultural property is limited to only one agricultural homestead
3.4 per family under this paragraph.

3.5 Neither the related occupant nor the owner of the property may claim a property tax
3.6 refund under chapter 290A for a homestead occupied by a relative qualifying under this
3.7 paragraph. For purposes of this paragraph, "agricultural property" means the house, garage,
3.8 other farm buildings and structures, and agricultural land.

3.9 Application must be made to the assessor by the owner of the agricultural property to
3.10 receive homestead benefits under this paragraph. The assessor may require the necessary
3.11 proof that the requirements under this paragraph have been met.

3.12 (e) In the case of property owned by a property owner who is married, the assessor must
3.13 not deny homestead treatment in whole or in part if only one of the spouses occupies the
3.14 property and the other spouse is absent due to: (1) marriage dissolution proceedings, (2)
3.15 legal separation, (3) employment or self-employment in another location, or (4) other
3.16 personal circumstances causing the spouses to live separately, not including an intent to
3.17 obtain two homestead classifications for property tax purposes. To qualify under clause (3),
3.18 the spouse's place of employment or self-employment must be at least 50 miles distant from
3.19 the other spouse's place of employment, and the homesteads must be at least 50 miles distant
3.20 from each other.

3.21 (f) The assessor must not deny homestead treatment in whole or in part if:

3.22 (1) in the case of a property owner who is not married, the owner is absent due to
3.23 residence in a nursing home, boarding care facility, or an elderly assisted living facility
3.24 property as defined in section 273.13, subdivision 25a, and the property is not otherwise
3.25 occupied; or

3.26 (2) in the case of a property owner who is married, the owner or the owner's spouse or
3.27 both are absent due to residence in a nursing home, boarding care facility, or an elderly
3.28 assisted living facility property as defined in section 273.13, subdivision 25a, and the property
3.29 is not occupied or is occupied only by the owner's spouse.

3.30 (g) If an individual is purchasing property with the intent of claiming it as a homestead
3.31 and is required by the terms of the financing agreement to have a relative shown on the deed
3.32 as a co-owner, the assessor shall allow a full homestead classification. This provision only
3.33 applies to first-time purchasers, whether married or single, or to a person who had previously

4.1 been married and is purchasing as a single individual for the first time. The application for
 4.2 homestead benefits must be on a form prescribed by the commissioner and must contain
 4.3 the data necessary for the assessor to determine if full homestead benefits are warranted.

4.4 (h) If residential or agricultural real estate is occupied and used for purposes of a
 4.5 homestead by a child of a deceased owner and the property is subject to jurisdiction of
 4.6 probate court, the child shall receive relative homestead classification under paragraph (c)
 4.7 or (d) to the same extent they would be entitled to it if the owner was still living, until the
 4.8 probate is completed. For purposes of this paragraph, "child" includes a relationship by
 4.9 blood or by marriage.

4.10 ~~(i) If a single-family home, duplex, or triplex classified as either residential homestead~~
 4.11 ~~or agricultural homestead is also used to provide licensed child care, the portion of the~~
 4.12 ~~property used for licensed child care must be classified as a part of the homestead property.~~

4.13 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

4.14 Sec. 2. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended
 4.15 to read:

4.16 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and
 4.17 (c), real estate which is residential and used for homestead purposes is class 1a. In the case
 4.18 of a duplex or triplex in which one of the units is used for homestead purposes, the entire
 4.19 property is deemed to be used for homestead purposes. The market value of class 1a property
 4.20 must be determined based upon the value of the house, garage, and land.

4.21 The first \$500,000 of market value of class 1a property has a net classification rate of
 4.22 one percent of its market value; and the market value of class 1a property that exceeds
 4.23 \$500,000 has a classification rate of 1.25 percent of its market value.

4.24 (b) Class 1b property includes homestead real estate or homestead manufactured homes
 4.25 used for the purposes of a homestead by:

4.26 (1) any person who is blind as defined in section 256D.35, or the blind person and the
 4.27 blind person's spouse;

4.28 (2) any person who is permanently and totally disabled or by the disabled person and
 4.29 the disabled person's spouse; or

4.30 (3) the surviving spouse of a permanently and totally disabled veteran homesteading a
 4.31 property classified under this paragraph for taxes payable in 2008.

5.1 Property is classified and assessed under clause (2) only if the government agency or
5.2 income-providing source certifies, upon the request of the homestead occupant, that the
5.3 homestead occupant satisfies the disability requirements of this paragraph, and that the
5.4 property is not eligible for the valuation exclusion under subdivision 34.

5.5 Property is classified and assessed under paragraph (b) only if the commissioner of
5.6 revenue or the county assessor certifies that the homestead occupant satisfies the requirements
5.7 of this paragraph.

5.8 Permanently and totally disabled for the purpose of this subdivision means a condition
5.9 which is permanent in nature and totally incapacitates the person from working at an
5.10 occupation which brings the person an income. The first \$50,000 market value of class 1b
5.11 property has a net classification rate of .45 percent of its market value. The remaining market
5.12 value of class 1b property is classified as class 1a or class 2a property, whichever is
5.13 appropriate.

5.14 (c) Class 1c property is commercial use real and personal property that abuts public
5.15 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by
5.16 the Department of Natural Resources, and is devoted to temporary and seasonal residential
5.17 occupancy for recreational purposes but not devoted to commercial purposes for more than
5.18 250 days in the year preceding the year of assessment, and that includes a portion used as
5.19 a homestead by the owner, which includes a dwelling occupied as a homestead by a
5.20 shareholder of a corporation that owns the resort, a partner in a partnership that owns the
5.21 resort, or a member of a limited liability company that owns the resort even if the title to
5.22 the homestead is held by the corporation, partnership, or limited liability company. For
5.23 purposes of this paragraph, property is devoted to a commercial purpose on a specific day
5.24 if any portion of the property, excluding the portion used exclusively as a homestead, is
5.25 used for residential occupancy and a fee is charged for residential occupancy. Class 1c
5.26 property must contain three or more rental units. A "rental unit" is defined as a cabin,
5.27 condominium, townhouse, sleeping room, or individual camping site equipped with water
5.28 and electrical hookups for recreational vehicles. Class 1c property must provide recreational
5.29 activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill
5.30 or cross-country ski equipment; provide marina services, launch services, or guide services;
5.31 or sell bait and fishing tackle. Any unit in which the right to use the property is transferred
5.32 to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies
5.33 for class 1c even though it may remain available for rent. A camping pad offered for rent
5.34 by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of
5.35 the rental agreement, as long as the use of the camping pad does not exceed 250 days. If

6.1 the same owner owns two separate parcels that are located in the same township, and one
6.2 of those properties is classified as a class 1c property and the other would be eligible to be
6.3 classified as a class 1c property if it was used as the homestead of the owner, both properties
6.4 will be assessed as a single class 1c property; for purposes of this sentence, properties are
6.5 deemed to be owned by the same owner if each of them is owned by a limited liability
6.6 company, and both limited liability companies have the same membership. The portion of
6.7 the property used as a homestead is class 1a property under paragraph (a). The remainder
6.8 of the property is classified as follows: the first \$600,000 of market value is tier I, the next
6.9 \$1,700,000 of market value is tier II, and any remaining market value is tier III. The
6.10 classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25
6.11 percent. Owners of real and personal property devoted to temporary and seasonal residential
6.12 occupancy for recreation purposes in which all or a portion of the property was devoted to
6.13 commercial purposes for not more than 250 days in the year preceding the year of assessment
6.14 desiring classification as class 1c, must submit a declaration to the assessor designating the
6.15 cabins or units occupied for 250 days or less in the year preceding the year of assessment
6.16 by January 15 of the assessment year. Those cabins or units and a proportionate share of
6.17 the land on which they are located must be designated as class 1c as otherwise provided.
6.18 The remainder of the cabins or units and a proportionate share of the land on which they
6.19 are located must be designated as class 3a commercial. The owner of property desiring
6.20 designation as class 1c property must provide guest registers or other records demonstrating
6.21 that the units for which class 1c designation is sought were not occupied for more than 250
6.22 days in the year preceding the assessment if so requested. The portion of a property operated
6.23 as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5)
6.24 other nonresidential facility operated on a commercial basis not directly related to temporary
6.25 and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

6.26 (d) Class 1d property includes structures that meet all of the following criteria:

6.27 (1) the structure is located on property that is classified as agricultural property under
6.28 section 273.13, subdivision 23;

6.29 (2) the structure is occupied exclusively by seasonal farm workers during the time when
6.30 they work on that farm, and the occupants are not charged rent for the privilege of occupying
6.31 the property, provided that use of the structure for storage of farm equipment and produce
6.32 does not disqualify the property from classification under this paragraph;

6.33 (3) the structure meets all applicable health and safety requirements for the appropriate
6.34 season; and

7.1 (4) the structure is not salable as residential property because it does not comply with
7.2 local ordinances relating to location in relation to streets or roads.

7.3 The market value of class 1d property has the same classification rates as class 1a property
7.4 under paragraph (a).

7.5 (e) Class 1e is any portion of homestead property classified as class 1a, 1b, or 2a that is
7.6 used to provide licensed family day care or group family day care under Minnesota Rules,
7.7 chapter 9502. Class 1e property has a classification rate of 0.5 percent of market value.

7.8 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.