

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 768

(SENATE AUTHORS: DAHLE and Sparks)

DATE	D-PG	OFFICIAL STATUS
02/12/2015	270	Introduction and first reading Referred to Taxes
02/16/2015	316	Author added Sparks

1.1 A bill for an act
 1.2 relating to taxation; income; property; providing tax incentives for barn
 1.3 preservation; amending Minnesota Statutes 2014, sections 273.11, by adding a
 1.4 subdivision; 290.0681, subdivisions 1, 3, 4, by adding a subdivision.

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

1.6 Section 1. Minnesota Statutes 2014, section 273.11, is amended by adding a
 1.7 subdivision to read:

1.8 Subd. 24. Valuation exclusion for improvements to certain barns. (a) The
 1.9 increase in assessed value added to a farm structure constructed prior to 1937 as a result
 1.10 of improvements made to the farm structure for purposes of preserving the integrity of
 1.11 the internal and external features of the structure as a barn is exempt from taxation. To
 1.12 be eligible for the exemption, the structure must have been first placed in service as a
 1.13 barn prior to 1937. The exemption applies to the assessment year beginning after the
 1.14 completion of the improvements to preserve the structure as a barn.

1.15 (b) For purposes of this subdivision, "barn" means an agricultural structure, in
 1.16 whatever shape or design, which is used for the storage of farm products or feed or for
 1.17 the housing of farm animals, poultry, or farm equipment.

1.18 (c) The assessing authority shall require an application for the valuation exclusion
 1.19 and may require proof from the taxpayer of the date the improvements were made and
 1.20 the age of the barn. The application must describe and locate the specific structure for
 1.21 which the exemption for the added value is requested. Applications for this exemption
 1.22 must be received prior to July 1 of any year in order to be effective for taxes payable in
 1.23 the following year.

2.1 (d) The valuation exclusion terminates when the property is sold or when the
2.2 structure ceases to be used as a barn. The taxpayer must notify the assessing authority
2.3 when the structure ceases to be used as a barn.

2.4 **EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and
2.5 thereafter.

2.6 Sec. 2. Minnesota Statutes 2014, section 290.0681, subdivision 1, is amended to read:

2.7 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms
2.8 have the meanings given.

2.9 (b) "Account" means the historic credit administration account in the special
2.10 revenue fund.

2.11 (c) "Office" means the State Historic Preservation Office of the Minnesota Historical
2.12 Society.

2.13 (d) "Project" means rehabilitation of: (1) a barn located in Minnesota and constructed
2.14 prior to 1937; or (2) a certified historic structure, as defined in section 47(c)(3)(A) of the
2.15 Internal Revenue Code, that is located in Minnesota and is allowed a federal credit.

2.16 (e) "Society" means the Minnesota Historical Society.

2.17 (f) "Federal credit" means the credit allowed under section 47(a)(2) of the Internal
2.18 Revenue Code.

2.19 (g) "Placed in service" has the meaning used in section 47 of the Internal Revenue
2.20 Code.

2.21 (h) "Qualified rehabilitation expenditures" has the meaning given in section 47 of
2.22 the Internal Revenue Code.

2.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
2.24 December 31, 2014.

2.25 Sec. 3. Minnesota Statutes 2014, section 290.0681, is amended by adding a subdivision
2.26 to read:

2.27 Subd. 2a. **Credit allowed; barn.** (a) A credit is allowed against the tax imposed
2.28 under this chapter equal to 25 percent of the qualified rehabilitation costs on an eligible
2.29 barn. The rehabilitation costs must equal at least \$25,000 or 25 percent of the fair market
2.30 value of the barn, excluding the land, prior to its rehabilitation, whichever is less. In
2.31 computing the tax credit, the only costs which may be included are the rehabilitation costs
2.32 incurred between the period ending on the project completion date and beginning on the
2.33 date two years prior to the project completion date.

3.1 (b) For purposes of this section, qualified rehabilitation costs include amounts if
3.2 they are properly includable in computing the basis for tax purposes of the eligible barn.
3.3 Amounts treated as an expense and deducted in the tax year in which they are paid or
3.4 incurred and amounts that are otherwise not added to the basis for tax purposes of the
3.5 eligible barn are not qualified rehabilitation costs. Amounts incurred for architectural and
3.6 engineering fees, site survey fees, legal expenses, insurance premiums, development fees,
3.7 and other construction-related costs are qualified rehabilitation costs to the extent they
3.8 are added to the basis for tax purposes of the eligible barn.

3.9 (c) For a barn that is eligible for the credit under this subdivision and subdivision
3.10 2, the taxpayer may apply for either credit, but not both.

3.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
3.12 December 31, 2014.

3.13 Sec. 4. Minnesota Statutes 2014, section 290.0681, subdivision 3, is amended to read:

3.14 Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this
3.15 section, the developer of a project must apply to the office before the rehabilitation begins.
3.16 The application must contain the information and be in the form prescribed by the office.
3.17 The office may collect a fee for application of up to 0.5 percent of qualified rehabilitation
3.18 expenditures, up to \$40,000, based on estimated qualified rehabilitation expenditures, to
3.19 offset costs associated with personnel and administrative expenses related to administering
3.20 the credit and preparing the economic impact report in subdivision 9. Application fees are
3.21 deposited in the account. The application must indicate if the application is for a credit
3.22 or a grant in lieu of the credit or a combination of the two and designate the taxpayer
3.23 qualifying for the credit or the recipient of the grant.

3.24 (b) Upon approving an application for credit allowed under subdivision 2, the office
3.25 shall issue allocation certificates that:

3.26 (1) verify eligibility for the credit or grant;

3.27 (2) state the amount of credit or grant anticipated with the project, with the credit
3.28 amount equal to 100 percent and the grant amount equal to 90 percent of the federal
3.29 credit anticipated in the application;

3.30 (3) state that the credit or grant allowed may increase or decrease if the federal
3.31 credit the project receives at the time it is placed in service is different than the amount
3.32 anticipated at the time the allocation certificate is issued; and

3.33 (4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer
3.34 or grant recipient is entitled to receive the credit or grant at the time the project is placed

4.1 in service, provided that date is within three calendar years following the issuance of
4.2 the allocation certificate.

4.3 (c) Upon approving an application for credit allowed under subdivision 2a, the
4.4 office shall issue allocation certificates that:

4.5 (1) verify eligibility for the credit;

4.6 (2) state the amount of the credit anticipated with the project, with the credit amount
4.7 equal to 25 percent of the qualified rehabilitation costs on an eligible barn; and

4.8 (3) state the fiscal year in which the credit is allocated, and that the taxpayer recipient
4.9 is entitled to receive the credit at the time the project is placed in service, provided that
4.10 date is within two calendar years following the issuance of the allocation certificate.

4.11 ~~(e)~~ (d) The office, in consultation with the commissioner, shall determine if the
4.12 project is eligible for a credit or a grant under this section and must notify the developer
4.13 in writing of its determination. Eligibility for the credit is subject to review and audit by
4.14 the commissioner.

4.15 ~~(d)~~ (e) The federal credit recapture and repayment requirements under section 50 of
4.16 the Internal Revenue Code do not apply to the credit allowed under this section.

4.17 ~~(e)~~ (f) Any decision of the office under paragraph (c) may be challenged as a
4.18 contested case under chapter 14. The contested case proceeding must be initiated within
4.19 45 days of the date of written notification by the office.

4.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.21 December 31, 2014.

4.22 Sec. 5. Minnesota Statutes 2014, section 290.0681, subdivision 4, is amended to read:

4.23 Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which
4.24 the office has issued an allocation certificate must notify the office when the project is
4.25 placed in service. Upon verifying that the project has been placed in service, and, if
4.26 applicable, was allowed a federal credit, the office must issue a credit certificate to the
4.27 taxpayer designated in the application or must issue a grant to the recipient designated in
4.28 the application. The credit certificate must state the amount of the credit.

4.29 (2) For credits allowed under subdivision 2, the credit amount equals the federal
4.30 credit allowed for the project.

4.31 (3) The grant amount equals 90 percent of the federal credit allowed for the project.

4.32 (4) For credits allowed under subdivision 2a, the credit amount equals 25 percent of
4.33 the qualified rehabilitation costs on an eligible barn.

4.34 (b) The recipient of a credit certificate allowed under subdivision 2 may assign the
4.35 certificate to another taxpayer, which is then allowed the credit under this section or

5.1 section 297I.20, subdivision 3. An assignment is not valid unless the assignee notifies the
5.2 commissioner within 30 days of the date that the assignment is made. The commissioner
5.3 shall prescribe the forms necessary for notifying the commissioner of the assignment of a
5.4 credit certificate and for claiming a credit by assignment.

5.5 (c) Credits passed through to partners, members, shareholders, or owners pursuant to
5.6 subdivision 5 are not an assignment of a credit certificate under this subdivision.

5.7 (d) A grant agreement between the office and the recipient of a grant may allow the
5.8 grant to be issued to another individual or entity.

5.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
5.10 December 31, 2014.

5.11 Sec. 6. **PURPOSE.**

5.12 The public interest is served by encouraging the preservation of historic agricultural
5.13 structures that are potentially subject to decay or demolition, thus maintaining the
5.14 historic rural character of the state's landscape, sustaining agricultural traditions, and
5.15 providing an attractive scenic environment for work and recreation of the state's citizens
5.16 and visitors. It is also in the public interest to prevent the loss of historic agricultural
5.17 structures due to property taxation at values incompatible with their preservation. The
5.18 means for encouraging preservation of historic agricultural structures is the acquisition of
5.19 discretionary preservation easements by town or city governments to ensure preservation
5.20 of such structures which provide a demonstrated public benefit.