

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 1332

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DATE	D-PG	OFFICIAL STATUS
03/04/2015	526	Introduction and first reading Referred to Taxes

1.1 A bill for an act
 1.2 relating to taxation; property; modifying the requirements for class 1c property;
 1.3 modifying the treatment of leased seasonal-recreational land; amending
 1.4 Minnesota Statutes 2014, sections 272.0213; 273.13, subdivision 22.

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

1.6 Section 1. Minnesota Statutes 2014, section 272.0213, is amended to read:

1.7 **272.0213 LEASED SEASONAL-RECREATIONAL LAND.**

1.8 (a) ~~A county board may elect, by resolution, to~~ Qualified lands, as defined in this
 1.9 section, are exempt from taxation, including the tax under section 273.19, ~~qualified lands.~~

1.10 "Qualified lands" for purposes of this section means property that:

1.11 (1) is owned by a county, city, town, or the state; and

1.12 (2) is rented by the entity for noncommercial seasonal-recreational ~~or,~~

1.13 noncommercial seasonal-recreational residential use; ~~and,~~ or class 1c commercial

1.14 seasonal-recreational residential use.

1.15 ~~(3) was rented for the purposes specified in clause (2) and was exempt from taxation~~
 1.16 ~~for property taxes payable in 2008.~~

1.17 (b) Lands owned by the federal government and rented for noncommercial

1.18 seasonal-recreational ~~or,~~ noncommercial seasonal-recreational residential, or class 1c

1.19 commercial seasonal-recreational residential use are exempt from taxation, including the

1.20 tax under section 273.19.

1.21 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

1.22 Sec. 2. Minnesota Statutes 2014, section 273.13, subdivision 22, is amended to read:

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

2.6 The first \$500,000 of market value of class 1a property has a net classification rate
2.7 of one percent of its market value; and the market value of class 1a property that exceeds
2.8 \$500,000 has a classification rate of 1.25 percent of its market value.

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

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

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

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

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

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

2.24 Permanently and totally disabled for the purpose of this subdivision means a
2.25 condition which is permanent in nature and totally incapacitates the person from working
2.26 at an occupation which brings the person an income. The first \$50,000 market value of
2.27 class 1b property has a net classification rate of .45 percent of its market value. The
2.28 remaining market value of class 1b property has a classification rate using the rates for
2.29 class 1a or class 2a property, whichever is appropriate, of similar market value.

2.30 (c) Class 1c property is commercial use real and personal property that abuts public
2.31 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by
2.32 the Department of Natural Resources, and is devoted to temporary and seasonal residential
2.33 occupancy for recreational purposes but not devoted to commercial purposes for more
2.34 than 250 days in the year preceding the year of assessment, and that includes a portion
2.35 used as a homestead by the owner, which includes a dwelling occupied as a homestead
2.36 by a shareholder of a corporation that owns the resort, a partner in a partnership that

owns the resort, or a member of a limited liability company that owns the resort ~~even~~
if, whether the title to the homestead is held by the corporation, partnership, or limited
liability company, or by a shareholder of a corporation who owns the resort, a partner in a
partnership who owns the resort, or a member of a limited liability company who owns
the resort. For purposes of this paragraph, property is devoted to a commercial purpose
on a specific day if any portion of the property, excluding the portion used exclusively
as a homestead, is used for residential occupancy and a fee is charged for residential
occupancy. Class 1c property 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. Class 1c property
must provide recreational activities such as the rental of ice fishing houses, boats and
motors, snowmobiles, downhill or cross-country ski equipment; provide marina services,
launch services, or guide services; or sell bait and fishing tackle. Any unit in which the
right to use the property is transferred to an individual or entity by deeded interest, or the
sale of shares or stock, no longer qualifies for class 1c even though it may remain available
for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c
is also class 1c, regardless of the term of the rental agreement, as long as the use of the
camping pad does not exceed 250 days. If the same owner owns two separate parcels that
are located in the same township, and one of those properties is classified as a class 1c
property and the other would be eligible to be classified as a class 1c property if it was
used as the homestead of the owner, both properties will be assessed as a single class 1c
property; for purposes of this sentence, properties are deemed to be owned by the same
owner if each of them is owned by a limited liability company, and both limited liability
companies have the same membership. The portion of the property used as a homestead
is class 1a property under paragraph (a). The remainder of the property is classified as
follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value
is tier II, and any remaining market value is tier III. The classification rates for class 1c
are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and
personal property devoted to temporary and seasonal residential occupancy for recreation
purposes in which all or a portion of the property was devoted to commercial purposes for
not more than 250 days in the year preceding the year of assessment desiring classification
as class 1c, 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 as class 1c as otherwise provided. The remainder of
the cabins or units and a proportionate share of the land on which they are located must be

4.1 designated as class 3a commercial. The owner of property desiring designation as class
4.2 1c property must provide guest registers or other records demonstrating that the units for
4.3 which class 1c designation is sought were not occupied for more than 250 days in the
4.4 year preceding the assessment if so requested. The portion of a property operated as a
4.5 (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other
4.6 nonresidential facility operated on a commercial basis not directly related to temporary
4.7 and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

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

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

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

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

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

4.19 The market value of class 1d property has the same classification rates as class
4.20 1a property under paragraph (a).

4.21 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.