

S.F. No. 552, as introduced - 87th Legislative Session (2011-2012) [11-1340]

2.1 improvements for a single project or in any one year must add at least \$5,000 to the value
2.2 of the property to be eligible for exclusion under this subdivision. Only improvements to
2.3 the structure which is the residence of the qualifying homesteader or construction of or
2.4 improvements to no more than one two-car garage per residence qualify for the provisions
2.5 of this subdivision. ~~If an improvement was begun between January 2, 1992, and January~~
2.6 ~~2, 1993, any value added from that improvement for the January 1994 and subsequent~~
2.7 ~~assessments shall qualify for exclusion under this subdivision provided that a building~~
2.8 ~~permit was obtained for the improvement between January 2, 1992, and January 2, 1993.~~
2.9 Whenever a building permit is issued for property currently classified as homestead, the
2.10 issuing jurisdiction shall notify the property owner of the possibility of valuation exclusion
2.11 under this subdivision. The assessor shall require an application, including documentation
2.12 of the age of the house from the owner, if unknown by the assessor. The application may
2.13 be filed subsequent to the date of the building permit provided that the application must be
2.14 filed within three years of the date the building permit was issued for the improvement. If
2.15 the property lies in a jurisdiction which is not subject to a building permit process, the
2.16 application must be filed within three years of the date the improvement was made. The
2.17 assessor may require proof from the taxpayer of the date the improvement was made.
2.18 Applications must be received prior to July 1 of any year in order to be effective for
2.19 taxes payable in the following year.

2.20 No exclusion for an improvement may be granted by a local board of review or
2.21 county board of equalization, and no abatement of the taxes for qualifying improvements
2.22 may be granted by the county board unless (1) a building permit was issued prior to the
2.23 commencement of the improvement if the jurisdiction requires a building permit, and
2.24 (2) an application was completed.

2.25 (e) The assessor shall note the qualifying value of each improvement on the
2.26 property's record, and the sum of those amounts shall be subtracted from the value of the
2.27 property in each year for ten years after the improvement has been made. After ten years
2.28 the amount of the qualifying value shall be added back as follows:

2.29 (1) 50 percent in the two subsequent assessment years if the qualifying value is equal
2.30 to or less than \$10,000 market value; or

2.31 (2) 20 percent in the five subsequent assessment years if the qualifying value is
2.32 greater than \$10,000 market value.

2.33 (f) If an application is filed after the first assessment date at which an improvement
2.34 could have been subject to the valuation exclusion under this subdivision, the ten-year
2.35 period during which the value is subject to exclusion is reduced by the number of years
2.36 that have elapsed since the property would have qualified initially. The valuation exclusion

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3.1 shall terminate whenever (1) the property is sold, or (2) the property is reclassified to
3.2 class which does not qualify for treatment under this subdivision. Improvements made by
3.3 an occupant who is the purchaser of the property under a conditional purchase contract
3.4 do not qualify under this subdivision unless the seller of the property is a governmental
3.5 entity. The qualifying value of the property shall be computed based upon the increase
3.6 from that structure's market value as of January 2 preceding the acquisition of the property
3.7 by the governmental entity.

3.8 (g) The total qualifying value for a homestead may not exceed \$50,000. The total
3.9 qualifying value for a homestead with a house that is less than 70 years old may not
3.10 exceed \$25,000. The term "qualifying value" means the increase in estimated market
3.11 value resulting from the improvement if the improvement occurs when the house is at
3.12 least 70 years old, or one-half of the increase in estimated market value resulting from the
3.13 improvement otherwise. The \$25,000 and \$50,000 maximum qualifying value under this
3.14 subdivision may result from multiple improvements to the homestead.

3.15 (h) If 50 percent or more of the square footage of a structure is voluntarily razed
3.16 or removed, the valuation increase attributable to any subsequent improvements to the
3.17 remaining structure does not qualify for the exclusion under this subdivision. If a structure
3.18 is unintentionally or accidentally destroyed by a natural disaster, the property is eligible
3.19 for an exclusion under this subdivision provided that the structure was not completely
3.20 destroyed. The qualifying value on property destroyed by a natural disaster shall be
3.21 computed based upon the increase from that structure's market value as determined on
3.22 January 2 of the year in which the disaster occurred. A property receiving benefits under
3.23 the homestead disaster provisions under sections 273.1231 to 273.1235 is not disqualified
3.24 from receiving an exclusion under this subdivision. If any combination of improvements
3.25 made to a structure after January 1, ~~1993~~ 2010, increases the size of the structure by 100
3.26 percent or more, the valuation increase attributable to the portion of the improvement that
3.27 causes the structure's size to exceed 100 percent does not qualify for exclusion under
3.28 this subdivision.

3.29 **EFFECTIVE DATE.** This section is effective for improvements initially subject to
3.30 assessment on January 2, 2012, and thereafter.

3.31 Sec. 2. Minnesota Statutes 2010, section 273.11, is amended by adding a subdivision to
3.32 read:

3.33 **Subd. 24. Value exclusion for certain improvements.** (a) Improvements to
3.34 commercial or industrial property, not including utility property, shall be fully or partially
3.35 excluded from the value of the property for assessment purposes provided that (1) the

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4.1 building is at least 45 years old at the time of the improvement and (2) the assessor's
4.2 estimated market value of the property on January 2 of the current year is equal to or
4.3 less than \$2,000,000.

4.4 (b) For purposes of determining this eligibility, "property" means land and buildings.

4.5 (c) The age of a building is the number of years since the original year of its
4.6 construction. In the case of a building that is relocated, the relocation must be from a
4.7 location within the state and the only improvements eligible for exclusion under this
4.8 subdivision are (1) those for which building permits were issued to the property owner
4.9 after the building was relocated to its present site, and (2) those undertaken during or after
4.10 the year the building is initially occupied by the property owner, excluding any market
4.11 value increase relating to basic improvements that are necessary to install the building on
4.12 its foundation and connect it to utilities at its present site.

4.13 (d) If the property is located in a jurisdiction that is subject to a building permit
4.14 process, a building permit must have been issued prior to commencement of the
4.15 improvement. The improvements for a single project or in any one year must add at
4.16 least 12 percent to the market value of the property to be eligible for exclusion under
4.17 this subdivision. Whenever a building permit is issued for property currently classified
4.18 as commercial-industrial, the issuing jurisdiction shall notify the property owner of the
4.19 possibility of valuation exclusion under this subdivision. The assessor shall require an
4.20 application and may require proof from the taxpayer of the date the improvement was
4.21 made and the age of the building. The application may be filed after the date of the
4.22 building permit, provided that the application must be filed within three years of the
4.23 date the building permit was issued for the improvement. If the property is located in a
4.24 jurisdiction that is not subject to a building permit process, the application must be filed
4.25 within three years of the date the improvement was made. Applications must be received
4.26 before July 1 of any year in order to be effective for taxes payable in the following year.

4.27 No exclusion for an improvement may be granted by a local board of review or
4.28 county board of equalization, and no abatement of the taxes for qualifying improvements
4.29 may be granted by the county board unless (1) a building permit was issued before the
4.30 commencement of the improvement if the jurisdiction requires a building permit, and
4.31 (2) an application was completed.

4.32 (e) The assessor shall note the qualifying value of each improvement on the
4.33 property's record, and the sum of those amounts shall be subtracted from the value of the
4.34 property in each year for ten years after the improvement has been made. After ten years
4.35 the amount of the qualifying value shall be added back as follows:

5.1 (1) 50 percent in the two subsequent assessment years if the qualifying value is equal
5.2 to or less than \$40,000 market value; or

5.3 (2) 20 percent in the five subsequent assessment years if the qualifying value is
5.4 greater than \$40,000 market value.

5.5 (f) If an application is filed after the first assessment date at which an improvement
5.6 could have been subject to the valuation exclusion under this subdivision, the ten-year
5.7 period during which the value is subject to exclusion is reduced by the number of years
5.8 that have elapsed since the property would have qualified initially. The valuation
5.9 exclusion terminates when (1) the property is sold, or (2) the property is reclassified to a
5.10 class that does not qualify for treatment under this subdivision. Improvements made by
5.11 an occupant who is the purchaser of the property under a conditional purchase contract
5.12 do not qualify under this subdivision unless the seller of the property is a governmental
5.13 entity. The qualifying value of the property shall be computed based upon the increase
5.14 from that structure's market value as of January 2 preceding the acquisition of the property
5.15 by the governmental entity.

5.16 (g) The total qualifying value for a property under this subdivision may not exceed
5.17 \$250,000. The total qualifying value for a commercial or industrial property with a
5.18 building that is less than 70 years old may not exceed \$125,000. The term "qualifying
5.19 value" means the increase in estimated market value resulting from the improvement if the
5.20 improvement occurs when the building is at least 70 years old, or one-half of the increase
5.21 in estimated market value resulting from the improvement otherwise. The \$125,000 and
5.22 \$250,000 maximum qualifying value under this subdivision may result from multiple
5.23 improvements to the building.

5.24 (h) If 50 percent or more of the square footage of a structure is voluntarily razed
5.25 or removed, the valuation increase attributable to any subsequent improvements to the
5.26 remaining structure does not qualify for the exclusion under this subdivision. If a structure
5.27 is unintentionally or accidentally destroyed by a natural disaster, the property is eligible
5.28 for an exclusion under this subdivision provided that the structure was not completely
5.29 destroyed. The qualifying value of a property destroyed by a natural disaster shall be
5.30 computed based upon the increase from that structure's market value as determined on
5.31 January 2 of the year in which the disaster occurred. A property receiving benefits under
5.32 sections 273.1231 to 273.1235 is not disqualified from receiving an exclusion under this
5.33 subdivision. If any combination of improvements made to a structure after January 1,
5.34 2011, increases the size of the structure by 100 percent or more, the valuation increase
5.35 attributable to the portion of the improvement that causes the structure's size to exceed
5.36 100 percent does not qualify for exclusion under this subdivision.

6.1 **EFFECTIVE DATE.** This section is effective for improvements initially subject to
6.2 assessment on January 2, 2012, and thereafter.