

**Subject** 4d classification rate; community land trust classification

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## Overview

Allows community land trust units that are owned and occupied as a homestead to receive a classification rate of 0.75 percent. Under current law, community land trust units are classified as residential homesteads and have a classification rate of one percent for the first \$500,000 of market value, and a rate of 1.25 percent on any value over this amount. The bill also allows community land trust properties to qualify for property tax refunds.

Additionally, the bill reduces the classification rate of 4d low-income rental properties to 0.25 percent, requires counties to survey owners of 4d rental properties as to how they use the property tax reductions from the reduced classification rate, and provides a 4d transition aid for certain cities.

## Summary

| Section | Description |
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| 1 | <b>Community land trusts.</b> |
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States that community land trust units that are owned and used as a homestead by the occupant can qualify for the 4d(2) property tax classification of 0.75 percent.

**Effective date:** This section is effective beginning with assessment year 2024.

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| 2 | <b>Requirement.</b> |
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Updates a reference to class 4d property. This is a conforming change to provisions in section 5.

**Effective date:** This section is effective beginning with assessment year 2024.

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| 3 | <b>Approval.</b> |
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Requires owners of apartments to receive approval from the city or town where the properties are located before applying to receive the 4d(1) property tax classification, provided that the property is located in a city or town where the total net tax

| <b>Section</b> | <b>Description</b>   |
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|                | <p>capacity of 4d(1) property exceeds two percent of the total net tax capacity in the jurisdiction.</p> <p><b>Effective date:</b> This section is effective beginning with assessment year 2024.</p>  |
| 4              | <p><b>Application.</b></p> <p>Updates a cross reference. This is a conforming change to section 3.</p> <p><b>Effective date:</b> This section is effective beginning with assessment year 2024.</p>  |
| 5              | <p><b>Class 4.</b></p> <p>Sets the classification rate at 0.75 percent for any community land trust unit (class 4d(2) property) that is owned and used as a homestead by the occupant, provided that (i) the community land trust owns the real property on which the unit is located, and (ii) the unit owner is a member in good standing of the community land trust. This section also sets the classification rate of 4d(1) property (low-income apartments) at 0.25 percent.</p> <p><b>Effective date:</b> This section is effective beginning with assessment year 2024 and thereafter.</p> |
| 6              | <p><b>Homestead.</b></p> <p>Allows properties receiving the class 4d(2) classification (community land trusts) under section 5 to qualify for property tax refunds.</p> <p><b>Effective date:</b> This section is effective for refund claims based on taxes payable in 2025 and thereafter.</p>   |
| 7              | <p><b>Class 4d(1); class-rate reduction property tax savings report.</b></p> <p>Requires each county to identify ten properties receiving the 4d(1) (low-income apartments) classification and survey the owners of these properties as to how each owner used property tax savings resulting from the 4d(1) classifications. The survey results would then be reported to the commissioner of revenue and the legislative committees with jurisdiction over taxes.</p> <p><b>Effective date:</b> This section is effective the day following final enactment.</p>                                 |
| 8              | <p><b>Class 4d low-income rental property 2025 and 2026 transition aid.</b></p> <p>Provides two years of transition aid to cities based on each city's tax base loss due to the class rate reduction of 4d(1) property in section 5. A city's aid in each year would be equal to the product of (1) the percentage loss of 4d(1) tax base resulting from the reduced class rate, times (2) the net tax capacity of 4d(1) property in the city that</p>   |

**Section** **Description**

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exceeds two percent of the total net tax capacity in the city in assessment year 2023, times (3) the city's tax rate for property taxes payable in 2024.

**Effective date:** This section is effective for aid payable in calendar year 2025 and 2026 only.



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