

1.1 A bill for an act
1.2 relating to taxation; property; modifying tier limits for homestead resort properties;
1.3 amending Minnesota Statutes 2022, section 273.13, subdivision 22.

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

1.5 Section 1. Minnesota Statutes 2022, section 273.13, subdivision 22, is amended to read:

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

1.11 The first \$500,000 of market value of class 1a property has a net classification rate of
1.12 one percent of its market value; and the market value of class 1a property that exceeds
1.13 \$500,000 has a classification rate of 1.25 percent of its market value.

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

1.16 (1) any person who is blind as defined in section 256D.35, or the person who is blind
1.17 and the spouse of the person who is blind;

1.18 (2) any person who is permanently and totally disabled or by the person with a disability
1.19 and the spouse of the person with a disability; or

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

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

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

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

2.14 (c) Class 1c property is commercial use real and personal property that abuts public
2.15 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by
2.16 the Department of Natural Resources, and is devoted to temporary and seasonal residential
2.17 occupancy for recreational purposes but not devoted to commercial purposes for more than
2.18 250 days in the year preceding the year of assessment, and that includes a portion used as
2.19 a homestead by the owner, which includes a dwelling occupied as a homestead by a
2.20 shareholder of a corporation that owns the resort, a partner in a partnership that owns the
2.21 resort, or a member of a limited liability company that owns the resort even if the title to
2.22 the homestead is held by the corporation, partnership, or limited liability company. For
2.23 purposes of this paragraph, property is devoted to a commercial purpose on a specific day
2.24 if any portion of the property, excluding the portion used exclusively as a homestead, is
2.25 used for residential occupancy and a fee is charged for residential occupancy. Class 1c
2.26 property must contain three or more rental units. A "rental unit" is defined as a cabin,
2.27 condominium, townhouse, sleeping room, or individual camping site equipped with water
2.28 and electrical hookups for recreational vehicles. Class 1c property must provide recreational
2.29 activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill
2.30 or cross-country ski equipment; provide marina services, launch services, or guide services;
2.31 or sell bait and fishing tackle. Any unit in which the right to use the property is transferred
2.32 to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies
2.33 for class 1c even though it may remain available for rent. A camping pad offered for rent
2.34 by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of
2.35 the rental agreement, as long as the use of the camping pad does not exceed 250 days. If

3.1 the same owner owns two separate parcels that are located in the same township, and one
3.2 of those properties is classified as a class 1c property and the other would be eligible to be
3.3 classified as a class 1c property if it was used as the homestead of the owner, both properties
3.4 will be assessed as a single class 1c property; for purposes of this sentence, properties are
3.5 deemed to be owned by the same owner if each of them is owned by a limited liability
3.6 company, and both limited liability companies have the same membership. The portion of
3.7 the property used as a homestead is class 1a property under paragraph (a). The remainder
3.8 of the property is classified as follows: the first ~~\$600,000~~ \$1,100,000 of market value is tier
3.9 I, the next ~~\$1,700,000~~ \$2,600,000 of market value is tier II, and any remaining market value
3.10 is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent;
3.11 and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and
3.12 seasonal residential occupancy for recreation purposes in which all or a portion of the
3.13 property was devoted to commercial purposes for not more than 250 days in the year
3.14 preceding the year of assessment desiring classification as class 1c, must submit a declaration
3.15 to the assessor designating the cabins or units occupied for 250 days or less in the year
3.16 preceding the year of assessment by January 15 of the assessment year. Those cabins or
3.17 units and a proportionate share of the land on which they are located must be designated as
3.18 class 1c as otherwise provided. The remainder of the cabins or units and a proportionate
3.19 share of the land on which they are located must be designated as class 3a commercial. The
3.20 owner of property desiring designation as class 1c property must provide guest registers or
3.21 other records demonstrating that the units for which class 1c designation is sought were not
3.22 occupied for more than 250 days in the year preceding the assessment if so requested. The
3.23 portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center
3.24 or meeting room, and (5) other nonresidential facility operated on a commercial basis not
3.25 directly related to temporary and seasonal residential occupancy for recreation purposes
3.26 does not qualify for class 1c.

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

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

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

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

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

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

4.5 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2025.