

**PROPERTY TAX**  
**Community land trust property classification modification**

February 15, 2022

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>		<b>X</b>

Department of Revenue  
 Analysis of H.F. 2300 (Richardson) as proposed to be amended by HF2300DE1

	<b>Fund Impact</b>			
	<b>F.Y. 2022</b>	<b>F.Y. 2023</b>	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>
	(000's)			
Property Tax Refund Interaction	\$0	\$0	\$810	\$810

Effective beginning with taxes payable in 2023.

**EXPLANATION OF THE BILL**

Under current law, property owned by a community land trust and used as a homestead by qualifying individuals is classified as 1a residential homestead property with a classification rate of 1.00% for the first \$500,000 of market value and 1.25% for any remaining value.

The proposal would create a new classification for property owned by a community land trust and used as a homestead by the occupant. These properties would be classified as 4d(2) community land trust units with a classification rate of 0.75%. The community land trust must certify to the assessor by December 15 each year that the community land trust owns the real property on which the unit is located and the owner is a member in good standing of the community land trust. Additionally, the assessor must determine the market value of these properties without regard to any restrictions that apply because it's a community land trust property.

**REVENUE ANALYSIS DETAIL**

- According to the Minnesota Community Land Trust Coalition, there are 12 community land trust organizations in Minnesota that have a portfolio of over 1,250 homes throughout the state.
- It is assumed that about \$270 million of market value would change from class 1a residential homestead to class 4d(2) community land trust units under the proposal.
- Property taxes would shift away from properties becoming class 4d(2) and onto all other properties, including homesteads. As a result, property tax refunds paid by the state would increase by \$30,000 beginning in fiscal year 2024.
- Homestead properties changing to class 4d(2) would no longer be eligible for property tax refunds. As a result, property tax refunds paid by the state would decrease by \$840,000 beginning in fiscal year 2024.

## PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	Creates another property tax classification.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

*The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.*

Source: Minnesota Department of Revenue  
Property Tax Division – Research Unit  
<https://www.revenue.state.mn.us/revenue-analyses>

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