HOUSE RESEARCH
Bill Summary

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Subject: Property; reduced class rate for certain unimproved lakeshore

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Overview

This bill establishes a new property class for certain unimproved real estate bordering public waters. The new class 2c has a class rate of 0.5 percent of market value if certain criteria is met. Under current law the class rate on this property varies, depending upon ownership, from 1.0 percent to 1.65 percent.

The owner must sign a covenant agreeing to keep the land in its undeveloped state for the duration of the covenant. The property owner may terminate the covenant, but needs to give an 8- year notice of termination. Upon termination of the covenant, additional taxes are due relating to the last 7 years that the property was valued and assessed as class 2c property. The language relating to the covenant in this bill is similar to the covenant on property which is enrolled in the Metropolitan Agricultural Preserve Program, Chapter 473H.

Effective for taxes payable in 2002 and thereafter.

Section

1 **Class 2c undeveloped lakeshore.** Provides a new class 2c for certain unimproved real estate, excluding agricultural land, that meets all the criteria in clauses (1) to (4). Class 2c has a class rate of 0.5 percent. They are:

(1) the property consists of at least 200 contiguous feet of unimproved real estate that borders public waters as defined under section 103G.005, subdivision 15, paragraph (a), clauses (1) to (5) and (7) to (9);

(2) the unimproved real estate is located within 400 feet from the ordinary high water elevation of the water. "Unimproved" means that the property qualifying contains no structures, no docks or landings on its shoreline, natural terrain and vegetation has not

been disturbed, or has been restored to native vegetation;

(3)

the owner of the property files an application by July 1 with the county assessor for classification for the subsequent assessment; and

(4)

the owner of the property signs a covenant agreement and files the covenant with the county assessor in the county where the property is located. The covenant agreement must include all of the following:

(i) legal description of the area included in the covenant;

(ii) name and address of the owner;

(iii) a statement that the land described in the covenant must be kept as undeveloped land for the length of the covenant;

(iv) a statement that the landowner may initiate expiration of the covenant agreement by notifying the county assessor. The date of expiration must be at least 8 years from the date of the expiration notice;

(v) a statement that the covenant is binding on the owner or owner's successor or assignee, and runs with the land; and

(vi) a witnessed signature of the owner covenanting to keep the land in its undeveloped state as it existed on the date of the covenant was signed.

Upon expiration of the covenant, additional taxes are due. The amount of additional taxes due equals the difference between the taxes actually imposed on the property and the taxes that would have been imposed for the last seven years if the property had been valued and assessed if class 2c did not apply. No interest and penalties are levied on the additional taxes if timely paid. The tax imposed is a lien on the property to the same extent as other real property taxes.

Effective date. This section is effective for the 2001 assessment and thereafter, taxes payable in 2002 and thereafter. For taxes payable in 2002, the application date is extended to September 1, 2001.