HOUSE RESEARCH

Bill Summary

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Subject: Providing for a "Green Acres" program for Class 1c homesteaded resorts

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Overview

Establishes a valuation and tax deferment program for class 1c homesteaded resorts that is identical to the agricultural "Green Acres" program. The taxes imposed are based on the use as a resort, and when the property no longer qualifies (e.g. is sold), the property is subject to additional taxes for the current year and for the two previous years. The amount due for each of those years is the difference between the amount of taxes actually paid and the amount that would have been paid if the valuation and deferment program had not existed. Special local assessments levied after June 30, 2003, are deferred (with interest) until the property no longer qualifies. Effective for taxes levied in 2003, payable in 2004 and thereafter.

Section

1 **Homestead resorts; valuation and deferment.** Provides for a valuation and tax deferment program for class 1c property.

Subd. 1. Requirements. Provides that real property that is classified as class 1c is entitled to valuation and tax deferment under this section. If only a part of the resort is classified as class 1c, only that portion of the value classified as class 1c qualifies for treatment under this program.

Subd. 2. Determination of value. Requires that the value of real property qualifying under this section must be valued by the assessor solely with reference to its classification value as class 1c property. The assessor shall not consider any added

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values resulting from other factors.

Subd. 3. Separate determination of market value and tax. Provides that the assessor shall also make a separate determination of the estimated market value (EMV) of the property based on its "highest and best" use and shall record the tax based upon that EMV and the appropriate local tax rate on the assessment records.

Subd. 4. Application. Provides that application for deferment of taxes and assessment under this section must be filed by May 1 of the year prior to the year in which the taxes are payable. The application must be filed with the assessor of the county where the property is located on a form prescribed by the commissioner of revenue. The assessor may require proof that the property qualifies. Once the application is approved by the assessor, it continues in effect for subsequent years until the property no longer qualifies.

Subd. 5. Additional taxes. Requires that when property valued under this section no longer qualifies under subdivision 1, the portion that no longer qualifies is subject to additional taxes, in an amount equal to the difference between the taxes actually paid by the owner (based upon the value determined in subd. 2) and the amount of taxes which would have been imposed if the property had not received a valuation and tax deferment under this section (based on the value and taxes determined under subd. 3). The amount of tax determined under subdivision 3 must not be greater than it would have been had the actual bona fide sale price been used in lieu of the assessor's EMV.

The additional tax (described above) must be extended against the property on the tax list for the current year, and for the two years immediately preceding the current year. If that total tax amount is timely paid, no interest or penalties will be assessed.

Subd. 6. Lien. Provides that the tax imposed under subdivision 5 is a lien on the property. The tax must be extended by the county auditor and when payable must be collected and distributed in the same manner as other property taxes.

Subd. 7. Special assessments. Defers all payment of local special assessments levied against this property after June 30, 2003, and all interest as long as the property qualifies for treatment under this section. Any governmental unit which defers these special assessments shall file a certificate with the county recorder with a legal description of the property. When the property no longer qualifies under this section, all deferred special assessments and interest are payable in equal installments spread over the time remaining on the bonds that were issued for the improvement. If the bonds have matured, the deferred special assessments and interest are payable within 90 days. A penalty must not be levied if timely paid.

Subd. 8. Continuation of tax treatment upon sale. Provides that when real property qualifying for this tax deferment is sold, no additional taxes, deferred special assessments, or interest may be levied against the property if the property continues to qualify under subdivision 1 (i.e. it remains class 1c property) and the new owner files an application for continued deferment within 30 days after the sale.

Subd. 9. Applicability of special assessment provisions. Provides that this section applies to special local assessments levied after June 30, 2003, but shall not apply to any special assessments levied at any time by a county or district court under chapter

Section

166A (public water and sewer systems).

Effective date. Provides that this section is effective for taxes levied in 2003, payable in 2004, and thereafter. For taxes payable in 2004 only, the application deadline is extended to August 1, 2003.