

HOUSE RESEARCH

Bill Summary

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Subject: Nonprofit community service-oriented organizations

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Overview

Authorizes a reduced property classification rate for nonprofit community service-oriented organizations (e.g. VFW, American Legion, Knights of Columbus, etc.) that make annual charitable contributions of at least equal to 50 percent of their previous year's property taxes. Currently this property is class 3a commercial. Effective for assessment year 2007 and thereafter, taxes payable in 2008 and thereafter.

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- 1** **Class 4c.** Expands the 4c property classification to nonprofit community service-oriented organizations that make charitable contributions and donations at least equal to 50 percent of the organization's previous year's property taxes. This portion of class 4c has a class rate of 1.5 percent and is not subject to the state general tax rate.

Under current law, this type of property is classified commercial class 3a (the first \$150,000 market value has a rate of 1.5 percent, the market value over \$150,000 has a rate of 2 percent, and the property is subject to the state general tax rate). Property taxes on these properties would generally be reduced by at least 30 percent through this reclassification.

Under current law, real property up to a maximum of one acre that is owned by a nonprofit community service-oriented organization qualifies for class 4c if the property is not used for revenue producing activity for more than six days in the calendar year preceding the year of

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the assessment. H.F. 469 leaves that option, but adds a second alternative to qualify and extends the maximum land size to 2 acres. This acreage is made larger primarily to allow for parking lots. Provides that an organization qualifies if it makes annual charitable contributions and donations at least equal to 50 percent of the organization's previous year's property taxes. The types of organizations that would be affected by this bill are the VFWs, American Legions, Knights of Columbus, etc.

Defines "charitable contributions and donations" as (1) having the same meaning as the lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs and utility payments and (2) estimates of forgone rental income for allowing other nonprofit organizations the use of its facilities for no charge.

The allowable contributions and donations under section 349.12, subdivision 25, include:

- ▶ contributions to scholarship funds for defraying the cost of education;
- ▶ contributions to an individual or family suffering from poverty, homelessness, physical or mental disability;
- ▶ contributions for treatment for delayed posttraumatic stress syndrome or for the education, treatment or prevention of compulsive gambling;
- ▶ contribution or expenditures on a public or private nonprofit educational institution; recreation, community, and athletic facilities and activities intended primarily for persons under the age of 21;
- ▶ contributions to member of military marching or color guard unit; etc.

Defines "property taxes" as excluding the state general tax.

Requires the organization to maintain records of its charitable contributions and donations and the nonprofit organizations allowed to use their facilities for no charge, and to make them available upon request at any time to the assessor to ensure eligibility. Requires an organization meeting these requirements to file an application by May 1 on a form prescribed by the commissioner of revenue.

Effective for the 2007 assessment and thereafter, taxes payable in 2008 and thereafter. For the 2007 assessment year, the application deadline is extended to September 15, 2007.