HOUSE RESEARCH
Bill Summary

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Subject: Seasonal Recreational Property Tax Deferral Program

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Overview

H.F. 511 establishes a property tax deferral program for owners of seasonal-recreational property, which would defer 50 percent of the property tax amount in excess of the tax amount in the year of application for the program, payable upon transfer of the property or the death of the owner.

Section

1 **Seasonal recreational property tax deferral program.** Establishes the "seasonal recreational property tax deferral program" (sections 2 to 9).

2 **Terms.**

Subdivision 1. Terms. Defines the terms used in this section.

Subd.2. Primary property owner. "Primary property owner " means a person (1) who has been the owner, or one of the owners, of the eligible property for at least 15 years prior to filing the application to be in the program; and (2) applies for the deferral of the property taxes.

Subd. 3. Secondary property owner. "Secondary property owner" means any person, other than the primary property owner, who has been an owner of the eligible property for at least 15 years prior to the year the initial application is filed for deferral of property taxes.

Subd. 4. Eligible property. "Eligible property" means a parcel of property or contiguous parcels of property under the same ownership and classified as noncommercial seasonal residential recreational property (i.e., cabins).

Subd. 5. Base property tax amount. "Base property tax amount" means the total property taxes levied by all taxing jurisdictions, including special assessments, on the eligible property in the year prior to the year that the initial application is approved and payable in the year of that application.

Subd. 6. Special assessments. "Special assessments" mean any assessment, fee, or other change that may be made by law, and that appears on the property tax statement for the property for collection under the laws and enforcement of real estate taxes.

Subd.7. Commissioner. "Commissioner" means the commissioner of revenue.

3 **Qualifications for deferral.** Defines the criteria needed for a property to qualify for deferral:

(1) the property must have been owned by the primary owner for at least 15 years prior to enrolling in the deferral program.

(2) there can be no state or federal tax liens or judgment liens on the property;

(3) there can be no mortgages or other liens on the property except for those subject to the credit limits under clause (4); and

(4) the total amount of secured debt on the property, including mortgages and other liens, delinquent special assessments, and delinquent property taxes, but not including the current year's property taxes, may not exceed 60 percent of the property's estimated market value.

4 **Application for deferral.**

Subdivision 1. Initial application. (a) Requires an owner of a qualified property to file an application on or before July 1 of any year in order for property taxes payable in the forthcoming year to qualify for deferral. The application must include:

(1) the name, address and social security number of the primary owner and any secondary owners;

(2) a copy of the current year's property tax statement;

(3) the initial year of ownership of the primary owner and any secondary owners;

(4) information on all loans secured by mortgages or other liens on the property; and

(5) the signature of the primary owner and all other owners, stating that they agree to having the property enrolled in the program.

The application must state that program participation is voluntary, including authorization for the annual deferred amount. Provides that the deferred tax amount is public data.

(b) Allows the commissioner of revenue to ask for a report by a licensed abstracter in the case of abstract property seeking enrollment in the deferral program.

Subd. 2. Approval; recording. Requires the commissioner of revenue to notify applicants of enrollment prior to December 1 for taxes payable in the following year, and to file a notice of qualification for deferral with the county recorder.

Subd. 3. Penalty for failure; investigations. Requires the commissioner to assess a penalty equal to 20 percent of the deferred tax in the case of a false application, or 50 percent in the case of the taxpayer knowingly filing a false application.

Subd. 4. Annual certification to commissioner. Requires the primary property owner to certify annually by July 1 that the property continues to qualify for the program. Requires that if the primary owner has died or has transferred the property, the primary owner's spouse or a secondary owner may make the certification, and in that case that person will become the primary owner. Provides that if neither the primary owner, the primary owner's spouse nor a secondary owner are eligible to file the annual certification, the property's participation in the program will terminate and payment of the deferred taxes must be made.

Subd. 5. Annual notice to primary owner. Requires the commissioner of revenue to annually notify the primary owner of the total amount of deferred taxes for each participating property.

5 **Deferred property tax amount.**

Subd. 1. Calculation of deferred property tax amount. Provides that the deferred tax amount for a qualifying property each year is 50 percent of the amount by which the current year's property tax (including special assessments) exceeds the property taxes in the base year (year of application). Provides that any tax attributable to improvements made to the property since the base year are not subject to deferral. Also provides that the deferred tax amount is to be shown on the tax statement.

Subd. 2. Certification to commissioner. Provides that the county auditor shall annually by April 15 certify the amount of deferred taxes to the commissioner of revenue for each qualifying property.

Subd. 3. Limitation on amount of deferred taxes. Provides that the total amount of deferred taxes on a property, when added to any unpaid special assessments and/or property taxes and the balance owed on any mortgages at the time of application and the amount of other secured liens at the time of application, must not exceed 60 percent of the property's estimated market value.

6 **Lien; deferred portion.** (a) Provides that interest on the deferred taxes will accrue at a rate not to exceed two percent more than the interest rate on deferred taxes under the senior deferral program in chapter 290B.

(b) Provides that the deferred taxes become a lien on the property. Contains standard language pertaining to what happens when the property taxes are not paid on the property participating in the program.

7 **Termination of deferral; payment of deferred taxes.**

Subdivision 1. Termination. (a) Provides for program termination whenever:

(1) the eligible property is transferred to someone other than the primary owner's

spouse or a secondary owner;

(2) the primary owner dies, or in the case of a married couple both spouses die, provided that there is not a secondary owner eligible to become a primary owner;

(3) the owners notify the commissioner of revenue that they no longer wish to participate in the program; or

(4) the property no longer qualifies under section 3.

(b) Provides that a property is not terminated from the program just because no taxes are deferred in any given year.

(c) Provides that if an eligible property becomes the homestead of one of the owners, and if the homeowner qualifies for the senior deferral program, the deferred tax under the seasonal-recreational deferral program will be rolled-over to the senior deferral program.

Subd. 2. Payment upon termination. Provides that the deferred taxes become due and payable within 90 days of termination if the primary owner dies or transfers the property, or within one year if the owners opt-out of the program or if the property ceases to remain eligible.

8 **State reimbursement.** Provides that the state will pay the deferred tax amount to each county treasurer by August 31 of each taxes payable year. The county treasurer shall distribute the dollars as part of the regular October settlement. Appropriates to the commissioner of revenue annually a sum sufficient to pay the deferred tax amounts.

9 **Effective date.** Provides that sections 10 to 17 are effective for applications filed July 1, 2009, and thereafter.