HOUSE RESEARCH
Bill Summary

FILE NUMBER: H.F. 1307 **DATE:** April 6, 2015
Version: As introduced

Authors: Bernardy and others

Subject: Valuation exclusion for improvements to residential and apartment property

Analyst: Steve Hinze (steve.hinze@house.mn)

Overview

H.F. 1307 reauthorizes and makes permanent the "this old house" program of valuation exclusion for improvements to homes more than 30 years old, extends that program to non-homestead residential property, and creates a parallel program for improvements to apartment properties. Under the two programs, value attributable to an improvement is fully excluded in determining the property's taxable valuation for 10 years, and then phased in after that.

Section

1 **Valuation exclusion for certain improvements; residential property.** Permanently authorizes valuation exclusions for "this old house" improvements to properties classified as residential homestead or residential non-homestead that are at least 30 years old. Valuation exclusions for these types of improvements for residential homestead properties only had been available for improvements made between 1993 and 2003, but have not been available since then. This section renews the program for homestead properties leaving all program parameters the same, except that it reduces the minimum age for a house with an improvement to qualify from 45 years to 30 years, and extends the program to properties classified as residential non-homestead.

2 **Valuation exclusion for certain improvements; apartment property.** Creates a new valuation exclusion program for improvements to class 4a "regular" apartments and class 4d low-income apartments that are at least 30 years old, similar to the program for residential properties in section 1. The program is structured almost identically to the program for residential property, with these differences:

Section

- The valuation limit for an eligible property is $2 million, compared to $400,000 for homesteads;
- The improvement is required to add at least $10,000 to the property's value, compared to the $5,000 minimum improvement requirement for residential property;
- The maximum amount of excluded value is $250,000, compared to a $50,000 maximum for residential properties (as with residential properties, the limit is halved when the property is less than 70 years old); and
- The phaseout is extended to five years rather than two years if the valuation reduction is greater than $40,000, compared to a $10,000 threshold for homes.