



# The National Agricultural Law Center

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## States' Differential Tax Assessment of Agricultural Land Statutes

*Minnesota*



This material is based upon work supported by the National Agricultural Library, Agricultural Research Service, U.S. Department of Agriculture

# A National Agricultural Law Center Research Publication

## States' Differential Tax Assessment of Agricultural Land Statutes State of Minnesota

**Minn. Stat. §§ [273.11](#), [273.1108](#), [273.111](#), [273.13](#), [273.1325](#)  
Minn. Stat. § [473H.10](#)**

*Current with legislation through the end of the 2018 Regular Session.*

### **§ 273.11. Valuation of property**

Subdivision 1. Generally. Except as provided in this section or section 273.17, subdivision 1, all property shall be valued at its market value. The market value as determined pursuant to this section shall be stated such that any amount under \$100 is rounded up to \$100 and any amount exceeding \$100 shall be rounded to the nearest \$100. In estimating and determining such value, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor shall the assessor adopt as a criterion of value the price for which such property would sell at a forced sale, or in the aggregate with all the property in the town or district; but the assessor shall value each article or description of property by itself, and at such sum or price as the assessor believes the same to be fairly worth in money. The assessor shall take into account the effect on the market value of property of environmental factors in the vicinity of the property. In assessing any tract or lot of real property, the value of the land, exclusive of structures and improvements, shall be determined, and also the value of all structures and improvements thereon, and the aggregate value of the property, including all structures and improvements, excluding the value of crops growing upon cultivated land. In valuing real property upon which there is a mine or quarry, it shall be valued at such price as such property, including the mine or quarry, would sell for at a fair, voluntary sale, for cash, if the material being mined or quarried is not subject to taxation under section 298.015 and the mine or quarry is not exempt from the general property tax under section 298.25. In valuing real property which is vacant, platted property shall be assessed as provided in subdivisions 14a and 14c. All property, or the use thereof, which is taxable under section 272.01, subdivision 2, or 273.19, shall be valued at the market value of such property and not at the value of a leasehold estate in such property, or at some lesser value than its market value.

Subd. 1a. Repealed by Laws 2013, c. 143, art. 17, § 18, eff. May 24, 2013.

Subd. 2. Repealed by Laws 1979, c. 303, art. 2, § 38.

Subd. 3. Repealed by Laws 1975, c. 437, art. 8, § 10.

Subd. 4. Repealed by Laws 1976, c. 345, § 3.

Subd. 5. Boards of review and equalization. Notwithstanding any other provision of law to the contrary, the limitation contained in subdivisions 1 and 1a shall also apply to the



authority of the local board of review as provided in section 274.01, the county board of equalization as provided in section 274.13, the State Board of Equalization and the commissioner of revenue as provided in sections 270.11, subdivision 1, 270.12, 270C.92, and 270C.94.

Subd. 6. Solar, wind, methane gas systems. For purposes of property taxation, the market value of real and personal property installed prior to January 1, 1984, which is a solar, wind, or agriculturally derived methane gas system used as a heating, cooling, or electric power source of a building or structure shall be excluded from the market value of that building or structure if the property is not used to provide energy for sale.

Subd. 6a. Fire-safety sprinkler systems. For purposes of property taxation, the market value of automatic fire-safety sprinkler systems installed in existing buildings after January 1, 1992, meeting the standards of the Minnesota Fire Code shall be excluded from the market value of (1) existing multifamily residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence and (2) existing real estate containing four or more contiguous residential units for use by customers of the owner, such as hotels, motels, and lodging houses and (3) existing office buildings or mixed use commercial-residential buildings, in which at least one story capable of occupancy is at least 75 feet above the ground. The market value exclusion under this section shall expire if the property is sold.

Subd. 7. Repealed by Laws 1984, c. 502, art. 3, § 36.

Subd. 8. Limited equity cooperative apartments. For the purposes of this subdivision, the terms defined in this subdivision have the meanings given them.

A “limited equity cooperative” is a corporation organized under chapter 308A or 308B, which has as its primary purpose the provision of housing and related services to its members which meets one of the following criteria with respect to the income of its members: (1) a minimum of 75 percent of members must have incomes at or less than 90 percent of area median income, (2) a minimum of 40 percent of members must have incomes at or less than 60 percent of area median income, or (3) a minimum of 20 percent of members must have incomes at or less than 50 percent of area median income. For purposes of this clause, “member income” shall mean the income of a member existing at the time the member acquires cooperative membership, and median income shall mean the St. Paul-Minneapolis metropolitan area median income as determined by the United States Department of Housing and Urban Development. It must also meet the following requirements:

(a) The articles of incorporation set the sale price of occupancy entitling cooperative shares or memberships at no more than a transfer value determined as provided in the articles. That value may not exceed the sum of the following:

- (1) the consideration paid for the membership or shares by the first occupant of the unit, as shown in the records of the corporation;
- (2) the fair market value, as shown in the records of the corporation, of any improvements to the real property that were



installed at the sole expense of the member with the prior approval of the board of directors;

(3) accumulated interest, or an inflation allowance not to exceed the greater of a ten percent annual noncompounded increase on the consideration paid for the membership or share by the first occupant of the unit, or the amount that would have been paid on that consideration if interest had been paid on it at the rate of the percentage increase in the revised Consumer Price Index for All Urban Consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States Department of Labor, provided that the amount determined pursuant to this clause may not exceed \$500 for each year or fraction of a year the membership or share was owned; plus

(4) real property capital contributions shown in the records of the corporation to have been paid by the transferor member and previous holders of the same membership, or of separate memberships that had entitled occupancy to the unit of the member involved. These contributions include contributions to a corporate reserve account the use of which is restricted to real property improvements or acquisitions, contributions to the corporation which are used for real property improvements or acquisitions, and the amount of principal amortized by the corporation on its indebtedness due to the financing of real property acquisition or improvement or the averaging of principal paid by the corporation over the term of its real property-related indebtedness.

(b) The articles of incorporation require that the board of directors limit the purchase price of stock or membership interests for new member-occupants or resident shareholders to an amount which does not exceed the transfer value for the membership or stock as defined in clause (a).

(c) The articles of incorporation require that the total distribution out of capital to a member shall not exceed that transfer value.

(d) The articles of incorporation require that upon liquidation of the corporation any assets remaining after retirement of corporate debts and distribution to members will be conveyed to a charitable organization described in section 501(c)(3) of the Internal Revenue Code or a public agency.

A “limited equity cooperative apartment” is a dwelling unit owned by a limited equity cooperative.

“Occupancy entitling cooperative share or membership” is the ownership interest in a cooperative organization which entitles the holder to an exclusive right to occupy a dwelling unit owned or leased by the cooperative.

For purposes of taxation, the assessor shall value a unit owned by a limited equity cooperative at the lesser of its market value or the value determined by



capitalizing the net operating income of a comparable apartment operated on a rental basis at the capitalization rate used in valuing comparable buildings that are not limited equity cooperatives. If a cooperative fails to operate in accordance with the provisions of clauses (a) to (d), the property shall be subject to additional property taxes in the amount of the difference between the taxes determined in accordance with this subdivision for the last ten years that the property had been assessed pursuant to this subdivision and the amount that would have been paid if the provisions of this subdivision had not applied to it. The additional taxes, plus interest at the rate specified in section 549.09, shall be extended against the property on the tax list for the current year.

Subd. 9. Condominium property. Notwithstanding any other provision of law to the contrary, for purposes of property taxation, condominium property shall be valued in accordance with this subdivision.

(a) A structure or building that is initially constructed as condominiums shall be identified as separate units after the filing of a declaration. The market value of the residential units in that structure or building and included in the declaration shall be valued as condominiums.

(b) When 60 percent or more of the residential units in a structure or building being converted to condominiums have been sold as condominiums including those units that the converters retain for their own investment, the market value of the remaining residential units in that structure or building which are included in the declaration shall be valued as condominiums. If not all of the residential units in the structure or building are included in the declaration, the 60 percent factor shall apply to those in the declaration. A separate description shall be recognized when a declaration is filed. For purposes of this paragraph, “retain” shall mean units that are rented and completed units that are not available for sale.

(c) For purposes of this subdivision, a “sale” is defined as the date when the first written document for the purchase or conveyance of the property is signed, unless that document is revoked.

Subd. 10. Repealed by Laws 1999, c. 243, art. 5, § 54, par. (a).

Subd. 11. Valuation of restored or preserved wetland. Wetlands restored by the federal, state, or local government, or by a nonprofit organization, or preserved under the terms of a temporary or perpetual easement by the federal or state government, must be valued by assessors at their wetland value. “Wetland value” in this subdivision means the market value of wetlands in any potential use in which the wetland character is not permanently altered. Wetland value shall not reflect potential uses of the wetland that would violate the terms of any existing conservation easement, or any one-time payment received by the wetland owner under the terms of a state or federal conservation easement. Wetland value shall reflect any potential income consistent with a property's wetland character, including but not limited to lease payments for hunting or other recreational uses. The commissioner of revenue shall issue a bulletin advising assessors of the provisions of this section by October 1, 1991.



For purposes of this subdivision, “wetlands” means lands transitional between terrestrial and aquatic systems where the water table is usually at or near the surface or the land is covered by shallow water. For purposes of this definition, wetlands must have the following three attributes:

- (1) have a predominance of hydric soils;
- (2) are inundated or saturated by surface or ground water at a frequency and duration sufficient to support a prevalence of hydrophytic vegetation typically adapted for life in saturated soil conditions; and
- (3) under normal circumstances support a prevalence of such vegetation.

Subd. 12. Community land trusts.

(a) A community land trust, as defined under chapter 462A, is (i) a community-based nonprofit corporation organized under chapter 317A, which qualifies for tax exempt status under 501(c)(3), or (ii) a “city” as defined in section 462C.02, subdivision 6, which has received funding from the Minnesota housing finance agency for purposes of the community land trust program. The Minnesota Housing Finance Agency shall set the criteria for community land trusts.

(b) All occupants of a community land trust building must have a family income of less than 80 percent of the greater of (1) the state median income, or (2) the area or county median income, as most recently determined by the Department of Housing and Urban Development. Before the community land trust can rent or sell a unit to an applicant, the community land trust shall verify to the satisfaction of the administering agency or the city that the family income of each person or family applying for a unit in the community land trust building is within the income criteria provided in this paragraph. The administering agency or the city shall verify to the satisfaction of the county assessor that the occupant meets the income criteria under this paragraph. The property tax benefits under paragraph (c) shall be granted only to property owned or rented by persons or families within the qualifying income limits. The family income criteria and verification is only necessary at the time of initial occupancy in the property.

(c) A unit which is owned by the occupant and used as a homestead by the occupant qualifies for homestead treatment as class 1a under section 273.13, subdivision 22. A unit which is rented by the occupant and used as a homestead by the occupant shall be class 4a or 4b property, under section 273.13, subdivision 25, whichever is applicable. Any remaining portion of the property not used for residential purposes shall be classified by the assessor in the appropriate class based upon the use of that portion of the property owned by the community land trust. The land upon which the building is located shall be assessed at the same classification rate as the units within the building, provided that if the building contains some units assessed as class 1a and some units assessed as class 4a or 4b, the market value of the land will be assessed in the same proportions as the value of the building.

Subd. 13. Valuation of income-producing property. Only accredited assessors or senior accredited assessors or other licensed assessors who have successfully completed at least two income-producing property appraisal courses may value income-producing property for ad valorem tax purposes. “Income-producing property” as used in this subdivision means the taxable property in class 3a and 3b in section 273.13, subdivision 24; class 4a and 4c, except for seasonal recreational property not used for commercial purposes; and class 5



in section 273.13, subdivision 31. "Income-producing property" includes any property in class 4e in section 273.13, subdivision 25, that would be income-producing property under the definition in this subdivision if it were not substandard. "Income-producing property appraisal course" as used in this subdivision means a course of study of approximately 30 instructional hours, with a final comprehensive test. An assessor must successfully complete the final examination for each of the two required courses. The course must be approved by the board of assessors.

Subd. 14. Repealed by Laws 2008, c. 366, art. 6, § 52, par. (b), eff. Jan. 1, 2008.

Subd. 14a. Vacant land platted on or after August 1, 2001; located in metropolitan counties.

(a) Except as provided in subdivision 14c, all land platted on or after August 1, 2001, located in a metropolitan county, and not improved with a permanent structure, shall be assessed as provided in this subdivision. The assessor shall determine the market value of each individual lot based upon the highest and best use of the property as unplatted land. In establishing the market value of the property, the assessor shall consider the sale price of the unplatted land or comparable sales of unplatted land of similar use and similar availability of public utilities.

(b) The market value determined in paragraph (a) shall be increased as follows for each of the three assessment years immediately following the final approval of the plat: one-third of the difference between the property's unplatted market value as determined under paragraph (a) and the market value based upon the highest and best use of the land as platted property shall be added in each of the three subsequent assessment years.

(c) Any increase in market value after the first assessment year following the plat's final approval shall be added to the property's market value in the next assessment year. Notwithstanding paragraph (b), if the property is sold or transferred, or construction begins before the expiration of the three years in paragraph (b), that lot shall be eligible for revaluation in the next assessment year. The market value of a platted lot determined under this subdivision shall not exceed the value of that lot based upon the highest and best use of the property as platted land.

(d) For purposes of this section, "metropolitan county" means the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Subd. 14b. Vacant land platted on or after August 1, 2001; located in nonmetropolitan counties.

(a) All land platted on or after August 1, 2001, located in a nonmetropolitan county, and not improved with a permanent structure, shall be assessed as provided in this subdivision. The assessor shall determine the market value of each individual lot based upon the highest and best use of the property as unplatted land. In establishing the market value of the property, the assessor shall consider the sale price of the unplatted land or comparable sales of unplatted land of similar use and similar availability of public utilities.

(b) The market value determined in paragraph (a) shall be increased as follows for each of the seven assessment years immediately following the final





approval of the plat: one-seventh of the difference between the property's unplatted market value as determined under paragraph (a) and the market value based upon the highest and best use of the land as platted property shall be added in each of the seven subsequent assessment years.

(c) Any increase in market value after the first assessment year following the plat's final approval shall be added to the property's market value in the next assessment year. Notwithstanding paragraph (b), if the property is sold or transferred, or construction begins before the expiration of the seven years in paragraph (b), that lot shall be eligible for revaluation in the next assessment year. The market value of a platted lot determined under this subdivision shall not exceed the value of that lot based upon the highest and best use of the property as platted land.

Subd. 14c. Certain vacant land platted on or after August 1, 2001; located in metropolitan county.

(a) All land platted on or after August 1, 2001, located in a metropolitan county and not improved with a structure shall be eligible for the phase-in assessment schedule under this subdivision, provided the property (i) is classified homestead under section 273.13, subdivision 22 or 23, in the assessment year prior to the year the initial platting begins on the property; (ii) has been owned or part-owned by the same person for the ten consecutive years prior to the initial platting; and (iii) remains under the same ownership in the current assessment year.

(b) Based upon the assessor's records, the assessor shall obtain the estimated market value of each individual lot based upon the highest and best use of the property as unplatted land for the assessment year that the property was platted. In establishing the market value of the property, the assessor shall have considered the sale price of the unplatted land or comparable sales of unplatted land of similar use and similar availability of public utilities.

(c) To the market value determined in paragraph (b) shall be added one-seventh of the difference between the property's unplatted market value as determined under paragraph (b) and the market value based upon the highest and best use of the land as platted property in the current year, multiplied by the number of assessment years since the property was platted, in each of the subsequent assessment years.

(d) Notwithstanding paragraph (c), if the property is sold or transferred, or construction begins before the expiration of the phase-in in paragraph (c), that lot shall be eligible for revaluation in the next assessment year. The market value of a platted lot determined under this subdivision shall not exceed the value of that lot based upon the highest and best use of the property as platted land.

(e) Any owner of eligible property platted before July 1, 2008, must file an application with the assessor in order to receive the phase-in under this subdivision for the





remainder of the seven-year period. The application must be filed before July 1 in order for the property to be eligible for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions.

(f) For purposes of this section, "metropolitan county" means the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Subd. 15. Vacant hospitals. In valuing a hospital, as defined in section 144.50, subdivision 2, that is located outside of a metropolitan county, as defined in section 473.121, subdivision 4, and that on the date of sale is vacant and not used for hospital purposes or for any other purpose, the assessor's estimated market value for taxes levied in the year of the sale shall be no greater than the sales price of the property, including both the land and the buildings, as adjusted for terms of financing. If the sale is made later than December 15, the market value as determined under this subdivision shall be used for taxes levied in the following year. This subdivision applies only if the sales price of the property was determined under an arm's-length transaction.

Subd. 16. Valuation exclusion for certain improvements.

(a) Improvements to homestead property made before January 2, 2003, shall be fully or partially excluded from the value of the property for assessment purposes provided that (1) the house is at least 45 years old at the time of the improvement and (2) the assessor's estimated market value of the house on January 2 of the current year is equal to or less than \$400,000.

(b) For purposes of determining this eligibility, "house" means land and buildings.

(c) The age of a residence is the number of years since the original year of its construction. In the case of a residence that is relocated, the relocation must be from a location within the state and the only improvements eligible for exclusion under this subdivision are (1) those for which building permits were issued to the homeowner after the residence was relocated to its present site, and (2) those undertaken during or after the year the residence is initially occupied by the homeowner, excluding any market value increase relating to basic improvements that are necessary to install the residence on its foundation and connect it to utilities at its present site. In the case of an owneroccupied duplex or triplex, the improvement is eligible regardless of which portion of the property was improved.

(d) If the property lies in a jurisdiction which is subject to a building permit process, a building permit must have been issued prior to commencement of the improvement. The improvements for a single project or in any one year must add at least \$5,000 to the value of the property to be eligible for exclusion under this subdivision. Only improvements to the structure which is the residence of the qualifying homesteader or construction of or improvements to no more than one two-car garage per residence qualify for the provisions of this subdivision. If an improvement was begun between January 2, 1992, and January 2, 1993, any value added from that improvement for the January 1994 and subsequent assessments shall qualify for exclusion under this subdivision provided that a building permit was



obtained for the improvement between January 2, 1992, and January 2, 1993. Whenever a building permit is issued for property currently classified as homestead, the issuing jurisdiction shall notify the property owner of the possibility of valuation exclusion under this subdivision. The assessor shall require an application, including documentation of the age of the house from the owner, if unknown by the assessor. The application may be filed subsequent to the date of the building permit provided that the application must be filed within three years of the date the building permit was issued for the improvement. If the property lies in a jurisdiction which is not subject to a building permit process, the application must be filed within three years of the date the improvement was made. The assessor may require proof from the taxpayer of the date the improvement was made. Applications must be received prior to July 1 of any year in order to be effective for taxes payable in the following year.

No exclusion for an improvement may be granted by a local board of review or county board of equalization, and no abatement of the taxes for qualifying improvements may be granted by the county board unless (1) a building permit was issued prior to the commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed.

(e) The assessor shall note the qualifying value of each improvement on the property's record, and the sum of those amounts shall be subtracted from the value of the property in each year for ten years after the improvement has been made. After ten years the amount of the qualifying value shall be added back as follows:

- (1) 50 percent in the two subsequent assessment years if the qualifying value is equal to or less than \$10,000 market value; or
- (2) 20 percent in the five subsequent assessment years if the qualifying value is greater than \$10,000 market value.

(f) If an application is filed after the first assessment date at which an improvement could have been subject to the valuation exclusion under this subdivision, the ten-year period during which the value is subject to exclusion is reduced by the number of years that have elapsed since the property would have qualified initially. The valuation exclusion shall terminate whenever (1) the property is sold, or (2) the property is reclassified to a class which does not qualify for treatment under this subdivision. Improvements made by an occupant who is the purchaser of the property under a conditional purchase contract do not qualify under this subdivision unless the seller of the property is a governmental entity. The qualifying value of the property shall be computed based upon the increase from that structure's market value as of January 2 preceding the acquisition of the property by the governmental entity.

(g) The total qualifying value for a homestead may not exceed \$50,000. The total qualifying value for a homestead with a house that is less than 70 years old may not exceed \$25,000. The term "qualifying value" means the increase in estimated market value resulting from the improvement if the improvement occurs when the house is at least 70 years old, or one-half of the increase in estimated market value resulting from the improvement otherwise. The \$25,000 and \$50,000 maximum qualifying value under this subdivision may result from multiple improvements to the homestead.



(h) If 50 percent or more of the square footage of a structure is voluntarily razed or removed, the valuation increase attributable to any subsequent improvements to the remaining structure does not qualify for the exclusion under this subdivision. If a structure is unintentionally or accidentally destroyed by a natural disaster, the property is eligible for an exclusion under this subdivision provided that the structure was not completely destroyed. The qualifying value on property destroyed by a natural disaster shall be computed based upon the increase from that structure's market value as determined on January 2 of the year in which the disaster occurred. A property receiving benefits under the homestead disaster provisions under sections 273.1231 to 273.1235 is not disqualified from receiving an exclusion under this subdivision. If any combination of improvements made to a structure after January 1, 1993, increases the size of the structure by 100 percent or more, the valuation increase attributable to the portion of the improvement that causes the structure's size to exceed 100 percent does not qualify for exclusion under this subdivision.

Subd. 17. Valuation of contaminated properties.

(a) In determining the market value of property containing contaminants, the assessor shall reduce the market value of the property by the contamination value of the property. The contamination value is the amount of the market value reduction that results from the presence of the contaminants, but it may not exceed the cost of a reasonable response action plan or asbestos abatement plan or management program for the property.

(b) For purposes of this subdivision, "asbestos abatement plan," "contaminants," and "response action plan" have the meanings as used in sections 270.91 and 270.92.

Subd. 18. Disclosure of valuation exclusion. No seller of real property shall sell or offer for sale property that, for purposes of property taxation, has an exclusion from market value for home improvements under subdivision 16, without disclosing to the buyer the existence of the excluded valuation and informing the buyer that the exclusion will end upon the sale of the property and that the property's estimated market value for property tax purposes will increase accordingly.

Subd. 19. Valuation exclusion for improvements to certain business property. Property classified under section 273.13, subdivision 24, which is eligible for the preferred classification rate on the market value up to \$150,000, shall qualify for a valuation exclusion for assessment purposes, provided all of the following conditions are met:

- (1) the building must be at least 50 years old at the time of the improvement or damaged by the 1997 floods;
- (2) the building must be located in a city or town with a population of 10,000 or less that is located outside the seven-county metropolitan area, as defined in section 473.121, subdivision 2;
- (3) the total estimated market value of the land and buildings must be \$100,000 or less prior to the improvement and prior to the damage caused by the 1997 floods;



- (4) the current year's estimated market value of the property must be equal to or less than the property's estimated market value in each of the two previous years' assessments;
- (5) a building permit must have been issued prior to the commencement of the improvement, or if the building is located in a city or town which does not have a building permit process, the property owner must notify the assessor prior to the commencement of the improvement;
- (6) the property, including its improvements, has received no public assistance, grants or financing except, that in the case of property damaged by the 1997 floods, the property is eligible to the extent that the flood losses are not reimbursed by insurance or any public assistance, grants, or financing;
- (7) the property is not receiving a property tax abatement under section 469.1813; and
- (8) the improvements are made after the effective date of Laws 1997, chapter 231, and prior to January 1, 1999.

The assessor shall estimate the market value of the building in the assessment year immediately following the year that (1) the building permit was taken out, or (2) the taxpayer notified the assessor that an improvement was to be made. If the estimated market value of the building has increased over the prior year's assessment, the assessor shall note the amount of the increase on the property's record, and that amount shall be subtracted from the value of the property in each year for five years after the improvement has been made, at which time an amount equal to 20 percent of the excluded value shall be added back in each of the five subsequent assessment years.

For any property, there can be no more than two improvements qualifying for exclusion under this subdivision. The maximum amount of value that can be excluded from any property under this subdivision is \$50,000.

The assessor shall require an application, including documentation of the age of the building from the owner, if unknown by the assessor. Applications must be received prior to July 1 of any year in order to be effective for taxes payable in the following year.

For purposes of this subdivision, "population" has the same meaning given in section 477A.011, subdivision 3.

Subd. 20. Valuation exclusion for improvements to certain business property. Property classified under section 273.13, subdivision 24, qualifies for a valuation exclusion for assessment purposes, provided all of the following conditions are met:

- (1) the building must have been damaged by the 2002 floods;
- (2) the building must be located in a city or town with a population of 10,000 or less that is located in a county in the area included in DR-1419;
- (3) the total estimated market value of the land and buildings must be \$150,000 or less for assessment year 2002;
- (4) a building permit must have been issued prior to the commencement of the improvement, or if the building is located in a city or town which does not have a building permit process, the property owner must notify the assessor prior to the commencement of the improvement;



- (5) the property is not receiving a property tax abatement under section 469.1813; and
- (6) the improvements are made before January 1, 2004.

The assessor shall estimate the market value of the building in the assessment year immediately following the year that (1) the building permit was taken out, or (2) the taxpayer notified the assessor that an improvement was to be made. If the estimated market value of the building has increased over the 2002 assessment before any reassessment due to flood damage, the assessor shall note the amount of the increase on the property's record, and that amount shall be subtracted from the value of the property in each year for five years after the improvement has been made. In each of the next five subsequent assessment years, an amount equal to 20 percent of the value excluded in the fifth year for that improvement shall be added back.

The maximum amount of value that can be excluded for all improvements to any property under this subdivision is \$50,000.

The assessor shall require an application. Applications must be received by December 31, 2002, or December 31, 2003, in order to be effective for taxes payable in the following year.

For purposes of this subdivision, "population" has the meaning given in section 477A.011, subdivision 3.

Subd. 21. Valuation reduction for homestead property damaged by mold.

- (a) The owner of homestead property may apply in writing to the assessor for a reduction in the market value of the property that has been damaged by mold. The notification must include the estimated cost to cure the mold condition provided by a licensed contractor. The estimated cost must be at least \$20,000. Upon completion of the work, the owner must file an application on a form prescribed by the commissioner of revenue, accompanied by a copy of the contractor's estimate.
- (b) If the conditions in paragraph (a) are met, the county board must grant a reduction in the market value of the homestead dwelling equal to the estimated cost to cure the mold condition. If a property owner applies for a reduction under this subdivision between January 1 and June 30 of any year, the reduction applies for taxes payable in the following year. If a property owner applies for a reduction under this subdivision between July 1 and December 31 of any year, the reduction applies for taxes payable in the second following year.
- (c) A denial of a reduction under this section by the county board may be appealed to the tax court. If the county board takes no action on the application within 90 days after its receipt, it is considered an approval.
- (d) For purposes of subdivision 1a, in the assessment year following the assessment year when a valuation reduction has occurred under this section, any market value added by the assessor to the property resulting from curing the mold condition must be considered an increase in value due to new construction.

Subd. 22. Repealed by Laws 2013, c. 143, art. 17, § 18, eff. May 24, 2013.



Subd. 23. First tier valuation limit; agricultural homestead property.

- (a) The commissioner of revenue shall annually certify the first tier limit for agricultural homestead property. For assessment year 2010, the limit is \$1,140,000. Beginning with assessment year 2011, the limit is the product of (i) the first tier limit for the preceding assessment year, and (ii) the ratio of the statewide average taxable market value of agricultural property per acre of deeded farm land in the preceding assessment year to the statewide average taxable market value of agricultural property per acre of deeded farm land for the second preceding assessment year. The limit shall be rounded to the nearest \$10,000.
- (b) For the purposes of this subdivision, “agricultural property” means all class 2a property under section 273.13, subdivision 23, except for property consisting of the house, garage, and immediately surrounding one acre of land of an agricultural homestead.
- (c) The commissioner shall certify the limit by January 2 of each assessment year.

### **§ 273.1108. Annual report on agricultural valuation and classification**

The commissioner of revenue must study and, by March 1 each year, report to the chairs and ranking minority members of the committees on taxes of the senate and the house of representatives on:

- (1) trends in market values of class 2a and 2b properties;
- (2) green acres value methodology and determinations; and
- (3) assessment and classification practices pertaining to class 2a and 2b property.

### **§ 273.111. Agricultural property tax**

Subdivision 1. Citation. This section may be cited as the “Minnesota Agricultural Property Tax Law.”

Subd. 2. Public policy. The present general system of ad valorem property taxation in the state of Minnesota does not provide an equitable basis for the taxation of certain agricultural real property and has resulted in inadequate taxes on some lands and excessive taxes on others. Therefore, it is hereby declared to be the public policy of this state that the public interest would best be served by equalizing tax burdens upon agricultural property within this state through appropriate taxing measures.

Subd. 2a. Purpose. The legislature finds that it is in the interest of the state to encourage and preserve farms by mitigating the property tax impact of increasing land values due to nonagricultural economic forces.

Subd. 3. Requirements.

- (a) Real estate consisting of ten acres or more or a nursery or greenhouse, and qualifying for classification as class 2a under section 273.13, shall be entitled to valuation and tax deferral under this section if it is primarily devoted to agricultural use, and either:





- (1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the owner or is real estate which is farmed with the real estate which contains the homestead property; or
- (2) has been in possession of the applicant, the applicant's spouse, parent, or sibling, or any combination thereof, for a period of at least seven years prior to application for benefits under the provisions of this section, or is real estate which is farmed with the real estate which qualifies under this clause and is within four townships or cities or combination thereof from the qualifying real estate; or
- (3) is the homestead of an individual who is part of an entity described in paragraph (b), clause (1), (2), or (3); or
- (4) is in the possession of a nursery or greenhouse or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations on the parcel or parcels, provided that only the acres used to produce nursery stock qualify for treatment under this section.

(b) Valuation of real estate under this section is limited to parcels owned by individuals except for:

- (1) a family farm entity or authorized farm entity regulated under section 500.24;
- (2) an entity, not regulated under section 500.24, in which the majority of the members, partners, or shareholders are related and at least one of the members, partners, or shareholders either resides on the land or actively operates the land; and
- (3) corporations that derive 80 percent or more of their gross receipts from the wholesale or retail sale of horticultural or nursery stock.

The terms in this paragraph have the meanings given in section 500.24, where applicable.

(c) Land that previously qualified for tax deferment under this section and no longer qualifies because it is not primarily used for agricultural purposes but would otherwise qualify under Minnesota Statutes 2006, section 273.111, subdivision 3, for a period of at least three years will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Sale of the land prior to the expiration of the three-year period requires payment of deferred taxes as follows: sale in the year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of deferred taxes for the two prior years; sale during the second year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of the deferred taxes for the prior year; and sale during the third year the land no longer qualifies requires payment of the current year's deferred taxes. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a. When such property is sold or no longer qualifies under this paragraph, or at the end of the three-year period, whichever comes first, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds





have matured, the deferred special assessments plus interest are payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalties are not imposed on any such special assessments if timely paid.

- (d) Land that is enrolled in the reinvest in Minnesota program under sections 103F.501 to 103F.535, the federal Conservation Reserve Program as contained in Public Law 99-198,1 or a similar state or federal conservation program qualifies for valuation and assessment deferral under this section if it was in agricultural use before enrollment and, provided that, in the case of land enrolled in the reinvest in Minnesota program, it is not subject to a perpetual easement.

#### Subd. 3a. Property no longer eligible for deferment.

- (a) Real estate receiving the tax deferment under this section for assessment year 2008, but that does not qualify for the 2009 assessment year due to changes in qualification requirements under Laws 2008, chapter 366, shall continue to qualify until: (1) the land is sold, transferred, or subdivided, or (2) the 2013 assessment, whichever is earlier, provided that the property continues to meet the requirements of Minnesota Statutes 2006, section 273.111, subdivision 3.
- (b) Except as provided in paragraph (c), and subdivision 9, paragraph (b), when property assessed under this subdivision is withdrawn from the program or becomes ineligible, the property shall be subject to additional taxes as provided in subdivision 9.
- (c) If land described in paragraph (a) is (1) sold or otherwise transferred to a son or daughter of the owner, or (2) transferred from a family farm limited liability company upon its termination to a son or daughter of an individual who had an ownership interest in the company, it will continue to qualify for treatment under this section as long as it continues to meet the requirements of Minnesota Statutes 2006, section 273.111, subdivision 3, but no later than the 2013 assessment.
- (d) When property assessed under this subdivision is removed from the program and is enrolled in the rural preserve property tax law program under section 273.114, the property is not subject to the additional taxes required under this subdivision or subdivision 9.

#### Subd. 4. Determination of value.

- (a) The value of any real estate described in subdivision 3 shall upon timely application by the owner, in the manner provided in subdivision 8, be determined solely with reference to its appropriate agricultural classification and value notwithstanding sections 272.03, subdivision 8, and 273.11. Furthermore, the assessor shall not consider any added values resulting from nonagricultural factors. In order to account for the presence of nonagricultural influences that may affect the value of agricultural land, the commissioner of revenue shall, in consultation with the Department of Applied Economics at the University of Minnesota, develop a fair and uniform method of determining the average value of agricultural land for each county in the state consistent with this subdivision. The values must be determined using appropriate



sales data. When appropriate, the commissioner may make reasonable adjustments to the values based on the most recent available county or regional data for agricultural production, commodity prices, production expenses, rent, and investment return. The commissioner shall annually assign the resulting countywide average value to each county, and these values shall be used as the basis for determining the agricultural value for all properties in the county qualifying for tax deferment under this section. The county assessor, in consultation with the Department of Revenue, shall determine the relative value of agricultural land for each assessment district in comparison to the countywide average value, considering and giving recognition to appropriate agricultural market and soil data available.

(b) In the case of property qualifying for tax deferment only under subdivision 3a, the assessor shall not consider the presence of commercial, industrial, residential, or seasonal recreational land use influences in determining the value for ad valorem tax purposes provided that in no case shall the value exceed the value prescribed by the commissioner of revenue for class 2a tillable property in that county.

Subd. 5. Separate determination of market value and tax. The assessor shall, however, make a separate determination of the market value of such real estate. The tax based upon the appropriate local tax rate applicable to such property in the taxing district shall be recorded on the property assessment records.

Subd. 6. Repealed by Laws 2008, c. 366, art. 6, § 52, par. (c), eff. Jan. 1, 2009.

Subd. 7. Repealed by Laws 1969, c. 1039, § 10.

Subd. 8. Application. Application for deferment of taxes and assessment under this section shall be filed by May 1 of the year prior to the year in which the taxes are payable. Any application filed hereunder and granted shall continue in effect for subsequent years until the property no longer qualifies. The application must be filed with the assessor of the taxing district in which the real property is located on the form prescribed by the commissioner of revenue. The assessor may require proof by affidavit or otherwise that the property qualifies under subdivision 3 and may require the applicant to provide a copy of the appropriate schedule or form showing farm income that is attested to by the applicant as having been included in the most recently filed federal income tax return of the applicant.

Subd. 8a. Repealed by Laws 1984, c. 593, § 46.

Subd. 9. Additional taxes.

(a) Except as provided in paragraph (b), when real property which is being, or has been valued and assessed under this section no longer qualifies under subdivision 3, the portion no longer qualifying shall be subject to additional taxes, in the amount equal to the difference between the taxes determined in accordance with subdivision 4, and the amount determined under subdivision 5. Provided, however, that the amount determined under subdivision 5 shall not be greater than it would have been had the actual bona fide sale price of the real property at an arm's-length transaction been used in lieu of the market value determined under subdivision 5. Such additional taxes shall be extended against the property on the tax list for the current year, provided,



however, that no interest or penalties shall be levied on such additional taxes if timely paid, and provided further, that such additional taxes shall only be levied with respect to the last three years that the said property has been valued and assessed under this section.

(b) Real property that has been valued and assessed under this section prior to May 29, 2008, and that ceases to qualify under this section after May 28, 2008, and is withdrawn from the program before August 16, 2010, is not subject to additional taxes under this subdivision or subdivision 3, paragraph (c). If additional taxes have been paid under this subdivision with respect to property described in this paragraph prior to April 3, 2009, the county must repay the property owner in the manner prescribed by the commissioner of revenue.

Subd. 9a. Repealed by Laws 2015, c. 21, art. 1, § 110, subd. 7, eff. May 12, 2015.

Subd. 10. Lien. The tax imposed by this section shall be a lien upon the property assessed to the same extent and for the same duration as other taxes imposed upon property within this state. The tax shall be annually extended by the county auditor and if and when payable shall be collected and distributed in the manner provided by law for the collection and distribution of other property taxes.

Subd. 11. Special local assessments. The payment of special local assessments levied after June 1, 1967, for improvements made to any real property described in subdivision 3 together with the interest thereon shall, on timely application as provided in subdivision 8, be deferred as long as such property meets the conditions contained in subdivision 3 or 3a or is transferred to an agricultural preserve under sections 473H.02 to 473H.17. If special assessments against the property have been deferred pursuant to this subdivision, the governmental unit shall file with the county recorder in the county in which the property is located a certificate containing the legal description of the affected property and of the amount deferred. When such property no longer qualifies under subdivision 3 or 3a, all deferred special assessments plus interest shall be payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest shall be payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalty shall not be levied on any such special assessments if timely paid.

Subd. 11a. Continuation of tax treatment upon sale or other event.

(a) When real property qualifying under subdivision 3 is sold or transferred, no additional taxes or deferred special assessments plus interest shall be extended against the property provided the property continues to qualify pursuant to subdivision 3, and provided the new owner files an application for continued deferment within 30 days after the sale or transfer.

(b) The following transfers do not constitute a change of ownership of property qualifying under subdivision 3:

(1) death of a property owner when a surviving owner retains ownership of the property thereafter;



- (2) divorce of a married couple when one of the spouses retains ownership of the property thereafter;
- (3) marriage of a single property owner when that owner retains ownership of the property in whole or in part thereafter;
- (4) organization into or reorganization of a farm entity ownership under section 500.24, if all owners maintain the same beneficial interest both before and after the organizational changes; and
- (5) placement of the property in trust provided that the individual owners of the property are the grantors of the trust and they maintain the same beneficial interest both before and after placement of the property in trust.

Subd. 12. Statutory construction. This section shall be broadly construed to achieve its purpose. The invalidity of any provision shall be deemed not to affect the validity of other provisions.

Subd. 13. General applicability. This section shall apply to assessments for tax purposes made in 1968 and thereafter.

Subd. 14. Applicability of special assessment provisions.

- (a) This section shall apply to special local assessments levied after July 1, 1967, and payable in the years thereafter, but shall not apply to any special assessments levied at any time by a county or district court under chapter 116A or by a watershed district under chapter 103D.
- (b) For special assessments levied by a watershed district under chapter 103D before June 1, 2008, this section is effective only for real property initially qualifying for tax deferment after May 31, 2008. For special assessments by a watershed district under chapter 103D levied after May 31, 2008, this section is effective for all real property qualifying for tax deferment under this section.

Subd. 15. Dissected parcels; continued deferment. Real estate consisting of more than ten, but less than 15, acres which has:

- (1) been owned by the applicant or the applicant's parents for at least 70 years;
- (2) been dissected by two or more major parkways or interstate highways; and
- (3) qualified for the agricultural valuation and tax deferment under this section through assessment year 1996, taxes payable in 1997,

shall continue to qualify for treatment under this section until the applicant's death or transfer or sale by the applicant of the applicant's interest in the real estate. When the property ceases to qualify for treatment under this section, the recapture provisions of subdivision 9 will apply with respect to the last ten years that the property has been valued and assessed under this section.

Subd. 16. Implementation of program. This section must be applied to eligible properties by all county assessors, beginning no later than assessments for taxes levied in 2009, payable in 2010, and thereafter, unless the commissioner of revenue determines that a



county is unable to comply with this requirement, in which case the county must implement it for taxes levied in 2010, payable in 2011, and thereafter.

### **§ 273.13. Classification of Property**

Subdivision 1. How classified. All real and personal property subject to a general property tax and not subject to any gross earnings or other in-lieu tax is hereby classified for purposes of taxation as provided by this section.

Subds. 2 to 21a. REPEALED

Subd. 21b. Net tax capacity. "Net tax capacity" means the product of the appropriate classification rates in this section and taxable market values.

Subd. 22. Class 1.

- (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net classification rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a classification rate of 1.25 percent of its market value.

- (b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by:

- (1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse;
- (2) any person who is permanently and totally disabled or by the disabled person and the disabled person's spouse; or
- (3) the surviving spouse of a permanently and totally disabled veteran homesteading a property classified under this paragraph for taxes payable in 2008.

Property is classified and assessed under clause (2) only if the government agency or income providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.

Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.



Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$50,000 market value of class 1b property has a net classification rate of .45 percent of its market value. The remaining market value of class 1b property is classified as class 1a or class 2a property, whichever is appropriate.

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by the Department of Natural Resources, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A “rental unit” is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment





year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

- (1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;
- (2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;
- (3) the structure meets all applicable health and safety requirements for the appropriate season; and
- (4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same classification rates as class 1a property under paragraph (a).

Subd. 23. Class 2.

- (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same classification rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first-tier valuation limit of agricultural homestead property has a classification rate of 0.5 percent of market value. The remaining property over the first tier has a classification rate of one percent of market value. For purposes of this subdivision, the “first tier valuation limit of agricultural homestead property” and “first tier” means the limit certified under section 273.11, subdivision 23.
- (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a classification rate of one percent of market value, unless it is part of an agricultural





homestead under paragraph (a). Class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

- (c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. Class 2b property has a classification rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).
- (d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a classification rate of .65 percent, provided that the owner of the property must apply to the assessor in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.
- (e) Agricultural land as used in this section means:
  - (1) contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes; or
  - (2) contiguous acreage used during the preceding year for an intensive livestock or poultry confinement operation, provided that land used only for pasturing or grazing does not qualify under this clause.



“Agricultural purposes” as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. “Agricultural purposes” also includes enrollment in a local conservation program or the Reinvest in

Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program if the property was classified as agricultural (i) under this subdivision for taxes payable in 2003 because of its enrollment in a qualifying program and the land remains enrolled or (ii) in the year prior to its enrollment. For purposes of this section, a “local conservation program” means a program administered by a town, statutory or home rule charter city, or county, including a watershed district, water management organization, or soil and water conservation district, in which landowners voluntarily enroll land and receive incentive payments equal to at least \$50 per acre in exchange for use or other restrictions placed on the land. In order for property to qualify under the local conservation program provision, a taxpayer must apply to the assessor by February 1 of the assessment year and must submit the information required by the assessor, including but not limited to a copy of the program requirements, the specific agreement between the landowner and the local agency, if applicable, and a map of the conservation area. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

“Contiguous acreage,” for purposes of this paragraph, means all of, or a contiguous portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section that are owned by the same person.

(f) Agricultural land under this section also includes:

- (1) contiguous acreage that is less than ten acres in size and exclusively used in the preceding year for raising or cultivating agricultural products; or
- (2) contiguous acreage that contains a residence and is less than 11 acres in size, if the contiguous acreage exclusive of the house, garage, and surrounding one acre of land was used in the preceding year for one or more of the following three uses:
  - (i) for an intensive grain drying or storage operation, or for intensive machinery or equipment storage activities used to support agricultural activities on other parcels of property operated by the same farming entity;



(ii) as a nursery, provided that only those acres used intensively to produce nursery stock are considered agricultural land; or

(iii) for intensive market farming; for purposes of this paragraph, “market farming” means the cultivation of one or more fruits or vegetables or production of animal or other agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated.

“Contiguous acreage,” for purposes of this paragraph, means all of a tax parcel as described in section 272.193, or all of a set of contiguous tax parcels under that section that are owned by the same person.

(g) Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

(h) The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(i) The term “agricultural products” as used in this subdivision includes production for sale of:

- (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;
- (2) aquacultural products for sale and consumption, as defined under section 17.47, if the aquaculture occurs on land zoned for agricultural use;
- (3) the commercial boarding of horses, which may include related horse training and riding instruction, if the boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other agricultural products as defined in clause (1);
- (4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing;
- (5) game birds and waterfowl bred and raised (i) on a game farm licensed under section 97A.105, provided that the annual licensing report to the Department of Natural Resources, which must be submitted annually by March 30 to the assessor, indicates that at least 500 birds were raised or used for breeding stock on the property during the preceding year and that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a shooting preserve licensed under section 97A.115;



- (6) insects primarily bred to be used as food for animals;
  - (7) trees, grown for sale as a crop, including short rotation woody crops, and not sold for timber, lumber, wood, or wood products; and
  - (8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.
- (j) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:
- (1) wholesale and retail sales;
  - (2) processing of raw agricultural products or other goods;
  - (3) warehousing or storage of processed goods; and
  - (4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3), the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.
- (k) The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.
- (l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:



- (i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;
- (ii) the land is part of the airport property; and
- (iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under this paragraph must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of this paragraph. For purposes of this paragraph, “public access area” means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

(m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

- (1) a legal description of the property;
- (2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;
- (3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and
- (4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, “commercial aggregate deposit” means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and “actively mined” means the removal of topsoil and overburden in preparation for excavation or excavation of a commercial deposit.

(n) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the



original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

- (o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

Subd. 24. Class 3. Commercial and industrial property and utility real and personal property is class 3a.

(1) Except as otherwise provided, each parcel of commercial, industrial, or utility real property has a classification rate of 1.5 percent of the first tier of market value, and 2.0 percent of the remaining market value. In the case of contiguous parcels of property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced classification rate, except that contiguous parcels owned by the same person or entity shall be eligible for the first-tier value classification rate on each separate business operated by the owner of the property, provided the business is housed in a separate structure. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the classification rate for the higher tier.

For purposes of this subdivision, parcels are considered to be contiguous even if they are separated from each other by a road, street, waterway, or other similar intervening type of property. Connections between parcels that consist of power lines or pipelines do not cause the parcels to be contiguous. Property owners who have contiguous parcels of property that constitute separate businesses that may qualify for the first-tier classification rate shall notify the assessor by July 1, for treatment beginning in the following taxes payable year.

(2) All personal property that is: (i) part of an electric generation, transmission, or distribution system; or (ii) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; and (iii) not described in clause (3), and all railroad operating property has a classification rate as provided under clause (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a



classification rate as provided under clause (1) for the remaining market value in excess of the first tier.

Subd. 24a. Repealed by Laws 2001, 1st Sp., c. 5, art. 3, § 96, par. (a).

<For important effective date information relating to subd. 25, pars. (c) and (d), see Laws 2017, 1st Sp., c. 1, art. 2, § 12.>

Subd. 25. Class 4.

(a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a classification rate of 1.25 percent.

(b) Class 4b includes:

- (1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;
- (2) manufactured homes not classified under any other provision;
- (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and
- (4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a classification rate of 1.25 percent.

(c) Class 4bb includes:

- (1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property;
- (2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b); and
- (3) a condominium-type storage unit having an individual property identification number that is not used for a commercial purpose.

Class 4bb property has the same classification rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:





(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, for not more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property under this clause must contain three or more rental units. A “rental unit” is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. A camping pad offered for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c under this clause regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified under this clause, either (i) the business located on the property must provide recreational activities, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (B) at least 20 percent of the annual gross receipts must be from charges for providing recreational activities, or (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c property also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under this clause and devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. In order for a property to qualify for classification under this clause, the owner must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c under this clause as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a



commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c. For the purposes of this paragraph, “recreational activities” means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle;

- (2) qualified property used as a golf course if:
  - (i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and
  - (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

- (3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:
  - (i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or
  - (ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause:

- (A) “charitable contributions and donations” has the same meaning as 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;
- (B) “property taxes” excludes the state general tax;
- (C) a “nonprofit community service oriented organization” means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal Revenue Code;<sup>1</sup> and



(D) “revenue-producing activities” shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

- (4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;
- (5)
  - (i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in items (ii) and (iii),
  - (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a, and
  - (iii) class I manufactured home parks as defined in section 327C.01, subdivision 13;
- (6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;
- (7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:



- (i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and
- (ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

- (8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:
  - (i) the land abuts a public airport; and
  - (ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and
- (9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:
  - (i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;
  - (ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;
  - (iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and
  - (iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22;

- (10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under item (ii). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on



the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year;

- (11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and
- (12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a classification rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same classification rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same classification rate as class 4b property, the market value of manufactured home parks assessed under clause (5), item (ii), have a classification rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a classification rate of one percent if 50 percent or less of the lots are so occupied, and class I manufactured home parks as defined in section 327C.01, subdivision 13, have a classification rate of 1.0 percent, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a classification rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a classification rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent, (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a classification rate of 1.25 percent, and (vii) property qualifying for classification under clause (3) that is owned or operated by a congressionally chartered veterans organization has a classification rate of one percent. The commissioner of veterans affairs must provide a list of congressionally chartered veterans organizations to the commissioner of revenue by June 30, 2017, and by January 1, 2018, and each year thereafter.



- (e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.
- (f) The first tier of market value of class 4d property has a classification rate of 0.75 percent. The remaining value of class 4d property has a classification rate of 0.25 percent. For the purposes of this paragraph, the “first tier of market value of class 4d property” means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d property value must be assigned to individual housing units. The first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest \$1,000, provided, however, that the limit may never be less than \$100,000. Beginning with assessment year 2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.

Subd. 25a. Elderly assisted living facility property. “Elderly assisted living facility property” means residential real estate containing more than one unit held for use by the tenants or lessees as a residence for periods of 30 days or more, along with community rooms, lounges, activity rooms, and related facilities, designed to meet the housing, health, and financial security needs of the elderly. The real estate may be owned by an individual, partnership, limited partnership, for-profit corporation or nonprofit corporation exempt from federal income taxation under United States Code, title 26, section 501(c)(3) or related sections.

An admission or initiation fee may be required of tenants. Monthly charges may include charges for the residential unit, meals, housekeeping, utilities, social programs, a health care alert system, or any combination of them. On-site health care may be provided by in-house staff or an outside health care provider.

The assessor shall classify elderly assisted living facility property, depending upon the property's ownership, occupancy, and use. The applicable classification rates shall apply based on its classification, if taxable.

Subds. 26 to 29. Repealed by Laws 1987, c. 268, art. 6, § 53.

Subd. 30. Repealed by Laws 1988, c. 719, art. 5, § 81.

Subd. 31. Class 5. Class 5 property includes:





- (1) unmined iron ore and low-grade iron-bearing formations as defined in section 273.14; and
- (2) all other property not otherwise classified.

Class 5 property has a classification rate of 2.0 percent of market value.

Subd. 32. Repealed by Laws 1998, c. 389, art. 2, § 21, eff. April 22, 1998.

Subd. 33. Classification of unimproved property.

- (a) All real property that is not improved with a structure must be classified according to its current use.
- (b) Except as provided in subdivision 23, paragraph (c) or (d), real property that is not improved with a structure and for which there is no identifiable current use must be classified according to its highest and best use permitted under the local zoning ordinance. If the ordinance permits more than one use, the land must be classified according to the highest and best use permitted under the ordinance. If no such ordinance exists, the assessor shall consider the most likely potential use of the unimproved land based upon the use made of surrounding land or land in proximity to the unimproved land.

<For important effective date information relating to subd. 34, as amended by Laws 2017, 1st Sp., c. 1, art. 2, § 13, see Laws 2017, 1st Sp., c. 1, art. 2, § 13.>

Subd. 34. Homestead of disabled veteran or family caregiver.

- (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.
- (b) (1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and  
(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.
- (c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the current taxes payable year and for eight





additional taxes payable years or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first. Qualification under this paragraph requires an application under paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

- (d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, whichever comes first.
- (e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).
- (f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.
- (g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).
- (h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of the first assessment year for which the exclusion is sought. For an application received after July 1, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead.
- (i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.
- (j) For purposes of this subdivision:
  - (1) "active service" has the meaning given in section 190.05;
  - (2) "own" means that the person's name is present as an owner on the property deed;



(3) “primary family caregiver” means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) “veteran” has the meaning given the term in section 197.447.

- (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries or sells, transfers, or otherwise disposes of the property if:
- (1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;
  - (2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;
  - (3) the veteran met the honorable discharge requirements of paragraph (a); and
  - (4) the United States Department of Veterans Affairs certifies that:
    - (i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or
    - (ii) the spouse has been awarded dependency and indemnity compensation.
- (l) The purpose of this provision of law providing a level of homestead property tax relief for gravely disabled veterans, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.
- (m) By July 1, the county veterans service officer must certify the disability rating and permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

Subd. 35. Homestead market value exclusion.

- (a) Prior to determining a property's net tax capacity under this section, property classified as class 1a or 1b under subdivision 22, and the portion of property classified as class 2a under subdivision 23 consisting of the house, garage, and surrounding one acre of land, shall be eligible for a market value exclusion as determined under paragraph (b).
- (b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest whole dollar, and may not be less than zero.



(c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior to determining the amount of the valuation exclusion under this subdivision.

(d) In the case of a property that is classified as part homestead and part nonhomestead, (i) the exclusion shall apply only to the homestead portion of the property, but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners occupy the property, the exclusion amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership. For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

### **§ 273.1325. Adjustment of net tax capacity**

Subdivision 1. Computation. The Department of Revenue must annually conduct an assessment/sales ratio study of the taxable property in each county, city, town, and school district in accordance with the procedures in subdivisions 2 and 3. Based upon the results of this assessment/sales ratio study, the Department of Revenue must determine an equalized net tax capacity for the various classes of taxable property in each taxing district, the aggregate of which is designated as the adjusted net tax capacity. The adjusted net tax capacity must be reduced by the captured tax capacity of tax increment districts under section 469.177, subdivision 2, fiscal disparities contribution tax capacities under sections 276A.06 and 473F.08, and the tax capacity of transmission lines required to be subtracted from the local tax base under section 273.425; and increased by fiscal disparities distribution tax capacities under sections 276A.06 and 473F.08. The adjusted net tax capacities shall be determined using the net tax capacity percentages in effect for the assessment year following the assessment year of the study. The Department of Revenue must make whatever estimates are necessary to account for changes in the classification system. The Department of Revenue may incur the expense necessary to make the determinations. The commissioner of revenue may reimburse any county or governmental official for requested services performed in ascertaining the adjusted net tax capacity. On or before March 15 annually, the Department of Revenue shall file with the chair of the Tax Committee of the house of representatives and the chair of the

Committee on Taxes and Tax laws of the senate a report of adjusted net tax capacities for school districts. On or before June 30 annually, the Department of Revenue shall file its final report on the adjusted net tax capacities for school districts established by the previous year's assessments and the current year's net tax capacity percentages with the commissioner of education and each county auditor for those school districts for which the auditor has the responsibility for determination of local tax rates. A copy of the report so filed shall be mailed to the clerk of each school district involved and to the county assessor or supervisor of assessments of the county or counties in which each school district is located.

Subd. 2. Methodology. In making its annual assessment/sales ratio studies, the Department of Revenue must use a methodology consistent with the most recent Standard on Assessment Ratio Studies published by the assessment standards



committee of the International Association of Assessing Officers. The commissioner of revenue shall supplement this general methodology with specific procedures necessary for execution of the study in accordance with other Minnesota laws impacting the assessment/sales ratio study. The commissioner shall document these specific procedures in writing and shall publish the procedures in the State Register, but these procedures will not be considered “rules” pursuant to the Minnesota Administrative Procedure Act. When property is sold and the purchaser changes its use in a manner that would result in a change of classification of the property, the assessment sales ratio study under this subdivision must take into account that changed classification as soon as practicable. A change in status from homestead to nonhomestead or from nonhomestead to homestead is not a change under this subdivision. For purposes of this section, sections 270.12, subdivision 2, clause (6), and 278.05, subdivision 4, the commissioner of revenue shall exclude from the assessment/sales ratio study the sale of any nonagricultural property which does not contain an improvement, if (1) the statutory basis on which the property's taxable value as most recently assessed is less than market value as defined in section 273.11, or (2) the property has undergone significant physical change or a change of use since the most recent assessment.

Subd. 3. Agricultural lands. For purposes of determining the adjusted net tax capacity of agricultural lands for the calculation of adjusted net tax capacities, the market value of agricultural lands must be the price for which the property would sell in an arm's-length transaction.

Subd. 4. Forced sales. The commissioner of revenue may include forced sales in the assessment/sales ratio studies if it is determined by the commissioner of revenue that these forced sales indicate true market value.

Subd. 5. Stipulated values and abatements. The estimated market value to be used in calculating sales ratios must be the value established by the assessor before any stipulations resulting from appeals by property owners and before any abatement unless the abatement was granted for the purpose of correcting mere clerical errors.

Subd. 6. Sales of industrial property. Separate sales ratios must be calculated for commercial property and for industrial property. These two classes shall be combined only in jurisdictions in which there is not an adequate sample of sales in each class.

## **§ 473H.10. Ad valorem property taxes**

Subdivision 1. Valuation, assessment. Real property within an agricultural preserve shall be valued and assessed pursuant to chapter 273, except as provided in this section.

Subd. 2. No nonagricultural factors. All land classified agricultural and in agricultural use, exclusive of buildings, shall be valued solely with reference to its appropriate agricultural classification and value, notwithstanding sections 272.03, subdivision 8, and 273.11. In determining the value for ad valorem tax purposes the assessor shall not consider any added values resulting from nonagricultural factors.

Subd. 3. Computation of tax; state reimbursement.



- (a) After having determined the market value of all land valued according to subdivision 2, the assessor shall compute the net tax capacity of those properties by applying the appropriate classification rates. When computing the rate of tax pursuant to section 275.08, the county auditor shall include the net tax capacity of land as provided in this paragraph.
- (b) The county auditor shall compute the tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the net tax capacity times the total local tax rate for all purposes as provided in paragraph (a).
- (c) The county auditor shall then compute the tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the net tax capacity times the total local tax rate for all purposes as provided in paragraph (a), subtracting \$1.50 per acre of land in the preserve.
- (d) The county auditor shall then compute the maximum ad valorem property tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the net tax capacity times 105 percent of the previous year's statewide average local tax rate levied on property located within townships for all purposes.
- (e) The tax due and payable by the owner of preserve land valued according to subdivision 2 and nonresidential buildings will be the amount determined in paragraph (c) or (d), whichever is less. The state shall reimburse the taxing jurisdictions for the amount of the difference between the net tax determined under this paragraph and the gross tax in paragraph (b). Residential buildings shall continue to be valued and classified according to the provisions of sections 273.11 and 273.13, as they would be in the absence of this section, and the tax on those buildings shall not be subject to the limitation contained in this paragraph.

The county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the tax lost as a result of this subdivision or to pay taxing jurisdictions within the county for the tax lost. The county auditor shall certify to the commissioner of revenue on or before June 1 the total amount of tax lost to the county and taxing jurisdictions located within the county as a result of this subdivision and the extent that the tax lost exceeds funds available in the county conservation account. Payment shall be made by the state on December 26 to each of the affected taxing jurisdictions, other than school districts, in the same proportion that the ad valorem tax is distributed if the county conservation account is insufficient to make the reimbursement. There is annually appropriated from the Minnesota conservation fund under section 40A.151 to the commissioner of revenue an amount sufficient to make the reimbursement provided in this subdivision. If the amount available in the Minnesota conservation fund is insufficient, the balance that is needed is appropriated from the general fund.

