Classification of Property

In Minnesota, property is classified according to its use on the assessment date – January 2. If the property is not currently being used, it is classified according to its most probable, highest and best use. Highest and best use is the use that is financially feasible, physically possible, legally permissible, and maximally productive. There are five basic classes of property in Minnesota (Minnesota Statutes 273.13).

The 2008 legislative session resulted in significant changes to some of the classes of property in Minnesota. Please be aware that the classes and class rates prior to 2008 may be rather different than what is now law. This may cause additional confusion for taxpayers. The information presented here will try to address them all. A list of class rates is provided at the end of this chapter for the 2010 assessment.

Tax Capacity
The Uniformity Clause of the Minnesota Constitution allows for different classes of property to be taxed at different rates. As the first step in calculating property taxes, the class rate is used to determine a property’s tax capacity. Tax capacity is calculated using the following formula:

\[ \text{Taxable Market Value} \times \text{Class Rate} = \text{Tax Capacity} \]

<table>
<thead>
<tr>
<th>Class 1</th>
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Class 1a – Residential Homestead
Real estate that is residential and used for homestead purposes is Class 1a. Homestead property is covered in greater detail in the next chapter.

For the current assessment year the class rate for 1a property is 1 percent for the first $500,000 in value and 1.25 percent for any value over $500,000.

Class 1b – Blind/Disabled/Surviving Spouse of Paraplegic Vet Homestead
Class 1b includes residential homestead or homestead manufactured homes used by:

1. any person who is blind as defined in section 256D.35, subdivision 4a, or the blind person and the blind person’s spouse (property is classified and assessed pursuant to this clause only if the Commissioner of Revenue or county assessor certifies that the homestead occupant satisfies the requirements of this paragraph);
2. any person who is permanently and totally disabled or the disabled person and the disabled person’s spouse (property is classified and assessed pursuant to this clause only if the government agency or income-providing source certifies that the homestead occupant satisfies the disability requirements of this paragraph and the property is not eligible for the Disabled Veterans Value Exclusion); or
3. the surviving spouse of a permanently and totally disabled veteran already homesteading a property classified under this classification for taxes payable in 2008.

Property receiving the market value exclusion for homesteads of disabled veterans (discussed in Chapter 18) will not qualify for class 1b.

The Minnesota Department of Revenue originally awarded and maintained the blind and disabled classifications. Starting October 1, 2008, county assessors will administer this classification. Property owners need only to file a blind/disabled application once – not annually as required prior to the 2004 assessment.

For the current assessment year the first $50,000 in market value of class 1b property has a net class rate of .45 percent. The remaining market value of class 1b property has a class rate using the rates for class 1a or agricultural homestead property, whichever is appropriate.
**Class 1c – Commercial Seasonal Residential Recreational – under 250 days and includes homestead (Ma & Pa Resorts)**

Class 1c is commonly known as the “Ma & Pa Resort class.” It is commercial use real and personal property that abuts public water and is devoted to temporary and seasonal residential occupancy for recreational purposes, but not devoted to commercial purposes for more than 250 days a year. It must contain three or more rental units (i.e. cabin, sleeping room, campsite, etc.) and provide recreational activities (i.e. snowmobiles, launch services, etc.). It includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead. In addition to being occupied as a homestead by an owner as sole proprietor, the dwelling can be occupied by a shareholder of the corporation, a partner in a partnership, or a member of a limited liability company (LLC) that owns the resort even if the corporation, partnership, or LLC holds the title to the homestead.

A new provision added in 2010 allows for an owner of a class 1c resort to no longer use that resort as a homestead but continue receiving the classification. The owner must continue to operate it as a resort and occupy another resort as a homestead in the same township. If these requirements are met, both properties will be assessed as a single class 1c resort (with one tier).

For the purposes of this classification, property is considered to be 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.

The portion of the property occupied as a homestead by the owner should be classified as class 1a residential homestead (the class rate for 1a property is 1 percent for the first $500,000 in value and 1.25 percent for any value over $500,000). The remainder of the property should be classified as class 1c. Starting with the 2008 assessment, the tier I rate was reduced to .50 percent and was extended to the first $600,000 in value. The tier II rate stayed the same (1 percent) and is for the next $1.7 million. Any value over $2.3 million will be at the tier III rate (1.25 percent) and will pay the state general tax.

Owners of property desiring classification as class 1c must submit a declaration to the assessor’s office and provide guest registers or other records by January 15 of the assessment year that show which cabins or units were occupied for 250 days or less in the year proceeding the year of assessment. Qualifying cabins or units and a proportionate share of the land on which they are located will be designated class 1c.

Non-qualifying cabins or units and a proportionate share of the land on which they are located will be designated as class 3a commercial. Any unit that transfers the right to use the property to an individual or entity by deeded interest, or the sale of shares or stocks, will no longer qualify for class 1c, even if that unit may remain available for rent.

Any portion of a property operated as a restaurant, bar, gift shop, or other non-residential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreational purposes shall not qualify for class 1c. This portion of the property should be classified as class 3a commercial or possibly class 4c(10) for a qualifying restaurant located on a lake.

**Class 1d – Migrant Housing**

Class 1d property includes structures only (no land) that meet all of the following criteria:

- The structure is located on land that is classified as agricultural property;
- The structure is occupied exclusively by seasonal farm workers during the time 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;
- The structure meets all applicable health and safety requirements for the appropriate season; and
- The structure is not saleable as a residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

For the current assessment year the class rate for 1d property is 1 percent for the first $500,000 in value and 1.25 percent for any value over $500,000.
Class 2

Class 2a – Agricultural Land

Class 2a agricultural land consists of parcels of property, or portions of parcels, that are agricultural land and buildings – it is not necessarily homestead. An agricultural homestead consists of class 2a land that qualifies for homestead plus any class 2b rural vacant land that is contiguous to the class 2a land and under the same ownership. This 2b land (for example, sloughs, wooded wind shelters, and ditches) can be included as 2a land if it is impractical for the assessor to value separately from the rest of the property.

For the current assessment year, the class rate for a 2a agricultural property is as follows.

Agricultural Homestead

The house, garage and immediately surrounding one acre of land (HGA) is 1 percent for the first $500,000 in value and 1.25 percent for any value over $500,000. The value of the remaining land and improvements has a class rate of .50 percent for the first tier of value (this value is annually adjusted and certified by the Commissioner of Revenue based on a ratio with the previous assessment year’s statewide average taxable market value of agricultural property per acre of deeded farm land), and 1 percent for any value over the first tier.

<table>
<thead>
<tr>
<th>Assessment Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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</thead>
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<tr>
<td>Tier Limit</td>
<td>$890,000</td>
<td>$1,010,000</td>
<td>$1,140,000</td>
<td>$1,240,000</td>
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</tbody>
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During the 2010 legislative session, a provision was added that allows agricultural land owned by a family farm corporation, joint farm venture, limited liability corporation (LLC), or partnership to receive the lower first tier classification rate. In order for this land to receive the class rate, it must be contiguous to a class 2a owner-occupied homestead of a shareholder, member, or partner of the entity (or be located in the same township or city, or not farther than four townships or cities or a combination thereof from the class 2a homestead). The individual owner must also notify the county assessor by July 1. The qualifying entity-owned land will be able to receive the first tier homestead class rate (.50%) up to the maximum market value after the first tier value is applied to the individual’s homestead class 2a property first. The entity-owned property receives no other class 2a homestead benefits (for example, Green Acres eligibility or the agricultural homestead market value credit). Additionally, there is no potential to link entity-owned land to other entity-owned land under this provision.

Agricultural Nonhomestead

All property is 1 percent

“Agricultural land” means contiguous acreage of 10 acres or more, used during the preceding year for agricultural purposes.

Real estate of less than 10 acres that is used exclusively OR intensively for agricultural purposes should be considered to be agricultural land. “Exclusively” means the entire parcel is used for an agricultural purpose (a seven acre parcel that is growing corn border to border). In order for a parcel with a residential structure to qualify as agricultural land under intensive use, it must be used intensively for one of these purposes:

- For drying or storage of grain or storage of machinery or equipment used to support agricultural activities on other parcels of property operated by the same farming entity;
- As a nursery (but only those acres used to produce nursery stock are considered agricultural land);
- For livestock or poultry confinement (but the land that is used only for pasturing or grazing does not qualify); or
- For market farming (which is the cultivation of fruits or vegetables or the production of animals or other agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated).
In 1997, legislation was enacted that removed the word “primarily” for determining the agricultural classification. This allowed the assessor to split-class a property that is used for both residential and agricultural purposes. In 2008, legislation was specifically added allowing the assessor to classify the part of a property used for agricultural purposes as class 2a and the remainder in the class appropriate to its use. For a property to qualify for a split-class with a portion classified agricultural, it must have a minimum of 10 acres used during the preceding year for agricultural purposes. If the property does not have 10 or more acres used during the preceding year for agricultural purposes, the property must qualify for the agricultural class under an “intensive” use. Then only the qualifying agricultural land would receive the agricultural classification and the remaining land would be classed appropriate to its use.

Agricultural classification for property should not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

“Impractical to separate” during the 2008 legislative session, language was added that allowed assessors to consider certain land that is not used as agricultural land to be classified as class 2a land provided it was impractical to value separately from the rest of the class 2a property. This was further refined in 2009. The first change in 2009 removed the assessor’s option of not qualifying any lands as impractical to separate as the statute now states “class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property.” “Interspersed” is commonly defined as being placed at intervals among other things; the word is synonymous with strewn or sprinkled. Therefore, small tracts of land not used for agricultural purposes that are scattered throughout the entire parcel such as sloughs, wooded wind shelters, grass setback acres abutting ditches, grass setback acres abutting public waters, ravines, rock piles, waterways, ridges, pivot points, terraces, ditches, sink/pot holes, and fence lines are generally considered interspersed and should be classed as 2a land. Keep in mind that the term ‘interspersed’ implies that in most cases the amount of interspersed acres will be a small amount in relation to the total acreage for that parcel.

The legislative changes also added to the list of examples of what should be considered impractical to separate by including “land subject to a setback requirement.” This is understood to be any land prohibited by local requirements/ordinances from being used for agricultural purposes (i.e. setbacks from feedlots, wind turbines, or water frontage, etc.). This land should generally be considered impractical to separate and should be classed as 2a land because the setback prohibits agricultural use.

The final legislative change was to direct assessors that land “that is unlikely to be able to be sold separately” from the rest of the property should be considered impractical to separate. This language should be given considerably less weight in the determination. A literal reading of this language, arguably, could possibly prevent the vast majority of rural vacant lands from being separated as 2b land because of lack of market evidence. This was not the intent of the legislation.

The new Rural Preserve Program’s (see chapter 18) size requirements are the initial criteria in determining what is practical or impractical to separate. Based on this program, the general rule of thumb is contiguous class 2b land masses that are 10 acres or more in size should be considered practical to separate, while contiguous class 2b land masses less than 10 acres should be considered impractical to separate. There can and will likely be exceptions to this rule; questions to review in making exceptions to this rule are outlined below.

The rationale in using the 10 acre rule is that in the case of a parcel with at least 10 class 2a agricultural acres currently enrolled in Green Acres, its class 2b lands will no longer be eligible for Green Acres. The legislature created the Rural Preserve Program for these lands to provide a continued tax benefit. Since assessors must remove these lands, by using the 10 acre rule to determine what lands are practical to separate (and therefore will become class 2b), taxpayers at least have an option for these lands. Hopefully having an alternative will diffuse or minimize any future complaints to the legislature, provide for a seamless conversion from Green Acres to Rural Preserve, and follow the legislature’s intent.

Assessors should be able to easily apply the 10 acre rule in the majority of situations. The contiguous acreage of the non-productive land that has been (or is being) identified is first considered. This is land that is not tilled, actively grazed, or mowed for hay.

- If this land mass is 10 acres or more, you would separate it from the class 2a land and classify it as class 2b. It would not be eligible for Green Acres. If the owner applies and meets the other requirements, the 2b lands may be eligible for the Rural Preserve Program.
If this land mass is less than 10 acres, you would not separate it from the productive land since it would be considered "impractical to separate," and it would be classified as class 2a. It would remain eligible for Green Acres (if all other requirements were met).

As previously stated, the 10 acre rule should work in the majority of situations. However, rarely can one rule fit all circumstances, and that is definitely the case when determining the classification of land in Minnesota. The state and its lands are diverse. To account for this diversity and allow for professional judgment and common sense of assessors, the following factors have been drafted. These factors should be considered by assessors if they are justifying a case where the 10 acre rule has not been applied. Counties should create a policy as to how they will use these factors and how they will document the decisions and rationale in applying the factors. No single factor is determinative on its own, as they all should be considered to some degree. The fourth factor ("sold separately") should be given less weight than the other three. The factors allow for assessors to respond to the specifics in their areas.

Remember, contiguous land masses that are 10 acres or more but not used for agricultural purposes, and that therefore could qualify for the Rural Reserve Program will typically be considered practical to separate and classed as 2b lands. Obviously, there will be some exceptions to the 10 acre rule in determining whether acreage should be separated out as 2b land or remain with the productive 2a lands. The Rural Reserve Program 10 acre rule should not be a hard rule. In these instances, the following group of questions and factors should be considered and utilized in the determination of what is practical or impractical to separate:

- How is "interspersed" a factor?
  - Size (acreage)/predominance of the class 2b land in the overall parcel
  - Characteristics (shape, edges, contours, topography) of the 2a and 2b land
  - Location of 2b land – in relation to parcel, to class 2a land, to other class 2b land

- How are alternate uses to the land a factor?
  - Converting the lands to agricultural use
    - Is it easy/feasible to till the land?
    - Is it possible, or impossible?
    - For what reason is any land that could be farmed not being farmed (i.e. is it physically impossible to get machinery there, etc.)?
    - Are there economic, legal, or zoning considerations preventing farming the land?

- How are setback requirements a factor?
  - Are there setback requirement that prevent farming the land?
    - What is the size of setback or amount of land required to be set aside?

- How is "likely to be able to be sold separately" a factor? Remember this factor is given less weight than the others. It should not be the only factor used in making determinations.
  - Local market considerations –
    - Has this land sold separately in the past; is it accessible if sold; is it usable if sold?
    - Instead of selling, are hunting rights to this type of land typically leased?
  - Does the size, shape, or location of this land result in an unusual land mass for sale or to split?

"Agricultural purposes" means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in the 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 the Reinvest in Minnesota (RIM) program or the federal Conservation Reserve Program (CRP) or a similar state or federal conservation program if the property was classified as agricultural for the 2002 assessment, or in the year prior to its enrollment.

Land should be classified as agricultural even if all or a portion of that property is leased to, or used by, another person for agricultural purposes. The proper classification in cases like these would be Class 2a agricultural land – but it would not receive the homestead benefits or the preferential class rate.
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.

“Agricultural products” includes the following:

1. Production for sale of 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 of the owner.
2. Fish bred for sale and consumption if the fish breeding 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 for cultivating agricultural products as defined in #1 above.
4. Property that is owned and operated by non-profit organizations used for equestrian activities, excluding racing.
5. Game birds and waterfowl bred and raised for use on a shooting preserve licensed under Minnesota Statutes, Section 97A.115.
6. Insects that are primarily bred to be used as food for animals.
7. Trees (i.e. Christmas trees) that are grown for sale as a crop, including short rotation woody crops, and not sold for timber, lumber, wood or wood products.
8. Maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

Farmed wild animals

The legislature has designated that certain species of wild animals that are being farmed for certain agricultural purposes are considered to be livestock for sales tax, hunting and wildlife law purposes. We have taken the position that the following should be considered as livestock for property taxes:

- **Farmed cervidae**: Cervidae means members of the cervidae family (including deer, elk, and moose). Farmed cervidae are livestock and are not wild animals for purposes of game farm, hunting, or wildlife laws. Farmed cervidae and their products are farm products and livestock for purposes of financial transactions and collateral. Raising farmed cervidae is an agricultural production and an agricultural pursuit (M.S. 17.452).

- **Farmed ratitae**: Ratitae means members of the ratitae family (including ostriches, emus, and rheas) that are raised for the purpose of producing fiber, meat, or animal by-products or as breeding stock (M.S. 17.453). Ratitae are livestock and are not wild animals for purposes of hunting or wildlife laws. Ratitae and their products are farm products and livestock for purposes of financial transactions and collateral. Raising farmed ratitae is an agricultural production and an agricultural pursuit. (M.S. 17.454)

- **Farmed llamas**: Llama means a member of the genus lama that is raised for the purpose of producing fiber, meat, or animal by-products or as breeding stock (M.S. 17.455). Llamas are livestock and are not wild animals for the purposes of hunting or wildlife laws. Llamas and their products are farm products and livestock for purposes of financial transactions and collateral. Raising llamas is an agricultural production and an agricultural pursuit (M.S. 17.456).

**Class 2b – Rural Vacant Land**

Class 2b rural vacant land consists of parcels of property, or portions thereof, which are unplatted real estate, rural in character and not used for agricultural purposes. It includes land used for growing trees for timber, lumber, and wood and wood products. The land cannot be improved with a structure, unless the structure is minor, ancillary and nonresidential as defined by the commissioner of revenue.

The department has defined “minor ancillary nonresidential structures” as sheds or other primitive structures, the aggregate size of which are less than 300 square feet that add minimal value and are not used residentially; provided that the occasional overnight use for hunting or other outdoor activities shall not preclude a structure from being considered a minor, ancillary structure.

If any structure or group of structures totals 300 or more square feet, or if any structure is used residentially on more than an occasional basis, or if there is an improved building site that provides water, sewer or electrical hook ups for residential purposes, the property must be split classified according to the appropriate use or uses of the property.
If the parcel is 20 acres or more in size and improved with a structure that is not a minor, ancillary nonresidential structure, it must be split-classed. The assessor will assign the improved part of the parcel, plus 10 acres to an appropriate classification (residential or seasonal residential recreational, for example) and the remainder will be class 2b.

For the current assessment year, class 2b rural vacant land has a class rate of 1 percent unless it is contiguous to class 2a agricultural homestead land, then may qualify for the first tier agricultural land class rate.

Class 2c – Managed Forest Land
Class 2c managed forest land consists of parcels of at least 20 acres (but not more than 1,920 statewide per taxpayer) that is being managed under a forest management plan that would meet the requirements of chapter 290C (Sustainable Forest Resource Management Incentive Program) but is not enrolled in the program.

The owner must apply to the assessor by May 1 for this classification and provide the information required to verify the property qualifies for the current assessment. The commissioner of natural resources must also concur that the land qualifies and will notify the assessor annually of qualifying land.

The presence of a minor, ancillary nonresidential structure does not disqualify the property from class 2c. If there is more than a minor, ancillary nonresidential structure, the property would need to be split-classified. If a property must be split-classified and the resulting forest land is less than 20 acres, the property is not eligible for the classification.

For the current assessment year, class 2c managed forest land has a class rate of 0.65 percent.

Class 2d Private Airport
Class 2d private airport land consists of a landing area or public access area of a privately owned public use airport. To qualify for this classification, a privately owned public use airport must be licensed as a public airport under section 360.018.

“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 landing or navigational aids are situated. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:
- the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxing 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;
- the land is part of the airport property; and
- the land is not used for commercial or residential purposes.

The land contained in a landing area 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 these requirements.

“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.

For the current assessment year, class 2d private airport land has a class rate of 1 percent.

Class 2e Land with a Commercial Aggregate Deposit
Class 2e land is land with a commercial aggregate deposit that is not actively being mined and that is not otherwise classified as class 2a or 2b. Class 2e land may only be located in a county that has not opted out of the aggregate preservation program (described in chapter 18). A commercial aggregate deposit is a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate. Actively mining means the removal of top soil and overburden in preparation for excavation or the actual excavation of a commercial deposit.

The property must be at least 10 contiguous acres in size and the owner of the property must record with the county recorder of the county where the property is located an affidavit containing:
a legal description of the property;
a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;
documentation that the conditional use under the county or local zoning ordinance of the property is for mining; and
documentation that a permit has been issued by the local unit of government or that 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.

When any portion of class 2e land begins to be actively mined (provided that the minimum acreage change is 5 acres even though they all may not begin actual mining), the owner must file a supplemental affidavit within 60 days from the first day any aggregate is removed stating the number of acres of the property that is actively being mined. These acres will then be classified and valued as commercial property for the next assessment. Any of those acres also enrolled in the aggregate resource preservation program will no longer be eligible for that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, as well as others (local zoning administrator and DNR).

For the current assessment year class 2e land with a commercial aggregate deposit has a class rate of 1 percent.

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**Class 3**

**Class 3a – Commercial-Industrial and Public Utility, Public Utility Machinery, Real Property Owned in Fee by a Utility for Transmission Line Right-of-Way, Transit Zone**

Commercial-industrial property, real and personal utility property, and transit zone property are all included in class 3a. The definitions of each are described below.

1. Each parcel of commercial, industrial, or utility real property has a class rate of 1.5 percent for the first tier (up to $150,000) of market value and 2 percent for the remaining market value. However, the entire market value of real property owned in fee by a utility for transmission line right-of-way has a class rate of 2 percent. The first tier is known as the “preferred commercial” classification.

   If a contiguous parcel of property is owned by the same person or entity, only the value equal to the first tier value of the contiguous parcels qualifies for the preferred commercial classification. However, each separate business, even if owned by the same person or entity, located on a contiguous parcel would be eligible for the preferred commercial classification if the business is housed in a separate structure.

   For purposes of this classification, parcels are considered to be contiguous even if a road, street, waterway or other similar intervening type of property separates them from each other. However, 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 class rate must notify the assessor by July 1 for treatment beginning with taxes payable in the following year.

2. All railroad operating property has a class rate of 1.5 percent for the first tier (up to $150,000) of market value and 2.0 percent for the remaining market value. In addition, the following property also has a class rate of 1.5 percent for the first tier (up to $150,000) of market value and 2 percent for the remaining market value:
   a. all property that is part of an electric generation, transmission or distribution system;
   b. all property that is part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; and
   c. all property that is not described in number three (below).

   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 preferred commercial classification.
3. The entire market value of the following personal property has a class rate as of 2 percent:
   a. tools, implements, and machinery of an electric generation, transmission, or distribution system;
   b. tools, implements and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or
   c. the mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings.

Class 3a property is subject to the state general tax. However, electric generation attached machinery and airport property that is exempt from city and school district property taxes under Minnesota Statutes, Section 473.625 is exempt from the state general property tax (MSP International Airport and Holman Field in St. Paul are exempt under this provision).

Class 3b – Employment Property
Class 3b property is defined as employment property in Minnesota Statutes, Section 469.166, subdivision 10. This class has limited application. The only property qualifying for class 3b includes certain property in border city zones. Currently only the cities of Ortonville, Dilworth, Moorhead, and East Grand Forks report class 3b property.

For the current assessment year, class 3b property has a class rate of 1.5 percent for the first tier (up to $150,000) of market value and 2.0 percent for the remaining market value.

Class 3b property is subject to the state general tax.

Class 4

Class 4a – Rental Housing
Class 4a is residential rental real estate containing four or more units (apartments) that is 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 private, for-profit hospitals.

For the current assessment year, class 4a property has a class rate of 1.25 percent.

Class 4b
   ▪ 4b(1) Residential nonhomestead property containing one to three units that does not qualify for class 4bb, other than seasonal residential recreational
   ▪ 4b(2) Manufactured homes not classified under any other provision
   ▪ 4b(3) Farm nonhomestead containing more than one residence but less than four along with the acre(s) and garage(s)
   ▪ 4b(4) Residential nonhomestead land not containing a structure (residential vacant land)

For the current assessment year, the market value of class 4b property has a class rate of 1.25 percent.

Class 4bb
   4bb(1) Residential nonhomestead single unit (i.e. single family rental house on residential lot), other than seasonal residential recreational
   4bb(2) Single family dwelling, garage, and one acre on nonhomestead agricultural land

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

For the current assessment year, the class rate for 4bb property is 1.0 percent for the first $500,000 in value and 1.25 percent for any value over $500,000.
Class 4c

4c(1) Seasonal residential recreational – noncommercial (cabins)
4c(1) Seasonal residential recreational – commercial (resorts)

Class 4c property is real and personal property that is devoted to temporary and seasonal residential occupancy for recreation purposes. This includes real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the assessment. Property is considered to be 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 that occupancy. Class 4c property must contain three or more rental units (i.e. cabin, townhouse, sleeping room, or individual camping site) and must provide recreational activities such as renting ice fishing houses, boats, ski equipment, or offer guide services.

In order for a property to be classed as class 4c, seasonal recreational residential for commercial purposes, 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:

- At least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights (a paid booking of five or more nights should be counted as two); or
- At least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, guide services, or the sale of bait and tackle.

Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with Class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes. It is limited in size to a property of 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 assessment year. It must also be located within two miles of the Class 4c property with which it is used.

Owners of property desiring classification as class 4c must submit a declaration to the assessor’s office and provide guest registers or other records by January 15 of the assessment year that show which cabins or units were occupied for 250 days or less in the year preceding the year of assessment. Qualifying cabins or units and a proportionate share of the land on which they are located will be designated class 4c. Non-qualifying cabins or units and a proportionate share of the land on which they are located will be designated as class 3a commercial.

Any portion of a property operated as a restaurant, bar, gift shop, conference center or meeting room, or other non-residential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreational purposes does not qualify for class 4c. This portion of the property should be classified as class 3a commercial or possibly class 4c(10) for a qualifying restaurant located on a lake.

For the current assessment year, class 4c(1) property has a class rate of 1 percent for the first $500,000 in value and 1.25 percent for any value over $500,000. Depending on if the property is used commercially or not, it may be exempt from market value referendum taxes. Class 4c(1) property is subject to the state general tax (this applies to both cabins and resort property).

4c(2) Qualifying golf courses

A golf course qualifies for this classification if:

- 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
- It meets the requirements of section 273.112, subdivision 3, paragraph (d), which prohibits discrimination on the basis of sex.

A structure that is used as a clubhouse, restaurant or place of refreshment in conjunction with the golf course should be classified as class 3a commercial property.

For the current assessment year, class 4c(2) property has a class rate of 1.25 percent.
**4c(3)  Nonprofit community service oriented organization**

Real property up to a maximum of three acres of land owned used by a nonprofit community service oriented organization and that is not used for temporary or permanent residential purposes qualifies for class 4c(3) provided that it meets either of the following:

- the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the assessment year; or
- the organization makes annual charitable contributions and donations at least equal to the property’s previous year’s property taxes (excluding any state general tax) 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.

Charitable contributions and donations have the same meanings as listed under section 349.12, subdivision 25, excluding uses related to the payment of taxes, assessments, fees, auditing costs, and utility payments. This section refers to the distribution of contributions or donations resulting from lawful gambling proceeds.

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 (i.e. 501(c)(3), (8), (10), or (19)). Examples include Kiwanis, Knights of Columbus, Elks, Moose, etc.

“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 non-intoxicating malt liquor establishment licensed under Chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under Minnesota Statutes, Chapter 349, an insurance business, or office or other space leased or rented to a lessee that conducts a for-profit enterprise on the premises. 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 and no revenues are received by the organization, shall not be considered a revenue-producing activity.

Any portion of the property that is used for revenue-producing activities for more than six days in the calendar year preceding the assessment year that also does not qualify for class 4c(3) by making enough charitable contributions or donations and by allowing the public to use its facilities should be classified as class 3a commercial.

The organization must maintain records of its charitable contributions and donations and of public meetings and events held on site and make those records available to the assessor to ensure eligibility. Organizations seeking to qualify by making contributions and donations must file an application with the assessor by May 1 for the current year’s assessment. The commissioner of revenue prescribes this form and the required documentation.

For the current assessment year, class 4c(3) property has a class rate of 1.5 percent. Property qualifying as non-revenue (4c(3)i – used less than six days for revenue-producing activities) does not pay the state general tax. Property qualifying by making contributions and donations (4c(3)ii) does pay the state general tax. A property can be both 4c(3)i and 4c(3)ii if appropriate.

**4c(4)  Post-secondary student housing**

Post-secondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under Minnesota Statutes 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 is classified as class 4c(4).

For the current assessment year, class 4c(4) property has a class rate of 1.0 percent. Class 4c(4) post-secondary student housing is exempt from referendum market value based taxes.

**4c(5)  Manufactured home parks**

The 2010 legislature created a secondary classification for a manufactured home park owned by a manufactured home park cooperative under Minnesota Statutes, section 273.124, subdivision 3a. To qualify for this classification, 4c(5)ii, the percentage of lots occupied by shareholders must be considered. If more than 50 percent of the lots are occupied by shareholders, the manufactured home park would have the same class rate as class 4d low income rental housing (currently 0.75%); if 50 percent or less of the lots are occupied by shareholders, the class rate is 1.0 percent.
Manufactured home parks not owned by a manufactured home park cooperative are now referred to as class 4c(5). For the current assessment year this class has a class rate of 1.25 percent.

4c(6)  Metro nonprofit recreational property
Class 4c(6) is real property that is actively and exclusively devoted to indoor fitness, health, social, recreational and related uses. It must be owned and operated by a not-for-profit corporation and be located in the counties of Anoka, Carver, Dakota (excluding the city of Northfield), Hennepin (excluding the city of Hanover), Ramsey, Scott (excluding the city of New Prague), or Washington.

For the current assessment year, class 4c(6) property has a class rate of 1.25 percent.

4c(7)  Certain leased or privately owned noncommercial aircraft storage hangar (including land)
Leased or privately owned noncommercial aircraft storage hangars that are not exempt under Minnesota Statutes, Section 272.01, subdivision 2, and the land on which they are located qualifies to be classified as 4c(7) property if:

- The land is an airport owned or operated by a city, town, county, metropolitan airports commission or group thereof; and
- The land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

Note: if the hangar is located on land at an airport owned or operated by a town or city with a population of 50,000 or less and it is leased by an aviation-related business, it is exempt under section 272.01, even if that business is conducted for profit. If that same hangar is leased by an individual to store his personal plane, it is also exempt.

A bill of sale must be filed with the assessor by the new owner of any hangar classified under this clause within 60 days of the sale.

For the current assessment year, class 4c(7) property has a class rate of 1.5 percent.

4c(8)  Certain privately owned noncommercial aircraft storage hangars on private land (including land)
Privately owned noncommercial aircraft storage hangars and the land on which they are located qualifies to be classified as 4c(8) property if:

- the land abuts a public airport; and
- 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.

Note: The exemption provided in section 272.01, subdivision 2, paragraph (b)(2) for aviation-related businesses in towns and small cities DOES NOT apply to property leased from a private individual to conduct aviation-related business.

For the current assessment year, class 4c(8) property has a class rate of 1.5 percent.

4c(9)  Bed and Breakfast
Class 4c(9) property is residential real estate, a portion of which is used by the owner for homestead purposes, that is also a place of lodging. All of the following conditions must be met:

- Rooms are provided for rent to transient guests that generally stay for periods of 14 days or less;
- Meals are provided to persons who rent rooms, the cost of which is incorporated into the room rate;
- Meals are not provided to the general public except for special events on fewer than 7 days in the calendar year preceding the year of the assessment; and
- The owner is the operator of the property.

The market value subject to the 4c(9) classification is limited to five rental units. Any rental units in excess of five must be valued and classified as class 3a commercial. The portion of the property that is used as a homestead by the owner must be classified as class 1a residential homestead.

For the current assessment year, class 4c(9) property has a class rate of 1.25 percent.
4c(10) Restaurant on a Lake
Class 4c(10) includes real property, up to a maximum of three acres, that is operated as a restaurant as defined in section 157.15, subdivision 12 (a food and beverage service establishment, whether the establishment serves alcoholic or nonalcoholic beverages, which operates from a location for more than 21 days annually) and:

- Is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and
- Is either devoted to commercial purposes for not more than 250 consecutive days or receives at least 60 percent of its annual gross receipts (including sales of alcoholic beverages) from business conducted during four consecutive months.

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 seeking class 4c(10) must submit an annual declaration to the assessor by February 1 of the current assessment year. The property’s relevant information submitted is for the preceding assessment year.

For the current assessment year, class 4c(10) property has a class rate of 1.25 percent.

4c(11) Marina
Class 4c(11) includes lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina and made accessible to the public. If public access is not available on the property itself, the property must be located next to public property that provides the access. No more than 800 feet of shoreline can be included. Commercial buildings on the premises, such as buildings used to provide food, fuel, boat repairs, sale of bait/tackle, etc., continue to be classified as class 3a. Property owners must provide evidence of public access annually by applying to the assessor.

For the current assessment year, class 4c(11) property has a class rate of 1 percent on the first $500,000 of market value and 1.25 percent on the value in excess of $500,000. Class 4c(11) property is not subject to the state general tax.

Class 4d – Low-income rental housing
Class 4d property is qualifying low-income rental housing. The assessor does not make the determination as to whether a property qualifies for this classification; these properties are certified to the assessor by the Minnesota Housing Finance Agency (MHFA).

Application for certification as class 4d property must be filed with MHFA by March 31 of the levy year (or at a later date if the MHFA deems practicable) on a form prescribed by the MHFA. By June 1 of each assessment year, the MHFA must certify to the appropriate county or city assessors, the specific properties that qualify for class 4d and the number of units in the building that qualify.

If only a portion of the units in the building qualify as low-income rental housing units as certified by the MHFA, 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 (typically class 4a apartments). 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.

The MHFA will certify property as class 4d (upon application) if at least 20 percent of the units in the rental housing property meet any of the following qualifications:

- the units are subject to a housing assistance payments contract under section 8 of the United States Housing Act of 1937, as amended;
- the units are rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code of 1986, as amended;
- the units are financed by the Rural Housing Service of the United States Department of Agriculture and receive payments under the rental assistance program pursuant to section 521(a) of the Housing Act of 1949, as amended; or
- the units are subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by the federal government or the state of Minnesota, or a local unit of government, as evidenced by a document recorded against the property (Minnesota Statutes, Section 273.128).
The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development. The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.

For the current assessment year, class 4d property has a class rate of 0.75 percent.

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<thead>
<tr>
<th>Class 5</th>
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<tr>
<td>5(1) Unmined iron ore and low grade iron-bearing formations</td>
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<tr>
<td>5(2) All other property not otherwise classified</td>
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</table>

For the current assessment year, class 5 property has a class rate of 2.0 percent. Class 5(1) property is subject to the state general tax.

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<th>Classification of Unimproved Property</th>
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Class 5(3) property – vacant land – was eliminated beginning with the 1992 assessment. It was replaced with a new procedure for the assessment of unimproved property. Per Minnesota Statutes, Section 273.13, subdivision 33, all real property that is not improved with a structure must be classified according to its current use.

Unless it qualifies for classification in section 273.13, subdivision 23, paragraph (c) as rural vacant lands, or paragraph (d) as managed forest lands, if there is no identifiable current use, the property must be classified according to its most-probable, 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.