

PROPERTY TAX
Community land trust property classification modification

February 7, 2023

Department of Revenue

Analysis of H.F. 307 (Richardson) as proposed to be amended by H0307A1

	Yes	No
DOR Administrative Costs/Savings		X

Fund Impact

	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
Property Tax Refund Interaction	\$0	\$0	\$250	\$250

Effective beginning with assessment year 2024.

EXPLANATION OF THE BILL

Under current law, property owned by a community land trust and used as a homestead by qualifying individuals is classified as 1a residential homestead property with a classification rate of 1.00% for the first \$500,000 of market value and 1.25% for any remaining value.

The proposal would create a new classification for property owned by a community land trust and used as a homestead by the occupant. These properties would be classified as 4d(2) community land trust units with a classification rate of 0.75%. The community land trust must certify to the assessor by December 15 each year that the community land trust owns the real property on which the unit is located and the owner is a member in good standing of the community land trust. Additionally, the assessor must determine the market value of these properties without regard to any restrictions that apply because it's a community land trust property. Properties classified as 4d(2) would maintain homestead status for the purposes of qualifying for property tax refunds.

REVENUE ANALYSIS DETAIL

- According to the Minnesota Community Land Trust Coalition, there are 12 community land trust organizations in Minnesota that have a portfolio of over 1,250 homes throughout the state.
- It is assumed that about \$320 million of market value would change from class 1a residential homestead to class 4d(2) community land trust units under the proposal.
- Property taxes would shift away from properties becoming class 4d(2) and onto all other properties, including homesteads. As a result, property tax refunds paid by the state would increase by \$40,000 beginning in fiscal year 2026.
- As a result of properties receiving a reduced classification rate under class 4d(2), property tax refunds paid by the state would decrease by \$290,000 beginning in fiscal year 2026.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Creates another property tax classification.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

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