

2025 PROPERTY TAX AND LOCAL GOVERNMENT AIDS LEGISLATIVE BULLETIN



Appeals, Legal Services, and Disclosure Division
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8/18/25 FINAL

PROPERTY TAXES-GENERAL

Rental housing property exemption. Minn. Stat. § 272.02, subd. 7, was amended to clarify that to qualify for the institution of public charity exemption, rental housing property must both be used in furtherance of the tax-exempt charitable purpose of the organization and the use does not further that purpose solely by providing rental housing based on income characteristics of the renters. This amendment was in response to the Minnesota Supreme Court decision in *Alliance Housing Inc. v. County of Hennepin*, 4 N.W.3d 355 (Minn. 2024). Effective for property taxes payable in 2026 and thereafter. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 2, § 1.

Taxation and exemption of cooperative associations distributing electrical power to rural areas. Minn. Stat. §§ 272.02, subd. 19; 273.38; and 273.41, were amended to remove “lines and their attachments and appurtenances” from the electric power distribution definition and replace with “systems, not including substations, or transmission or generation equipment” as it relates to the assessment and taxation of electric cooperative associations. Removing the reference to the phrase “attachments and appurtenances” and using updated language is intended to provide clarity regarding assessment and taxation of these cooperatives. Effective for assessment year 2025 and thereafter. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 2, §§ 2, 9-10.

Tribal property exemptions. Minn. Stat. § 272.02 was amended by adding new subdivisions 106 through 108, which provide exemptions for certain Tribally owned property. Subdivision 106 exempts one parcel that does not exceed 40,000 square feet of class 3a property used exclusively for Tribal purposes or institutions of purely public charity located in a city of the first class with a population greater than 400,000 and was on January 1, 2024, and the current assessment year, owned by a federally recognized Indian Tribe or its instrumentality. Subdivision 107 exempts no more than five parcels of class 2b property located in an unorganized territory with a population less than 800, or a county with a population between 5,580 and 5,620, and was owned on January 2, 2023, and the current assessment year, by a federally recognized Indian Tribe or its instrumentality. Subdivision 108 exempts property containing a mixed-used development constructed after January 1, 2024, including space used exclusively for noncommercial Tribal government activities, located in a city of the first class with a population greater than 400,000, and owned by a federally recognized Indian Tribe on January 1, 2025, and for the current assessment year. Effective beginning with assessment year 2026. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 2, §§ 3-5.

Conveyances, taxes paid before recording. Minn. Stat. § 272.12, was amended to remove the phrase “within four months of execution of the contract for deed” that was added in error in 2024 regarding the county auditor requirement to determine if there are delinquent taxes prior to recording a conveyance. Effective May 1, 2025. 2025 Minn. Laws, Ch. 9, § 1.

Conservation property tax valuation. Minn. Stat. § 273.117, was amended by adding a clause clarifying real property subject to a conservation easement in a metropolitan county that has adopted a program to protect farmland or natural areas is not subject to the restriction that the value must not be reduced by the assessor. Effective for assessment year 2026 and thereafter. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 2, § 6.

Low-income rental property. Minn. Stat. § 273.128, subd. 1, was amended to move an existing unnumbered paragraph to clause (4) regarding income restrictions for low-income property classified as class 4d(1). This change clarifies that the restrictions only apply to clause (4) and not to clauses (1) through (4). Effective beginning with assessment year 2026. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 2, § 7.

Add class 4d(2) for the remaining market value of class 1b properties. Minn. Stat. § 273.13, subd. 22, was amended to allow the remaining market value of class 1b property in excess of \$50,000 to be classified, if appropriate, as class 4d(2) community land trust property under Minn. Stat. § 273.13, subd. 25(e)(2). Effective beginning with assessment year 2025 and thereafter. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 11, § 3.

Class 2 agricultural property. Minn. Stat. § 273.13, subd. 23, was amended to expand the definition of agricultural land to include contiguous acreage containing a residence and is less than 15 acres in size, if the contiguous acreage inclusive of the house, garage, and surrounding one acre of land was used in the preceding year for market farming, and the owner provides the assessor with the filed federal Schedule F for the most recent completed tax year reporting gross income of at least \$20,000. The amendment moves the definition of “market farming” to apply to all the entire paragraph defining “agricultural land.” The amendment also defines “floriculture” and adds it to apply to the entire paragraph defining “agricultural products.” Effective beginning with assessment year 2026. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 2, § 8.

Interest rate for delinquent taxes. Minn. Stat. § 279.37, subd. 2, was amended to change the interest rate set by the commissioner on confessions of judgment for delinquent property taxes to no more than the prime rate or five percent, provided the rate does not exceed the maximum rate specified in Minn. Stat. § 279.03, subd. 1a. Effective January 1, 2026. 2025 Minn. Laws, 1st Spec. Sess. Ch. 13, Art. 2, § 11.

Tax levy for free music in third class cities. Minn. Stat. § 449.08, was amended to increase the annual expenditure limit for the free music tax levy in cities of the third class to \$10,000. Effective June 15, 2025. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 2, § 12.

Land bank organization. Minn. Stat. § 469.1812, was amended by adding a new subdivision 2a, which defines a “land bank organization” as one “that, at least in part acquires, holds, or manages vacant, blighted, foreclosed, or tax-forfeited property for future development,

redevelopment, or disposal,” and is either a 501(c)(3) nonprofit organization with specific restricted members or a limited liability company with the 501(c)(3) nonprofit organization as the sole member. Minn. Stat. § 469.1813, subd. 1, was amended to authorize abatements that serve the public interest by providing for affordable housing for households at or below 80% of area median income as estimated by the United States Department of Housing and Urban Development, or by allowing the property to be held by a land bank organization for future development. Minn. Stat. § 469.1813, subd. 6, was amended to limit the abatements authorized in amended Minn. Stat. § 469.1813, subd. 1 to no longer than 5 years. Minn. Stat. § 469.1813 was amended by adding subdivision 11, which requires land bank organizations to repay abatements with interest at the expiration of the abatement period if the land is ultimately used for a purpose other than that given by the organization at the time the abatement was granted. Effective June 15, 2025. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 2, §§ 13, 14 and 16. Effective for abatement resolutions approved after June 15, 2025. 2025 Minn. Laws, 1st Spec. Sess. Ch. 13, Art. 2, § 15.

Property tax exemption for Bloomington economic development land. This uncodified provision created an exemption for property taxes payable in 2017 through 2025 for property acquired in May 2016 and owned by the Bloomington Port Authority. The property must remain exempt for taxes payable in 2026 through 2031, provided the requirements of Minn. Stat. § 272.02, subd. 39 (economic development; public purpose) are met. An initial application for this exemption must be filed with the assessor by June 30, 2025. Effective the day after the governing body of the city of Bloomington and its chief clerical officer comply with the requirements of Minn. Stat. § 645.021, subds. 2 and 3. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 2, § 17.

Red Lake Nation College property tax exemption. An uncodified provision created an exemption from both the portion of property taxes payable in 2021 after acquisition and property taxes payable in 2022 for property in Minneapolis acquired by Red Lake Nation College Without Borders, LLC in either August or September 2021. All prior year penalties, interest, and costs are cancelled. An amount to make a payment to the county for property taxes that would have been payable but for this exemption is appropriated in fiscal year 2026 to the commissioner from the general fund. The county auditor must certify to the commissioner by August 1, 2025 this amount to make a payment to the county, and commissioner must make this payment by August 15, 2025. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 2, § 18.

Repealer-Proposed taxes notice and tax statements certain property in taconite assistance areas. Repealed Minn. Stat. §§ 275.065, subd. 3c and 276.04, subd. 2a, which provided proposed tax notices and tax statements for certain commercial-industrial property subject to the areawide tax under Minn. Stat. § 276A.06 to include specific information on net tax capacity and “fiscal disparities adjustment.” Effective beginning with property taxes payable in 2026. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 2, § 19.

PROPERTY TAX AIDS

Payment reduction and withdrawal procedures for land enrolled in the sustainable forest incentive program. Minn. Stat. § 290C.07, was amended to reduce the annual per acre payment by ten percent for each of the four types of land enrolled in the Sustainable Forest Incentive Act

(SFIA) program. Also, the calculated payment must not increase by more than ten percent relative to the previous year and payments may not be less than 90 percent of the amount paid to the claimant for land enrolled in 2017. This amendment deletes an obsolete election that expired on May 16, 2019, for claimants to change the length of the covenant for enrolled land. Minn. Stat. § 290C.10, was amended to permit early withdrawal from the SFIA program without penalty if there is a reduction in payments due to changes in the payment formula under § 290C.07, or if payments are reduced or limited due to executive action. Effective beginning for payments in calendar year 2027. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 4, § 1. Early withdrawal amendment effective June 15, 2025. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 4, § 2.

Municipal government distributions. Minn. Stat. § 477A.013, subd. 1, was amended to change calculation of the town distribution equal to the product of the total amount available for town aid under Minn. Stat. § 477A.03, subd. 2c, and the ratio of the town's "town aid factor" to the sum of the town aid factors for all towns. The "town aid factor" is the product of the town's "agricultural property factor", "town area factor", and "population factor". Effective for aids payable in 2026 and thereafter. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 4, § 3.

Aquatic invasive species prevention aid reduction. Minn. Stat. § 477A.19, subd. 5, was amended to reduce the appropriation from the general fund to the commissioner to \$5,000,000 annually starting in 2027 to make payments for aquatic invasive species prevention aid. The annual appropriation for aids payable in 2025 and 2026 remains \$10,000,000. Effective for aids payable in 2026 and thereafter. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 4, § 4.

Electric generation transition aid notification. Minn. Stat. § 477A.24, subd. 2, was amended to clarify that the public utility is responsible for notifying the commissioner of revenue when an electric generation unit is expected to be retired and removed from the property tax base. Effective August 1, 2025. 2025 Minn. Laws, Ch. 20, § 278.

Local and statewide local housing aid. Minn. Stat. §§ 477A.35, subd. 5 and 477A.36, subd. 5, were amended to clarify that any program income generated from funds distributed under these aid programs must to be used on a "qualifying project." Effective July 1, 2025. 2025 Minn. Laws, Ch. 32, Art. 4, §§ 2 and 3.

Aid penalty forgiveness. This uncodified provision created aid payments for prior calendar years to the cities of Stewart, Alpha, Odin, and Trosky provided that the state auditor receives annual financial reporting by June 1, 2025, from each city for the relevant year and the state auditor certifies to the commissioner by June 16, 2025, that the state auditor received the annual financial reporting. The amounts necessary to make these aid payments is appropriated to the commissioner and payments must be made to the cities by June 30, 2025. Effective June 15, 2025. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 4, § 5.

Base year formula. This uncodified provision created the City of Baldwin's base aid for 2025 is \$2.85 multiplied by Baldwin's 2023 population for purposes of the calculation for aids payable in 2026. Effective for aids payable in 2026 only. 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 4, § 6.