DEPARTMENT OF REVENUE

DOR Letters Update:

12/15/2024

Any correspondence posted within this file is deemed to be accurate and a true representation of the answer as of the date the original document was issued. The Department of Revenue will make every attempt to ensure letters that are no longer accurate due to law or policy changes are removed in a timely manner. If you find a document that you believe is no longer accurate due to a change in law or policy, please direct your concerns to us at proptax.questions@state.mn.us and we will attempt to resolve the situation.

Please understand that all answers are based on the specific question asked. If any of the facts of the situation change, our opinion will be subject to change as well.

Updated December 2024

DEPARTMENT OF REVENUE

August 1, 2024

Dear Lori,

Thank you for submitting your question to the Property Tax Division regarding special agricultural homestead. You have provided the following scenario and question:

Scenario 1:

- Two entities and a trust own agricultural land. Entity A is a farm corporation, Entity B is an LLC, Trust A is a trust.
- Entity A owns three parcels, Entity B owns 15 parcels, and Trust A owns four parcels. All parcels are over 40 acres.
- Dad is a sole member of Entity A and Entity B and is the grantor of Trust A.
- Dad lives in town on a residential parcel owned by a different trust and is within four cities and townships of all the agricultural land.
- Son farms the land with Dad.
- Son owns his own agricultural parcel over 40 acres and receives special agricultural homestead in his own name.

Question: Can Dad establish and link special agricultural homestead on all parcels owned by Entity A, Entity B, and Trust C?

Answer: No, he would be restricted to establishing special agricultural homestead under one of the three ownership entities and could only link to parcels owned by that entity. When reviewing agricultural homestead, a property owner first must establish homestead on one of the parcels. For special agricultural homestead, this is referred to as the established main parcel (EMP). That parcel must meet the requirements of Minnesota Statutes 273.124 subd. 14 (g):

> *(1) the property consists of at least 40 acres including undivided government lots and correctional 40's;*
> *(2) a shareholder, member, or partner of that entity is actively farming the agricultural property;*
> *(3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;*
> ***(4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota;*** *and*
> *(5) that shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.*

Clause (4) restricts a qualifying person seeking to establish agricultural homestead to one agricultural homestead, meaning that Dad may only establish one special agricultural homestead among the three entities. This is true for trust owned agricultural homesteads as well as described in M.S. 273.124 Subd. 21 (e).

Once Dad has established special agricultural homestead on one of the entities, he may then link his homestead benefits to other parcels **under the same ownership**. Therefore, if he establishes special agricultural homestead under Entity B, he would be able to link special agricultural homestead from his EMP to other parcels owned by

Entity B if all other requirements are met, however he would not be able to link to parcels owned by Entity A or Trust C. While there are some exceptions to the rule, these solely apply to linking trust owned land to individually owned land owned by the grantor or their spouse.

While entities may establish multiple agricultural homesteads, in this situation Son may not establish special agricultural homestead on any of the land. While he is a qualifying relative of the grantor of Trust A, he cannot establish an agricultural homestead because he is already receiving one. Additionally, for Entity A and Entity B, Son is not a qualifying person of either entity which also would prohibit him from establishing special agricultural homestead on any entity owned land.

Scenario 2:

- An LLC owns multiple parcels, each of which are at least 40 acres.
- The sole member of the LLC lives on a residential parcel with their spouse that is within four cities or townships of all parcels owned by the LLC.
- All parcels are receiving special agricultural homestead.
- The member recently acquired a 40-acre parcel in their own name.

Question: Can the newly acquired parcel receive agricultural homestead?

Answer: No. As stated above, with limited exceptions property must be owned by the same person or entity in order to be linked, and the property owner may only receive one agricultural homestead. The property would need to be owned by the LLC and meet all other special agricultural homestead linking requirements to qualify.

We recommend reviewing *Module 4- Homesteads* of the Property Tax Administrators Manual to review the requirements of establishing special agricultural homestead and linking requirements. Relevant information can be found in our *Homestead Linking Checklist* on page 77 and the *Establishing Agricultural Homestead Flowcharts* at the end of the module.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

September 12, 2024

Dear Janet,

Thank you for submitting your question to the Property Tax Division regarding special agricultural homestead. You have provided the following scenario and question:

Scenario:

- Mom owned three parcels of land.
- All three parcels are 160 acres of 2a agricultural land.
- Mom passed away in January 2024.
- In August 2024, the ownership structure of Mom's land was changed:
    - Parcel 1: 50% Mom and 50% Son A.
    - Parcel 2: 50% Mom and 50% Son A.
    - Parcel 3: 50% Mom and 50% Son B.
- Son A is the active farmer of all three parcels.
- All parcels are receiving special agricultural homestead.
- Son A receives an occupied agricultural homestead on his own land.
- Son B lives in Connecticut.

Question: How does the passing of Mom and resulting change in ownership affect the homestead on these parcels?

Answer: When a property owner dies, the standard process is that the property goes into probate where the owner's estate will be settled depending on whether the owner had a will or heirs to inherit the property; this generally will result in a change in ownership. While a county would normally wait until the probate process has settled to review the ownership and the subsequent effects on homestead status, in this situation the change in ownership for a special agricultural homestead necessitates a review of the homestead status for the current assessment year.

In order for a parcel to qualify for special agricultural homestead the following requirements must be met:

- The agricultural property is at least 40 acres, including undivided government lots and correctional 40s
- The person receiving homestead and their spouse must not claim another agricultural homestead in Minnesota
- The person receiving homestead and their spouse must live within four cities or townships of the agricultural property
- The person receiving homestead must be a Minnesota resident

Mom's 50% ownership in each of the three parcels cannot receive special agricultural homestead as the requirements cannot be met due to her being deceased. Because Son A claims his own agricultural homestead, he cannot establish special agricultural homestead on any of the parcels. However, he may be able to link his

individual homestead to his 50% ownership share of parcels 1 & 2 if all other linking requirements are met. In the case of parcel 3, Son B does not reside in Minnesota and therefore his 50% cannot qualify for agricultural homestead. Son A cannot link to the 50% on parcel 3 because he is not the owner.

Therefore, Son A may be able to link his agricultural homestead to his 50% ownership stakes in parcels 1 and 2, but parcel 3 will be non-homestead for the 2024 assessment year.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

November 20, 2024

Amisa,

Thank you for contacting the Property Tax Division regarding assessing property enrolled in a RIM program. You provided us with the follow scenario and questions.

Scenario:

- A property roughly 50 acres in size was enrolled in the Reinvest in Minnesota (RIM) program.
- In 2020 the owner split the property into a 23-acre parcel with 15 acres in RIM.
- The current owner purchased the property in 2008.

Question 1: Does the land retain the value it was originally assessed at the time of enrollment? Does it matter if ownership changes?

Answer: Minnesota Statutes 273.117 prohibits assessors from reducing the value of a property subject to a conservation easement entered after May 23, 2013, if the easement is recorded on the property and the property is being used in accordance with the terms of the conservation restriction or easement. Even if the property does not qualify under this statute, it is possible that the easement does not affect the value or adds value depending on the situation and should be reviewed on a case-by-case basis.

Ownership or change in ownership does not affect how the property is assessed unless the change in ownership results in the property no longer qualifying for a program or other exception in statute.

Question 2: If there is no ag use on the property, would they qualify for agricultural homestead?

Answer: Property enrolled in RIM can qualify for the agricultural classification. For parcels larger than 11 acres with a residence, a property must have at least 10 acres used during the preceding year for "agricultural purposes" to receive the agricultural classification. Enrollment in RIM qualifies as an agricultural purpose *if* the property was classified as agricultural:

(A) for taxes payable in 2003 because of its enrollment in RIM and has remained enrolled, or

(B) (ii) in the year prior to its enrollment.

Therefore, if the owner occupies the property, they could receive an agricultural homestead. The property is ineligible for special agricultural homestead because it is under 40 acres.

Question 3: If the property was originally classified as rural vacant or woods when the property was originally enrolled in RIM, would the property qualify for agricultural homestead?

Answer: As stated above, one requirement for land enrolled in RIM to receive the agricultural classification is that it was classified as agricultural the year prior to its enrollment or in taxes payable in 2003 and remains enrolled. If these requirements are not met, then the land enrolled in RIM would not be eligible for the agricultural classification and would not qualify the property for agricultural homestead.

This opinion is based solely on the information provided. If any of the facts of the situation were to change, our opinion would be subject to change as well. If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

November 14, 2024

Sherry,

Thank you for contacting the Property Tax Division about homestead. You provided us with the follow scenario and question.

Scenario:

- There are 10 agricultural parcels of land owned by two trusts.
- Seven parcels are owned by Husband Family Trust.
- These parcels were previously owned by Husband Trust.
- Husband is the sole grantor of Husband Family Trust and Husband Trust.
- Husband passed away in 2023 and the parcels were transferred from Husband Trust to Husband Family Trust.
- Three parcels are owned by Wife Trust.
- Wife is the sole grantor of Wife Trust.
- Wife lives on one of the parcels owned by Wife Trust and is receiving agricultural homestead.

Question: Can the two trusts be linked for agricultural homestead?

Answer: Yes. Wife is receiving an occupied agricultural homestead on one of her trust-owned parcels, which means that she can link to any agricultural parcels under the same ownership within four cities or townships. While normally ownership must be identical to link agricultural homesteads, in the 2019 legislative session an exception was added to allow trust owned property to link to property owned by a different trust if the grantors of both trusts were the same or were spouses. Therefore, the wife can link to both the parcels owned by her trust and the husband trust.

Please refer to Module 4 of the Property Tax Administrator's Manual for additional information regarding agricultural homestead linking.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

October 24, 2024

Dear Chris,

Thank you for submitting your question to the Property Tax Division regarding special agricultural homestead. You have provided the following scenario and question:

Scenario 1:

- A property consists of four contiguous parcels under common ownership
- Parcel A is 106 acres in Wetland Reserve and classified as 2b Rural Vacant Land
- Parcel B is 26 acres used for hay and is classified as 2a Agricultural
- Parcel C is 61 acres of woods and is classified as 2b
- Parcel D is 88 acres of waste land and is classified as 2b
- Property owner has provided a Schedule F showing $2,000 of income received from the sale of hay and no expenses
- Property owner states he borrows the equipment to hay the field and sells the hay to the owner of the equipment

Question: Does the amount of land farmed meet the 50% rule?

Answer: From the information provided it appears the property is meeting the 50% rule as the owner is farming all of the land in production. The 50% rule states that for a property owner to be considered as actively farming, they must farm at least 50% of the **farmed** land on a parcel, i.e. that another person cannot be farming more than half the land. In this situation, the applicant farms 100% of the land being farmed, as no one else farms the hay. The 50% rule does not relate to the amount of 2a relative to the total acreage of a parcel.

Question: Does the level of participation meet the requirements for actively farming?

Answer: From the information provided, it is not clear if the parcel meets the agricultural classification or if the farmer meets the definition of actively farming. To qualify for the agricultural classification, the product must be produced for sale. While there is income reported on the schedule F, because of the situation where the farmer borrows the equipment to hay the field and sells the hay back to the owner, the assessor may want to verify that this is an actual sale by requesting a bill of sale or any other documentation regarding the arrangement.

For the applicant to qualify as actively farming, the farmer must:

- Participate in the day-to-day decision-making and labor on the farm
- Must contribute to the administration and management of the farming operation
- Must assume all or a portion of the financial risks
- Share in any profits or losses of the farm

In this situation, it is not clear if the farmer is meeting these standards. The assessor may request any documentation necessary to determine if the farmer is actively farming the property or not.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

November 7, 2024

Dear Amber,

Thank you for submitting your question to the Property Tax Division regarding special agricultural homestead. You have provided the following scenario and question:

Scenario:

- A parcel is owned by a trust with a sole grantor
- The parcel is 80 acres, 30 of which are cut for hay sold by the grantor
- The grantor lives within four cities or townships of the parcel
- The grantor is registered with the FSA and is listed as the operator of the parcel
- The grantor does not file a Schedule F, and instead files a Schedule D form

Question: Can the grantor qualify for special agricultural homestead when filing a Schedule D instead of a Schedule F form?

Answer: A Schedule F is not required to receive special agricultural homestead. However, the county may ask a property owner to provide financial documentation, both to determine if the property qualifies as producing an agricultural product for sale as well as to determine if the applicant meets the definitions of "actively farming." The Department of Revenue defines "actively farming" as:

- Participating in the day-to-day decision-making and labor on the farm.
- Contribution to the administration and management of the farming operation.
- Assuming all or a portion of the financial risks and sharing in any profits or losses of the farm.

If the Schedule D form does not contain sufficient evidence to verify the above information, the assessor should request additional documentation to verify that the product is being produced for sale and that they meet the definition of actively farming. If this information is not provided, it would be appropriate for the county to deny the application for special agricultural homestead.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

December 6, 2024

Dear Daryl,

Thank you for submitting your question to the Property Tax Division regarding agricultural homestead. You have provided the following scenario and question:

Scenario:

- A property owner owns nine parcels within a mile of each other.
- Parcel 1 is 11.8 acres and contains a house and two acres of agriculturally productive land.
- Parcel 2 is contiguous to parcel 1, is 22.7 acres, and contains 20 acres of productive land.
- Parcel 3 is contiguous to parcels 1 and 2, is 7.3 acres, and contains 2 acres of productive land.
- Parcel 4 is contiguous to parcels 1-3, is 22.8 acres, and contains a house and 20 acres of productive land.
- Parcel 5 is 7.9 acres and is being farmed border-to-border.
- Parcel 6 is contiguous to parcel 5, is 0.2 acres, and does not have any productive land.
- Parcel 7 is 40 acres and contains 20 acres of productive land.
- Parcel 8 is contiguous to parcel 7, is 20 acres, and is all productive land.
- Parcel 9 is contiguous to parcels 7 and 8, is 143 acres, and contains 137 acres of productive land.
- The property owner lives and receives an owner-occupied agricultural homestead on parcel 1.
- The property owner is considering putting several of the parcels into a corporate farm LLC.

Question: Would the property owner be able to continue to receive homestead if some or all of the parcels are put into a corporate farm LLC?

Answer: Before we determine if properties can qualify for agricultural homestead, we must ensure that the parcels can qualify for the agricultural classification. Parcel 5 qualifies for the agricultural classification because it is under ten acres and is used exclusively to produce agricultural products. Statute requires that at least ten acres of contiguous acreage be used for agricultural purposes in the previous year to qualify for the agricultural classification. "Contiguous acreage" is defined as: "*all of, or a contiguous portion of, a tax parcel…, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section that are* ***owned by the same person*** (emphasis added)."

This means that the productive land on parcels 1 and 3 would need to be contiguous to the productive land on other parcels to meet the 10 contiguous acre requirement and both must remain under the same ownership as the other parcels in order to receive the agricultural classification. If ownership differs, the parcel(s) would need to qualify for the agricultural classification on their own. The house on parcel 4 should be classified according to use, likely as 4bb(2) agricultural non-homestead single unit.

To link agricultural homestead from the occupied base parcel to other parcels, the base parcel and other agricultural parcel must be under the same ownership. Therefore, if the base parcel (parcel 1) was put into an LLC, it would not be able to link to any parcels still owned individually.

If the base parcel was kept as individual ownership, homestead would not be able to be linked to any parcels put into an LLC. However, assuming the base parcel still qualified for agricultural homestead, the individually owned property could link any excess first tier value to the non-homesteaded entity-owned parcels, but this would only link the value and not homestead treatment.

Administratively, any restructuring into an entity would require a new entity-owned homestead application to be filed, and the property and entity would also need to register with the Minnesota Department of Agriculture under Minnesota Statutes 500.24. Because the base parcel would be occupied by a member of the entity, it would not be a special agricultural homestead and therefore would not need to file an annual reapplication.

Please be aware that this opinion is based solely on the information provided. If any of the facts of the situation were to change, our opinion would be subject to change as well.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

August 7, 2024

Dear Kyle,

Thank you for submitting your question to the Property Tax Division regarding classification. You have provided the following scenario and question:

Scenario:

- A property owner has a parcel that is currently classified as agricultural and is homestead.
- The parcel previously had been split classed as it had been also used as a feed mill.
- It is currently used to raise various livestock and other row crops.
- Recently the owner built a high drying and processing facility, that contains threshers, dryers, and packaging equipment for oats, rye, and barley.
- All of the products that are processed are farmed by the owner.
- The products are dried, packaged, palletized, and then wholesaled from this facility.

Question: In situations where agricultural products are produced and processed by the same entity, how should the parcel be classified?

Answer: From the information provided it appears this property should be split classified 2a Agricultural and 3a – Commercial/Industrial. Minnesota Statutes, section 273.13, subdivision 23, paragraph (j) provides the following:

> *"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."*

Any areas used for wholesale and retail sales should be classified as 3a commercial/industrial. The "grading, sorting, and packaging of raw agricultural products for first sale" [emphasis added] may be considered an agricultural purpose. Any *processing* of the raw agricultural product would indicate a non-agricultural use, this includes the mixing of the differing grains as this would create a different product. Based on the information

provided, it is not clear if that is the case here. If it is determined that the facility will be processing raw agricultural products, then that portion of the property would also be classified as 3a commercial/industrial.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

August 23, 2024

Dear Heather,

Thank you for submitting your question to the Property Tax Division regarding classification. You have provided the following scenario and question:

Scenario 1:

- A resort property is owned by an entity and consists of six parcels.
- The resort was classified 1c – Homestead Resort as one of the members occupied a home on one of the parcels since 2001 per a homestead application submitted in 2012.
- Previously one parcel had been owned by a member of the entity and the residential structure was used for adult foster care. Since 2017 that parcel has been owned by the entity and resort uses are now part of the land. The structure continues to provide adult foster care, the parcel was split classified.
- In assessment year 2023 the 1c – Homestead classification was removed due to the entity not returning the required declaration and documentation.
- A homestead application submitted in 2024 states the homestead owners have lived in the home providing adult foster care since 2002. These homestead applications have resulted in overlapping dates of occupancy for each home.

Question: Since a qualifying member of the entity resided on the resort property regardless of the issues related to the homestead applications, should the resort be classified 1c – Homestead Resort?

Answer: The property would not qualify for the 1c – Homestead Resort classification for the current assessment year. Minnesota Statutes 273.13, Subdivision 22(c) requires the owner to submit a declaration to the assessor's office and provide guest registers or other records by January 15 of the assessment year. This information must show which cabins or units were occupied for 250 days or less in the year preceding the assessment year. This is a statutory requirement that cannot be waived by the assessor. As this was not done, the property would not qualify for the current assessment year but could potentially qualify for the 2025 assessment if the required information is filed in a timely manner.

Regarding the inconsistencies with the application, a homestead application is a legal document with penalties for knowingly providing false information. Inconsistencies or false statements should be referred to the county attorney for resolution.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,
Information & Education Section

Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

October 15, 2024

Dear Alyssa,

Thank you for submitting your question to the Property Tax Division regarding classification. You have provided the following scenario and question:

Scenario:

- Two contiguous parcels are owned by the same owner
- Parcel A is three acres, parcel B is 40 acres
- The owner constructed a cabin for seasonal use on parcel A

Question: Because parcel A is under ten acres, should parcel B have a minimum of seven acres classified as 4(c)12?

Answer: No. With some exceptions, classification is based on the use of the **individual parcel**. Each parcel must be viewed independently and classified according to use. Because the parcel is less than 20 acres, parcel A must be entirely classified based on its use. This does not spill over to parcel B, even though it is contiguous and under the same ownership.

Please note that while parcel B is not required to be classified as 4(c)12 along with parcel A, it is not prohibited from being classified as such. If parcel B is used for seasonal recreational purposes (e.g. a dock, firepit, etc.) in conjunction with the cabin on parcel A, that land on parcel B should be classified accordingly. Because there is no structure on parcel B, there is no minimum acreage that would be required to be classified as 4(c)12 if this situation arose.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

November 15, 2024

Stacy,

Thank you for contacting the Property Tax Division regarding 4c(1) seasonal recreational resort. You provided us with the follow scenario and question.

Scenario:

- A property has a 4c(1) seasonal recreational resort.
- The owners recorded plats and created a Community Interest Company (CIC).
- Plats include 22 separate lots and a common area.
- All the platted lots are available for individual sale.

Question: Does the property still qualify for 4c(1)? If not, when does the classification change?

Answer: In order to continue to qualify for the 4c(1) classification, each of the separately-owned units must be looked at individually to determine if they continue to meet all listed requirements in statute. Statute requires that a 4c(1) seasonal commercial resort contain three or more rental units, and "the business located on the property must provide recreational activities." By selling individual lots to private individuals, the property owner threatens to lose the minimum unit threshold. The resort property would be eligible to continue receiving the 4c(1) classification until it ceases to meet the three unit threshold or the other requirements for 4c(1).

Once a lot is sold to a private individual, the unit would no longer be meeting the requirements for 4c(1), and would therefore need to be classified according to use, likely as 4c(12).

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

December 13, 2024

Dear Gregg,

Thank you for submitting your question to the Property Tax Division regarding 4b(1) short-term residential rentals. You have provided the following scenario and question:

Scenario:

- A timeshare property has eight owners with equal shares.
- One owner is a member of a timeshare exchange group.
- Members of the exchange group use the unit throughout the year.
- This owner uses other timeshare properties in exchange for the week(s) used at this property.

Question: Does the use by another person as part of a timeshare exchange count as a rental day for classification as 4b(1)?

Answer: From the information provided it appears the exchange on a unit is a form of consideration and therefore the days used by another person would be considered rental days for the purposes of the 4b(1) classification. Although the 4b(1) statute does not define a rental day, other areas of statute related to conveyance describe how to evaluate a consideration when something other than money is exchanged. This language suggests that the exchange of weeks, where any other user would be required to pay a rental fee, should be evaluated similarly to the timeshare owner renting it out at market value. Therefore, any day the property is used by another person as part of the timeshare exchange would constitute a rental day.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

August 13, 2024

Dear Lora,

Thank you for submitting your question to the Property Tax Division regarding the Market Value Exclusion for Veterans with a Disability. You have provided the following scenario and question:

Scenario:

- A property owner married and provided an updated homestead application which was approved.
- The spouse completed an application for the Market Value Exclusion for Veterans with a Disability.
- The exclusion was not approved as the spouse was not listed as an owner.
- The spouse brought in a copy of an unrecorded deed showing both as owners.

Question: Can the veteran exclusion be approved with an unrecorded deed?

Answer: No. Unlike homestead, the market value exclusion for veterans with a disability requires the veteran to be listed as an owner of the property in order to qualify. Until a deed is recorded, this requirement would not be met.

Please note that our opinion is based solely on the information provided. If any of the facts change, or new information is provided, our opinion is subject to change as well. If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

October 25, 2024

Dear Alex,

Thank you for submitting your question to the Property Tax Division regarding the Homestead Exclusion for Veterans with a Disability. You have provided the following scenario and question:

Scenario:

- A property owner qualifies for the Homestead Exclusion for Veterans with a Disability
- The property owner also qualifies for the surviving spouse provision of the Homestead Exclusion for Veterans with a Disability

Question: Can the property owner receive both exclusions together?

Answer: No. The Department of Revenue has maintained that, for a married couple where both spouses qualify for the exclusion, only one exclusion may apply to the property. This is because married couples are treated as one entity for property tax purposes, and therefore are only eligible to receive one exclusion.

As the surviving spouse exclusion is an extension of the Homestead Exclusion for Veterans with a Disability, the underlying qualification is based on that interest the marriage provided. In describing the surviving spouse exclusion, Minnesota Statute 273.13 Subd. 34(c) states that "*the exclusion shall **carry over** to the benefit of the veteran's spouse until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property"* (emphasis added). This signifies that it is still the same exclusion as the veteran received and is reinforced by the fact that if the surviving spouse remarries, the exclusion is removed. Therefore, the exclusion is still treated as the veteran's who originally qualified, which means that it falls under the situation laid out above where if both spouses qualify, only one can receive the exclusion.

If the property owner qualifies as 100% totally and permanently disabled, we recommend that they apply on their own so that there are no concerns regarding remarrying or moving/selling the original property. If the property owner only qualifies for the $150,000 exclusion amount, they still may apply for the $300,000 surviving spouse exclusion and may maintain that until they no longer qualify, at which time they would need to submit a new application as the veteran with a disability.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

August 5, 2024

Dear A Thor,

Thank you for submitting your question to the Property Tax Division regarding exemption. You have provided the following scenario and questions:

Scenario:

- An entity applied for exemption as an Institute of Purely Public Charity (IPPC)
- They have provided an IRS 501(c)(3) determination letter
- The entity operates a fee-based health clinic with a sliding scale for services based on patient ability to pay
- The organization provides health care to the general public, and offers a financial assistance program
- In 2023 the entity received $99,556 in donations

Question One: Does the entity meet qualification number two and qualify the organization for exemption as an institution of purely public charity?

Answer: As with virtually every property, exemption is the exception and taxation is the rule. Based on the information provided, it is not clear if the organization meets the requirements for qualification number two. While there is no required percentage of charitable donations to qualify for requirement number two outlined in statute, the assessor must use their best judgement to determine the relationship between fee-for-service income and funding provided by donations.

It is also important to determine if donations received were a one-time lump sum (i.e. grant) or if there are continual donations from the general public or a government entity (city/state). As a fee-based clinic they must prove that they operate with a sliding scale or provide free services for those unable to pay. It is not clear the level to which the donations fund the entity and if the level of donations reported would meet this requirement. The Federal 990 form or income and expense report is the most accurate way to verify the income and expenses of the organization. Without this information, the assessor will need to determine if the reported donations represent a significant portion of the overall budget to meet this requirement. If donations are a small or minor part of the overall budget, it may not rise to the level of being supported “in whole or in part” by material donations. It should be noted that payments made by Medicaid are considered fee for services and are not grants for provided services.

In addition, it would be difficult to prove that the entity qualifies under requirement number three; *a material number of recipients of the charity must receive benefits or services at reduced or no cost, or the organization provide services to the public that alleviate burdens or responsibilities borne by the government*, as the organization hasn‘t opened it would not meet this requirement as services have yet to be provided.

Please note that our opinion is based solely on the information provided and that the assessor may request the eligibility for exemption be reviewed by the IPPC advisory board. If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

August 2, 2024

Dear Penny,

Thank you for submitting your question to the Property Tax Division regarding personal property records. You have provided the following scenario and question:

Scenario:

- A manufactured home park is located on an Indian reservation.
- The parcel is fee-owned property rather than property owned by the United States and held in trust for the tribe.
- The manufactured home park land is taxable.
- The park leases sites to owners of manufactured homes. The manufactured homes are generally subject to a personal property tax.
- One of the manufactured homes located in the park is owned by a tribal band member who is leasing the site.

Question: Should a personal property record be created if the lessee is a tribal band member?

Answer: No. Although the manufactured home is located on taxable land, the requirements of M.S. 273.125 Subdivision 8(c) would not apply in this case due to a federal prohibition on the taxation of personal property owned by tribal members when located on tribal lands. This opinion is based on *Bryan v. Itasca County* and *Cogger v. Becker County*, both of which addressed taxation of manufactured homes owned by Indians in Minnesota, as well as various other state and federal cases that have addressed state taxation of reservation land and personal property.

The real property on which the manufactured home is located would remain taxable.

Please note that our opinion is based solely on the information provided. If any of the facts change, or new information is provided, our opinion is subject to change as well. If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

September 12, 2024

Brady,

Thank you for contacting the Property Tax Division regarding exemption. You provided us with the follow scenario and question.

Scenario:

- A Christian broadcasting radio station owns four contiguous parcels.
- A structure and parking lot are on one parcel.
- Another parcel is 6.24 acres with a shed used for storage.
- There is no affiliation with a church nor are any of the parcels part of church property.
- The remaining parcel is a vacant lot with a driveway to the shed.

Question: What parcels qualify for exemption?

Answer: Based on the information provided, no parcels qualify for general tax exemption as church property. To qualify as exempt church property the property must be **owned** by a church and used for church purposes. Property owned by a broadcasting radio station does not meet this requirement and therefore the property would not be able to qualify for exemption under Minnesota Statute 272.02, Subd. 6.

The only option for this property to potentially qualify for exemption would be as an institution of purely public charity (IPPC). To qualify for exemption as an IPPC they must first meet the three basic requirements of exemption; the property is owned by an exempt entity, must be used for an exempt purpose, and ownership of the property must be necessary to further the stated purpose of the exempt organization. That determination would need to be made by the assessor after receiving an IPPC exempt application from the owner and all necessary documentation to fulfill the six statutory requirements outlined in M.S. 272.02, Subd. 7. However, based on the information provided it is not clear that the parcels in question would meet those qualifications.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

October 4, 2024

Dear Michelle,

Thank you for submitting your question to the Property Tax Division regarding property tax exemption of a childcare center which qualifies as a seminary of learning. You have provided the following question:

Question: Is a childcare center that has been granted property tax exemption as a seminary of learning required to submit an exemption application every three years?

Answer: No. Currently, property owners seeking exemption as a seminary of learning are only required to submit an initial exemption application. Though exempt applications have a filing schedule determined by the commissioner of revenue pursuant to M.S. 272.025, M.S. 272.025, subdivision 3(b) states only an initial application is required for property solely used for educational purposes by seminary of learning.

However, as provided in M.S. 272.025, subdivision 2, the assessor may request records that "are reasonably necessary to verify" the eligibility for exemption. If an assessor has questions related to curriculum, ownership, or any required ratings that were the basis for exemption, that information may be requested to verify continued eligibility. For qualifications that require recertification by another agency it may be appropriate to request that information based on that certification cycle.

Though the assessor may request these records, this does not mean the county assessor can request a full exemption application filed annually, it should be restrictive to documentation needed to support their reason for continuation of the exemption.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

November 15, 2024

Heather,

Thank you for contacting the Property Tax Division regarding exemption. You provided us with the follow scenario and question.

Scenario:

- An exempt hospital is expanding by building a cancer center on the property.
- A nonprofit entity will lease the land from the public hospital to construct the cancer center.
- The cancer center will be attached to the main hospital.
- The cancer center will have specialized equipment and 24/7 oncology services.
- The nonprofit entity will retain ownership of the building and lease it back to the public hospital until the debt obligations are paid off, after which time ownership will change from the nonprofit entity to the public hospital.

Question: Does the cancer center qualify for exemption as part of a public hospital?

Answer: Based on the information provided it does not appear the center would qualify for exemption. To qualify for exemption as a public hospital, the center must be owned by the public hospital and be considered "functionally interdependent" with the exempt hospital. In this case, the building is owned by a third party. Although the owner of the building is a nonprofit, for exemption that owner would need to qualify based on that ownership as an institution of purely public charity. Leasing the space back to the public hospital would not be sufficient to treat the building as owned by the hospital.

It should be noted that whenever exempt property is leased, in this case the land upon which the center will be constructed, the exemption is put at risk because the property is not being used for the purpose for which the exemption was originally granted. If the building containing the cancer center is found to be taxable, that portion of the property owned by the exempt hospital should be reviewed to ensure that it meets the use and necessity of ownership requirements of exempt property.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

October 17, 2024

Dear Dave,

Thank you for submitting your question to the Property Tax Division regarding exemption. You have provided the following scenario and question:

Scenario:

- A business is building a manufacturing facility on property owned by the airport authority
- The facility plans to build parts for aviation, but would also have the capacity to produce parts not related to aviation
- It is unclear if the building will be used as a hangar or just a manufacturing facility

Question 1: Does this property qualify for the exception from paying personal property taxes in Minnesota Statutes 272.01 Subd. 2(b)?

Answer: Because the structure has not been built, we cannot definitively state whether it would qualify for the exception from paying personal property taxes. However, from the information provided, it does not appear that it would meet the requirements for the exception. Statute states that a lessee of exempt property does not have to pay personal property tax if it is "*used as a hangar for the storage or repair of aircraft or to provide aviation goods, services, or facilities to the airport or general public."* However, it continues to state that this exception does not apply to "*hangars leased by a private individual, association, or corporation in connection with a business conducted for profit other than an aviation-related business.*"

Therefore from the information provided, it does not appear that the facility would meet the requirements of the exception as it will be producing both aviation and non-aviation products.

Question 2: If the property did qualify for the exception, would they need to apply for exemption?

Answer: No, as this is not technically a property tax exemption. Rather, it is an exception in the statute for situations that normally would require a personal property tax.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922

DEPARTMENT OF REVENUE

October 31, 2024

Dear Alison,

Thank you for submitting your question to the Property Tax Division regarding exemption. You have provided the following scenario and question:

Scenario:

- A non-profit entity has purchased a property that contains a vacant building.
- The non-profit is remodeling the building for its use.
- The non-profit has applied for exemption as an institution of purely public charity.

Question: Does the property owned by a non-profit qualify for exemption during the remodeling process or does the building need to be in use before it would qualify?

Answer: In order for a non-profit entity to qualify for exemption it must meet the requirements of an institution of purely public charity (IPPC) found in Minnesota Statutes 272.02, Subd. 7. Basic exemption requirements must also be met, such as ownership, use, and necessity of ownership. It would only be appropriate to grant property tax exemption if the assessor is able to determine:

- the non-profit qualifies as an IPPC (meeting all requirements), and
- the use corresponds with the mission of the IPPC, and
- that use can be clearly demonstrated to the assessor.

However, if the intended use of the property cannot be clearly determined until the completion of the project, it would appropriate to deny the exemption until validation of the use can be determined to support the mission.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

Information & Education Section
Property Tax Division
Phone: 651-556-6922