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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **390**

January 29, 2007

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The bill was read for the first time and referred to the Committee on Taxes

February 15, 2007

By motion, recalled and re-referred to the Committee on Agriculture, Rural Economies and Veterans Affairs

March 1, 2007

Committee Recommendation and Adoption of Report:

To Pass and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; providing a property tax exemption for the homestead of
1.3 a permanently and totally disabled veteran or the veteran's spouse; amending
1.4 Minnesota Statutes 2006, sections 272.02, by adding a subdivision; 273.13,
1.5 subdivision 22.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2006, section 272.02, is amended by adding a
1.8 subdivision to read:

1.9 Subd. 85. Homestead of disabled veteran or surviving spouse. (a) Property
1.10 otherwise qualifying for homestead classification under section 273.13 is exempt from
1.11 taxation if it is the homestead of a military veteran, as defined in section 197.447, who
1.12 has a total and permanent service-connected disability. To qualify for exemption under
1.13 this subdivision, the veteran must have been honorably discharged from the United
1.14 States armed forces, as indicated by United States Government Form DD214 or other
1.15 official military discharge papers, and must be certified by the United States Veterans
1.16 Administration as having a total (100 percent) and permanent service-connected disability.

1.17 (b) If a disabled veteran qualifying for exemption under paragraph (a) predeceases
1.18 the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or
1.19 beneficial title to the homestead and permanently resides there, the exemption from
1.20 taxation shall carry over to the benefit of the veteran's spouse until the spouse remarries or
1.21 sells or otherwise disposes of the property.

1.22 (c) In the case of an agricultural homestead, only the portion of the property
1.23 consisting of the house and garage and immediately surrounding one acre of land qualifies
1.24 for exemption under this subdivision.

2.1 (d) To first qualify for exemption under this section, a property owner must apply
 2.2 to the assessor by July 1 of the assessment year, except that for assessment year 2007
 2.3 application may be made until October 1, 2007. The application must be accompanied by
 2.4 supporting documentation as required by the assessor. Once a property has been accepted
 2.5 for exemption under this section, the property continues to qualify as long as it meets
 2.6 the requirements of this section.

2.7 **EFFECTIVE DATE.** This section is effective for assessment year 2007 and
 2.8 thereafter, for taxes payable in 2008 and thereafter.

2.9 Sec. 2. Minnesota Statutes 2006, section 273.13, subdivision 22, is amended to read:

2.10 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b)
 2.11 and (c), real estate which is residential and used for homestead purposes is class 1a. In the
 2.12 case of a duplex or triplex in which one of the units is used for homestead purposes, the
 2.13 entire property is deemed to be used for homestead purposes. The market value of class 1a
 2.14 property must be determined based upon the value of the house, garage, and land.

2.15 The first \$500,000 of market value of class 1a property has a net class rate of
 2.16 one percent of its market value; and the market value of class 1a property that exceeds
 2.17 \$500,000 has a class rate of 1.25 percent of its market value.

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

2.20 (1) any person who is blind as defined in section 256D.35, or the blind person and
 2.21 the blind person's spouse; or

2.22 (2) ~~any person, hereinafter referred to as "veteran," who:~~

2.23 ~~(i) served in the active military or naval service of the United States; and~~

2.24 ~~(ii) is entitled to compensation under the laws and regulations of the United States~~
 2.25 ~~for permanent and total service-connected disability due to the loss, or loss of use, by~~
 2.26 ~~reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both~~
 2.27 ~~lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or~~
 2.28 ~~a wheelchair; and~~

2.29 ~~(iii) has acquired a special housing unit with special fixtures or movable facilities~~
 2.30 ~~made necessary by the nature of the veteran's disability, or the surviving spouse of the~~
 2.31 ~~deceased veteran for as long as the surviving spouse retains the special housing unit~~
 2.32 ~~as a homestead; or~~

2.33 ~~(3) any person who is permanently and totally disabled.~~

3.1 Property is classified and assessed under clause ~~(3)~~(2) only if the government
3.2 agency or income-providing source certifies, upon the request of the homestead occupant,
3.3 that the homestead occupant satisfies the disability requirements of this paragraph.

3.4 Property is classified and assessed pursuant to clause (1) only if the commissioner of
3.5 revenue certifies to the assessor that the homestead occupant satisfies the requirements of
3.6 this paragraph.

3.7 Permanently and totally disabled for the purpose of this subdivision means a
3.8 condition which is permanent in nature and totally incapacitates the person from working
3.9 at an occupation which brings the person an income. The first \$32,000 market value of
3.10 class 1b property has a net class rate of .45 percent of its market value. The remaining
3.11 market value of class 1b property has a class rate using the rates for class 1a or class 2a
3.12 property, whichever is appropriate, of similar market value.

3.13 (c) Class 1c property is commercial use real property that abuts a lakeshore line and
3.14 is devoted to temporary and seasonal residential occupancy for recreational purposes but
3.15 not devoted to commercial purposes for more than 250 days in the year preceding the
3.16 year of assessment, and that includes a portion used as a homestead by the owner, which
3.17 includes a dwelling occupied as a homestead by a shareholder of a corporation that owns
3.18 the resort, a partner in a partnership that owns the resort, or a member of a limited liability
3.19 company that owns the resort even if the title to the homestead is held by the corporation,
3.20 partnership, or limited liability company. For purposes of this clause, property is devoted
3.21 to a commercial purpose on a specific day if any portion of the property, excluding the
3.22 portion used exclusively as a homestead, is used for residential occupancy and a fee is
3.23 charged for residential occupancy. The portion of the property used as a homestead is class
3.24 1a property under paragraph (a). The remainder of the property is classified as follows:
3.25 the first \$500,000 of market value is tier I, the next \$1,700,000 of market value is tier II,
3.26 and any remaining market value is tier III. The class rates for class 1c are: tier I, 0.55
3.27 percent; tier II, 1.0 percent; and tier III, 1.25 percent. If a class 1c resort property has any
3.28 market value in tier III, the entire property must meet the requirements of subdivision 25,
3.29 paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

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

3.31 (1) the structure is located on property that is classified as agricultural property under
3.32 section 273.13, subdivision 23;

3.33 (2) the structure is occupied exclusively by seasonal farm workers during the time
3.34 when they work on that farm, and the occupants are not charged rent for the privilege of
3.35 occupying the property, provided that use of the structure for storage of farm equipment
3.36 and produce does not disqualify the property from classification under this paragraph;

4.1 (3) the structure meets all applicable health and safety requirements for the
4.2 appropriate season; and

4.3 (4) the structure is not salable as residential property because it does not comply
4.4 with local ordinances relating to location in relation to streets or roads.

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

4.7 **EFFECTIVE DATE.** This section is effective for assessment year 2007 and
4.8 thereafter, for taxes payable in 2008 and thereafter.