HOUSE RESEARCH
Bill Summary

FILE NUMBER: H.F. 1797 **DATE:** April 18, 2005

Version: As introduced

Authors: Otremba and others

Subject: Reduced property tax class rate for certain unimproved shoreline property

Analyst: Karen Baker, 651-296-8959
Steve Hinze, 651-296-8956
Sam Rankin, 651-296-5047

Overview

H.F. 1797 establishes a new property class for certain unimproved shoreline property. The new class 2c has a class rate of 0.6 percent of market value if certain criteria are met. Under current law the class rate on this property varies from 1.0 to 1.25 percent; some is also subject to the state general tax rate.

The owner must sign a covenant agreeing to keep the land in its undeveloped state for the duration of the covenant. The property owner may terminate the covenant, but needs to give an 8-year notice of termination. Upon termination of the covenant, property that is sold is subject to additional taxes for the last 7 years that the property was valued and assessed as class 2c property. The covenant language in this bill is similar to the covenant on property enrolled in the Metropolitan Agricultural Preserve program, chapter 473H.

Effective for taxes payable in 2006 and thereafter.

Section

1 **Class 2c undeveloped lakeshore.** Provides a new class 2c for certain real estate that is unimproved shoreline, excluding agricultural land, that meets all the criteria in clauses (1) to (5). Class 2c has a class rate of 0.6 percent. They are:

Section

- (1) the property consists of at least 200 contiguous feet of unimproved shoreline on water basin classified under section 103G.005, subdivision 15, paragraph (a), clause (1);

- (2) the unimproved real estate is located within 400 feet of the ordinary high water elevation of the water basin. "Unimproved" means that the property or portion of property qualifying contains no structures, no docks or landings on its shoreline, natural terrain and vegetation has not been disturbed, or has been restored to native vegetation;

- (3) the property is either (i) the homestead of the owner; or (ii) has been in possession of the owner, the owner's spouse, or the owner's or spouse's son or daughter for at least seven years prior to application for benefits;

- (4) the owner files an application by July 1 with the county assessor for classification for the subsequent year's assessment; and

- (5) the owner of the property signs a covenant agreement and files the covenant with the county assessor in the county where the property is located. The covenant agreement must include all of the following:

(i) legal description of the area included in the covenant;

(ii) name and address of the owner;

(iii) a statement that the land described in the covenant must be kept as undeveloped land for the length of the covenant;

(iv) a statement that the landowner may initiate expiration of the covenant agreement by notifying the county assessor. The date of expiration must be at least 8 years from the date of the expiration notice;

(v) a statement that the covenant is binding on the owner or owner's successor or assignee, and runs with the land; and

(vi) a witnessed signature of the owner covenanting to keep the land in its undeveloped state as it existed on the date of the covenant was signed.

Upon expiration of the covenant, additional taxes are due. The amount of additional taxes due equals the difference between the taxes actually imposed on the property and the taxes that would have been imposed for the last seven years if the property had been valued and assessed if class 2c did not apply. No interest and penalties are levied on the additional taxes if timely paid. "Timely paid" is defined. The tax imposed is a lien on the property to the same extent as other real property taxes.

Class 2c has a class rate of 0.6 market value.

Effective date. This section is effective for the 2005 assessment and thereafter, taxes payable in 2006 and thereafter. For taxes payable in 2006, the date for filing the application

Section

under clause (4) is extended to September 1, 2005.