## - HOUSE RESEARCH -----------------------------------Bill Summary -

2006

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Subject:	Transfers of certain exempt property	; back tax	tes due
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## Overview

This bill requires up to three years of back taxes to be paid when real property owned by a hospital or other health care organization (i) was received as a gift or under a transfer for less than the full consideration, (ii) was exempt from property taxation, (iii) had an expectation that the property was to be used for hospital or health care purposes, and (iii) there is reasonable expectation that the property will be used for something other than as a hospital or other health care facility by the purchaser. Effective for transfers of property made after March 1, 2006.

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**Tax; transfers of exempt property.** Requires back taxes be paid on the transfer of certain exempt property.

**Subdivision 1. Scope.** Provides that this section applies to transfers of property that meet all of the following conditions:

(1) the property was exempt as a public hospital or as an institution of pure public charity for at least one year during the three-year period before the transfer;

(2) the transferring entity, or a predecessor to the entity, received the property as a gift or a transfer for less than full consideration, and the entity receiving the gift is principally engaged in operating a hospital or health care facility or both; and

(3) the owner sells or transfers the property for valuable consideration to a buyer with

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a reasonable expectation that it will be used for something other than as a hospital or other health care facility.

**Subd. 2. Imposition of tax.** Requires the transferor (seller) to pay to the county treasurer before transferring the property, a tax equal to:

(1) one percent of the lesser of (i) the property's most recent market value (i.e. the value determined for the last 6 year assessment ) or (ii) the property's sale price; multiplied by

(2) the lesser of (i) three or (ii) the number of the immediately preceding property tax payable years the property was exempt.

If the property will become taxable after the transfer, the tax is an amount determined by multiplying the property's most recent market value (i.e. the value determined for the last 6 year assessment of exempt property) by:

(1) a class rate of 1.5 percent;

(2) the current year tax rates for all of the taxing districts where the property is located; and

(3) the lesser of (i) three or (ii) the number of the immediately preceding property tax payable years the property was exempt.

The county auditor and county recorder are prohibited from transferring the land and recording the deed, unless these taxes have been paid.

**Subd. 3. Distribution of proceeds.** Directs the county treasurer to distribute the tax proceeds to each taxing district in proportion to its share of the total tax rate with the next settlement payment made to the taxing districts.

Effective for transfers of property made after March 1, 2006.