

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 3882

**DATE:** March 28, 2006

**Version:** As introduced

**Authors:** Vandever and others

**Subject:** Providing a reduced classification rate to certain nonprofit community service-oriented organizations

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### Overview

Authorizes a reduced property classification rate for nonprofit community service-oriented organizations (e.g. VFW, American Legion, Knights of Columbus, etc.) that make annual charitable contributions at least equal to their previous year's property taxes and that allow the property to be used for public and community meetings free of charge. Currently this property is class 3a commercial. Effective for assessment year 2006 and thereafter, taxes payable in 2007 and thereafter.

### Section

- 1** **Class 4c.** Expands the 4c property classification to nonprofit community service-oriented organizations that make charitable contributions and donations at least equal to the organization's previous year's property taxes and that allow the property to be used for public and community meetings or events at no charge, as appropriate to the size of the facility. This portion of class 4c has a class rate of 1.5 percent and is not subject to the state general tax rate. Under current law, this property is classified commercial class 3a (the first \$150,000 market value has a rate of 1.5 percent, the market value over \$150,000 has a rate of 2 percent, and the property is subject to the state general tax rate). Property taxes on these properties would generally be reduced by at least 30 percent through this reclassification.

Under current law, real property up to a maximum of one acre that is owned by a nonprofit

## Section

community service-oriented organization qualifies for class 4c if the property is not used for revenue producing activity for more than six days in the calendar year preceding the year of the assessment. H.F. 3882 leaves that option, but adds a second alternative to qualify and extends the maximum land size to 2 acres. This acreage is made larger primarily to allow for parking lots. Provides that an organization qualifies if it makes annual charitable contributions and donations at least equal to the organization's previous year's property taxes **and** it allows the property to be used, size permitting, for public and community meetings and events for no charge. The types of organizations that would be affected by this bill are the VFWs, American Legions, Knights of Columbus, etc.

Defines "charitable contributions and donations" as having the same meaning as the lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs and utility payments. The allowable contributions and donations include: contributions to scholarship funds for defraying the cost of education; contributions to an individual or family suffering from poverty, homelessness, physical or mental disability; contributions for treatment for delayed posttraumatic stress syndrome or for the education, treatment or prevention of compulsive gambling; contribution or expenditures on a public or private nonprofit educational institution; recreation, community, and athletic facilities and activities intended primarily for persons under the age of 21; contributions to member of military marching or color guard unit; etc.

Defines "property taxes" as excluding the state general tax.

Requires the organization to maintain records of its charitable contributions and donations and of public meetings and events held on the property, and to make them available upon request at any time to the assessor to ensure eligibility. Requires an organization meeting these requirements to file an application by May 1 on a form prescribed by the commissioner of revenue.

Effective for the 2006 assessment and thereafter, taxes payable in 2007 and thereafter. For the 2006 assessment year, the application deadline is extended to September 15, 2006.