# HOUSE RESEARCH

# Bill Summary =

**FILE NUMBER:** H.F. 3386 **DATE:** March 12, 2008

**Version:** Delete everything amendment H3386DE1

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**Subject:** Exempt property status of charitable institutions

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## **Overview**

HF 3386 prohibits assessors from changing their practices or polices in determining property tax exemptions for institutions of purely public charities for a one-year period (until adjournment of the 2009 legislative session). Effective the day following final enactment.

### **Section**

1 Assessment of properties of purely public charities.

**Subdivision 1. Application**. Imposes a one-year moratorium on changes in the assessment of institutions of purely public charities and requires a study to facilitate a review by the 2009 legislature of the property tax exemption for these properties and to develop standards and criteria for their tax status. It:

- (1) requires the commissioner of revenue to conduct an analysis of the standards applied to determine the tax status of these organizations; and
- (2) prohibits changes in assessment practices and policies regarding the property of these organizations.

**Subd . 2. Report by the commissioner of revenue.** Requires the commissioner of revenue to survey all county assessors on the tax status of property of institutions

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### **Section**

of purely public charity in the state and report the findings to the chairs of the House and Senate tax committees by February 1, 2009.

**Subd . 3. Moratorium on changes in assessment practices.** Prohibits an assessor from changing:

- Current practices or policies used generally in assessing property of institutions of purely public charities.
- Assessment of existing property of an organization of purely public charity
  unless the change is made as a result of a change in ownership, occupancy, or
  use of the facility, or, for currently taxable properties, a change in market
  value of the property.

This subdivision expires on the earlier of:

- (1) enactment of legislation establishing criteria for the property taxation of purely public charities; or
- (2) final adjournment of the 2009 regular legislative session.

Effective the day following final enactment.

**Background:** This bill responds to a December 2007 Minnesota Supreme Court case. *Under the Rainbow Child Care Center, Inc. v. County of Goodhue* 741 N.W.2d 880 (Minn. 2007). In this case, the court clarified that it was necessary condition of the exemption for institutions of purely public charity that the organization provide its goods or services free or at reduced prices. Prior to this decision, it was unclear whether any of the six factors of the "North Star" test were essential or necessary to qualify for an exemption. Some observers thought that none of the factors was an absolute pre-requisite for exemption, but that each of them was to be considered or weighed in deciding.