Overview

Eliminates the transit zone classification for new structures, except for those currently under development or planned for development. Places additional restrictions on properties in order to continue to qualify for the transit zone classification. Repeals the transit zone tax for the cities of Minneapolis and St. Paul that was enacted in 1998.

Section

Transit zone class rate. Prohibits new structures from qualifying for the transit zone classification rate unless the structure is currently in some phase of development or planned development. Properties currently qualifying for the classification, or properties under development in anticipation of receiving transit zone classification, will be classified as follows:

For a structure which is initially owner-occupied, the entire structure is eligible for transit zone classification as long as the structure is at least 85 percent occupied by the initial owner. If occupancy by the initial owner is at least 50 percent, but less than 85 percent, the portion occupied by the initial owner will receive the transit zone classification, and the remainder will be taxed at the regular commercial-industrial rate. If the structure is less than 50 percent occupied by the initial owner, the entire structure will be classified at the regular commercial-industrial class rate.

For a structure which is leased by a single entity at the time of initial occupancy, the entire structure is eligible for transit zone classification as long as the structure is at least 85 percent occupied by the initial lessee. If occupancy by the initial lessee is at least 50 percent, but less than 85 percent, the portion occupied by the initial lessee will receive the transit zone classification, and the remainder will be taxed at the regular commercial-industrial rate. If the structure is less than 50 percent occupied by the initial lessee, the entire structure will be classified at the regular commercial-industrial class rate.

For structures which are initially leased to multiple lessees, the transit zone classification
will apply only to the portions of the structure occupied by lessees with leases or signed agreements in effect as of March 1, 1999, and eligibility of each portion shall terminate upon expiration of the initial lease term of the applicable tenant. The remainder of the structure will be classified at the regular commercial-industrial class rate.

2 **Repealer.** Repeals the transit zone tax enacted in 1998, which is a discretionary tax that may be levied by the cities of Minneapolis and St. Paul on properties located in the downtown area of either city that qualify for the transit zone class rate and that were not specifically exempted.

3 **Effective date.** Provides that section 1 is effective for taxes payable in 2001. Section 2 is effective the day following final enactment.