



Board of County Commissioners Agenda Request



Requested Meeting Date: November 10, 2020

Title of Item: Short-Term Rental Property Classification

<input checked="" type="checkbox"/> REGULAR AGENDA	Action Requested:	<input type="checkbox"/> Direction Requested	
<input type="checkbox"/> CONSENT AGENDA		<input type="checkbox"/> Approve/Deny Motion	<input checked="" type="checkbox"/> Discussion Item
<input type="checkbox"/> INFORMATION ONLY		<input type="checkbox"/> Adopt Resolution (attach draft)	<input type="checkbox"/> Hold Public Hearing* <i>*provide copy of hearing notice that was published</i>

Submitted by: Mike Dangers	Department: County Assessor
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Presenter (Name and Title): Mike Dangers, County Assessor	Estimated Time Needed: 5 minutes
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Summary of Issue:

In the Fifth Special Session of the 2020 Legislature, a new property tax law change was enacted. This allows VRBO/AirBnB/Short-Term Rental properties to be classed residential starting with the 2021 assessment. This residential non-homestead class is called 4b(1) in the statute and carries a 1.25% class rate. That rate is much lower than the 1.5% to 2.0% rates of commercial class which was the correct class for some of these properties before this change.

The Department of Revenue strongly encouraged assessors to identify short-term rentals for the 2020 assessment. Aitkin County conducted a survey and identified approximately 74 of these properties in late 2019. After working with Environmental Services to verify information, we sent a second round of surveys. Today, we have about 15 properties in Aitkin County that changed to commercial classification for the 2020 assessment. These owners are faced with much higher tax bills for one year, in some cases more than double their previous bill. The law specifically states that the change to the new residential class for these properties is to occur for 2022 payable going forward.

My main objective in bringing this to your attention is to inform you that there may be owners looking to appeal the tax increase. On the second page of this packet is a copy of the Property Tax Law Summary published by the Department of Revenue that pertains to this situation. Please contact Mike with questions.

Alternatives, Options, Effects on Others/Comments:

Recommended Action/Motion:

Financial Impact:

Is there a cost associated with this request? Yes No

What is the total cost, with tax and shipping? \$

Is this budgeted? Yes No *Please Explain:*

Assessment

Classification

Short-term Rental Property Classification

Fifth Special Session 2020, Chapter 3, Article 8, Section 2

Amends Minnesota Statutes 2020, section 273.13, subdivision 25.

This section expands the definition of the 4b(1) classification to include short-term rental property rented for more than 14 days in the preceding year. Short-term rental properties under this provision are defined as non-homestead residential real estate that both:

- Rents for periods of less than 30 consecutive days
- Contains fewer than four units

Homestead properties are not considered short-term rental properties. The 4b(1) classification has a class rate of 1.25%.

History: Prior to this change, properties determined to have a primary use as a short-term rental were classified as commercial.

Effective Date: Effective beginning with assessment year 2021, taxes payable in 2022, and thereafter.

Special Programs

Market Value Exclusion on the Homestead of a Veteran with a Disability – Allowing a Surviving Spouse to Move

Fifth Special Session 2020, Chapter 3, Article 8, Section 3

Amends Minnesota Statutes 2018, section 273.13, subdivision 34.

This section expands the market value exclusion for the homestead of a surviving spouse of a qualifying veteran by allowing the spouse to transfer their benefit to a different property if they move. The property must have an estimated market value less than or equal to the value of the original property at the time of sale of the original property. A surviving spouse is limited to one transfer under this new provision.

To qualify for the continuation of the exclusion on a new property, the surviving spouse must:

- Make a new application
- Hold legal or beneficial title and permanently reside there
- Not have already received the exclusion on more than one property
- Not have remarried

History: Previously, once a surviving spouse sells, transfers or otherwise disposes of the property they owned with the qualifying veteran, they no longer were eligible for the exclusion.

Effective Date: Effective for applications in 2020, taxes payable in 2021, and thereafter.