

S.F. No. 1957 – Class 4d; Community Land Trust Classification; Requiring Report; Authorizing Transition Aid (as proposed to be amended by A-1)

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SF 1957 makes changes to the classification of community land trust properties and class 4d low-income rental properties. Under current law, community land trust units are classified as residential homestead property and have a classification rate of 1% for the first \$500,000 of market value and a class rate of 1.25% on any remaining market value. Class 4d low-income property has a class rate of .75% on the first-tier valuation limit, and a classification rate of .25 on any remaining market value. For assessment years 2022 and 2023, the first-tier limit was set at \$100,000. Beginning with assessment year 2024, the first-tier limit is adjusted annually by the average statewide change in estimated market value of class 4a (4+ unit apartments) and class 4d properties.

Section 1. Community land trusts. Provides that community land trust property that is owned and used as a homestead by the occupant may qualify for the newly created class 4d(2) classification proposed in Section 5. Effective beginning with assessment year 2024.

Section 2. Class 4d; requirement. Makes a technical cross-reference update to conform to a change made in Section 5. Effective beginning with assessment year 2024.

Section 3. Class 4d; approval. Requires a property owner receive approval by the city or town where the property is located before submitting an initial 4d(1) application to the Housing Finance Agency for property that was not, in whole or in part, classified as class 4d(1) prior to assessment year 2024. This approval requirement does not apply to property located in a city or town in which the 4d(1) net tax capacity is less than two percent of the total net tax capacity in the prior assessment year. Effective beginning with assessment year 2024.

Section 4. Class 4d; application. Makes a conforming change relating to the new approval requirement proposed in Section 3.

Section 5. Class 4; class rate. Changes current law class 4d property to class 4d(1) and sets the class rate for all class 4d(1) properties at .25%. This section also establishes a new class 4d(2) classification for community land trust property owned and used as a homestead by the occupant provided that: (i) the community land trust owns the real property on which the unit is located; and (ii) the unit owner is a member in good standing of the community land trust. Class 4d(2) property has a class rate of .75%. The A-1 amendment allows properties receiving the new class 4d(2) classification to qualify for property tax refunds. Effective beginning with assessment year 2024.

Section 6. Class 4d(1); report. Requires that each county identify ten properties within the county with the greatest number of class 4d(1) properties, and survey each property owner as to how the owner used property tax savings resulting from the class 4d(1) class rate change beginning with taxes payable in 2025. By March 15, 2026, each county must issue a report to the commissioner of revenue and the legislative committees with jurisdiction over taxes on the results of the survey. Effective the day following final enactment.

Section 7. Class 4d(1) transition aid; appropriation. Provides transition aid in 2025 and 2026 only for cities in which the net tax capacity of 4d(1) property exceeds two percent of the total net tax capacity in assessment year 2023. Provides that the transition aid is calculated as a function of the city's pay 2024 tax rate and an approximation of the reduction in 4d(1) net tax capacity attributable to the classification rate and tier consolidation changes effective beginning in assessment year 2024. Directs the commissioner to pay transition aid concurrent with local government aid payments in 2025 and 2026. Appropriates money to pay the transition aid. Effective for aids payable in 2025 and 2026 only.