



Request for City Council Committee Action from the Department of Intergovernmental Relations

Date: February 13, 2009

To: Chair Betsy Hodges and IGR Committee Members

Subject: Tax Direction Related to Single Family Rental Property

Recommendation: Receive, file and continue monitoring

Prepared by: IGR Staff

Approved by Gene Ranieri

A handwritten signature in cursive script, appearing to read "Gene Ranieri", written over a horizontal line.

Presenters in Committee: IGR Staff

Supporting Information: The Minnesota House and the Minnesota Senate tax committees have received 84 and 60 bills respectively as of February 12, 2009. In comparison to prior years, the 2009 total is rather low. Most of the bills deal with income, sales and special tax issues such as tax increment financing and special districts. The property tax classification bills relate to green acres and a rental property located outside the boundary of a city.

The budget deficit and possible reductions in tax expenditures have been among the major items discussed before the Tax Committees. There has been, at this time, little discussion of property tax classification change.

The League of Minnesota Cities and the Metro Cities were approached about a property tax classification change to the single family rental property. Initial interest in the classification has been tempered by the budget deficit. It is probable that a tax classification change for single family rental properties will not be approved this session.

However there is interest in the issue of increased single family homes being converted to rental property. Rep. Joe Mullery has introduced legislation (HF157) that permits cities to adopt zoning ordinances providing for owner occupied residential use. The bill has been referred to the Local Government Division. There is no Senate companion.

The bill, a copy of which is attached, is intended to be used in areas of a city experiencing high rates of foreclosure. Prior to a hearing the bill will need to be amended to define areas of applicability and the term "owner occupied".

Staff will continue to monitor the property tax committees and continue to meet with legislators regarding the property tax classification.



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KEY: ~~stricken~~ = removed, old language. underscored = added, new language.

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H.F. No. 157, as introduced - 86th Legislative Session (2009-2010) Posted on Jan 21, 2009

- 1.1 A bill for an act
- 1.2 relating to local government; authorizing zoning for owner-occupied residential
- 1.3 uses;amending Minnesota Statutes 2008, section 462.357, by adding a
- 1.4 subdivision.
- 1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.6 Section 1. Minnesota Statutes 2008, section 462.357, is amended by adding a
- 1.7 subdivision to read:
- 1.8 Subd. 1i. **Owner-occupied use may be required.** In order to stabilize and
- 1.9 strengthen municipalities and neighborhoods by increasing the percentage of residential
- 1.10 properties that are owner-occupied, a municipality may adopt an ordinance providing
- 1.11 for owner-occupied residential use. The ordinance must define "owner-occupied." An
- 1.12 owner-occupied residential use ordinance may only be applied to residential property at
- 1.13 the time it is first sold after completion of a foreclosure or forfeiture process.

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last updated: 01/30/2009