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Peggy Trebil
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Office of
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I was here to appraise your property.

it meets the conditions of Minnesota statutes, section 469.174, subdivision 10 (redevelopment district).

If the property is acquired for economic development purposes and buildings or other improvements are constructed after acquisition if the property, and if more than one-half of the floorspace of the buildings or improvements are available for lease to or use by a private individual or entity; the provisions of this exemption shall not apply to the property.

This shall not create an exemption from Minnesota laws regarding the taxation of or for payments in lieu of taxes for publicly held property which is leased, loaned, or otherwise made available for use by a private person (M.S. 272.01, subd. 2; M.S. 272.68; M.S. 273.19; and M.S. 469.040, subd. 3).

Primary Statutory References: 272.02, subd. 39

Property of Volunteer Fire Departments

Minnesota Statutes, section 272.021 also exempts property of volunteer fire departments. This includes property of any volunteer fire department used exclusively for fire prevention and protection. This ownership and use designates the property as public property used for essential public and governmental purposes. They are exempt from all taxes and special assessments of the city, county, state, or any political subdivision.

Primary Statutory References: 272.021

Leased Municipality-Owned Property

Minnesota Statutes, section 471.191, provides that school district or city-owned recreational property may retain their exempt status even if they are managed by private individuals, associations, or corporations where the entity is for-profit or non-profit. Such recreational property includes marinas, golf courses, concert halls, skating rinks, swimming pools, athletic fields, museums, and other facilities for athletic or cultural participation. The lands and building may retain exemption, as well as the related parking facilities.

For example, a marina owned by the city of St. Paul, managed by a private management company, provided retail sales of boats. The Department of Revenue understands such a property to be exempt provided it meets the statutory requirements that "such property is devoted to said purposes and is not subleased to any private individual, association, or corporation in connection with a business conducted for profit, for a term of three or more years."

Primary Statutory References: 471.191

MINNESOTA • REVENUE

March 28, 2013

Peggy Trebil
Goodhue County Assessor's Office

Dear Ms. Trebil:

Thank you for submitting your follow up question to the Property Tax Division regarding exempt property. You have provided the following:

If they (municipal golf course) have the 4 ½ acres open for the driving range and contract with Turf Solutions and Management to run it for 5 to 7 months during the 2013 season, will that portion be taxable for pay 2014 (the Red Wing High School golf program asked them to keep the driving range open)? Estimates are \$26,500 to keep open 7 months, \$24,500 to keep open 5 months. The estimated income would be around \$8,000, so this would not be a profitable endeavor.

According to Minnesota statutes 272.02, subdivision 62, "all property acquired and used by a city is exempt to the extent provided in section 471.191, subdivision 4" which states that **"any and all properties acquired and used, whether under lease or otherwise, by a city for the purposes authorized and contemplated in this section shall be deemed and are declared to be public property exclusively used for a public purpose and as such exempt from taxation, so long as and to the extent that such property is devoted to said purposes and is not subleased to any private individual, association, or corporation in connection with a business conducted for profit, for a term of three or more years. An agreement whereby a city, as owner or lessee, employs a private individual, association, or corporation to operate facilities for use of the public, for the purposes herein contemplated and subject to regulation by the public owner or lessee, is not a sublease for the purpose of this subdivision."** [Emphasis added]

Since the property is used for public purposes, is owned by the city and is leased to a private corporation for less than 3 years, this property would still be eligible for property tax exemption.

If you have any further questions, please contact our division at proptax.questions@state.mn.us.

Sincerely,

KELSEY JORISSEN, State Program Administrator
Information and Education Section
Property Tax Division

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2013

4c(2) - Qualifying Golf Course*Not Used Residentially*

A golf course may qualify for this classification if:

- it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable for green fees typically charged by municipal courses; and
- it does not discriminate on the basis of gender, per Minnesota Statutes, section 273.112, subdivision 3, paragraph (d).

Point of Policy**4c(2) Golf Course Memberships**

While a course can charge a membership fee and still qualify, it may not restrict golf access to members only. For nonmembers, access also cannot be limited to a set number (for example, 12 rounds each year).

open to general public also

The market value of public golf courses and indoor recreational property has a class rate of 1.25%.

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a commercial property.

4c(3)(i) - Non-Profit Community Service Oriented Organization (Non-Revenue)

Class 4c(3)(i) is real property up to a maximum of three acres of land owned by a non-profit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and that the property is not used for residential purposes on either a temporary or permanent basis.

For purposes of this classification, a "non-profit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to Section 501(c)(3), (8), (10), or (19) of the Internal Revenue Code.

"Revenue-producing activities" shall include, but not be limited to, property or that portion of the property that is used as: an on-sale intoxicating liquor or 3.2% malt liquor establishment licensed under Chapter 340A; a restaurant open to the public, bowling alley, or retail store; gambling conducted by organizations licensed under Chapter 349; an insurance business, office or other space leased or rented to a lessee or conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a commercial property, unless it meets the requirements for 4c(3)(ii) classification outlined below. The use of property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

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Class 4c(3)(i) property has a class rate of 1.50%. This class of property does not pay state general tax.

4c(3)(ii) - Non-Profit Community Service Oriented Organization (Donations)

To qualify for this 4c(3)(ii) classification, a non-profit community service oriented organization which has revenue-producing activities for more than six days in a calendar year must make annual charitable contributions and donations in an amount that is at least equal to the property's previous year's property taxes paid (excluding state general taxes), **and** the property must be available to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

Statute does not limit how an organization raises money (charitable gambling, potluck, concerts, etc.), but it does place limitations on what charitable contributions or donations can be used for. Charitable contributions or donations must go to one or more of the approved sources identified for "lawful gambling purposes."

According to statute only 501(c)(3), (8), (10), or (19) organizations (as defined by the Internal Revenue Code) can qualify. In many instances, when statute does not specifically state something, the department is allowed some administrative flexibility. However, when something is specifically stated in statute the department does not have the authority to expand or contract what is written into the law. Therefore, only 501(c)(3), (8), (10), or (19) organizations can qualify for the 4c(3)(ii) classification.

These properties were originally classified as class 3a commercial property due to the fact that their facilities were used for revenue-producing activities for more than six days per year. To qualify for this classification, the organization must be able to provide proof of charitable donations or contributions at the request of the assessor. The organization must also provide proof of public meetings and events held on the property at the request of the assessor.

Class 4c(3)(ii) property has a classification rate of 1.50%. These properties continue to pay the state general tax. However, they will pay at the SRR rate rather than the class 3a commercial/industrial rate, pursuant to Minnesota Statutes, section 275.025, subdivision 3.

NEW FROM THE CAPITOL

The list of qualifying charitable donation and contribution expenses was changed. Now expenditures coded A-1 through A-7, A-10 through A-15, and A-19 as listed on form LG1010 qualify. This change is reflected on the current class 4c(3)ii application.

***A note on classes 4c(3)(i) and 4c(3)(ii): In some cases, it may be possible to split-classify a property owned by a qualifying non-profit organization. The following examples are the only types of classification possible on these properties:*

- 4c(3)(i) only *less than 6 rev produc days year*
- 4c(3)(i) and 3a split-class
- 4c(3)(ii) only *Some benefits based on donations*
- 4c(3)(i) and 4c(3)(ii) split-class

** Making donations level equal to previous year taxes*
 An equal proportion of land and buildings should be split-classed as appropriate. As you will note, it is never an option to split-classify a property as 4c(3)(ii) and 3a.