LMC LEAGUE of MINNESOTA CITIES

March 26, 2025

Re: HF 2257 – Institutions of public charity

Chairs Gomez and Davids, and members of the House Taxes Committee:

The League of Minnesota Cities appreciates the opportunity to comment on HF 2257 on behalf of our 841 member cities. We thank the author, Chair Gomez, for her ongoing work on this issue. The League supports this legislation and encourages the committee to adopt this proposal as part of its tax package this session.

A recent Supreme Court case determined property owned by an institution of purely public charity used to provide low-income housing is exempt from real property tax. This was a shift from the prior treatment of these properties, where the residential portion of property was typically classified 4d(1) Low -Income Housing and taxes were paid by the exempt entity. However, the individuals living in these buildings are now liable for personal property taxes and property tax administrators are grappling with how to administer this change.

We appreciate the author's work on this proposal and the approach being taken to limit potential taxbase shifts onto other properties and individuals.

Thank you for your time and attention to this important issue.

Sincerely,

Beth Johnston

Beth Johnston
Intergovernmental Relations Representative
League of Minnesota Cities

145 University Avenue West
St. Paul, Minnesota 55103

PH: (651) 281-1200 FX: (651) 281-1299
TF: (800) 925-1122 www.lmc.org

Chair Gomez, Chair Davids, and members of the House Committee on Taxes

Thank you for the opportunity to provide written feedback on HF2257 (Gomez) on behalf of the Minnesota Inter-County Association (MICA) and the Association of Minnesota Counties.

We support HF 2257 which would clarify state law and policy regarding the taxation of residential properties owned and leased by institutions following the *Alliance Housing v. Hennepin County* decision last year from the state Supreme Court. We appreciated Rep. Gomez's work on this last session in quick response to the issue and following up on the issue this year.

The Department of Revenue issued guidance to county assessors last summer which made it clear that as a result of this decision beginning with assessment year 2025 certain low income housing tenants would have to pay property taxes for the first time.

That memo specifically said that "assessors will need to review leases in otherwise exempt low-income housing properties to determine if the lease or rental agreements would require a personal property tax account to be created." The memo also referenced potential changes to the renters credit, which we've since confirmed that tenants that end up paying personal property taxes will lose eligibility for the renters credit.

This bill would not only prevent those two issues occurring, it would also prevent the property tax shift onto homeowners that would otherwise occur as well. That property tax shift hasn't been quantified but would be significant in numerous counties.

The state-determined property tax classification system has long been intentional in addressing preferential taxation for low-income rental housing through the class 4d program, which has the low 0.25% classification rate beginning with taxes payable in 2025. Adopting this language is needed this session to best support property tax administration and tax base stability going forward.

Sincerely,

Nathan Jesson, Minnesota Inter-County Association

Matt Hilgart, Association of Minnesota Counties