

Memo

Date: December 17, 2020

To: All County Assessors

From: Jon Klockziem, Director

Changes to the Classification of Short-Term Residential Rental Properties effective 2021 Assessment Year

As part of a bill passed during the fifth special session, the legislature added language classifying certain properties used as short-term residential rentals as 4b(1) (Minnesota Statute, section 273.13, subdivision 25). The new law defines a qualifying short-term rental property as:

- Rented for periods of less than 30 consecutive days
- Containing fewer than four units
- Rented for more than 14 days in the preceding year
- Nonhomesteaded

What changed?

Prior to this law change, a specific number of days were not in statute to determine the primary use of a property, which is used when classifying a property. Starting with assessment 2021, a property is determined to be a short term rental property if it was rented for more than 14 days in the previous year. Properties that meet this number of days requirement as well as the requirements listed above may be reclassified to 4b(1).

When does it go into effect?

This provision does not go into effect until the 2021 assessment. All properties previously identified having a primary use as a short-term rental will have their 2021 taxes payable based on the classification made during the 2020 assessment.

What documentation should the assessor request or research to help determine the classification?

Assessors should review:

- Permits and licensure from the state or local government entity.
- Booking records or information from the owner or third party accommodation intermediaries.
- Income and expense records of the property.
- Occupancy records for the property showing rental days to verify use.

What if a homesteaded property is rented out for more than 14 days per year?

Do not change the classification of homestead property if short-term rental occurs but the property remains the owner's or relative's primary place of residence. However, if it appears short-term rental may be the primary use, the assessor should review the homestead status and request a reapplication.

When the primary use of a property is a cabin, but it was rented for more than 14 days in the previous year can it still be classified 4c(12) based on the primary use?

No, if the property is rented for more than 14 days, the property should be classified as 4b(1).

What if a property with four or more units is used for short-term rental?

Residential properties containing four or more units used exclusively as short-term rental would be classified as commercial, class 3a, properties. If a property with four or more units has some units rented long-term and some short-term, it would be appropriate to split classify the property as class 4a and 3a based on the primary use of the individual units.

Questions?

If you have questions about this memo, please email us at proptax.questions@state.mn.us or your Property Tax Compliance Officer.