

FAQs for Classifying Short-Term Rental Properties

We recently issued a memo regarding the classification of short-term rental properties that was enacted during the fifth special session in 2020. Additional guidance is being provided based on some follow up questions that have been submitted. This information will also be added to the Property Tax Administrator's Manual for future reference as well.

If you have additional questions regarding classification of short term rental properties, reach out to your Property Tax Compliance Officer or email us at proptax.questions@state.mn.us.

If a parcel qualifies for homestead and it also has a separate structure that is used as a short-term rental such as a guest house or apartment above the garage, how should it be classified?

The parcel should be split-classified according to the two separate uses on the parcel. The separate structure should be classified according to its use and the requirements in law. If it meets the requirements for short term rental and it is not being used as part of the homestead, then it would be appropriate to be classified as 4b1. This is similar to split classifying a residential parcel that also has commercial use such as a mechanic shop or hair salon.

How should a duplex/triplex be classified if one of the units qualifies for homestead and the other unit(s) are being used as short-term rentals?

The entire structure may qualify for a residential homestead when the owner occupies the property. The law (Minnesota Statute, section 273.13, subdivision 22(a)) provides an exception for classifying duplex and triplex structures. This exception also applies to short term rental use of the additional units; therefore, the entire structure would be classified as 1a residential homestead and should not be split-classified due to the short-term rental use. If a structure has more than one unit but is not a duplex/triplex, then the language in subdivision 22 does not apply and the property would be split-classified.

If a parcel is classified as 4bb, but meets the requirements to be classified as a short-term rental, should the classification be changed to 4b?

Yes, the law states that if a property is rented out for more than 14 days in the preceding year, it must be classified as 4b1, the law does not exclude 4bb properties from this classification.

Are individually owned residential nonhomestead properties used as short-term rentals by resorts/hotels considered residential real estate and would they qualify for the 4b1 classification?

Yes, those properties whether part of a larger rental pool (resort, condominium complex), or with multiple owners (timeshares, limited deed interest), are considered residential real estate and should be classified according to use. If the property is rented for more than 14 days in the preceding year, then it should be classified as 4b1.