

1.1 A bill for an act

1.2 relating to taxation; providing clarification for eligibility for property tax  
1.3 exemption for institutions of public charity; amending Minnesota Statutes 2008,  
1.4 section 272.02, subdivision 7.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2008, section 272.02, subdivision 7, is amended to read:

1.7 Subd. 7. **Institutions of public charity.** (a) Institutions of purely public charity that  
1.8 are exempt from federal income taxation under section 501(c)(3) of the Internal Revenue  
1.9 Code are exempt; if they meet the requirements of this subdivision. In determining  
1.10 whether real property is exempt under this subdivision, the following factors must be  
1.11 considered:

1.12 (1) whether the stated purpose of the undertaking is to be helpful to others without  
1.13 immediate expectation of material reward;

1.14 (2) whether the institution of public charity is supported by material donations, gifts,  
1.15 or government grants for services to the public in whole or in part;

1.16 (3) whether a material number of the recipients of the charity receive benefits or  
1.17 services at reduced or no cost, or whether the organization provides services to the public  
1.18 that alleviate burdens or responsibilities that would otherwise be borne by the government;

1.19 (4) whether the income received, including material gifts and donations, produces a  
1.20 profit to the charitable institution that is distributed to private interests;

1.21 (5) whether the beneficiaries of the charity are restricted or unrestricted, and, if  
1.22 restricted, whether the class of persons to whom the charity is made available is one  
1.23 having a reasonable relationship to the charitable objectives; and

2.1 (6) whether dividends, in form or substance, or assets upon dissolution, are available  
2.2 to private interests.

2.3 A charitable organization must satisfy the factors in clauses (1) to (6) for its property  
2.4 to be exempt under this subdivision, unless there is a reasonable justification for missing  
2.5 the factors in clause (2), (3), or (5). If there is reasonable justification for failing to meet  
2.6 the factors in clause (2), (3), or (5), an organization is a purely public charity under this  
2.7 subdivision without meeting those factors. After an exemption is properly granted under  
2.8 this subdivision, it will remain in effect unless there is a material change in facts.

2.9 (b) For purposes of this subdivision, a grant is a written instrument or electronic  
2.10 document defining a legal relationship between a granting agency and a grantee when  
2.11 the principal purpose of the relationship is to transfer cash or something of value to the  
2.12 grantee to support a public purpose authorized by law in a general manner instead of  
2.13 acquiring by professional or technical contract, purchase, lease, or barter property or  
2.14 services for the direct benefit or use of the granting agency.

2.15 (c) In determining whether rental housing property qualifies for exemption under  
2.16 this subdivision, the following are not gifts or donations to the owner of the rental housing:

- 2.17 (1) rent assistance provided by the government to or on behalf of tenants; and  
2.18 (2) financing assistance or tax credits provided by the government to the owner on  
2.19 condition that specific units or a specific quantity of units be set aside for persons or  
2.20 families with certain income characteristics.

2.21 **EFFECTIVE DATE.** This section is effective for taxes payable in 2010 and  
2.22 thereafter.

2.23 Sec. 2. **PURPOSE.**

2.24 The purpose of section 1 is not to contract or expand the definition of "institutions  
2.25 of purely public charity" but to provide clear standards that can be applied uniformly to  
2.26 determine eligibility for exemption from property taxations.