Draft Proposal – Short Term Rental Classification Changes – Provided by Cook County Chamber

Whereas the Department of Revenue’s May 21, 2019 memo directing county assessors to move short-term rental properties from seasonal residential recreation Class 4c(12) to commercial 3(1) would triple current property tax burdens on affected properties;

Whereas the Minnesota Department of Revenue has indicated they will not take further action to clarify the appropriate tax classification on these properties and will leave it to each county assessor to make these determinations;

Whereas this has created uncertainty over the appropriate property tax classification for short-term rental property, has shaken the Cook County real estate market and threatens the Cook County economy;

Whereas, policy makers are looking to Cook County business and civic leadership to design a tax classification approach to short-term rental properties that would provide clarity and cause the least disruption to the Cook County economy;

Whereas the Cook County Board is aware that Cook County Assessor Robert Thompson and key business leaders and members of the Cook County Chamber of Commerce collaborated to develop a proposal that created certainty and consistency for all owners of short-term rental properties in Cook County;

Whereas this group agreed in principle to a clarification of existing law and a creation of a new tax classification, a proposal that was further refined and clarified after receiving feedback from statewide lodging and cabin owner business groups;

Whereas the proposal codifies the current Cook County 183-day primary-use test, modifies the 4c(1) seasonal resort class definition so it includes all units within a CIC, and creates a new 4cc(1) class with a 1.25 percent tax rate for all short-term rentals that exceed the seasonal rec 4c(12) 183-day limit or the 4c(1) 250-day limit or any of the other seasonal resort restrictions. The provisions for tax classes 4c(1), 4c(12) and 4cc(1) would apply without regard to ownership or management arrangements;

Whereas the Board of the Cook County Chamber of Commerce has reviewed, endorsed and commended to the Cook County Board of Commissioners this proposal for resolving the question of property tax classification for short-term rental properties and protecting Cook County’s economy; and

Whereas the Cook County Board of Commissioners has reviewed the proposal and found it provides resolution to this important economic issue; now, therefore, be it,

Resolved, that the Cook County Board of Commissioners: endorses the direction the Chamber proposal takes and requests the 2020 Minnesota Legislature enact legislation to make these changes, creating clarity and certainty for Cook County’s economy and all owners of short-term rental properties in Cook County; and if action by the Legislature in 2020 proves impossible, supports a year-long moratorium on changes in tax classification of short-term rentals and appointment of a legislative task force to address the issue and make recommendations to the 2021 Legislature.