

Introduction to Fractional Homestead

MAAO Fall Conference 2025

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If you have any questions or need clarification of the information in this document, please contact the Minnesota Department of Revenue.

Scenario One

- Two adjoining parcels are owned by:
 - Lily and Marshall Erickson, a married couple,
 - Marvin Erickson, their son
 - Ellie, Marvin's Girlfriend
- Each parcel has a residential structure.
- Parcel One is occupied by Marvin.
- Parcel Two is unoccupied.

What percentage of homestead should be granted on each parcel?

Will anything change if Ellie moves into Parcel Two?

Scenario Two

- A residential property is owned by:
 - Brianna and Roger, a married couple
 - Jamie and Claire, a married couple, Brianna's Parents
- The property has been used as their cabin and classified as 4c(12) – Seasonal Residential Recreational Non-Commercial.
- Jamie and Claire's names have been removed from the deed.
- Jeremiah, Brianna and Roger's son, will be using the property as his primary residence.

How should the homestead be applied?

How should this property be classified?

Scenario Three

- A residential property is owned by the Good Place Revocable Trust.
- Chidi and Eleanor, the grantors of the trust, are a long-term partners but never married.
- They occupy the property.
- Chidi is not a resident of the State of Minnesota.

How should the homestead be applied?

In July, Eleanor comes into the assessor's office and informs the assessor that Chidi passed in February. Eleanor submits a new homestead application. Would Eleanor receive a full homestead?

Scenario Four

- A residential property is owned by Danny Tanner and his Daughters D.J, Stephanie, and Michelle.
- Danny occupies the property.
- D.J., Stephanie, and Michelle live in Minnesota.

How should homestead be applied?

Scenario Five

- A residential property is owned and occupied by:
 - Anakin and Padmé Skywalker, a married couple
 - Luke, their son
- Anakin is disabled.

How would the property be classified, and homestead be applied?

How would the fractional homestead affect the tier for the reduced class rate of 1b?

Scenario Six

- Geordi and Jean-Luc own and occupy a property.
- They are not related or married.
- Geordi is legally blind.

How would the property be classified, and homestead be applied?

How would the fractional homestead affect the tier for the reduced class rate of 1b?

Scenario Seven

- Nessarose and Boq, a married couple, are both disabled and live separately.
- Nessarose is the sole owner on the property she occupies.
- Boq occupies another property that he owns with an unrelated person, who also occupies the property.
- They have applied for homestead on their respective properties.

How should the properties be classified, and homestead be applied?

Scenario Eight

- A residential property is owned by Lady Tremaine and her daughters, Anastasia , and Drizella.
- Lady Tremaine and Drizella occupy the property.
- Lady Tremaine qualifies for the 1b – Blind and Disabled Homestead classification.
- Lady Tremaine owns a separate residential property in her name only, and Anastasia occupies and is receiving a relative homestead.

Can Lady Tremaine or Drizella qualify for a relative homestead on Anastasia’s Ownership interest?

Can Lady Tremaine qualify for 1b – Blind Disabled on either daughter’s ownership interest?

Scenario Nine

- Bucky Barnes and Sam Wilson individuals own a residential parcel.
- Bucky occupies the property and receives 50% homestead.
- Bucky qualifies for the 1b classification.
- The estimated market value of this property is \$225,000.

How is the NTC calculated for this scenario?

1. Calculate the homestead market value exclusion

a. Calculate the initial, or maximum, exclusion amount

\$95,000	X	40%	=	\$38,000
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b. Determine the amount of value, if any, that is over the \$95,000 threshold

\$	-	\$95,000	=	\$
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c. Multiply the amount in step B by 9%

\$	X	9%	=	\$
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d. Take step A (initial/maximum exclusion) minus the amount in step C

\$	-	\$	=	\$
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e. The extra step, because it is fractional ownership, is to fractionalize the computed homestead exclusion amount based on the homestead percentage

\$	X	50%	=	\$
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Homestead exclusion amount for each qualifying owner: \$

2. Determine ownership % (100% / # of owners)

a. Bucky - $100\% / 2 = 50\%$

b. Sam - $100\% / 2 = 50\%$

3. Determine the share of EMV (Total EMV x owner % from step 2)

a. Bucky

\$	X	50%	=	\$
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b. Sam

\$	X	50%	=	\$
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4. Calculate the Taxable Market Value for each owner (EMV-exclusions, if applicable)

a. Bucky

\$	-	\$	=	\$	TMV
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b. Sam

\$	-	\$	=	\$	TMV
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The 1b tier must also be fractionalized since the occupying owner is only receiving a 50% homestead so they are entitled to only 50% of the 1b tier.

5. Determine the tier limit for 1b (1b tier limit x ownership % from above)

a. Bucky

\$50,000	x	50%	=	\$
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*Value over the first tier is classified as 1a or 2a

b. Sam

N/A

The calculation in scenario one would be:

Bucky: TMV x Class Rate = Net Tax Capacity

\$	X	0.45% (1b)	=	\$
\$	X	1.00% (1a)	=	\$
		Total	=	\$

Sam: TMV x Class Rate = Net Tax Capacity

\$	X	1.00% [4bb(1)]	=	\$
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Total local net tax capacity for the parcel = \$

Scenario Ten

- Charles Xavier and Cain Marko, step-brothers, own a residential parcel.
- Charles occupies the property and receives a 50% owner-occupied homestead and a 50% relative homestead.
- Charles qualifies for the 1b classification.
- The estimated market value of this property is \$175,000.

How is the NTC calculated for this scenario?

1. Calculate the homestead market value exclusion

a. Calculate the initial, or maximum, exclusion amount

\$95,000	X	40%	=	\$
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b. Determine the amount of value, if any, that is over the \$95,000 threshold

\$	-	\$95,000	=	\$
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c. Multiply the amount in step B by 9%

\$	X	9%	=	\$
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d. Take step A (initial/maximum exclusion) minus the amount in step C

\$	-	\$	=	\$
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Homestead exclusion should equal \$

2. Determine ownership % (100% / # of owners)

a. Charles - $100\% / 2 = 50\%$

b. Cain - $100\% / 2 = 50\%$

3. Determine the share of EMV (Total EMV x owner % from step 2)

a. Charles

\$	X	50%	=	\$
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b. Cain

\$	X	50%	=	\$
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4. Calculate the Taxable Market Value for each owner (EMV-exclusions, if applicable)

a. Charles

\$	-	\$	=	\$	TMV
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b. Cain

\$	-	\$	=	\$	TMV
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The calculation in scenario one would be:

Charles: TMV x Class Rate = Net Tax Capacity

\$	X	0.45% (1b)(Owner Occupied)	=	\$
\$	X	1.00% (1a)	=	\$
		Total	=	\$

Cain: TMV x Class Rate = Net Tax Capacity

\$	X	0.45% (1b) (Relative)	=	\$
\$	X	1.00% (1a)	=	\$
		Total	=	\$

Total local net tax capacity for the parcel = \$