

MINNESOTA • REVENUE

PROPERTY TAX

Restore Green Acres and Agricultural Classifications to pre-2008 Status

March 02, 2011

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 0012 (LeMieur) House Committee Engrossment, (CEH0012-1)

Fund Impact

	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
	(000's)			
General Fund	\$0	(\$35)	(\$35)	(\$35)

Effective day following final enactment.

EXPLANATION OF THE BILL

The bill makes several modifications to the Green Acres (MS 273.111) and Rural Preserve (MS 273.114) property tax programs.

A purpose statement is added to the green acres statute. For property enrolled after May 1, 2012 the payback provision is five years. The requirements for a conservation plan and a minimum 8 year enrollment in the Rural Preserve program are stricken, and covenant restrictions are also repealed. Land removed from the Green Acres program through legislative action between May 21, 2008 and enactment may re-enroll. Land transferred to the Rural Preserve program may be considered to have been enrolled in the Green Acres program until transfer. Counties must pay back any additional taxes due to withdrawal from the Green Acres program. The Department of Revenue must study alternative methods for determining agricultural value of property enrolled in the two programs. The report is due to the legislature by February 15, 2012.

In addition, a new qualifier allows 2b parcels contiguous to at least 10 acres of 2a land to be eligible for rural preserves valuation.

REVENUE ANALYSIS DETAIL

The analysis is based on a partial survey of assessors reporting acres withdrawn from the green acres program. It is derived that approximately 150,000 acres of property withdrawn from the green acres program would re-enroll in the rural preserve program under the less strict qualifications in the bill. Additional property receiving deferral treatment would decrease jurisdictions' net tax capacity, thereby driving up the local tax rate. \$800,000 of taxes would shift onto other property types, including homesteads. Property tax refunds would increase due to higher homestead property taxes. It is estimated that property tax refunds would increase by \$35,000 per year beginning in FY 2013.

The new contiguous parcels qualifier may allow significantly more property to qualify. This is not reflected in the estimate pending the availability of new data.

Number of Taxpayers: Owners of property in areas with qualifying rural preserve property.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Increase	Reduces program requirements.
<i>Efficiency & Compliance</i>	Increase	No covenants to track.
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division - Research Unit
http://www.taxes.state.mn.us/taxes/legal_policy

hf0012(sf0037)_pt_4/lam