Property Tax
Special Agricultural Homesteads

March 13, 2001

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1319 (Langseth) / H.F. 1461 (Marquart)

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
		(000's)		
General Fund		(Negligible)	(Negligible)	(Negligible)

Effective for taxes payable in 2002 and thereafter.

EXPLANATION OF THE BILL

Current Law: Special provisions for agricultural homesteads include the following cases:

- A homestead parcel of less than 10 acres is classified as agricultural homestead if the parcel is contiguous on at least two sides to agricultural or certain state agency property, the owner also owns noncontiguous land located not farther than four townships or cities away, and the agricultural use value is equal to at least 50 percent of the market value of the house, garage and one acre.
- Agricultural property of at least 40 acres where the owner is a Minnesota resident but does not reside on the land may be classified as a homestead if the owner, or the owner's son or daughter, does not live farther than four townships or cities from the property and the owner (or the son or daughter) is actively farming the property.
- Agricultural property consisting of at least 40 acres of a family farm corporation, limited liability company, or partnership shall be considered an agricultural homestead if the shareholder, member, or partner is actively farming the property, is a Minnesota resident, has no other agricultural homestead in Minnesota, and does not live farther than four townships or cities from the property.

In each of these cases, the farm residence may not be located more than four townships or cities from the noncontiguous agricultural property.

Proposed Law: The four township or city limitation is extended to eight townships or cities.

REVENUE ANALYSIS DETAIL

- It is assumed that only a small number of owners are currently denied homestead treatment because they live more than four townships or cities but up to eight townships or cities away from their noncontiguous agricultural land.

- Because the number of owners affected by the proposal is likely to be small, the total property tax shift to other owners is small, and any increase in state-paid property tax refunds would be negligible.

Number of Taxpayers Affected: A small number of property owners would benefit from the change. All taxpayers in local taxing districts affected by the proposed change could have a small increase in property tax burden.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/polic.html#analyses

sf1319(hf1461)-1 / JB