

# MINNESOTA • REVENUE

## PROPERTY TAX Aggregate Resource Preservation Property Tax Law

March 30, 2004

	Yes	No
Separate Official Fiscal Note Requested		
<b>Fiscal Impact</b>		
DOR Administrative Costs/Savings		

Department of Revenue  
Analysis of H.F. 3087 (Kuisle) / S.F. 2958 (Hottinger)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	\$0	(Unknown)	(Unknown)

Effective for property taxes payable in 2005 and thereafter.

### EXPLANATION OF THE BILL

The proposal would establish the Aggregate Resource Preservation Property Tax Law. Property would be entitled to the valuation provided under this law if the following requirements are met:

- (1) the property is classified as residential homestead, farm homestead, or agricultural land;
- (2) the property is at least 10 contiguous acres;
- (3) the owner has filed a completed application with the county assessor;
- (4) there are no delinquent taxes on the property; and
- (5) a covenant on the land restricts the use for the property's surface to that which exists on the date of application and limits future use to the preparation and removal of the aggregate commercial deposit under its surface. The covenant is binding on the owner or owner's successor and runs with the land unless canceled.

Upon application, qualifying land would be valued as if it were agricultural property, using a per acre valuation equal to the per acre valuation of agricultural land in the county. The assessor shall not consider any additional value resulting from the potential alternative and future uses of the property. The buildings located on the land shall be valued by the assessor in the normal manner.

Additional taxes are imposed when the land no longer qualifies for the agricultural valuation. The additional taxes are determined by computing the difference between (i) the current year's taxes determined with the agricultural valuation, and (ii) an amount based upon the property's current year's estimated market value of like real estate at its highest and best use and the appropriate local tax rate. This difference is multiplied by 5 or the number of years the land was in the program, whichever is less, to determine the additional tax. The additional tax is a lien upon the property.

### **EXPLANATION OF THE BILL (continued)**

The owner must file a supplemental affidavit when any portion of the property begins to be actively mined within 60 days from the day any aggregate is removed. The acres actively being mined shall be valued and classified as commercial industrial property in the next subsequent assessment year, and removed from the aggregate resource preservation property tax program. The additional tax is not imposed on that portion of property which has been actively mined and has been removed from the program.

The restrictive covenant may be canceled in two ways:

- (1) by the owner with the additional taxes paid at the time of cancellation.
- (2) by the city or town if it changes the conditional use of the property, revokes the mining permit, or changing the zoning to disallow mining. No additional taxes are imposed.

The definition of class 2b property is modified to include land with commercial aggregate deposit that is not actively being mined and is not otherwise classified as agricultural property.

### **REVENUE ANALYSIS DETAIL**

- It is not known how many acres of property with commercial aggregate deposit would enroll in the program.
- Qualifying land in the program would be valued as agricultural property, and is prevented from being classified as commercial industrial property before aggregate removal begins. This classification change would reduce the taxable property base, causing a tax shift to all other taxpayers including homeowners and increasing homeowner property tax refunds.

**Number of Taxpayers:** Unknown.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)