

MINNESOTA • REVENUE

PROPERTY TAX Green Acres Modifications, and Conservation Property Tax

March 12, 2009

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of H.F. 392 (), as amended by SCH0392A-2, Senate 1st unofficial engrossment, article 2

	Fund Impact			
	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>
		(000's)		
General Fund	(\$0)	unknown	unknown	unknown

Various effective dates.

EXPLANATION OF THE BILL

M.S. 273.111, the agricultural property tax preferential valuation statute, is commonly referred to as “green acres”. This statute allows for farm land to be valued for agricultural purposes, rather than highest and best use.

The 2008 omnibus tax bill made a number of changes to green acres provisions, including removing land enrolled in state and federal conservation programs and class 2b rural vacant land. A transition provision was added for land that no longer qualified under the new law.

This bill allows land enrolled in state and federal conservation programs to be eligible for green acres treatment. Property formerly qualifying for green acres is grandfathered in until sold or transferred, or assessment year 2013, whichever is earlier. The payback penalties in section 3(b) are stricken. Land sold or transferred to a son or daughter continues to qualify for green acres treatment as long as the other requirements are met. Land transferred to a new conservation program is not subject to additional taxes. Withdrawals from the program are allowed without payback penalty between May 29, 2008 and January 1, 2010.

The bill creates a new property tax program for conservation lands. Eligible land consists of class 2b property that was enrolled in the green acres program or is part of agricultural homesteads. Such land must consist of at least 10 acres, have an approved management plan that is implemented during the deferment, must be enrolled for a minimum of 8 years, and have no delinquent property taxes. Conservation lands do not include property concurrently enrolled in green acres, open space, or conservation easement programs. Conservation property would be assessed and taxes spread at a lower conservation value, rather than highest and best use (defined for this purpose as tillable 2a land value). Owners must apply and sign a covenant agreement. After expiration of a covenant, additional taxes equaling the difference between current and highest and best use valuations for the previous 3 years are due. A lien against the property is required. Special assessments may also be deferred.

The definition of “impractical to separate” is clarified.

EXPLANATION OF THE BILL, continued.

The commissioner of revenue is required to report trends in market values of class 2a and 2b property, green acres value methodology and determinations, and assessment and classification practices for class 2a and 2b property.

REVENUE ANALYSIS DETAIL

- The number of acres changing classification under the provisions of the bill is not known. Some counties may enter or exit the green acres program as a result of these changes.
- An unknown percentage of non-tillable acres is pasture and other agricultural use. The changes in land value as a result of this bill would inversely alter tax rates on all property in affected jurisdictions.
- Currently, 38% of the acres enrolled in the green acres program are reported as non-tillable in the 2008 fall mini abstract.
- Net taxes on homestead property would change, resulting in changing property tax refunds by an unknown amount. Assuming most other collocated properties are homesteads, a \$1,000 decrease in the market value of farmland results in a PTR increase of \$0.35. There is currently \$9.6 billion of green acres exclusion in payable 2009.

Number of Taxpayers: Owners of qualifying class 2 property would be directly affected.

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