

MINNESOTA • REVENUE

PROPERTY TAX Green Acres Modifications

March 12, 2009

Department of Revenue
Analysis of H.F. 540 (Koenen)

	Yes	No
DOR Administrative Costs/Savings		X

	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 property formerly qualifying for green acres to be grandfathered in until sold or transferred. 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. Withdrawals from the program are allowed without payback penalty between May 29, 2008 and January 1, 2010. The definition of impractical to separate is clarified.

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.
- The changes in taxable land value as a result of this bill would inversely alter tax rates on all property in affected jurisdictions.
- 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