

MINNESOTA • REVENUE

PROPERTY TAX Modify Green Acres Provisions

March 12, 2009

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 139 (Anderson) / H.F. 387 (Koch)

	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 class 2b rural vacant land and land enrolled in state and federal conservation programs to be eligible for green acres treatment.

The bill reinstates production income requirements that require at least 33 1/3 % of total family income to be derived from agricultural production, or alternatively, \$300 plus \$10 per tillable acre. Slough, wasteland, and woodland contiguous to productive land is also considered agricultural use. Other property owned by the enrollee must be included in the income calculation.

Any land that was removed from the green acres program between May 21, 2008 and this bill’s enactment, must be reinstated at the owners request.

A transition provision in section 3(a) is repealed.

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.
- 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

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