

MINNESOTA • REVENUE

PROPERTY TAX

Agricultural property tax credit provided for property used for organic farming.

March 13, 2014

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 2758 (Wagenius) as introduced

	Fund Impact			
	FY2014	FY2015	FY2016	FY2017
	(000's)			
Organic Farming Credit	\$0	\$0	(\$765)	(\$765)
Income Tax Interactions	\$0	\$0	\$30	\$30
General Fund	\$0	\$0	(\$735)	(\$735)

Effective beginning with taxes payable 2015.

EXPLANATION OF THE BILL

The proposal would create an agricultural credit for property used for organic farming. Property that is classified as agricultural land being used for organic production, in accordance to current law, would be eligible for an agricultural credit equal to \$5 times the number of acres. In order to qualify for this credit, an application must be filed with the county assessor by June 30 of the assessment year for taxes payable the following year. The credit is in addition to any agricultural credit for which the property is eligible. Total agricultural credits may not exceed the total property taxes payable. For taxes payable in 2015 only, the application deadline would be August 31, 2014.

REVENUE ANALYSIS DETAIL

- According to data from the USDA, as of 2011 there were 555 certified organic farming operations in Minnesota with approximately 153,000 acres of pasture and cropland.
- Assuming all certified organic farms meet the requirements and apply for the credit, the total cost of the credit would be approximately \$765,000 beginning in FY 2016.
- Lower property taxes for organic producers would reduce deductions on income tax returns, increasing state tax collections by \$30,000 beginning in FY 2016.

Source: Minnesota Department of Revenue
Property Tax Division - Research Unit
www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx

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PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<i>Efficiency & Compliance</i>	Neutral
<i>Equity (Vertical & Horizontal)</i>	Neutral
<i>Stability & Predictability</i>	Neutral
<i>Competitiveness for Businesses</i>	Increase Decreases costs for organic producers.
<i>Responsiveness to Economic Conditions</i>	Neutral

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.