

Revised

May 04, 2018

PROPERTY TAX

Riparian buffer property tax credit authorization and appropriation

	Yes	No
DOR Administrative Cost/Savings	X	

Department of Revenue

Analysis of S.F. 3960 (Weber) / H.F. 4395 (Anderson, P) as introduced

	Fund Impact			
	FY2018	FY2019	FY2020	FY2021
			(000's)	
Riparian Buffer Credit - Clean Water Fund	\$0	\$0	(\$3,100)	(\$4,600)
Income Tax Interaction - General Fund	\$0	\$0	\$110	\$160
Total - All Funds	\$0	\$0	(\$2,990)	(\$4,440)

Effective beginning with taxes payable in 2019.

EXPLANATION OF THE BILL

The proposal would create a property tax credit of \$50 per acre for riparian buffer land. Land would need to meet the following requirements in order to be eligible for the credit:

1. The land was classified as 2a agricultural land the year prior to its conversion to buffer;
2. A buffer is required to be maintained on the property and is identified on a buffer-protection map;
3. The land was converted to riparian buffer during calendar years 2015 to 2019 in order to comply with buffer requirements;
4. The land is not enrolled in a conservation program that provides income to the landowner;
5. The land has not been compensated for damages for the purposes of installing a buffer; and
6. The landowner is not subject to an enforcement action due to non-compliance with buffer requirements.

Landowners would need to apply for the riparian buffer credit by April 1 in order for the credit to be in effect for taxes payable in the following year, with an exception for the credit for taxes payable in 2019, which has a deadline of June 15, 2018. It would be a one-time application. Local soil and water conservation districts, other local water management authorities, the Board of Water and Soil Resources, and county auditors would be required to work together to verify eligible properties. Funding for the credit would be appropriated from the clean water fund.

REVENUE ANALYSIS DETAIL

- Based on data from the Department of Natural Resources, it is estimated that there are approximately 708,000 acres of riparian buffer land in the state.
- **As revised**, it is assumed that, of that total, approximately 92,000 acres would be eligible for the proposed credit once all riparian buffer requirements are in effect.
 - Note: Buffer or alternative water practices must be in place by November 1, 2017 for

public waters and November 1, 2018 for public drainage ditches.

- For taxes payable in 2019, only riparian buffers bordering public waters would be eligible for the credit. For taxes payable in 2020, all riparian buffer land would be eligible for the credit. The credit is estimated to be \$3.1 million for taxes payable in 2019 and \$4.6 million for taxes payable in 2020.
- Lower property taxes for property owners receiving the credit would reduce deductions on income tax returns, increasing state tax collections by \$110,000 in fiscal year 2020 and \$160,000 in fiscal year 2021.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Creates a new property tax credit.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<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.

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

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