

March 22, 2019

PROPERTY TAX
Land used for environmental benefits defined as an agricultural purpose

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
 Analysis of H.F. 0121 (Hertaus) as introduced

Fund Impact

	FY2020	FY2021	FY2022	FY2023
	(000's)			
Property Tax Refund Interaction	\$0	(negligible)	(negligible)	(negligible)
Ag Homestead Market Value Credit	\$0	(negligible)	(negligible)	(negligible)

Effective beginning with assessment year 2019.

EXPLANATION OF THE BILL

Under current law, land that is used for agricultural purposes, as defined in statute, is classified as 2a agricultural land.

The bill expands the definition of agricultural purposes to include land used for environmental benefits, such as buffer strips, retention ponds, or old growth forest restoration. In order to qualify as an agricultural purpose, the land area cannot exceed the greater of three acres or ten percent of the total land area. Under the bill, this land would be classified as 2a agricultural land.

REVENUE ANALYSIS DETAIL

- Under the proposal, land used for environmental purposes would qualify as 2a homestead or non-homestead agricultural land. Depending on the land's current classification, land qualifying as 2a homestead agricultural land under the bill may receive a lower class rate than it has under current law.
- It is assumed that a small number of properties would receive a reduced class rate under the bill.
- The bill would cause a shift in property taxes away from properties newly qualifying as agricultural and onto all other properties, including homesteads.
- The shift in taxes onto homesteads would cause an increase in state-paid property tax refunds by less than \$5,000 beginning in fiscal year 2021.
- The bill would also increase the market value eligible for the agricultural homestead market value credit, increasing the credit by a negligible amount beginning in fiscal year 2021.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<i>Efficiency & Compliance</i>	Decrease Increases administrative complexity for assessors that would need to determine whether or not land qualifies as 2a under the proposal.
<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

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