

March 15, 2019

**PROPERTY TAX**  
**Agricultural riparian buffer credit**

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue  
 Analysis of H.F. 1430 (Torkelson) / S.F. 1937 (Dahms) as introduced

	<b>Fund Impact</b>			
	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
	(000's)			
Riparian Buffer Credit	\$0	(\$9,100)	(\$9,100)	(\$9,100)
Income Tax Interaction	\$0	\$320	\$320	\$320
<b>General Fund Total</b>	<b>\$0</b>	<b>(\$8,780)</b>	<b>(\$8,780)</b>	<b>(\$8,780)</b>

Effective beginning with taxes payable in 2020.

**EXPLANATION OF THE BILL**

The bill would create a property tax credit for class 2a agricultural land and class 2b rural vacant land. To be eligible for the credit, land must contain a riparian buffer as required by statute. The credit would equal the amount of net tax capacity-based property tax attributable to riparian buffer land. Eligible land would be certified by the local soil and water conservation district.

**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.
- It is assumed that, of that total, approximately 451,000 acres of land would be eligible for the proposed credit.
- The credit is estimated to be \$9.1 million annually beginning with 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 \$320,000 beginning in fiscal year 2021.

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

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