

**PROPERTY TAX
Metropolitan agricultural preserves
program early termination authorization**

March 06, 2019

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of S.F. 0632 (Bigham) / H.F. 0917 (Hertaus) as introduced

	Fund Impact			
	FY2020	FY2021	FY2022	FY2023
	(000's)			
Agricultural Preservation Credit	\$0	negligible	negligible	negligible
Property Tax Refund Interactions	\$0	negligible	negligible	negligible

Effective the day following final enactment.

EXPLANATION OF THE BILL

Under current law, a metropolitan agricultural preserve is allowed to expire no sooner than eight years after the date when termination of the covenant is officially requested. However, immediate withdrawal from the program may be requested by a surviving owner within 365 days of the death of an owner, an owner's spouse, or other qualifying person. When a covenant is terminated in this manner, the property is subject to additional taxes equal to 50% of the total tax amount levied against the property in the current payable year.

Under the proposal, an owner would be allowed to request immediate termination of a metropolitan agricultural preserve if the land has been enrolled in the program for at least eight years. All requests for immediate termination under this provision would require approval by a majority vote of the planning and zoning authority in which the agricultural preserve is located. Covenants terminated under this provision would not be subject to additional taxes.

REVENUE ANALYSIS DETAIL

- It is assumed that local planning and zoning authorities will approve requests for early termination only when those requests align with local planning initiatives.
- It is assumed that approximately five parcels per year would withdraw from the program under this provision.
 - Parcels that leave the program would no longer be eligible for the state-paid agricultural preservation credit, resulting in a state savings of less than \$5,000 in FY 2021-2023.
 - Also, any parcel that withdraws from the program would no longer be assessed solely for its agricultural value.
 - Every time a parcel withdraws from the program there would be some shifting of taxes within individual jurisdictions onto the parcel in question and away from other properties, including other homesteads. Some of these homesteads may receive a smaller property tax refund, resulting in a state savings of less than \$5,000 in FY 2021-2023.
- Tax year impact is allocated to the following fiscal year.

- The early termination provision of the bill does not apply to parcels enrolled in the Agricultural Land Preservation Program. There are approximately 1,600 parcels currently enrolled in the non-metro Agricultural Land Preservation Program.

Number of Taxpayers: There are approximately 3,100 parcels currently enrolled in the Metropolitan Agricultural Preserves Program.

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>	Decrease Program participation may become less stable.
<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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