

PROPERTY TAX
Establishing the agricultural riparian buffer credit

February 02, 2021

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
 Analysis of S.F. 0251 (Draheim) / H.F. 0508 (Poston) as introduced

	Fund Impact			
	FY2022	FY2023	FY2024	FY2025
	(000's)			
Riparian Buffer Credit	\$0	(\$9,050)	(\$9,050)	(\$9,050)
Income Tax Interaction	\$0	\$320	\$320	\$320
General Fund Total	\$0	(\$8,730)	(\$8,730)	(\$8,730)

Effective beginning with taxes payable in 2022.

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 450,000 acres of land would be eligible for the proposed credit.
- The credit is estimated to be \$9.05 million annually beginning with taxes payable in 2022.
- 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 & 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

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