

**PROPERTY TAX**  
**Agricultural products definition**  
**expanded for class 2 land**

February 15, 2022

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>		<b>X</b>

Department of Revenue  
 Analysis of H.F. 1429 (Vang) as proposed to be amended by HF1429DE1

	<b>Fund Impact</b>			
	<b>F.Y. 2022</b>	<b>F.Y. 2023</b>	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>
	(000's)			
Property Tax Refund Interaction	\$0	\$0	\$0	(\$30)
Ag Homestead Market Value Credit	\$0	\$0	\$0	(\$10)
School Bond Credit	\$0	\$0	\$0	(\$30)
<b>General Fund Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$70)</b>

Effective beginning with assessment year 2023.

**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 proposal expands the definition of agricultural purposes to include industrial hemp.

**REVENUE ANALYSIS DETAIL**

- The estimate is based on the November 2021 forecast.
- According to the Minnesota Department of Agriculture, hemp was planted in over 6,000 acres of land in Minnesota in 2021. Additionally, 350,000 square feet of greenhouse space was dedicated to producing hemp.
- Under the proposal, land used to produce hemp would qualify as class 2a homestead or non-homestead agricultural land. Land qualifying as class 2a under the proposal would receive lower classification rates than under current law.
- The proposal would shift property taxes away from properties newly qualifying as agricultural and onto all other properties, including homesteads.
- The shift in taxes onto homesteads would increase state-paid property tax refunds by \$30,000 beginning in fiscal year 2025.
- Properties newly classified as 2a agricultural homestead would be eligible for the agricultural homestead market value credit, increasing the credit by \$10,000 beginning in fiscal year 2025. Properties newly classified as 2a agricultural homestead or non-homestead would also be eligible for the school building bond credit, increasing the credit by \$30,000 beginning in fiscal year 2025.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral
<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  
<https://www.revenue.state.mn.us/revenue-analyses>

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