

**PROPERTY TAX  
Small Market Farms Eligible  
for Agricultural Classification**

March 19, 2024

Department of Revenue

Analysis of S.F. 4828 (Putnam) as proposed to be amended by SCS4828A-2

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

**Fund Impact**

	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>
	(000's)			
Property Tax Refund Interaction	\$0	\$0	\$0	(negligible)
Ag Homestead Market Value Credit	\$0	\$0	\$0	(negligible)
School Bond Credit	\$0	\$0	\$0	(negligible)

Effective beginning with assessment year 2025.

**EXPLANATION OF THE BILL**

Under current law, continuous acreage with a residence may qualify for 2a agricultural classification if it is less than 11 acres in size and is used for a qualifying intensive use, including intensive market farming.

The proposal expands the definition of land that may be considered agricultural to include continuous acreage with a residence that is less than 11 acres in size, is used in the preceding year for market farming, and either:

- The property owner verifies that they have earned at least \$5,000 in the most recent tax year, or
- The property owner verifies that they plan to earn at least \$5,000 annually in the next two years.

**REVENUE ANALYSIS DETAIL**

- It is assumed that a small number of properties engaged in market farming would be eligible for agricultural classification under the proposal.
- Under the proposal, land used for market farming would qualify as class 2a homestead or non-homestead agricultural land. Land qualifying as class 2a homestead under the proposal would receive lower classification rates than under current law. Land qualifying as class 2a non-homestead under the proposal may receive lower classification rates than under current law, depending on its current law classification.
- 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 less than \$5,000 beginning in fiscal year 2027.
- Properties newly classified as 2a agricultural homestead would be eligible for the agricultural homestead market value credit, increasing the credit by less than \$5,000 beginning in fiscal year 2027.

- Properties newly classified as 2a agricultural homestead or non-homestead would also be eligible for the school building bond credit, increasing the credit by less than \$5,000 beginning in fiscal year 2027.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	Adding income verification for agricultural classification would decrease simplicity.
<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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