

Revised

**PROPERTY TAX
Qualifying Relatives Expanded for
Special Agricultural Homestead**

March 19, 2025

Department of Revenue

Analysis of S.F. 245 (Weber) / H.F. 1409 (Harder) as introduced

| | Yes | No |
|----------------------------------|-----|----|
| DOR Administrative Costs/Savings | | X |

| | Fund Impact | | | |
|----------------------------------|--------------------|------------------|------------------|------------------|
| | F.Y. 2026 | F.Y. 2027 | F.Y. 2028 | F.Y. 2029 |
| | (000's) | | | |
| Property Tax Refund Interaction | \$0 | \$0 | (unknown) | (unknown) |
| Ag Homestead Market Value Credit | \$0 | \$0 | (unknown) | (unknown) |
| Estate Tax | \$0 | \$0 | (unknown) | (unknown) |
| General Fund Total | \$0 | \$0 | (unknown) | (unknown) |

Effective beginning with assessment year 2026.

EXPLANATION OF THE BILL

Under current law, special agricultural relative homestead may be granted if a grandchild, child, sibling, or parent of the owner was occupying or farming the property.

The proposal expands qualifying relatives for special agricultural relative homestead to include grandparents, stepparents, stepchildren, uncles, aunts, nephews, and nieces.

REVENUE ANALYSIS DETAIL

- By expanding the list of qualifying relatives, it is assumed that the number of properties qualifying as special agricultural relative homestead would increase statewide. The classification rate for all properties changing from agricultural non-homestead land to agricultural homestead land would change from 1.00% to 0.50% for the tier of value (\$3.8 million for assessment year 2025) and 1.00% for the remaining value.
- The proposal would cause a shift in property taxes away from properties newly qualifying for special agricultural relative homestead and onto all other properties, including other homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by an unknown amount beginning in fiscal year 2028.
- The proposal would also increase the market value eligible for the agricultural homestead market value credit, increasing the credit by an unknown amount beginning in taxes payable 2027.
- Adequate data is not available to estimate the impact of the proposal on estate taxes. Since the additional property that would be available for the farm subtraction is assumed to be a small share of the total currently available, the impact on estate tax revenue would be small. However, it is likely that the impact could be significant for a small number of taxpayers.

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> | 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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