

**PROPERTY TAX  
Shareholder Limit Expanded for  
Agricultural Homestead**

March 4, 2025

Department of Revenue

Analysis of S.F. 755 (Anderson) / H.F. 1423 (McDonald) as introduced

	Yes	No
DOR Administrative Costs/Savings		X

**Fund Impact**

	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
Property Tax Refund Interaction	\$0	(unknown)	(unknown)	(unknown)
Ag Homestead Market Value Credit	\$0	(unknown)	(unknown)	(unknown)
Estate Tax	\$0	(unknown)	(unknown)	(unknown)

Effective for homestead applications in 2025 and thereafter.

**EXPLANATION OF THE BILL**

Under current law, a “family farm corporation,” “family farm,” or “partnership operating a family farm” may not have more than 12 shareholders, members, or partners in order to receive agricultural homestead classification. The proposal would increase the number of allowable shareholders, members, or partners from 12 to 18. This limit reflects both the maximum number of shareholders, members, or partners in an entity for the entity to qualify for agricultural homestead classification as well as the maximum number of agricultural homesteads that may be established by the entity under special agricultural homestead laws.

**REVENUE ANALYSIS DETAIL**

- By increasing the number of shareholders, members, or partners allowed, it is assumed that the number of properties qualifying as agricultural homestead would increase statewide. The classification rate for all properties changing from agricultural non-homestead land to agricultural relative 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 agricultural 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 2027.
- 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 2026.
- 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 &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>

sf0755(hf1423) Ag Homestead Shareholder Limit\_pt\_1/wms