

**PROPERTY TAX**  
**Riparian Buffer Credit Established,**  
**Riparian Protection Aid Reduced**

March 17, 2025

Department of Revenue

Analysis of S.F. 960 (Putnam) as proposed to be amended by SCS0960A-1

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	F.Y. 2026	F.Y. 2027	F.Y. 2028	F.Y. 2029
	(000's)			
Riparian Buffer Credit	\$0	(\$3,850)	(\$4,050)	(\$4,170)
Income Tax Interaction - Credit	\$0	\$140	\$140	\$150
Riparian Protection Aid Decrease	\$0	\$3,840	\$4,060	\$4,170
PTR Interaction - Aid Decrease	\$0	(\$100)	(\$110)	(\$110)
Income Tax Interaction - Aid Decrease	\$0	(\$30)	(\$40)	(\$40)
General Fund Total	\$0	\$0	\$0	\$0

Effective beginning with taxes payable in 2026 and aids payable in 2025.

### EXPLANATION OF THE BILL

The proposal would create a property tax credit for class 2a agricultural land. To be eligible for the credit, land must contain a riparian buffer as required by statute and cannot be enrolled in a state or federal conservation reserve or easement program. The credit would equal 40 percent of 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.

Additionally, under current law, \$8.0 million dollars of state aid is paid from the state general fund to counties, watershed districts, and the Board of Water and Soil Resources (BWSR) annually. The aid is used to maintain riparian protection and water quality practices.

The proposal would also reduce Riparian Protection Aid from \$8.0 million to \$4.16 million in fiscal year 2027, \$3.94 million in fiscal year 2028, and \$3.83 million in fiscal year 2029 and after.

### REVENUE ANALYSIS DETAIL

- The estimate is based on the February 2025 forecast.
- 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 310,000 acres of land would be eligible for the proposed credit.
- The credit is estimated to be \$3.93 million in taxes payable in 2026 and increase slightly each year.

- Lower property taxes for property owners receiving the credit would reduce deductions on income tax returns, increasing state tax collections by \$140,000 in fiscal years 2027 and 2028 and \$150,000 in fiscal year 2029.
- The lower aid payments would decrease costs to state general fund by \$3.84 million in fiscal year 2027, \$4.06 million in fiscal year 2028, and \$4.17 million in fiscal year 2029 and after.
- It is assumed that local governments receiving less aid for riparian protection costs would increase property tax levies by a portion of the reduced aid. Higher levies would increase property taxes on all property.
  - Higher property taxes would result in higher homeowner property tax refunds, increasing costs to the state general fund beginning fiscal year 2027.
  - Higher property taxes would result in higher income tax deductions, decreasing revenues to the state general fund beginning in fiscal year 2027.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	Decrease in simplicity due to the creation of a new property tax credit.
<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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