DEPARTMENT OF REVENUE

PROPERTY TAX
Class 2c Classification
Eligibility Modified

March 4, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1633 (Hauschild) as introduced

Fund Impact

	F.Y. 2026	F.Y. 2027	F.Y. 2028	F.Y. 2029
		(000's)		
Property Tax Refund Interaction	$0	$0	(unknown)	(unknown)

Assumed effective date of August 1, 2025.

EXPLANATION OF THE BILL
To be eligible for class 2c managed forest land classification under current law, a property must be no less than 20 and no more than 1,920 acres statewide per taxpayer, be managed under a forest management plan that meets all the requirements of M.S. Chapter 290C, and not be enrolled in the sustainable forest resource management incentive program.

The proposal would remove the requirement that a property's forest management plan meet all requirements of M.S. Chapter 290C to qualify for 2c classification. Instead, the forest management plan would only need to meet the definition under M.S. 290C.02, subd. 7 and be written by an approved plan writer as defined M.S. 290C.02, subd. 2.

REVENUE ANALYSIS DETAIL
- Under current law, one of the requirements of forest management plans under M.S. Chapter 290C is that a property meet the definition of "forest land" to qualify for 2c classification. This definition states that, among other things, forest land does not include land enrolled in certain state and federal easement programs.
- As understood, by removing the requirement that a property's forest management plan meet all the requirements of M.S. Chapter 290C, the proposal also removes the requirement that a property meet the "forest land" definition. This would allow land used for excluded purposes, including land enrolled in conservation easements that are currently not allowed, to become newly eligible for 2c classification if they meet the other requirements.
- The amount of land that would become eligible for 2c classification under the proposal is unknown.
- The classification rate for class 2c is one of the lowest at 0.65%. Properties changing from other property types to class 2c under the proposal would likely receive a lower classification rate than under current law.
- The proposal would cause a shift in property taxes away from properties newly qualifying for class 2c managed forest land and onto all other properties, including 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.

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

Transparency, Understandability, Simplicity & Accountability	Neutral
Efficiency & Compliance	Neutral
Equity (Vertical & Horizontal)	Neutral
Stability & Predictability	Neutral
Competitiveness for Businesses	Neutral
Responsiveness to Economic Conditions	Neutral

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to <u>current law</u>.

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