

**PROPERTY TAX
Location Requirements Modified
for Special Agricultural Homestead**

April 23, 2025

Department of Revenue

Analysis of S.F. 2772 (Rasmusson) as proposed to be amended by SCS2772A-1

| | 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 | \$0 | (unknown) | (unknown) |
| Ag Homestead Market Value Credit | \$0 | \$0 | (unknown) | (unknown) |
| Estate Tax | \$0 | \$0 | (unknown) | (unknown) |

Effective beginning with assessment year 2026.

EXPLANATION OF THE BILL

Under current law, both the owner and the person actively farming an agricultural property must live within four cities or townships of the property to qualify for special agricultural homestead classification.

The proposal would expand these location requirements. Both the owner and the person actively farming would be required to live within the county where the property is located or an adjacent county to qualify for special agricultural homestead.

REVENUE ANALYSIS DETAIL

- By expanding the location requirements for special agricultural homestead, 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 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 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>

hf2316(sf2772) Ag Homestead Location_pt_2/wms