

# Minnesota Agricultural Property Tax Law

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# AKA – “Green Acres”

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## Objective:

To equalize tax burdens upon agricultural property in the State of Minnesota.

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## Review:

Minnesota law requires assessors to value property at its estimated market value

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## Review:

Estimated market value reflects the highest and best use which may or may not be agricultural.

In an attempt to preserve farms in MN, the Legislature enacted “Green Acres” in 1967.

Nearly all agricultural land is affected by some nonagricultural factors.

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## How does Green Acres work?

The assessor determines two market values:

EMV – including non-ag factors

Ag Value or Green Acres value

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## How does Green Acres work?

Taxes calculated on both values

Taxes paid on the lower value

The difference is deferred as long as the property meets the requirements.

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## How does Green Acres work?

When the property is sold or no longer qualifies, deferred taxes for current year and two prior years must be repaid to the county.

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## Qualifications

- Property must be devoted to the production for sale of ag products;
- Property must be at least 10 acres in size or a nursery or greenhouse;

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## Qualifications

- Property must produce an agricultural income of at least \$300 + \$10 per tillable acre or at least 33 1/3% of family income is derived from the farm; AND
- Property must be homesteaded, farmed in conjunction with the homestead, or have been in the family for at least 7 years.

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## Application

Property owner must apply by May 1 of the assessment year in order to receive GA for taxes payable the following year.

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## How did we get here?

- 2005 Legislation
- First report completed in April 2006.

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## 2006 Report Issues

- Enacted in 1967
- Amended 30 times
- Original intent for 7 county metro
- Currently used by over 50 counties in at least some jurisdictions.

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## 2006 Report Issues

- Since 1967, little review or analysis.
- Little reliable data.
- Nonagricultural influences more difficult to identify.

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## Recommendations from 2006 Report:

- Review the intent of the law.
- DOR will develop guideline to assist assessors in determining when non-ag factors are present.
- Identifying agricultural value.

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- Bulletin #1 (in a series) issued in October 2007.

▪ Represents our best effort at interpretation of laws as currently written.

▪ Identified significant barriers to uniformity and consistency.

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## ▪ Barriers:

- Lack of good agricultural sales with little or no non-ag influences.
- Difference of opinion on what constitutes a “good” ag sale.
- Differences in interpretation of classification of ag property.

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**Bulletin identified SIX issues that must be discussed:**

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## # 1 – Valuation Methodology

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### Proposal:

- Review sales of mostly tillable property from 1990 – 1996 from:
  - Base counties of: Lyon, Pipestone, Murray, Rock, and Nobles
- Average value per tillable acre from base counties

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### Proposal:

- Extract a factor for remaining counties
- Multiply base value by factor.
- Result is average tillable acre value to use for GA purposes.

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### Example:

2007 Average Sale Price per Acre in Base Counties = \$3,000 per acre.

2008 Goodhue County Factor = 120%

$$\$3,000 \times 120\% = \$3,600/\text{acre}$$

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Average Tillable/Acre = \$3,600

Average Non-Tillable =  
50% of tillable (\$1,800/acre)

Average Waste =  
25% of tillable (\$900/acre)

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## # 2 – Split Classification

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## Split Classification:

What is a residential/ag split class?

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# 3 –  
Less Than 10  
Acres

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## Parcels less than 10 acres:

Under what circumstances should  
small parcels be considered  
agricultural?

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# 4 –  
“Primarily”  
devoted to Ag

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## “Primarily” devoted to ag:

What does this mean?

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# 5 – Income  
Threshold

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## Current Income Requirements:

\$300 + \$10/tillable acre

OR

33 1/3% of family income from farm

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## # 6 – Paybacks

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## Payback Requirements:

When property is sold or when property no longer qualifies (no longer farmed, etc.), deferred tax for current year plus two prior years must be collected.

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## Questions

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