HOUSE RESEARCH
Bill Summary

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Authors: Brod and others

Subject: Property taxation; providing for agricultural land to be valued based on production value

Analyst: Steve Hinze (651-296-8956)
Karen Baker (651-296-8959)

Overview

H.F. 2436 establishes a system for agricultural land to be valued based on its agricultural production value, beginning with taxes payable in 2008. A State Board of Agricultural Land Valuation is created and charged with developing a system for valuing agricultural land based on productive capacity of the land, commodity prices, costs of agricultural inputs plus a return on investment. Provides that the value of each agricultural parcel will be based on its production value, except that the value will not be allowed to be less than its value for taxes payable in 2007, nor less than the amount paid to acquire the property, if it was acquired after January 1, 2000.

<u>**Section**</u>

1 **Adjusted net tax capacity.** Provides that for purposes of determining a jurisdiction's adjusted net tax capacity (for state aid programs like LGA and school debt aid), agricultural land valued under the provisions of this bill will be assumed to have a sales ratio of 100%.

2 **Determination of value; property under "Green Acres" classification.** Provides that for property enrolled in the "Green Acres" program, taxable value will be based on the production valuation system provided for in section 0, subd. 1, except that the taxable value will not be allowed to be less than the value in effect for taxes payable in 2007.

3 **Production value of agricultural land.**

Section

Subdivision 1. State Board of Agricultural Land Valuation. Establishes a State Board of Agricultural Land Valuation consisting of the Commissioner of Agriculture, the Commissioner of Revenue, and the Dean of the University of Minnesota College of Agricultural, Food and Environmental Sciences, with the Commissioner of Revenue serving as chairperson of the board.

Subd. 2. Valuation system based on agricultural productivity. (a) Requires the Board to develop a system for valuing agricultural land throughout the state by January 1, 2007, based on the productive capacity of the land, agricultural commodity prices, and costs of inputs to agricultural production, factoring in a reasonable return on investment. States that the Board shall make use of currently available data and information that it deems valid to produce a valuation schedule that fairly values agricultural land throughout the state. Allows the Board to provide for the development of additional productivity measures that it deems necessary, either on a statewide basis or in certain areas of the state where existing data is deemed inadequate. Allows the Board to limit the application of the productivity valuation system to tillable land only, at its discretion.

(b) Stipulates that the valuation system is to be developed in consultation with county assessors, who will be responsible for implementing the system within their counties.

(c) Requires the Board to conduct at least four public hearings throughout the state after it has adopted a preliminary version of the system to educate the public about the system and to gather input about the valuation of agricultural property.

Subd. 3. Appropriation. Provides a blank appropriation for FY 2006 for the Board to carry out its work.

4 Valuation of agricultural property.

Subdivision 1. Production value. Provides that each year, the assessor shall assign a value to each parcel of agricultural land based on the production value system created in section 0. Requires the assessor to separately estimate the value of any structures and any lands not covered by the production value system and add those values to the production value.

Subd. 2. Acquisition value. Defines an agricultural property's acquisition value as the acquisition price of the property at the time of its most recent sale or transfer, for transfers occurring after January 1, 2000.

Subd. 3. Taxable value. Provides that the value of agricultural property for property tax purposes is the greater of its production value, its acquisition value (if acquired after 1/1/ 2000), or its taxable value for assessment year 2006 (taxes payable in 2007).

5 Determination of value; property under Metro Ag Preserves classification. Provides that for property enrolled in the "Metro Ag Preserves" program, taxable value will be based on the production valuation system provided for in section 0, subd. 1, except that the taxable value will not be allowed to be less than the value in effect for taxes payable in 2007.