

HOUSE RESEARCH

Bill Summary

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Subject: Agricultural property taxation; Green Acres

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Overview

H.F. 148 restores the agricultural classification and Green Acres eligibility statutes to their status prior to 2008, and establishes a Green Acres working group to make recommendations for changes in the Green Acres law and the classification and taxation of agricultural land and other rural land. It eliminates the "rural vacant land" property tax classification, and eliminates the rural preserves program. It allows property that was withdrawn from the program due to ineligibility caused by the 2008 changes to be reinstated to the program at the request of the owner, provided that the owner's land in aggregate meets the "primarily used for agricultural purposes" requirement and the minimum income requirement. Effective for taxes payable in 2012 and thereafter.

Section

- 1** **Requirements.** Authorizes property to be eligible for Green Acres treatment if it is classified as agricultural homestead or agricultural non-homestead, is primarily devoted to agricultural use, and meets minimum size (10 acres) and income requirements.
- 2** **Continuation of tax treatment upon sale or other event.** Technical change related to restoration of income requirement for Green Acres land.
- 3** **Class 2.** Eliminates the "rural vacant land" classification (2b) created in 2008. Restores the agricultural classification section of statute to the way it was prior to the 2008 law, so that all land "used during the previous year for agricultural purposes" is classified as agricultural land. Allows contiguous land on the same or an adjacent parcel under the same ownership to qualify as agricultural land if it is pasture, timber, waste, "unusable wild land," or land included in state or federal farm programs.

[Note: under the proposed law there would continue to be class 2a and 2b agricultural lands, but class 2a would be agricultural land that is homestead, and class 2b would be

nonhomestead agricultural land.]

- 4 Land removed from program.** Provides that any land removed from the Green Acres program between the effective date of the 2008 changes (May 21, 2008) and the effective date of this section must be reinstated to the program at the request of the owner, provided that the land meets the eligibility requirements provided under this legislation. Further provides that if any additional taxes have been paid with respect to properties being reinstated to the program, the county must refund the additional taxes to the property owner.

Effective the day following final enactment.

5 Green Acres Working Group.

Subdivision 1. Creation. Creates a 17-member Green Acres working group consisting of:

- Four legislators, one from each caucus of each legislative body;
- The commissioners of revenue and agriculture, or their designees;
- Four members appointed by the Minnesota Association of Assessment Officers (MAAO);
- One member appointed by the Farm Bureau and one by the Farmers Union; and
- Five public members appointed by the governor.

The public appointees and the MAAO appointees are required to be geographically balanced between the Twin Cities area and greater Minnesota.

Subd. 2. Duties. The working group is to study and make recommendations for legislative and administrative changes in the Minnesota Agricultural Property Tax law (Green Acres) and the metropolitan agricultural preserves program, and in the classification and taxation of agricultural land and other rural land.

Subd. 3. Administrative provisions. Requires the commissioner of revenue (or designee) to convene the initial meeting and to provide meeting space and administrative and research support for the group. Provides that the group must elect a chair or co-chairs from among its membership. Provides that public members serve without compensation or payment of expenses. Provides that the group expires on January 15, 2012, or upon submission of its report, whichever occurs first.

Subd. 4. Deadline for appointments and designations. Provides that appointments of group members must be completed by July 1, 2011.

- 6 Revisor's instruction.** Authorizes the revisor to correct internal cross-references.

7 Repealer, reenactment, and revival.

Paragraph (a) repeals a number of statutory sections that were created in 2008, 2009, or 2010. Specifically:

- Sec. 273.1108, which requires the Department of Revenue to make an annual report to the legislature on agricultural valuation and classification;
- Sec. 273.111, subd. 3a, which allows property that no longer meets the

qualifications for Green Acres treatment because of the changes made in 2008 to remain in the program until the 2013 assessment;

- Sec. 273.111, subd. 9a, which provides that any property that is enrolled in Green Acres whose owner violates certain environmental laws on the property, is subject to payment of additional taxes; and
- Sec. 273.114, which establishes the rural preserve program (a program allowing property classified as rural vacant land to be taxed at a lower value, provided that the owner meets certain conditions and signs a covenant prohibiting development for at least 8 years).

Paragraph (b) provides that a number of statutes are "reenacted" to be exactly as they were prior to the 2008 session, specifically:

- Sec. 273.111, subd. 4, where the reenacted statute eliminates the requirement that the commissioner of revenue develop a fair and uniform method of determining agricultural values for property enrolled in Green Acres (and also eliminates a reference to a subdivision being repealed);
- Sec. 273.111, subd. 8, where the reenacted statute restores a reference to the reenacted section establishing a minimum income requirement, and eliminates the requirement that applicants for the program can be required to provide a copy of federal income tax forms showing farm income;
- Sec. 273.111, subds. 9 and 11, where the reenacted statutes restore references to the reenacted section establishing a minimum income requirement; and
- Sec. 273.1384, subd. 2, which makes technical changes to the agricultural market value credit to conform to the redefined agricultural class 2a.

Paragraph (c) reenacts section 273.111, subdivision 6, which imposes a minimum income requirement of \$300 plus \$10 per tillable acre, or 33-1/3 percent of the total family income of the owner, for property to be eligible for Green Acres treatment.