

Minnesota's Green Acres Program And Other Property Tax Preference Programs for Rural Lands

What is the Green Acres program?

The Green Acres program, formally called the Minnesota Agricultural Property Tax Law, allows eligible agricultural property to be taxed at a value less than its full market value. Under Green Acres, when the market value of agricultural property is influenced by other potential uses of the property, such as residential or retail development, or for recreational purposes, the assessor is required to value the property based only on its agricultural value.

How does the program work?

The county assessor annually determines the property's full estimated market value (based on its "highest and best use") and its agricultural value, and computes property taxes for both valuations. The landowner's property taxes are based on the agricultural value, and most special assessments are deferred. When enrolled property is sold or transferred, it may be reenrolled by the new owner if it continues to qualify, and no back-taxes are due at the time of the transfer. When property is withdrawn from the program or is no longer eligible, the landowner must pay back-taxes equal to the difference in taxes for the current year and the two previous years, plus deferred special assessments.

What is the level of participation across the state?

Based on a report by the Office of the Legislative Auditor, 13 percent of the total farmland in the state was enrolled in Green Acres in 2007, with 51 of the 87 counties participating. ("*Green Acres*" and *Agricultural Land Preservation Programs*, Office of the Legislative Auditor (Feb. 8, 2008)) Taxes on enrolled lands were approximately \$35 million less than they would have been without the program, with other taxpayers in jurisdictions where the property is located bearing the increased tax burden.

How is land enrolled in the program?

Landowners apply for the program through their county assessor. The program must be offered in all counties where the market value of the land is influenced by nonagricultural factors.

What kind of land may be enrolled?

Prior to May 1, 2008, land of at least ten acres was eligible for enrollment, provided it was classified as agricultural homestead, or as agricultural nonhomestead as long as it was owned by the same person/entity for at least seven years.

After April 30, 2008, the land must also be in agricultural production (cropland or pasture land; class 2a), in addition to the ownership requirements mentioned above. Land enrolled under the pre-2008 law that no longer qualifies (land now classified as 2b rural vacant land) may remain in the program through 2012, provided it has not been sold or otherwise transferred to an unrelated person.

What changes have been made in the program recently?

Due to perceptions that some of the enrolled land may not have been the kind of land the legislation was intended to protect and that the law was not being applied uniformly across the state, the legislature altered the program in 2008. The primary change was to clarify that, at least in the long run, only property in agricultural production (class 2a) would be eligible for Green Acres. In 2009, the legislature further modified the program by “grandfathering” previously enrolled nonproductive land in the program until 2013 and created a new program for rural vacant land (class 2b) called the Rural Preserve program, with benefits similar to Green Acres.

How are existing enrollees affected by the changes?

Existing enrollees with land that is no longer eligible (class 2b) must withdraw the land prior to January 2013. No back-taxes are due if the land is withdrawn prior to August 16, 2010, or if the land is enrolled in the new Rural Preserve program.

How will the new Rural Preserve program work?

Beginning with taxes payable in 2012, rural vacant land that is part of an agricultural homestead or that was previously enrolled in Green Acres, may be enrolled in the Rural Preserve program. To qualify, the landowner must sign an irrevocable covenant for a minimum of eight years pledging that the land will remain undeveloped and unfarmed; the landowner also must have a conservation assessment plan prepared for the land. Rural preserve land must be valued for tax purposes no higher than the average value for class 2a agricultural land in the area. As with Green Acres, back-taxes are due when the property is withdrawn from the program (i.e., when the covenant is terminated) equal to three years of difference between the taxes based on market value and taxes based on “rural preserve” value.

Are there other programs similar to Green Acres?

The Metro Agricultural Preserves program operates in the seven-county metro area and works somewhat like Green Acres. Taxes are based only on the agricultural value of the property. But unlike Green Acres, under agricultural preserves: (1) the local government must designate the area for long-term agricultural use, (2) the landowner must sign a covenant pledging that the land will be used only for agriculture for at least eight years, (3) most special assessments are prohibited, (4) participating landowners receive a small property tax credit to further reduce the taxes, and (5) no back-taxes are due at the time of withdrawal. There are other nonfinancial benefits as well, related to issues of land use.

A similar program called the Agricultural Land Preservation Program exists in Greater Minnesota, but only three counties (Waseca, Winona, and Wright) currently participate. The program differs from Green Acres and Metro Agricultural Preserves in that taxes are based on full market value rather than a reduced agricultural value, but landowners receive a property tax credit of \$1.50 per acre. As with the Metro program, landowners must sign a restrictive covenant agreeing to continue using the land as agricultural property. Many of the nonfinancial benefits available in the Metro program also apply.

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