

Minnesota's Green Acres Program And Other Property Tax 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?

Each year, the property taxes for an enrolled property are based on the property's agricultural value, and most special assessments are deferred. The county assessor and auditor also determine what the property taxes would be based on the property's full market value (based on its "highest and best use") and record that information on the property's record. When property is withdrawn from the program or is no longer eligible, the landowner must pay back-taxes equal to the difference in taxes for the current year and the two previous years,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. 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.

What kind of land may be enrolled?

Prior to May 1, 2008, any land classified as agricultural homestead, or as agricultural nonhomestead under the same ownership for at least seven years, was eligible for enrollment, provided that it was at least ten acres in size.

After April 30, 2008, the land was also required to be in agricultural production (cropland or pasture land; class 2a), in addition to the ownership requirements above.

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, 2009, and 2010. The primary change was to only allow property in agricultural production (class 2a) to be eligible for Green Acres. A new program was created for non-productive 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 were due if the land was withdrawn prior to August 16, 2010, or if the land is enrolled in the new Rural Preserve program.

How does the new Rural Preserve program work?

Beginning with taxes payable in 2012, rural vacant land that is part of an agricultural homestead enrolled in Green Acres, or that was previously enrolled in Green Acres itself, may be enrolled in the Rural Preserve program. Rural Preserve land must be valued for tax purposes no higher than the average value for class 2a agricultural land in the county. As with Green Acres, back-taxes are due when the property is withdrawn from the program equal to three years of difference between the taxes based on market value and the taxes based on “rural preserve” value.

How is a property’s agricultural value determined?

Each year, the Department of Revenue (DOR) determines a tillable acreage base value for each participating county based on sales of agricultural properties in areas of the state least affected by nonagricultural influences. The base values are scaled to reflect the productivity of tillable acreage in the county compared to productivity in other areas of the state. The county assessor then assigns values to Green Acres properties in the county using the base values assigned by DOR.

How much land is enrolled in Green Acres?

For taxes payable in 2012, 62 of the state’s 87 counties had acreage enrolled in Green Acres, encompassing 13.6 percent of the productive agricultural acres in the state. In a study released in 2008, the Office of the Legislative Auditor found that 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. (“*Green Acres*” and *Agricultural Land Preservation Programs*, Office of the Legislative Auditor (Feb. 8, 2008))

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.

For more information: Contact legislative analyst Steve Hinze (steve.hinze@house.mn). See the Department of Revenue’s fact sheet on Green Acres at http://www.revenue.state.mn.us/propertytax/factsheets/factsheet_05.pdf, and the fact sheet on Rural Preserves at http://www.revenue.state.mn.us/propertytax/factsheets/factsheet_15.pdf.

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