

**PROPERTY TAX
Riparian Buffer Land Exempted,
Reimbursement Provided**

March 18, 2025

Department of Revenue

Analysis of S.F. 960 (Putnam) / H.F. 1680 (Davids) as introduced

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	F.Y. 2026	F.Y. 2027	F.Y. 2028	F.Y. 2029
	(000's)			
PTR Interaction – Tax Shift	\$0	\$0	(\$420)	(\$580)
Riparian Buffer Reimbursement	\$0	\$0	(\$7,010)	(\$9,830)
PTR Interaction – Levy Change	\$0	\$0	\$170	\$230
Income Tax Interaction – Levy Change	\$0	\$0	\$60	\$80
General Fund Total	\$0	\$0	(\$7,200)	(\$10,100)

Effective beginning with assessment year 2026.

EXPLANATION OF THE BILL

The proposal would provide a property tax exemption for riparian buffer land, as defined in statute, that is located on class 2a agricultural land or class 2b rural vacant land. Landowners would need to apply for the exemption and the land must be certified by county assessors and local soil and water conservation districts.

The proposal would also create a reimbursement payment for exempted agricultural riparian buffer land. As understood, local taxing jurisdictions would receive state-paid reimbursements for the reduction in gross property taxes resulting from the riparian buffer land exemption.

REVENUE ANALYSIS DETAIL

- The estimate is based on the February 2025 forecast.
- Based on data from the Department of Natural Resources, it is estimated that there are approximately 708,000 acres of riparian buffer land in the state.
- It is assumed that, of that total, approximately 450,000 acres of land would be eligible for the proposed exemption.
- It is assumed that applications for exemption would be made for about 60% of the eligible land in the first year, with participation growing in subsequent years.
- The proposed exemption would shift property taxes away from the eligible property and onto all other properties, including homesteads, increasing homeowner property tax refunds by \$420,000 in fiscal year 2028 and \$580,000 in fiscal year 2029.
- The reimbursement is estimated to be \$7.15 million in taxes payable 2027 and \$9.88 million in taxes payable 2028. These numbers have been converted to fiscal years for the purposes of this estimate.

- It is assumed that local governments receiving reimbursement for exempt riparian buffer property would decrease property tax levies by a portion of the reimbursement payment. Lower levies would decrease property taxes on all property.
 - Lower property taxes would result in lower homeowner property tax refunds, decreasing costs to the state general fund beginning fiscal year 2028.
 - Lower property taxes would result in lower income tax deductions, increasing revenues to the state general fund beginning in fiscal year 2028.
- The revenue estimate total is net of these interactions.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Decrease in simplicity due to the creation of a reimbursement payment.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

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