

HOUSE RESEARCH

Bill Summary

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Overview

H.F. 99 creates the Minnesota Land Conservation Property Tax Law. It establishes a program similar to the Green Acres program by requiring the assessor to value the property for tax purposes solely with reference to its current use, and not the property's highest and best use. Unlike Green Acres, however, this program requires a covenant on the property that runs with the land, and if the property owner wants to remove the land from the program, a seven-year notice must be given to the county. Provides that when qualifying conservation property is removed from the program, additional taxes are due in the amount of the difference between what the taxpayer paid on the property at its current use and what would have been levied on the property if it had been valued at its highest and best use; that amount is computed for the last three years that the property was in the program. Special assessments are also deferred (plus interest) as long as the property remains in the program. Effective for taxes payable in 2010 and thereafter.

Section

1 Green acres land transfers into the Minnesota Land Conservation Program. Provides that no additional taxes are due if land that is enrolled in Green Acres is withdrawn from that program and enrolls in the Minnesota Land Conservation program. Effective the day following final enactment.

2 Land Conservation Property Tax.

Subdivision 1. Citation. Provides that this section may be cited as the "Minnesota Land Conservation Property Tax Law."

Subd. 2. Public policy. States that the purpose of this program is to encourage the conservation of the natural, scenic, or open-space value of real property in the state for the benefit of current citizens and future generations, and to encourage the

conservation of land in accordance with the Minnesota Statewide Conservation and Preservation Plan. Declares that the present ad valorem property tax system does not provide an equitable basis for taxation of land being conserved for long-term use and enjoyment and the public policy would best be served by reducing the tax burdens upon certain land through appropriate taxing measures to encourage its conservation.

Subd. 3. Definitions. (a) Defines the terms used in this section.

(b) “Conservation” means retaining, protecting, or restoring the natural, scenic, or open-space values of real property, assuring their availability for recreational or open-space use, protecting natural resources, maintaining or enhancing air or water quality, or conducting certain reforestation efforts.

(c) “Natural area lands” means lands that are in their natural state whose primary purpose is conserving significant ecological communities, habitats that are actively being restored, and the functioning of natural systems, such as sloughs and wetlands.

(d) “Cultivated agricultural land” means land that is or was used to raise agricultural crops, including organic farming, or is plowed, fallowed, contains harvested crop residue or former pasture land.

Subd. 4. Requirements. Provides that real estate that is primarily used for the conservation of natural lands or cultivated agricultural land, or land that is enrolled in a state or federal conservation program (i.e., RIM, CRP, or similar program) is entitled to valuation and tax deferment under this section. Real estate may not be enrolled in the program under this section and also in the Green Acres, Private Outdoor Recreation, Open Space and Park program, or Conservation and Property tax concurrently. Undeveloped land required under a local setback ordinances does not qualify.

Subd. 5. Determination of value. (a) Provides that any qualifying land shall be valued solely with reference to its current use. The house, garage, and surrounding one acre of land (HGA) shall be valued according to their appropriate use. Instructs the assessor to not consider the presence of commercial, industrial, residential, or seasonal recreational land uses that may influence the value of real estate qualifying for deferment under this section.

(b) Requires the commissioner of revenue to develop a fair and uniform method of determining real estate values for each county consistent with this section. Provides that the commissioner shall annually assign the resulting values to each county and they shall be used as the basis for determining the value of all properties in the county qualifying for tax deferment under this section.

Subd. 6. Separate determination of market value and tax. Requires the assessor to make a separate determination of market value based on the highest and best use of the property. Provides that the tax amount, based upon that value and the local tax rate of the taxing districts where the property is located, shall be recorded in the county’s property assessment records.

Subd. 7. Application and covenant agreement. (a) Provides that application for deferment must be filed by May 1 of the year prior to the year in which taxes are

payable. Any application filed and granted shall remain in effect for subsequent years until the termination of the covenant agreement under paragraph (b). Application must be filed with the assessor on form prescribed by the commissioner of revenue. Assessor may require proof of affidavit that the property qualifies.

(b) Requires the owner to sign a covenant agreement and file it with the county assessor and record the covenant with the county recorder. The covenant must include:

- Legal description of area to which it applies;
- Owner's name and address;
- Statement that described land must be kept as conservation land, as required under subdivision 4, for duration of the covenant;
- Statement that landowner may terminate covenant agreement by notifying assessor in writing seven years in advance of the date of proposed termination;
- Statement that covenant is binding on the owner or the owner's successor and runs with the land; and
- Witnessed signature of owner, agreeing by covenant, to maintain land as required in subdivision 4.

Subd. 8. Additional taxes. Provides that upon termination of the covenant agreement, the land shall be subject to additional taxes equal to the difference between the amount that the taxpayer actually paid (i.e., subdivision 4) and the amount of tax that would have been paid if the property had been valued at its highest and best use (i.e., subdivision 5) with respect to the last three years that the property was in the program. That total amount is extended on the current tax lists, and no penalties or interest shall be levied if timely paid.

Subd. 9. Lien. Provides that the additional taxes under subdivision 8 shall be a lien on the property in the same manner as other property taxes. Requires the county auditor to distribute the additional taxes, when paid, in the same manner as other property taxes.

Subd. 10. Special local assessments. Provides that special assessments levied after June 1, 2009, made to property under the program, including interest, shall be deferred as long as the property continues to qualify. They become a lien on the property in the same manner as the additional taxes in subdivision 8. Requires payment of the amount when the property no longer qualifies in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvements were levied, or if the bonds have already matured, then the amount is due within 90 days. No penalty if timely paid.

This section is effective for deferred taxes payable in 2010 and thereafter. Extends the application deadline in subdivision 7 to September 1 for assessment year 2009, taxes payable in 2010, only.