

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 338
Version: As introduced

DATE: January 27, 2009

Authors: Kalin

Subject: Creating property classification for environmentally sensitive rural vacant land

Analyst: Karen Baker, 651-296-8959
Steve Hinze, 651-296-8956

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

H.F. 338 establishes a new property classification for “environmentally sensitive rural vacant land,” for counties that choose to participate.

Participating counties designate “preservation and legacy areas” within their boundaries; property owners within those areas apply to the county board for designation under the new classification. Participating landowners must sign a covenant governing maintenance and use of the property, which is binding on both the current owner and any subsequent owners. Covenants may be terminated by the owner eight years after giving notice of intent to terminate. Properties under the classification have a class rate of 0.25 percent.

H.F. 338 also modifies the Minnesota Agricultural Property Tax Law (better known as the “Green Acres” program) by allowing any land enrolled in the program prior to 2008 to reenroll in the program indefinitely if transferred to a family member, as long as it continues to be in agricultural use under the old (pre-2008) definition. It allows property owners to withdraw a portion of their rural vacant land from Green Acres without withdrawing all of it, and eliminates the seven-year payback for rural vacant land grandfathered in to the program (reverting to the three-year payback required for all property under the pre-2008 law). It allows land to be withdrawn from the program prior to January 2, 2010, without any payback. It also eliminates the minimum 10-acre size requirement, and provides for the commissioner of revenue to perform annual random audits to verify administration of the program.

Section

- 1 Requirements.** Eliminates the ten-acre minimum acreage requirement in order to qualify for the Green Acres program. Provides that land qualifying for the new “2p” classification under section 5 is ineligible for the Green Acres program. Establishes as a condition for

Green Acres that the property is “operated in the trade or business of farming,” as defined by the Internal Revenue Service, and provides that the assessor may require the property owner to provide the appropriate schedule or form from the owner’s federal income tax return in order to determine initial eligibility or continued qualification for the Green Acres program.

2 Property that no longer qualifies as agricultural under 2008 law changes. This section makes a number of changes to the Green Acres program affecting property that was enrolled in Green Acres prior to the 2008 changes, but that would no longer be eligible to enroll based on the 2008 changes (this is primarily land in the new “rural vacant land” classification):

- Allows a property owner to withdraw some rural vacant land from the Green Acres program without withdrawing all rural vacant land (on the same parcel) from the program.
- Allows property classified as rural vacant land to remain in Green Acres indefinitely if transferred to a qualified owner, defined as a parent, brother, sister, daughter, son, granddaughter, or grandson of the current owner, whether by blood or marriage.
- Allows property classified as rural vacant land to be voluntarily withdrawn from Green Acres prior to January 2, 2010, with no back taxes due (under the 2008 law, the deadline was January 2, 2009, and three years of back taxes were due).
- It also eliminates the seven-year payback for rural vacant land grandfathered in under the 2008 changes, so that the payback for all enrolled lands is three years, as it was prior to 2008.

Effective retroactively to property transfers and program withdrawals occurring after May 1, 2008. (May 1 reflects the application date for enrolling in the program.)

3 Program audit. Requires the commissioner of revenue to annually audit one percent of the acres in the program statewide, including a visual inspection and a review of relevant federal tax forms, if necessary to determine eligibility. If the commissioner determines that a county has a significant level of improperly enrolled properties, five percent of the properties in that county must be audited each year until the commissioner determines that the county is in substantial compliance with the law.

4 Preservation and legacy land.

Subd. 1. Election. Provides that a county may choose to establish a property tax classification for preservation and legacy land under this section.

Subd. 2. Area designation. Provides that a county electing to participate must designate one or more “preservation and legacy areas” within the county. In designating areas, counties must give consideration to the creation and preservation of water buffers, wildlife corridors, scenic assets, cultural assets, and such other characteristics as the county deems important. Any property enrolled in CRP or RIM is automatically included in the county’s preservation and legacy area.

Subd. 3. Public hearings. Requires the county to give notice and hold a public

hearing before initially establishing its preservation and legacy areas, and again each time it seeks to amend the boundaries of the areas.

Subd. 4. Enrollment of property; covenant. Allows owners of property within preservation and legacy areas to apply to the county board for classification as “environmentally sensitive rural vacant land.” Allows the board to establish conditions for how the property must be maintained and used in order for the property to receive the classification. Requires the owner to sign a covenant promising to meet the conditions established by the board, and provides that the covenant will be binding on the owner or the owner’s successor, and shall run with the land. Provides that an owner may terminate a covenant, except that the termination shall not occur for eight years after the owner provides notice of her/his intent to terminate. Prohibits a property where a covenant has been terminated from re-enrolling in the program, unless it has been sold or otherwise transferred. Provides that if a property that has been enrolled in the program becomes ineligible due to a change in the county’s area designation, the covenant is automatically terminated, but the property may continue to receive the classification for three additional years, provided that the owner continues to abide by the terms of the covenant.

Subd. 5. Acreage limitation. Provides that a county may not approve enrollments totaling more than twenty percent of the total amount of property classified as rural vacant land or environmentally sensitive rural vacant land in the county.

Subd. 6. Reporting requirements. Requires each county to annually file a report showing its preservation and legacy area(s), and indicating the total acreage and market value of land classified as environmentally sensitive rural vacant land. Requires the commissioner of revenue to report to the legislature on the acreage, market value, and approximate tax benefit of enrolled property by county every four years, beginning in 2012.

- 5 Class 2.** Creates a new classification (class 2p) for environmentally sensitive rural vacant land. Provides that the class will have a class rate of 0.25 percent.

Effective for taxes payable in 2011 and thereafter.