

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1212  
**Version:** As introduced

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**Authors:** Quam and Drazkowski

**Subject:** Property tax changes for agricultural and senior-owned property

**Analyst:** Steve Hinze (steve.hinze@house.mn)

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### Overview

H.F. 1212 makes a number of changes in the taxation of agricultural property, and provides a new tax benefit for senior homeowners. It provides that nonproductive rural vacant land is exempt from property taxation. It limits the valuation of agricultural land based on a multiple of the prevailing rental rates. It provides a disincentive for removing land from agricultural production by requiring that back taxes be paid when land is removed from 2a classification. And finally, it provides a \$150,000 market valuation exclusion for senior homeowners.

#### Section

- 1 **Exemption for nonproductive rural vacant land.** Provides that nonproductive rural vacant land that is not used for agricultural purposes and not improved with a structure is exempt.
- 2 **Limitation on valuation of agricultural land.** (a) Provides a cap on agricultural land valuations based on the prevailing rental rates. For agricultural homestead land, the limit is 80 times the rental rate (which is roughly equivalent to a tax limit of about 40 percent of rent). For agricultural nonhomestead land owned by a Minnesota resident, the limit is 40 times the rental rate (which is roughly equivalent to a tax limit of about 40 percent of rent). For agricultural nonhomestead land not owned by a Minnesota resident, the limit is 80 times the rental rate (which is roughly equivalent to a tax limit of about 80 percent of rent).  
(b) Provides that rental rate means the median rent published by the University of Minnesota Extension service.  
(c) Provides that for purposes of this section, ownership by a Minnesota resident is determined by the mailing address where the property tax statement is sent.

**Section**

- 3**      **Preservation of agricultural land.** Provides that whenever the usage of land classified as 2a agricultural production land changes so that it is no longer eligible for 2a classification, additional taxes are imposed equal to the difference between (i) the taxes that would be due if the property was classified as class 3a commercial-industrial, and (ii) the taxes actually paid, for the current year and the two previous years. Provides that the additional taxes constitute a lien upon the property.
- 4**      **Class 2.** Provides a cross-reference to the exemption of rural vacant land under section 1.
- 5**      **Senior homestead market value exclusion.** Exempts from property taxation the first \$150,000 of market value of a homestead owned by a person aged 65 or over. For an agricultural homestead, the exclusion would apply to the house, garage, and surrounding one acre of land only. In the case of a married couple, only one of the spouses needs to be age 65 or over to qualify.