

# **Green Acres Tax Law Q & A**

Minnesota Agricultural Property Tax Law --- The Green Acres Program

## **What is “Green Acres”?**

Green Acres is a property tax deferral program established for qualifying agricultural land as stated in Minnesota Statute 273.111, the Minnesota Agricultural Property Tax Law. It provides an opportunity for farmers to obtain a deferment from higher valuations and payable taxes only on class 2a agricultural land that has been increased to reflect market prices paid in excess of agricultural land prices. As a result of several major changes to this law in 2008 and 2009, class 2b rural vacant land that is currently enrolled in the Green Acres may remain enrolled in the program until the 2013 assessment. Beginning with that assessment, any remaining class 2b rural vacant land will be removed from the program and three years’ deferred taxes will be collected.

## **When was the Minnesota Agricultural Property Tax Law passed?**

The Minnesota Agricultural Property Tax Law was enacted in 1967, resulting in the creation of the Green Acres program. It was passed in an effort to equalize taxes on agricultural properties in the seven-county metro area and to minimize the burden of taxation for farmers who have properties subject to marketplace pressures that reflect non-agricultural influences. Since the assessor is required by law to value all property regardless of its use at market value, a lower, agricultural taxable market value was created for farmers whose valuations have been increased to reflect market prices.

## **Have the Green Acres requirements changed since the program’s inception?**

The guidelines addressing the administration of this program have been developed and modified by the legislature over the past forty years so that it could be utilized in a uniform manner and on a statewide basis. Recently, the intent of the Green Acres program was clarified and its rules changed to give preferential tax treatment exclusively to class 2a agricultural land (i.e. tilled, grazed, mowed for hay, etc.). Land designated as class 2b rural vacant land (i.e. sloughs, wetlands, inactive/unused pasture, wooded land, or land not suitable for tillage or pasture) is no longer eligible for the deferment after January 2, 2013. It may be eligible for enrollment in the Rural Preserve program created in 2009, the Managed Forest Land program created in 2008, or the Sustainable Forest Incentive Act program.

## **Why does a county administer the Green Acres program?**

The Minnesota Agricultural Property Tax Law must be applied to all eligible properties by the county assessor. The application of the Green Acres program is based upon specific requirements and administered according to location, land characteristics, and market conditions. It is used for many reasons, specifically to preserve property tax

equalization for assessment purposes for farms, address inequities related to the tax burden of agricultural properties, and to help limit the loss of agricultural land due to urban growth and non agricultural influences.

### **Who is eligible for the Green Acres program?**

Farmers who satisfy the Green Acres program requirements based on the classification, use, and ownership of the property are eligible for the property tax deferral.

The parcel must:

- be at least 10 contiguous acres of class 2a agricultural land used during the preceding year to produce agricultural products for the purpose of sale; or
- be non-perpetual, state or federal conservation land like Reinvest in Minnesota (RIM), Conservation Reserve Program (CRP); Conservation Reserve Enhancement Program (CREP), or
- be a nursery or greenhouse; and be primarily devoted to agricultural use.

The parcel must also:

- be the homestead of the owner, or the owner's surviving spouse, child, or sibling; or
- be farmed in conjunction with property that contains the homestead of the owner, the owner's surviving spouse, child, or sibling; or
- be in the possession of the owner, the owner's spouse, parent, or sibling (or any combination) for a period of at least seven years prior to enrollment; or
- be farmed in conjunction with property that is within four townships or cities (or any combination) of property that has been in the possession of the owner, the owner's spouse, parent, or sibling (or any combination) for at least seven years prior to enrollment; or
- be the homestead of a member/shareholder/partner of a family farm entity or authorized farm entity under Minnesota Statute 500.24; or
- be the homestead of a member/shareholder/partner an entity not regulated under 500.24, in which the majority of the members, partners, or shareholders are related and at least one of the members, partners, or shareholders, either resides on the land or actively farms the land; or
- be in the possession of a nursery or greenhouse or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations; or
- be the homestead of an individual who is part of a corporation that derives 80 percent or more of its gross receipts from the wholesale or retail sale of horticultural or nursery stock.

The applicant must complete and return by May 1st or within 30 days of a sale or transfer to be eligible for the deferral for taxes payable in the following year:

- an Application for Valuation and Tax Deferment of Agricultural Land; and
- a Green Acres Addendum Form

### **How does the Green Acres program work?**

The value of property that qualifies for Green Acres is established according specific valuation guidelines and its land classification. In estimating the agricultural value for all qualifying land, the assessor uses values determined annually by the Department of Revenue based on an indicated average tillable value established from five base counties (that are not affected by non-agricultural pressures) in Southwest Minnesota and adjusted by certain valuation factors applied by the county. A separate market value estimate is also made for this land based on sales of comparable properties having similar enviroing influences. Taxes on the property are calculated and recorded on the tax rolls each year based upon its land classification, property tax classification rate, agricultural value, and market value, but the annual payable tax is paid on the lower, agricultural value. The difference between the taxes based on the agricultural value and the market value is the amount of the deferred tax. The land receives this benefit every year until it is withdrawn, sold, transferred, subdivided, or no longer qualifies for the tax deferment. Once all or some of the land becomes ineligible for Green Acres, the deferred taxes and any deferred special assessments are collected.

### **Can special assessments be deferred under the Green Acres program?**

Yes, the payment of special assessments for improvements made to a property qualifying for the Green Acres program can be deferred. The governmental unit must file with the county a certificate containing the legal description of the affected property and the amount of the deferred special assessments.

### **If a property no longer qualifies for Green Acres, how many years can the County Auditor-Treasurer go back to collect additional taxes on the deferment?**

The maximum number of years that the County Auditor-Treasurer can impose additional taxes on a property that qualified for a tax deferment is three years. Land that had qualified for a deferment over a period of at least four or more years is subject only to a payback based on the deferred taxes for the current and two previous years. No payment is required for previously deferred taxes that extend beyond the most recent three years. If land had qualified for a deferment for a period of less than three years, then the actual number of years enrolled in the program is used in the payback calculation.

### **If a property has deferred special assessments and loses its Green Acres eligibility, when does the deferment become due?**

When a property no longer qualifies for the Green Acres program, all deferred special assessments plus interest become payable in equal installments and are spread over the time remaining until the last maturity date of the issued bonds. If the bonds have matured, the deferred special assessments plus interest are payable within ninety days. If

only a portion of the property requires a payback, the special assessment may continue to be deferred.

**Can the County Auditor-Treasurer certify the collection of interest and penalties on deferred taxes plus any deferred special assessments?**

Both the deferred taxes and special assessments are to be extended against the property on the tax rolls for the current year. No interest or penalties are to be levied on the additional taxes, and no penalties are to be levied on special assessments if they are paid in a timely manner.

**Are deferred taxes and deferred special assessments regarded as a tax lien?**

The additional taxes imposed by the Minnesota Agricultural Property Tax Law and any deferred special assessments are a lien on the property. They are a tax lien to the same extent and duration as the regular payable real estate taxes levied against the property. If these taxes are not paid, the property is subject to forfeiture.

**Does the tax deferral expire if a property enrolled in Green Acres is sold or transferred?**

When property enrolled in Green Acres is sold or transferred, no additional taxes will be extended against the property if the agricultural land continues to be farmed and meets the size and ownership requirements. To qualify, the new owner must file an application for the continued deferral and an agricultural use verification form within 30 days after the sale. Failure to meet the program requirements or file the necessary forms in a timely manner will result in the removal of Green Acres benefits and require a payback of deferred taxes.

**What if a part of the property is split-off and sold to someone who does not qualify for Green Acres or the acreage is used for a non-agricultural purpose, are additional taxes due on the entire farm?**

The eligibility requirements of the program will establish whether or not the split property and the remaining farm continue to receive a tax deferral and to what extent additional taxes are due. Typically, if a qualifying parcel has a part of it split and sold to someone who puts the land to a non-agricultural use or does not satisfy certain conditions of the program, a payback is usually required on at least the split property. However, there are occasions when the remaining farm may also have a payback if it no longer meets the classification, use, or ownership qualifications.

**How will the Green Acres program benefit an agricultural property owner?**

Enrollment in the Green Acres program is a personal choice. The program may be more beneficial to some farmers than others. The incentive to enroll in Green Acres is greater for those properties that are in the path of development. It has been documented in

studies examining the impacts of preferential assessments for farm land that the larger the difference between a property's market value and its lower agricultural value, the greater the associated tax reduction on that property. Thus, class 2a agricultural land located in and around urban areas and near lakes, rivers, and major highways is likely to receive superior tax benefits than agricultural land found in rural areas where the only major influence is the demand for hunting land. This differential in tax benefits is what the legislature intended when they created and authorized the use of this tax deferral program. .