

# Green Acres (Minnesota Agricultural Property Tax Law)

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Property Tax Fact Sheet 5

Fact Sheet

The Green Acres Program provides property tax relief for owners of productive agricultural property in areas where the market value of land is being affected by development pressure, sales of recreational land, or other non-agricultural factors.

## The Green Acres Program



This fact sheet provides information to property owners who currently have land enrolled in Green Acres about the options available for their land following changes to the program in 2008 and 2009. It also provides farm owners information about how to enroll their

class 2a productive agricultural land into the program.

Minnesota law requires assessors to value property at its estimated market value. Estimated market value must reflect the use of the property that will bring the greatest economic return to the land (its “highest and best use”). For many farm properties, the highest and best use may be to develop the land for a residential or commercial use. The residential or commercial value of a property is typically significantly higher than that of farmland.

In the 1960s, the Legislature recognized that urban sprawl was causing valuation and tax increases that had the potential of forcing farmers off their land in certain situations. The Legislature developed a mechanism that allowed qualifying farmers to pay real estate taxes based upon the agricultural value of their land while deferring the higher property taxes attributable to the land’s value as residential or commercial property. This law, officially known as the Agricultural Property Tax law, is commonly referred to as Green Acres and is codified in Minnesota Statutes, section 273.111.

In 2008, the Legislature amended the law to clarify that, going forward, only class 2a productive agricultural land can qualify for Green Acres. Class 2b rural vacant land that is currently enrolled in Green Acres may be grandfathered into the program until the 2013 assessment. Beginning with the 2013 assessment, any class 2b rural vacant land that has been “grandfathered” into Green Acres will be removed from the program and deferred taxes will be collected.

### How does Green Acres work?

For properties enrolled in Green Acres, taxes are calculated on both the estimated market value (higher value based on highest and best use) and the agricultural value (lower value).

The difference between the tax calculated on the agricultural

market value and the estimated market value is deferred until the property is sold or no longer qualifies for the Green Acres program.

When the property is sold, transferred, or no longer qualifies, the deferred tax (the difference between the agricultural tax and the tax based on highest and best use) for the current tax payable year and the two prior years must be paid to the county.

### What is the “agricultural value” of a property?

Simply stated, the agricultural value of a property is its value when used for agricultural purposes. Unfortunately, it is nearly impossible to find sales of agricultural property that are not affected by the non-agricultural factors such as development pressure or sales of recreational land. In an effort to develop statewide uniformity, the Legislature directed the Commissioner of Revenue to develop a fair method for determining the agricultural values for each county.

The Department of Revenue studied statewide sales of largely tillable agricultural property across the state for 1990-1996. The department found that sales in several southwestern Minnesota counties were affected the *least* by non-agricultural factors, and thus as close as possible to “true” agricultural sales. They are known as the “base counties.” Sales in the state’s other 82 counties during the same time period were then compared to those in the base counties. This comparison yielded a set of individual county factors that measure the percentage relationship between each county and the base counties.

Each year, Revenue reviews current sales and calculates a base value that is used to determine agricultural values for all properties enrolled in Green Acres. The base value is adjusted for each county to determine the average tillable value per acre for that county. The county assessor then applies this average value to individual properties. The value may differ on each individual parcel due to quality of land, location, or other factors.

## What about special local assessments?

Special local assessments may be deferred while the property qualifies for Green Acres. When the property is sold, transferred, or otherwise withdrawn from the program, all deferred special assessments are due.

## How do I qualify?

Beginning with the 2009 assessment for taxes payable in 2010, only property that is classified by the assessor as class 2a productive agricultural land is eligible for enrollment in the Green Acres program. The property must:

- be at least 10 acres in size or a nursery or greenhouse; and
- be primarily devoted to the production for sale of agricultural products.

If you have class 2b rural vacant land as a part of your farm homestead, it will not qualify for Green Acres tax deferral. However, it may be eligible to receive other benefits that are covered later in this fact sheet. Only lands engaged in the production of an agricultural product for sale will qualify for Green Acres. A description of “agricultural production” can be found in Minnesota Statutes, section 273.13, subdivision 23. Your assessor will be able to assist you in determining which portions of your farm are considered “agriculturally productive” and which are considered “rural vacant land.” Green Acres enrollment is limited to properties owned by individuals and certain family farm entities.

## Ownership Requirements:

To qualify for Green Acres, one of the following must apply:

- The property is the homestead of the owner, or the owner’s surviving spouse, child, or sibling or is farmed in conjunction with the homestead property.
- The property has been in possession of the applicant, the applicant’s spouse, parent, or sibling (or any combination) for a period of at least seven years prior to application.
- The property is being farmed in conjunction with property within four townships or cities (or any combination) from property that has been in possession of the owner, the owner’s spouse, parent, or sibling (or any combination) for a period of at least seven years prior to application.
- The property is in possession of a nursery, greenhouse, or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations on the parcel or parcels.

## How do I apply?

Green Acres applications are made to the county assessor. Proper documentation to verify agricultural production must be submitted with the application.

Application forms are available at the county assessor’s office and must be filed by May 1 in order to receive consideration for the next taxes-payable year.

Your assessor may also require:

- an agricultural use verification form;
- proof by affidavit or otherwise that the property meets all requirements for qualification; and
- a copy of the appropriate schedule or form showing farm income has been included in the most recently filed federal income tax return of the applicant.

## What if I own class 2b rural vacant land that is currently enrolled in Green Acres?

There are several options available. Each has benefits and consequences for you to consider.

**Option 1** – You may withdraw some or all of your class 2b rural vacant land before May 1, 2010, without any payback of deferred taxes. Your property will be assessed at its estimated market value for the 2010 assessment for taxes payable in 2011.

**Option 2** – You may leave some or all of your class 2b rural vacant land enrolled in Green Acres until 2013. Before or at that time, you may enroll the class 2b land in the new Rural Preserve Program without any payback of deferred taxes.

Class 2b property that was grandfathered into Green Acres after May 1, 2010, or that is part of an agricultural homestead may be enrolled in the Rural Preserve Program beginning with the 2011 assessment for taxes payable in 2012. Please refer to fact sheet #15 for additional information on the Rural Preserve Program.

**Option 3** – You may leave some or all of your class 2b land in Green Acres. Beginning with the 2013 assessment, the assessor will remove all class 2b land from Green Acres and collect three years deferred taxes. That land will be valued at its market value for the 2013 assessment and beyond.

**In addition to the above options**, class 2b rural vacant land may be eligible for: the reduced classification rate provided by the class 2c Managed Forest Land classification; or for the incentive payment provided by the Sustainable Forest Incentive Act (SFIA) program. For additional information on class 2c, please consult your county assessor. Information on the SFIA program may be obtained from the Department of Revenue’s website, [www.taxes.state.mn.us](http://www.taxes.state.mn.us).

## What else should I know about Green Acres?

If a property enrolled in Green Acres is sold to another person who may qualify for continuation of the program, the new owner must apply to the county assessor within 30 days of the purchase.

If at any time you sell, transfer, subdivide, or otherwise withdraw your property (in part or in whole) from the Green Acres program, you will be responsible to pay back deferred taxes on the acreage withdrawn for the current year plus the two prior years. Once an entire parcel is withdrawn from Green Acres, you will also be responsible to pay any deferred special assessments plus any interest accrued.

**If you have further questions about your property or Green Acres, please contact your county assessor’s office.**