

**PROPERTY TAX
Small Market Farms Eligible
for Agricultural Classification**

March 4, 2025

Department of Revenue

Analysis of S.F. 1498 (Putnam) as proposed to be amended by SCS1498A-1

	Yes	No
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
Property Tax Refund Interaction	\$0	\$0	(negligible)	(negligible)
Ag Homestead Market Value Credit	\$0	\$0	(negligible)	(negligible)
School Bond Credit	\$0	\$0	(negligible)	(negligible)

Effective beginning with assessment year 2026.

EXPLANATION OF THE BILL

Under current law, continuous acreage with a residence may qualify for 2a agricultural classification if it is less than 11 acres in size and is used for a qualifying intensive use, including intensive market farming.

The proposal expands the definition of land that may be considered agricultural to include continuous acreage with a residence that is less than 11 acres in size, is used in the preceding year for market farming, and either:

- The property owner verifies that they have earned at least \$5,000 in the most recent tax year, or
- The property owner verifies that they plan to earn at least \$5,000 annually in the next two years.

REVENUE ANALYSIS DETAIL

- It is assumed that a small number of properties engaged in market farming would be eligible for agricultural classification under the proposal.
- Under the proposal, land used for market farming would qualify as class 2a homestead or non-homestead agricultural land. Land qualifying as class 2a homestead under the proposal would receive lower classification rates than under current law. Land qualifying as class 2a non-homestead under the proposal may receive lower classification rates than under current law, depending on its current law classification.
- The proposal would shift property taxes away from properties newly qualifying as agricultural and onto all other properties, including homesteads.
- The shift in taxes onto homesteads would increase state-paid property tax refunds by less than \$5,000 beginning in fiscal year 2028.
- Properties newly classified as 2a agricultural homestead would be eligible for the agricultural homestead market value credit, increasing the credit by less than \$5,000 beginning in fiscal year 2028.

- Properties newly classified as 2a agricultural homestead or non-homestead would also be eligible for the school building bond credit, increasing the credit by less than \$5,000 beginning in fiscal year 2028.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Adding income verification for agricultural classification would decrease simplicity.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

sf1498(hf1522) Ag Classification for Market Farms_pt_1/wms