

**ASSESSMENT AND CLASSIFICATION PRACTICES
REPORT**

**LANDS ENROLLED IN STATE OR FEDERAL
CONSERVATION PROGRAMS**

A report submitted to the Minnesota State Legislature
pursuant to
Minnesota Laws 2005, First Special Session Chapter 3, Article 1, Section 37

Property Tax Division
Minnesota Department of Revenue
February 21, 2007

MINNESOTA • REVENUE

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To the members of the Legislature of the State of Minnesota:

I am pleased to present to you this report on the assessment and classification of properties that are enrolled in state or federal conservation programs within the State of Minnesota undertaken by the Department of Revenue in response to Minnesota Laws 2005, First Special Session Chapter 3, Article 1, section 37.

This report provides a summary of assessment practices of properties that are subject to state and federal conservation programs within the State of Minnesota as well as recommendations to improve the uniformity of assessments and classifications of these types of properties.

Sincerely,

Ward Einess
Commissioner

Per Minnesota Statute 3.197, any report to the Legislature must contain, at the beginning of the report, the cost of preparing the report, including any costs incurred by another agency or another level of government.

This report cost \$20,000.

This report was developed in accordance with Minnesota Laws 2005, First Special Session Chapter 3, Article 1, section 37, which states in part that:

“(a) Recognizing the importance of uniform and professional property tax assessment and classification practices, the commissioner of revenue, in consultation with appropriate stakeholder groups, shall develop and issue two reports to the chairs of the house and senate tax working groups. The reports shall include an analysis of existing practices and provide recommendations, where necessary, for achieving higher quality and uniform assessments and consistency of property classifications.

(c) The second report will be issued by February 1, 2007, and will address the following property types;...

(2) lands enrolled in state or federal conservation programs including the Conservation Reserve Program (CRP), Reinvest in Minnesota (RIM) program, and Conservation Enhancement Program (CREP);...”

The purpose of this report is to examine county assessors' current practices in the valuation and classification of land that is enrolled in state or federal conservation programs and make recommendations for any changes or clarifications as needed.

In preparation for issuing this report, the Department of Revenue formed a working group that was composed of Department of Revenue staff members and several county assessment personnel. The members included:

- Doug Bruns, Deputy Renville County Assessor
- Lorna Sandvik, Roseau County Assessor
- Carol Schutz, Chippewa County Assessor
- Lori Schwendemann, Lac qui Parle County Assessor
- Lois Sumerfelt, Traverse County Assessor
- Al Heim, Regional Representative, Property Tax Division, Department of Revenue
- Steve Hurni, Regional Representative, Property Tax Division, Department of Revenue
- Tom Nash, Regional Representative, Property Tax Division, Department of Revenue
- Stephanie Nyhus, Principal Appraiser, Property Tax Division, Department of Revenue

This working group initially met on October 30, 2006. This object of this meeting was to begin discussion of the various conservation programs that are currently present in the counties of Minnesota. Members of the working group began researching the specific provisions of each program. At a later meeting in November 2006, it was decided that the Department of Revenue would survey all county assessors on their current assessment and classification practices for land that is subject to conservation easements. The survey was conducted in December 2006. The results are summarized in the Appendix of this report.

This report is the result of a cooperative effort between the Minnesota Department of Revenue - Property Tax Division, and the Minnesota Association of Assessing Officers.

EXECUTIVE SUMMARY

The initial charge of the conservation easements working group was to analyze the existing valuation and classification practices of county assessors for land that is subject to conservation easements. After analyzing the existing practices, several issues were raised. The four primary issues and recommendations are summarized below. These issues, as well as several other secondary issues and recommendations, will be explored in greater detail later in this report

Primary Issues and Recommendations

1. **Lack of Data** – Based on the research of the working group, there are far more conservation programs available to landowners than the group anticipated. There is also a significant lack of data available to assessors on property that is subject to such conservation easements. Currently, there is no standard procedure for collecting data on properties that are enrolled in conservation programs. Many times such conservation easements are not recorded and the assessor only becomes aware of enrollment in such programs by accident. For an assessor to do sales and valuation analysis, it is essential that the assessor have access to this information. The working group concludes that additional discussion should occur when more or better data becomes available.

Recommendation – Assessors and the Department of Revenue should develop effective means of collecting and analyzing data on property enrolled in conservation programs. The Department should explore data exchange programs with the federal and state agencies administering programs. The working group further recommends that the Department seek legislation amending M. S. 13.51, of the Minnesota Data Practices Act to protect the privacy of income information.

2. **Classification Practices** – Under current law, assessors are required to classify property according to its current use on the assessment date of January 2 of each year. For improved property, assessors classify the property based on how it is actually used on the assessment date. This is not the case for unimproved property. If a property is not improved with a structure, and there is no identifiable current use, assessors are required to use their professional judgment and knowledge of the local market and classify the property based upon its highest and best use.

This process is complicated by the fact that agricultural activities are prohibited in some conservation easements but not in others. Current law states that if a property was classified as agricultural property in 2002 or in the year prior to the property's enrollment in CRP or RIM, it must continue to be classified as agricultural property whether or not it can be used for an agricultural purpose while it is enrolled in the conservation program. This provision allows a property to continue receiving the agricultural classification on the entire property even if it cannot be used agriculturally while it is subject to the conservation easement.

Recommendation - If it is the intention of the Legislature that properties enrolled in RIM and CRP should continue to be classified as agricultural property, the working group would like specific direction on the classification of land enrolled in the other conservation programs as well.

In 2006, the Rural Woodlands working group recommended that the Legislature consider implementing a rural vacant land classification for rural, non-agricultural properties. If that classification were enacted, perhaps rural, non-agricultural land that is subject to conservation easements would fit into that classification as well. This would likely help the uniformity of classification of these types of properties.

3. **Valuation Methodology** – This issue surrounds whether or not the assessor should consider the payments made to the property owner for enrolling land into the conservation program when valuing such properties, and whether the value should be reduced due to the decrease in the bundle of rights. In addition, Minnesota Statute 273.117 states that property that is subject to a conservation easement “shall” be entitled to a reduced valuation. There is no market evidence that supports an automatic reduction in the value of a property if it is enrolled in a conservation program.

The Department of Revenue believes that all property should be valued as if it is unencumbered by any leases, easements, etc. and the entire bundle of rights is intact. As such, any income received or not received would not affect the value. This is because assessors assume a “fee simple” ownership interest when they value property. Simply stated, this means that assessors should value property as if all rights in the bundle of rights are intact. For example, if a property was sold and a life estate in the property was retained by the seller, the value of the property would undoubtedly be affected because the buyer would not have the right to use the property. However, the assessor would not reduce the value. Instead they would value the fee simple ownership of the property – as if the life estate did not exist. Similarly, if an individual leased a lakeshore lot from the state or federal government, even as a lessee they would be taxed on the full value of the property pursuant to Minnesota Statute 273.19.

Assessors do not take into account good or bad business decisions. If they did, any meaningful tax comparison would be impossible. For example, if a strip mall owner entered into a long term lease at less than market rent, the sales potential for the property would be negatively impacted. However, for assessment purposes, the assessor would value the property based upon typical market conditions and give no consideration to the below market lease. The same would be true if the rents were significantly above market rent as well.

This issue is especially evident when properties that are subject to conservation easements sell on the open market. These properties will sell for very different prices depending on whether the buyer or seller retains the payments from the conservation program. For example, in County A, when property that is enrolled in the Conservation Reserve Enhancement Program (CREP) sells, the seller typically retains the payments. These properties will sell for approximately \$700 per acre. In County B, which borders County A, the payments will typically go to the new buyer. These properties will sell for approximately \$1,400 per acre. County A contends that the seller keeping the payments is the market; and County B contends that County A is not valuing the entire bundle of rights. If County A and County B both value their properties as they are selling, there will be serious border issues in that if a taxpayer owns property in both of the neighboring counties, they will be valued very differently and will raise significant questions of uniformity and equalization of assessments.

Consensus could not be reached within the working group as to the proper approach in valuing such properties. Some working group members felt that if a property enrolled in a perpetual conservation easement sells and the seller retains the payments, the property should be valued less than it would be if the payments went with the property to the buyer. Other working group members held that if a property enrolled in a perpetual conservation easement sells, and the seller retains the payments, that sale constitutes a transfer of only a portion of the bundle of rights and consequently, that sale should not be used as the basis for valuing the property. In the end, since a consensus could not be reached, it was agreed to disagree.

Recommendation –

The Department needs to develop and issue a bulletin instructing assessors to value lands enrolled in conservation easements based upon the assumption of a fee simple ownership interest.

The Department of Revenue also needs to finalize and issue a directive standardizing how assessors treat partial interest sales for sales ratio study purposes. Current sales ratio standards prohibit use of partial interest sales in the sales studies. Increased emphasis needs to be placed on enforcing those standards.

In addition, the working group recommends that the language of Minnesota Statute 273.117 be changed by deleting the word “*shall*” and replacing it with the word “*may*” to reflect the current market as well as current assessment practices. This recommendation is a part of the Department’s tax bill.

- 4. Chippewa County Court Cases –** Recently, there were several court cases tried and decided in Chippewa County regarding the proper valuation of property enrolled in the CREP program. The outcome of these court decisions had been greatly anticipated in hope that they would provide assessors with needed direction in the valuation CREP lands. The Court granted a reduction in market value for land enrolled in CREP. Unfortunately, the court did not give a formula or rationale for granting the petitioners a reduction in their valuations and therefore, gave no specific direction in how lands enrolled in CREP should be valued. There continues to be nearly as many theories on how lands enrolled in conservation easements should be valued as there are conservation easements. None of the proponents of any theory argue that their valuation method is the best. Rather, it is simply one that they essentially ended up with, in the absence of any clear, strong direction.

Recommendation – The working group believes that the Department of Revenue needs to assume a greater leadership role and develop a standardized system clarifying how lands enrolled in conservation programs should be assessed based upon current statutes.

INTRODUCTION AND BACKGROUND

In order to understand the magnitude of this issue, the working group researched the conservation programs that are available to Minnesota property owners. There are far more programs available than the working group anticipated. Each of these programs has different requirements for enrollment, payments and lengths of easements. Some of the programs are administered by the State of Minnesota, some by the Federal government, and some are a combination of both.

The working group was not only surprised by the number of conservation programs that exist, but also by the wide diversity of each program's requirements. Enrollment criteria, payment options and length of easements vary from program to program. A summary showing the different aspects of the major programs is included in the Appendix of this report.

It should be emphasized that some landowners enter their land into private land trusts for conservation purposes and to protect land from development. These private arrangements were not researched and are not covered in this report. However, it is recommended that assessors begin collecting as much data as possible on such transactions, as they may need to be formally addressed in the future.

Survey Results

As part of its research, the working group surveyed all 87 county assessors regarding the specific conservation programs being utilized in their counties. Eighty-two counties responded with nine of the 82 indicating that they had no properties enrolled in any of the 13 programs listed on the survey. Two counties indicated that they have properties that are subject to additional conservation programs, other than the programs listed on the survey. Five counties (Fillmore, Goodhue, Nobles, Pennington, and Wadena) chose not to participate in this survey.

Responses to the survey show that the two most common conservation programs statewide are the Reinvest in Minnesota (RIM) program and the Conservation Reserve Program (CRP). Sixty-four counties indicated that they have properties enrolled in RIM and 72 counties have properties enrolled in CRP.

After reviewing the results of the survey, it is clear that the availability of data is a significant issue for assessors. The conservation programs are all administered by various agencies within both the state and federal levels of government. If a property owner enrolls their property in a conservation program that requires that a perpetual easement be recorded on the property, the easement will be recorded with the county recorder. There is no requirement that property owners must notify the assessor of the existence of such conservation easements. Many times, assessors will only find out that a property is enrolled in a conservation program by accident or when a property owner appeals their market value or classification.

In general, the majority of the counties attempt to identify whether or not a property is subject to a conservation easement during their sales analysis. But, this occurs only when a Certificate of Real Estate Value (CRV) has been completed correctly is presented to the county auditor when a deed is recorded. Unless a property transfer occurs, and the CRV

indicates that there is acreage enrolled in a conservation program, the assessor most often has no knowledge of the property's restricted status during the annual valuation and classification of properties. Furthermore, assessors are not likely to be aware of any income information on such properties. Data, such as the amount of annual payments, the remaining term of the program and the future payment recipient is not disclosed on a CRV and often parties to the sale are not willing to discuss such private information. The data is not available from state or federal agencies due to the fact that it is considered private data and the agency would need the property owner's written permission to provide such information to the assessor.

When asked about value adjustments given to property that is enrolled in some of the different conservation programs, there were many different answers given as to the amount and method of reduction, with some counties giving no reduction in value at all for enrollment in a conservation program.

Based on the results of the survey, the group identified four primary issues as well as several secondary issues that contribute to the lack of uniformity in the valuation and classification practices of land that is enrolled in a conservation program. They are discussed in detail on the following pages. The summary of the survey results is included in the Appendix section of this report.

LACK OF DATA

As stated previously, a lack of available standardized data to the assessor is the one of the largest obstacles to a uniform and equalized assessment of property that is enrolled in a conservation program. There are at least 15 separate governmental conservation programs being utilized in Minnesota. The terms, requirements and restrictions of each program distinctly differ. With each conservation program, additional programs and statutes are referenced, each with different lengths of contracts, different land and landowner requirements and different payments.

Enrollment in a conservation program may potentially impact the classification or valuation of property. And yet, the assessor may be unaware that property is subject to a conservation easement when the property is valued and classified. Currently, there are no standardized procedures for collecting information on properties that are enrolled in conservation programs. If a perpetual easement is recorded on the property, it will be recorded with the county recorder and the assessor may not be aware of that activity. The law does not require a property owner to inform the assessor when a property is enrolled in a conservation program. Many of the conservation easements are not recorded and the assessor only becomes aware of enrollment in such programs by accident or when the property owner appeals their estimated market value or classification.

Properties that are subject to conservation easements do sell on the open market. When these sales occur, information regarding the conservation easement may be reported on the CRV. However, currently that information is limited to a voluntary reporting of the number of acres enrolled in CRP, RIM, or CREP. Assessors can and often do request additional information, but neither the buyer nor seller are obligated or mandated to respond to the assessor's request.

In addition, other sources of data, such as government agencies, have been prohibited from releasing such data to assessors since shortly after 9/11 when this data became protected by

the Data Privacy Act. It is essential that assessors have access to detailed local, regional and statewide data to assist them in their valuation and sales analysis of properties enrolled in conservation programs.

Recommendation

The working group concludes that this discussion should continue when more or better data becomes available. Consequently, they recommend that assessors and the Department of Revenue should develop effective means of collecting and analyzing data on property enrolled in conservation programs. The Department should explore data exchange programs with the federal and state agencies administering programs. The working group further recommends that the Department seek legislation amending Minnesota Statute 13.51, of the Minnesota Data Practices Act to protect the privacy of income information. The required income data does not appear to be protected under Minnesota Statute 13.51. Consequently, the Department should initiate legislation necessary to protect this data.

In the meantime, assessors need to make a concerted effort to identify whether or not properties that sell are subject to conservation easements, which specific conservation program the property is enrolled in, the amount of the payments, the length of the conservation easement, and the allowable uses of the land after enrollment in the conservation program, etc.

The Department of Revenue will continue to explore other options for gathering data including but not necessarily limited to requiring that conservation easement data be provided on the PE20A (Supplement to the Certificate of Real Estate Value) and/or in the E-CRV process which is currently under development.

At a minimum, county assessors and the Department of Revenue need to compile the following data:

1. Type of conservation program (i.e. CRP, RIM, CREP, CREP II, WRP, WREP, etc);
2. The number of acres enrolled in each conservation program (if the sale involves land that is enrolled in multiple conservation programs, it is essential that each program and the number of acres enrolled in each program be identified);
3. Income derived from the enrollment in the conservation program (i.e. lump sum payment and or annual payments);
4. Length of conservation program remaining (identify whether the easement is perpetual or the number of years remaining on the contract);
5. Type of land enrolled in the conservation program such as wetlands, woods, pasture, marginal tillable, etc; and
6. What property rights were transferred to the buyer or retained by the seller.

CLASSIFICATION OF PROPERTY

Improved Property

In Minnesota, improved property is classified according to its actual use on the assessment date of January 2 of each year. There are five basic classifications of property used for property tax purposes. Assessors must classify all property in accordance with these classes, which are outlined in Minnesota Statute 273.13. These classes are divided into numerous subclasses. (A full list of the existing classifications, subclasses, and classification rates is provided in the Appendix of the report.)

Generally, it is relatively simple to classify property that is improved with a structure according to its current use. For example, a single family dwelling, a multi-unit apartment building, a restaurant, or a gas station are all easily identifiable and easily classified uses of property.

Unimproved Property

While improved property may be easily classified, problems and questions often arise in cases of unimproved property for which there is no easily identifiable use of the land. In cases where there is no clearly identifiable use of the property, assessor must classify it according to its most probable, highest and best use as required by Minnesota Statute 273.13, subdivision 33 which states that:

“(a) All real property that is not improved with a structure must be classified according to its current use.

“(b) Real property that is not improved with a structure and for which there is no identifiable current use must be classified according to its highest and best use permitted under the local zoning ordinance. If the ordinance permits more than one use, the land must be classified according to the highest and best use permitted under the ordinance. If no such ordinance exists, the assessor shall consider the most likely potential use of the unimproved land based upon the use made of surrounding land or land in proximity to the unimproved land.”

The term “highest and best use” is a common appraisal concept used by appraisers in estimating the market value of property. The International Association of Assessing Officers defines the highest and best use of a property as “*a concept in appraisal and in assessment law requiring that each property be appraised as though it were being put to its most profitable use, given probable legal, physical, and financial constraints. The concept is most commonly discussed in connection with underutilized land.*” (Property Appraisal and Assessment Administration, 1990 edition, Glossary)

The Appraisal Institute defines the highest and best use of a property as “*the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.*” (The Appraisal of Real Estate, Tenth Edition, 1992, page 275)

This principal of appraisal states that appraisers should value property at a value that provides the highest return to the land. This use must be physically possible, financially feasible, legally permissible, and maximally productive. Again, this concept is typically used in conjunction with valuation. It is identified here only because the term “highest and best use” is referenced in Minnesota Statute 273.13, subdivision 33, which governs the *classification* of unimproved property for property tax purposes.

Again, for improved property, assessors classify the property based on how it is *actually used* on the assessment date. The classification of unimproved property requires that assessors use their professional judgment and knowledge of the local market to anticipate how a property will *most likely be used*. It should be emphasized that the potential uses of land can vary widely both within a county and across the state. There is not just one correct answer; there are numerous possible answers. These classifications must be made on a case by case basis. If a property is not improved with a structure, and there is no identifiable current use, assessors are required to use their professional judgment and knowledge of the local market and classify the property based upon its highest and best use.

When examining the highest and best use of a property, the assessor must consider a variety of factors. These factors include, but are not limited to, physical characteristics of the land, local zoning ordinances and building requirements, uses of surrounding properties, the intended use of a property as indicated on Certificates of Real Estate Value, etc. After considering all of the factors, assessors must choose the most probable use of the land that is physically possible, legally permissible, financially feasible, and maximally productive that will generate the highest return to the land.

This process of classification of unimproved property that is enrolled in a conservation program, with no easily identifiable use, is complicated by the fact that agricultural activities are prohibited by some conservation programs, but not others. Current law generally requires some agricultural activity on a property in order for the property to be classified as agricultural.

An exception to this occurs in Minnesota Statute 273.13, subdivision 23, paragraph (c) that states in part:

“Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. ‘Agricultural purposes’ as used in this section means the raising or cultivation of agricultural products. ‘Agricultural purposes’ also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment.”

This statute states that if a property was classified as agricultural property in 2002 or in the year prior to the property’s enrollment in CRP or RIM, it must continue to be classified as agricultural property whether or not it can be used for an agricultural purpose while it is enrolled in the conservation programs. This provision allows a property to continue receiving the agricultural classification on an entire property even if it was not and cannot be used agriculturally while it is subject to the conservation easement.

This presents a conundrum for assessors when classifying such property. While the statute specifies the property enrolled in RIM or CRP that were classified as agricultural property for the 2002 assessment or in the year prior to the property's enrollment in the conservation program, it does not specify how properties that are enrolled in other conservations programs should be classified.

It should be emphasized that in the case of a property where a portion of that property meets the qualifications for the agricultural classification, contiguous property under the same ownership that is enrolled in a conservation program will continue to be classified as agricultural property. The working group is most concerned about properties where the entire acreage is enrolled in a conservation program. These are the cases where a lack of uniformity often persists.

It is important to note that taxpayers do not get to choose their classification based on the most beneficial classification rate. In addition, assessors should not consider the tax implications when classifying property. Classification rates often change over time. With each change, taxpayers are known to make a case to their assessor as to why they should be classified as one class or another.

Recommendation

The working group would like the Legislature to review Minnesota Statute 273.13 in an effort to determine the appropriate classification for properties that are enrolled in a conservation program. Current law only provides that property enrolled in CRP or RIM be classified as agricultural property if they were classified as agricultural property in 2002, or in the year prior to the property's enrollment in the conservation program. It does not address property that is enrolled in numerous other conservation programs, nor does it address whether or not the assessor can reclassify a property upon its sale. As such, if a property that was formerly farmed and classified as agricultural property has been left to revert to its natural state and is sold to a buyer who will use it for hunting purposes, the assessor must continue to classify the property as agricultural property even though the current owner has never farmed it, can never farm it and is using it for some other purpose.

If it is the intention of the Legislature that properties enrolled in RIM and CRP should continue to be classified as agricultural property, the working group would like specific direction on the classification of land enrolled in the other conservation programs as well. Current law contributes to the perceived inequity by taxpayers when property that is enrolled in CRP and RIM are allowed to remain as agricultural property while similar lands enrolled in other conservation programs are not. In the absence of clear and decisive definitions in the law, it is likely that there will continue to be a lack of uniformity in the classification of land that is enrolled on conservation programs.

In 2006, the Rural Woodlands working group recommended that the Legislature consider implementing a rural vacant land classification for rural, non-agricultural properties. If that classification were enacted, perhaps rural, non-agricultural land that is subject to conservation easements would fit into that classification as well. This would likely help the uniformity of classification of these types of properties.

VALUATION METHODOLOGY

Based on the results of the survey, it is clear that assessors disagree on the appropriate valuation methodology for valuing property that is enrolled in a conservation program. Some assessors discount the market value based on the fact that the use of properties that are enrolled in conservation programs is diminished by the restrictions outlined in the program. Others give no reduction. It is unclear if this is due to the lack of data and the fact that the assessors may not know if the property is enrolled in a conservation program or if assessors are able to identify the sales of such properties and are finding that the market is not recognizing a reduction for the restricted use of these properties.

Another issue that assessors disagree on is whether or not they should consider the payments made to the property owner for their enrollment in the conservation program when valuing such properties.

Minnesota Statute 273.11, subdivision 1, states in part that:

“All property, shall be valued at the market value of such property and not at the value of a leasehold estate in such property, or at some lesser value than its market value.”

The Department believes that all property should be valued as if it were unencumbered by any leases, temporary easements, etc. and as if the entire bundle of rights were intact.

The expectation that assessors value property based upon its highest and best use would seem to indicate that the existence of income received or not received would not affect the value. This is because assessors assume a “fee simple” ownership interest when they value property. Simply stated, this means that assessors value property as if all rights in the bundle of rights are intact. The bundle of rights concept is often times analogized as a bundle of sticks with each stick representing a distinct and separate right. These rights include: the right to use the real estate, to sell it, to lease it, to enter it, to give it away, or to choose to exercise more than one or none of these rights. These rights can be separated and reunited. However, for assessment purposes, the assessor always makes the assumption that all the rights are intact.

For example, if a property was sold and a life estate in the property was retained by the seller, the value of the property would undoubtedly be affected because the buyer would not have the right to use the property. However, the assessor would not reduce the value. Instead, they would value the fee simple ownership of the property – as if the life estate did not exist. Similarly, if an individual leased a lakeshore lot from the state or federal government, even as a lessee they would be taxed on the full value of the property pursuant to Minnesota Statute 273.19.

Assessors do not take into account good or bad business decisions. If they did, any meaningful tax comparison would be impossible. For example, if a strip mall owner entered into a long term lease at below market rent, the sales potential for the property would be negatively impacted. However, for assessment purposes, the assessor would value the property based upon typical market conditions and give no consideration to the below market lease. The same would be true if the rents were significantly above market rents as well.

In December 1988, the Department of Revenue issued a memo to all county assessors on the proper valuation and classification of CRP and RIM lands. In that memo, the Department

recommended that assessors value properties that were subject to temporary conservation easements similar to other properties of similar characteristics that were not subject to the easements, as evidenced by market activities. In other words, they were to be valued as if the temporary conservation easement did not exist.

For properties subject to perpetual conservation easements, the Department indicated that a valuation adjustment was warranted and that such lands should be valued at the highest and best use to which it could be legally put. Because the legal uses of land that is subject to a perpetual easement are diminished, the Department recommended that assessors value such lands at a value representative of what the land will eventually become when left unattended and allowed to revert to its natural state. For example, if a property was tillable land that was later enrolled into a perpetual conservation easement that prohibited farming, the Department recommended that it was appropriate to value the land at the level of wild lands in their natural state.

Today, properties that are subject to perpetual conservation easements sell for very different prices depending on whether the buyer or seller retains the future payments from the conservation program following the sale. For example, in County A, when property that is enrolled in the Conservation Reserve Enhancement Program (CREP) sells, the **seller** typically retains the payments. These properties typically sell for approximately \$700 per acre.

However, in County B, which borders County A, the payments will typically be transferred to the new **buyer**. These properties will sell for approximately \$1,400 per acre, or \$700 per acre higher than similar sales in County A.

County A contends that the seller keeping the payments is typical of the market; and County B contends that County A is not valuing the entire bundle of rights because they do not account for the payments being made to the landowner whose use of the property is diminished by the existence of the easement. It should be noted that under ordinary circumstances, when a property is enrolled in a conservation program is sold, the future payments would go with the land to the buyer. In order for the seller to receive any future payments, the appropriate forms would need to be filed with the agency that administers the program.

If County A and County B both value their properties as they are selling, without accounting for the difference in the seller retaining the remaining payments for the conservation easement, there will be serious border value issues in that if a property owner owns property in both of the neighboring counties, they will be valued very differently and will raise significant questions of uniformity and equalization of assessments.

Consensus could not be reached within the working group as to the proper approach in valuing such properties. Some working group members felt that if a property enrolled in a perpetual conservation easement sells and the seller retains the payments, the property should be valued less than it would be if the payments went with the property to the buyer. Other working group members held that if a property enrolled in a perpetual conservation easement sells, and the seller retains the payments, that sale constitutes a transfer of only a portion of the bundle of rights and consequently, that sale should not be used as the basis for valuing the property. In the end, since a consensus could not be reached, it was agreed to disagree.

Further complicating the valuation issue is Minnesota Statute 273.117 which states that:

“Real property which is subject to a conservation restriction or easement shall (emphasis added) be entitled to reduced valuation under this section if:

- (a) The restriction or easement is for a conservation purpose as defined in section 84.64, subdivision 2, and is recorded on the property;*
- (b) The property is used in accordance with the terms of the conservation restriction or easement.”*

Ultimately, the statute provides no guidance as to the character or amount of any reduction and appears to be contrary to the market data available to assessors. According to members of the working group, market data does not show that values of properties automatically decrease simply due to their enrollment in a conservation program.

Group consensus could not be reached on the issue of whether a sale where the seller retains the income stream is reflective of a good sale or if it should be rejected from the sales ratio study. Some in the group argue that the sales where the seller retains the income stream are representative of the property’s actual worth. Others argue that if the seller retains the conservation easement payments when the property is sold, the sale would be a partial interest sale and therefore, should not be the basis for the assessor’s valuation and should be excluded from the sales ratio study. It should be noted that the Department presently considers those sales as a partial transfer of the bundle of rights and does not include those sales in their sales ratio study.

Recommendation

The Department needs to develop and issue a bulletin instructing assessors to value lands enrolled in conservation easements based upon the assumption of a fee simple ownership interest.

The Department of Revenue also needs to finalize and issue a directive standardizing how assessors treat partial interest sales for sales ratio study purposes. Current sales ratio standards prohibit use of partial interest sales in the sales studies. Increased emphasis needs to be placed on enforcing those standards.

In addition, the working group recommends that the language of Minnesota Statute 273.117 be changed by deleting the word “*shall*” and replacing it with the word “*may*” to reflect the current market as well as current assessment practices. This recommendation is a part of the Department’s tax bill.

CHIPPEWA COUNTY COURT CASES

Recently, several court cases were tried and decided in Chippewa County regarding the proper valuation of property enrolled in the CREP program. The outcome of these court decisions had been greatly anticipated in the hopes that it would provide assessors with needed direction in the valuation of CREP lands. The Court granted a reduction in market value. Unfortunately, the court did not give a formula or rationale for granting the petitioners a reduction in their valuations, and therefore, gave no specific direction in how lands enrolled

in CREP should be valued. There continues to be nearly as many theories on how lands enrolled in conservation programs should be valued as there are conservation programs. None of the proponents of any theory argue that their valuation method is the best but rather, one that they essentially ended up with in the absence of any clear strong direction.

Recommendation

The working group believes that the Department of Revenue needs to assume a greater leadership role and develop a standardized system clarifying how lands enrolled in conservation easement should be assessed based upon current statutes.

CONCLUSION

In conclusion, there are several changes needed to promote uniformity in the valuation and classification of properties that are enrolled in conservation programs. First and foremost, it is clear that the lack of quality available data is contributing to the problem of uniformity in the valuation and classification of property that is enrolled in a conservation program. Before a valuation or sales analysis can be performed, assessors and the Department must cooperate and attempt to identify the best way to gather data on these properties. This may include, but is not limited to, a legislative requirement that owners of properties subject to a perpetual conservation easement must provide to the county assessor a copy of the conservation easement as well as any other information the assessor deems necessary for analysis. Once this is established, the county assessors and the Department of Revenue can begin building a database for future analysis.

In addition, the working group would like the Legislature to review Minnesota Statute 273.13 in an effort to determine the appropriate classification for properties that are enrolled in a conservation program. Current law only provides that property enrolled in CRP or RIM be classified as agricultural property if they were classified as agricultural property in 2002 or in the year prior to the property's enrollment in the conservation program. It does not address property that is enrolled in numerous other conservation programs, nor does it address whether or not the assessor can reclassify a property upon its sale. As such, if a property that was formerly farmed and classified as agricultural property, has been left to revert to its natural state and is sold to a property owner who will use it for hunting purposes, the assessor must continue to classify the property as agricultural property even though the current owner has never farmed it, can never farm it and is using it for some other purpose.

Finally, as proposed in the Department of Revenue's tax bill, Minnesota Statute 273.117 should be amended so that property owners with property enrolled in conservation programs are not eligible for an automatic reduction in the estimated market value of their property simply due to the fact that it is enrolled in a program. In some instances where the highest and best use of the land is not agricultural, eliminating the potential to use the land agriculturally does nothing to diminish the properties value. As a result, current market conditions do not support an automatic reduction. Furthermore, current law requires assessors to value the fee simple ownership interest in a property, as if the entire bundle of rights were intact. As such, the Department believes it is inappropriate to decrease a property's market value if the seller retains the incentive payments for property that is subject to a perpetual conservation easement.

APPENDIX

DEFINITIONS OF CLASSIFICATIONS AND EXPLANATIONS

Definition of Highest and Best Use - The International Association of Assessing Officers defines the highest and best use of a property as *A concept in appraisal and in assessment law requiring that each property be appraised as though it were being put to its most profitable use, given probable legal, physical, and financial constraints. The concept is most commonly discussed in connection with underutilized land.* (Property Appraisal and Assessment Administration, 1990 edition, Glossary)

The Appraisal Institute defines the highest and best use of a property as *the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.* (The Appraisal of Real Estate, Tenth Edition, 1992, page 275)

Definition of Agricultural Property - Minnesota Statute 273.13, subdivision 23, paragraph (c) defines agricultural land as:

*“(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. ‘Agricultural purposes’ as used in this section means the raising or cultivation of agricultural products. ‘Agricultural purposes’ also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. **Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs** (emphasis added). Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.”*

**Survey of Assessors - SUMMARY
Conservation Easements
December 2006**

1. Please indicate (X) which of the following types of Federal and/or State of Minnesota conservation programs that are present in your county. This survey does not include any private conservation restrictions (i.e. land trusts).

* If no firm answer is given (i.e. "?"), the answer was not tabulated.

** If the county does not have answers for question #1, the answers for #5 were not considered because they are hypothetical.

| Most Common Conservation Programs | | Additional USDA Conservation Programs | | US Fish & Wildlife Programs | | Additional MN Conservation Programs | |
|---|-----------|--|-----------|--|-----------|---|-----------|
| Reinvest in Minnesota (RIM) | 64 | Wetlands Reserve Program (WRP) | 38 | Wildlife Habitat Incentives Program (WHIP) | 19 | Native Prairie Bank Program (This does NOT include EXEMPT native prairie) | 10 |
| Conservation Reserve Program (CRP) | 72 | Emergency Wetlands Reserve Program (EWRP) | 8 | Waterfowl Management Rights | 11 | Wetland Mitigation | 19 |
| Conservation Reserve Enhancement Program (CREP) | 36 | Wetlands Reserve Enhancement Program (RIM/WRP) | 12 | | | Wetland Banking (includes buffer strips) | 16 |
| Conservation Reserve Enhancement Program II (CREP II) | 11 | | | | | Water bank | 10 |

None = Anoka, Carlton, Cook, Crow Wing, Isanti, Itasca, Lake, Ramsey, Washington

Other Programs Not Listed = Dakota, St. Louis

2. For parcels with conservation program acres, does the property owner typically provide you with a copy of the conservation contract/easement?

Yes 20 No 53

If No, what is/are your source(s) of that information for those conservation acres?

None - 8

County Recorder - 22

Other Agency - 1

SCS Office - 3

NRCS - 6

US Fish and Wildlife - 2

Taxpayer complaints - 6

Soil & Water Conservation District - 12

Certificates of Real Estate Value - 1

FSA Mapping - 1

County ACS Office - 1

FSA Office - 3

CRP (Conservation Reserve Program):

We discount 20-30% if greatly restricted such as no development allowed.

No value adjustment (38)

Valued at minimum non-tillable value (30% of average tillable value).

No, we do not get this info.

CRP/RIM rate (\$1,750 per acre) - approximately 70% of Green Acre/Ag Preserve Till.

Productivity rating is recalculated based on the lowest CER for each of the soils contained with the easement.

Market driven (4)

Value is based on the CER of that property.

We would value the land based upon whether it was tillable, pasture/woods or waste for taxable purposes. The deferred or high value is market value. Property would not be sold or purchased for its CRP income. Values would be too high to support this income level.

Valued as non-buildable acreage which goes at a reduced per acre value.

1/2 of tillable.

Unless it is a permanent easement we leave the acres in whatever the class of property was at the point of going in the program.

Valued the same as comparable tillable land.

Value is estimated solely on the basis of the lands worth for agricultural purposes.

Our EMV is based upon our analysis of the 12-month sales study. Our Green Acre value is based upon the increase/decrease deemed necessary to maintain cross-county equalization within Region III and with counties in adjoining regions.

CREP (Conservation Reserve Enhancement Program):

No adjustment for CREP. Have no sales of CREP land. I don't feel it should be reduced based on the fact that it stays in CRP. When it goes into RIM - then an adjustment can be made.

Valued at minimum non-tillable value (30% of average tillable value).

Based on market sales (6)

CRP/RIM rate (\$1,750 per acre) - approximately 70% of Green Acre/Ag Preserve Till.

Value is based off of CER Ranking. One factor across the county and then deduct 4% annually from when the contract was recorded. (used to give a 20% off of tillable).

Same as RIM (\$400/acre)

For perpetual CREP - same as RIM

2007 - 25% reduction is made on good and average classed acres. No reduction for poor or waste acres.

Value at non-tillable rate if a perpetual easement.

Valued as CRP for 15 years and then valued as RIM after that.

Waste II value

We have been using RIM value but we are waiting for a determination from the DOR on the valuation of CREP land. We may go to a graduating scale or 60% of tillable for 2007.

For 2007, the multiplier will be 30 throughout the county except along the MIN river where the multiplier will be 34. Then it will be reduced by 4% per year based on the year of the easement.

Flat dollar amount per acre

We value that currently the same as our high waste value.

\$1,350 to \$400 but we will be raising the value to \$1,000

2007 = \$1,000/acre

Value as pasture (2)

Tillable acres changed to meadow/pasture.

We value the property noticing its perpetual easement/restriction.

Adjust to lower value similar to waste land value.

\$1,200 - \$1,500

Leave it tillable until the CRP payments stop. When it changes to RIM, it gets changed to pasture.

50% on tillable value

Determined from market - includes the income stream.

CREP II (Conservation Reserve Enhancement Program II):

For perpetual CREP - same as RIM

Productivity rating is recalculated based on the lowest CER for each of the soils contained with the easement.

None (2)

Market driven (2)

Value at non-tillable rate if a perpetual easement.

woodland value

2007 = \$1,000/acre

Tillable acres changed to meadow/pasture.

Waiting for DOR guidance.

WRP (Wetlands Reserve Program):

Value as waste - is no longer farmed. Possibly should be changing class to SRR based on the easement and what the land can be used for - generally hunting.

Valued at minimum non-tillable value (30% of average tillable value).

Same as RIM values (3).

None (3)

Value at non-tillable rate if a perpetual easement.

carries the same value as non-cropped, woods, pasture.

Wetland value.

waste II value

Valued same as wooded or pasture lands (2)

High waste value.

Market sales. (?)

We value the property noticing its perpetual easement/restriction.

Value at non-tillable.

Reduce the drainage dependent soils to lowest CER rating - No change on non-adjustable soils unless changes occur such as creating ponds, etc.

\$800

Changes to pasture if no CRP.

50% on tillable value

OTHER (specify programs):

Non-DNR designated wetlands, shoreland buffer strips, wetland restoration.....use Green Acre/Ag Preserve wetland rate (\$550 per acre).

US Fish & Wildlife - look at the restrictions that were placed on the property and value to comparable type land.

If land acreage is under water or identified class "w" wetlands, it is given a \$0 EMV for that acreage. The land around a body of water may be valued on a front footage basis if market indicates it's necessary.

Wildlife Habitat incentives (perpetual - same as RIM & CREP).

WHIP & Wetland Bank - Productivity rating is recalculated based on the lowest CER for each of the soils contained with the easement.

FMHA Conservation Easements - 25% reduction in our tier 3 land value or if it is wasteland valued as wasteland with no reductions.

Field Windbreak - in 7th year @ woodland value

PWP - fen; waste II value.

Native Prairie Bank = \$750/acre

US Fish & Wildlife easements for habitat protection - \$750/acre. US Fish & Wildlife Waterfowl Management rights are valued the same as they were before the easement.

High waste value.

Perpetual easements on portions of farms that were foreclosed on by the federal government. These easements are typically administered by the Federal Fish and Wildlife - If the property was till we change it to something else - otherwise no change.

WHIP - no adjustment; Waterfowl Management Rights - no adjustment; Wetland Mitigation - no adjustment; Wetland Bank - no adjustment.

EWRP - we value the property noticing its perpetual easement/restriction; Wetland Banking - we value the property noticing its perpetual easement/restriction.

5. Please identify how you classify land enrolled in the following conservation programs (i.e. Agricultural, SRR, Timber, Residential, Split-class, Etc.):

| Most Common Conservation Programs | Additional USDA Conservation Programs | US Fish & Wildlife Programs | Additional MN Conservation Programs |
|--|--|--|---|
| Reinvest in Minnesota (RIM) <i>Ag = 56; SRR = 1; Ag or SRR = 2; Ag or Timber = 1; Ag or Res = 1; Ag/SRR/Res = 1</i> | Wetlands Reserve Program (WRP) <i>Ag = 28; Ag or Timber = 1; Ag or SRR = 4; Ag/SRR/Res = 1; Depends = 1</i> | Wildlife Habitat Incentives Program (WHIP) <i>Ag = 11; Ag or Timber = 1; Ag/SRR/Res = 1; Based on Use = 1; Exempt = 1</i> | Native Prairie Bank Program (This does NOT include EXEMPT native prairie) <i>Ag = 9; SRR or Ag = 1</i> |
| Conservation Reserve Program (CRP) <i>Ag = 63; Ag or Timber = 1; Ag or Res = 1; Ag or SRR = 2; Use dictates class = 1</i> | Emergency Wetlands Reserve Program (EWRP) <i>Ag = 7; Ag or SRR = 2</i> | Waterfowl Management Rights <i>Ag = 9; Exempt = 1</i> | Wetland Mitigation <i>Ag = 7; Ag or Timber = 1; SRR = 1; Ag or SRR = 1</i> |
| Conservation Reserve Enhancement Program (CREP) <i>Ag = 37; Ag or SRR = 1</i> | Wetlands Reserve Enhancement Program (RIM/WRP) <i>Ag = 12; Ag or SRR = 1</i> | | Wetland Banking (includes buffer strips) <i>Ag = 8; Ag or Timber = 1; Ag/SRR = 1</i> |
| Conservation Reserve | | | <i>Ag = 5; SRR = 1;</i> |

MINNESOTA · REVENUE

**Class Rate Percentages of Real and Personal Property by Property Type
Taxes Payable 2006 and 2007**

| | | Payable 2006 | | | Payable 2007 |
|-------|--|--------------|-------|--|--------------|
| Class | Real Property Description | Class Rate | Class | Real Property Description | Class Rate |
| 1a | Residential homestead | | 1a | Residential homestead | |
| | first \$500,000 | 1.00% | | first \$500,000 | 1.00% |
| | over \$500,000 | 1.25% | | over \$500,000 | 1.25% |
| 1b | Blind/Paraplegic Veteran/Disabled homestead | | 1b | Blind/Paraplegic Veteran/Disabled homestead | |
| | agricultural: | | | agricultural: | |
| | first \$32,000 | 0.45% | | first \$32,000 | 0.45% |
| | non-agricultural: | | | non-agricultural: | |
| | first \$32,000 | 0.45% | | first \$32,000 | 0.45% |
| 1c | Commercial seasonal - recreational residential - under 250 days and includes homestead | | 1c | Commercial seasonal - residential recreational - under 250 days and includes homestead | |
| | first \$500,000 | 0.55% | | first \$500,000 | 0.55% |
| | \$500,000 to \$2,200,000 | 1.00% | | \$500,000 to \$2,200,000 | 1.00% |
| | over \$2,200,000 | 1.25% * | | over \$2,200,000 | 1.25% * |
| 1d | Migrant housing (structures only) | | 1d | Migrant housing (structures only) | |
| | first \$500,000 | 1.00% | | first \$500,000 | 1.00% |
| | over \$500,000 | 1.25% | | over \$500,000 | 1.25% |
| 2a | Agricultural homestead | | 2a | Agricultural homestead | |
| | House, Garage, One Acre: | | | House, Garage, One Acre: | |
| | first \$500,000 | 1.00% | | first \$500,000 | 1.00% |
| | over \$500,000 | 1.25% | | over \$500,000 | 1.25% |
| | Remainder of Farm: | | | Remainder of Farm: | |
| | first \$600,000 | 0.55% ** | | first \$690,000 | 0.55% ** |
| | over \$600,000 | 1.00% ** | | over \$690,000 | 1.00% ** |

| | | Payable 2006 | | | Payable 2007 |
|-------|---|--------------|-------|---|--------------|
| Class | Real Property Description | Class Rate | Class | Real Property Description | Class Rate |
| 2b | Timberlands | 1.00% ** | 2b | Timberlands | 1.00% ** |
| 2b | Private Airports | 1.00% ** | 2b | Private Airports | 1.00% ** |
| 2b | Non-homestead agricultural land | 1.00% ** | 2b | Non-homestead agricultural land | 1.00% ** |
| 3a | Commercial-Industrial and public utility | | 3a | Commercial-Industrial and public utility | |
| | first \$150,000 | 1.50% * | | first \$150,000 | 1.50% * |
| | over \$150,000 | 2.00% * | | over \$150,000 | 2.00% * |
| 3a | Public Utility Machinery | | 3a | Public Utility Machinery | |
| | Electric generating public utility machinery | 2.00% | | Electric generating public utility machinery | 2.00% |
| 3a | All other public utility machinery | 2.00% * | 3a | All other public utility machinery | 2.00% * |
| 3a | Real property owned in fee by a utility for transmission line right-of-way | 2.00% * | 3a | Real property owned in fee by a utility for transmission line right-of-way | 2.00% * |
| 3b | Employment property | | 3b | Employment property | |
| | border city: | | | border city: | |
| | first \$150,000 | 1.50% * | | first \$150,000 | 1.50% * |
| | over \$150,000 | 2.00% * | | over \$150,000 | 2.00% * |
| 4a | Rental housing | | 4a | Rental housing | |
| | four or more units, including private for-profit hospitals | 1.25% | | four or more units, including private for-profit hospitals | 1.25% |
| 4b(1) | Residential non-homestead one to three units that does not qualify for class 4bb | 1.25% | 4b(1) | Residential non-homestead one to three units that does not qualify for class 4bb | 1.25% |

| <u>Class</u> | <u>Real Property Description</u> | <u>Payable 2006 Class Rate</u> | <u>Class</u> | <u>Real Property Description</u> | <u>Payable 2007 Class Rate</u> |
|-----------------------------------|--|------------------------------------|-----------------------------------|--|------------------------------------|
| Rental housing (continued) | | | Rental housing (continued) | | |
| 4b(2) | Unclassified manufactured homes | 1.25% | 4b(2) | Unclassified manufactured homes | 1.25% |
| 4b(3) | Farm non-homestead containing more than one residence but fewer than four along with the garage and one acre | 1.25% | 4b(3) | Farm non-homestead containing more than one residence but fewer than four along with the acre(s) and garage(s) | 1.25% |
| 4b(4) | Residential non-homestead not containing a structure | 1.25% | 4b(4) | Residential non-homestead not containing a structure | 1.25% |
| 4bb(1) | Residential non-homestead single unit | | 4bb(1) | Residential non-homestead single unit | |
| | first \$500,000 | 1.00% | | first \$500,000 | 1.00% |
| | over \$500,000 | 1.25% | | over \$500,000 | 1.25% |
| 4bb(2) | Single house, garage and 1st acre on ag non-homestead land | | 4bb(2) | Single house, garage and 1st acre on ag non-homestead land | |
| | first \$500,000 | 1.00% | | first \$500,000 | 1.00% |
| | over \$500,000 | 1.25% | | over \$500,000 | 1.25% |
| 4c(1) | Seasonal recreational residential | | 4c(1) | Seasonal residential recreational | |
| | commercial | | | commercial | |
| | first \$500,000 | 1.00% * | | first \$500,000 | 1.00% * |
| | over \$500,000 | 1.25% * | | over \$500,000 | 1.25% * |
| | non-commercial | | | non-commercial | |
| | first \$500,000 | 1.00% * ** | | first \$500,000 | 1.00% * ** |
| | over \$500,000 | 1.25% * ** | | over \$500,000 | 1.25% * ** |
| 4c(2) | Qualifying golf courses | 1.25% | 4c(2) | Qualifying golf courses | 1.25% |
| 4c(3) | Nonprofit community service oriented organization | 1.50% | 4c(3) | Nonprofit community service oriented organization | 1.50% |
| 4c(4) | Post secondary student housing | 1.00% ** | 4c(4) | Post secondary student housing | 1.00% ** |

| Payable 2006 | | | Payable 2007 | | |
|--------------|---|------------|--------------|---|------------|
| Class | Real Property Description | Class Rate | Class | Real Property Description | Class Rate |
| 4c(5) | Manufactured home parks | 1.25% | 4c(5) | Manufactured home parks | 1.25% |
| 4c(6) | Metro non-profit recreational property | 1.25% | 4c(6) | Metro non-profit recreational property | 1.25% |
| 4c(7) | Certain leased or privately owned non-commercial aircraft storage hangars (includes land) : on leased land | 1.50% | 4c(7) | Certain leased or privately owned non-commercial aircraft storage hangars (includes land) : on leased land | 1.50% |
| 4c(8) | Certain leased or privately owned non-commercial aircraft storage hangars (includes land) : on private land | 1.50% | 4c(8) | Certain leased or privately owned non-commercial aircraft storage hangars (includes land) : on private land | 1.50% |
| 4c(9) | Bed and Breakfast up to 5 units | 1.25% | 4c(9) | Bed and Breakfast up to 5 units | 1.25% |
| 4d | Qualifying low income - land and buildings | 0.75% | 4d | Qualifying low income - land and buildings | 0.75% |
| 5(1) | Unmined iron ore | 2.00% * | 5(1) | Unmined iron ore | 2.00% * |
| 5(1) | Low recovery iron ore | 2.00% * | 5(1) | Low recovery iron ore | 2.00% * |
| 5(2) | All other property not included in any other class | 2.00% | 5(2) | All other property not included in any other class | 2.00% |

* Subject to the state general property tax.

NOTE: For purposes of the state general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure:

| | |
|----------------------|-------|
| First \$76,000 | 0.40% |
| \$76,000 — \$500,000 | 1.00% |
| Over \$500,000 | 1.25% |

In addition to the state tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the state general property tax (MSP International Airport and Holman Field in St.Paul are exempt under this provision).

** Exempt from referendum market value based taxes.

| | |
|---|--|
| Name of Program: | Reinvest in Minnesota (RIM) |
| State or Federal Program: | State. |
| Administered By: | Minnesota Board of Water and Soil Resources (BWSR); Soil and Water Conservation Districts (SWCD). |
| Contact for Additional Information: | www.bwsr.state.mn.us; Minnesota Statutes, Section 103F.501 to 103F.531 |
| Local Program Administrator: | Local Soil and Water Conservation Districts (SWCD). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | One year before application. Must be owned by the applicant or the parent of the applicant, or blood relative of the applicant for at least one year before the date of application. Authorized farm corporations and authorized farm partnerships must provide proof they are registered with the Minnesota Department of Agriculture. Non-profit organizations are not eligible to convey a RIM easement to the state. |
| Enrollment Process: | Easement with state. |
| Length of Enrollment in Program: | 20 or more years with priority given to perpetual. Note: In the Minnesota CREP II Landowner Bill of Rights, it states: "...any RIM easement may be altered, released or terminated. Minnesota Administrative Rule 8400.3610 allows the Minnesota Board of Water and Soil Resources (BWSR) in consultation with Minnesota commissioners of Agriculture and Natural Resources, to alter, release or terminate a RIM Easement if BWSR determines that the public interest and general welfare are better served by doing so..." |
| Selection Process For Applications -- Competitive (Bids) or Non-Competitive (No Bids): | Competitive; Based on local and state environmental priorities. |
| Minimum Acreage Enrolled: | Five acres or whole field as defined by USDA Farm Services Agency (FSA). <i>(Exceptions to five acre requirement are: living snow fence, agricultural woodlot, riparian lands, restorable wetlands, or abandoned building site – no structures allowed in easement area.)</i> |
| Payment Options: | Lump sum at time of enrollment or 10 equal payments. |
| Payment Rate: | For perpetual easement: For land with a crop history – 90 percent of the assessor’s township average market value; For land with no crop history – 60 percent of the assessor’s township average market value. For limited duration easement: Land with a crop history – 60 percent of the assessor’s township average market value; For land with no crop history – 40 percent of the assessor’s township average market value. |
| Crop History Requirement: | Two of the most recent five years. Cropland – at least two of the last five years. Other requirements for “introduced hay land” and “introduced pasture.” Exceptions made for drained wetlands, riparian lands, woodlots, abandoned building sites, and land on a hillside used for pasture. |
| Enrollment Can Include Non-Cropland: | Yes. |

| | |
|--|---|
| Site Requirement: | Environmentally sensitive areas suitable for riparian buffers, wetlands and other practices. |
| Site Must Be Physically Capable to Crop at Time of Enrollment: | Cropland – Yes; Others – No. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | Up to 100 percent – not to exceed various program maximums. |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Native grass prairie, native tree species, existing and restorable wetlands, introduced grass/legumes or a combination thereof. |
| Weed Control: | Landowner is responsible. |
| Haying and Grazing: | Requires BWSR approval and a drought emergency. |
| Recreational Use of Land: | Can be leased/rented. |
| Public Access: | Landowner controls. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Can be maintained as provided by state law. |
| Program Availability: | No acreage limit or expiration date indicated. |

| | |
|--|---|
| Name of Program: | Conservation Reserve Program (CRP) Regular Sign-up |
| State or Federal Program: | Federal. |
| Administered By: | USDA – Farm Service Agency (FSA); USDA – Natural Resources Conservation Service (NCRS). |
| Contact for Additional Information: | www.fsa.usda.gov ; www.bwsr.state.mn.us |
| Local Program Administrator: | USDA – Farm Services Agency (FSA); USDA – Natural Resources Conservation Service (NCRS). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | One year before application. Must be owned by the applicant for at least one year before the date of application unless the new owner acquired the land due to the previous owner’s death; or the ownership change occurred due to foreclosure where the owner exercised a timely right or redemption in accordance with state law; or the circumstances of the acquisition present adequate assurance to FSA that the new owner did not acquire the land for the purpose of placing it into CRP. |
| Enrollment Process: | Contract with USDA. |
| Length of Enrollment in Program: | 10 to 15 years. |
| Selection Process For | Competitive; Based on Environmental Benefits Index (EBI) and cost. Each eligible |

| | |
|--|--|
| Applications – Competitive (Bids) or Non-Competitive (No Bids): | offer is ranked in comparison to all other offers and selections made from that ranking. FSA uses the following EBI factor to assess the environmental benefits for the land offered: wildlife habitat benefits resulting from covers on contract acreage; water quality benefits from reduced erosion, runoff, and leaching; on-farm benefits from reduced erosion; Benefits that will likely endure beyond the contract period; air quality benefits from reduced wind erosion; and cost. |
| Minimum Acreage Enrolled: | No minimum acreage listed. |
| Payment Options: | Annual Payments. |
| Payment Rate: | Based on soil rental rates <i>and</i> landowner bid. Farm Services Agency (FSA) bases rental rates on the relative production of the soils within each county and the average dry land cash rent or cash rent equivalent. Producers may offer land at that rate or offer a lower rental rate to increase the likelihood that their offer will be accepted. As a part of annual rental payments, FSA offers financial incentives of up to 20 percent of the soil rental rate for field windbreaks, grass waterways, filter strips, and riparian buffers. An additional 10 percent may be added to the soil rental rate for land located within EPA-designated wellhead protection areas. Maintenance Incentive Payments – CRP annual rental payments may include an additional amount up to \$5 per acre per year as an incentive to perform certain maintenance obligations. |
| | Additional Financial Incentives: Also as part of annual rental payments, FSA offers participants the following payment enhancements: An upfront signing incentive payment (CRP-SIP) up to \$100 per acre for eligible participants who enroll certain practices. The one-time SIP will be made after the contract is approved and all payment eligibility criteria are met; and a practice incentive payment (CRP-PIP) equal to 40 percent of the eligible installation costs for eligible participants who enroll certain practices. The one-time PIP will be issued after the practice is installed, eligible costs are verified, and other payment eligibility criteria are met. |
| Crop History Requirement: | Two of the most recent five years. Eligible Land – To be eligible for placement in CRP, the land must be either cropland (including field margins) or certain marginal pastureland that is enrolled in the Water Bank Program or suitable for use as a riparian buffer or for similar water quality purposes. Additional Cropland Requirements – In addition to the eligible land requirements, cropland must meet one of the following criteria: have a weighted average erosion index of 8 or higher; be expiring CRP acreage; or be located in a national or state CRP conservation priority area. |
| Enrollment Can Include Non-Cropland: | No. |
| Site Requirement: | Environmental Benefits Index (EBI) applied, |
| Site Must Be Physically Capable to Crop at Time of Enrollment: | Yes. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | 50 percent of total cost – up to practice limits. |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Introduced and native species. |

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| Weed Control: | Landowner is responsible. |
| Haying and Grazing: | Requires approval by the Secretary of Agriculture. |
| Recreational Use of Land: | If landowner requests, use may be approved by the FSA County Office Working group (COC). |
| Public Access: | Landowner controls. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Can be maintained as approved by the FSA County Office Working group (COC). |
| Program Availability: | Producers can offer land for CRP general sign-up enrollment <i>only</i> during designated sign-up periods. For information on upcoming sign-ups, contact local FSA office. |

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| Name of Program: | Conservation Reserve Program (CRP) Continuous |
| State or Federal Program: | Federal. |
| Administered By: | USDA - Farm Service Agency (FSA); USDA - Natural Resources Conservation Service (NCRS). |
| Contact for Additional Information: | www.fsa.usda.gov ; www.bwsr.state.mn.us |
| Local Program Administrator: | USDA - Farm Services Agency (FSA). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | One year before application. Must be owned by the applicant for at least one year before the date of application unless the new owner acquired the land due to the previous owner's death; or the ownership change occurred due to foreclosure where the owner exercised a timely right or redemption in accordance with state law; or the circumstances of the acquisition present adequate assurance to FSA that the new owner did not acquire the land for the purpose of placing it into CRP. |
| Enrollment Process: | Contract with USDA. |
| Length of Enrollment in Program: | 10 to 15 years. |
| Selection Process For Applications -- Competitive (Bids) or Non-Competitive (No Bids): | Non-competitive; Enrolled if meets ownership, crop history and site requirement is met. |
| Minimum Acreage Enrolled: | No minimum acreage listed. |
| Payment Options: | Annual payments. |
| Payment Rate: | Based on soil rental rate plus an incentive for certain conservation practices. Farm Services Agency (FSA) bases rental rates on the relative production of the soils within each county and the average dry land cash rent or cash rent equivalent. As a part of annual rental payments, FSA offers financial incentives of up to 20 percent of the soil rental rate for field windbreaks, grass waterways, filter strips and riparian |

buffers. An additional 10 percent may be added to the soil rental rate for land located within EPA-designated wellhead protection areas. Maintenance Incentive Payments – CRP annual rental payments may include an additional amount up to \$5 per acre per year as an incentive to perform certain maintenance obligations.

Additional Financial Incentives:

Also as part of annual rental payments, FSA offers participants the following payment enhancements: An upfront signing incentive payment (CRP-SIP) up to \$100 per acre for eligible participants who enroll certain practices. The one-time SIP will be made after the contract is approved and all payment eligibility criteria are met; and a practice incentive payment (CRP-PIP) equal to 40 percent of the eligible installation costs for eligible participants who enroll certain practices. The one-time PIP will be issued after the practice is installed, eligible costs are verified, and other payment eligibility criteria are met.

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| Crop History Requirement: | Two of the most recent five years. Eligible Land – To be eligible for placement in CRP, the land must be either: Cropland (including field margins) or certain marginal pastureland that is enrolled in the Water Bank Program or suitable for use as a riparian buffer or for similar water quality purposes. Additional Cropland Requirements – In addition to the eligible land requirements, cropland must meet one of the following criteria: have a weighted average erosion index of 8 or higher; be expiring CRP acreage; or be located in a national or state CRP conservation priority area. |
| Enrollment Can Include Non-Cropland: | No, but marginal pasture meeting certain requirements can be enrolled. |
| Site Requirement: | Environmentally sensitive areas in Minnesota – limited to 100,000 acre maximum enrollment. Also, the land must be eligible and suitable for any of the following conservation practices: riparian buffers; wildlife habitat buffers; wetland buffers; filter strips; wetland restoration; grass waterways; shelterbelts; living snow fences; contour grass strips; salt tolerant vegetation; and shallow water areas for wildlife. |
| Site Must Be Physically Capable to Crop at Time of Enrollment: | Yes. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | 50 percent of total cost – up to practice limits. |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Introduced and native species. |
| Weed Control: | Landowner is responsible. |
| Haying and Grazing: | Requires approval by the Secretary of Agriculture. |
| Recreational Use of Land: | If landowner requests, use may be approved by the FSA County Office Working group (COC). |
| Public Access: | Landowner controls. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Can be maintained as approved by the FSA County Office Working group (COC). |

Program Availability: Environmentally desirable land devoted to conservation practices may be enrolled at any time under CRP continuous sign up. Certain eligibility requirements still apply, but offers are not subject to competitive.

Name of Program: **Conservation Reserve Enhancement Program (CREP)**

State or Federal Program: Federal and State Partnership.

Administered By: USDA – Farm Service Agency (FSA); USDA – Natural Resources Conservation Service (NCRS); Minnesota Board of Water and Soil Resources (BWSR); Soil and Water Conservation Districts (SWCD).

Contact for Additional Information: www.fsa.usda.gov; www.bwsr.state.mn.us

Local Program Administrator: Local Soil and Water Conservation Districts (SWCD).

Voluntary Program? Yes.

Ownership Requirements: One year before application. With same exceptions as CRP.

Enrollment Process: 15-year CRP contract with USDA with a RIM easement of 20 years or more with state.

Length of Enrollment in Program: RIM easement of 20 or more years beyond the 15-year CRP contract with priority given to perpetual easements. Total may be 35 years, 50 years, or perpetual.

Selection Process for Applications – Competitive (Bids) or Non-Competitive (no Bids): Non-competitive – Enrolled if land meets ownership, crop history and site requirements are met AND the landowner enrolls in a perpetual easement. Competitive – if landowner does not enroll in a perpetual easement.

Minimum Acreage Enrolled: No minimum acreage listed.

Payment Options: Annual CRP payments plus a signing bonus (RIM payment) at time of easement conveyance.

Payment Rate: CRP based on soil rental rates plus a 20 percent incentive for conservation practices plus \$5 per acre for maintenance PLUS signing bonus (RIM payment). RIM payment: CRP annual payment (excluding incentive and maintenance) times 15 times 40 percent. Rate adjusted for limited duration easements.

Crop History Requirement: Two of the most recent five years. Eligible Land – To be eligible for placement in CRP, the land must be either: cropland (including field margins) or certain marginal pastureland that is enrolled in the Water Bank Program or suitable for use as a riparian buffer or for similar water quality purposes. Additional Cropland Requirements – In addition to the eligible land requirements, cropland must meet one of the following criteria: have a weighted average erosion index of 8 or higher; be expiring CRP acreage; or be located in a national or state CRP conservation priority area.

Enrollment Can Include Non-Cropland: No, but marginal pasture meeting certain requirements can be enrolled.

Site Requirement: Environmental sensitive areas: suitable for riparian buffers, wetland, and other practices.

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| Site Must Be Physically Capable to Crop at Time of Enrollment: | Yes. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | 50 percent cost – Fed CRP; 50 percent costs – State RIM; Total not to exceed 100 percent of cost. |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Native grass prairie, native tree species, and introduced grass/legumes or a combination thereof. |
| Weed Control: | Landowner is responsible. |
| Haying and Grazing: | Requires approval by the Secretary of Agriculture and BWSR approval. |
| Recreational Use of Land: | For CRP contract, if landowner requests, use may be approved by FSA County Office Working group (COC). For RIM easement, can be leased/rented. |
| Public Access: | Landowner controls. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Can be maintained as approved by the FSA County Office Working group (COC) and by state law. |
| Program Availability: | No longer available for new sign-ups (program set up for 100,000 acre maximum enrollment or September 30, 2002 – whichever occurred first). |

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| Name of Program: | Conservation Reserve Enhancement Program (CREP II) |
| State or Federal Program: | Federal and State Partnership. |
| Administered By: | USDA - Farm Service Agency (FSA); USDA - Natural Resources Conservation Service (NCRS); Minnesota Board of Water and Soil Resources (BWSR); Soil and Water Conservation Districts (SWCD). |
| Contact for Additional Information: | www.fsa.usda.gov ; www.bwsr.state.mn.us |
| Local Program Administrator: | Local Soil and Water Conservation Districts (SWCD). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | One year before application. With same exceptions as CRP. |
| Enrollment Process: | 14- or 15-year CRP contract with USDA with a 45-year <i>or</i> perpetual RIM easement with the state. |
| Length of Enrollment in Program: | 14 or 15 Year CRP contract <i>plus</i> a RIM easement of 30 years (starts after completion of CRP contract) <i>or</i> a perpetual RIM easement. Note: Certain acres in southeastern Minnesota will be allowed to enroll in CREP II (CRP contract without the RIM easement). |
| Selection Process For Applications -- Competitive (Bids) or Non-Competitive (No | Non-competitive – if enrollment criteria are met. |

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| Bids): | |
| Minimum Acreage Enrolled: | If application is for 80 or more acres, SWCD must review the application. |
| Payment Options: | CRP Annual – equal payments. |
| Payment Rate: | CRP based on soil rental rates for cropland plus 30 percent incentive <i>plus</i> maximum maintenance allowance (\$5.00). Note: acreage non-feasible to crop not eligible for 30 percent incentive. |
| Crop History Requirement: | Two of the most recent five years. Eligible land – To be eligible for placement in CRP, the land must be either cropland (including field margins) or certain marginal pastureland that is enrolled in the Water Bank Program or suitable for use as a riparian buffer or for similar water quality purposes. Additional cropland requirements – In addition to the eligible land requirements, cropland must meet one of the following criteria: have a weighted average erosion index of 8 or higher; be expiring CRP acreage; or be located in a national or state CRP conservation priority area. |
| Enrollment Can Include Non-Cropland: | No, but marginal pasture can be enrolled. |
| Site Requirement: | Environmental sensitive areas in Minnesota identified as follows: The Missouri and Des Moines River Watershed (SW) and the Red River Watershed (NW). Also, the land must be eligible under the following guidelines: 8,195 acres in sensitive ground water area; 61,897 acres of riparian buffers; 24,000 acres of restored wetlands; 5,000 acres of restored flood-damaged land; 18,058 acres of highly erodible cropland with an Erodibility Index (EI) of 15 or higher; 2,850 acres of highly erodible cropland with an Erodibility Index (EI) of 8 or higher. |
| Site Must Be Physically Capable to Crop at Time of Enrollment: | Yes. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | 50 percent cost – Fed CRP; 50 percent costs – State RIM; Total not to exceed 100 percent of cost. |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Native grass prairie, native tree species, and introduced grass/legumes or a combination thereof. |
| Weed Control: | Landowner is responsible. |
| Haying and Grazing: | Requires approval by the Secretary of Agriculture and BWSR approval. |
| Recreational Use of Land: | For CRP contract, if landowner requests, use may be approved by FSA County Office Working group (COC). For RIM easement, can be leased/rented. |
| Public Access: | Landowner controls. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Can be maintained as approved by the FSA County Office Working group (COC) and by state law. |
| Program Availability: | June 6, 2005 through December 31, 2007 <i>or</i> 120,000 acres - whichever occurs first. Note: Acreage breakdown as follows – 51,000 acres in Red River Watershed (NW Minnesota). |

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| Name of Program: | Permanent Wetlands Preserve (PWP) |
| State or Federal Program: | State. |
| Administered By: | Minnesota Board of Water and Soil Resources (BWSR); Soil and Water Conservation Districts (SWCD). |
| Contact for Additional Information: | www.bwsr.state.mn.us |
| Local Program Administrator: | Local Soil and Water Conservation Districts (SWCD). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | One year before application. Must be owned by the applicant or the parent of the applicant, or blood relative of the applicant for at least one year before the date of application. Authorized farm corporations and authorized farm partnerships must provide proof they are registered with the Minnesota Department of Agriculture. Non-profit organizations are not eligible to convey a RIM easement to the state. |
| Enrollment Process: | Easement with state. |
| Length of Enrollment in Program: | Perpetual. |
| Selection Process For Applications – Competitive (Bids) or Non-Competitive (No Bids): | Non-competitive – if enrollment criteria are met. |
| Minimum Acreage Enrolled: | Five acres in an unincorporated area; 2.5 acres in incorporated area; <i>or</i> must be a whole field as defined by the Farm Service Agency (FSA); <i>or</i> must be a whole tax parcel as identified by the local assessor. |
| Payment Options: | Lump Sum Payment. |
| Payment Rate: | <p>Non-metro: Cropped wetlands: 90 percent of assessor’s township average market value. All other wetlands: 50 percent of assessor’s township average market value. Cropped adjacent uplands: 90 percent of assessor’s township average market value. Non-cropped adjacent uplands: 60 percent of assessor’s township average market value.</p> <p>Metro: Non-Ag Land: Cropped wetlands: 20 percent of assessor’s township average market value. All other wetlands: 50 percent of assessor’s township average market value. Cropped adjacent uplands: 60 percent of assessor’s township average market value. Non-cropped adjacent uplands: 60 percent of assessor’s township average market value.</p> <p>Ag Land: (At least 50 percent of easement area is devoted for use as pasture or hay land, or the production of horticultural, row, close grown, introduced pasture, introduced hay land crops, and growing nursery crops.) Cropped wetlands: 90 percent of assessor’s township average market value. All other wetlands: 50 percent of assessor’s township average market value. Cropped adjacent uplands: 90 percent of assessor’s township average market value. Non-cropped adjacent uplands: 60 percent of assessor’s township average market value.</p> |
| Crop History Requirement: | Cropland – at least two of the last five years. Other requirements for “introduced |

hay land” and “introduced pasture.”

Enrollment Can Include Non-Cropland:

Yes.

Site Requirement:

Lands containing type 1, 2, 3 or 6 wetlands, as determined in US Fish and Wildlife Circular #39. Wetland basins that are: highly susceptible to alteration; farmed wetlands (types 1 and 2 with crop history); not protected by state or federal laws (e.g. Wetland Conservation Act (WCA), Public Waters Wetlands, Swamp Buster, etc.); at low risk of being negatively impacted by activities on adjacent parcels not enrolled in the program. Note: The easement area can include up to four acres of upland for each acre of eligible wetland. SWCD has the authority to adopt policies that restrict the number of uplands acres enrolled as an easement area to a ratio of less than 4:1. Wetlands identified on the Department of Natural Resources (DNR) Public Waters Inventory are eligible for enrollment and compensation.

Site Must Be Physically Capable to Crop at Time of Enrollment:

No.

Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration):

None Listed.

Vegetative Cover Practices (Vegetative and Wetland Restoration):

Not specified.

Weed Control:

Landowner is responsible.

Haying and Grazing:

Requires BWSR approval and a drought emergency.

Recreational Use of Land:

Can be leased/rented.

Public Access:

Landowner controls.

Property Taxes:

Landowner is responsible.

Maintenance of Drainage Systems:

Not Addressed.

Program Availability:

Need to contact local SWCD office.

Name of Program:

Wetlands Reserve Program (WRP)

State or Federal Program:

Federal.

Administered By:

USDA - Natural Resources Conservation Service (NCRS).

Contact for Additional Information:

www.nrcs.usda.gov/programs/wrp

Local Program Administrator:

Local Soil and Water Conservation Districts (SWCD).

Voluntary Program?

Yes.

Ownership Requirements:

One year before application. Must be owned by the applicant for at least one year before the date of the application unless: the new owner acquired the land due to the

previous owner's death (inherited); the ownership change occurred due to foreclosure where the owner exercised a timely right of redemption in accordance with state law; or the circumstances of the acquisition present adequate assurance to NRCS that the new owner did not acquire the land for the purpose of placing it WRP.

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| Enrollment Process: | Easement with USDA or a Restoration Cost-Share Agreement |
| Length of Enrollment in Program: | Easements are 30 years or perpetual. Restoration Cost-Share Agreements are generally a minimum of 10 years. |
| Selection Process For Applications -- Competitive (Bids) or Non-Competitive (No Bids): | Non-competitive – if enrollment criteria are met. |
| Minimum Acreage Enrolled: | No minimum acreage listed. |
| Payment Options: | Lump sum or no less than five and no more than 30 annual payments. |
| Payment Rate: | Permanent Easement: Easement payments for this option are the lowest of three amounts: the agricultural value of the land, an established payment cap, or an amount offered by the landowner. 30-year easement: Payment is 75 percent of the amount allowed for a permanent easement. Restoration Cost-Sharing Agreement: 75 percent of the cost of restoration. Note: For easements: USDA pays all recording fees, charges for abstracts, cost for survey, appraisal fees, and title insurance cost. |
| Crop History Requirement: | When required, two of most recent five years. |
| Enrollment Can Include Non-Cropland: | Yes. |
| Site Requirement: | To be eligible for WRP, land must be restorable and be suitable for wildlife benefits. This includes: wetlands farmed under natural conditions; farmed wetlands; prior converted cropland; farmed wetland pasture; farmland that has become wetland as a result of flooding; range land, pasture, or production forest land where the hydrology has been significantly degraded and can be restored; riparian areas which link protected wetlands; lands adjacent to protected wetlands that contribute significantly to wetland functions and values; and previously restored wetlands that need long-term protection. Ineligible land: Wetlands converted after December 23, 1985; lands with timber stands established under a Conservation Reserve Program (CRP) contract; Federal lands; and lands where conditions make restoration impossible. |
| Site Must Be Physically Capable to Crop at Time of Enrollment: | No. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | Permanent Easement: 100 percent of cost of restoration; 30-year easement: 75 percent of cost of restoration; Restoration Cost-Share Agreement: 75 percent of cost of restoration. |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Native grass prairie, native tree species, and introduced grass/legumes or a combination thereof. |
| Weed Control: | Landowner controls. |

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| Haying and Grazing: | Requires USDA - NRCS approval. |
| Recreational Use of Land: | Can be leased/rented. |
| Public Access: | Landowner controls. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Can be maintained as approved by the County Office Working group (COC). |
| Program Availability: | Continuous sign-up allowed. |

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| Name of Program: | Wetlands Reserve Easement Program (WREP) |
| State or Federal Program: | Federal and State partnership. |
| Administered By: | USDA – Natural Resources Conservation Service (NRCS); Minnesota Board of Water and Soil Resources (BWSR). |
| Contact for Additional Information: | www.nrcs.usda.gov ; www.bwsr.state.mn.us |
| Local Program Administrator: | USDA – Farm Services Agency (FSA). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | One year before application. Must be owned by the applicant for at least one year before the date of the application unless: the new owner acquired the land due to the previous owner’s death (inherited); the ownership change occurred due to foreclosure where the owner exercised a timely right of redemption in accordance with state law; or the circumstances of the acquisition present adequate assurance to NRCS that the new owner did not acquire the land for the purpose of placing it WRP. |
| Enrollment Process: | 30 year contract with USDA then an easement with state. |
| Length of Enrollment in Program: | Easements are 30 years or perpetual. Restoration Cost-Share Agreements are generally a minimum of 10 years. |
| Selection Process For Applications – Competitive (Bids) or Non-Competitive (No Bids): | Non-competitive – if enrollment criteria are met. |
| Minimum Acreage Enrolled: | No minimum acreage listed. |
| Payment Options: | Payments are specific to each program. |
| Payment Rate: | Higher of either WRP or RIM program payments. |
| Crop History Requirement: | When required, two of most recent five years |
| Enrollment Can Include Non-Cropland: | Yes. |
| Site Requirement: | WREP is a program with a maximum acreage in Minnesota of 7,250 acres. The acreage breakdown allowed is as follows: 3,000 acres in the five Presidentially- |

declared flood disaster counties of Dodge, Faribault, Freeborn, Mower, and Steele; 1,750 acres along the Red River of the North main stem; 1,500 acres in the Buffalo-Red River Watershed in NW Minnesota; 1,000 acres in the Grand Marais Creek Sub watershed in NW Minnesota and meet the eligibility criteria.

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| Site Must Be Physically Capable to Crop at Time of Enrollment: | Yes. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | WRP – 75 percent of total cost not to exceed program maximums. RIM – Remainder of total cost not to exceed program maximums. |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Native grass prairie, native tree species, and introduced grass/legumes or a combination thereof. |
| Weed Control: | Landowner is responsible. |
| Haying and Grazing: | First 30 years requires USDA approval, thereafter requires BWSR approval and a drought emergency. |
| Recreational Use of Land: | Can be leased/rented. |
| Public Access: | Landowner Controls. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Can be maintained as approved by the County Office Working group (COC). |
| Program Availability: | Continuous sign-up allowed. |

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| Name of Program: | Emergency Wetlands Reserves Program (EWRP) |
| State or Federal Program: | Federal. |
| Administered By: | USDA - Natural Resources Conservation Service (NCRS). |
| Contact for Additional Information: | www.fsa.usda.gov ; www.nrcs.usda.gov/programs/farmbill/ |
| Local Program Administrator: | USDA – Farm Services Agency (FSA). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | One year before application. |
| Enrollment Process: | Contract with USDA. |
| Length of Enrollment in Program: | Perpetual. |
| Selection Process For Applications -- Competitive (Bids) or Non-Competitive (No Bids): | Non-competitive – if enrollment criteria are met. |

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| Minimum Acreage Enrolled: | No minimum acreage listed. |
| Payment Options: | Lump sum payment. |
| Payment Rate: | Landowner could choose from a list of approved appraisers and USDA will pay appraised value. |
| Crop History Requirement: | When required, two of most recent five years. |
| Enrollment Can Include Non-Cropland: | Yes. |
| Site Requirement: | Floodable lands (predominately used in 1993 and 1997 floods). |
| Site Must Be Physically Capable to Crop at Time of Enrollment: | Yes. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | Up to 100 percent of cost – not to exceed program maximums. |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Native grass prairie, native tree species, and introduced grass/legumes or a combination thereof. |
| Weed Control: | Landowner is responsible. |
| Haying and Grazing: | Requires USDA approval. |
| Recreational Use of Land: | Can be leased/rented. |
| Public Access: | Landowner controls. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Can be maintained as approved by the County Office Working group (COC) |
| Program Availability: | No new signup allowed. |

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| Name of Program: | Wildlife Habitat Incentives Program |
| State or Federal Program: | Federal. |
| Administered By: | USDA – Natural Resources Conservation Service (NCRS). |
| Contact for Additional Information: | www.nrcs.usda.gov |
| Local Program Administrator: | Soil and Water Conservation Districts (SWCD); USDA – Natural Resources Conservation Service (NCRS). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | An entity* must own or have control of the land to be enrolled in the program for the duration of the program. |

*Entity must meet the income requirement – the average adjusted gross income for last three years must be less than \$2.5 million. Exemption given to income requirement if at least 75 percent of the adjusted gross income is derived from farming, ranching or forestry operations.

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| Enrollment Process: | Contract with USDA (NCRS). |
| Length of Enrollment in Program: | Standard – five to 10 years. 15 years. |
| Selection Process For Applications – Competitive (Bids) or Non-Competitive (No Bids): | Landowner submits an application – awarded on ranking of habitat priority. |
| Minimum Acreage Enrolled: | No minimum acreage listed. |
| Payment Options: | Strictly a cost-sharing program. |
| Payment Rate: | Greater assistance given to agreements of 15 years. |
| Crop History Requirement: | Not specified. |
| Enrollment Can Include Non-Cropland: | Not specified. |
| Site Requirement: | Not specified. |
| Site Must Be Physically Capable to Crop at Time of Enrollment: | Not specified. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | Cost-sharing varies based on length of enrollment in program. |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Not specified. |
| Weed Control: | Not specified. |
| Haying and Grazing: | Not specified. |
| Recreational Use of Land: | Not specified. |
| Public Access: | Landowner controls. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Not specified. |
| Program Availability: | No expiration date specified. |

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| Name of Program: | US Fish and Wildlife |
| State or Federal Program: | Federal. |
| Administered By: | |
| Contact for Additional Information: | www.fws.gov/refuges/faqs |
| Local Program Administrator: | US Fish and Wildlife Service (FWS). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | Prior to easement. |
| Enrollment Process: | Contact US Fish and Wildlife Service (FWS). |
| Length of Enrollment in Program: | US FWS may purchase fee title, easement or lease property. If fee simple, seller may retain mineral interests. If easement, it may restrict usage for a given amount of time or into perpetuity. If leased, a lease may involve a partial or full possession of the land for a specified period of time for a specified rent. At the end of the specified period of time, full possession of the land returns to the owner. Note: wetland easements are all perpetual. |
| Selection Process For Applications -- Competitive (Bids) or Non-Competitive (No Bids): | Non-competitive. |
| Minimum Acreage Enrolled: | Not specified. |
| Payment Options: | Not specified. |
| Payment Rate: | Varies with program. |
| Crop History Requirement: | Per US FWS standards. |
| Enrollment Can Include Non-Cropland: | Yes. |
| Site Requirement: | For conservation, recreational, wildlife purposes on wetlands, wildlife habitat, highly erodible land and upland. |
| Site Must Be Physically Capable to Crop at Time of Enrollment: | No. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | Not specified. |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Not specified. |
| Weed Control: | Landowner is responsible. |
| Haying and Grazing: | Depends on program. |

Recreational Use of Land:

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| Public Access: | Landowner controls. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Drainage not allowed. |
| Program Availability: | Continuous. |

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| Name of Program: | Native Prairie Program |
| State or Federal Program: | State. |
| Administered By: | |
| Contact for Additional Information: | www.dnr.state.mn.us |
| Local Program Administrator: | Minnesota Department of Natural Resources (DNR). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | Must have title – No time requirement. |
| Enrollment Process: | Easement with State – Minnesota Department of Natural Resources (DNR). |
| Length of Enrollment in Program: | Perpetual. |
| Selection Process For Applications – Competitive (Bids) or Non-Competitive (No Bids): | A ranking system based upon the quality, plant species, and location in relation to other tracts. |
| Minimum Acreage Enrolled: | No minimum acreage listed. |
| Payment Options: | Lump sum, but may be paid in installments over four years. |
| Payment Rate: | 58.5 percent of average cropland assessed value per acre. |
| Crop History Requirement: | Must not have been tilled. |
| Enrollment Can Include Non-Cropland: | Mostly non-tillable in program; some tillable allowed. |
| Site Requirement: | Must have an established native prairie plant population in accordance with DNR county classification. |
| Site Must Be Physically Capable to Crop at Time of Enrollment: | No. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | None. |

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| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Native prairie plant species. |
| Weed Control: | Landowner is responsible. |
| Haying and Grazing: | May be hayed, grazed, or native prairie seeds harvested on a rotating basis as per maintenance agreement with DNR. |
| Recreational Use of Land: | Allowable provided <i>no motorized vehicles are used</i> . |
| Public Access: | Controlled by DNR for public education, nature observation, and research purposes. |
| Property Taxes: | Landowner is responsible. Some parts may qualify for Native Prairie tax exemption. |
| Maintenance of Drainage Systems: | Must be “natural” drainage system. |
| Program Availability: | No expiration date specified. |

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| Name of Program: | Water Bank |
| State or Federal Program: | State. |
| Administered By: | |
| Contact for Additional Information: | www.dnr.state.mn.us; MS. 103F.601 |
| Local Program Administrator: | Minnesota Department of Natural Resources (DNR). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | Private or Commissioner of Natural Resources may acquire. |
| Enrollment Process: | No longer funded. |
| Length of Enrollment in Program: | 10 to 20 years or perpetual. |
| Selection Process For Applications -- Competitive (Bids) or Non-Competitive (No Bids): | Non-competitive. |
| Minimum Acreage Enrolled: | Not specified. |
| Payment Options: | Lump sum or 10 installments. |
| Payment Rate: | Permanent easement: Lump sum equal to 50 percent of average equalized Estimated Market Value of cropland in township. Limited duration easement: Lump sum equal to 65 percent of the permanent value alternative based on cash rent. |
| Crop History Requirement: | Meet criteria as established by USDA/FDA standards. |

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| Enrollment Can Include Non-Cropland: | Yes. |
| Site Requirement: | Land for protecting natural, scenic or open space values of real property. |
| Site Must Be Physically Capable to Crop at Time of Enrollment: | No. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | Not Specified |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Not specified. |
| Weed Control: | Landowner is responsible. |
| Haying and Grazing: | Not allowed. |
| Recreational Use of Land: | Can be leased/rented. |
| Public Access: | Landowner controls. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Drainage not allowed. |
| Program Availability: | No new signup allowed. |

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| Name of Program: | Wetland Banking |
| State or Federal Program: | State. |
| Administered By: | |
| Contact for Additional Information: | www.dnr.state.mn.us |
| Local Program Administrator: | Minnesota Department of Natural Resources (DNR). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | Prior to restoring or creating wetland banks. |
| Enrollment Process: | Contract starts with SWCD. |
| Length of Enrollment in Program: | Perpetual – unless withdrawn within five years of enrollment in bank. |
| Selection Process For Applications – Competitive (Bids) or Non-Competitive (No Bids): | Non-competitive. |

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| Minimum Acreage Enrolled: | Not specified. |
| Payment Options: | Depends on location where the “credit” is being banked. Private sale – you pay to have it banked. Bank Credits for Public Use (e.g. roads and development). State will pay three installments to landowner. |
| Payment Rate: | Value of wetland credits value will vary depending on location in state. |
| Crop History Requirement: | When required, crop rotation seeding in six of the last ten years. |
| Enrollment Can Include Non-Cropland: | Yes – as buffers. |
| Site Requirement: | Restored or created wetland or adjacent upland buffer. |
| Site Must Be Physically Capable to Crop at Time of Enrollment: | No. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | For Private Ownership: 100 percent of cost. Property owner must state in writing that wetland was not restored with assistance from a public or private wetlands restoration fund – if it is banked privately. For Public: They can help create and restore the wetland as part of the payment. |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Can harvest the seeds of native vegetation without motorized vehicles. |
| Weed Control: | Landowner is responsible. |
| Haying and Grazing: | Requires “bank” permission. |
| Recreational Use of Land: | With owner’s permission – no motorized vehicles allowed. |
| Public Access: | May be hunted within law and with permission of owner. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Can be maintained as provide by law. |
| Program Availability: | Continuous. |

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| Name of Program: | Wetland Mitigation Banking |
| State or Federal Program: | State. |
| Administered By: | |
| Contact for Additional Information: | www.dnr.state.mn.us |
| Local Program Administrator: | Minnesota Department of Natural Resources (DNR). |
| Voluntary Program? | Yes. |
| Ownership Requirements: | Prior to “Banking.” Must make application prior to restoring or creating a wetland. |

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| Enrollment Process: | Start with SWCD. |
| Length of Enrollment in Program: | Perpetual – will be monitored for 15 years. |
| Selection Process For Applications -- Competitive (Bids) or Non-Competitive (No Bids): | Non-competitive. |
| Minimum Acreage Enrolled: | Not specified. |
| Payment Options: | Not specified. |
| Payment Rate: | Area market rate will prevail. |
| Crop History Requirement: | USDA/FDA standards. |
| Enrollment Can Include Non-Cropland: | Yes – provided uplands and/or prairie lands are also included. |
| Site Requirement: | Wetlands and buffers. |
| Site Must Be Physically Capable to Crop at Time of Enrollment: | No. |
| Cost-share For Perennial Vegetative Cover Practices (Vegetative and Wetland Restoration): | Government may share in cost to develop wetland plan. |
| Vegetative Cover Practices (Vegetative and Wetland Restoration): | Can have a mowing regimen and harvesting of seeds as approved by program. Must have a management plan for first 5 years in program. |
| Weed Control: | Landowner is responsible. |
| Haying and Grazing: | Not allowed. |
| Recreational Use of Land: | With owner’s permission. |
| Public Access: | Landowner controls. |
| Property Taxes: | Landowner is responsible. |
| Maintenance of Drainage Systems: | Can be maintained as provide by law. |
| Program Availability: | Continuous. |