

# Minnesota's Property Tax Programs for Agricultural and Rural Lands

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This publication summarizes current programs designed to give preferential property tax treatment to certain agricultural and rural property.

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## Green Acres and Rural Preserves

### Green Acres

The Green Acres program, formally called the Minnesota Agricultural Property Tax Law, allows eligible agricultural property to be taxed at a value less than its full market value. Under Green Acres, when the market value of agricultural property is influenced by other potential uses of the property, such as residential or commercial development, or for recreational purposes, the assessor is required to value the property based only on its agricultural value. For taxes payable in 2021, 58 of the state's 87 counties had acreage enrolled in Green Acres, encompassing 12.1 percent of the productive agricultural acres in the state.

Each year, the property taxes for an enrolled property are based on the property's agricultural value, and most special assessments are deferred. The county assessor and auditor also determine what the property taxes would be based on the property's full market value (based on its "highest and best use") and record that information on the property's record. When property is withdrawn from the program or is no longer eligible, the landowner must pay back-taxes equal to the difference in taxes based on the property's full market value and taxes based on the property's agricultural value, for the current year and the two previous years. All deferred special assessments plus interest must also be paid back. When enrolled property is sold or transferred, it may be reenrolled by the new owner if it continues to qualify, and no back-taxes or special assessments are due at the time of the transfer.

Land must be at least ten acres in size, currently in agricultural production (cropland or pasture land), and meet certain ownership requirements to be eligible for enrollment in the Green Acres program.

### Rural Preserves

Nonproductive rural vacant land is not eligible for Green Acres. However, some rural vacant land is instead eligible for the Rural Preserves program. The land must either be part of an agricultural homestead which has at least a portion of its land enrolled in Green Acres, or it must have been enrolled in Green Acres prior to 2008.<sup>1</sup> Rural Preserve land must be valued for tax purposes no higher than the average value for productive agricultural land in the county. As with Green Acres, back-taxes are due when the property is withdrawn from the program equal to three years of the difference between the taxes based on market value and the taxes based on "rural preserve" value.

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<sup>1</sup> Prior to 2008, rural vacant land was able to qualify for Green Acres. Law changes in 2008, 2009, and 2010 limited the Green Acres program to property in agricultural production only.

## Determining agricultural value for Green Acres and Rural Preserves

Each year, the Department of Revenue (DOR) determines a tillable acreage base value for each participating county based on sales of agricultural properties in areas of the state least affected by nonagricultural influences. The base values are scaled to reflect the productivity of tillable acreage in the county compared to productivity in other areas of the state. The county assessor then assigns values to Green Acres properties in the county using the base values assigned by DOR.

## Other Programs for Rural Lands

### Metro Agricultural Preserves

The Metropolitan Agricultural Preserves program operates in the seven-county metro area and works similarly to Green Acres. Taxes are based only on the agricultural value of the property. But unlike Green Acres, under this program: (1) the local government must designate the area for long-term agricultural use; (2) the landowner must sign a covenant pledging that the land will be used only for agriculture for at least eight years; (3) most special assessments are prohibited; (4) participating landowners receive a small property tax credit to further reduce the taxes; and (5) no back-taxes are due at the time of withdrawal. There are other nonfinancial benefits as well, related to issues of land use.

### Agricultural Land Preservation Program

A similar program called the Agricultural Land Preservation Program exists in greater Minnesota. Only three counties (Waseca, Winona, and Wright) currently participate. The program differs from the other programs in that taxes are based on full market value rather than a reduced agricultural value, but landowners receive a property tax credit of \$1.50 per acre. As with the Metro Agricultural Preserves program, landowners must sign a restrictive covenant agreeing to continue using the land as agricultural property. Many of the nonfinancial benefits available in the Metro program also apply.



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