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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **681**

February 5, 2007

Authored by Sviggum

The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to property tax; excluding agricultural property from the tax base
1.3 for school bonded debt levies; providing for valuation of agricultural land
1.4 based on production value for property tax purposes; appropriating money;
1.5 amending Minnesota Statutes 2006, sections 123B.53, subdivision 5; 126C.01,
1.6 by adding subdivisions; 127A.48, subdivision 3; 273.111, subdivision 4; 275.08,
1.7 subdivision 1b; 473H.10, subdivision 2; proposing coding for new law in
1.8 Minnesota Statutes, chapter 273.

1.9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.10 Section 1. Minnesota Statutes 2006, section 123B.53, subdivision 5, is amended to read:

1.11 Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a
1.12 district equals the sum of the first tier equalized debt service levy and the second tier
1.13 equalized debt service levy.

1.14 (b) A district's first tier equalized debt service levy equals the district's first tier debt
1.15 service equalization revenue times the lesser of one or the ratio of:

1.16 (1) the quotient derived by dividing the adjusted school capital net tax capacity of
1.17 the district for the year before the year the levy is certified by the adjusted pupil units in
1.18 the district for the school year ending in the year prior to the year the levy is certified; to

1.19 (2) \$3,200.

1.20 (c) A district's second tier equalized debt service levy equals the district's second tier
1.21 debt service equalization revenue times the lesser of one or the ratio of:

1.22 (1) the quotient derived by dividing the adjusted school capital net tax capacity of
1.23 the district for the year before the year the levy is certified by the adjusted pupil units in
1.24 the district for the school year ending in the year prior to the year the levy is certified; to

1.25 (2) \$8,000.

2.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
 2.2 thereafter.

2.3 Sec. 2. Minnesota Statutes 2006, section 126C.01, is amended by adding a subdivision
 2.4 to read:

2.5 Subd. 2a. **School capital net tax capacity.** "School capital net tax capacity"
 2.6 means the net tax capacity as otherwise defined under section 273.13, excluding the tax
 2.7 capacity attributable to agricultural land and buildings or timberland under class 2a or
 2.8 2b. This exclusion does not apply to the house, garage, and one acre of an agricultural
 2.9 homestead under class 2a.

2.10 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
 2.11 thereafter.

2.12 Sec. 3. Minnesota Statutes 2006, section 126C.01, is amended by adding a subdivision
 2.13 to read:

2.14 Subd. 2b. **Adjusted school capital net tax capacity.** "Adjusted school capital net
 2.15 tax capacity" means the school capital net tax capacity defined under subdivision 2a as
 2.16 adjusted by the commissioner of revenue under section 127A.48.

2.17 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
 2.18 thereafter.

2.19 Sec. 4. Minnesota Statutes 2006, section 127A.48, subdivision 3, is amended to read:

2.20 Subd. 3. **Agricultural lands.** ~~For purposes of determining~~ The adjusted net tax
 2.21 ~~capacity of agricultural lands for the calculation of adjusted net tax capacities, the market~~
 2.22 ~~value of agricultural lands must be the price for which the property would sell in an~~
 2.23 ~~arm's-length transaction~~ valued under section 273.114 shall be equal to the net tax capacity.

2.24 **EFFECTIVE DATE.** This section is effective for assessment year 2009 and
 2.25 thereafter.

2.26 Sec. 5. Minnesota Statutes 2006, section 273.111, subdivision 4, is amended to read:

2.27 Subd. 4. **Determination of value.** ~~Notwithstanding sections 272.03, subdivision~~
 2.28 8, and 273.11, the value of any real estate described in subdivision 3 shall upon timely
 2.29 application by the owner, in the manner provided in subdivision 8, be determined solely
 2.30 with reference to its appropriate agricultural classification and value ~~notwithstanding~~
 2.31 ~~sections 272.03, subdivision 8, and 273.11. In determining the value for ad valorem tax~~

3.1 ~~purposes, the assessor shall use sales data for agricultural lands located outside the seven~~
 3.2 ~~metropolitan counties having similar soil types, number of degree days, and other similar~~
 3.3 ~~agricultural characteristics. Furthermore, the assessor shall not consider any added values~~
 3.4 ~~resulting from nonagricultural factors under section 273.114, subdivision 1.~~

3.5 **EFFECTIVE DATE.** This section is effective for assessment year 2009, taxes
 3.6 payable in 2010, and thereafter.

3.7 **Sec. 6. [273.113] PRODUCTION VALUE OF AGRICULTURAL LAND.**

3.8 Subdivision 1. **State Board of Agricultural Land Valuation.** The State Board of
 3.9 Agricultural Land Valuation is hereby created. The board shall consist of the commissioner
 3.10 of revenue, the commissioner of agriculture, and the dean of the University of Minnesota
 3.11 College of Agricultural, Food and Environmental Sciences. The commissioner of revenue
 3.12 shall serve as chairperson of the board. The board shall meet at the times and locations it
 3.13 considers necessary.

3.14 Subd. 2. **Valuation system based on agricultural productivity.** (a) By January
 3.15 1, 2009, the board shall develop a system for valuing agricultural land throughout the
 3.16 state based on the productive capacity of the land, current agricultural commodity prices,
 3.17 current costs of inputs to agricultural production, and a reasonable return on investment.
 3.18 The system shall make use of data and other information it deems valid and necessary to
 3.19 produce a valuation schedule that fairly values agricultural land for its production value
 3.20 throughout the state. The board may provide for the development of productivity measures
 3.21 that it deems necessary due to the inadequacy of existing measures, either statewide or
 3.22 in certain areas within the state where current data is not adequate. At its discretion, the
 3.23 board may choose to limit its scope to the valuation of tillable land only.

3.24 (b) The valuation system must be developed in consultation with county assessors,
 3.25 who are responsible for implementing the system within their respective counties.

3.26 (c) Once the board has adopted a preliminary system for valuing agricultural land
 3.27 across the state based on productivity, it must conduct at least four public hearings
 3.28 throughout the state to educate the public about the system and to gather public input
 3.29 about the valuation of agricultural property.

3.30 Subd. 3. **Appropriation.** \$..... is appropriated to the board in fiscal year 2008 to
 3.31 implement the provisions of this section. All or a portion of that amount may be carried
 3.32 over to the succeeding fiscal year.

3.33 **EFFECTIVE DATE.** This section is effective July 1, 2007.

4.1 Sec. 7. **[273.114] VALUATION OF AGRICULTURAL PROPERTY.**

4.2 Subdivision 1. **Production value.** Each year, the assessor shall assign each parcel of
 4.3 agricultural property a production value based on the agricultural productivity valuation
 4.4 system developed under section 273.113. The assessor shall separately estimate the value
 4.5 of any structures and of land not included in the productivity valuation system and add
 4.6 that value to the value of the lands that are included in the productivity valuation system.

4.7 Subd. 2. **Acquisition value.** Each year, the assessor shall determine an agricultural
 4.8 property's acquisition value as the acquisition price of the property at the time of the most
 4.9 recent sale or transfer. Properties that have not been transferred since January 1, 2002,
 4.10 shall be considered to have an acquisition value of \$0.

4.11 Subd. 3. **Taxable value.** Notwithstanding the provisions of section 273.11,
 4.12 subdivision 1, the assessor shall annually determine the taxable value for each parcel
 4.13 of agricultural property as the greater of: (i) its production value determined under
 4.14 subdivision 1, or (ii) its acquisition value determined under subdivision 2.

4.15 **EFFECTIVE DATE.** This section is effective for assessment year 2009, taxes
 4.16 payable in 2010, and thereafter.

4.17 Sec. 8. Minnesota Statutes 2006, section 275.08, subdivision 1b, is amended to read:

4.18 Subd. 1b. **Computation of tax rates.** (a) The amounts certified to be levied against
 4.19 net tax capacity under section 275.07 by an individual local government unit shall be
 4.20 divided by the total net tax capacity of all taxable properties within the local government
 4.21 unit's taxing jurisdiction. The resulting ratio, the local government's local tax rate,
 4.22 multiplied by each property's net tax capacity shall be each property's net tax capacity tax
 4.23 for that local government unit before reduction by any credits.

4.24 (b) Any amount certified to the county auditor to be levied against school capital
 4.25 net tax capacity shall be divided by the total school capital net tax capacity of all taxable
 4.26 properties within the school district. The resulting ratio, the school district's school
 4.27 capital tax rate, multiplied by each property's school capital net tax capacity shall be
 4.28 each property's school capital tax before reduction by any credits. For the purposes of
 4.29 this subdivision, "school capital net tax capacity" means the value as defined in section
 4.30 126C.01, subdivision 2a.

4.31 (c) Any amount certified to the county auditor to be levied against market value shall
 4.32 be divided by the total referendum market value of all taxable properties within the taxing
 4.33 district. The resulting ratio, the taxing district's new referendum tax rate, multiplied by
 4.34 each property's referendum market value shall be each property's new referendum tax

5.1 before reduction by any credits. For the purposes of this subdivision, "referendum market
5.2 value" means the market value as defined in section 126C.01, subdivision 3.

5.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008 and
5.4 thereafter.

5.5 Sec. 9. Minnesota Statutes 2006, section 473H.10, subdivision 2, is amended to read:

5.6 Subd. 2. **No nonagricultural factors.** Notwithstanding sections 272.03, subdivision
5.7 8, and 273.11, all land classified agricultural and in agricultural use, exclusive of buildings,
5.8 shall be valued solely with reference to its appropriate agricultural classification and value;
5.9 notwithstanding sections 272.03, subdivision 8, and 273.11. In determining the value for
5.10 ad valorem tax purposes the assessor shall not consider any added values resulting from
5.11 nonagricultural factors under section 273.114, subdivision 1.

5.12 **EFFECTIVE DATE.** This section is effective for assessment year 2009, taxes
5.13 payable in 2010, and thereafter.