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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-FIFTH  
SESSION

**HOUSE FILE No. 848**

February 12, 2007

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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 taxation; eliminating a distance limitation for agricultural homesteads;  
1.3 increasing the agricultural market value homestead credit; reducing the class  
1.4 rate for agricultural homesteads; amending Minnesota Statutes 2006, sections  
1.5 273.124, subdivision 14; 273.13, subdivision 23; 273.1384, subdivision 2.

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

1.7 Section 1. Minnesota Statutes 2006, section 273.124, subdivision 14, is amended to  
1.8 read:

1.9 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than  
1.10 ten acres that is the homestead of its owner must be classified as class 2a under section  
1.11 273.13, subdivision 23, paragraph (a), if:

1.12 (1) the parcel on which the house is located is contiguous on at least two sides to (i)  
1.13 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife  
1.14 Service, or (iii) land administered by the Department of Natural Resources on which in  
1.15 lieu taxes are paid under sections 477A.11 to 477A.14;

1.16 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least  
1.17 20 acres;

1.18 (3) the noncontiguous land is located not farther than four townships or cities, or a  
1.19 combination of townships or cities from the homestead; and

1.20 (4) the agricultural use value of the noncontiguous land and farm buildings is equal  
1.21 to at least 50 percent of the market value of the house, garage, and one acre of land.

1.22 Homesteads initially classified as class 2a under the provisions of this paragraph shall  
1.23 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining  
1.24 properties, as long as the homestead remains under the same ownership, the owner owns a  
1.25 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use

2.1 value qualifies under clause (4). Homestead classification under this paragraph is limited  
2.2 to property that qualified under this paragraph for the 1998 assessment.

2.3 (b)(i) Agricultural property consisting of at least 40 acres shall be classified as the  
2.4 owner's homestead, to the same extent as other agricultural homestead property, if all  
2.5 of the following criteria are met:

2.6 (1) the owner, the owner's spouse, the son or daughter of the owner or owner's  
2.7 spouse, or the grandson or granddaughter of the owner or the owner's spouse, is actively  
2.8 farming the agricultural property, either on the person's own behalf as an individual or  
2.9 on behalf of a partnership operating a family farm, family farm corporation, joint family  
2.10 farm venture, or limited liability company of which the person is a partner, shareholder, or  
2.11 member;

2.12 (2) both the owner of the agricultural property and the person who is actively  
2.13 farming the agricultural property under clause (1), are Minnesota residents; and

2.14 (3) neither the owner nor the spouse of the owner claims another agricultural  
2.15 homestead in Minnesota; ~~and.~~

2.16 ~~(4) neither the owner nor the person actively farming the property lives farther  
2.17 than four townships or cities, or a combination of four townships or cities, from the  
2.18 agricultural property, except that if the owner or the owner's spouse is required to live in  
2.19 employer-provided housing, the owner or owner's spouse, whichever is actively farming  
2.20 the agricultural property, may live more than four townships or cities, or combination of  
2.21 four townships or cities from the agricultural property.~~

2.22 The relationship under this paragraph may be either by blood or marriage.

2.23 (ii) Real property held by a trustee under a trust is eligible for agricultural homestead  
2.24 classification under this paragraph if the qualifications in clause (i) are met, except that  
2.25 "owner" means the grantor of the trust.

2.26 (iii) Property containing the residence of an owner who owns qualified property  
2.27 under clause (i) shall be classified as part of the owner's agricultural homestead, if that  
2.28 property is also used for noncommercial storage or drying of agricultural crops.

2.29 (c) Noncontiguous land shall be included as part of a homestead under section  
2.30 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a  
2.31 ~~and the detached land is located in the same township or city, or not farther than four  
2.32 townships or cities or combination thereof from the homestead.~~ Any taxpayer of these  
2.33 noncontiguous lands must notify the county assessor that the noncontiguous land is part of  
2.34 the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer  
2.35 must also notify the assessor of the other county.

3.1 (d) Agricultural land used for purposes of a homestead and actively farmed by a  
3.2 person holding a vested remainder interest in it must be classified as a homestead under  
3.3 section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a,  
3.4 any other dwellings on the land used for purposes of a homestead by persons holding  
3.5 vested remainder interests who are actively engaged in farming the property, and up to  
3.6 one acre of the land surrounding each homestead and reasonably necessary for the use of  
3.7 the dwelling as a home, must also be assessed class 2a.

3.8 (e) Agricultural land and buildings that were class 2a homestead property under  
3.9 section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain  
3.10 classified as agricultural homesteads for subsequent assessments if:

3.11 (1) the property owner abandoned the homestead dwelling located on the agricultural  
3.12 homestead as a result of the April 1997 floods;

3.13 (2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman,  
3.14 or Wilkin;

3.15 (3) the agricultural land and buildings remain under the same ownership for the  
3.16 current assessment year as existed for the 1997 assessment year and continue to be used  
3.17 for agricultural purposes;

3.18 (4) the dwelling occupied by the owner is located in Minnesota and is within 30  
3.19 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

3.20 (5) the owner notifies the county assessor that the relocation was due to the 1997  
3.21 floods, and the owner furnishes the assessor any information deemed necessary by the  
3.22 assessor in verifying the change in dwelling. Further notifications to the assessor are not  
3.23 required if the property continues to meet all the requirements in this paragraph and any  
3.24 dwellings on the agricultural land remain uninhabited.

3.25 (f) Agricultural land and buildings that were class 2a homestead property under  
3.26 section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain  
3.27 classified agricultural homesteads for subsequent assessments if:

3.28 (1) the property owner abandoned the homestead dwelling located on the agricultural  
3.29 homestead as a result of damage caused by a March 29, 1998, tornado;

3.30 (2) the property is located in the county of Blue Earth, Brown, Cottonwood,  
3.31 LeSueur, Nicollet, Nobles, or Rice;

3.32 (3) the agricultural land and buildings remain under the same ownership for the  
3.33 current assessment year as existed for the 1998 assessment year;

3.34 (4) the dwelling occupied by the owner is located in this state and is within 50 miles  
3.35 of one of the parcels of agricultural land that is owned by the taxpayer; and

4.1 (5) the owner notifies the county assessor that the relocation was due to a March 29,  
 4.2 1998, tornado, and the owner furnishes the assessor any information deemed necessary by  
 4.3 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the  
 4.4 owner must notify the assessor by December 1, 1998. Further notifications to the assessor  
 4.5 are not required if the property continues to meet all the requirements in this paragraph  
 4.6 and any dwellings on the agricultural land remain uninhabited.

4.7 (g) Agricultural property consisting of at least 40 acres of a family farm corporation,  
 4.8 joint family farm venture, family farm limited liability company, or partnership operating  
 4.9 a family farm as described under subdivision 8 shall be classified homestead, to the same  
 4.10 extent as other agricultural homestead property, if all of the following criteria are met:

4.11 (1) a shareholder, member, or partner of that entity is actively farming the  
 4.12 agricultural property;

4.13 (2) that shareholder, member, or partner who is actively farming the agricultural  
 4.14 property is a Minnesota resident; and

4.15 (3) neither that shareholder, member, or partner, nor the spouse of that shareholder,  
 4.16 member, or partner claims another agricultural homestead in Minnesota; ~~and~~.

4.17 ~~(4) that shareholder, member, or partner does not live farther than four townships or~~  
 4.18 ~~cities, or a combination of four townships or cities, from the agricultural property.~~

4.19 Homestead treatment applies under this paragraph for property leased to a family  
 4.20 farm corporation, joint farm venture, limited liability company, or partnership operating a  
 4.21 family farm if legal title to the property is in the name of an individual who is a member,  
 4.22 shareholder, or partner in the entity.

4.23 (h) To be eligible for the special agricultural homestead under this subdivision, an  
 4.24 initial full application must be submitted to the county assessor where the property is  
 4.25 located. Owners and the persons who are actively farming the property shall be required  
 4.26 to complete only a one-page abbreviated version of the application in each subsequent  
 4.27 year provided that none of the following items have changed since the initial application:

4.28 (1) the day-to-day operation, administration, and financial risks remain the same;

4.29 (2) the owners and the persons actively farming the property ~~continue to live within~~  
 4.30 ~~the four townships or city criteria and~~ are Minnesota residents;

4.31 (3) the same operator of the agricultural property is listed with the Farm Service  
 4.32 Agency;

4.33 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

4.34 (5) the property's acreage is unchanged; and

4.35 (6) none of the property's acres have been enrolled in a federal or state farm program  
 4.36 since the initial application.

5.1 The owners and any persons who are actively farming the property must include  
 5.2 the appropriate Social Security numbers, and sign and date the application. If any of the  
 5.3 specified information has changed since the full application was filed, the owner must  
 5.4 notify the assessor, and must complete a new application to determine if the property  
 5.5 continues to qualify for the special agricultural homestead. The commissioner of revenue  
 5.6 shall prepare a standard reapplication form for use by the assessors.

5.7 **EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable  
 5.8 in 2008, and thereafter.

5.9 Sec. 2. Minnesota Statutes 2006, section 273.13, subdivision 23, is amended to read:

5.10 Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any  
 5.11 improvements that is homesteaded. The market value of the house and garage and  
 5.12 immediately surrounding one acre of land has the same class rates as class 1a property  
 5.13 under subdivision 22. The value of the remaining land including improvements up to the  
 5.14 first tier valuation limit of agricultural homestead property has a net class rate of ~~0.55~~ 0.5  
 5.15 percent of market value. The remaining property over the first tier has a class rate of one  
 5.16 percent of market value. For purposes of this subdivision, the "first tier valuation limit of  
 5.17 agricultural homestead property" and "first tier" means the limit certified under section  
 5.18 273.11, subdivision 23.

5.19 (b) Class 2b property is (1) real estate, rural in character and used exclusively for  
 5.20 growing trees for timber, lumber, and wood and wood products; (2) real estate that  
 5.21 is not improved with a structure and is used exclusively for growing trees for timber,  
 5.22 lumber, and wood and wood products, if the owner has participated or is participating in  
 5.23 a cost-sharing program for afforestation, reforestation, or timber stand improvement on  
 5.24 that particular property, administered or coordinated by the commissioner of natural  
 5.25 resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or  
 5.26 public access area of a privately owned public use airport. Class 2b property has a net  
 5.27 class rate of one percent of market value.

5.28 (c) Agricultural land as used in this section means contiguous acreage of ten acres or  
 5.29 more, used during the preceding year for agricultural purposes. "Agricultural purposes" as  
 5.30 used in this section means the raising or cultivation of agricultural products. "Agricultural  
 5.31 purposes" also includes enrollment in the Reinvest in Minnesota program under sections  
 5.32 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public  
 5.33 Law 99-198 if the property was classified as agricultural (i) under this subdivision for  
 5.34 the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage  
 5.35 on the same parcel, or contiguous acreage on an immediately adjacent parcel under the

6.1 same ownership, may also qualify as agricultural land, but only if it is pasture, timber,  
6.2 waste, unusable wild land, or land included in state or federal farm programs. Agricultural  
6.3 classification for property shall be determined excluding the house, garage, and  
6.4 immediately surrounding one acre of land, and shall not be based upon the market value of  
6.5 any residential structures on the parcel or contiguous parcels under the same ownership.

6.6 (d) Real estate, excluding the house, garage, and immediately surrounding one acre  
6.7 of land, of less than ten acres which is exclusively and intensively used for raising or  
6.8 cultivating agricultural products, shall be considered as agricultural land.

6.9 Land shall be classified as agricultural even if all or a portion of the agricultural use  
6.10 of that property is the leasing to, or use by another person for agricultural purposes.

6.11 Classification under this subdivision is not determinative for qualifying under  
6.12 section 273.111.

6.13 The property classification under this section supersedes, for property tax purposes  
6.14 only, any locally administered agricultural policies or land use restrictions that define  
6.15 minimum or maximum farm acreage.

6.16 (e) The term "agricultural products" as used in this subdivision includes production  
6.17 for sale of:

6.18 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing  
6.19 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains,  
6.20 bees, and apiary products by the owner;

6.21 (2) fish bred for sale and consumption if the fish breeding occurs on land zoned  
6.22 for agricultural use;

6.23 (3) the commercial boarding of horses if the boarding is done in conjunction with  
6.24 raising or cultivating agricultural products as defined in clause (1);

6.25 (4) property which is owned and operated by nonprofit organizations used for  
6.26 equestrian activities, excluding racing;

6.27 (5) game birds and waterfowl bred and raised for use on a shooting preserve licensed  
6.28 under section 97A.115;

6.29 (6) insects primarily bred to be used as food for animals;

6.30 (7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood  
6.31 products; and

6.32 (8) maple syrup taken from trees grown by a person licensed by the Minnesota  
6.33 Department of Agriculture under chapter 28A as a food processor.

6.34 (f) If a parcel used for agricultural purposes is also used for commercial or industrial  
6.35 purposes, including but not limited to:

6.36 (1) wholesale and retail sales;

- 7.1 (2) processing of raw agricultural products or other goods;  
7.2 (3) warehousing or storage of processed goods; and  
7.3 (4) office facilities for the support of the activities enumerated in clauses (1), (2),  
7.4 and (3),

7.5 the assessor shall classify the part of the parcel used for agricultural purposes as class  
7.6 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its  
7.7 use. The grading, sorting, and packaging of raw agricultural products for first sale is  
7.8 considered an agricultural purpose. A greenhouse or other building where horticultural  
7.9 or nursery products are grown that is also used for the conduct of retail sales must be  
7.10 classified as agricultural if it is primarily used for the growing of horticultural or nursery  
7.11 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of  
7.12 those products. Use of a greenhouse or building only for the display of already grown  
7.13 horticultural or nursery products does not qualify as an agricultural purpose.

7.14 The assessor shall determine and list separately on the records the market value of  
7.15 the homestead dwelling and the one acre of land on which that dwelling is located. If any  
7.16 farm buildings or structures are located on this homesteaded acre of land, their market  
7.17 value shall not be included in this separate determination.

7.18 (g) To qualify for classification under paragraph (b), clause (4), a privately owned  
7.19 public use airport must be licensed as a public airport under section 360.018. For purposes  
7.20 of paragraph (b), clause (4), "landing area" means that part of a privately owned public use  
7.21 airport properly cleared, regularly maintained, and made available to the public for use by  
7.22 aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing  
7.23 or navigational aids. A landing area also includes land underlying both the primary surface  
7.24 and the approach surfaces that comply with all of the following:

7.25 (i) the land is properly cleared and regularly maintained for the primary purposes of  
7.26 the landing, taking off, and taxiing of aircraft; but that portion of the land that contains  
7.27 facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

7.28 (ii) the land is part of the airport property; and

7.29 (iii) the land is not used for commercial or residential purposes.

7.30 The land contained in a landing area under paragraph (b), clause (4), must be described  
7.31 and certified by the commissioner of transportation. The certification is effective until  
7.32 it is modified, or until the airport or landing area no longer meets the requirements of  
7.33 paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area"  
7.34 means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival  
7.35 and departure building in connection with the airport.

8.1 **EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable  
8.2 in 2008, and thereafter.

8.3 Sec. 3. Minnesota Statutes 2006, section 273.1384, subdivision 2, is amended to read:

8.4 Subd. 2. **Agricultural homestead market value credit.** Property classified as class  
8.5 2a agricultural homestead is eligible for an agricultural credit. The credit is computed  
8.6 using the property's agricultural credit market value, defined for this purpose as the  
8.7 property's class 2a market value excluding the market value of the house, garage, and  
8.8 immediately surrounding one acre of land. The credit is equal to 0.3 percent of the first  
8.9 ~~\$115,000~~ \$150,000 of the property's agricultural credit market value minus .05 percent of  
8.10 the property's agricultural credit market value in excess of ~~\$115,000~~ \$150,000, subject to a  
8.11 maximum reduction of \$115. In the case of property that is classified in part as class 2a  
8.12 agricultural homestead and in part as class 2b nonhomestead farm land solely because not  
8.13 all the owners occupy or farm the property, not all the owners have qualifying relatives  
8.14 occupying or farming the property, or solely because not all the spouses of owners occupy  
8.15 the property, the credit must be initially computed as if that nonhomestead agricultural  
8.16 land was also classified as class 2a agricultural homestead and then prorated to the  
8.17 owner-occupant's percentage of ownership.

8.18 **EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable  
8.19 in 2008, and thereafter.