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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

**EIGHTY-FIFTH  
SESSION**

**HOUSE FILE No. 1900**

March 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; providing a reduced class rate for certain property bordering  
1.3 public waters; amending Minnesota Statutes 2006, section 273.13, subdivision  
1.4 23.

1.5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:**

1.6 Section 1. Minnesota Statutes 2006, section 273.13, subdivision 23, is amended to read:

1.7 Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any  
1.8 improvements that is homesteaded. The market value of the house and garage and  
1.9 immediately surrounding one acre of land has the same class rates as class 1a property  
1.10 under subdivision 22. The value of the remaining land including improvements up to  
1.11 the first tier valuation limit of agricultural homestead property has a net class rate of  
1.12 0.55 percent of market value. The remaining property over the first tier has a class rate  
1.13 of one percent of market value. For purposes of this subdivision, the "first tier valuation  
1.14 limit of agricultural homestead property" and "first tier" means the limit certified under  
1.15 section 273.11, subdivision 23.

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

2.1 (c) Agricultural land as used in this section means contiguous acreage of ten acres or  
2.2 more, used during the preceding year for agricultural purposes. "Agricultural purposes" as  
2.3 used in this section means the raising or cultivation of agricultural products. "Agricultural  
2.4 purposes" also includes enrollment in the Reinvest in Minnesota program under sections  
2.5 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public  
2.6 Law 99-198 if the property was classified as agricultural (i) under this subdivision for  
2.7 the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage  
2.8 on the same parcel, or contiguous acreage on an immediately adjacent parcel under the  
2.9 same ownership, may also qualify as agricultural land, but only if it is pasture, timber,  
2.10 waste, unusable wild land, or land included in state or federal farm programs. Agricultural  
2.11 classification for property shall be determined excluding the house, garage, and  
2.12 immediately surrounding one acre of land, and shall not be based upon the market value of  
2.13 any residential structures on the parcel or contiguous parcels under the same ownership.

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

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

2.19 Classification under this subdivision is not determinative for qualifying under  
2.20 section 273.111.

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

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

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

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

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

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

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

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

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

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

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

3.8 (1) wholesale and retail sales;

3.9 (2) processing of raw agricultural products or other goods;

3.10 (3) warehousing or storage of processed goods; and

3.11 (4) office facilities for the support of the activities enumerated in clauses (1), (2),  
3.12 and (3),

3.13 the assessor shall classify the part of the parcel used for agricultural purposes as class  
3.14 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its  
3.15 use. The grading, sorting, and packaging of raw agricultural products for first sale is  
3.16 considered an agricultural purpose. A greenhouse or other building where horticultural  
3.17 or nursery products are grown that is also used for the conduct of retail sales must be  
3.18 classified as agricultural if it is primarily used for the growing of horticultural or nursery  
3.19 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of  
3.20 those products. Use of a greenhouse or building only for the display of already grown  
3.21 horticultural or nursery products does not qualify as an agricultural purpose.

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

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

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

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

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

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

4.8 (h) Class 2c property consists of any parcel or contiguous parcels of unimproved  
4.9 real estate, excluding agricultural land classified under this subdivision, that meets all  
4.10 the criteria in clauses (1) to (5):

4.11 (1) the property consists of at least 200 contiguous feet of unimproved shoreline on  
4.12 water basin with a shoreland classification as defined in section 103G.005, subdivision 15,  
4.13 paragraph (a), clause (1);

4.14 (2) the unimproved shoreline is located within 400 feet from the ordinary high water  
4.15 elevation of the water basin. For purposes of this clause, "unimproved" means that the  
4.16 property, or that portion of the property qualifying under this paragraph, contains no  
4.17 structures, that there are no docks or landings on its shoreline, and that the natural terrain  
4.18 and vegetation has not been disturbed or has been restored;

4.19 (3) the property is either (i) the homestead of the owner, or (ii) has been in possession  
4.20 of the owner, the owner's spouse, or the owner's or spouse's son or daughter for a period of  
4.21 at least seven years prior to application for benefits under this section;

4.22 (4) the owner files an application with the county assessor by July 1 for classification  
4.23 under this paragraph for the subsequent assessment year; and

4.24 (5) the owner of the property signs a covenant agreement that is filed with the  
4.25 county assessor and recorded in the county where the property is located. The covenant  
4.26 agreement must include all of the following:

4.27 (i) legal description of the area to which the covenant applies;

4.28 (ii) name and address of the owner;

4.29 (iii) a statement that the land described in the covenant must be kept as undeveloped  
4.30 land for the duration of the covenant;

4.31 (iv) a statement that the landowner may terminate the covenant agreement by  
4.32 notifying the county assessor in writing eight years in advance of the date of proposed  
4.33 termination;

4.34 (v) a statement that the covenant is binding on the owner or the owner's successor or  
4.35 assigns and runs with the land; and

5.1 (vi) a witnessed signature of the owner covenanting to keep the land in its  
5.2 undeveloped state as it existed on the date the covenant was signed.

5.3 Upon termination of a covenant agreement in clause (5), the property is subject to  
5.4 additional taxes. The amount of additional taxes due on the property equals the difference  
5.5 between the taxes actually levied and the taxes that would have been imposed if the  
5.6 property had been valued and classified as if class 2c did not apply. The additional taxes  
5.7 must be extended against the property on the tax list for the current year. No interest or  
5.8 penalties may be levied on the additional taxes if timely paid, and the additional taxes  
5.9 must be levied only with respect to the last seven years that the property was valued and  
5.10 assessed under this paragraph. For purposes of this paragraph, "timely paid" means paid  
5.11 (A) within 60 days after notification from the county that the property no longer qualifies,  
5.12 or (B) prior to the recording of the conveyance of the property, whichever is earlier.

5.13 The tax imposed under this paragraph is a lien on the property assessed to the same  
5.14 extent and for the same duration as other real property taxes. The tax must be extended by  
5.15 the county auditor and, when payable, be collected and distributed in the same manner  
5.16 provided by law for the collection and distribution of other property taxes.

5.17 Class 2c has a class rate of 0.6 percent of market value.

5.18 **EFFECTIVE DATE.** This section is effective for the 2007 assessment and  
5.19 thereafter, for taxes payable in 2008 and thereafter. For taxes payable in 2008, the date  
5.20 for filing an application with the county assessor under paragraph (h), clause (4), is  
5.21 September 1, 2007.