

This Document can be made available
in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **3795**

March 4, 2008

Authored by Hosch and Haws

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; property tax classification; amending Minnesota Statutes
1.3 2006, section 273.13, subdivisions 23, 33.

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

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

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

1.15 (b) Class 2b property is (1) unplatted real estate, rural in character ~~and used~~
1.16 ~~exclusively for growing trees for timber, lumber, and wood and wood products;~~ (2)
1.17 ~~real estate,~~ that is not improved with a structure ~~and is used exclusively for growing~~
1.18 ~~trees for timber, lumber, and wood and wood products, if the owner has participated or~~
1.19 ~~is participating in a cost-sharing program for afforestation, reforestation, or timber stand~~
1.20 ~~improvement on that particular property, administered or coordinated by the commissioner~~
1.21 ~~of natural resources;~~ (3) and that consists of at least ten acres, including land used for
1.22 growing trees for timber, lumber, and wood and wood products, but not including land
1.23 used for agricultural purposes as defined in paragraph (c), provided that the presence of a
1.24 minor, ancillary nonresidential structure as defined by the commissioner of revenue does

2.1 not disqualify property from classification under this clause and provided that any tax
2.2 parcel improved with a structure that is not a minor, ancillary nonresidential structure may
2.3 not be split-classified for the sole purpose of this classification unless the acreage assigned
2.4 to the split parcel with the structure is 20 acres; (2) real estate that is nonhomestead
2.5 agricultural land; or ~~(4)~~ (3) a landing area or public access area of a privately owned
2.6 public use airport. Class 2b property has a net class rate of one percent of market
2.7 value, except that property described in clause (1) has a net class rate of .55 percent if it
2.8 consists of not less than 20 contiguous acres but not more than 1,920 acres statewide per
2.9 taxpayer and is managed under a forest management plan that meets the requirements of
2.10 chapter 290C, but is not enrolled in the sustainable forest resource management incentive
2.11 program. To receive the reduced class rate, the owner of the property must apply to the
2.12 assessor and provide the information required by the assessor to verify that the property
2.13 qualifies for the reduced rate. The commissioner of natural resources must concur that the
2.14 land is qualified. The commissioner of natural resources shall annually provide county
2.15 assessors verification information on a timely basis. Parcels for which the preceding forest
2.16 management criteria have been met and which also meet the criteria described in clause
2.17 (1) shall be classified 2b if so requested by the landowner.

2.18 (c) Agricultural land as used in this section means contiguous acreage of ten acres or
2.19 more, used during the preceding year for agricultural purposes. "Agricultural purposes" as
2.20 used in this section means the raising or cultivation of agricultural products. "Agricultural
2.21 purposes" also includes enrollment in the Reinvest in Minnesota program under sections
2.22 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public
2.23 Law 99-198 if the property was classified as agricultural (i) under this subdivision for
2.24 the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage
2.25 on the same parcel, or contiguous acreage on an immediately adjacent parcel under the
2.26 same ownership, may also qualify as agricultural land, but only if it is pasture, timber,
2.27 waste, unusable wild land, or land included in state or federal farm programs. Agricultural
2.28 classification for property shall be determined excluding the house, garage, and
2.29 immediately surrounding one acre of land, and shall not be based upon the market value of
2.30 any residential structures on the parcel or contiguous parcels under the same ownership.

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

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

3.1 Classification under this subdivision is not determinative for qualifying under
3.2 section 273.111.

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

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

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

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

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

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

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

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

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

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

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

3.26 (1) wholesale and retail sales;

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

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

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

3.31 the assessor shall classify the part of the parcel used for agricultural purposes as class
3.32 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its
3.33 use. The grading, sorting, and packaging of raw agricultural products for first sale is
3.34 considered an agricultural purpose. A greenhouse or other building where horticultural
3.35 or nursery products are grown that is also used for the conduct of retail sales must be
3.36 classified as agricultural if it is primarily used for the growing of horticultural or nursery

4.1 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of
4.2 those products. Use of a greenhouse or building only for the display of already grown
4.3 horticultural or nursery products does not qualify as an agricultural purpose.

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

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

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

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

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

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

4.26 Sec. 2. Minnesota Statutes 2006, section 273.13, subdivision 33, is amended to read:

4.27 Subd. 33. **Classification of unimproved property.** (a) All real property that is not
4.28 improved with a structure must be classified according to its current use.

4.29 (b) Except as provided in subdivision 23, paragraph (b), clause (1), real property that
4.30 is not improved with a structure and for which there is no identifiable current use must be
4.31 classified according to its highest and best use permitted under the local zoning ordinance.
4.32 If the ordinance permits more than one use, the land must be classified according to the
4.33 highest and best use permitted under the ordinance. If no such ordinance exists, the
4.34 assessor shall consider the most likely potential use of the unimproved land based upon
4.35 the use made of surrounding land or land in proximity to the unimproved land.

- 5.1 **EFFECTIVE DATE.** This section is effective for assessment year 2008 and
- 5.2 thereafter, for taxes payable in 2009 and thereafter.