

# Green Acres (Minnesota Agricultural Property Tax Law)

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Property Tax Fact Sheet 5

Fact Sheet

The Green Acres Program provides property tax relief for owners of agricultural property in areas where the market value of land is being affected by development pressure, sales of recreational land, or other non-agricultural factors.

## The Green Acres Program



This fact sheet provides information to property owners who currently have land enrolled in Green Acres about the options available for their land. It also provides farm owners information about how to enroll their class 2a agricultural land into the program.

Minnesota law requires assessors to value property at its estimated market value. Estimated market value must reflect the use of the property that will bring the greatest economic return to the land (its “highest and best use”). For many farm properties, the highest and best use may be to develop the land for a residential or commercial use. The residential or commercial value of a property is typically significantly higher than that of farmland.

In the 1960s, the Legislature recognized that urban sprawl was causing valuation and tax increases that had the potential of forcing farmers off their land in certain situations. The Legislature developed a mechanism that allowed qualifying farmers to pay real estate taxes based upon the agricultural value of their land while deferring the higher property taxes attributable to the land’s value as residential or commercial property. This law, officially known as the Agricultural Property Tax law, is commonly referred to as Green Acres and is codified in Minnesota Statutes, section 273.111.

Only class 2a agricultural land can qualify for Green Acres. Class 2b rural vacant land that is part of a property enrolled in Green Acres may be eligible for enrollment in the Rural Preserve property tax program.

### How does Green Acres work?

For properties enrolled in Green Acres, taxes are calculated on both the estimated market value (higher value based on highest and best use) and the agricultural value (lower value).

The difference between the tax calculated on the agricultural market value and the estimated market value is deferred until the property is sold or no longer qualifies for the Green Acres program.

When the property is sold, transferred, or no longer qualifies, the deferred tax (the difference between the agricultural tax and the tax based on highest and best use) for the current tax payable year and the two prior years must be paid to the county.

### What about special local assessments?

Special local assessments may be deferred while the property qualifies for Green Acres. When the property is sold, transferred, or otherwise withdrawn from the program, all deferred special assessments are due.

### What is the “agricultural value” of a property?

Simply stated, the agricultural value of a property is its value when used for agricultural purposes. Unfortunately, it is difficult to find sales of agricultural property that are not affected by the non-agricultural factors such as development pressure or sales of recreational land. In an effort to develop statewide uniformity, the Legislature directed the Commissioner of Revenue to develop a fair method for determining the agricultural values for each county.

The Department of Revenue studied statewide sales of largely tillable agricultural property across the state in a time period that was relatively unaffected by non-agricultural market influences. Each county’s agricultural market was compared to the state’s purest agricultural market, and these relationships help determine the agricultural values that the individual counties use.

Each year, the Department of Revenue reviews current sales and calculates the counties’ base values that are used to determine agricultural values for all properties enrolled in Green Acres. The base value is adjusted for each county to determine the average tillable value per acre for that county. The county assessor then applies this average value to individual properties. The value may differ on each individual parcel due to quality of land, location, or other factors.

## How do I qualify?

Only property that is classified by the assessor as class 2a agricultural land is eligible for enrollment in the Green Acres program. The property must:

- be at least 10 acres in size or a nursery or greenhouse; and
- be primarily devoted to the production for sale of agricultural products.

If you have class 2b rural vacant land as a part of your farm homestead, it will not qualify for Green Acres tax deferral. However, it may be eligible to receive other benefits under the Rural Preserve Property Tax Program. Only lands engaged in the production of an agricultural product for sale will qualify for Green Acres. A description of agricultural land for property tax purposes can be found in Minnesota Statutes, section 273.13, subdivision 23. Your assessor will be able to assist you in determining which portions of your farm are considered agricultural and which are considered “rural vacant land.” Green Acres enrollment is limited to properties owned by individuals and certain family farm entities.

## Ownership Requirements:

To qualify for Green Acres, one of the following must apply:

- The property is the homestead of the owner, or the owner’s surviving spouse, child, or sibling or is farmed in conjunction with the homestead property.
- The property has been in possession of the applicant, the applicant's spouse, parent, or sibling (or any combination) for a period of at least seven years prior to application.
- The property is being farmed in conjunction with property within four townships or cities (or any combination) from property that has been in possession of the owner, the owner’s spouse, parent, or sibling (or any combination) for a period of at least seven years prior to application.
- The property is in possession of a nursery, greenhouse, or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations on the parcel or parcels.

## How do I apply?

Green Acres applications are made to the county assessor. Proper documentation to verify agricultural production must be submitted with the application.

Application forms are available at the county assessor’s office and must be filed by May 1 in order to receive consideration for the next taxes-payable year.

Your assessor may also require:

- an agricultural use verification form;
- proof by affidavit or otherwise that the property meets all requirements for qualification; and
- a copy of the appropriate schedule or form showing farm income has been included in the most recently filed federal income tax return of the applicant.

## What else should I know about Green Acres?

If a property enrolled in Green Acres is sold to another person who may qualify for continuation of the program, the new owner must apply to the county assessor within 30 days of the purchase.

If at any time you sell, transfer, subdivide, or otherwise withdraw your property (in part or in whole) from the Green Acres program, you will be responsible to pay back deferred taxes on the acreage withdrawn for the current year plus the two prior years. Once an entire parcel is withdrawn from Green Acres, you will also be responsible to pay any deferred special assessments plus any interest accrued.

**If you have further questions about your property or Green Acres, please contact your county assessor’s office.**