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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 4090

03/07/2022 Authored by Anderson, Novotny, Davids and Poston
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; making changes to agricultural homestead
1.3 determinations; amending Minnesota Statutes 2020, section 273.124, subdivision
1.4 8; Minnesota Statutes 2021 Supplement, section 273.124, subdivision 14.

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

1.6 Section 1. Minnesota Statutes 2020, section 273.124, subdivision 8, is amended to read:

1.7 Subd. 8. Homestead owned by or leased to family farm corporation, joint farm
1.8 venture, limited liability company, or partnership. (a) Each family farm corporation;
1.9 each joint family farm venture; and each limited liability company or partnership which
1.10 operates a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph
1.11 (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner
1.12 thereof who is residing on the land, and actively engaged in farming of the land owned by
1.13 the family farm corporation, joint family farm venture, limited liability company, or
1.14 partnership. Homestead treatment applies even if:

1.15 (1) legal title to the property is in the name of the family farm corporation, joint family
1.16 farm venture, limited liability company, or partnership, and not in the name of the person
1.17 residing on it; or

1.18 (2) the family farm is operated by a family farm corporation, joint family farm venture,
1.19 partnership, or limited liability company other than the family farm corporation, joint family
1.20 farm venture, partnership, or limited liability company that owns the land, provided that:

1.21 (i) the shareholder, member, or partner residing on and actively engaged in farming the
1.22 land is a shareholder, member, or partner of the family farm corporation, joint family farm
1.23 venture, partnership, or limited liability company that is operating the farm and;

2.1 (ii) more than half of the shareholders, members, or partners of each family farm
 2.2 corporation, joint family farm venture, partnership, or limited liability company are persons
 2.3 or spouses of persons who are a qualifying relative under section 273.124, subdivision 1,
 2.4 paragraphs (c) and (d).

2.5 "Family farm corporation," "family farm," and "partnership operating a family farm"
 2.6 have the meanings given in section 500.24, except that the number of allowable shareholders,
 2.7 members, or partners under this subdivision shall not exceed 12. "Limited liability company"
 2.8 has the meaning contained in sections 322C.0102, subdivision 12, and 500.24, subdivision
 2.9 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among
 2.10 two or more farm enterprises authorized to operate a family farm under section 500.24.

2.11 (b) In addition to property specified in paragraph (a), any other residences owned by
 2.12 family farm corporations, joint family farm ventures, limited liability companies, or
 2.13 partnerships described in paragraph (a) which are located on agricultural land and occupied
 2.14 as homesteads by its shareholders, members, or partners who are actively engaged in farming
 2.15 on behalf of that corporation, joint farm venture, limited liability company, or partnership
 2.16 must also be assessed as class 2a property or as class 1b property under section 273.13.

2.17 (c) Agricultural property that is owned by a member, partner, or shareholder of a family
 2.18 farm corporation or joint family farm venture, limited liability company operating a family
 2.19 farm, or by a partnership operating a family farm and leased to the family farm corporation,
 2.20 limited liability company, partnership, or joint farm venture, as defined in paragraph (a), is
 2.21 eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually
 2.22 residing on the property, and is actually engaged in farming the land on behalf of that
 2.23 corporation, joint farm venture, limited liability company, or partnership. This paragraph
 2.24 applies without regard to any legal possession rights of the family farm corporation, joint
 2.25 family farm venture, limited liability company, or partnership under the lease.

2.26 (d) ~~Nonhomestead~~ (1) Agricultural property that is owned by a family farm corporation,
 2.27 joint farm venture, limited liability company, or partnership; and located not farther than
 2.28 four townships or cities, or combination thereof, from agricultural land that is owned, and
 2.29 used for the purposes of a homestead by an individual who is a shareholder, member, or
 2.30 partner of the corporation, venture, company, or partnership; is eligible for classification
 2.31 as class 2a under section 273.13.

2.32 (2) Notwithstanding clause (1), the agricultural property that is owned by a family farm
 2.33 corporation, joint farm venture, limited liability company, or partnership; and located not
 2.34 farther than four townships or cities, or a combination thereof, from the agricultural land

3.1 that is owned, and used for the purposes of a homestead by an individual who is a
3.2 shareholder, member, or partner of the corporation, venture, company, or partnership, is
3.3 only entitled to receive the first tier homestead classification rate on any remaining market
3.4 value in the first homestead class tier that is in excess of the market value of the shareholder's,
3.5 member's, or partner's class 2 agricultural homestead property, if the owner, or someone
3.6 acting on the owner's behalf notifies the county assessor by July 1 that the property may be
3.7 eligible under this paragraph for the current assessment year, for taxes payable in the
3.8 following year. As used in this paragraph, "agricultural property" means property classified
3.9 as 2a under section 273.13, along with any contiguous property classified as 2b under section
3.10 273.13, if the contiguous 2a and 2b properties are under the same ownership.

3.11 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2023.

3.12 Sec. 2. Minnesota Statutes 2021 Supplement, section 273.124, subdivision 14, is amended
3.13 to read:

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

3.17 (1) the parcel on which the house is located is contiguous on at least two sides to (i)
3.18 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife
3.19 Service, or (iii) land administered by the Department of Natural Resources on which in lieu
3.20 taxes are paid under sections 477A.11 to 477A.14 or section 477A.17;

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

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

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

3.27 Homesteads initially classified as class 2a under the provisions of this paragraph shall
3.28 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining
3.29 properties, as long as the homestead remains under the same ownership, the owner owns a
3.30 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use
3.31 value qualifies under clause (4). Homestead classification under this paragraph is limited
3.32 to property that qualified under this paragraph for the 1998 assessment.

4.1 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same
4.2 extent as other agricultural homestead property, if all of the following criteria are met:

4.3 (1) the agricultural property consists of at least 40 acres including undivided government
4.4 lots and correctional 40's;

4.5 (2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner
4.6 or of the owner's spouse, is actively farming the agricultural property, either on the person's
4.7 own behalf as an individual or on behalf of a partnership operating a family farm, family
4.8 farm corporation, joint family farm venture, or limited liability company of which the person
4.9 actively engaged in farming the agricultural land is a partner, shareholder, or member;

4.10 (3) both the owner of the agricultural property and the person who is actively farming
4.11 the agricultural property under clause (2), are Minnesota residents;

4.12 (4) neither the owner nor the spouse of the owner claims another agricultural homestead
4.13 in Minnesota; and

4.14 (5) neither the owner nor the person actively farming the agricultural property lives
4.15 farther than four townships or cities, or a combination of four townships or cities, from the
4.16 agricultural property, except that if the owner or the owner's spouse is required to live in
4.17 employer-provided housing, the owner or owner's spouse, whichever is actively farming
4.18 the agricultural property, may live more than four townships or cities, or combination of
4.19 four townships or cities from the agricultural property.

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

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

4.24 (iii) As used in this paragraph, "agricultural property" means class 2a property and any
4.25 class 2b property that is contiguous to and under the same ownership as the class 2a property.

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

5.1 (d) Agricultural land used for purposes of a homestead and actively farmed by a person
5.2 holding a vested remainder interest in it must be classified as a homestead under section
5.3 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other
5.4 dwellings on the land used for purposes of a homestead by persons holding vested remainder
5.5 interests who are actively engaged in farming the property, and up to one acre of the land
5.6 surrounding each homestead and reasonably necessary for the use of the dwelling as a home,
5.7 must also be assessed class 2a.

5.8 (e) Agricultural land and buildings that were class 2a homestead property under section
5.9 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as
5.10 agricultural homesteads for subsequent assessments if:

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

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

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

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

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

5.25 (f) Agricultural land and buildings that were class 2a homestead property under section
5.26 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified
5.27 agricultural homesteads for subsequent assessments if:

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

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

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

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

6.3 (5) the owner notifies the county assessor that the relocation was due to a March 29,
6.4 1998, tornado, and the owner furnishes the assessor any information deemed necessary by
6.5 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the
6.6 owner must notify the assessor by December 1, 1998. Further notifications to the assessor
6.7 are not required if the property continues to meet all the requirements in this paragraph and
6.8 any dwellings on the agricultural land remain uninhabited.

6.9 (g) Agricultural property of a family farm corporation, joint family farm venture, family
6.10 farm limited liability company, or partnership operating a family farm as described under
6.11 subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead
6.12 property, if all of the following criteria are met:

6.13 (1) the property consists of at least 40 acres including undivided government lots and
6.14 correctional 40's;

6.15 (2) a shareholder, member, or partner of that entity is actively farming the agricultural
6.16 property;

6.17 (3) that shareholder, member, or partner who is actively farming the agricultural property
6.18 is a Minnesota resident;

6.19 (4) neither that shareholder, member, or partner, nor the spouse of that shareholder,
6.20 member, or partner claims another agricultural homestead in Minnesota; and

6.21 (5) that shareholder, member, or partner does not live farther than four townships or
6.22 cities, or a combination of four townships or cities, from the agricultural property.

6.23 Homestead treatment applies under this paragraph even if:

6.24 (i) the shareholder, member, or partner of that entity is actively farming the agricultural
6.25 property on the shareholder's, member's, or partner's own behalf; or

6.26 (ii) the family farm is operated by a family farm corporation, joint family farm venture,
6.27 partnership, or limited liability company other than the family farm corporation, joint family
6.28 farm venture, partnership, or limited liability company that owns the land, provided that:

6.29 (A) the shareholder, member, or partner of the family farm corporation, joint family
6.30 farm venture, partnership, or limited liability company that owns the land who is actively
6.31 farming the land is a shareholder, member, or partner of the family farm corporation, joint

7.1 family farm venture, partnership, or limited liability company that is operating the farm;
7.2 and

7.3 (B) more than half of the shareholders, members, or partners of each family farm
7.4 corporation, joint family farm venture, partnership, or limited liability company are persons
7.5 or spouses of persons who are a qualifying relative under section 273.124, subdivision 1,
7.6 paragraphs (c) and (d).

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

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

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

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

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

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

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

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

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

7.30 (i) Agricultural land and buildings that were class 2a homestead property under section
7.31 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified
7.32 agricultural homesteads for subsequent assessments if:

8.1 (1) the property owner abandoned the homestead dwelling located on the agricultural
8.2 homestead as a result of damage caused by the August 2007 floods;

8.3 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele,
8.4 Wabasha, or Winona;

8.5 (3) the agricultural land and buildings remain under the same ownership for the current
8.6 assessment year as existed for the 2007 assessment year;

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

8.9 (5) the owner notifies the county assessor that the relocation was due to the August 2007
8.10 floods, and the owner furnishes the assessor any information deemed necessary by the
8.11 assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the
8.12 owner must notify the assessor by December 1, 2008. Further notifications to the assessor
8.13 are not required if the property continues to meet all the requirements in this paragraph and
8.14 any dwellings on the agricultural land remain uninhabited.

8.15 (j) Agricultural land and buildings that were class 2a homestead property under section
8.16 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as
8.17 agricultural homesteads for subsequent assessments if:

8.18 (1) the property owner abandoned the homestead dwelling located on the agricultural
8.19 homestead as a result of the March 2009 floods;

8.20 (2) the property is located in the county of Marshall;

8.21 (3) the agricultural land and buildings remain under the same ownership for the current
8.22 assessment year as existed for the 2008 assessment year and continue to be used for
8.23 agricultural purposes;

8.24 (4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles
8.25 of one of the parcels of agricultural land that is owned by the taxpayer; and

8.26 (5) the owner notifies the county assessor that the relocation was due to the 2009 floods,
8.27 and the owner furnishes the assessor any information deemed necessary by the assessor in
8.28 verifying the change in dwelling. Further notifications to the assessor are not required if the
8.29 property continues to meet all the requirements in this paragraph and any dwellings on the
8.30 agricultural land remain uninhabited.

8.31 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2023.