SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 2113

(SENATE AUTHORS: SKOE, Sparks, Koenen, Dahle and Schmit)

DATE	D-PG	OFFICIAL STATUS
04/23/2015	2547	Introduction and first reading Referred to Taxes

A bill for an act

relating to property taxation; providing for a study of valuing agricultural land based on its production value; requiring a report; appropriating money.

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

Section 1. **STUDY AND REPORT OF PRODUCTION BASED VALUE OF AGRICULTURAL LAND.**

(a) The commissioner of agriculture and the commissioner of revenue shall conduct a study and prepare a report on the possibility of valuing agricultural land in the state for property tax purposes based on the value of agricultural commodities produced minus the cost of agricultural production.

(b) The study must, to the extent practicable under the appropriation and the time available:

(1) assess the availability and accuracy of data sources necessary to determine the productivity of agricultural land, the prices of agricultural commodities, and the costs of production for all agricultural land across the state;

(2) analyze the potential impacts on other types of properties and on local governments if the state were to adopt a system valuing agricultural land based on production value, including the impacts of any changes in state aids;

(3) identify types of agricultural properties that are not directly used in agricultural production, and propose approaches for valuing those properties within a production based value system;

(4) assign values to agricultural land based on the best currently available data, and compare the resulting values to valuations currently used for property tax purposes; to the extent possible, analyze what that relationship would be in years other than the study year;

(5) analyze the potential volatility of land values under a production based value system and propose approaches for reducing the effects of agricultural land value volatility on other types of properties;

(6) analyze the potential tax shifts between different types of agricultural properties under a production based value system;

(7) analyze and make recommendations for how a production based value system would be administered in terms of the role of the Department of Revenue, county and local assessors, and other agencies;

(8) analyze how appeals of assessments by property owners would be handled under a production based value system;

(9) analyze how a production based value system would affect the green acres and metropolitan agricultural preserves programs;

(10) identify other states that have adopted production based value systems and describe how they have been implemented, with special emphasis upon neighboring states; and

(11) identify possible alternative methods of valuing agricultural land in addition to market value and production based agricultural land valuation.

(c) The commissioners must seek input from the dean of the University of Minnesota College of Food, Agricultural, and Natural Resource Sciences in the design and implementation of the study.

(d) The commissioners must request the involvement and participation of stakeholders including groups representing assessors and groups representing agricultural property owners.

(e) The study must be completed on or before February 1, 2017, and the report must be provided to the chair and ranking minority members of the committees of the house of representatives and senate having jurisdiction over taxes. The report must be filed as provided in Minnesota Statutes, sections 3.195 and 3.197.

(f) $100,000 in fiscal year 2016 is appropriated from the general fund to the commissioner of revenue for purposes of preparing the report under this section. This is a onetime appropriation and is not added to the base.

EFFECTIVE DATE. This section is effective the day following final enactment.