

# Green Acres Program (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 affected by development pressure, sales of recreational land, or other non-agricultural factors.

## What does Green Acres do?

The Green Acres tax deferral program allows farm properties to be valued using an agricultural value instead of the estimated market value – which may reflect development pressures.

In the 1960s, development pressures caused valuation and tax increases for farms, and were potentially forcing farmers off their land. The Legislature developed the Green Acres program to allow qualifying farmers to pay property taxes based on the agricultural value of their land and deferring the higher property taxes based on the land's value as residential or commercial property.

This law is commonly referred to as Green Acres (Minnesota Statutes, section 273.111).

## What is “estimated market value”?

Estimated market value represents what the property would sell for in an open-market, arm's-length transaction. It also reflects the property's highest and best use, such as what will bring the greatest economic return to the land. Minnesota law requires assessors to value property at its estimated market value.

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 may be higher than that of farmland.

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

The agricultural value of a property is its value when used for agricultural purposes.

## How do you determine the agricultural value?

The Legislature directed the Commissioner of Revenue to develop a fair method for determining the agricultural values for each county in an effort to develop statewide uniformity.

It is sometimes difficult to find sales of agricultural properties that are not affected by the non-agricultural factors such as development pressure or sales of recreational land.

Each year, the Department of Revenue studies statewide sales of agricultural property that are relatively unaffected by non-agricultural market influences. The department uses these sales to calculate the counties' agricultural values that are used for all properties enrolled in Green Acres.

There are separate values for tillable and non-tillable land per acre for each county. The county assessor applies agricultural values to individual properties. The value may differ on each individual parcel due to quality of land, location, or other factors.

## How does Green Acres deferral work?

Taxes are calculated on both the estimated market value (higher value based on highest and best use) and the agricultural value (lower value) when properties are enrolled in the program.

The difference of the two calculated tax amounts is deferred until the property is sold or no longer qualifies for the Green Acres program.

$$\begin{array}{rcl} & \text{Tax on the Estimated Market Value} \\ - & \text{Tax on the Agricultural Value} \\ = & \text{Deferred Tax} \end{array}$$