A bill for an act

relating to taxation; agricultural property; modifying the Minnesota agricultural property tax law; amending Minnesota Statutes 2008, section 273.111, subdivisions 3, 3a.

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

Section 1. Minnesota Statutes 2008, section 273.111, subdivision 3, is amended to read:

Subd. 3. **Requirements.** (a) Real estate consisting of ten acres or more or a nursery or greenhouse, and qualifying for classification as class 2a under section 273.13, shall be entitled to valuation and tax deferment under this section if it is primarily devoted to agricultural ~~use~~ purposes, as defined in section 273.13, subdivision 23, and either:

(1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the owner or is real estate which is farmed with the real estate which contains the homestead property; or

(2) has been in possession of the applicant, the applicant's spouse, parent, or sibling, or any combination thereof, for a period of at least seven years prior to application for benefits under the provisions of this section, or is real estate which is farmed with the real estate which qualifies under this clause and is within four townships or cities or combination thereof from the qualifying real estate; or

(3) is the homestead of an individual who is part of an entity described in paragraph (b), clause (1), (2), or (3); or

(4) is in the possession of a nursery or greenhouse or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations on the parcel or parcels, provided that only the acres used to produce nursery stock qualify for treatment under this section.

(b) Valuation of real estate under this section is limited to parcels owned by individuals except for:

(1) a family farm entity or authorized farm entity regulated under section 500.24;

(2) a poultry entity other than a limited liability entity in which the majority of the members, partners, or shareholders are related and at least one of the members, partners, or shareholders either resides on the land or actively operates the land; and

(3) corporations that derive 80 percent or more of their gross receipts from the wholesale or retail sale of horticultural or nursery stock.

The terms in this paragraph have the meanings given in section 500.24, where applicable.

(c) Land that previously qualified for tax deferment under this section and no longer qualifies because it is not primarily used for agricultural purposes but would otherwise qualify under Minnesota Statutes 2006, section 273.111, subdivision 3, for a period of at least three years will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Sale of the land prior to the expiration of the three-year period requires payment of deferred taxes as follows: sale in the year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of deferred taxes for the two prior years; sale during the second year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of the deferred taxes for the prior year; and sale during the third year the land no longer qualifies requires payment of the current year's deferred taxes. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a. When such property is sold or no longer qualifies under this paragraph, or at the end of the three-year period, whichever comes first, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest are payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalties are not imposed on any such special assessments if timely paid.

~~(d) Land that is enrolled in the reinvest in Minnesota program under sections 103F.501 to 103F.535, the federal Conservation Reserve Program as contained in Public Law 99-198, or a similar state or federal conservation program does not qualify for valuation and assessment deferral under this section. This paragraph applies to land that has not qualified under this section for taxes payable in 2009 or previous years.~~

EFFECTIVE DATE. <u>This section is effective for taxes payable in 2010 and thereafter.</u>

Sec. 2. Minnesota Statutes 2008, section 273.111, subdivision 3a, is amended to read:

Subd. 3a. **Property that no longer ~~eligible for deferment~~ qualifies as agricultural under 2008 law changes.** (a) Real estate receiving the tax deferment under this section for assessment year 2008, but that ~~does not qualify for the 2009 assessment year due to changes in qualification requirements under Laws 2008, chapter 366,~~ is not classified as class 2a in a subsequent assessment year, shall continue to qualify until ~~any part of~~ the land is sold~~,~~ or otherwise transferred~~, or subdivided~~, provided that the property continues to meet the requirements of Minnesota Statutes 2006, section 273.111, subdivision 3. Property described under this paragraph that is sold or transferred to a qualifying owner may be reenrolled in the program, provided that the property continues to meet the requirements of Minnesota Statutes 2006, section 273.111, subdivision 3, and if reenrolled, is not subject to the additional taxes provided under paragraph (d) or subdivision 9 at the time of transfer.

(b) Property described in paragraph (a) that is withdrawn from the program prior to January 2, 2010, is not subject to the additional taxes provided under paragraph (d) or subdivision 9, provided that if the property is sold or transferred within three years from the date of withdrawal, the additional taxes described under paragraph (d) are imposed relative to the date of withdrawal. A lien on the property shall be filed with the county recorder at the time of withdrawal.

(c) Property described in paragraph (a) that is sold or transferred to a qualifying owner may be withdrawn from the program within one year of the date of sale or transfer without being subject to the additional taxes provided under paragraph (d) or subdivision 9, provided that if the property is then sold or transferred within three years from the date of withdrawal, the additional taxes described under paragraph (d) are imposed relative to the date of withdrawal. A lien on the property shall be filed with the county recorder at the time of withdrawal.

(d) When property assessed under this subdivision is withdrawn from the program or becomes ineligible, except as provided in paragraphs (b) and (c), the property shall be subject to additional taxes, in the amount equal to the average difference between the taxes determined in accordance with subdivision 4, and the amount determined under subdivision 5, for the current year and the two preceding years, multiplied by ~~(1) three, in the case of class 2a property under section 273.13, subdivision 23, or any property withdrawn before January 2, 2009, or (2) seven, in the case of property withdrawn after January 2, 2009, that is not class 2a property~~ five. The number of years used as the multiplier must not exceed the number of years during which the property was subject to this section. The amount determined under subdivision 5 shall not be greater than it would have been had the actual bona fide sale price of the real property at an arm's-length transaction been used in lieu of the market value determined under subdivision 5. The additional taxes shall be extended against the property on the tax list for the current year, provided that no interest or penalties shall be levied on the additional taxes if timely paid.

(e) For the purposes of this subdivision, "qualifying owner" means a person that is the parent, brother, sister, daughter, or son of the current owner. This relationship may be by blood or by marriage.

EFFECTIVE DATE. This section is effective for property transfers and program withdrawals occurring after May 1, 2008, and for taxes payable in 2010 and thereafter.