Minnesota Tax Expenditure Evaluation of Mortgage Registry Tax Agricultural Loan Exemption

Prepared for the Tax Expenditure Review Commission

By the Legislative Budget Office

5/27/2026

Prepared by the Legislative Budget Office (LBO) on behalf of the Tax Expenditure Review Commission.

The LBO would like to extend its gratitude to the Minnesota Department of Revenue (DOR) Tax Research Division for their consultation, cooperation, and analysis in this evaluation.

Additionally, the LBO would like to extend its gratitude to the following entities for their assistance with data utilized in this report:

- Minnesota Department of Revenue
- Minnesota Association of County Officers
- Minnesota Counties

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Executive Summary

The Tax Expenditure Review Commission (TERC) is responsible for reviewing the effectiveness and efficiency of Minnesota's tax expenditure policies. The TERC has elected to review and evaluate Minnesota's Mortgage Registry Tax (MRT) exemption of Agricultural Loans. The MRT of .23% of principal debt is due from the borrower when a mortgage on Minnesota real property is recorded. The MRT is collected by counties that keep 3% and remit 97% to the state General Fund. This report provides an assessment of the exemptions from the MRT for agricultural mortgages, with consideration to the first eight components of tax expenditure review required under Minnesota Statutes 2025, chapter 3, section 3.8855, subdivision 5. The Commission may consider the findings of this report to recommend whether the expenditure be continued, repealed, or modified.

The intent of this evaluation is to understand the effectiveness and efficiency of the Agricultural Loan MRT exemption in increasing the competitiveness of Minnesota banks offering agricultural loans. These loans are offered with federal lenders whose loans are not subject to the state mortgage registry tax.

Due to data limitations as well as many other interrelated factors, it is difficult to isolate the agricultural loan exemption's independent effect on lending behavior, borrower outcomes, or lender competitiveness. Any assessment of the exemption's effectiveness should therefore consider the data limitations as well as other loan factors that contribute to the competitiveness of Minnesota banks. For these reasons, this evaluation cannot conclude that the agricultural loan exemption is meeting its objective of increasing the competitiveness of Minnesota banks offering agricultural loans with federal lenders whose loans are not subject to the state mortgage registry.

To overcome some of these data limitations, recommendations for future evaluations of the agricultural MRT exemptions include considering requiring the MRT1 form as to establish a uniform way of tracking mortgage registry tax by exemption type. Within the current exemption process, MRT1 forms that would uniformly indicate the type of claimed exemption are not a required component. Requiring the MRT1 form could allow both counties and DOR to more efficiently track exemption claims.

The TERC may choose to consider these findings in preparing a recommendation to the legislature to continue, repeal, or modify the tax expenditures, as is required of the Commission under Laws of Minnesota 2025, 1st Special Session, chapter 13, article 8, section 5.

Introduction

The Mortgage Registry Tax is a tax on principal debt secured by a mortgage for real property within the state.[1] To help Minnesota banks become more competitive with their federal counterparts, the Minnesota Legislature enacted the Agricultural Loan Exemption in 2001, exempting agricultural loans with Minnesota banks from the MRT. The aim of this evaluation was to assess how well the exemption meets its objective. Unfortunately, due to data limitations, the LBO is unable to conduct an effective evaluation of whether the agricultural loan exemption increased the competitiveness of Minnesota banks offering agricultural loans with federal lenders whose loans are not subject to the state mortgage registry tax. A survey administered by the LBO provides context on county enforcement and filing processes, administrative burden, and frequency of claims of MRT exemptions. Recommendations for future evaluations suggest systematically tracking MRT exemptions by exemption type. While the statute outlining mortgage registry tax exemptions includes several exemptions, this evaluation is limited to the Agricultural Loan Exemption.[2] The fiscal year 2026 estimated fiscal impact is $4.7 million.[3]

Background on the Mortgage Registry Tax

Minnesota enacted a mortgage registry tax in 1907 at a rate of 50 cents for each $100 of principal debt secured by a mortgage of real property.[4] In 1945, the rate was changed to 15 cents for each $100 of such debt.[5] Since 1987, the tax has been 23 cents for each $100 of principal debt, although the rate is now restated as 0.23%.[6] In 2001, the liability for the tax was changed from the mortgagee (lender) to the mortgagor (borrower).[7] If a mortgage contains parcels of real property in two or more counties, tax is paid where the mortgage document was first presented to the treasurer for recording.[8]

The mortgage registry tax is based on the amount of debt secured through a mortgage on a real estate purchase and imposed when the mortgage is recorded. The mortgage registry tax rate is 0.23% of the total debt (principal debt x 0.23% = mortgage registry tax liability). The mortgagor (borrower) is liable. The lender typically collects the tax at closing and remits the tax to the county where the mortgage is recorded. Each county

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[1] Minnesota Department of Revenue Tax Research Division, *Minnesota Tax Handbook*, (Minnesota Department of Revenue, 2025), 36.
[2] The Department of Revenue (DOR) explains that a tax exemption, deduction, credit, or lower tax rate must meet a set of 7 criteria to be considered a tax expenditure. The mortgage registry tax exemptions evaluated in this report are included in the tax expenditure budget and are therefore considered tax expenditures.
[3] Minnesota Department of Revenue Tax Research Division, *State of Minnesota Tax Expenditure Budget*, (Minnesota Department of Revenue, 2024), 211.
[4] Minnesota Department of Revenue Tax Research Division, *Minnesota Tax Handbook*, 36.
[5] Minnesota Department of Revenue Tax Research Division, *Minnesota Tax Handbook*, 36.
[6] Minnesota Department of Revenue Tax Research Division, *Minnesota Tax Handbook*, 36.
[7] "Mortgage Tax Rate," Minnesota Department of Revenue, https://www.revenue.state.mn.us/mortgage-tax-rate.
[8] "Mortgage Registry Tax Multi-County Mortgage," Minnesota Department of Revenue, https://www.revenue.state.mn.us/mortgage-registry-tax-multi-county-mortgage

remits 97% of the revenues to the state for deposit into the state General Fund and retains the other 3% in the County Revenue Fund. Additionally, state law authorizes Ramsey and Hennepin counties to impose an additional local environmental response fund tax at a rate of .01%.[9] This tax will expire on January 1, 2028, unless extended.[10]

Background on the Agricultural Loan Exemption

The tax expenditure to exempt agricultural loans from the mortgage registry tax was enacted in 2001 and is allowed if the proceeds are used to acquire or improve real property that is classified as agricultural for property tax purposes. An exemption from the mortgage registry tax is allowed for an agricultural mortgage if the proceeds are used to acquire or improve real property that is classified as agricultural for property tax purposes. The proceeds of the loans must either be, or intend to be, used to purchase or improve "qualifying" agricultural real property. The intended use of the qualifying real property must be for the production for sale of agricultural products.[11] Qualifying agricultural products are defined in Minnesota Statutes 2025, section 273.13, subdivision 23(i).

A statement on the mortgage registry form indicating the specific exemption to be applied is all that is needed to claim the MRT exemption. The MRT1 form is an alternative way to claim a mortgage registry tax exemption and serves as certification that the mortgage registry tax has the tax impact indicated on the form.[12] However, the MRT1 tax form is not required to claim a MRT exemption.

Review of Other States

This review is limited to relevant surrounding midwestern state tax expenditures specific to mortgage registry and property recording taxes. Many states have exemptions on general real estate transfer taxes and fees. Twelve states do not impose a document recording tax or a real property transfer tax. Of Minnesota's surrounding states, Iowa does not provide exemptions on the MRT. North Dakota does not impose taxes on either real property transfers or relevant documents. South Dakota has a real property transfer fee but does not provide credits, exemptions, or refunds. Wisconsin provides exemptions for a wide variety of real estate transfer fees based on the individuals involved in the transfer and value of real estate.[13]

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[9] Minnesota Statute 2025, Section 383A.80, Subdivision 1.; Minnesota Statute 2025, Section 383B.80, Subdivision 1.
[10] "Mortgage Registry Tax," Minnesota Department of Revenue, Modified October 5, 2023, https://www.revenue.state.mn.us/mortgage-registry-tax; 2025 Minnesota Statutes, section 383A.80, subdivision 4.
[11] Minnesota Department of Revenue, "Mortgage Registry Tax."
[12] See Appendix A for the MRT1 Form.
[13] Bloomberg Tax Database, "Real estate transfer taxes and fees by state," Accessed January 21,2026.

Evaluation

Effectiveness and Efficiency

The objective of the agricultural loan MRT exemption is to increase the competitiveness of Minnesota banks offering agricultural loans with federal lenders whose loans are not subject to the state MRT. To successfully measure the effectiveness and efficiency of the exemption, the LBO would require a series of data on agricultural loans from both Minnesota banks and federal lenders. A basic and necessary first step would be to analyze trends in the utilization of the exemption over time. Exemption claims data would provide valuable information about the beneficiary population and the magnitude of claimed exemptions. Unfortunately, exemption data is collected at the county level and is not universally available. Second, ideally the LBO would be able to compare the number of agricultural loans with Minnesota banks against the number of agricultural loans with federal lenders over time to assess competitiveness of Minnesota banks. To the best of our knowledge, there is no known available dataset that tracks this information. Therefore, due to those two crucial data limitations, it is difficult to assess the effectiveness and efficiency of this tax expenditure.

If the LBO did have access to the number of agricultural loans with both Minnesota banks and federal lenders over time, there are other factors outside of the MRT exemption that may impact the competitiveness of Minnesota banks. There are fundamental differences between loans from Minnesota banks versus loans with federal lenders. Federal loans through the United States Department of Agriculture (USDA) and the Farm Service Agency (FSA) are partly backed by the U.S. government and typically able to provide lending services for loans that would not be approved through other avenues.[14] They may have longer loan term periods and higher limits than commercial lenders are able to approve.[15] Typically, these categories of federal loans may include other geographic or qualifying requirements that would limit the eligible beneficiary population. Also, loan fees and associated terms across Minnesota banks and federal lenders may be quite different. Therefore, any robust analysis of the effectiveness and efficiency of the MRT exemption would have to consider these factors.

The scarcity of MRT exemption data limits the LBO's ability to conduct a thorough evaluation of the effectiveness and efficiency of the exemption. The LBO did administer a survey to provide further context on MRT exemption collection process at the county level, enforcement practices, and administrative burden.

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[14] "SBA and Agency Loans," Guide to Business Lending, National Bank of Commerce, https://www.nbcbanking.com/business-banking/business-lending-guide/sba-and-agency-loans/#:~:text=Longer%20terms:%20Depending%20on%20the%20loan%20type%2C%20loan%20terms%20can,as%20determined%20by%20the%20FSA.

[15] National Bank of Commerce, "SBA and Agency Loans."

Survey

The DOR does not have available data on MRT collections and exemption types because the exemption is administered at the county level.[16] The exemption tracking process can vary across Minnesota counties. To help fill this gap and improve our understanding of the MRT for evaluation purposes, the LBO collaborated with the Minnesota Association of County Officers (MACO) to administer a survey to all 87 Minnesota counties.[17] Future evaluations may attempt to electronically collect complete MRT data from all Minnesota counties. An alternative for future evaluations might be to analyze MRT data from a few representative counties and extrapolate the findings to as many other counties as possible. The aim of this initial survey the LBO administered with MACO was to have some idea of basic MRT claims and utilization of each exemption type from a few subsets of Minnesota counties.

The survey was administered using SurveyMonkey software via email that resulted in a response rate of 31 out of 87 counties, or 36%. MACO provided input on survey questions and sent the survey on behalf of the LBO directly to the relevant contact within each county. Of the 31 responses, 13 respondents held county recorder roles, five held auditor-treasurer roles, four held property recorder roles, and the remaining nine respondents held a variety of positions within the land records and property sphere. This might be one explanation for why the collection process is not uniform across counties. Further, respondents used a variety of land records software systems to process land transfers. The most common vendors reported were Trimin and Tyler Technologies.[18]

As mentioned, there is limited data on the number of MRT claims that counties process and a dollar amount for each claim or exemption type.[19] To get some idea of what those numbers might be for a limited number of counties, survey questions asked for a count of all mortgages recorded, a count of mortgages with mortgage registry tax paid, a count of mortgages with an exemption, and an actual or estimated total mortgage tax dollar amount exempted by year for 2024. Figure 1 provides a summary of available MRT data categorized by Metropolitan Statistical Area (MSA) counties and non-MSA

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[16] For a list of available data request answers from the Department of Revenue, see Appendix B.

[17] Questions were intended to understand the enforcement and filing process, administrative burden, and frequency of claims. MACO offered feedback on question scope and formatting based on knowledge of available mortgage registry tax county level data. Survey questions for county officers were distributed by MACO. See Appendix C for a full list of survey questions to county administrators. While survey methodology and response rate is discussed in tandem to an evaluation of deed transfer tax exemptions, results are reported specifically for responses pertaining to the evaluation of mortgage registry tax expenditures. For results pertaining to questions regarding the deed transfer tax, see the deed transfer tax evaluation. While a survey was administered to collect existing available claims data from each county, the survey was voluntary, and not all counties were able to provide specific claims data due to technology or data limitations.

[18] Four unique software system vendors were listed in survey responses: Tyler Technologies, TriMin, West Central Indexing, and Fidlar.

[19] "Mortgage Registry Tax Debt Subject to Tax," Minnesota Department of Revenue, Updated August 27, 2020. https://www.revenue.state.mn.us/mortgage-registry-tax-debt-subject-tax

counties. MSA versus non-MSA counties were chosen as a comparison over the seven-county metro versus greater Minnesota as not every survey question had metro county responses.[20] All respondents were unable to provide data for all questions so a response rate by question is provided. Figure 1 provides the median values for all responding counties to give a general sense of available claims data across counties. From the median count of mortgages reported in Figure 1, counties reported a median of 1,443 mortgages. For the count of mortgages with MRT paid, counties reported a median of 300. For the count of mortgages with an exemption in Figure 1, counties reported a median of 97. On average, fewer than 4% of all mortgages with MRT had an exemption over the same five-year period. Finally, the median actual or estimate of total MRT dollar amount exemption was $146,718.

Figure 1. Median County Mortgage Registry Tax Data for All Responding Counties 2024

Year	Median Count of Mortgages Recorded (n=27)	Median Count of Mortgages with MRT Paid (n=13)	Median Count of Mortgages with an Exemption (n=11)	Median Actual or Estimate of Total MRT Dollar Amount Exempted (n=6)
2024	1,443	300	97	$146,718

Data Source: Survey to Minnesota Counties

Note: This table is created from a survey to counties pertaining to all MRT exemptions and does not isolate the impact of the agricultural loan MRT exemption.

Figure 2 provides the minimum and maximum value designated by MSA and non-MSA counties. These values are provided to understand the scale and difference in mortgages processed in each type of county. MSA counties reported a minimum of 875 mortgages recorded, while non MSA counties reported a minimum of 107. With respect to the maximum count of mortgages recorded, MSA counties reported a maximum of 32,980 mortgages, while non MSA counties reported a maximum of 4,068. MSA counties reported a minimum of 1,453 mortgages with MRT paid while non-MSA counties reported a minimum of 57. The Minimum MSA count of mortgages with MRT paid is higher than the count of mortgages recorded due to a difference in county response rate for each question. For the number of mortgages with an exemption, MSA counties reported a minimum of 345, while non-MSA counties reported a minimum of 23. Finally, the minimum reported actual or estimate of total MRT dollar amount exemption was $207,436 for MSA counties versus $11,996 for non-MSA counties. The maximum reported actual or estimate of total MRT dollar amount exemption was $384,899 for MSA counties versus $270,236 for non-MSA counties. Overall, there was

[20] For a list of metropolitan statistical areas in the state of Minnesota, see Appendix D. Metropolitan Statistical Areas.

a wide range in the number of mortgages with and without MRT paid across counties. The survey is not representative of all Minnesota counties, and not all county respondents were able to answer all questions due to data limitations.

Figure 2. Minimum and Maximum Reported Mortgage Data 2024

Summary Statistics	Count of Mortgages Recorded (n=27)	Count of Mortgages with MRT Paid (n=13)	Count of Mortgages with an Exemption (n=11)	Actual or Estimate of Total MRT Dollar Amount Exempted (n=6)
Minimum MSA	875	1,453*	345	$207,436
Minimum Non-MSA	107	57	23	$11,996
Maximum MSA	32,980	27,129	698	$384,899
Maximum Non-MSA	4,068	679	150	$270,236

Data Source: Survey to Minnesota Counties

*Note: The Minimum MSA count of mortgages with MRT paid is higher than the count of mortgages recorded due to a difference in county response rate for each question.

Note: Metropolitan Statistical Areas are defined by the Minnesota Department of Employment and Economic Development which are based on the Bureau of Labor Statistics definition. The Bureau of Labor Statistics currently defines an MSA as an area with at least one urbanized area with a population of 50,000 or more. Additionally, adjacent territory must have a high degree of social and economic integration as measured by commuting ties.

Note: This table is created from a survey to counties pertaining to all MRT exemptions and does not isolate the impact of the agricultural loan MRT exemption.

Figure 3 provides the estimate of total forgone revenue of the agricultural loan MRT exemption from fiscal year 2024 to fiscal year 2027. This estimate is included to provide available information on exemption magnitude based on estimates by DOR tax research. Ninety seven percent of MRT is remitted to the state general fund with 3% retained by counties.

Figure 3. Estimates of Forgone Revenue Fiscal Year 2024 through 2027

Tax Expenditure	FY2024	FY2025	FY2026	FY2027
TEB 9.1.01: Agricultural Loans	$3,00,000	$4,400,000	$4,700,000	$4,900,000

Data Source: MN Department of Revenue Tax Expenditure Budget 2024

Administrative Burden

The LBO also relied on the county survey to get a sense of how burdensome it is for counties to collect the MRT. First, the survey addresses how long it takes to process the MRT. Figure 4 provides a summary of respondents reported average processing time per MRT review and collection (excluding closing paperwork). Approximately 96% of respondents reported the processing time being less than ten minutes.

Figure 4. Average Processing Time per Mortgage Registry Tax Review

Process Time	Percent of Respondents (n=31)*
Less than Five Minutes	48%
Between Five and Ten Minutes	48%
Between Ten and 15 Minutes	3%
Greater than 15 Minutes	0%

Data Source: LBO Survey to Minnesota Counties

*Note: Percent of Respondents is rounded to the nearest whole number.

Second, the survey addresses the fraction of the MRT transactions that use paper or take place electronically, as that distinction can impact administrative burden. On average, 61 % of land transfers were electronically or eRecorded versus recorded on paper. Thus, increasing the fraction of transactions that are eRecorded might reduce administrative burden.

There are two ways to claim the MRT exemption. Either a statement on the mortgage registry form indicating the specific exemption or use of the MRT1 tax form. To the extent that this distinction matters for administrative burden, the survey found that 11% of MRT exemptions claimed utilizing the MRT1 form. When asked if counties had any recommendations to improve the processing of MRT exemptions, nine out of 16 responses recommended making the MRT1 form a requirement for claiming the exemption. Finally, though not addressed in the survey, the exemption claims process was deemed to not be administratively burdensome on claimants as compared to other tax expenditures that the LBO evaluated.[21]

Other Agricultural Loan Programs

The LBO did not identify any direct comparisons to this exemption. Agricultural loans differ by type based on credit and loan amount as well as other qualifying factors. Nevertheless, the following loan programs available to farmers might provide some context on the landscape of agricultural loans. The Minnesota Beginning Farmer and Seller Assisted loan programs seem to have the highest down payment requirement at

[21] An example of a tax incentive determined to be administratively burdensome by the LBO is the Minnesota Marriage Credit.

10% of the loan. The other programs have a downpayment requirement of zero to 5%. Additionally, the loans are not mutually exclusive. The beginning farmer loans offered in Minnesota often partner with Farm Service Agency (FSA) to use their federal guarantee to secure the loan.[22]

- The Minnesota Beginning Farmer and Seller Assisted loan program is available to farmers acquiring their first real estate mortgage. The loan requires a $50 application fee, attendance of farm management classes, and a 10% minimum down payment.[23]
- The Minnesota Aggie Bond Beginning Farmer loan has a down payment that would be negotiated with the lender, an allocation fee between $20 and $120, plus a 1.5% loan origination fee. [24]
- FSA loan terms can vary according to the type of loan, collateral securing the loan, and ability to prepay. The fee for guaranteed loans is 1.5% of the guaranteed portion of the loan.[25]

Cumulative Fiscal Impacts of other State and Federal Programs

While the MRT exemption is intended to improve the competitiveness of Minnesota financial institutions, the underlying activity it supports is agricultural borrowing, which is supported by a broad ecosystem of complementary fiscal policies.

At the state level, Minnesota provides multiple subsidies to agricultural lending and farm ownership. However, other agricultural programs do not overlap in objective with the agricultural MRT exemption that specifically targets increasing the competitiveness of Minnesota banks offering agricultural loans. For that reason, this review was limited to the Beginning Farmer Loan program and Rural Finance Authority programs that target agricultural borrowing costs. Programs administered by the Minnesota Department of Agriculture, including the Beginning Farmer Loan Program and Rural Finance Authority loan programs, reduce borrowing costs through below-market interest rates, participation loans, and targeted financing for land acquisition, equipment, operating capital, and debt restructuring. These programs explicitly engage private lenders as partners, as financial institutions may already be receiving indirect benefits through reduced risk exposure, expanded loan volume, or enhanced borrower viability. In this

[22] "Loan Comparison Chart-1," Minnesota Department of Agriculture, https://www.mda.state.mn.us/business-dev-loans-grants/loan-comparison-chart-1
[23] Minnesota Department of Agriculture, "Loan Comparison Chart-1."
[24] Minnesota Department of Agriculture, "Loan Comparison Chart-1."
[25] "Guaranteed Loan Program," U.S Department of Agriculture, October 2023, https://www.fsa.usda.gov/sites/default/files/documents/202310_fsa_loan_guarantee_01.pdf

context, the MRT exemption operates alongside existing mechanisms offered by the federal government to lower the cost of obtaining agricultural financing.[26]

Tax expenditures that target new and beginning farmers further expand the agricultural policy landscape. The Minnesota Beginning Farmer Tax Credit provides state tax incentives to landowners and lenders who lease or sell agricultural assets to beginning farmers.[27] The policy objective overlaps with that of the MRT exemption in reducing financing barriers in the agricultural sector.

At the federal level, agricultural borrowers also benefit from a variety of tax preferences, as documented in the Internal Revenue Service's Farmer's Tax Guide.[28] These include income averaging, accelerated depreciation, special treatment of farm losses, and other provisions that reduce federal tax liability for farm operators. Federal benefits contribute to the overall fiscal environment in which agricultural borrowing decisions are made.

In sum, agricultural lending in Minnesota is supported by a dense network of state and federal tax policies. The MRT exemption adds to this cumulative set of benefits by reducing transaction costs associated with agricultural mortgages. The presence of multiple overlapping fiscal supports complicates efforts to isolate the MRT exemption's independent effect on lending behavior, borrower outcomes, or lender competitiveness. Any assessment of the exemption's effectiveness should therefore consider not only the MRT as a standalone agricultural policy but also how it interacts with existing programs serving similar populations.

Potential MRT modifications for future evaluations

To facilitate the task of evaluating the effectiveness and efficiency of the MRT, the LBO recommends systematically tracking the MRT exemptions by exemption types. Presently, MRT exemption types are not collected in a manner that distinguishes amongst exemption types, creating a challenge for fiscal oversight and limiting the ability to fully evaluate the policy. Without detailed claim data, the LBO cannot properly identify if the exemption aligns with its policy objectives. Implementing structured reporting by exemption type would enable longitudinal analysis, improve accountability, and support evidence-based decisions regarding the continuation or modification of these policies.

One feasible way to improve the reporting and data collection for the MRT exemption is to require the use and submission of the MRT1 form electronically with each claim. This would allow the state to obtain exemption level data with minimal additional administrative burden to county governments.

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[26] "Farm Loan Programs," U.S Department of Agriculture Farm Service Agency, https://www.fsa.usda.gov/resources/farm-loan-programs
[27] "Beginning Farmer Tax Credit," Minnesota Department of Agriculture, https://www.mda.state.mn.us/bftc
[28] "Farmer's Tax Guide," IRS, 2025, https://www.irs.gov/publications/p225

Feedback from counties further supports the use of the MRT1 form as the appropriate mechanism for collecting this data. It aligns with existing filing workflows and potentially minimizes the administrative burden.

Conclusion

The goal of this evaluation was to assess how well the agricultural loan exemption meets its objective of increasing the competitiveness of Minnesota banks offering agricultural loans with federal lenders whose loans are not subject to the MRT. Data limitations complicate the LBO's efforts to conduct a proper evaluation of effectiveness and efficiency of the exemption. If the LBO did have access to claim data, it would still be a challenge to isolate the agricultural loan exemption's independent effect on lending behavior, borrower outcomes, or lender competitiveness due to many other state-level and federal-level overlapping fiscal support factors. The survey administered by the LBO provides context on county enforcement and filing processes, administrative burden, and frequency of claims of MRT exemptions.

As stated, recommendations for future evaluations of this MRT exemption include considering requiring the use of the MRT1 form to establish a uniform way of tracking MRT exemption utilization. The Tax Expenditure Review Commission may choose to consider these findings in preparing a recommendation to the legislature to continue, repeal, or modify the tax expenditures, as required of the Commission under Laws of Minnesota 2025, 1st Special Session, chapter 13, article 8, section 5.

Appendix A. MRT1 Form

DEPARTMENT OF REVENUE

MRT1, Mortgage Registry Tax

Form MRT1 may be used to document your claim for an exemption from mortgage tax or the basis of your tax. The mortgage registry tax rate is .0023 of the amount of the debt being secured (.0024 for Hennepin and Ramsey counties). Please note, a document or any record of the mortgage may not be received in evidence in any court, and is not valid notice, unless the tax has been paid. *(M.S. 287.10)*

Mortgage Registry Tax

Name of Borrower

Name of Lender

1 New debt being secured with this instrument	2 New Debt Subject to Tax	3 Mortgage Tax Due	4 Reason Code
$	$	$	

Sign Here

Mortgagor or authorized agent, sign below.

I declare that the information on this certificate is correct and complete to the best of my knowledge and belief.

Signature of Mortgagor or Authorized Agent | Title | Date | Daytime Phone

Website: www.revenue.state.mn.us. Email: MortgageDeed.Taxes@state.mn.us
Phone: 651-556-4721.

Reason Codes

1 Supplemental Mortgage
This instrument is modifying an existing mortgage and securing a new debt.

1. **Debt Secured After Supplement** _____
2. **Principle Balance Before Supplement** (_____)
3. **New Debt Subject to Tax** *(Subtract Line 2 from Line 1. Enter in boxes 1 and 2 at top)* _____

2 Additional Security
This is a new and separate mortgage that provides additional security for an outstanding debt for which tax has already been paid and whose mortgage remains in place. *M.S. 287.04 (3).*

Tax Paid _____

County _____

Document # _____

3 Limiting Clause
The limiting clause can be used when a lender chooses to secure only a portion of the debt amount recited in the mortgage.

"Notwithstanding anything to the contrary herein, enforcement of this mortgage is limited to a debt amount of $_____ *under M.S. 287.05, subd. 1a."*

4 Mortgage Amendment
This is a mortgage amendment, as defined in *M.S. 287.01, subd. 2,* and does not secure a new or increase an existing debt. *M.S. 287.04 (8).*

5 Decree of marriage dissolution or an instrument made pursuant to it.

6 Mortgage given to correct a misdescription of the mortgaged property.

7 Mortgage executed as part of a plan of reorganization under a Chapter 11 or Chapter 12 bankruptcy case. *(Federal bankruptcy codes 1146[a] and 1231[a])*

8 Mortgage secured by real property subject to the minerals production tax. *(M.S. 298.24 to 298.28)*

9 A mortgage loan made under a low and moderate income housing program, or other affordable housing program, if: (i) the mortgagee is a federal, state, or local government agency; or (ii) the assignee is a federal, state, or local government agency.

10 A mortgage granted by a Fraternal Benefit Society (borrower). *(M.S. 64B)*

11 Reverse Mortgage/Home Equity Conversion Mortgage — tax is due on the expected total disbursements less interest, mortgage insurance premiums, and lender service fees. *(M.S. 287.05, subd. 6)*

12 Agricultural mortgage whose proceeds are being used to acquire or improve Minnesota real property that is or will be used for the production of agricultural products. Includes prior qualifying loans that are being re-financed. Note: The exemption does not apply to the portion of the proceeds used for nonexempt purposes (e.g., house, residential-use garage, machinery and seed).

13 Mortgage encumbering real property located within the boundaries of a federally recognized American Indian tribe if the mortgagor (i.e., borrower) is (1) the tribe or a member of the tribe; or (2) purchasing the property from the tribe or a member of the tribe and the mortgage is a purchase-money mortgage.

14 Exempt Federal Agencies— To see a list go to our website at **www.revenue.state.mn.us** and search *Mortgage Registry Tax.*

15 If the above codes do not apply, please provide explanation below.

_____

_____

_____

_____

(Rev. 1/22)

Appendix B. DOR Tax Research Data Request

1. Total claims and total mortgage tax due (box 3) amounts for as many years back available.
    - *DOR Response:* Not available.
2. MRT1 claims counts by reason code for reason code nine and reason code twelve for as many years back available.
    - *DOR Response:* Not available.
3. Is the MRT1 form required?
    - *DOR Response:* The form is voluntary and is used to clarify non-standard transactions and to claim an exemption.
4. If the form is not required, is there a sense of how often people are including this form as a part of their mortgage registry tax exemption process?
    - *DOR Response:* Rough estimate – 5%. Mainly used for the agricultural exemption.
5. When someone claims an exemption without utilizing the MRT1 form, does DOR participate in any alternative certification process?
    - *DOR Response:* No. Any verification would happen prior to the document being recorded. The county would reject the document and ask further information. We rely on county staff who review the documents.
6. Does DOR see any opportunity for improvements in mortgage registry tax exemption form processing?
    - *DOR Response:* No.

Appendix C. Survey Questions

1. What County are you responding on behalf of?
2. What is your role within your county?
3. What is the average processing time per mortgage registry tax review and collection apart from other closing paperwork (such as eCRV, well certificate, and other general recording)?
    a. Less than 5 minutes
    b. Over 5 and up to 10 minutes
    c. Over 10 and up to 15 minutes
    d. Over 15 minutes
4. What is the average processing time per deed transfer tax review and collection apart from other closing paperwork (such as eCRV, well certificate, and other general recording)?
    a. Less than 5 minutes
    b. Over 5 and up to 10 minutes
    c. Over 10 and up to 15 minutes
    d. Over 15 minutes
5. What percentage of your documents are eRecorded vs on paper? (estimate is ok)
6. Of the mortgages and deed transfers processed, can you provide an estimate percentage of how many utilize the MRT1 and DT1 form?
    a. MRT1 Form
    b. DT1 Form

If you are able to provide the following information for deeds recorded, please fill out the following series of questions to the best of your ability.

7. Count of All Deeds Recorded 2019-2024
8. Count of Deeds with Deed Tax Paid 2019-2024
9. Count of Deeds with an Exemption 2019-2024
10. Actual or Estimate of Total Deed Tax Dollar Amount Exempted 2019-2024

If you are able to provide the following information for mortgages recorded, please fill out the following series of questions to the best of your ability.

11. Count of All Mortgages Recorded 2019-2024
12. Count of Mortgages with Mortgage Registry Tax Paid 2019-2024
13. Count of Mortgages with an Exemption 2019-2024
14. Actual or Estimate of Total Mortgage Registry Tax Dollar Amount Exempted 2019-2024
15. Does your county have any verification process when people claim mortgage registry or deed transfer tax exemptions?
    a. No
    b. Not Sure
    c. Yes (Please Specify)
16. Do you capture the type of exemption that is claimed within your county's verification process? See MRT1 and DT1 forms for more information on types of available exemptions.
    a. Yes
    b. No
    c. Other (Please Specify)
17. If you capture the type of deed transfer tax exemption that is claimed within your county's verification process please provide the number of exemptions claimed by reason code in 2024. Reason codes can be found in the DT1 form for your reference.
18. If you capture the type of mortgage registry tax exemption that is claimed within your county's verification process please provide the number of exemptions claimed by reason code in 2024. Reason codes can be found in the MRT1 form for your reference.
19. What vendor provides your land records recording software?
20. Is the 3% of mortgage registry and deed tax retained at the county level adequate for the administrative costs associated with collecting and remitting the tax?
    a. Yes
    b. No
    c. Not Sure
21. Do you have any recommendations for ways to improve processing or logistics related to mortgage or deed transfer tax paperwork?

Appendix D. Metropolitan Statistical Areas

Appendix D provides an overview of the metropolitan statistical areas in Minnesota defined by the Minnesota Department of Employment and Economic Development.

Metropolitan Statistical Area	Counties Included
Minneapolis-St. Paul- Bloomington, MN- MSA	Anoka County Carver County Chisago County Dakota County Hennepin County Isanti County Le Sueur County Mille Lacs County Ramsey County Scott County Sherburne County Sibley County Washington County Wright County
Duluth, MN-WI MSA	Carlton County, MN St. Louis County, MN Douglas County, WI
St. Cloud, MN MSA	Benton County Stearns County
Rochester, MN MSA	Dodge County Fillmore County Olmsted County Wabasha County
Mankato-North Mankato, MN MSA	Blue Earth County Nicollet County
LaCrosse-Onalaska WI-MN MSA	La Crosse County, WI Houston County, MN
Grand Forks, ND-MN MSA	Grand Forks County, ND Polk County, MN
Fargo, ND-MN MSA	Cass County, ND Clay County, MN

Appendix E. Key Terms

Agricultural Loan: The proceeds of the loans must either be, or intend to be, used to purchase or improve "qualifying" agricultural real property. The intended use of the qualifying real property must be for the production for sale of agricultural products.[29] Qualifying agricultural products are defined in M.S 273.13, subdivision 23(i).

Borrower: Individual or entity receiving a loan to purchase or refinance real estate.

Debt: ""Debt" means the principal amount of an obligation to pay money that is secured in whole or in part by a mortgage of an interest in real property. See Minnesota Statute, 287.01, subd. 3."[30]

eRecorded: an electronically recorded document means a document is received by the county recorder in an electronic form and digitally processed.

Imposition of Tax: "A tax is imposed on the privilege of recording a mortgage. The tax rate is .0023 (or .0024 in Hennepin and Ramsey Counties) of the debt or portion of the debt that is secured by any recorded mortgage of real property located in this state. The person liable for the tax is the mortgagor. See Minnesota Statute 287.035."[31]

Incidence: Indicates who pays Minnesota's household and business taxes.[32]

Land records software systems: Software system used by a county to process mortgage transfer paperwork and other associated land records.

Lender: Entity or financial institution funding, originating or managing the initial process associated with a home loan.

Mortgage: "A "mortgage" means any instrument, including a decree of marriage dissolution or an instrument made under it, creating or evidencing a lien of any kind on real property, given by an owner of real property as security for a debt. See Minnesota Statute 287.01, subd.6."[33]

Revenue Neutral Rate: Refers to changes in tax law that result in no net change to the total amount of tax revenue collected by the state or a specific taxing entity.[34]

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[29] Minnesota Department of Revenue, "Mortgage Registry Tax."
[30] Minnesota Department of Revenue, Glossary of Terms Specific to Mortgage Registry Tax, https://www.revenue.state.mn.us/mortgage-registry-tax-glossary
[31] Minnesota Department of Revenue, Glossary of Terms Specific to Mortgage Registry Tax.
[32] Minnesota Department of Revenue Tax Research, 2024 Tax Expenditure Budget
[33] Minnesota Department of Revenue, Glossary of Terms Specific to Mortgage Registry Tax.
[34] Minnesota Department of Revenue Tax Research, 2024 Tax Expenditure Budget

Appendix F. Other Statutory Components of Review

Minnesota Statutes, section 3.8855, subdivision 5 outline components of review required when conducting a tax expenditure evaluation. Though the following components did not impact the overall findings of this evaluation, they are presented below for completeness.

Estimating the amount by which the tax rate for the relevant tax could be reduced if the revenue lost due to the tax expenditure were applied to a rate reduction

If the agricultural loan tax expenditure were repealed, the change in the mortgage registry tax rate would be negligible.

The incidence of the tax expenditure and the effect of the expenditure on the incidence of the state's tax system

The agricultural loan tax exemption included in this evaluation are not considered to be significant tax expenditures as defined by DOR Tax Research and therefore excluded from the requirement for an incidence study as part of a tax expenditure evaluation per Minnesota Statutes, section 3.8855.

Comparing the effectiveness of the tax expenditure and a direct expenditure

No direct expenditure programs targeting Minnesota Banks for the objective of increasing agricultural loan competitiveness as compared to federal banks were identified.