Mortgage Registry Tax: Agricultural Loan Exemption Evaluation Summary

Objective

The objective of the mortgage registry tax exemption for agricultural loans is to increase the competitiveness of Minnesota banks offering agricultural loans with federal lenders whose loans are not subject to the state mortgage registry tax.

Background

The mortgage registry tax (MRT) is imposed when a mortgage on Minnesota real property is recorded. The tax rate is 0.23 percent of the debt being secured by the mortgage. The mortgagor (borrower) is liable for the tax. The exemption does not apply to a house, residential garage, or surrounding one acre that is purchased with an agricultural property.

Mortgages given to federal lenders such as the Farm Service Agency are exempt from state mortgage taxes pursuant to Federal law.

Summary Information

Year Enacted	2001
Statute	Minnesota Statutes, Section 287.04(9)
Tax Type	Mortgage Registry Tax
Provision Type	Exemption
Latest Fiscal Impact Estimate	$4,700,000 – Fiscal Year 2026
Latest Claims Estimate	Direct measure of this estimate is not currently available
Expiration Date	None

Key Findings

- Mortgage recording and exemption data collected by counties is not reported to the Minnesota Department of Revenue (DOR). The LBO requested MRT data via a survey sent to all 87 counties in collaboration with the Minnesota Association of County Officers (MACO). County data generally does not distinguish between exemption types, making it difficult to generalize survey results and provide detailed analysis.
- Due to data limitations, the LBO is unable to determine if the exemption for agricultural loans increases the competitiveness of Minnesota banks offering agricultural loans with federal lenders whose loans are not subject to the state mortgage registry tax.
- To facilitate future evaluations, the LBO recommends systematically tracking the MRT exemption by exemption type. One feasible way to improve upon the reporting and data collection for the MRT exemption is to require the MRT1 form to be submitted with each claim. This would allow the state to obtain exemption-level data with minimal additional administrative burden to the local governments that are responsible for data collection currently.

Survey Data

The county survey response rate was 36% (31 of 87 counties). Figure 1 summarizes reported mortgage and MRT data for calendar year 2024. Note that some counties were unable to respond to every question, making it difficult to generalize survey results. The number of responses by question is provided. Minimum and maximum values by metropolitan statistical area and non-metropolitan statistical area counties provide an idea of the variation in mortgage processing by county.

Counties reported a median of 300 mortgages that were liable for the MRT and 97 mortgages that were exempt, aligning with the five-year average exemption rate of just under four percent. The median estimated or actual value of MRT exemptions was $146,718 in calendar year 2024. Respondents were unable to distinguish between exemption types.

Figure 1. Summary Statistics on Mortgage Data Reported by Counties 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)
All County Median	1,443	300	97	$146,718
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 (MSA) 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 of counties pertaining to all MRT exemptions and does not isolate the impact of the government housing loan MRT exemption.

Contact Information and Disclaimer

This tax expenditure evaluation was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission. For more information, please visit the Tax Expenditure Review Commission website. For the complete report visit the TERC report page. Contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov with questions.