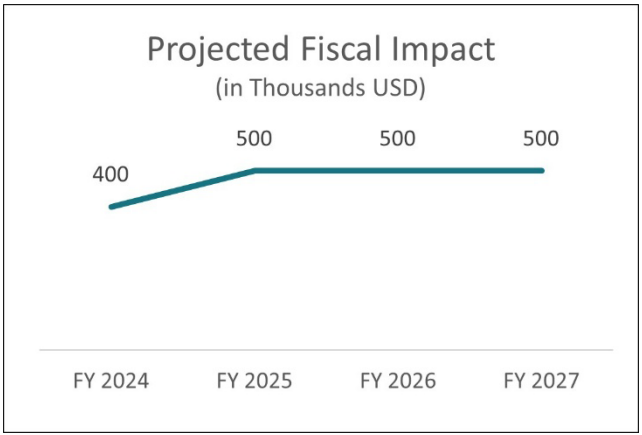
Metropolitan Agricultural Preserves Credit

Tax Expenditure Initial Review - TEB 13.3.03

Tax Expenditure Facts

Year Enacted	1980
Statute	Minnesota Statutes 2025, Section 473H.10
Tax Type	Property
Provision Type	Credit
Latest Fiscal Impact Estimate	$500,000 – Fiscal Year 2026
Latest Claims Estimate	Approximately 3,000 parcels across six counties received this credit in 2024
Expiration Date	None



Tax Expenditure Description

A credit against the property tax is allowed for agricultural land and nonresidential buildings in the metropolitan agricultural preserves program. The credit is based on the difference in tax computed at the local tax rate and the tax computed at 105% of the previous year's statewide average local tax rate for property in townships. The minimum credit is $1.50 per acre.

Agricultural preserve land is also allowed preferential valuation. See Item 13.2.05, which includes a description of the agricultural preserves program.

The credit was enacted as part of the metropolitan agricultural preserves program in 1980. The $1.50 minimum was enacted in 1993.

Additional Background Information

The Metropolitan Agricultural Preserves ("Ag Preserves") program includes two property tax incentive components. Ag Preserve land is valued according to its agricultural use, not its market value (discussed in a separate review) and is provided a property tax credit. The program also includes protections from special assessments and eminent domain proceedings.[i]

The Ag Preserves program is administered by local assessors, county auditors, and local units of government in the seven-county metropolitan area. The auditor calculates and applies the credit after gross tax liability is calculated based solely on agricultural use.[ii] Ag Preserves designation continues until either the landowner or the unit of government exercising planning and zoning authority initiates the withdrawal process, although land must be committed to the program for a minimum of eight years.[iii]

Each metropolitan county imposes a five-dollar surcharge on the registration of mortgages and deeds, half of which is deposited in the county's conservation fund to reimburse taxing jurisdictions for revenue foregone by the credit.[iv] If this revenue source is inadequate, the balance is covered by the Minnesota Conservation Fund; if both sources are inadequate, the remainder is covered by the state general fund.

Proposed Tax Expenditure Objective for Consideration

The objective of the Metropolitan Agricultural Preserves Act is to encourage agricultural use retention on land specifically located in close proximity to the Minneapolis-St. Paul Metropolitan Area.

Sources

The proposed objective statement is based on the language used to describe the program in the Minnesota Department of Revenue's Auditor/Treasurer Manual.[v]

This language corroborates the language of the enacting bill:

> "To provide an orderly means by which lands designated for long term agricultural use, through the local and regional planning processes, will be taxed in an equitable manner reflecting the long term singular use of the property; will be protected from unreasonably restrictive local and state regulation of normal farm practices; will be protected from indiscriminate and disruptive taking of farmlands through eminent domain actions; will be protected from the imposition of unnecessary special assessments; and will be given such additional protection and benefits as are needed to maintain viable productive farm operations in the state."[vi]

H.F. 1612 was introduced on May 18, 1979, and signed into law on April 14, 1980, under the title name of the "Metropolitan Agricultural Preserves Act."

Potential Metrics and Performance Measures

Publicly available parcel level data can be used to measure:

- The longevity of properties in Ag Preserves
- Ag Preserves property values over time
- The geographical distribution of Ag Preserves land
- The amount of Ag Preserves property receiving the credit over time

A full evaluation of Ag Preserves may include a review of land preservation policy in other states and additional performance measures used within the field of land policy analysis.

Contact Information and Disclaimer

This tax expenditure review was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission pursuant to Minnesota Statutes 2025, section 3.8855, subdivision 4.

Notice: Proposed Tax Expenditure Objective statements are not binding authority and should not be used as a legal interpretation of any tax expenditure statute.

For questions regarding this review, please contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov.

For more information, please visit the Tax Expenditure Review Commission website.

[i] Jared Swanson, *Minnesota's Property Tax Programs for Agricultural and Rural Lands* (Minnesota House Research Department, November 2024), https://www.house.mn.gov/hrd/pubs/ss/ssgrnacres.pdf.

[ii] Minnesota Department of Revenue, *Auditor Treasurer Manual* (September 2025), 130, https://www.revenue.state.mn.us/sites/default/files/2025-09/manual-september-2025.pdf. A useful comparison of special valuation and deferral programs can be found on page 59. For a description of Ag Preserve eligibility and program requirements, see Minnesota Department of Revenue, *Minnesota Property Tax Administrator's Manual* (July 2023), 59-60, https://www.revenue.state.mn.us/sites/default/files/2025-09/module-2-valuation.pdf.

[iii] *Minnesota Property Tax Administrator's Manual*, 121.

[iv] *Minnesota Property Tax Administrator's Manual*, 123.

[v] *Auditor Treasurer Manual*, 47.

[vi] Laws of Minnesota 1980, chapter 550, section 1, subdivision 2.