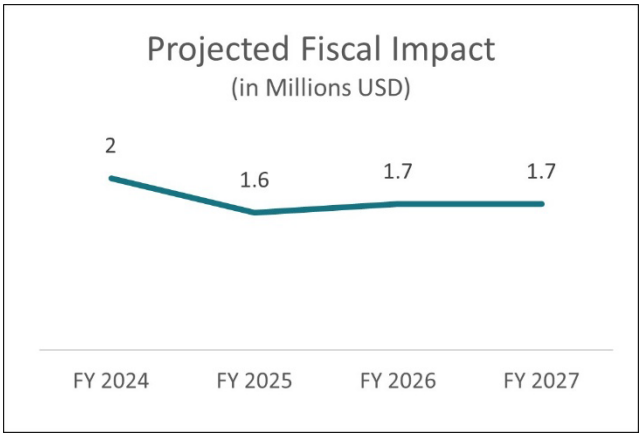
Metropolitan Agricultural Preserves Land

Tax Expenditure Initial Review - TEB 13.2.05

Tax Expenditure Facts

Year Enacted	1980
Statute	Minnesota Statutes 2025, Section 473H.10
Tax Type	Property
Provision Type	Preferential Valuation
Latest Fiscal Impact Estimate	$1,700,000 – Fiscal Year 2026
Latest Claims Estimate	Approximately 3,000 parcels covering approximately 190,000 acres
Expiration Date	None



Tax Expenditure Description

Agricultural land in the seven-county metropolitan area is eligible for preferential valuation if it is within an agricultural preserve. To qualify, the owner of land that is in long-term agricultural use must receive approval from the local unit of government and must sign a covenant that the land will remain in agricultural use. Generally, the land must be at least 40 acres and used in the production of agricultural products. Wetlands, pasture, and woodlands accompanying such land also qualify.

Agricultural preserves land is valued solely according to its agricultural use, rather than at a higher value that would reflect its potential use. The preferential valuation continues indefinitely, even if ownership changes. A tax credit is also allowed (Item 13.3.03). The expiration of an agricultural preserve cannot take place until at least eight years after notice is given by either the owner or the local unit of government. Previous tax reductions are not repaid.

The Metropolitan Preserves Act was adopted in 1980 and was last amended in 2023.

Additional Background Information

Land in the Metropolitan Agricultural Preserves Program ("Ag Preserves") is valued according to its agricultural use, not the amount it would likely sell for on the open market. For example, land designated Ag Preserves in a high-growth residential area is valued based solely on its agricultural use, not based on the substantially higher value it would command if sold to a land developer for its highest-and-best (residential) use.[i] Thus, Ag Preserves land has a lower taxable value and subsequent tax liability than would otherwise prevail under normal assessment and valuation practices. Note that Ag Preserves valuation does not include the residence and garage but does include the land upon which the residence is sited and non-residential farm buildings.[ii]

Program beneficiaries include owners of qualifying agricultural land. Property in the Ag Preserves program contributes a smaller amount to the tax base, requiring a higher local tax rate to produce the same levy amount. This dynamic effectively shifts a portion of the property tax burden from Ag Preserves lands to all other properties in the same taxing jurisdictions.[iii] Tax shifting can occur when taxable market values and

classification rates change due to market trends, legislative actions, reassessments, property improvements, use changes, or preferential valuation programs such as Ag Preserves.

In addition to preferential valuation, the Ag Preserves program includes a tax credit designed to limit annual net tax capacity rate increases (discussed in a separate review), protection from special assessments, and eminent domain proceedings.[iv]

The Metropolitan Agricultural Preserve Program is administered by local assessors, county auditors, and local units of government in the seven-county metropolitan area. 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.[v]

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.[vi]

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."[vii]

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 Ag Preserves land
- The amount of Ag Preserves property receiving preferential valuation 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.

5/6/2026

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.

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[i] "Highest-and-best use" – the use that provides the highest return to the land – is a common appraisal concept used to estimate the market value of a property. Highest-and-best use depends on several factors including but not limited to zoning, use of surrounding properties, market pressures, location, local building codes, and accessibility. The use must be physically possible, legally permissible, financially feasible, and maximally productive. For a brief discussion of highest-and-best use, see Minnesota Department of Revenue, *Minnesota Property Tax Administrator's Manual – Module 2* (September 2025), 6, https://www.revenue.state.mn.us/sites/default/files/2025-09/module-2-valuation.pdf.

[ii] Minnesota Department of Revenue, *Auditor Treasurer Manual* (September 2025), 48, https://www.revenue.state.mn.us/sites/default/files/2025-09/manual-september-2025.pdf.

[iii] Tax shifts, to varying degrees, beyond the borders of the unique taxing area to the borders of each taxing authority included in the unique taxing area.

[iv] 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.

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

[vi] *Auditor Treasurer Manual*, 47.

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