



Tax Expenditure Review Commission (TERC)

TAX EXPENDITURES FOR EVALUATION CONSIDERATION

LBO TERC TEAM

JUNE 17, 2026

Tax Expenditures Covered Today

Presentation and discussion of select tax expenditures and proposed objectives:

- Metropolitan Agricultural Preserves Land (Property Tax) – Minn. Stat. § 473H.10 (TEB 13.2.05)
- Metropolitan Agricultural Preserves Credit (Property Tax) – Minn. Stat. § 473H.10 (TEB 13.3.03)
- Special Use Valuation (Estate Tax) – Minn. Stat. § 291.03 and IRC Section 2032A (TEB 3.1.01)

Metropolitan Agricultural Preserves Land (TEB 13.2.05)

Minn. Stat. § 473H.10

Proposed Tax Expenditure Objective Statement:

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. 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.”

Metropolitan Agricultural Preserves Land (TEB 13.2.05)

Approach to Tax Expenditure Evaluation

Descriptive Statistics

- Ag Preserves property values over time
- Median and average amounts by which preferential valuation reduces tax liability

Performance Analysis

- The longevity of properties in Ag Preserves
- Review of land preservation policies in other states
- The geographical distribution of Ag Preserves land
- Tax shifting from qualifying properties to other properties in the same taxing jurisdictions

Metropolitan Agricultural Preserves Credit (TEB 13.3.03)

Minn. Stat. § 473H.10

Proposed Tax Expenditure Objective Statement:

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. This language corroborates the language of the enacting bill:

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Metropolitan Agricultural Preserves Credit (TEB 13.3.03)

Approach to Tax Expenditure Evaluation

Descriptive Statistics

- Ag Preserves property values over time
- Median and average credit amounts

Performance Analysis

- The longevity of properties in Ag Preserves
- Review of land preservation policies in other states
- The geographical distribution of Ag Preserves land

Special Use Valuation (TEB 3.1.01)

Minn. Stat. § 291.03 and IRC Section 2032A

Proposed Tax Expenditure Objective Statement:

The objective of Special Use Valuation is to help preserve family-owned farms and closely held businesses by lessening the burden of estate tax with the intent to encourage heirs to continue farming.

Sources:

The objective of Special Use Valuation was not explicitly stated in the Minnesota legislative record, but there is a stated objective for a similar Federal provision. The proposed tax expenditure objective is based on the language on Page 537 of “General Explanation of the Tax Reform Act of 1976 (H.R. 10612, 94TH Congress, Public Law 94-455)” under “Reasons for Change”.

Special Use Valuation (TEB 3.1.01)

Approach to Tax Expenditure Evaluation

Descriptive Statistics

- Number of properties that qualify for special use valuation over time
- Median and average property values

Performance Analysis

- Evaluation of similar policies in other states
- Use of farm or business after inheritance and over time

Tax Expenditures for Evaluation Consideration

1. Metropolitan Agricultural Preserves Land (Property Tax) – Minn. Stat. § 473H.10 (TEB 13.2.05)
2. Metropolitan Agricultural Preserves Credit (Property Tax) – Minn. Stat. § 473H.10 (TEB 13.3.03)
3. Special Use Valuation (Estate Tax) – Minn. Stat. § 291.03 and IRC Section 2032A (TEB 3.1.01)

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