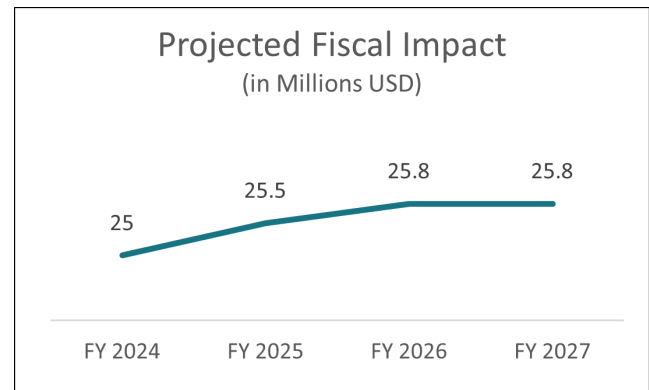


Green Acres Treatment of Agricultural Land

Tax Expenditure Initial Review - TEB 13.2.02

Tax Expenditure Facts

Year Enacted	1967
Statute	Minnesota Statutes 2025, section 273.111
Tax Type	Property Tax
Provision Type	Preferential Computation
Shift in Tax Burden	\$25,800,000 – Fiscal Year 2026
Latest Claims Estimate	~ 3,000,000 Acres – Fiscal Year 2024
Expiration Date	None



Tax Expenditure Description

The Minnesota Agricultural Property Tax Law, known as “Green Acres”, provides for preferential and deferred assessment of qualifying agricultural land consisting of ten or more acres. A qualifying parcel is valued according to its agricultural use rather than a higher value that would result from nonagricultural use. When Green Acres property no longer qualifies as such or is sold, taxes are due equal to the amount by which the preferential valuation has reduced the property tax for the previous three years.

The fiscal impact measures the increase in net property tax that would result from valuing the Green Acres property at its highest and best use compared to its agricultural use.

Additional Background Information

The Green Acres program was last modified in 2011. Deferral programs value and tax property based on its current use, not the amount the property would likely sell for on the open market. For example, property in the Green Acres program used for agricultural purposes, but highly desirable for residential development, is valued based solely on its use for agricultural purposes, not based on the higher value it would command if sold to a land developer for its highest-and-best (residential in this example) use.¹ Thus, property in the Green Acres program has a lower taxable value and subsequent tax liability than would otherwise prevail under normal

¹ “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 (September 2025), 84, <https://www.revenue.state.mn.us/sites/default/files/2025-09/module-2-valuation.pdf>.

assessment and valuation practices.ⁱ Taxable values and class rates determine how property tax burdens are distributed amongst properties in a particular taxing jurisdiction.²

The Green Acres program is administered by local assessors and the Department of Revenue (DOR). The assessor calculates two values for Green Acres properties, an estimated market value (EMV) based on highest-and-best use, and a taxable market value (TMV) based on current agricultural use, which the assessor determines with guidance provided by the DOR.³ If the highest-and-best use value exceeds the agricultural value, the assessor uses the agricultural value as the taxable market value. When property is no longer eligible for a Green Acres deferral, the owner must pay back the amount of property tax deferred for the current year and two preceding years.ⁱⁱ

Program beneficiaries include owners of qualifying agricultural property. Property in the Green Acres 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 qualifying to non-qualifying properties in the taxing jurisdictions. Tax shifting can occur when one or both elements of property tax capacity—taxable market value and classification rate—change due to market trends, legislative actions, reassessments, property improvements, use changes, or provisions such as Green Acres.

Proposed Tax Expenditure Objective for Consideration

The objective of the Green Acres preferential computation is to encourage and preserve farms by mitigating the property tax impact of increasing land values due to nonagricultural economic forces.

Sources

The proposed objective is based on the policy statement included in Minnesota Statutes 2025, section 273.111, subdivision 2 and subdivision 2a:

*“Subd. 2. **Public Policy.** The present general system of ad valorem property taxation in the state of Minnesota does not provide an equitable basis for the taxation of certain agricultural real property and has resulted in inadequate taxes on some lands and excessive taxes on others. Therefore, it is hereby declared to be the public policy of this state that the public interest would best be served by equalizing tax burdens upon agricultural property within this state through appropriate taxing measures.”ⁱⁱⁱ*

*“Subd. 2a. **Purpose.** The legislature finds that it is in the interest of the state to encourage and preserve farms by mitigating the property tax impact of increasing land values due to nonagricultural economic forces.”^{iv}*

Potential Metrics and Performance Measures

Publicly available parcel level data can be used to measure the longevity of qualification of properties in the Green Acres program and deferment value of those properties over time. Additionally, this data can provide information on Green Acres property use and geographical distribution, as well as the total statewide amount of Green Acres property over time.

² For a brief overview of property taxes in Minnesota, see Jared Swanson, et. al., Overview of Property Taxes: A Presentation to the Property and Local Tax Division (Minnesota House Research and Fiscal Analysis Departments, January 2023), <https://www.house.mn.gov/hrd/issinfo/2023PTHandout.pdf>. Minnesota House Research also provides a useful summary of property tax terms available at <https://www.house.mn.gov/hrd/pubs/ss/ssptterm.pdf>.

³ A law change in 2006 required the DOR to establish a fair and equitable method of determining agricultural values for each separate county.

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 Minnesota Department of Revenue, [Auditor Treasurer Manual \(September 2025\)](#), 43-47, 51.
<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 43.

ⁱⁱ [Property Tax Administrators Manual Module 2 \(September 2025\)](#), 84,
<https://www.revenue.state.mn.us/sites/default/files/2025-09/module-2-valuation.pdf>.

ⁱⁱⁱ [Minnesota Statutes 2024, section 273.111, subdivision 2](#), <https://www.revisor.mn.gov/statutes/cite/273.111>.

^{iv} [Minnesota Statutes 2024, section 273.111, subdivision 2a](#), <https://www.revisor.mn.gov/statutes/cite/273.111>.