Open Space Tax Expenditure Evaluation Summary

Objective

The Open Space Property Tax Law (OSP) is intended to encourage the preservation and development of private outdoor, recreational, open space and park land which would otherwise not occur or have to be provided by governmental authority.

Background

The OSP provides preferential valuation and tax deferral to private recreational properties, referred to as facilities, that meet certain eligibility requirements. These facilities pay a property tax based on the use of the qualifying portion of their land rather than the highest and best use. To participate, facilities must submit an annual application by November 3 prior to the assessment year. Assessors must calculate both the highest and best use and the value based on current use. When a property no longer qualifies, taxes are due equal to the amount by which the preferential valuation reduced property tax liability for the current year and previous six years.

Summary Information

Year Enacted	1969
Statute	Minnesota Statutes, section 273.112
Tax Type	Property Tax
Provision Type	Preferential Computation
Latest Fiscal Impact Estimate	$17,500,000 – Fiscal Year 2027
Latest Claims Estimate	69 facilities – Taxes Payable Year 2024
Expiration Date	None

Key Findings

Measurable impacts on the objective

Without additional data, the LBO cannot isolate the impact of OSP in addressing its stated objective of encouraging the preservation and development of private outdoor, recreational, open space and park land which would otherwise not occur or have to be provided by governmental authority.

Geographic Dispersion

- **86%** of OSP facilities were located in the Twin Cities Metro area in taxes payable 2024. A total of **36%** were located in Hennepin County.
- **84%** of all deferred market value was located in Hennepin County, **7%** in Ramsey County, and the remaining **9%** across the other counties included in OSP.

Facility Types and Tax Liability

Tax deferral amounts vary significantly, **ranging from less than $100 to over $6 million**. The **median deferral is just over $25,000**. Large deferrals are driven by high market values of surrounding properties.

Tax Shifting

Figure 2 includes state-wide shift estimates by jurisdiction type. Note that special taxing district and fiscal disparity shifts are not included in the table because special district and fiscal disparity rates were held constant for the purpose of calculating shift amounts due to data and resource limitations.

OSP 2004 to 2024

From 2004 to 2024, **51 (48%)** facilities have been continuously enrolled, **25 (24%)** have exited, and **22 (21%)** entered, of which **six (6%)** both entered and exited.

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Key findings (continued)

Figure 1. Open Space Facilities Summary Statistics, Taxes Payable Year 2024

Facility Type	Count	Proportion of Total OSP Tax Deferrals	Average Tax Liability with OSP Amount ($)	Average Tax Liability without OSP Amount ($)
Member Only Golf	25	87.42%	121,000	888,000
Publicly Available Golf	31	10.39%	57,000	115,000
Ski Areas	10	1.29%	41,000	152,000
Firearms/Archery Ranges	3	0.90%	9,000	29,000

Figure 2. Estimated Tax Shifts by Jurisdiction Type, Taxes Payable Year 2024

Jurisdiction Type	Estimated Total Shift Amount ($)
City/Township	3,873,010
School District	3,578,147
County	3,544,814
State General Tax	4,136,674

The median shift due to an individual facility onto a residential homestead valued at the average estimated market value within the same UTA as that facility is **$1.79**.

Figure 3. Reasons why Facilities Leave the Open Space Program, Assessment Years 2004 - 2024

Reason for leaving Open Space Program	Number of Properties
Sold for residential development	13
Purchased by a Local Unit of Government	2
Sold for other development type	2
Lost OSP status or did not reapply	10
Closed - not developed	4

Additional Considerations

- A full list of potential future considerations is included in the full report on page 23-24.
- Two potential recommendations related to the administration of OSP are outlined in the full report on page 23.

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.