

Green Acres—A Key Minnesota Farm & Conservation Program is in Jeopardy

Changes made to Green Acres by the 2008 Legislature threaten farmland in Minnesota and should be repealed.



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Green Acres: A Valuable Conservation Tool

Green Acres, known officially as the Minnesota Agricultural Property Tax Law, was created by the Legislature in 1967 in an effort to equalize taxes on farmland. It's one way for farmers living in the midst of rapid, non-ag development to not be priced out of the region by property taxes that have nothing to do with the price of corn, beef or milk. The program allows those farmers to have their land valued based on its agricultural value, rather than how much it would fetch from the developer of a subdivision or shopping mall.¹

This can result in a significant reduction in taxes. Minnesota has 29.5 million acres of land classified as agricultural, which is 58 percent of the state's total land area. About 13 percent of that farmland is enrolled in Green Acres. For metro-area counties, Green Acres has been an invaluable tool for making sure farmers are paying taxes at levels similar to their counterparts in southwest Minnesota.

Green Acres, combined with the Metropolitan Agricultural Preserves Act for the seven-county metro area and the Agricultural Land Preservation Program for greater Minnesota, reduced property taxes for enrolled landowners by \$40 million in 2007 alone, according to the Legislative Auditor.² In the Twin Cities area, the program in 2007 substituted an average agricultural use value of \$3,600 per acre for the average estimated market value of \$13,800.³

Wright County, for example, has always faced significant development pressure because of its location along the I-94 corridor, and in recent years has consistently been among the top three Minnesota counties for growth and development. With its combination of crop acres, lakes, wetlands, woodlots and subdivisions, it's no surprise Green Acres is used on more than half of the parcels in the county. Wright County Assessor Greg Kramber says that in the fast-growing Monticello area tillable land is valued at \$21,000 per acre. Green Acres allows farmers there to pay taxes based on an agricultural value of \$2,145 per acre, a significant savings and essential to maintaining farmland.⁴

2008 Legislative changes weaken Green Acres

But changes to Green Acres were passed toward the end of the 2008 Legislative session as part of an omnibus tax bill. Almost no meaningful public input was included in the formulation of what has turned out to be major shifts in the implementation of this program.

In one fell swoop lawmakers made wetlands, sloughs, woodlands,

Conservation Reserve Program (CRP) acres and other "non-productive" natural treasures ineligible for new enrollment in Green Acres as of May 1, 2008. That means these areas could potentially be taxed at the same levels as prime development acres. Often enrollment in a conservation program such as CRP or Reinvest in Minnesota (RIM) constitutes the best agricultural use of the land, particularly if it is part of a larger acreage. Adding language that prohibits this land from eligibility creates a serious burden for any responsible landowner who ordinarily and voluntarily will keep these sensitive lands in a lower intensity use. It is essentially punishing those that are and have been doing the right thing for the resource.

In some cases, Green Acres now more than doubles the payback period on deferred taxes, a potentially significant disincentive for anyone considering enrolling, or re-enrolling, in the program.

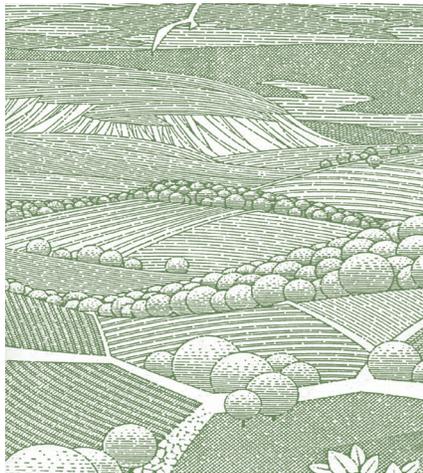
If your property is currently receiving Green Acres benefits and it includes "non-productive" acres, you may have chosen to have those acres grandfathered into the program for future years, or you may have chosen by Jan. 2, 2009, to withdraw all or some of the non-productive acres.

Some landowners may have had a major incentive to pull those woodlots, sloughs and meadows out of the program by Jan. 2, thanks to another change the Legislature made to Green Acres. Originally, when you sold, transferred or subdivided land enrolled in Green Acres, you owed three years worth of back taxes. But under the new Green Acres program, the payback period on back taxes has been increased to seven years for non-productive acres that are sold, transferred or subdivided after Jan. 2.^{5,6}

Two areas that could be particularly affected by the changes are counties around the Twin Cities and in the southeast corner of the state. Good old-fashioned urban sprawl is pushing land prices up in the Twin Cities region. But in places like Winona and Houston counties, a different kind of non-ag development is pumping up land prices: people from the Twin Cities and even as far away as Chicago are buying up land for private hunting preserves or hobby farms.⁷

The changes have been a bureaucratic nightmare for counties. In 2008, letters were sent out to all Green Acres enrollees, and because information on who has land in federal programs such as CRP is not always public, separate surveys were done to ferret out that information. At a time when many counties can barely afford to keep the roads graveled, thousands of dollars will have to be spent on new software alone in order to accommodate the Green Acres changes.⁸

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Changes made at the Capitol without farmer input

In February 2008, the Office of the Legislative Auditor issued a report on Green Acres that cited several problems with the program. Among other things, the Legislative Auditor concluded that Green Acres was not being uniformly implemented in all counties (in some cases, it's not offered to landowners who are eligible, according to the report). In addition, the Auditor found that there were cases where landowners were using the program to avoid paying higher taxes until they could cash-out by selling the land for development.⁹

These are serious issues that need to be dealt with. Unfortunately, the solution was executed without opportunity for meaningful public input. This legislation never received a hearing in any agricultural or environmental committee, even though it will have profound impacts in both these areas. Instead it was rolled into a large omnibus tax bill.

Senator Rod Skoe (DFL-Clearbrook), Chair of the Senate Property Tax Division, authored the bill that changed Green Acres. These changes were quickly incorporated into an omnibus tax bill. On the House side, the changes were authored by Rep. Lyle Koenen (DFL-Clara City) and the bill received a short hearing in the House Property Tax Relief and Local Sales Tax Committee. That was the only public hearing specifically on the Green Acres revisions. Both legislators were on the conference committee that negotiated the joint House/Senate omnibus tax bill. The Land Stewardship Project testified against the changes when they were discussed before the House Property Tax Relief and Local Sales Tax Committee, but overall there was very little opportunity to fix or stop the legislation.

That lack of public input into these changes is particularly troubling considering the extent to which they could literally alter the face of the landscape. For example, in Wright County, which is second only to Stearns County in the number of Green Acres enrollees, roughly 40 percent of the land currently enrolled no longer qualifies under the new rules, according to Wright County Assessor Greg Kramber.¹⁰

One farm's experience with how Green Acres changes undermine good stewardship

When Mike and Joan Gilles bought their Winona County farm in 1996, the county assessor recommended they enroll in Green Acres. The program has been a good fit for the Gilles farm, which produces milk with a 100-cow herd on rotationally grazed pastures. The whole operation is 230 acres, and only about 100 of that is tillable. The farmstead makes up about five acres; the rest of the untilled land is hardwood timber, rough pasture and open spaces the family has converted to native prairie. Green Acres has saved them a lot of property tax money over the years. Mike was reminded of that recently when they acquired 10 more acres of rough pasture—it was over three times the per-acre price they paid for the rest of the farm in 1996.

Mike Gilles finds it particularly galling that the Department of Revenue now considers farm timber pretty much worthless. In recent years, the Department of Natural Resources has put a lot of effort into convincing landowners like Gilles that woodlots are a productive part of the farm—they can produce valuable timber as well as firewood and recreational opportunities, not to mention ecological services such as reducing runoff. Gilles has been urging his neighbors not to graze their woodlands for fear of damaging the trees.¹¹

“I'd be fool to tell my neighbors now not to graze their woodlands because that means they're going to pay higher taxes,” says the

farmer. “If I were smart, I'd get the bulldozer and take out the trees and put it in pasture. And that's going to be the attitude of a lot of the farmers.”

Also troubling to farmers like Gilles is the extension of the tax period payback from three to seven years for non-productive land. Winona County Assessor Stephen Hacken offers up an example of 200 acres of woods that through Green Acres was receiving a break on the tax assessment. In this particular case, if the landowner is required to pay back the taxes that were deferred over a seven-year period, that could add up to as much as \$23,000 in penalties.¹²

Such a shift will have a major impact on small- and medium-sized family farms that have a diverse mix of “productive” and “non-productive” acres—the kind of mix that creates edges and wild corners—a dream come true for hunters, birders, wildlife biologists and even watershed conservationists. Like many such farmers, Gilles does not separate out his productive and non-productive acres with clear lines of delineation. He sees it all as part of a whole, no matter what the taxman says.¹³

Call on the Legislature to fix Green Acres

LSP is working on fixing Green Acres during the 2009 session of the Minnesota Legislature, and you can help. Contact your Senators and Representatives and tell them to repeal the 2008 changes and begin the orderly process of reviewing the Green Acres program in a way that includes public input. If you are a program enrollee or someone who is concerned about its future, contact LSP as soon as possible. You can get the name and phone number of your state legislators by calling 800-657-3550 or 651-296-2146 for Representatives, and 888-234-1112 or 651-296-0504 for Senators. Contact LSP's Bobby King at bking@landstewardshipproject.org or 612-722-6377 for more information.

Sources

¹Minnesota Legislative Auditor. “‘Green Acres’ and Agricultural Land Preservation Programs.” Feb. 8, 2008. www.auditor.leg.state.mn.us/ped/2008/greenacres.htm

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³Minnesota Legislative Auditor. Feb. 8, 2008

⁴Greg Kramber, Wright County, Minn., Assessor. Telephone Conversation. Oct. 30, 2008

⁵2008 Minnesota Statutes. “273.111 Agricultural Property Tax.” 2008. www.revisor.leg.state.mn.us/statutes/?id=273.111

⁶Minnesota Department of Agriculture. “Summary of 2008 Legislative Changes to the Agricultural Tax Classification & Green Acres.” 2008. <http://74.125.47.132/search?q=cache:mZ4oS-myaJwJ:www.mnla.biz/images/IndustryReferences/LegislativeChgsGreenAcres.pdf+2008>

⁷Stephen Hacken, Winona County, Minn., Assessor & President, Minnesota Association of Assessing Officers. Telephone Conversation. 10/30/08

⁸Stephen Hacken. Oct. 30, 2008

⁹Minnesota Legislative Auditor. Oct. 30, 2008

¹⁰Greg Kramber. Oct. 30, 2008

¹¹Mike Gilles, Winona County farmer. Telephone Conversation. Nov. 5, 2008

¹²Stephen Hacken. Oct. 30, 2008

¹³Mike Gilles, Nov. 5, 2008



This fact sheet is brought to you by the members and staff of the Land Stewardship Project, a private, nonprofit organization devoted to fostering an ethic of stewardship for farmland and to seeing more successful farmers on the land raising crops and livestock. For more information, call 612-722-6377 or visit www.landstewardshipproject.org.