

Rural Preserve Property Tax Program

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Property Tax Fact Sheet 15

Fact Sheet

The Rural Preserve Program provides property tax relief for qualifying owners of rural vacant land in areas where the market value of the land is being affected by development pressure, sales of recreational land or other factors.

The Rural Preserve Program

This fact sheet provides information to property owners regarding the eligibility requirements for the Rural Preserve Program (Rural Preserve), which will be available beginning with the 2011 assessment. Rural Preserve was enacted into law by the state Legislature in 2009 and is codified in Minnesota Statutes, section 273.114.

Minnesota law requires assessors to value property at its estimated market value. Estimated market value must reflect the use of the property that will bring the greatest economic return to the land (its “highest and best use”). For many rural properties, this highest and best use may be to develop the land for a residential or recreational use. The residential or recreational value of a property is typically significantly higher than that of undeveloped rural vacant land.

Rural Preserve provides property tax relief to taxpayers with eligible class 2b rural vacant land. Participants in the program must commit to a conservation management plan approved by a county’s soil and water conservation district for at least 10 years. Qualifying applicants may include taxpayers with class 2b land that was grandfathered into Green Acres for the 2010 assessment, or who own other agricultural homestead property. Real estate taxes on enrolled land are based upon a value that is not influenced by outside factors such as urban sprawl or seasonal activities.

Rural Preserve is designed to work in conjunction with the changes that were made to the Green Acres program in 2008 and 2009. Qualifying class 2b land that was previously enrolled in Green Acres may be enrolled in Rural Preserve by May 1, 2013, without being subject to the payback of Green Acres deferred taxes. Please refer to the *Green Acres Fact Sheet (Fact Sheet 5)* to learn more about transferring property from Green Acres into Rural Preserve.

How does Rural Preserve work?

The assessor determines two values on land enrolled in Rural Preserve:

- The “estimated market value” based on sales of similar property taking into consideration all of the outside factors that influence its market value.
- The “value without regard to outside influences” or “Rural Preserve Value” which must not exceed the class 2a tillable value for that county.

Taxes are calculated on both values, but paid on the lower value each year. The difference between the tax calculated on the higher and lower values is deferred until the property is sold, transferred, or no longer qualifies for Rural Preserve. When the property is sold, transferred, or no longer qualifies for the program, the deferred taxes for the current year and two prior years must be paid to the county.

What about special local assessments?

Special local assessments may be deferred while the property qualifies for Rural Preserve. When the property no longer qualifies for the program, all deferred special assessments plus interest are due.

How do I qualify?

If you own class 2b rural vacant land that was grandfathered into Green Acres for the 2010 assessment or that is part of an agricultural homestead and covered by an approved conservation management plan, you may be eligible for Rural Preserve. You must apply with the county assessor.

The enrolled acres must:

- have been enrolled in Green Acres prior to enrollment in Rural Preserve; or be part of an agricultural homestead;
- be at least 10 acres in size;
- be covered by a conservation management plan developed by an approved plan writer;
- not be enrolled in Green Acres, Open Space, or SFIA;
- have no delinquent property taxes owed on the land; and
- be subject to a recorded covenant for a minimum of 10 years.

How do I apply?

Rural Preserve applications will be filed with and approved by the county assessor. The assessor will require that a copy of your conservation management plan, the recorded covenant, and other supporting documents be submitted with the application to prove that the property meets all requirements for qualification.

Application forms will be available at the county assessor's office and must be filed by May 1 for the next taxes-payable year. Applications will be available beginning with the 2011 assessment year, for taxes payable in 2012.

What about the 10-year covenant?

Before applying for Rural Preserve, you must file a covenant agreement with the county recorder where the property is located. When you record the covenant, you are agreeing that:

- The covenant runs with the land, so it continues even if there is a change in ownership. Future owners must continue to comply with the terms of the covenant.
- The covenant will remain on the property for a minimum of 10 years. After five years of enrollment in the program, you may request to cancel the covenant. It will take another five years for the covenant to terminate. The covenant does not automatically expire after 10 years. You must notify the assessor five years before you desire the covenant to be terminated.
- After the covenant is terminated, the land will not be eligible for re-enrollment in Rural Preserve for a period of three years.
- For the entire length of the covenant, you will be required to abide by the terms set forth in your conservation management plan.

What happens when the covenant is terminated?

When the covenant is terminated by the owner, or when the property no longer qualifies for Rural Preserve, the property owner will have to pay back deferred taxes for the year of termination plus the two prior years. The deferred taxes are a lien against the property.

All deferred special assessments, plus interest, will also have to be paid back. The total due will be payable in equal installments, spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the special assessments were levied.

What else should I know about Rural Preserve?

Applications for enrollment are not yet available, but will be available in time for the first application due date of **May 1, 2011**. This fact sheet is meant to inform you of the program so that you can plan in advance what you would like to do with your property. Planning ahead is particularly important for property owners who are currently enrolled in Green Acres.

If you own property that is currently enrolled in Green Acres, or was recently withdrawn from Green Acres, please look at the *Green Acres Fact Sheet (Fact Sheet 5)* that is at the Department of Revenue's website: www.taxes.state.mn.us; or available from your county assessor.

Please contact your county assessor if you have specific questions about your property or the Rural Preserve Program.

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