

**PROPERTY TAX
Agricultural Water Quality
Credit Created**

March 18, 2025

Department of Revenue

Analysis of H.F. 363 (Jacob) as proposed to be amended by H0363A1

	Yes	No
DOR Administrative Costs/Savings	X	

Fund Impact

	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
Agricultural Water Quality Credit	\$0	(\$1,080)	(\$1,160)	(\$1,220)
Clean Water Fund Total	\$0	(\$1,080)	(\$1,160)	(\$1,220)
Income Tax Interaction	\$0	\$40	\$40	\$40
General Fund Total	\$0	\$40	\$40	\$40

Effective beginning with taxes payable in 2026.

EXPLANATION OF THE BILL

The proposal would create a new agricultural water quality property tax credit of \$5 per acre of qualifying land. To be eligible for the credit, property must be classified as 2a agricultural or 2b rural vacant, be certified as enrolled in the Minnesota Agricultural Water Quality Certification Program (MAWQCP), and be in one of eight counties (Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Wabasha, or Winona). The credit would only be used to reduce net tax capacity-based property taxes and would be the final credit applied in the computation of net property taxes. Appropriations for the credit would come from the Clean Water Fund.

REVENUE ANALYSIS DETAIL

- According to the Minnesota Department of Agriculture, there are currently approximately 1.1 million certified acres and 1,500 producers enrolled in the MAWQCP statewide.
- Approximately 221,000 certified acres and 280 producers enrolled in the program are located in counties eligible for the proposed water quality property tax credit. It is assumed that all these certified acres are classified as 2a or 2b property and would be eligible for the credit.
- The agricultural water quality credit is estimated to be \$1.11 million in taxes payable 2026, \$1.16 million in taxes payable 2027, and \$1.22 million in taxes payable 2028. These numbers have been converted to fiscal years for the purpose of this estimate.
- Lower property taxes for property owners receiving the credit would reduce deductions on income tax returns, increasing state tax collections by \$40,000 beginning in fiscal year 2027.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Decrease in simplicity: creating a new credit, credit is only for certain counties.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

sf1269(hf0363) MAWQCP Credit Created_pt_2/wms