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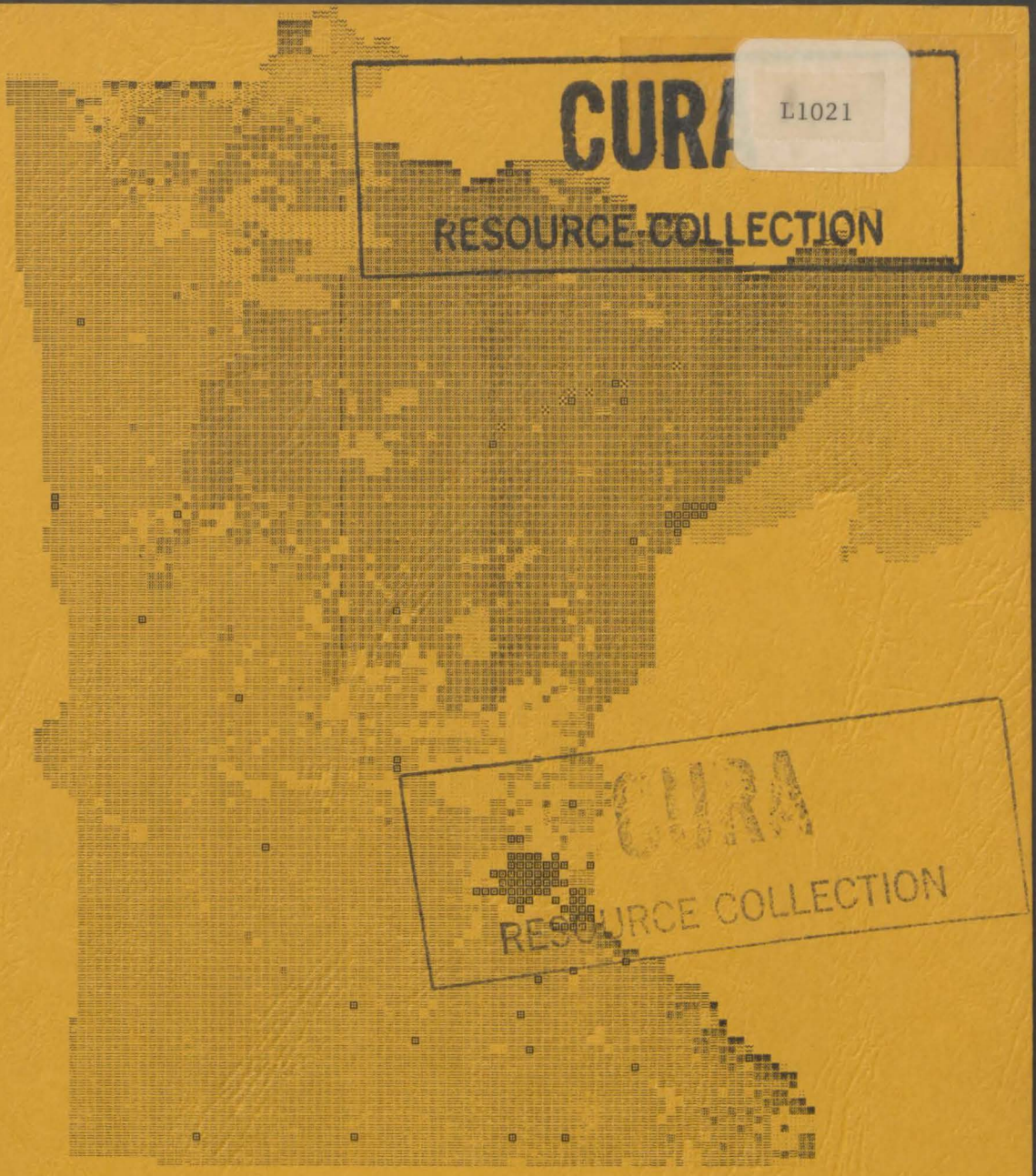

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DIFFERENTIAL ASSESSMENT OF FARMLAND IN ANOKA COUNTY

6001

GREGG SYDNEY LARSON

JUNE 1975

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DIFFERENTIAL ASSESSMENT OF FARMLAND IN ANOKA COUNTY

A THESIS
SUBMITTED TO THE FACULTY OF THE GRADUATE SCHOOL
OF THE UNIVERSITY OF MINNESOTA

By
Gregg Sydney Larson

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF
MASTER OF ARTS
June, 1975

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PREFACE

The Minnesota Agricultural Property Tax Law, better known as the "Green Acres Law", was passed by the legislature in 1967 and patterned after a number of measures previously enacted in many other states. At that time differential assessment was looked upon as a novel and innovative planning tool, able to halt the demise of urban agriculture and preserve much-desired open space. Since then, enthusiasm has waned as the opportunities to observe the consequences of earlier state programs have raised new questions and skepticism regarding their value.

Minnesota is no exception and the statute has both strong critics and loyal defenders. Numerous attempts have been made to amend the law, some successful, others not, and more amendments will be offered for legislative review during the 1975 session. Both critics and defenders have one characteristic in common, though, and that is a lack of any real background supporting their positions. While they may allude to the effects of the law elsewhere, they have no information regarding its effect in Minnesota. There has been little, if any, basic study or research regarding the impact of the law.

This thesis will attempt to provide some concrete analysis of the law's workings in one metropolitan area county. The first portion of the thesis is a general review of taxation problems and various aspects of differential assessment and the Minnesota statute in particular. The second portion deals with implementation of the law in Anoka County. While the findings will not necessarily hold true for the other metro-

politan area counties, they should furnish a better understanding of the law's implications for local agriculture, government, and land use planning and a better foundation for legislative consideration.

I. THE IMPACT OF URBANIZATION ON AGRICULTURE AND OPEN SPACE AT THE RURAL-URBAN FRINGE.

The continued growth and sprawl of the nation's urbanized areas has aroused concern over the fate of the remaining open land in and around these areas. This concern often focuses on the need for watershed protection, the disappearance of plant and wildlife communities, and the desire for greater recreational opportunities.[1] There is general agreement that some of the remaining open land must be preserved if the agricultural, ecological, recreational, and esthetic demands and needs of the urban population are to be satisfied. However, other demands and needs of the urban population - housing, transportation, and manufactured goods - require more development of open land. It is frequently argued that, historically, this type of development overwhelmed the demand for less intensive uses, much to the detriment of the quality of urban life. There now is a growing movement to alter this trend in order to secure a better balance and a more socially desirable pattern of land use.

Much of the attention directed at the preservation of open space and agricultural land is concentrated at the rural-urban fringe where considerable amounts of open land remain and competition and pressure for its development is evident. It is here that agriculture plays a unique and significant role, both as a principal repository of open, undeveloped land and also as a principal agent in its turnover to urban uses.

The twentieth century American city is no longer dependent on mass transit as was its turn-of-the-century counterpart. The urban expansion which followed the end of World War II was promoted by the spreading use of the automobile and the development of good public roads. New housing programs and FHA mortgage insurance made home ownership possible for many millions of Americans. The city began to expand beyond its earlier limits and was characterized by a more extensive use of the land with large lots and single, rather than multiple, dwellings. The advent of the freeway introduced new patterns of land use at the margins of built up areas, nurturing the outward migration of many central city activities and the development of suburban shopping centers. Legislation establishing the 40-hour work week led to more leisure time and a greater need for recreational areas outside the core cities, further contributing to the sprawl. The resulting extensive and indiscriminate development of agricultural land was significant not only in terms of the acreage lost, but also, and perhaps more importantly, in terms of its quality and location.

As this urbanization spread onto surrounding farmland, three distinct agricultural groupings could be identified; 1) farmland that could be expected to remain in farms, 2) farmland that reverted to less intensive uses, such as grazing, forestry, etc., and 3) farmland which shifted to more intensive uses.[2] For that farmland shifting to more intensive uses, Fellman identified a somewhat regular pattern of agricultural displacement, characterized first by the disappearance of the fertile, high value, intensively utilized truck farms. Their

disappearance was followed by orchards, dairy farms, and other specialized, urban-oriented, agricultural activities.[3]

As the farmers departed and development commenced, another predictable stage in this process was recognizable. High volume, low density, detached residential communities appeared, usually occupied by young families with school age children. Accompanying this was the decline in importance of the local farm service centers, no longer catering to the needs of the farming community. The lack of any economic integration and the public service requirements, in the form of schools, police and fire protection, and sewer and water facilities, began to burden the governmental unit under whose jurisdiction they fell.

In the final stage of this process, property tax mill rates were augmented in order to provide the needed governmental revenue, especially in the absence of any local industry, where there was nothing else upon which to hang the burden of increased civic spending. The farmer, no longer willing or able to pay the growing levies, disposed of his farm property. He either quit farming or relocated in a rural area and his farmland was placed on the market for conversion to an urban use as the sprawl of the city continued.

II. TAXATION AND ITS ROLE IN FARMLAND CONVERSION

Taxation, then, plays a key role in the process of farmland turnover. Farmland values, especially at the rural-urban fringe, have risen dramatically in recent years. A 1968 Missouri study of farmland taxation determined that farm real estate located within Standard Metropolitan Statistical areas was taxed an average 2 1/2 times higher than the farm real estate in counties adjacent to SMSAs and 5 times as high as farm real estate in rural counties located some distance from the SMSAs.[4]

Frequently, though, tax levels do not reflect this gradient because assessors have tended to minimize those elements which might suggest potential use and concentrate only on current use.[5] This was, and still is, partially due to the sympathetic attitude of the general public toward the farmer and also local desires to retain a rural identity and character. Assessors were reluctant to place high values on property which had no relation to the current return, possibly forcing farmers to liquidate their holdings and inevitably leading to vociferous taxpayer resistance. The assessors also hesitated because of the great difficulty of establishing an accurate and current ad valorem appraisal procedure for land lying in the transition zone at the rural-urban fringe.[6] Stocker's discussion of assessment practices at the fringe protrays the dilemma of the assessor;

> For farm properties in the urban-rural fringe, such criteria of assessment as a capitalization of potential farm earnings, or farm rental value give

> no true indication of market value. The source of value for properties of this kind lies not in their current use or production but in the competition of buyers who see in undeveloped land a prospect either for capital gain in later resale or for profit through developing the land themselves. The only indication the assessor has of the market value of land in a market dominated by such motives consists of information on prices at which comparable properties have actually sold. There are, however, both conceptual and practical difficulties in attempting to judge the market value of land in the urban-rural fringe by the sale prices of a few properties that are sold.[7]

These difficulties are a product of the extreme imperfection of the transition zone market. There is an obvious lack of a homogeneous commodity indistinguishable from any other. Although perhaps similar in terms of fertility or other agricultural characteristics, locational aspects differ greatly and often are the most significant value determining factors. Diverse parcel sizes can also affect attractiveness to developers and, hence, potential value. The market is not limitless but limited, both in terms of supply and demand. Demand is limited by the rate of urban expansion. Conversion of tracts to residential, industrial, or commercial uses may exhaust the demand as a whole or with respect to particular locations. Special requirements of commercial or industrial developers make certain properties unique and choice sites, differing from remaining properties. Often the number of interested buyers and sellers is small, confined to a few large farm property owners and a few developers and investors. The complexity of the market precludes full knowledge of the market and, thus, equal access. The use of sale prices as an assessment tool proceeds on the assumption that the market is, at least, some-

what static. But the transition zone market is too fluctuating and dynamic to reasonably expect a sale at one point in time to reveal much about the value at another, even for the same property.

As a result, then, of strong taxpayer resistance, sympathetic assessors, and the difficulty of fair and accurate assessment, farmland often enjoyed an extralegal preference in the form of undervaluation. However, pressure to end this preference has grown and the outcome has been a movement away from undervaluation in urbanizing areas. Hagman has identified a number of these pressures, including;

> ...widespread revaluation programs; pressure for raising assessed values in communities which are hard pressed for tax dollars while, at the same time, approaching debt limits tied to assessed valuations; greater state supervision of assessment practices; more frequent reassessments in areas of rapidly rising values; and greater focus on the requirement of following statutory provisions.[8]

Assessors are sometimes under pressure from speculators who desire undervalued property reassessed in the hope that a squeeze on operating farms will force owners to sell quickly at bargain prices. Frequently, revaluation efforts were supervised by outside consultants with little empathy for farmers and with full valuation as their overriding goal. The result of their labors was usually a tax shock to all landowners and to farmers most of all.[9]

The farmer or other open land owner is caught in a two-way bind. First, his property appreciates in value as urban development, or the prospect of it, nears, and his assessed valuation grows. "Even land zoned for an agricultural or other low density

residential use will usually rise in value as speculators hedge against the impermanence of zoning and the inconstancy of zoning administrators and policy decision makers."[10] Second, the demand for public services attributable to the new growth and development adds to the property tax levy. This levy is one of the principal costs of land holding, often taking a quarter, a third, or even a half of the income off the land. Stocker has observed that:

> ...property taxes are a fixed cost of agricultural production. The owner's tax bill does not vary with the price of farm products. Even if he allows his land to lie idle, his taxes are not affected, in the short run at least. Moreover, the farmer is likely to feel particularly helpless in the face of his rising property taxes because, unlike other costs that are subject to his personal control, property taxes are generated largely by the will of the community. Finally, opportunities for 'shifting' the property tax are limited. Because the farmer typically sells his product in a market in which his individual influence is negligible, he cannot pass the tax onto the consumer in the form of higher prices.[11]

Because many farmers have barely enough income to cover operating expenses, they lack sufficient capital to cover increasing taxes and speculation on some anticipated future capital gain once the land is sold. Eventually, the stakes become so high that the farmer, without the financial capability needed to play in the 'big league', recognizes a sometimes generous offer, sells, and perhaps resettles elsewhere.

The speculator acquires the land at a fraction of its potential worth and expects a hefty return in coming capital gains. He is confident the land will appreciate faster than interest on money in the bank and the return will be taxed as capital gains, rather than as ordinary income. Furthermore,

his real estate taxes are deductible from income in calculating his federal tax, as is the interest paid on money borrowed for the purpose of land speculation.

The land bought for speculative purposes, while sometimes rented out to farmers, is usually left idle so it is immediately available to an interested developer. Attempting to obtain even a limited income from farming or forestry, for example, might prevent him from moving quickly should a lucrative opportunity arise. Sinclair, in a Detroit regional study, observed that land surrounding the Detroit region progressed from extensive to intensive farming, contrary to Von Thunen's model of what might be expected on the basis of market proximity.[12] He identifies an inner belt of vacant land, characterized by an air of anticipation and 'holding' land uses, such as grazing or hay production, with a marked deterioration of farm buildings, fences, etc.

It is while land is 'ripening' in the hands of speculators that the future shape of growth is determined. Rational plans are seldom possible because of the number of participants involved and the restraints or encouragement of clientele and associates and political considerations. Clawson found the number and variety of participants - lawyers, financial institutions, developers, builders, land owners, and land dealers - to be one of the hallmarks of the land decision making process.[13] What results, then, during this interim period is a patchwork compromise of licenses, permits, and zoning concessions leading eventually to the distinctive mix and sprawl of suburbia.

III. OPEN LAND TAXATION SCHEMES: HISTORICAL PRECEDENT AND CURRENT APPLICATION.

Governmental efforts to preserve open space in years past were largely based on utilization of the police power and the power of eminent domain. Although taxation was recognized as a contributory factor in land turnover, the power to tax was not generally perceived as a tool to encourage open space preservation until recently.

Open space taxation schemes usually rest upon some type of preferential tax treatment of open or undeveloped land. There were no English precedents for these laws because the traditional English method of taxing bases assessment on income produced from the land rather than the market value of the land. Agricultural use would most likely result in low tax rates.

Most open space taxation schemes are recent innovations, though their forerunners date as far back as 1850. But the purpose of the older laws was solely to help the farmer pay his taxes. No attempt was made to influence the pattern of land uses. These early schemes varied greatly in application and included laws which rendered unplatted land within municipal limits untaxable,[14] limited school taxes on agricultural property,[15] or lessened taxes on recently annexed rural land.[16] Special provisions for forestry taxation are widespread, but again not really analogous to present open land taxation, except that both endeavor to promote better management and conservation of resources.

Proposals for open land taxation were presented in the late 1920s and early 1930s but little was achieved until 1953. In that

year Minnesota enacted a law giving a tax break to property owners who permitted the use of their land for hunting or fishing, a debatable land use consideration.[17] Ontario passed the first genuine open space tax preference law in 1955.[18] Maryland followed in 1956 with the first preferential tax program for agriculture motivated by land use concerns.[19] Following an initial defeat in the courts, the state legislature found it necessary to adopt a constitutional amendment permitting special treatment of agricultural land.

Special assessment of agricultural and open land has received a growing amount of attention since the Maryland program was first enacted in 1956. As of January, 1973, 31 states had provided some form of differential tax treatment for farmland (Table 1). The state legislatures have exhibited the same disaffection as the assessors and general public towards taxation which forced farmers to sell in order to pay, or avoid paying, property tax levies.

The 31 states have attempted to surmount this tax dilemma by determining current tax liability through utilization of assessed values based on agricultural, or current, use. Putting farm assessments at a current use value while other real property is valued according to the traditional market value (highest and best use) constitutes a differential treatment of agricultural property. Hady, in his discussion of various state programs, subdivides differential assessment into three useful categories:[20]

Preferential assessment: Land devoted to agriculture will be valued on the basis of its current use. Market value is ignored. In theory, farmland on the rural-urban fringe would have

Preferential Assessment[1]	Deferred Taxation[2]	Restrictive Agreements and Contracts[3]
Arkansas	Alaska	California
Colorado	Connecticut	Hawaii
Delaware	Illinois	Pennsylvania
Florida	Kentucky	Vermont
Indiana	Maine	Washington
Iowa	Maryland	
New Mexico	Minnesota	
North Carolina	Montana	
South Dakota	New Hampshire	
Wyoming	New Jersey	
	New York	
	Oregon	
	Rhode Island	
	Texas	
	Utah	
	Virginia	

[1]Preferential assessment: Land to be assessed at value in agricultural use, with no penalty if it is later converted to another use.

[2]Deferred taxation: Additional taxes collected if use of land changes.

[3]Restrictive agreements and contracts: Local government and land owner agree on restrictions on land use in return for lower property taxes. Typically there are penalties for not complying with the agreement.

Source: U.S. Department of Agriculture, Rural Development Service.

Table 1. States with farmland differential assessment programs as of January, 1973.

the same value for tax purposes as similar farmland located away from the urban influence, thus tending to equalize property values in relation to earning capacity. The local governments underwrite the revenue loss (unless the statute has provisions for reimbursement as in California). Nothing is asked of the participant in return and he is free to sell or convert his land to another use at any time. A few states require that the land has been in agricultural use for the previous two or three years in order to quality. Others allow inclusion of forest land. Ten of the states have adopted this approach.

Deferred taxation: Unlike preferential assessment, this approach recognizes the growing property wealth of the farmer whose land is appreciating in value and defers, rather than forgives, the tax on that increased value. The assessor is required to value the property twice. The first valuation will be used to determine current taxes under this method, based on current use. The second valuation would be the assessor's appraisal of the property's market value in the absence of a differential assessment program. Should the land be sold or otherwise converted to a non-agricultural use the difference in taxes due on the two valuations is collected for a specified number of years, usually the three or five previous years.[21] The participant still retains complete control over any decision to convert his land to a non-agricultural type of use. But he pays a penalty if the use does change and the community recoups some or all of the lost revenue. Minnesota and 15 other states have deferred taxation programs.

Restrictive agreements and contracts: This approach incorporates the use of a restrictive agreement or contract, no longer leaving the land use decision solely in the hands of the owner. Under this type of program the government (state or local) and the landowner enter into a voluntary agreement. The government, in effect, buys from the landowner the right to veto potential land use decisions for the duration of the contract, the price paid being the difference between taxes due on current use and market valuations. Should the contract, perhaps ten years in duration, be broken by the landowner a penalty in the form of all previously forgiven back taxes would be exacted.[22] In an effort to insert some planning into the process this approach has been combined with government planning and zoning programs. This can be accomplished by limiting participation to those who qualify by owning land within agricultural zones. Farmland in other zones would be assessed like all other property. It would be directed at preserving agricultural land deemed valuable because of fertility or location and would not interfere with the conversion of less valuable or marginal farmland to other uses. If the zoning is strong and is enforced, this combination of planning and taxation fulfills the ad valorem principle of taxation according to value. The zoning restrictions on the land also allay the argument that no quid pro quo exists on the part of the landowners who benefit from differential assessment. The California and Hawaii laws are noteworthy examples of this approach.[23] Five states have adopted this contract type of differential assessment.

While the state programs can all be classified under these three different categories, they often contain unique and singular qualities which set them apart from each other. Notable state programs not previously mentioned include Connecticut's, with its special real estate transfer tax on sale prices replacing any collection of deferred taxes, and New York's, based chiefly on the voluntary establishment of agricultural districts.[24]

IV. THE "MINNESOTA AGRICULTURAL PROPERTY TAX LAW"; BACKGROUND AND DESCRIPTION.

Minnesota's tax treatment of agricultural property before differential assessment was introduced is set forth in the Minnesota Classification Law. The classified property laws originated in response to the growth of the state's iron-mineral industry at the turn of the century. At that time the Minnesota constitution contained a clause requiring taxes to be as nearly uniform as possible. Prior to 1881 Minnesota had exempted iron ore lands from property taxation to encourage the growth of the industry. In that year the state attempted to levy a special tax on iron ore extracts which the courts promptly overturned. In order to capture a greater share of the industry's wealth the state finally placed it within the general property tax laws and "expertly" assessed mineral properties while locally owned properties were consistently undervalued. A tax study committee pointed out the illegal variations in assessments and, in 1906, the state legalized the de facto discrimination by passing an amendment to the Minnesota constitution.

The amendment dropped the existing uniformity clause and replaced it with the wording; "Taxes shall be uniform upon the same class of subjects..."[25] The legislature, acting under the new amendment, passed the first of Minnesota's classified property laws in 1913. It established four major classes of property and four separate percentages to employ in determining the taxable value. It was now possible for the legislature to

define special classes of property and treat them differently from other classes of property for the purpose of taxation, with administration of the tax laws subject only to the very general constraints of the "due process" and "equal protection" clauses of the federal constitution.

Since then, Minnesota's unique classification system has been greatly expanded and modified. Under the present law assessed values range from 5% to 43% of the estimated market value, depending upon the classification of the property. The assessed value is then directly used in calculating the property tax, basically by multiplying it by the appropriate mill rate. The law recognizes agriculture in the scheme and relegates to it lower assessment levels than other comparable properties (Table 2). Agricultural homesteads are assessed at lower levels than other homestead residential property. Furthermore, non-homestead agricultural property is assessed at 33 1/3% of market value while non-homestead residential and all other productive real property (including commercial and industrial) is assessed at 40% and 43% respectively. Vacant land is also assessed at 43% of market value. Thus, farmland in Minnesota benefited from lower assess-levels well before enactment of any differential assessment provisions.[26]

Any discussion of the background and history of Minnesota's Agricultural Property Tax Law,[27] more widely known as the "Green Acres Law", would have to cite the tax situation in Dakota County in the latter half of the 1960s as a principal factor leading to the bill's enactment. A growing number of states had

Class	Description	Percent of Market Value
3	Agricultural Non-Homestead	33 1/3%
3B	Agricultural Homestead	
	1st $12,000 market value	20%
	Excess of market value over $12,000	33 1/3%
3C	Other Homestead	
	1st $12,000 market value	25%
	Excess of market value over $12,000	40%
3D	Non-Homestead Residential	40%
4	All Other Real Property	43%
	a. Commercial, industrial and public utility land and buildings	
	b. Vacant land, not used for agricultural, commercial, industrial, public utility, recreational or residential purposes	

Source: Minnesota Statutes, Section 273.13 (1971).

Table 2. Selected Minnesota property classes and assessment levels.

followed the lead of Maryland and adopted various forms of differential assessment. The Dakota County tax situation precipitated the passage of what was perhaps inevitable in light of the growing tax payments required of many urban fringe farmers.

The construction of new freeways and the accompanying development resulted in a higher valuation of farmland, based on potential market value, in Dakota County, located just south of the Twin Cities. This consequence of metropolitan expansion was strongly felt in the growing northern Dakota County municipality of Burnsville.[28] Burnsville also was experiencing the impact of litigation in the state courts which led to a 1962 agreement between the State Department of Taxation and public utilities. Decisions in the Hamm and Dulton cases required eventual equalization of utility property values with other commercial property.[29] This agreement would result in a reduction of property taxes paid by utilities over a ten year period. At that time, the NSP Black Dog generating plant represented a substantial portion of Burnsville's tax base (19% currently).

While some attributed passage of the law to an overzealous Dakota County Assessor's revaluation program, causing tax bills to triple or quadruple within one year's time,[30] others recognized the situation as another indication of taxation problems common to the rural-urban fringe.

Pressure was exerted on local legislative representatives to provide the farmers with some type of tax relief and a bill was introduced in the Minnesota Senate on May 23, 1967, in the extra session of the legislature.[31] It was referred to the

Senate Tax Committee and then went to the floor for extended debate. The bill was finally amended and passed on May 27. The house version was returned without amendment on June 1 and final approval came on June 2, 1967.

The legislative intent, as stated in the law, was to equalize tax burdens on all agricultural property within the state through appropriate taxing measures.[32] Implicit in the statute, although not specifically expressed, was a desire by some to preserve open space, or "green acres", in and around the metropolitan area. Urban legislators, many of whom originally opposed the bill, were swayed by open space arguments. Senator Roland Glewwe, a sponsor of the bill, remarked; "The Green Acres Law was sold to city legislators as one means of assuring open space adjacent to urban areas, which was one of their concerns."[33]

The 1967 statute provided, essentially, that all qualifying agricultural land would be assessed on the basis of its agricultural value alone. The assessor would ignore the market value, which reflects the property's development potential, in his determination of taxes due.[34]

In order to qualify for the benefits of valuation and tax deferral under the original law and prior to later amendment in 1969 and 1973, the real estate had to:

1) be the homestead or contiguous to the homestead;

or

2) become the homestead of the surviving spouse, child, or sibling of the said owner; and

3) be devoted to the production for sale of agricultural products as specified, excluding participation in soil bank

programs under agreement with agencies of the federal government; and

4) engender gross sales of agricultural products averaging at least $750 total per year and $25 per acre per year for the two years preceding application.

Once the landowner was deemed eligible he was entitled to assessment on the basis of agricultural value and deferrment of special local assessments and interest for so long as the property met the conditions outlined. The property owner was liable for the difference between the taxes calculated on a market value basis and the taxes paid on the green acres value for the immediate three years preceding any restoration to regular taxing procedure.[35] In addition to this roll-back clause, all deferred special assessments, plus interest, had to be paid within 90 days of restoration.

It had become apparent by 1969, when the legislature again convened, that a number of problems had arisen regarding implementation of the law. Many farmers had not bothered to apply because they failed to realize the amount of tax increases possible under new tax laws. Those who did apply were irritated by the difficulty of qualifying for the green acres benefits. Especially onerous to the farmers was the clause disqualifying those who participated in soil bank programs. Others protested that the gross sales requirement was too high, particularly with regard to small landowners, young families, and retirees.

Dakota County was again the focus of attention and the scene of what local newspapers described as a "taxpayers' revolt" among farmers.[36] The county assessor had initiated a property re-

assessment program because of growing school, county, and municipal budgets and a desire to bring property to its fair market value. Another factor in the reassessment was a part of the 1967 Tax Reform and Relief Act which required that some rural farm property be valued and taxed according to the price it would bring if sold. The assessor used the green acres law in his aggressive campaign as a shield against angry farmers.[37] Anoka County farmers were also involved, but to a lesser extent, when their taxes increased as a result of equalization efforts.

New hearings were held and amendments to the original law were approved on June 6, 1969.[38] Significant changes were as follows:

1) real estate must consist of at least ten acres or more;

2) real estate must have been in possession of the applicant, spouse, parent, or sibling for a period of at least seven years prior to application;

3) agricultural land, adaptable for development but abutting a lake shoreline, cannot qualify for a distance of 20 rods from the shoreline;

4) at least 1/3 of the total family income of the owner must be derived from the property's agricultural use or total production income, including rental income and federal program payments, must be at least $300 plus $10 per tillable acre;

5) horticultural and nursery stock will be considered agricultural products;

6) sloughs, wastelands, and woodlands adjacent to

qualifying agricultural land are eligible for inclusion if under the same ownership and management.

The 1973 legislature again amended the Green Acres Law.[39] The most significant change extended the benefits of the law to family farm corporations who were able to qualify.

It should be noted that a similar law, the Minnesota Open Space Property Tax Law, was passed by the legislature in 1971.[40] The law creates benefits analogous to those extended under the Green Acres Law, specifying that the value for tax purposes of privately operated golf and ski facilities will be determined solely on the basis of their recreational open space and park land classification and value. If the recreational use is terminated, the last seven years of deferred taxes are recaptured. The chance of change in use of these facilities is less than farmland because golf and skiing operations are generally more permanent and require substantial modification of the land.

V. CONSTITUTIONAL CHALLENGES AND JUDICIAL REVIEW.

The issue of constitutionality of the new statute did not arise until November of 1972 when four Hennepin County property owners petitioned the District Court for a ruling on the legality of the County's refusal to recognize their eligibility under the law. All four cases were similar and had issues in common.[41] The trial court ruled for the petitioners and the County appealed the decision to the Minnesota Supreme Court. It was at this point that the question of constitutionality was raised by the County. The Supreme Court handed down its ruling on all four cases on August 23, 1974.

Hennepin County argued that the Green Acres Law was an exemption, rather than a classification, statute falling outside the definition of exemptions as defined in the state constitution.

> First, the failure to base valuation on actual market value, as required by statute for all other classes of property, in fact results in a partial exemption. The exemption being the difference in the amount of taxes based on the difference between market value and green acres value. This then promotes an unequal distribution of the tax burden and so is violative of Article IX, Section 1 of the Constitution, as well as the equal protection clause of the 14th amendment to the U.S. Constitution.[42]

Second, property assessed and taxed under the provisions of the statute for a period in excess of three years is subject to imposition of a deferred tax for only the most recent three years "and hence in actual operation is a partial exemption of the property rather than simply a valid classification".[43]

The respondents argued that the classification of property based on use has been previously upheld by the courts and "the

legislature may properly adopt diverse tax raising measures and utilize a variety of classifications of taxable subjects in each particular type of tax measure so long as there is a rational basis for the classification selected and so long as the tax burden on those in a given class is uniform".[44] Furthermore, they argued that precedent exists for statutes which impose a time limitation for qualifications under the statute.

In its unanimous opinion, the Supreme Court held that the law set up a valid classification and thus was constitutional. "The basis for the classification in the Green Acres statute is the use of the land. Real estate devoted to agricultural use qualifies while land not so used does not. Classification of property according to use is valid and constitutional."[45] The court noted the trend towards legislative classification of property has increased and cited parking ramps, refineries, seasonal residential property, etc., as examples. Such laws classifying property fall within the legislative realm and generally will not be found invalid by the courts unless they are clearly unreasonable or arbitrary. Every presumption is based in favor of constitutionality. The high court found the overriding purpose of the statute was "to equalize tax burdens on agricultural property within the state...Far from being violative of equality, uniformity, and fairness, this classification allows agricultural property in urban areas to be valued using the same standards as similar property located in predominately rural areas".[46]

A second major issue common to all the cases concerned the eligibility for Green Acres valuation of owners not farming the property themselves but receiving cash rentals from lessees who do farm it. The County contended that production income comprised solely of cash rental income was contrary to the legislative intent of aiding the farmer who continued active farming of his acreage. The purpose was to assist active farmers, not absentee owners. Respondents argued that the statute specifically states that production income includes rents and a farmer renting out his land for an agricultural use is devoting it to that use by dictating that it will be used for agricultural purposes. "If any part of the qualifying agricultural income of a farm owner is permitted to be cash rental, it follows that cash rental may comprise all of such qualifying agricultural income."[47] The trial court noted that it was the use to which the land is put by the owner that is basically significant, rather than the form in which he receives income from the land. The Supreme Court concluded that the legislature did not intend that the owner or owners must actively farm the land. They concurred with the trial court that it was the use of the land which was significant in determining qualification.

The Supreme Court also found that fractional interests in the property do not preclude eligibility, nor does real estate held by an individual trustee. Also, applications, once granted, will continue in effect for subsequent years so long as the property qualifies under the statute. The assessor may require proof of continued qualification by affidavit or the original application form but must first establish a definite policy and give proper notice.

VI. RESEARCH FRAMEWORK.

The remainder of this thesis will be devoted to study of the implementation of Minnesota's differential assessment program in Anoka County, a suburban county located directly north of the Twin Cities. Anoka County was selected for a number of reasons. Outside of Hennepin and Ramsey, it is the most urbanized of the metropolitan area counties although it still has a substantial amount of land in farms. This makes it well suited for research measuring the impact of Green Acres. It also has a sizable quantity of land in Green Acres and, along with Dakota County, has had a high level of participation in the program. Finally, Anoka County has unique physical characteristics which are of some significance in terms of land use analysis.

Attention will be directed towards the study of three frequently cited arguments supportive of the hypothesis that Minnesota's differential assessment program is of little value as a planning tool and as a vehicle for the preservation of urban agriculture and open space:

First, differential assessment fosters the indiscriminate reservation of land for a particular use unrelated to any guiding principles or planning objectives. Allocation of land resources rests with the decisions of individual landowners rather than with any consensus of opinions and views as to the most suitable means of utilizing these resources.

Second, differential assessment has resulted in significant tax deferrals for agricultural land, but at great expense. The

various taxing entities relying on the property tax lose both revenue and the means of financing needed public improvements through special local assessments. Ultimately, of course, the burden falls upon the county taxpayers.

Third, the Minnesota program lacks provisions which effectively discourage speculation and has been unsuccessful in preventing the sale and possible development of land enrolled in Green Acres. It fails to recognize that, although taxes play a prominent role in farmland turnover, other factors can be equally instrumental in decisions to sell.

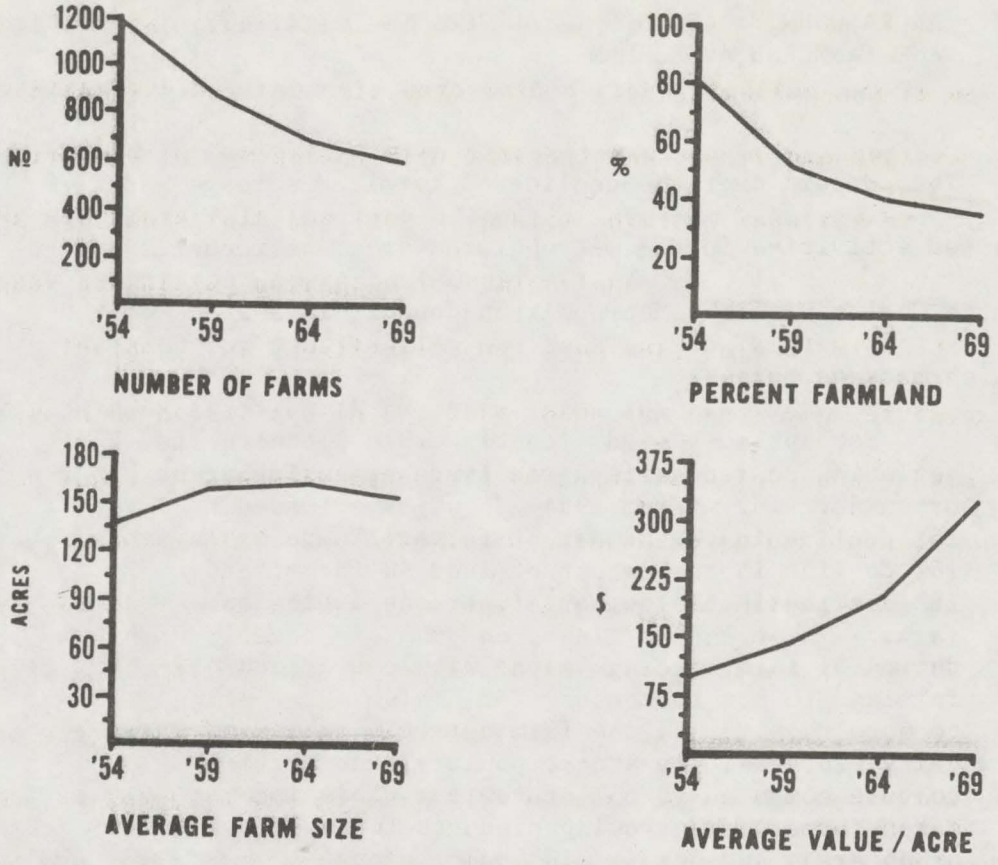
Most of the material is based on data gathered from the 1973 assessment. This assessment was used by the county to compute taxes payable in 1974. These records were current during the summer and fall of 1974 when the research was done. Information from previous years, when appropriate and available, was used to illustrate trends or other important aspects. At times this proved to be difficult due to revisions in record keeping procedures and a high rate of turnover in some county offices which affected the maintenance of records.

VII. ANOKA COUNTY: TRENDS IN AGRICULTURAL ACTIVITY AND FARMLAND ASSESSMENT.

The concern over the decline of farmland acreage and farm related activities in the metropolitan area was recently voiced by the Chairman of the Metropolitan Council in a state-of-the-region message.

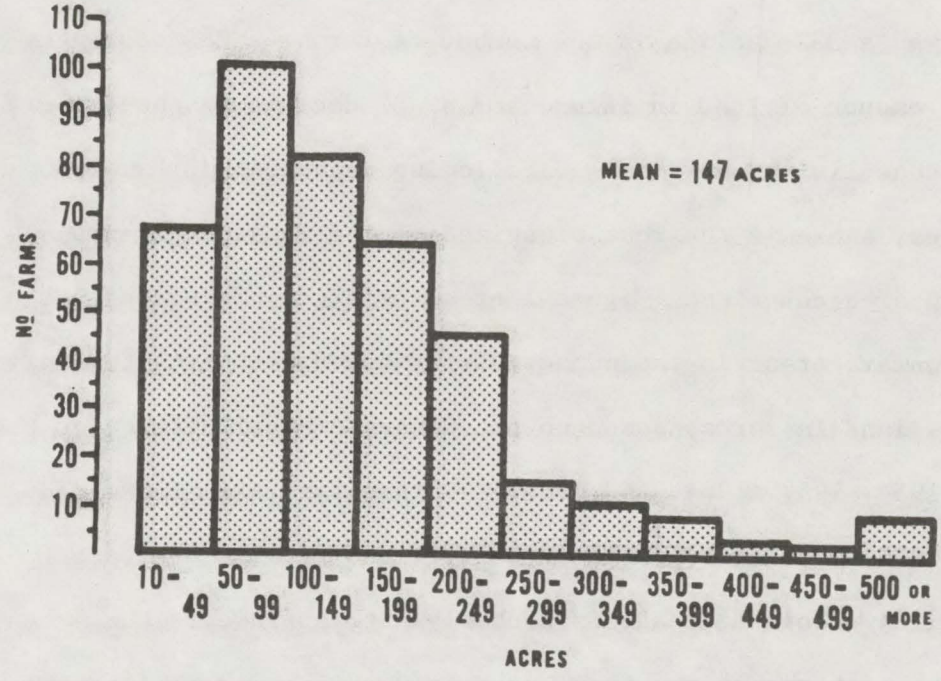
> Perhaps most significantly urban planners are beginning to recognize agriculture as an important urban activity. From 1964-73, we experienced a 25% decline in the number of farms. There was a 16% decline in the amount of land in farms, and a 28% decline in the number of persons living on farms. The trend is clear, and that is consolidation of farm holdings along with conversion of farmland to non-farm uses. It's also interesting to note that 83% of the farming activity is in dairy products, livestock, poultry, and horticulture compared to 65% statewide. This indicates farmers are growing products to be sold in urban areas and not farming major crops.[48]

Anoka County's rate of decline in these areas was even greater than the regional rates. Over the same period of time there was a 33% decline in the number of farms, a 28% decline in the amount of land in farms, and a 43% decline in the number of persons living on farms.[49] Following Hennepin and Ramsey Counties, Anoka is the most urbanized of the remaining metropolitan area counties. Figure 1 presents a graphic picture of the downward trend in the number of farms and the percentage of Anoka's land in farms, based on the Census of Agriculture for the years 1954, 1959, 1964, and 1969. Average farm size increased until 1959, when it began to level off, and finally decreased after 1964. This decrease is probably attributable to the break-up of farms as the area began to urbanize and also to the



ANOKA COUNTY: FARMS, FARMLAND AND VALUES ■ 1954-1969

FIG. 1



DIFFERENTIAL ASSESSMENT BY FARM SIZE ■ 1973

FIG. 2

particular nature of Anoka's agriculture, which is not generally characterized by large or expansion oriented farms.

The average value per acre has steadily increased over the 15 year period and reflects the county's proximity to, and participation in, metropolitan growth. While the average value per acre for Minnesota farms, according to the census reports, grew by $120 between 1954-1969, Anoka County's average value increased by $234. Since 1969, the best data on values shows a continuing increase for Anoka farmland with an average value per acre of $537 between 1969-1970, $933 between 1971-1972,[50] and $979 in 1974,[51] based on reported sales.

Farmland sales in the five county area (excluding Hennepin and Ramsey) indicated that non-farm users dominated the market with 39% of the sales in 1972. Others included operating farmers (17%), expansion buyers (9%), and agricultural investors (35%). These non-farm users were willing to pay considerably more for land than other market participants. As investors and non-farm users added to their share of the market, the local nature of the real estate market was diminished. In 1972, 58% of the metropolitan area buyers lived more than ten miles from their purchases while the Minnesota average was 38%.[52]

Prior to 1967, farmland assessment practices in Anoka County followed the general pattern at the rural-urban fringe of assessment based on current, rather than potential, use. The reasons were much the same as those cited previously. Also, since property is reassessed every other year, the inflation rate between assessment years compounded the disparity between

what the law prescribed and what actually occurred. However, farmland was not the only undervalued classification and it was overvalued in comparison with seasonal and resort properties. The assessors felt the lack of public services required by these properties warranted low valuations.

The need for equalization was apparent, both within and between counties, and in the late 1960s the Department of Taxation began to pressure assessors to equalize values and obtain truer assessments. Equalization was intended to be a continuous process with suggested percentage increases specified each year until the goal of 100% of market value was attained.[53] While the suggested increases were designed to be just that, the Department of Taxation was empowered to require assessors to follow and the state initiative gave assessors and other officials some backing in dealing with protesting local residents.

Appraisal methods in Anoka County divided the land into three broad categories: submarginal, woodland, and tillable, and valued the categories according to their use or non-use. The county's present assessor increased real land values substantially and moved to eliminate the various appraisal categories, bringing their values up in relation to tillable land. These changes began with the 1968 assessment, at the time he assumed the position of County Assessor, and the impact of the changes became apparent upon receipt of the 1969 tax payable notices. The uproar was considerable among farmers and other taxpayers, their concern resting with tax relief rather than any appreciation of the equalization program. Passage of the Green Acres

Law in 1967 had no effect since no one in the county was enrolled due to the difficulties of qualifying. The legislature quickly responded with the 1969 amendments to the Green Acres Law, retroactive to the 1968 assessment.[54]

The County Assessor supervises the administration of the law and must maintain listings of both market and agricultural values for the property enrolled. His office sets general guidelines and limits for the townships and municipalities and then relies on the local assessors to set market values. The agricultural values are set by his office and are determined through utilization of ASCS soil ratings and consultation with local farmers, assessors, etc., regarding the value of land for farming in primarily agricultural areas.

The equalization effort, while making some gains, has not yet reached the 100% mark in Anoka County, especially with regard to farmland assessment (Table 3). Ratios of 1974 assessed market values to sale prices for samples of various classes of property reveal that farmland values continue to lag behind other property classes, although the number of farms sampled was admittedly small. The 1974 aggregate ratio for farms reflected a sizable gain over the 1972 ratio of 67.3.

Property Class	Aggregate Ratio	Mean Ratio	Sample Size	Standard Deviation
Residential	93.2	94.1	7398	11.8
Apartments	93.1	92.8	121	9.6
Commercial	90.0	93.3	135	13.4
Industrial	89.7	96.1	26	7.8
Recreational	88.5	89.9	27	22.5
Farm	77.7	78.4	13	24.7

Source: State of Minnesota, Department of Revenue

Table 3. Ratios of assessed market value to sale price for various property classes, Anoka County, 1974.

VIII. DIFFERENTIAL ASSESSMENT IN ANOKA COUNTY: QUALIFICATION AND PARTICIPATION.

Although the Green Acres Law was enacted in 1967, its restrictive qualification requirements, especially the clause excluding those participating in soil bank programs, forestalled any qualification in Anoka County until the requirements were loosened by the legislature in 1969. The County Assessor's office has maintained a count of applicants, parcels, and acreage enrolled since the 1970 assessment year when they began separate listings as called for under the law (Table 4).[55]

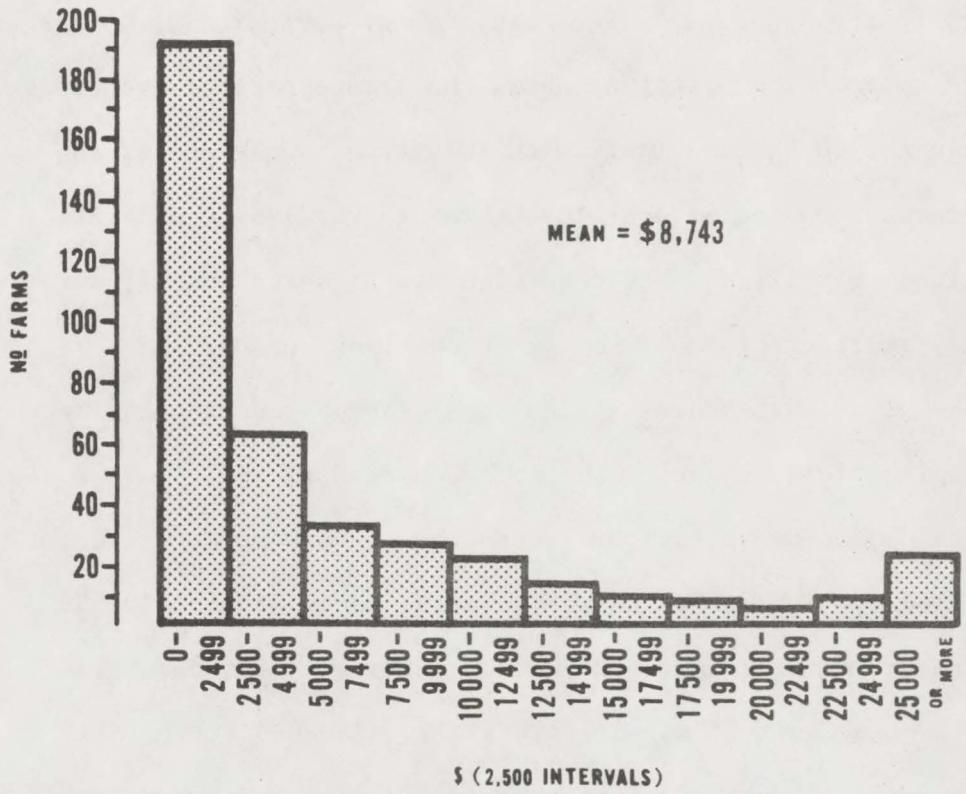
Apparently, a possible tax savings was sufficient to entice most of the qualifiable land owners at the outset since the figures have remained fairly stable. A drop of 1559 acres in 1973 may have been due to either the wet spring of 1972, which cut the earnings of prospective applicants, or land sales by owners who remained in the program long enough to have one year of taxes deferred beyond the three year limit completely forgiven (e.g., if a farmer first enrolled in 1969 he would have had taxes deferred for four years with the county able to recapture only the most recent three). While figures for the number of parcels and participants continued to grow, they include additions through farmland subdivision among close kin and do not necessarily denote an actual increase in land under the program.[56]

Figures 2 and 3 show the distribution of farmland differentially assessed according to acreage and gross annual agricultural income. The data was collected from the 406 applications accepted by the County Assessor's office in 1973.[57] (A copy of the application

Year	Participants	Parcels	Acreage[1]
1970	446	1943	66,198
1971	470	2029	66,757
1972	485	2079	69,681
1973	500	2086	68,122

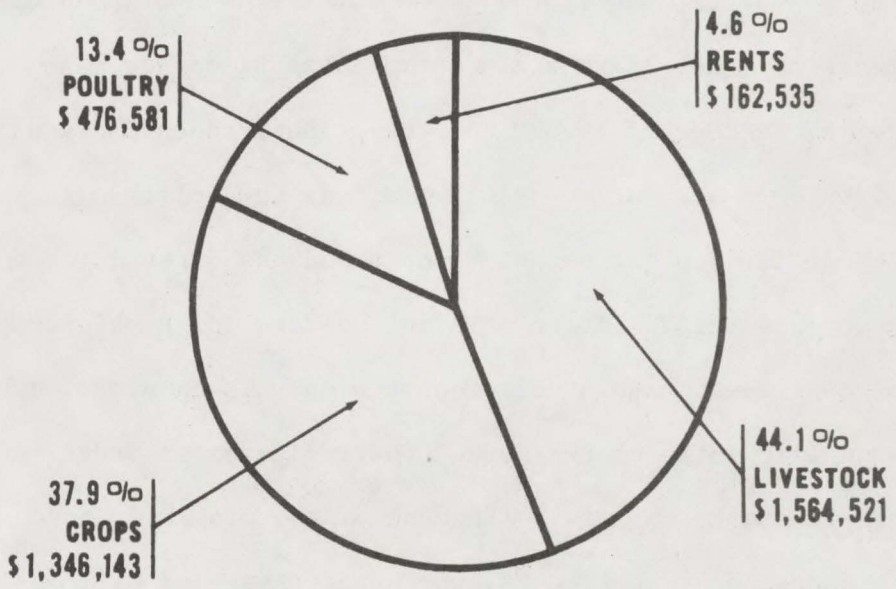
[1]Figures include non-qualifying 'Green Acre Program' participation. (For explanation, see p. .)

Table 4. Participants, parcels, and acreage subject to differential assessment, by year, in Anoka County.



DIFFERENTIAL ASSESSMENT BY GROSS ANNUAL AGRICULTURAL INCOME ■ 1973

FIG. 3



SOURCES OF QUALIFYING GROSS ANNUAL AGRICULTURAL INCOME ■ 1973

FIG. 4

appears in the Appendix.) The mean size of agricultural holdings was 147 acres. The histogram shows the greatest class frequency to be in the 50-99 acre range with 101 farms. Only one of the three farms found to be over 1000 acres in the 1969 Census of Agriculture qualified. The mean size was close to the 155 acre average reported for Anoka County in the 1969 census.

The mean gross annual agricultural income reported on the 1973 applications, based on the income earned in 1972, was $8,743. The 1969 Census of Agriculture found the average market value of all agricultural products sold, including rents, to be $10,455 per farm for Anoka County and $15,782 per farm for the entire state. Nearly half of the differentially assessed farms fell below the $2,500 mark, as displayed in Figure 3. There were 23 farms reporting incomes over $25,000 and, though they accounted for only 6% of the total number of farms, their reported earnings amounted to 45% of the aggregate income for all 406 farms enrolled. The influence of these large scale operations pulled the mean upward from an average of $5,020 had their income been excluded. The inability of other large scale operations to qualify might explain the difference between the census and the Green Acres means. Also, the reliability of the income data is questionable since some applicants undoubtedly reported only the minimum amount needed to qualify while others padded their figures in order to show enough income to qualify. (Because of the probable abuse of income reporting by applicants, the County Assessor will require submission of some proof of income received, beginning in 1975.)

Figure 4 depicts the breakdown of the aggregate qualifying income by source for 1973. Rents received, crops, livestock, and poultry are the four divisions of agricultural receipts appearing on the application form and each applicant specified the sources of his reported income. The principal source was livestock receipts, including dairy production, followed by crops, poultry, and rent. When specified, the crops most frequently listed included feed corn, hay, vegetables, sod, and Christmas trees.

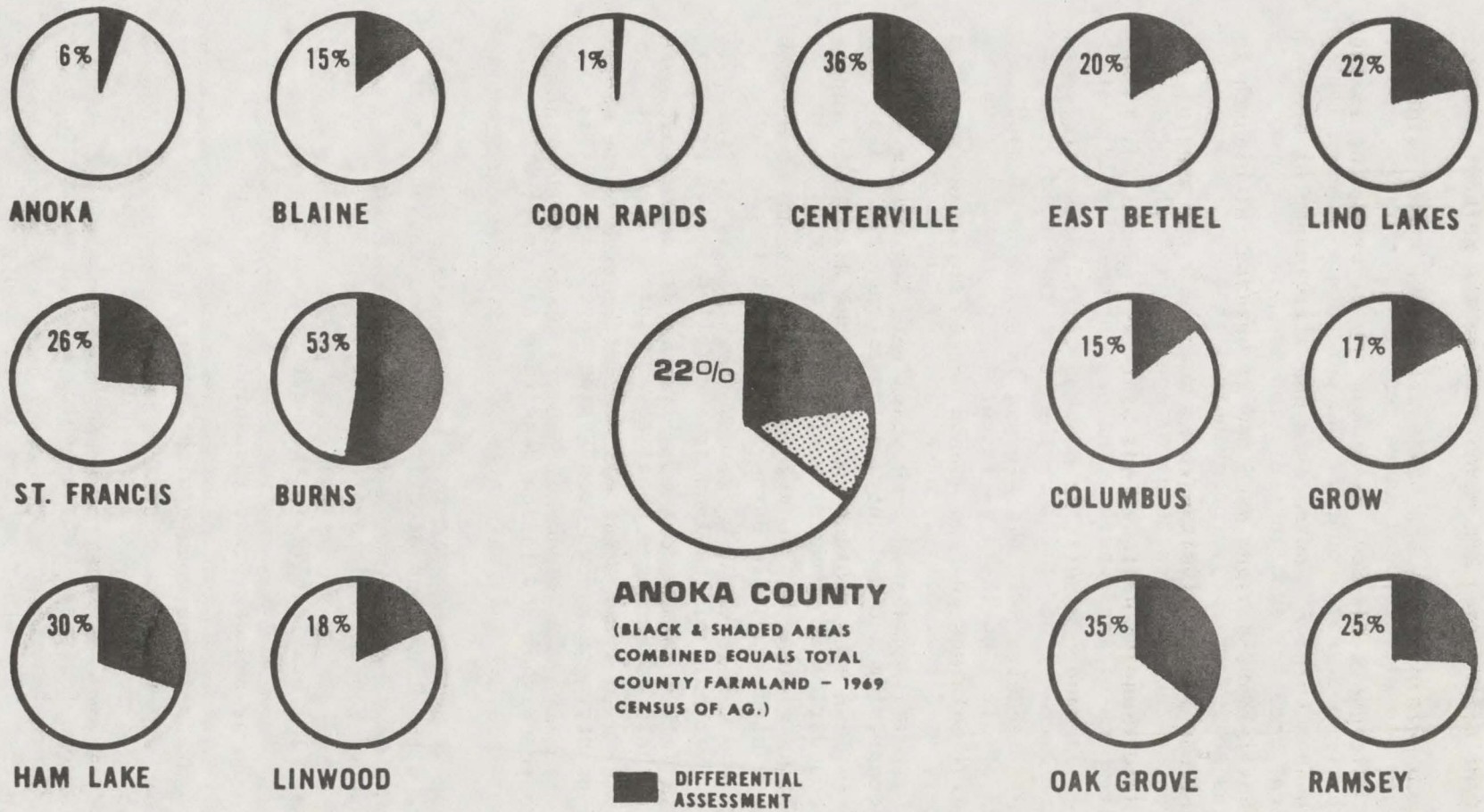
It should be noted that rents accounted for only 4.6% of the aggregate income. Out of 406 applications, 173 listed rents (including federal crop program payments) as a source of income with only 24 listing it as their sole source of agricultural income. Critics of the law have contended that the allowance of cash rental earnings from lessees as a source of qualifying income would encourage absentee ownership contrary to the legislative intent of aiding the active farmer. This was a principal argument in that part of the Supreme Court case which dealt with the rent issue.[58] Critics also found it contradictory that landowners were allowed to use government farm payments, made after a portion of the land is withheld from production, in order to qualify for a tax relief measure designed to promote continued active farming. However, the amount of rent cited as a source of income does not seem to warrant concern, at least in Anoka County. Furthermore, most of the rent cited was obtained through participation in government farm programs, rather than lease arrangements, and these payments should cease with the phase-out of the Federal Feed Grain Program.

The below-average size and income characteristics of differentially assessed farms, and Anoka County farms in general, and the mix of agricultural products appear to support Boland's remarks regarding the special nature of metropolitan area farming. The Anoka County figures imply a substantial amount of small scale, often marginal farming, influenced to some extent by unfavorable county soils, and also considerable part-time and hobby farming as a result of the county's proximity to a major metropolitan area and source of employment.[59] Although the agricultural products and open space of the farms serve the needs of the metropolitan population, their size, economic status and location attributes are conducive to eventual turnover and development.

IX. DIFFERENTIAL ASSESSMENT IN ANOKA COUNTY: LOCATION AND LAND USE CONSIDERATIONS.

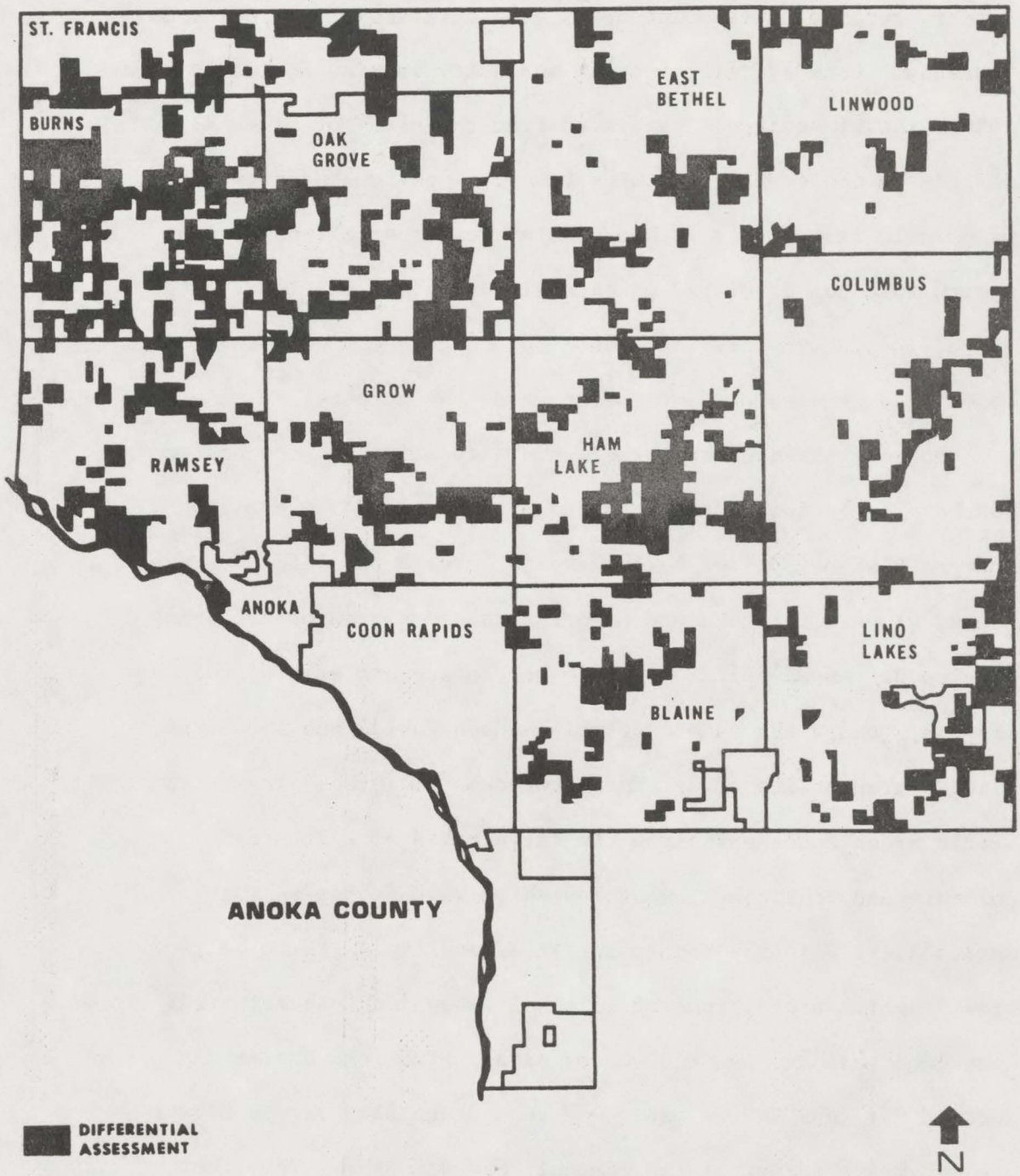
Land subject to differential assessment is not evenly distributed throughout Anoka County. The percentage of such land out of the total area for each jurisdiction is dependent upon such factors as soil fertility, topographical features, amount of urbanization, established patterns of specialized land uses, and individual whims of landowners. The percentages for 1973 are shown in Figure 5. Just under 22% of the total land area of the county, or 62% of all land in farms (according to the 1969 Census of Agriculture), is differentially assessed. Of the 21 governmental units comprising Anoka County, 14 have Green Acres land within their boundaries in amounts ranging from a low of 1% in Coon Rapids to a high of 53% in Burns Township. Burns is the only unit with over half of its land area enrolled in the program. Seven of the 14 have percentages equal to, or surpassing, that of the entire county. Anoka and Coon Rapids have only minimal amounts due to the higher population densities and level of development.

In Figure 6 the locations of differentially assessed parcels have been mapped. Concentrations of the parcels fall in three distinct areas. The heaviest is in the northwest corner of the county, in Burns and Oak Grove Townships. This is the largest of two areas in the county with favorable soil conditions and considerable agricultural activity. Over 72% of the gross agricultural income for these two townships came from livestock and dairy products. The other portion of the county with soils



PERCENTAGE OF TOTAL LAND AREA SUBJECT TO DIFFERENTIAL ASSESSMENT ■ 1973

FIG. 5



LOCATION OF LAND SUBJECT TO DIFFERENTIAL ASSESSMENT ■ 1973

FIG. 6

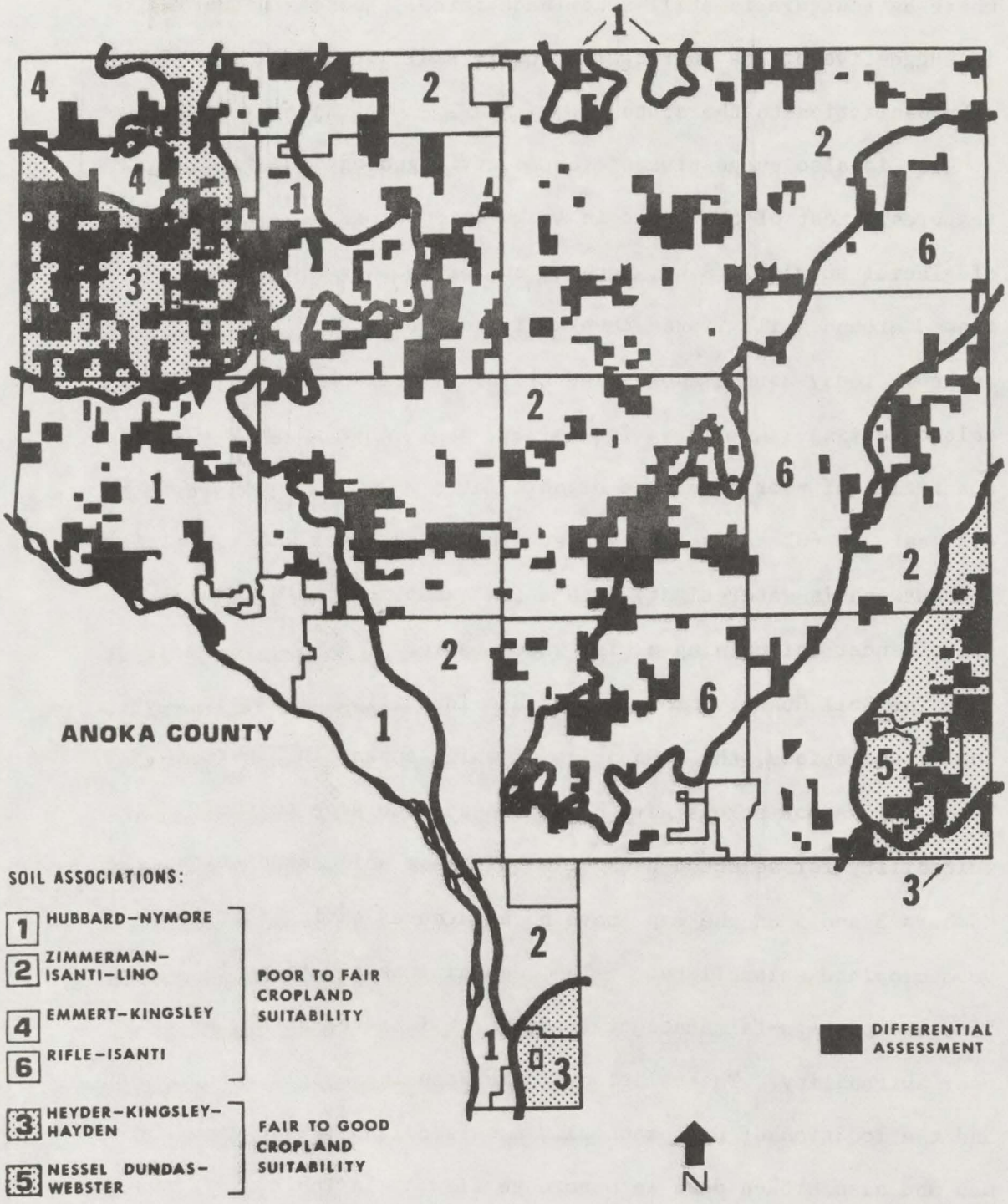
suitable for general farming is located in the southeastern corner, running across Lino Lakes and Centerville into Columbus Township. Once again, livestock and dairy farming dominated with 54% of the gross income generated from the group of Green Acres parcels in Centerville and Lino Lakes. A third concentration of parcels is centered in Ham Lake where a specialized type of agriculture has developed on extensively farmed peatland. Here, 58% of the income fell into the cropland category with food crops, especially vegetables, and sod as principal outputs.

Notable absences of parcels are also evident. The entire southern extension of the county and the municipalities lying between Blaine and Lino Lakes have no acreage enrolled.[60] These areas, along with Anoka and Coon Rapids, have been or are being developed. Anoka's 172 acres lie at the western edge of the city, all under the same ownership. Coon Rapids has 193 acres, also located at its edges, under two owners. Other areas with little or no acreage include the large parts of northern Columbia and southern Linwood Townships which comprise the Carlos Avery Wildlife Management Area, and the northern half of Grow. Aerial photographs of this half show much uncultivated, open land and many wet and wooded areas. Two lake chains also account for gaps in the map. One runs diagonally across Linwood, the southeast corner of East Bethel, and Ham Lake. The other runs diagonally across southeast Columbia into Lino Lakes. St. Francis has a wildlife refuge at its eastern edge. East Bethel has one in its northeast quarter. Taken as a whole, the county's pattern is probably more broken than one would anticipate finding

in metropolitan counties to the south, such as Dakota or Scott, where agriculture is still a dominant force. Anoka's pattern is suggestive of its characteristically small farms and spreading suburbanization to the south.

It is also suggestive of the county's geology and soil features. Most of the soils in Anoka were formed as a result of glacial outwash. Sand, running out of melting glaciers, flowed around still frozen chunks of ice and settled into what is known today as the Anoka Sand Plain. The chunks of ice later melted leaving lakes of various sizes, many containing great quantities of poorly decayed organic matter. Anoka today is about 40% peat and 60% sandy type soils. The earth layer which preceded the outwash is water-tight, with a few exceptions, and forms a giant saucer maintaining a high water table.

The Soil Conservation Service has identified six generalized soil associations, the boundaries of which appear in Figure 7.[61] These soil associations have been classed according to their suitability for selected uses. Two of these soil associations, numbers 3 and 5 on the map, have been rated as having fair-to-good cropland suitability.[62] The remaining associations fall into the poor-to-fair category. Number 6 is rated as having only poor suitability. The relationship between these soil associations and the location of differentially assessed land is shown on the map and also broken down into acreage figures in Table 5. With the exception of Ham Lake, the major parcel concentrations are located in the Burns and Lino Lakes portions of the county where the best soils are and where one would expect more intensified



DIFFERENTIAL ASSESSMENT AND SOIL ASSOCIATIONS — 1973

FIG. 7

	Soil Associations						
	1	2	3	4	5	6	TOTAL
Burns	410		10658	735			11803
Oak Grove	2375	5276					7651
Ham Lake					4154	2415	6569
Ramsey	4766		175				4941
East Bethel	580	4055					4635
Columbus		2959			450	990	4399
Lino Lakes		620	450		2547	435	4052
Linwood		2769				1170	3939
St. Francis	1091	1240	805	800			3936
Grow	895	2802					3697
Blaine		1090				2196	3286
Center-ville					502		502
Coon Rapids		193					193
Anoka	172						172
	10289	21004	12088	1535	7653	7206	59775

Table 5. Differentially assessed acreage classified according to soil associations, by municipality, Anoka County, 1973.

agricultural activity. Soil associations 3 and 5 account for 33% of the total land in Green Acres. Soil association 6 had 12% of the acreage on land rated as poor, but capable of production in specialized areas. The remaining 55% of the acreage fell into the poor-to-fair category extending throughout the central part of the county.

The soil associations were also rated according to their suitability for development, based on such factors as stability, permeability, etc. Numbers 1, 2, 3, and 4 were all rated as having generally slight-to-moderate limitations regarding development suitability. Soil association 5 was rated moderate-to-severe and 6 was rated severe.

In light of these relationships, and assuming the law is at least temporarily successful in slowing farmland turnover, differential assessment has the effect of promoting some type of continued farming in areas of marginal soil utility, better suited for development. There is no reliable assurance that the best farmland in the county will continue in agricultural production once development pressures are felt and capital gain becomes an attractive option. The possibility of withholding the poorer agricultural land from development could increase speculative pressure on the better farmland.

Differential assessment, without any accompanying program of zoning or planning, could actually contribute to farmland turnover by promoting the presence of isolated islands of agriculture amid surrounding development. Compatability is often lacking and farming operations are looked upon as a

nuisance and a source of air, water, and noise pollution.

> Thus the farmer may wish to sell and move because he can no longer drive his tractor on the roads, because of complaints about the odors from his barnyard and fields, because it is no longer possible to dust his crops, because a local ordinance may require him to clean up weeds growing on a vacant lot or prevent him from burning the field or incinerating wood scrap, because of the effect of air and water pollution on his crop yield, because his children can no longer get the vocational courses they want in the schools or do not get along with children who have a vastly different background from theirs, because of rising prices, vandalism of his buildings, congestion, or noise and light pollution that bothers his family and his livestock, or possibly because he just doesn't like cities or city folk.[63]

Although the preservation of open space was not specifically included in the statute's statement of purpose, it was an argument used by supporters of the legislation and a prevalent theme of this, and most other state programs. If the type of open space desired is of the variety which would provide active recreational opportunities, differential assessment of farmland would have little effect. If the open space is designed to influence land use by steering development or channeling growth, differential assessment would be of value only if it included planning and limitations through restrictive agreements, zoning, etc. If a passive type of open space is desired, essentially any space with minimal population densities, then differential assessment can possibly play a role as long as it is successful in preserving farmland. Minnesota's tax deferral approach has excluded any planning and its short, three year, recoupment penalty makes any long term preservation doubtful.

X. DIFFERENTIAL ASSESSMENT IN ANOKA COUNTY: THE IMPACT OF TAX DEFERRALS.

Prior to 1969, the urban influence on farmland values was minimized and agricultural property in Anoka County was assessed for taxation purposes on the basis of current use. When the assessment level did begin to rise in 1968, the Green Acres Law was amended and the benefits extended retroactively to the 1969 taxes payable (based on the 1968 assessment). Thus, for those owners able to qualify, there was little or no actual reduction in the tax bill because their land had been valued on the basis of agricultural worth all along. In a sense, de facto preferential assessment was legalized and modified into a program of deferred taxation. But it was apparent that future revenue needs and equalization pressures were going to affect taxes due. Consequently, in analyzing the effect of the law on assessment and taxation, it would be appropriate to compare differences between assessments and taxes on the basis of full market value and Green Acres value.

Table 6 displays the difference between 1973 market assessed values and the Green Acres assessed values for differentially assessed land in the 14 municipalities. They are ordered according to the percentage reduction in assessed valuation. The effects of the law in the 14 municipalities varied widely. Assessment differences in the rural portion of the county were much smaller than differences in those areas part of, or adjacent to, urbanization and development. The overall, county-wide

	1973 Market Assessed Valuation[1]	1973 Green Acre Assessed Valuation[1]	Difference	Percent Drop in Value
Anoka	$ 53,039	$ 13,899	$ 39,140	73.8%
Blaine	670,065	246,299	423,766	63.2
Coon Rapids	55,954	24,811	31,143	55.7
Grow	611,034	298,114	312,920	51.2
Centerville	77,837	39,317	38,520	49.5
Lino Lakes	559,232	316,399	242,833	43.4
Ramsey	529,141	300,597	228,544	43.2
Ham Lake	743,187	473,832	269,355	36.2
Linwood	277,528	184,187	93,341	33.6
Oak Grove	584,068	389,267	194,801	33.4
Columbus	488,017	357,865	130,152	26.7
St. Francis	259,829	199,228	60,601	23.3
Burns	1,021,611	789,593	232,018	22.7
East Bethel	464,596	365,407	99,189	21.3
TOTAL	$6,395,138	$3,998,815	$2,396,323	37.5%

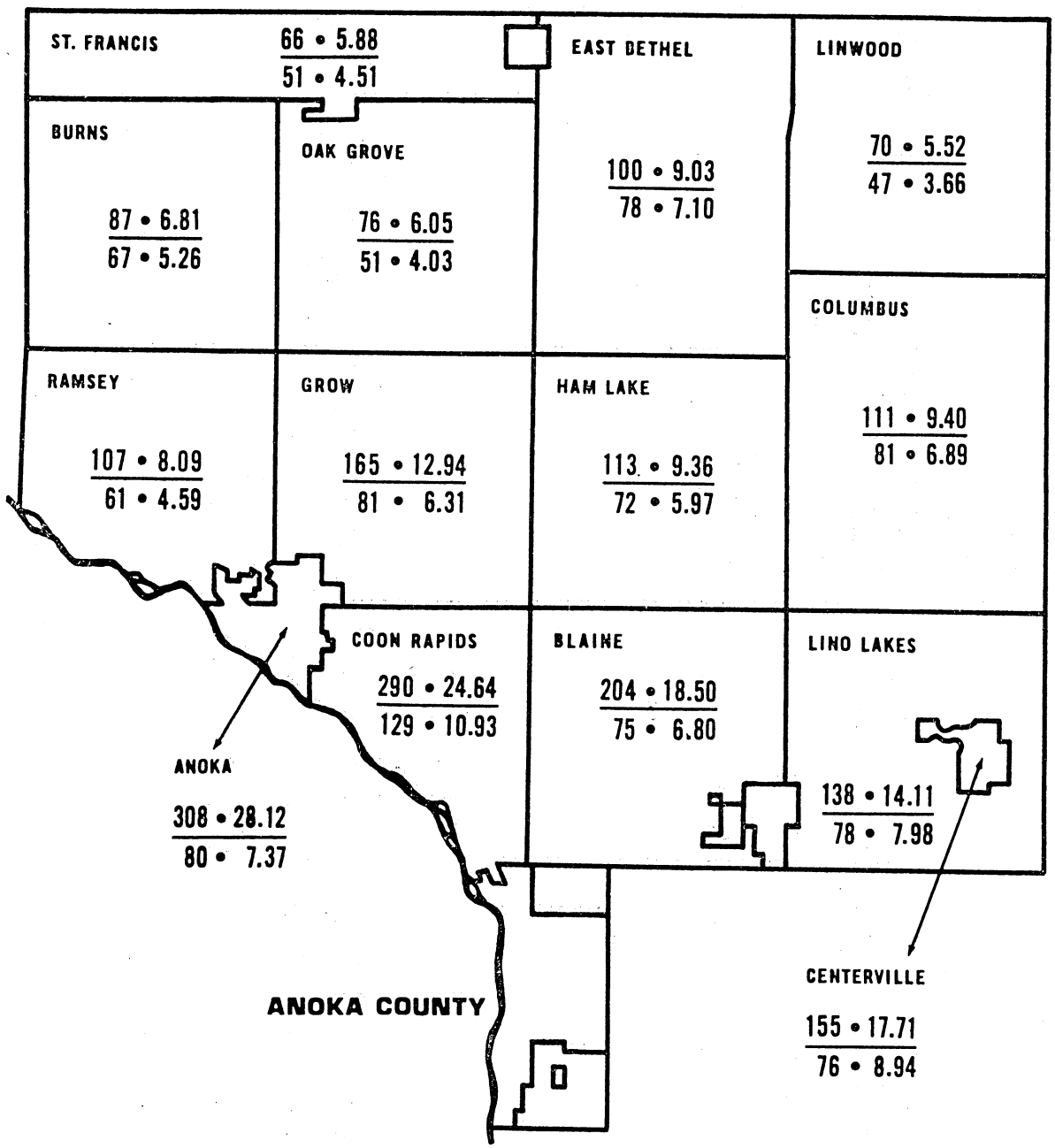
[1]These figures do not include non-qualifying 'Green Acre Program' valuations.

Table 6. Comparison of market assessed and Green Acre assessed valuations on differentially assessed property, by municipality, Anoka County, 1973.

reduction as a result of the law was 37.5%. The top eight registering the greatest reductions were all situated in the first tier of municipalities nearest to metropolitan or local growth and expansion. With land values as a function of distance, one would expect the market value of property in these municipalities to be considerably higher than the values in the remaining six municipalities and the differences, therefore, to be greatest. Population density per square mile, based on 1971 population estimates, was 104 or more for the first eight but dropped to 68 or less for the remaining six. Anoka, Blaine, and Coon Rapids all had reductions over 50%. These three municipalities have the highest population concentrations, ranging from Anoka's 2,608 people per square mile to Coon Rapids 1,386 people per square mile. Population density drops below 250 per square mile for the other eleven.

Differences in assessments and taxes per acre are illustrated in Figure 8. The top figures represent the assessment per acre, based on market value, and the resultant tax per acre. The bottom figures represent average assessment and tax per acre based on Green Acres value.[64]

The pattern of high and low assessments in 1973 resembles the pattern of reductions. The city of Anoka, as one would expect, had the highest market value assessment per acre ($308), whereas St. Francis, the northernmost municipality, had the lowest ($66). The gradation of assessment values from south to north has the same basis as that found in a study of preferential assessment of farmland in the Baltimore area of Maryland.



BY JURISDICTION:

TOP FIGURES - AVERAGE REGULAR ASSESSMENT AND RESULTANT TAX PER ACRE ($)

BOTTOM FIGURES - AVERAGE DIFFERENTIAL ASSESSMENT AND RESULTANT TAX PER ACRE ($)

N

AVERAGE ASSESSMENT AND TAX PER ACRE, AGRICULTURAL PROPERTY ■ 1973

FIG. 8

> In all counties studied, the areas nearest the nucleus of the metropolitan area were found to have a greater market value per acre than those further from the urban center. To some extent, land near metropolitan centers may be more valuable for agricultural purposes than property less well situated. Far more important, however, in determining market value, is the fact that because they are closer to employment, recreation, transportation, and so on, these areas are in greater demand by farmers and suburbanites and therefore can command a higher price than land which might be classed as more 'rural' in nature.[65]

Averages for the assessments based on Green Acres value range from $47 per acre in Linwood to $129 in Coon Rapids. The agricultural value is based largely on soil characteristics and amount of tillable land. The high average for Coon Rapids can probably be attributed to the small amount of Green Acres land there in a location where soil conditions were very good and all the land was tillable.

Computing the amount of tax per acre for both valuations was complicated by the absence of tax data from the separate listings of market values for differentially assessed land. In Anoka County the assessment books did contain separate market value sections for each jurisdiction but the Auditor's office had failed to compute the taxes based on the assessor's market values.[66]

Since this information was unavailable, but necessary in order to measure the financial impact of the law, another method of obtaining tax data was employed. A 10% systematic sample of parcels listed in the market value sections of the assessment books was taken, by jurisdiction. Since the Anoka and Coon Rapids sections were too small to sample from, all their parcels were

used. There did not appear to be any hidden periodicities in the parcel listings which would bias the sampling outcomes. The amount of tax paid in 1974 for each of the 224 parcels was obtained from the auditor's tax books. The following simple formula was used to calculate the average tax per acre;

$$\frac{\frac{\Sigma T}{\Sigma AV} \cdot (V)}{A} = T/A$$

T - Tax levied on sample parcel.
AV - Assessed value of sample parcel.
V - Total assessed valuation, either market or Green Acre, for enrolled land, by jurisdiction.
A - acres enrolled by jurisdiction.

The sample assessed values and taxes for each jurisdiction were used to arrive at an average tax rate per dollar of assessed value which, when multiplied by the total assessed valuations, either market or Green Acre, and divided by the enrolled acreage, yielded the average tax per acre. (Since school and special district boundaries crossed jurisdictional lines, mill rates for their levies varied within the jurisdiction, depending upon the location of the sample parcels. Measures of the sample variance can be found in the Appendix, Table 1.)

The amount of tax was dependent upon assessment factors and the county, municipal, school district, and special district mill rates. For example, a $76 per acre assessment in Oak Grove results in an average tax of $6.05 per acre. That same assessment average in Centerville produces a tax per acre nearly three dollars more. The pattern of tax levels generally follows that of assessments with the highest level of taxes in the lower, more

urbanized area of the county where land values, public expenditures, and mill rates are highest.

The figures do demonstrate that substantial tax deferrals can, and are being realized in Anoka County, especially where urban growth and inflated land values are evident. To illustrate the possible tax deferrment under the law, Table 7 gives the estimated taxes due on the basis of market and Green Acre values for the average county farm size of 149 acres. Whether these tax deferrals, particularly in rural areas where the amount is not so substantial, mean the difference between continued operation or eventual sale of a farm property is debatable. Hady notes this and the difficulty involved in arriving at any conclusion.

> Unfortunately, there is little solid research on the effects of preferential assessment or deferred taxation. The motives that cause a farmer to continue farming, or to quit, are complex and varied. Anyone who has worked with farm account data has observed numerous instances of farmers who consistently earned little or no return to labor (after imputed returns to investment were subtracted) but yet continued farming. Clearly, other factors influence decisions to stay in business, and these factors are hard to identify and harder to quantify. Under these conditions, it is difficult to design research that will determine the effect of differential assessment laws on decisions to quit farming.[67]

Some determination of the impact of differential assessment on the taxing entities, which derive a portion of their revenue through the property tax, can be made through examination of the amount of taxes and special assessments deferred each year. With regard to revenue lost, it should be re-emphasized that actual reductions in the tax base were probably negligible since farmland was undervalued before enactment of the law. There also is the expectation that some fraction of the

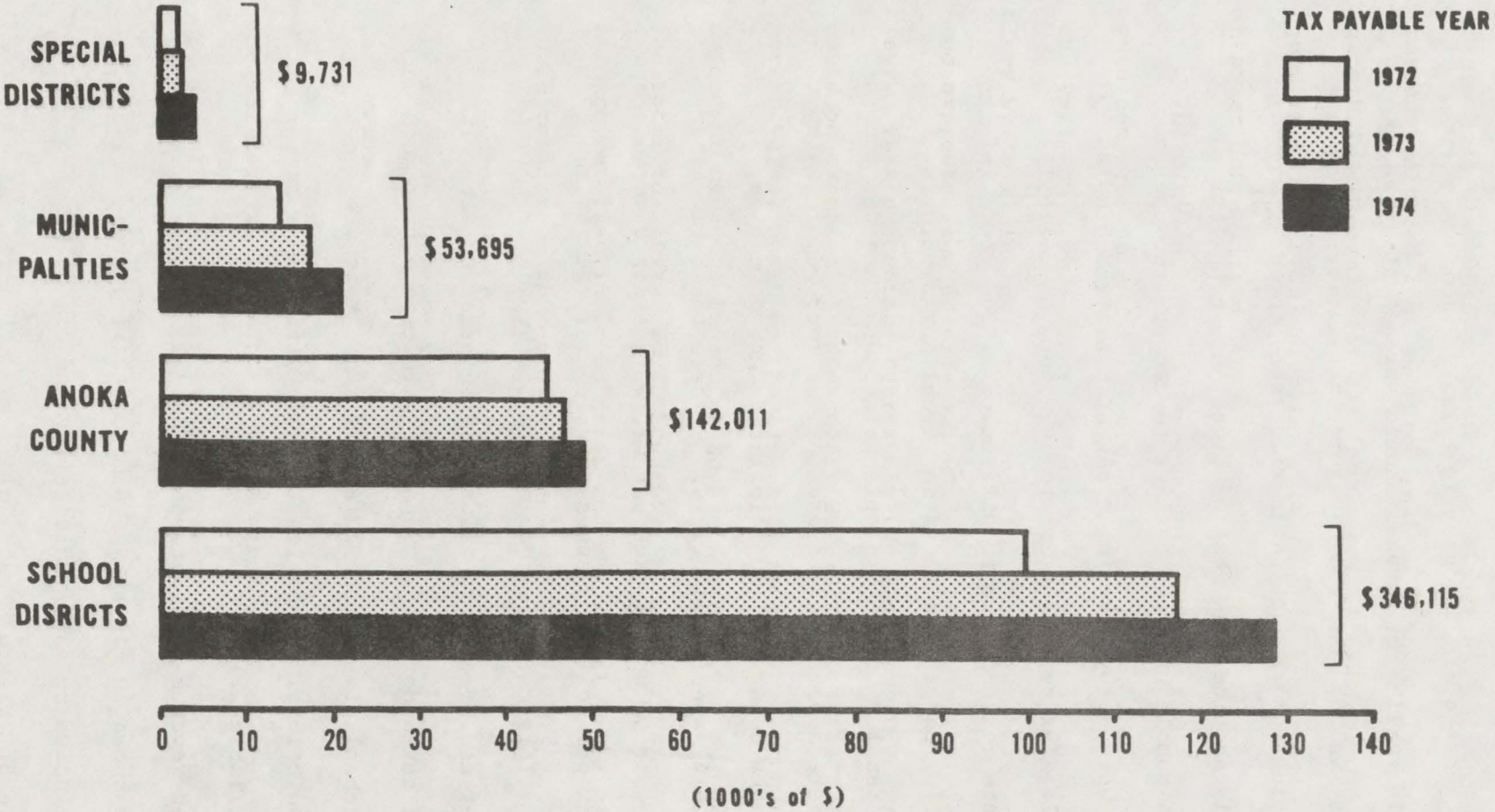
	Tax Based on Market Valuation	Tax Based on Green Acre Valuation	Amount Deferred
Anoka	$ 4,170	$ 1,098	$ 3,072
Coon Rapids	3,671	1,629	2,042
Blaine	2,757	1,013	1,744
Centerville	2,639	1,332	1,307
Grow	1,928	940	988
Lino Lakes	2,102	1,189	913
Ramsey	1,205	684	521
Ham Lake	1,395	890	505
Columbus	1,401	1,027	374
Oak Grove	901	600	301
East Bethel	1,345	1,058	287
Linwood	822	545	277
Burns	1,015	784	231
St. Francis	876	672	204

Table 7. Expected average tax deferral for a 149 acre farm, by municipality, Anoka County, tax payable year 1974.

deferrals will be retrieved annually through restorations of property back to regular assessment. The deferrals, therefore, represent the cost of the program in terms of what the taxing entities could realize in revenue should assessment be based on true market value. One could assume that increased revenue would then bring some reduction in mill rates to the taxpayers who ultimately shoulder the cost of Green Acre benefits.

The 1974 sample utilized earlier to compute the average tax per acre was employed again, along with similar samples for 1973 and 1972. Tax records prior to 1972 were on microfilm which made data collection more difficult. Three years information would allow comparison and also reveal any developing trends. The tax levy on each sample parcel was recorded according to the share apportioned to each of the four major taxing groups; 1) Anoka County, 2) municipalities and townships, 3) school districts, and 4) special districts.[68] These tax data, along with the assessed values of each parcel, were again used to compute an average tax per dollar of assessed value for each of the 23 taxing units. This rate was then multiplied by the differences between market and Green Acre valuations in order to determine the amount of taxes deferred. Separate valuation differences were used in the school district calculations since most districts crossed jurisdictional boundaries. (These differences appear in the Appendix, Table 2.)

Estimated revenue loss between 1972-1974, based on tax deferrals, is shown in Figure 9. A more detailed breakdown of the figures, including each municipality and school district, is given in Table 8. Figure 9 makes clear the allocation of property



ESTIMATED TAX DEFERRAL BY TAXING ENTITY ■ 1972 - 1974

FIG. 9

	Est. Taxes Deferred			
	$ 1972	$ 1973	$ 1974	$ TOTAL
County				
Anoka	45,409	47,502	49,100	142,011
SUBTOTAL	45,409	47,502	49,100	142,011
Municipal				
Blaine	3,997	5,990	6,484	16,471
Lino Lakes	2,611	3,291	3,230	9,132
Ham Lake	1,965	1,692	3,044	6,701
Ramsey	637	1,140	1,371	3,148
Grow	770	568	1,721	3,059
Columbus	985	813	963	2,761
East Bethel	592	978	982	2,552
Anoka	655	908	932	2,495
St. Francis	338	576	812	1,726
Linwood	469	528	551	1,548
Burns	488	326	464	1,278
Oak Grove	446	398	409	1,253
Coon Rapids	152	406	476	1,034
Centerville	91	184	262	537
SUBTOTAL	14,196	17,798	21,701	53,695
School District				
#11	40,932	51,625	48,393	140,950
#15	17,273	16,708	24,894	58,875
#831	14,201	13,087	15,737	43,025
#16	8,857	14,581	13,831	37,269
#728	10,359	7,866	8,527	26,752
#12	5,699	8,322	12,018	26,039
#624	2,731	4,929	5,545	13,205
SUBTOTAL	100,052	117,118	128,945	346,115
Special District				
Districts	2,514	2,839	4,378	9,731
SUBTOTAL	2,514	2,839	4,378	9,731
AGGREGATE TOTAL	$162,171	$185,257	$204,124	$551,552

Table 8. Estimated taxes deferred, by taxing entity, Anoka County, 1972-1974 (tax payable years).

tax revenue between the four types of taxing units. Financing public education takes the largest portion of the tax dollar and the school districts accounted for almost 63% of the total tax revenue deferred for the three years. The graph reflects steady growth in deferrals for all four types of taxing units. The jump in 1974 special district deferrals is attributable to a heavier Metropolitan Transit Commission mill rate.

The significance of these figures can be better understood when compared to the total property tax levied by mill rate within the various jurisdictions. Table 9 gives the total property tax levy by jurisdiction for 1974 and the estimated taxes deferred and expresses the deferred amount as a percentage of the total levy. This percentage represents the increase in revenue that could be expected if assessments were derived totally from market value, based on the 1974 mill rate. The percentage was dependent upon the amount of land differentially assessed and the total tax levy. Burns Township, with the greatest amount of acreage enrolled in Green Acres and the lowest property tax levy, would realize an increase in revenue of almost 8 1/2%, albeit only $464. School District #624, a portion of which is in Lino Lakes, could increase the Anoka County shore of its multi-county tax revenue by 11% or $5,545.

While the tax deferrals may have resulted in a possible revenue loss of somewhere between three quarters of a million and one million dollars in Anoka County over the past six years, the loss is not very substantial in terms of the total tax levies. For example, the total amount of 1974 general property taxes collected in Anoka County, including jurisdictions with

	General Property Tax Levy by Mill Rate, 1974	Estimated 1974 Tax Deferrals	Percent of Levy
County			
Anoka	$ 8,626,000	$ 49,100	.57%
Municipal			
Burns	5,522	464	8.40
Oak Grove	10,017	409	4.08
Centerville	8,152	262	3.21
St. Francis	25,604	812	3.17
Lino Lakes	106,883	3,230	3.02
Ham Lake	107,714	3,044	2.83
Columbus	40,638	963	2.37
Linwood	25,199	551	2.19
Grow	82,549	1,721	2.08
Ramsey	69,058	1,371	1.99
East Bethel	83,582	982	1.17
Blaine	773,991	6,484	.84
Anoka	901,814	932	.10
Coon Rapids	1,197,542	476	.04
School District			
#624	49,750	5,545	11.15
#728	172,107	8,527	4.95
#15	989,269	24,894	2.52
#831	912,187	15,737	1.73
#12	1,648,728	12,018	.73
#11	9,998,288	48,393	.48
#16	2,997,107	13,831	.46
Special District			
Districts	1,119,000	4,378	.39
TOTAL	$ 29,950,701	$ 204,124	.68%

Table 9. Comparison of general property tax levy and tax deferrals, by municipality, Anoka County, tax payable year 1974.

no Green Acre real estate, would increase coffers by only .51% with a return to full market valuation. Furthermore, restorations brought in revenue previously deferred (e.g. $15,046 in 1974).

Subdivision 11 of the Green Acres Law authorizes deferrment of special local assessments levied after July 1, 1967, subject to immediate payment plus interest upon restoration. Between 1969 and tax payable year 1974, only Anoka, Blaine, and Coon Rapids embarked on capital improvement programs involving deferral of special local assessments levied on differentially assessed property. Financing these assessments is a heavy burden, both for the municipality and the landowner whose property is affected. Many farmers place a higher value on this type of deferrment than upon the property tax deferrals because of the magnitude of the levies. The extent of these deferrals is presented in Table 10. Additions to this list will include St. Francis, which is now installing a one million dollar sewer and water project with assessments levied beginning with taxes payable 1975, and Coon Rapids, which will add another group of three parcels under the same ownership, also in 1975. The new Coon Rapids assessment of $119,298 on these parcels will result in annual deferrals of $5,965 over a 20 year period. The total assessments to date of $340,328 are spread among only nine landowners. With the exception of the new levy in St. Francis, deferrals of this type have been limited to the urbanized areas of the County. These deferrals obviously represent a very attractive benefit of the law and have quite possibly staved off

	Parcels	Owners	Total Assessments Levied on Green Acres Property	Deferred Through 1974
Blaine	24	6	$ 277,118	$ 55,424
Coon Rapids	3	2	49,382	4,777
Anoka	3	1	13,828	6,914
TOTAL	30	9	$ 340,328	$ 67,115

Table 10. Special local assessments levied on differentially assessed land, by municipality, Anoka County, 1969-1974.

eventual sale and development of the 30 parcels involved. But they also represent an added burden for the municipalities who are hard-pressed to finance needed public improvements.[69]

The figures indicate that tax and special assessment deferrals can be expected to grow annually as long as urbanization continues and farmland values increase. These losses would be compounded should the equalization process continue and the gap between agricultural and market value widen. Recall that in 1974 farmland in Anoka County was valued at only 78% of market value, based on reported sales.

The financial impact cannot be measured on the basis of deferrals and tax losses along since there are other, more subtle effects, much more difficult to quantify. Personal tax savings and greater spending power certainly have some effect on the local economy. Should differential assessment actually slow farmland turnover, governmental expenditures for education and extension of public services would slacken. On the other hand, it could augment the cost of providing these essential services by fostering leapfrogging development to areas where land is purchasable. Furthermore, withdrawing substantial amounts of land from the market is bound to affect land values and sale prices of available land. Land holding costs drop with lower property taxes, accompanied by a rise in values, landowner gains and reservation prices.[70] The financial consequences arising out of the possible deferment of special local assessments could significantly influence municipal decisions regarding further extension and location of public improvements.

XI. DIFFERENTIAL ASSESSMENT IN ANOKA COUNTY: RESTORATION AND NON-QUALIFICATION.

Most farmland differential assessment schemes attempt, at least superficially, to preclude participation of those interested largely in speculative gain. In actuality, this is practically impossible to accomplish as Hady notes:

> A problem here is that the definition of a speculator tends to be in terms of the state of mind of the owner. Anyone who holds land on the rural-urban fringe, is, perforce, speculating. The relevant question seems to be whether he is holding the land principally for appreciation in value or principally for current production. Short of examining each landowner on the psychiatrist's couch, these motives cannot be determined, if then.[71]

Minnesota's statute established a number of restrictions on qualification to discourage blatant speculation, or at least to limit it to "bona fide" farmers.[72] It also followed precedent by setting penalties should land enrolled be sold. The property owner was required to repay taxes deferred during the last three years the property was valued and assessed under the program. These deferred taxes would be extended against the property on the tax list for the current year. Any special local assessments deferred would be repaid in 90 days.[73] The process of restoring land from its differential assessment status back to regular market assessment, following division and sale, is handled by the County Auditor's office. Requests for division are prepared and the amount of deferred taxes due is computed. By reviewing the Auditor's land division files it was possible to study the amount and rate at which Green Acres land was reverting to regular assessment due to sales.

Table 11 gives the acreage restored for each year since 1969, by municipality. The table shows that some of the land was sold almost immediately. There were 611 acres, involving 38 parcels, restored during the first year the program took effect in Anoka. Since then, the restored acreage has grown annually reaching a peak, in 1972, of 3,140 acres or 4.51% of the land enrolled that year. There were two, and perhaps three, reasons for the unusually high 1972 figure. First, 36 large lots were sold from a platted area enrolled, the Peltzer Addition, in Ramsey Township.[74] The second reason for the peak in 1972 grew out of events associated with the search for a new airport site. A Ham Lake location was first suggested in 1969 but a firm decision was shelved until controversy over the site abated. At the same time, property owners held onto their land, anticipating windfall profits once the situation was resolved. This lack of sales activity in Ham Lake is evident in Table 11. Ham Lake has the third greatest percentage of total land area in Green Acres but, between 1969-1971, only 64 acres were sold. Opposition to the Ham Lake site grew and by 1972, when the matter was turned over to the Metropolitan Council for further study, it was obvious that the Ham Lake site was dead, at least for the immediate future. The reaction was swift, 473 acres were sold involving all or parts of 54 different parcels. The following year 336 acres more were sold involving 23 parcels. A third possible reason for the peak was that 1972 was the first year that a landowner could sell and have some deferred taxes completely forgiven, if he had been enrolled since 1969. The

	Acres						Total	
	1969	1970	1971	1972	1973	1974	Parcels	Acres
Ramsey	337.94	74.00	555.79	941.48	218.63	334.21	161	2471.78
Burns	51.50	55.17	315.59	278.06	620.23	594.65	89	1915.20
Ham Lake	2.95	18.26	43.01	473.04	336.28	286.36	102	1159.90
St. Francis	-	128.60	147.01	203.75	26.15	488.63	35	944.14
Linwood	41.08	99.26	138.39	489.23	20.55	15.94	56	804.45
Oak Grove	160.42	85.00	163.07	255.40	54.72	25.44	35	744.05
Grow	4.42	146.66	147.73	81.28	152.95	121.50	57	654.54
East Bethel	6.99	5.33	76.37	184.02	182.61	164.16	39	619.48
Blaine	.42	131.50	24.36	120.00	152.75	80.36	19	509.39
Columbus	5.00	10.85	5.00	42.37	149.95	218.63	38	431.80
Coon Rapids	-	-	62.38	-	80.00	60.00	7	202.38
Lino Lakes	.01	.45	35.17	6.52	25.00	89.68	23	156.83
Centerville	.33	2.49	42.66	65.16	8.22	.02	25	118.88
Anoka	-	-	-	-	-	-	-	-
TOTAL	611.06	757.57	1,756.53	3,140.31	2,027.77	2,489.58	686	10,732.82

Table 11. Acres of differentially assessed land restored to regular market assessment due to division and sale, by municipality, Anoka County, 1969-1974.

table also shows that Ramsey, attractive to developers because of its proximity to Anoka and major highway access, had the greatest amount of acreage restored. In 1972, 941 acres reverted to market assessment, including 36 platted lots and 18 40 acre parcels. St. Francis had a big increase in restorations in 1974 when 488 acres were sold, 11.5% of the land enrolled there at the time of the 1973 assessment. Some of the St. Francis sales were attributable to purchases by Honeywell Inc. for munitions testing. Three 40 acre parcels were sold to Honeywell in 1974.

While these figures represent property dropped from Green Acres due to sales, they are not really representative of the actual number of parcels and acreage restored to regular market assessment. Applications for renewal in 1970 revealed that some previously enrolled farmland would no longer qualify because of a drop in farm income during the first year of the program, frequently ascribed to crop failures. The County Assessor requested guidance from the Tax Commissioner as to whether these properties should be restored. The Commissioner advised that if the properties would have qualified in a "normal" year, they should be retained. An opinion from the County Attorney's office, however, recommended that the properties be restored in the same way as if sold.

A compromise solution was devised whereby property not qualifying due to insufficient farm income would be restored to regular market assessment but without the collection of deferrals. This non-qualifying land was classified under the title "Green

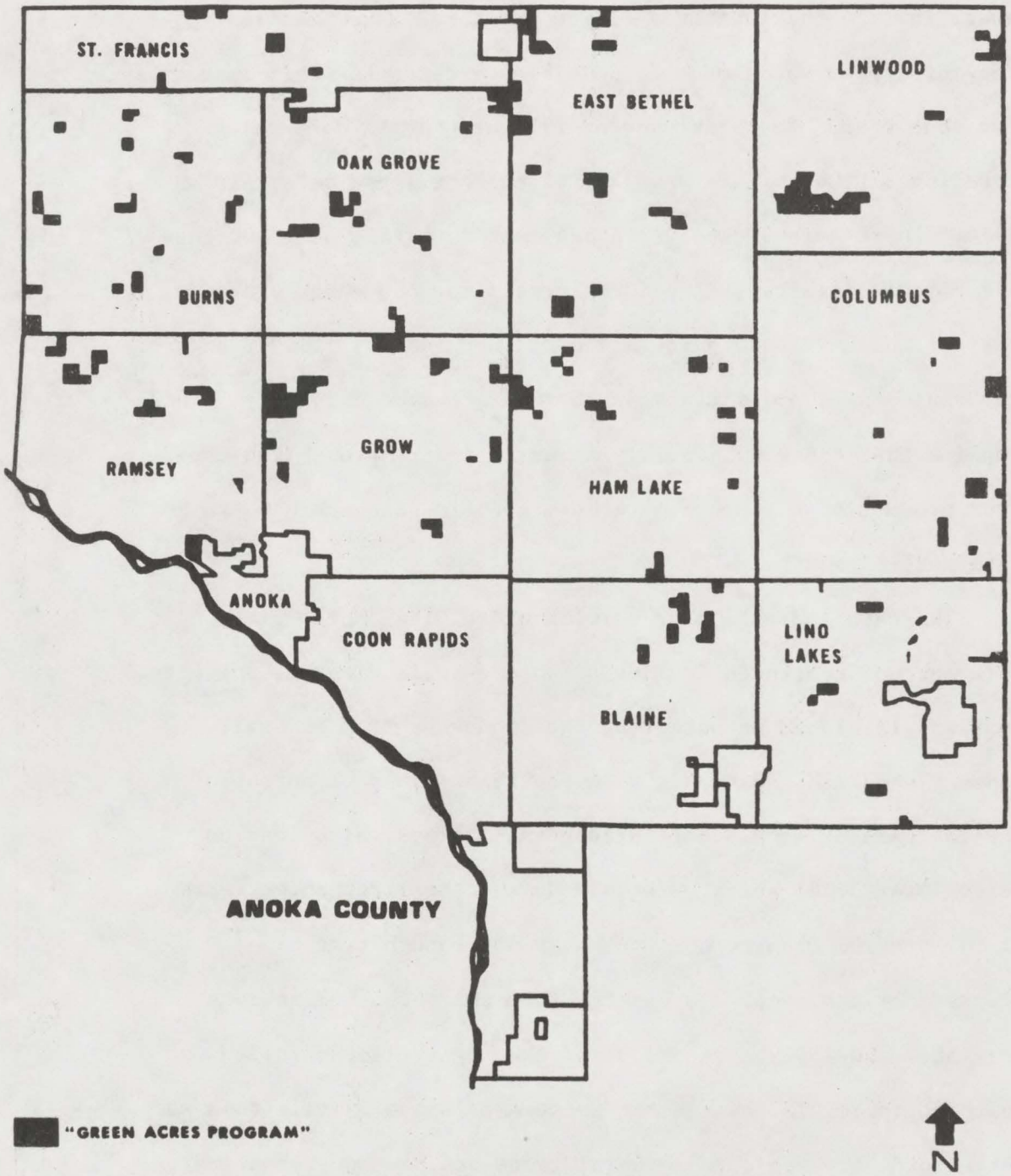
Acres Program" rather than "Green Acres" in the assessment books and it was hoped that the properties could re-qualify in the following year. If a property in this category was sold, taxes were collected only for the immediate three years preceding the sale rather than for the previous three years during which the landowner benefited from deferrals. Thus, if a landowner remained in this status for a number of years, he could expect complete forgiveness of taxes which normally would have been collected. In 1974 this procedure was revised and years with no deferrals were not counted among the three penalty years.

Examination of the 1973 assessment books disclosed that 245 parcels, comprising 8,323 acres, fell into this non-qualifying category. This is close to the total number of acres restored in the county by 1974. (See Table 11.) Table 12 gives the distribution of this land by municipality. The location of the parcels appear in Figure 10. Grow Township topped the list with 1,954 acres. Other than concentrations in Grow and Linwood, the non-qualifying land was scattered with no particular pattern evident. The amount of land in this classification has grown annually and by 1974, when new policies were being formulated to tighten up qualification (e.g., proof of income) the decision was made to end the special status. Henceforth, all property not qualifying in 1975 will be fully restored, including collection of deferred taxes and assessments.

Because the data for restorations in years before 1974 were either incomplete or not amenable to analysis, it was not possible

	Parcels	Acreage	1973 Market Assessed Valuation
Grow	49	1,954	$ 250,651
East Bethel	27	994	72,034
Linwood	32	931	86,468
Oak Grove	27	799	53,843
Burns	22	749	57,486
Columbus	23	665	94,767
Ham Lake	15	629	58,625
Lino Lakes	18	476	58,410
Ramsey	14	409	39,904
Blaine	11	394	33,025
St. Francis	7	323	20,450
TOTAL	245	8,323	$ 825,663

Table 12. Distribution of non-qualifying 'Green Acres Program' land, by municipality, Anoka County, 1973.



LOCATION OF NON-QUALIFYING "GREEN ACRES PROGRAM" LAND ■ 1973

FIG. 10

to determine the amount of deferrals collected annually. However, in 1974 the Auditor's office initiated a new record keeping system which made it possible to determine this amount for that year. Restorations for 1974 brought in deferrals totaling $15,046. This was 7.3% of the total tax deferrals in 1974. There were no special assessment deferrals due. Of the 117 parcels involved, 81 paid deferrals for the three previous years. There were 30 parcels who did not qualify in 1973 and thus paid for the deferrals in the years they did qualify. This implies that these non-qualifying parcels were probably dropped from production a year or more before their sale, perhaps in anticipation of it.

The data indicate that enrollment in Green Acres gives no assurance of continued farming or an end to land market activity. Emphasis is placed on shielding the landowner from excessive taxes without shielding him from the temptations of potential capital gain or from other influential factors which lead to sale. Over 3,125 acres were sold during the first three years of the program despite the fact that not enough time had elapsed for the owners to benefit from the potential savings possible. In 1972, close to 5% of the county land enrolled was restored to regular assessment because of sales. While this was not an ordinary year, the general trend has been one of steady annual increase in the number of acres restored. In 1974 it was 3.65% but individual percentages were much higher in jurisdictions such as St. Francis and Ramsey. As much as 8,000 more acres may be added to the 10,733 already restored through

1974 when the non-qualifying "Green Acres Program" land is dropped in 1975. For many in this category, the loss of agricultural income came when land was removed from production as a prelude to eventual sale. Platted areas, already divided into lots, leave little doubt that, though they may be farmed now, they are intended for eventual sale. The restoration trend in Ham Lake also suggests that owners planned to take advantage of Green Acres benefits only so long as their land appreciated in value.

It is not possible to say with any certainty whether the law has had any effect on the rate or magnitude of county-wide farmland sales because of an absence of data, especially for the time preceding the law, and also because of the difficulty of isolating its possible influence from that of all the other elements affecting the land market. It is evident that land sales will continue despite participation in the differential assessment program with no guarantee of agricultural or open space preservation.

XII. CONCLUSION.

In summary, a number of observations can be made regarding differential assessment in Anoka County. The county, not unlike other outlying metropolitan counties, has witnessed a decline in agricultural activity over the last decade. Average farm size and income statistics for the county fall well below the state averages. Farming is oriented towards the needs of the metropolitan population in terms of the product mix. A significant number of farm operators were part-time farmers, acquiring some portion of their income elsewhere. Before enactment of the Green Acres Law, farmland was undervalued and benefited from a sort of unofficial preferential assessment. Since 1969, the county has had a high level of participation in the Green Acres program with 62% of the county farmland (based on the 1969 Census of Agriculture) enrolled in 1974. The total acreage enrolled in the program has remained relatively stable over the past six years.

Beginning with the first of the arguments presented on p. 31, under the present law there is no way of optimizing land suitability and use, as the distribution of Green Acres land in Anoka County illustrates. County taxpayers are subsidizing a differential assessment scheme which promotes continued agricultural activity on land with poor soil attributes, better suited for development. At the same time it excludes landowners who cannot qualify, perhaps due to the limited amount of time the land has been in possession, in locales with good cropland suitability. Once enrolled, there is no guarantee of the land remaining, even

temporarily, in an agricultural use. Furthermore, the law promotes retention of agriculture in developing areas with little compatability between uses. Conflicts between uses grow until the farmland is finally sold and developed. In the meantime, the municipality must shoulder the burden of deferred assessments for needed public improvements affecting farm properties.

The second argument was directed at the cost of supporting a widespread differential assessment program. It has been established that those farms nearest metropolitan or local growth and development have derived the greatest financial benefit under the law due to the higher market values. The relationship between assessment and tax levels and distance from the central cities is evident in the gradation of these levels from south to north. Yet the amount of Green Acres land in the most developed municipalities (Anoka and Coon Rapids), where the benefits are greatest, amounts to only .6% of the total amount enrolled in the county. Thus, the impact of tax deferrals on property tax revenues in these municipalities is small. The impact is also small in the outlying areas where a substantial amount of Green Acres land is enrolled but the disparity between valuations is still small. The same was true with regard to special local assessments with municipalities such as Anoka and Coon Rapids generating many public improvement programs but experiencing a low proportion of deferrals because of the small amount of land enrolled in Green Acres. Blaine, on the other hand, was unique in that it had a good percentage of its land in green acres amid growing urbanization. Here the amount of tax

deferrals was greatest yet still was only .84% of the total municipal levy. But a hefty sum of $277,118 of special local assessments stand to be deferred over a 20 year period, 81% of the total assessments subject to deferral in the county, and a portent of similar occurances in other areas of growing urbanication. Deferral of these special local assessments is of crucial importance to the landowners affected, more so than the deferrals of property taxes. If one were to measure the cost of the program in terms of the amount of agricultural or open space land the county could have permanently preserved through acquisition for the same price, it would have amounted to approximately 576 acres for the three year period of deferrals shown in Table 8, at an average price of $956 per acre (average farmland value between the years 1971-1974). If one considers the mill rate on a county-wide basis, it costs the taxpayer an additional .05¢ on every $1000 of assessed value, based on the 1973 assessment for taxes payable 1974 ($93.83 vs. $93.78). The financial impact could increase considerably with abandonment of the 5% limit on annual growth in valuation of farmland and a sustained push towards equalization. Since farmland is still undervalued, the disparity between values and the consequential impact on revenues could be expected to expand. For the present time, though, revenue losses have been comparatively small.

The third argument dealt with the use of the law for speculative purposes. While it is impossible to conclusively demonstrate that this is the case, the findings have suggested speculative activity and have shown that enrolling land in Green Acres does not preclude even immediate sale. Restorations have

been growing at a steady rate from the very beginning and should continue to do so now that many participants have reached the point where they have profited from the total forgiveness of some portion of the taxes deferred. It also was apparent that the restoration rate would have been much higher without special treatment of the non-qualifying "Green Acre Program" land. The three year recapture provision, absent of any interest charge, does not inhibit sales since the cost would normally be included in the purchase price and be far outweighed by the property's appreciation in value.

Failure to recognize the law's effect on land use and to address the problem of speculation and a number of other lesser questions stems from a lack of consensus over the law's real purpose. Hady identified the three most frequently offered reasons for differential assessment as:

> (1) the need to preserve open space on the fringes of our cities; (2) the need to preserve farming; and (3) the idea that it is unfair to force a family that has owned land for several generations to sell just when it stands on the threshold of large capital gains, simply because it cannot pay the taxes necessary to hold the land for a few more years.[75]

A straightforward resolution of its purpose does not exist in Minnesota. Rural sponsors want to preserve agriculture; urban supporters are concerned with open space. The actual text of the law offers tax equalization as its goal.[76] These conflicting interests, along with those of farmland speculators, culminated in a bill which largely accommodates the latter.

It is generally acknowledged that the law does not preserve open space, except in a temporary passive state. If the purpose of the law rests with Hady's third reason, the present

program appears adequate. But if the overriding intention is to preserve agriculture at the rural-urban fringe, every effort should be directed towards creating an atmosphere and environment conducive to it. This could be accomplished by allowing only land suitable for agricultural production to qualify. Some type of zoning approach could be implemented to assure that land suitability criteria would be considered in allocating the benefits of the law. Provisions similar to those of the New York program could eliminate many of the urban related farm problems. At the same time, the law should go further to discourage outright speculation. Raising the minimum amount of land needed to qualify, perhaps to the 35 acres proposed by the Minnesota League of Municipalities, and instituting contractual provisions and greater recapture penalties would further limit benefits to those who seriously wish to engage in full-time, active farming.

There are a variety of methods and approaches to choose from in establishing a system of differential assessment, with planning as an integral element, which can serve both individual and common needs. As Schmid has observed: "One lesson for public policy design is that it should attempt to make private incentive consistent with the aims of public economic policy, not contrary to them."[77]

APPENDIX

	Tax per Dollar Assessed Value	Standard Deviation	Coefficient of Variation
Lino Lakes	$ .1022	$ .015	13.83 %
Blaine	.0907	.010	11.72
Ramsey	.0755	.005	7.07
Burns	.0787	.004	5.30
Grow	.0783	.004	5.17
East Bethel	.0901	.003	3.97
Ham Lake	.0827	.003	3.80
Columbus	.0847	.003	3.52
Oak Grove	.0793	.002	3.35
Anoka	.0912	.002	2.42
Linwood	.0783	.001	1.20
St. Francis	.0891	-	.06
Centerville	.1142	-	-
Coon Rapids	.0850	-	-
Anoka County	.0872	.010	11.91

Table 1. Sample variance; tax per dollar of assessed value, standard deviation, and coefficient of variation, by municipality, Anoka County, tax payable year 1974.

	Difference in Valuations
School District #11	$ 997,787
School District #12	150,229
School District #15	435,973
School District #16	298,718
School District #624	75,539
School District #728	145,017
School District #831	293,060
TOTAL	$ 2,396,323

Table 2. Differences between 1973 market and Green Acre assessed valuations for school districts, Anoka County.

FOOTNOTES

[1]While some open land may be unused, it would be a mistake to describe it all as such. An enumeration of the uses of open land would include agricultural; forest conservation and timber; public and private recreation (including shorelines); bodies of water for drainage and reservoirs; watershed and wildlife conservation; space for highways and utilities; industrial open space (including agriculturally based industry); amenity space, such as historic sites and scenic areas; safety margins around airports; and military grounds, testing areas, and bases.

[2]Raleigh Barlowe, "Taxation of Agriculture," Property Taxation USA, ed. Richard W. Lindholm (Madison: University of Wisconsin Press, 1967), p. 91.

[3]Jerome D. Fellman, "Agricultural Consequences of the New Urban Explosion," Modern Land Policy, Land Economics Institute (Urbana: University of Illinois Press, 1960), p. 159.

[4]Robert Sinclair, "Von Thunen and Urban Sprawl," Annals of the Association of American Geographers, 57 (1967), p. 72.

[5]This is not officially encouraged by the assessing profession: "The market transactions by typical users and investors are based on the optimum legal use and therefore the appraiser is definitely bound to do the same because his objective is to estimate the reactions of typical users and investors in the market." The market value, or highest and best use of the land, would be "the most profitable likely legal use for which there is a demand in the reasonably near future." - Hermon O. Walther, "The Principle of Highest and Best Use in Land Valuation," Assessment Administration, International Association of Assessing Officers (1963), p. 79.

[6]Ad valorem - at its value, also defined as cash value or value at highest and best use. Usually determined on the basis of recent sales and estimates of what a willing buyer would pay a willing seller in an arm's length transaction.

[7]Frederick D. Stocker, "Assessment of land in Urban-Rural Fringe Areas," The Property Tax and Its Administration, ed. Arthur D. Lynn, Jr. (Madison: University of Wisconsin Press, 1969), p. 145.

[8]Donald G. Hagman, "Open Space Planning and Property Taxation - Some Suggestions," Wisconsin Law Review, July 1964, p. 637.

[9]William H. Whyte, The Last Landscape (Garden City: Doubleday and Co., 1968), p. 119.

[10]Robert H. Freilich and John W. Ragsdale, Jr., A Legal Study of the Control of Urban Sprawl in the Minneapolis-St. Paul Metropolitan Region (St. Paul: Metropolitan Council, Jan. 1974), p. 59.

[11]Frederick D. Stocker, "How High Are Farm Property Taxes?" The Farm Cost Situation, U.S. Department of Agriculture publication ARS 43-75 (Washington D.C.: U.S. Government Printing Office, May, 1958), p. 36.

[12]Sinclair, p. 72.

[13]Marion Clawson, America's Land and Its Uses (Baltimore: Johns Hopkins University Press, 1972), p. 30.

[14]48 Ohio Laws 473 (1850); Ind. Laws ch. 15 §§ 58 (1867).

[15]Iowa Code Ann. ch. 426 (1949).

[16]Ala. Comp. Laws Ann. §§ 16-1-29h (Supp. 1959); Okla. Stat. Ann. §§ 11.1044 (1959). Hagman, p. 633, notes the Oklahoma statute had the closest resemblance, of annexation statutes, to present open space taxation by providing that "no lands used for agricultural purposes shall be taken within the corporate limits and taxed to any greater rate than the adjoining lands without the corporation."

[17]Minn. Laws 1953, ch. 688, Minn. Stat. Ann. §§ 272.59 (Supp. 1963).

[18]Acts 1955, ch. 4 §§ 8 (2); Ont. Rev. Stat. ch. 24, §§ 33 (1960).

[19]Maryland Laws ch. 8 (1956).

[20]Thomas F. Hady, "Differential Assessment of Farmland on the Rural-Urban Fringe," American Journal of Agricultural Economics, 52 (Feb., 1970), p. 25.

[21]If the deferred taxes are paid promptly no interest is collected, except in Oregon, where interest is charged on the amount of taxes deferred.

[22]The state of Washington, for example, requires payment of all tax savings, plus a 20% penalty, plus interest, if the 10 year contract is broken without the required 2 year notice of intention to terminate.

[23]Both states accept only agricultural land falling within designated planning zones and contract for 10 year periods, automatically renewable. Both require 5 years notice of intention to terminate with notice acceptable only after the fifth contract year.

[24]These districts must be of 500 or more acres. In addition to lower property taxes, the law places farmers in these districts beyond the reach of local regulation except in matters of basic health and safety.

[25]Article IX, Section 1, Minnesota Constitution.

[26]Agricultural property also receives a tax break in the form of lower mill rates (8 1/3 mills less than non-agricultural property).

[27]Minn. Stat. Sec. 273.111.

[28]Minnesota Housing Institute, Research Report: Green Acres Law (Minneapolis, September, 1972), Based on interview #13 with Minnesota Senator Roland Glewwe.

[29]Harry C. Hamm et. al. vs. State of Minnesota (1959), 255 Minnesota 64, 95 N.W.(2d) 649;
Dulton Realty vs. State of Minnesota (1964), 270 Minnesota 1, 132 N.W.(2d) 394.

[30]Minnesota Housing Institute, Interviews #5 and #6 with Dean Lund and Stanley Peskar of the League of Minnesota Municipalities.

[31]Sponsors of the bill and counties they represented were:
Senate - Glewwe (Dakota), Jude (Hennepin, Wright), and Metcalf (Dakota).
House - S. Adams (Hennepin), Albertson (Washington), Jopp (Carver, Scott), Klaus (Dakota, Goodhue), and Knutson (Dakota).

[32]Minn. Stat. Sec. 273.111, Subdivision 2.

[33]Minnesota Housing Institute, Interview #13.

[34]Although the assessor does ignore market value in assessing the property, he is required by the law, to maintain a separate listing of market values and resulting taxes for all Green Acres property. This listing would be utilized should a property be restored to regular valuation procedures.

[35]Restoration occurs once property is sold or no longer meets statutory qualification requirements.

[36]Minneapolis Star, February 11, 1969; St. Paul Pioneer Press, February 28, 1969.

[37]Minnesota Housing Institute, Interview #8 with Dr. Phillip Raup, University of Minnesota.

[38]Session Laws of Minnesota, 1969, Ch. 1039, H.F. no. 2051, p. 2102.

[39]Session Laws of Minnesota, 1973, Ch. 450, H.F. no. 1718, p. 639.

[40]Minn. Stat. Sec. 273.112.

[41]State of Minnesota in Supreme Court, appellant's briefs; Clarence C. Campion et. al. vs. County of Hennepin, File no. 44304; James E. Kelly, Trustee vs. County of Hennepin, File no. 44305; Laurance Elwell, Jr. vs. County of Hennepin, File no. 44303; Theresa M. Schmidt vs. County of Hennepin, File no. 44307.

[42]Appellant's brief; Theresa M. Schmidt, p. 13.

[43]Appellant's brief, Theresa M. Schmidt., p. 14.

[44]State of Minnesota in Supreme Court, respondent's brief; James E. Kelly, Trustee vs. County of Hennepin, File no. 44305, p. 20.

[45]Minnesota Supreme Court Opinion No. 51, August 21, 1974 re. Laurance Elwell, Jr. vs. County of Hennepin, p. 14.

[46]Minnesota Supreme Court Opinion No. 51, p. 15.

[47]State of Minnesota in Supreme Court, respondent's brief; Theresa M. Schmidt vs. County of Hennepin, File no. 44307, p. 48.

[48]Delivered by John Boland on December 13, 1974 at a meeting of the Citizens League.

[49]Crop and Livestock Reporting Service, Minnesota Agricultural Statistics (St. Paul: Minnesota Department of Agriculture, 1964-1974).

[50]Maurice Mandale and Philip M. Raup, The Minnesota Rural Real Estate Market in 1972 (St. Paul: Institute of Agriculture, University of Minnesota, Economic Study Report S 73-1, 1973), p. 22.

[51]Based on a Minnesota Department of Revenue sales assessment analysis, September, 1974.

[52]Mandale, pp. 22-24.

[53]For example, an increase of 35% was suggested for farmland assessments for the 1968 assessment year. However, the recent 5% limit on market value increases, set by the legislature, has made equalization of farmland very difficult to achieve.

[54]See p. 25.

[55]Subdivision 5. These listings are in a separate section of the assessment books and give both the market valuation and assessed valuation for properties listed and valued under Green Acres in the regular sections of the books.

[56]In addition to qualification through land subdivision, new applicants not previously enrolled might qualify once they reach their seventh year of ownership or by finally earning enough agricultural income off their holdings.

[57]This figure differs from the 500 applicants cited in the assessor's listing for 1973 because that listing counted the applicant more than once if his holdings crossed municipal boundaries.

[58]See p. 25.

[59]According to the 1969 Census of Agriculture, 62% of the county farm operators worked 100 or more days off the farm. Of those with incomes less than $2,500, 83% were classed as part-time farmers. This was the second highest county percentage in the state.

[60]Anoka County municipalities with no land in green acres; Columbia Heights, Fridley, Bethel, Circle Pines, Hilltop, Lexington, and Spring Lake Park.

[61]Source; General Soil Map of Anoka County, prepared by U.S. Department of Agriculture, Soil Conservation Service, January, 1974.

[62]Suitability for cropland is based on the capability of the soils, when properly maintained, to sustain intensive cropping without risks of serious soil damage. Soils that are naturally wet but which can be or have been improved by supplemental drainage are rated according to their continuing limitations after drainage improvements have been installed.

[63]Edward A. Zimmerman, "Tax Planning for Land Use Control," The Urban Lawyer, 5, No. 4 (Fall 1973), p. 652.

[64]These figures represent the assessed value, not the initial full value appraisal, per acre.

[65]Peter House, Preferential Assessment of Farmland in the Rural-Urban Fringe of Maryland, U.S. Department of Agriculture publication ERS-8 (Washington D.C.: U.S. Government Printing Office, June, 1961), p. 13.

[66]The market value and the tax based on the market value are required to be recorded in the property assessment records per subdivision 5.

[67]Hady, p. 30.

[68]These special districts include the Metropolitan Council, Mosquito Control, Metropolitan Transit Commission, hospitals, vocational-technical schools, and watersheds.

[69]"Postponement of payment of assessments can work tremendous hardship on the local government, and therefore, the people of the community because of the possibility of defaulting on the bond payback requirements which would fall to the general obligation category and consequently damage the community's credit rating." - Wayne Johnson, Hennepin County Assessor in Minnesota Housing Institute, Interview #7.

[70]The reservation price is the price a landowner has a reasonable expectation of achieving over a period of time, below which he will not sell his land.

[71]Hady, p. 30.

[72]Subdivisions 3 and 6.

[73]Subdivisions 9, 10, and 11.

[74]The Department of Revenue has ruled that the platting of property has no bearing on eligibility (Minnesota Property Tax Bulletin, Vol. 4, No. 3, July, 1969). Other areas of platted land in Anoka County enrolled in green acres are located in Grow and Oak Grove Townships. Valley View Estates, in Grow, has been disposing of a few of its 56 lots annually.

[75]Hady, p. 29.

[76]Subdivision 2.

[77]A. Allan Schmid, Converting Land from Rural to Urban Uses (Washington, D.C.: Resources for the Future Inc., 1968), p. 57.

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44305; Theresa M. Schmidt vs. County of Hennepin, File no. 44307.

Minnesota Supreme Court Opinion No. 51, August 23, 1974.

Maps and diagrams by author.

HC 208

APPLICATION FOR VALUATION AND TAX DEFERMENT OF AGRICULTURAL LAND

PROVIDED BY MINNESOTA AGRICULTURAL PROPERTY TAX LAW

Minnesota Statutes, Section 273.111, Amended, 1969

To _____ Assessor, County of _____

State of Minnesota.

_____, being first duly sworn, deposes and says that ____ he ____ is/are

the owner ____ of the following described real estate situated in the _____,

of _____, in said County of _____ State of Minnesota

(Legal or taxable description) _____

_____

_____

Address _____

Affiant hereby requests that the aforesaid real estate be valued in assessment and taxes deferred under the provisions of Minnesota Statutes, Section 273.111, as amended. In support of this request, affiant gives the following answers relative to the use of the property, of which _____ acres was used as tillable land during the preceding year.

1. The above described real property comprising _____ acres (do not submit for less than ten acres), was actively and exclusively devoted to agricultural use during the year preceding the assessment date; that is, devoted to the production for sale of livestock, dairy animals, dairy products, poultry and poultry products, fur bearing animals, horticultural and nursery stock which is under section 18.44 to 18.61, fruit of all kinds, vegetables, forage, grains, bees and apiary products *by the owner*, or is slough, wasteland and woodland contiguous to or surrounded by land described in (3) below and is under the same ownership or management.

   Yes _____ No _____

2. Gross income derived from such agricultural use of the real estate described herein constituted not less than one-third of the total family income for the year preceding the date for which application is made, or totaled not less than $300.00 plus $10.00 per tillable acre.

   Yes _____ No _____

LIST INCOME AND SOURCE (prior year)		AMOUNT
Total Family Wages Received		$_____
Other Income–Exclusive of Above Property		$_____
Agricultural Receipts (Specify)		
Rents Received–Above Property	$_____	
Crops	$_____	
Livestock	$_____	
Poultry	$_____	
Total Agricultural Income		$_____
Total Family Income		$_____

3. (a) The above described property is the homestead of the owner of record, or became the homestead of a surviving spouse, child or sibling of said owner, or is real estate which is farmed with real estate which contains the homestead property.

   Yes _____ No _____

   (b) It has been in possession of the affiant, his spouse, parents, or sibling, or any combination thereof, for a period of at least seven years prior to application for benefits under provisions of this act.

   Yes _____ No _____

I hereby declare that I have read the provisions of this act and that the information contained in this application is, to the best of my knowledge, true and correct.

_____
Signature

Subscribed and sworn to before me this _____ day of _____, 19____

_____

_____

NOTE: Application for deferment of taxes and assessments as of January 2, 1968, with respect to taxes due May 31, 1969, shall be filed prior to July 1, 1969. Application for deferment of taxes and assessment under this section shall be filed by July 1 for the assessment year 1969 and by May 1 for subsequent years prior to the year in which taxes become payable. Such applications must be filed with the assessor of the taxing district in which the real property is located.

STATEMENT OF ASSESSOR

Upon due consideration, agricultural deferment is herewith

APPROVED DENIED (Cross out one), exclusive of_____acres classified as lakeshore for the assessment year January 2, 19____.

_____
County Assessor

_____, 19____
Date

Notice of above determination forwarded to applicant on_____, 19____.

MINNESOTA STATUTES, Section 273.111, as amended.

Subdivision 1. This act may be cited as the "Minnesota Agricultural Property Tax Law."

Subd. 2. 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.

Subd. 3. Real estate consisting of ten acres or more shall be entitled to valuation and tax deferment under this section only if it is actively and exclusively devoted to agricultural use as defined in subdivision 6, and either (1) is the homestead or thereafter becomes the homestead of a surviving spouse, child, or sibling of the said owner, or is a real estate which is farmed with the real estate which contains the homestead property, or (2) has been in possession of the applicant, his spouse, parent, or sibling, or any combination thereof, for a period of at least seven years prior to application for benefits under the provisions of this act.

Subd. 4. The value of any real estate described in subdivision 3 shall upon timely application by the owner, in the manner provided in subdivision 8, be determined solely with reference to its appropriate agricultural classification and value notwithstanding sections 272.03, subdivision 8 and 273.11. In determining such value for ad valorem tax purposes the assessor shall not consider any added values resulting from nonagricultural factors. However, agricultural land which the assessor may determine to be adaptable for development and which abuts a lakeshore line shall not qualify under the provisions of this act for a distance within 20 rods of the shoreline.

Subd. 5. The assessor shall, however, make a separate determination of the market value of such real estate. The tax based upon the appropriate mill rate applicable to such property in the taxing district shall be recorded on the property assessment records.

Subd. 6. Real property shall be considered to be in agricultural use provided that annually: (1) at least 33⅓ percent of the total family income of the owner is derived therefrom, or the total production income including rental from the property is $300.00 plus $10.00 per tillable acre; and (2) it is devoted to the production for sale of livestock, dairy animals, dairy products, poultry and poultry products, fur bearing animals, horticultural and nursery stock which is under sections 18.44 to 18.61, fruit of all kinds, vegetables, forage, grains, bees and apiary products by the owner, slough, wasteland, and woodland contiguous to or surrounded by land described in subdivision 3 shall be considered to be in agricultural use if under the same ownership and management.

Subd. 7. Repealed.

Subd. 8. Application for deferment of taxes and assessment under this section shall be filed in the year 1969 by July 1 and thereafter by May 1 of the year prior to the year in which said taxes become payable. Any application filed hereunder and granted shall continue in effect for subsequent years until the property no longer qualifies. Such application shall be filed with the assessor of the taxing district in which the real property is located on such form as may be prescribed by the commissioner of taxation. The assessor may require proof by affidavit or otherwise that the property qualifies under subdivisions 3 and 6 above.

Subd. 8a. Notwithstanding the provisions contained in this subdivision, applications for agricultural tax assessment and deferment with respect to the assessment of January 2, 1968, may be made prior to July 1, 1969, and payment of any taxes otherwise due on May 31, 1969, shall be deferred without penalty until 30 days after notice or rejection of application or after notice of taxes as determined under the new assessment made in accordance with subdivision 4. Any reduction in taxes resulting from the application of this section shall be processed in accordance with section 270.07. Notwithstanding the time limits contained in section 278.01 and section 271.00, subdivision 1, as the case may be, an appeal may be taken to the district court or the tax court within 30 days of any order denying applications filed as provided in this subdivision for reduction in the January 2, 1968 valuations or assessments or of any valuations or assessments made after the effective date of this act.

Subd. 9. When real property which is being, or has been valued and assessed under this section is sold or no longer qualifies under subdivisions 3 and 7, the portion sold shall be subject to additional taxes, in the amount equal to the difference between the taxes determined in accordance with subdivision 4, and the amount determined under subdivision 5, provided, however, that the amount determined under subdivision 5 shall not be greater than it would have been had the actual bona fide sale price of the real property at an arms length transaction been used in lieu of the market value determined under subdivision 5. Such additional taxes shall be extended against the property on the tax list for the current year, provided, however, that no interest or penalties shall be levied on such additional taxes if timely paid, and provided further, that such additional taxes shall only be levied with respect to the last three years that the said property has been valued and assessed under this section.

Subd. 10. The tax imposed by this section shall be a lien upon the property assessed to the same extent and for the same duration as other taxes imposed upon property within this state. The tax shall be annually extended by the county auditor and if and when payable shall be collected and distributed in the manner provided by law and for the collection and distribution of other property taxes.

Subd. 11. The payment of special local assessments levied after the date of Extra Session Laws 1967, Chapter 60, for improvements made to any real property described in subdivision 3 together with the interest thereon shall, on timely application as provided in subdivision 8, be deferred as long as such property meets the conditions contained in subdivisions 3 and 7. When such property is sold or no longer qualifies under subdivisions 3 and 7, all deferred special assessments plus interest shall be payable within 90 days. Penalty shall not be levied on any such special assessments if timely paid. If not paid within such 90 days, the county auditor shall include such deferred special assessments plus a 10 percent penalty on the tax list for the current year.

Subd. 12. This section shall be broadly construed to achieve its purpose. The invalidity of any provision shall be deemed not to affect the validity of other provisions.

Subd. 13. This action shall apply to assessments for tax purposes made in 1968 and thereafter.

Subd. 14. This section shall apply to special local assessments levied after July 1, 1967 and payable in the years thereafter.

Differential Assessment of Farmland in Anoka County. by Gregg Sydney Larson. MLMIS (CURA) and State Planning Agency. June 1975.

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MINNESOTA LAND MANAGEMENT INFORMATION SYSTEMS (MLMIS) (CURA)

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