

Important Law Changes to Agricultural Homesteads

If you own agricultural property that is currently “Non-Homestead” and you believe that the information from the Minnesota Department of Revenue provided in this memo may impact your homestead eligibility, please contact the Nicollet County Assessor’s office at 507-934-7062, or email us at lori.mueller@co.nicollet.mn.us by December 15 so that we can review your homestead status.

The legislature made several law changes to existing agricultural and special agricultural homestead provisions in the 2019 legislative session for taxes payable in 2020. These included changes to special agricultural homesteads owned by entities, trusts, and individuals.

Agricultural Homestead Owned by a Trust

Minnesota Statutes 273.124, subdivision 21 was changed to allow exceptions for linking trust owned agricultural homestead. While trust-owned agricultural homesteads have always been able to link to agricultural parcels under the same trust ownership or the individual grantor’s ownership, the law now allows both noncontiguous and contiguous agricultural parcels to be linked to a base agricultural parcel in either of the following scenarios:

- An individual and a trust, so long as that individual, that individual’s spouse, or that individual’s deceased spouse is the grantor of the trust.
 - **Example:** Parcel A owned by the Spouse A Trust, Spouse A is the sole grantor, can link to parcel B owned by Spouse B as an individual.
- Different trusts of which the grantors of each trust are any combination of an individual, that individual’s spouse, or that individual’s surviving spouse.
 - **Example:** Parcel A owned by the Spouse A Trust, Spouse A is the sole grantor, can link to parcel B owned by Spouse B’s Trust, Spouse B is the sole grantor.

Occupied Agricultural Homestead for Properties Owned by Entities

Minnesota Statutes 273.124, subdivision 8 was changed to allow property owned by an entity to be farmed by a separate entity if it fulfills certain requirements. Previously, if an entity-owned property was to receive agricultural homestead, the same entity needed to both own **and** operate the property. Under the new law, a different entity may operate the property if both of the following are true:

- The occupant is a member of both the operating entity **and** the owning entity.
- More than half of the shareholders, members, or partners of **each** entity are qualifying relatives¹.

This law change only affects an entity establishing homestead. Farming entities must be registered with the MN Department of Agriculture to qualify for homestead. This requirement is true for both an owning entity and an operating entity.

What Did Not Change?

- The application requirements. An initial application must be filed to receive homestead.
- The occupant must be actively engaged in farming.
- The occupant and their spouse cannot claim another agricultural homestead in Minnesota.

Unoccupied Special Agricultural Homestead for Properties Owned by Entities

Similar to occupied agricultural homestead, Minnesota Statute 273.124, subdivision 14(g) was changed to allow unoccupied property owned by an entity to be operated by a separate entity if certain conditions are met. Previously, if an entity-owned property was to receive special agricultural homestead, the same entity needed to both own **and** operate the property. Under the new law, a different entity may operate the property if both of the following are true:

- The active farmer is a member of both the operating entity and the owning entity.
- More than half of the shareholders, members, or partners of **each** entity are qualifying relatives¹.

This law change only affects an entity establishing homestead. Farming entities must be registered with the MN Department of Agriculture to qualify for homestead. This requirement is true for both an owning entity and an operating entity.

What Did Not Change?

- The application requirements. An initial application must be filed and the applicable re-application must be filed annually for the property to continue to receive agricultural homestead.
- The farmer must meet the definition of actively farming.
- The agricultural property must be at least 40 acres.
- The active farmer and their spouse cannot claim another agricultural homestead in Minnesota.
- The active farmer must live within four cities/townships from the ag property.

These requirements, along with the new requirements, must be met to qualify for an entity owned and unoccupied agricultural homestead.

¹ For agricultural homestead, a “qualifying relative” is a child, sibling, grandchild, or parent of the owner or the owner’s spouse. The relation may be by blood or by marriage.

For a summary of all legislative property tax law changes, please visit the MN Department of Revenue’s website <https://www.revenue.state.mn.us/property-tax-law-summaries>