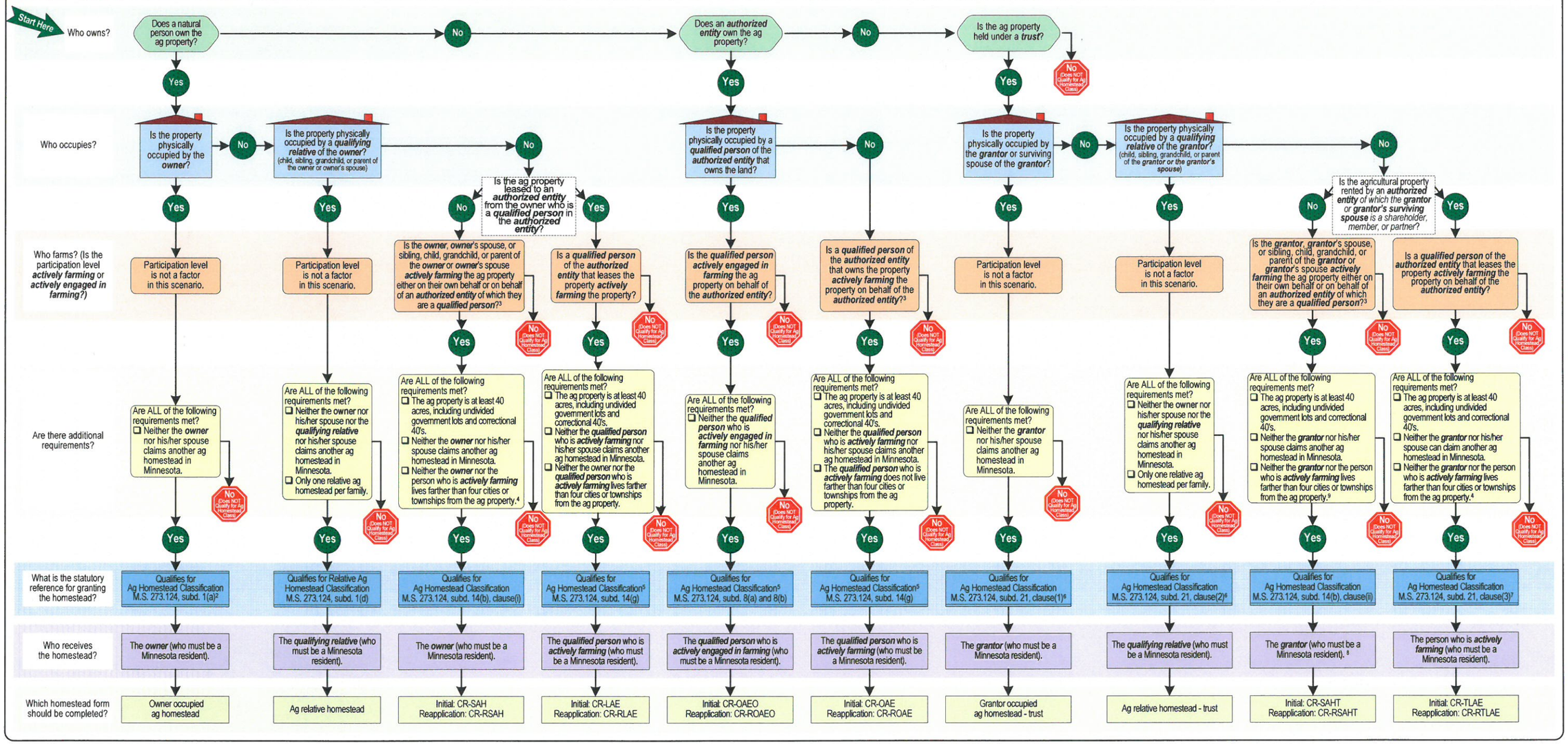
MINNESOTA · REVENUE

2012 Revisions

Determining if property qualifies for the agricultural homestead[1] classification

Note: Terms in ***bold, italic font*** are defined in the glossary.



Footnotes

Note: Terms in ***bold, italic font*** are defined in the glossary.

[1] The property must first properly qualify as agricultural pursuant to M.S. 273.13, subd. 23.

[2] If the entire property including the HGA is leased, the property must meet the requirements of M.S. 273.124, subd. 8(c) to qualify as an owner occupied ag homestead.

[3] In some cases, the Farm Service Agency number may be in an ***authorized entity***'s name when the person ***actively farming*** is doing so on behalf of the ***authorized entity***.

[4] If the ***owner*** or the ***owner***'s spouse (or ***grantor*** or ***grantor***'s spouse) is required by their employer to live in employer-provided housing, the ***owner*** or ***owner***'s spouse, whomever is ***actively farming*** the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property.

[5] This is limited to ***authorized entities*** with 12 or fewer members, shareholders or partners.

[6] If the entire property including the HGA is leased, the property must qualify under M.S. 273.124, subd. 21, clause (3) to qualify as an owner occupied ag homestead.

[7] This statute was amended by Laws 2005, Chapter 151, Article 5, Section 21. Previously, this provision required a ***qualified person*** of the ***authorized entity*** to occupy the property and ***actively farm*** it on behalf of the ***authorized entity*** to receive homestead (the qualified person did not have to be the ***grantor***, spouse of the ***grantor*** or son or daughter of the ***grantor***). Those receiving homestead under this clause for taxes payable in 2005, but no longer qualify due to the 2005 law change, may continue to receive homestead as long as the requirements of this clause as it existed for taxes payable in 2005 are met.

[8] If the ***grantor*** is deceased, the property may still qualify for homestead to the benefit of the trust. The ***active farmer*** must sign the application, attesting that the requirements are factually met, but the homestead is given to the land owned by the ***trust***.

Glossary

Note: Terms used in the flow chart are defined below. See the full glossary in the agricultural bulletin for definitions of ***bold, italic*** words listed below.

actively engaged in farming - participation on the farm on a regular and substantial basis. The person who is actively engaged in farming must be a Minnesota resident.

actively farming - participation in the day-to-day decision making, labor, administration and management of the farm as well as assuming all or a portion of the financial risks and sharing in any profits or losses. The person who is actively farming must be a Minnesota resident.

authorized entity - can be a ***family farm corporation***, ***joint family farm venture***, ***limited liability company***, or ***partnership*** operating a ***family farm*** (M.S. 273.124, subdivision 8(a)). This is limited to authorized entities with 12 or fewer members, shareholders or partners. The following entities would be eligible for homestead treatment: ***authorized farm limited liability company*** (operating a ***family farm***); ***authorized farm partnership*** (operating a ***family farm***); ***family farm; family farm corporation; family farm limited liability company*** (operating a ***family farm***); ***family farm partnership; general partnership*** (operating a ***family farm***).

grantor - is defined as the person creating or establishing a testamentary, ***inter vivos***, ***revocable*** or ***irrevocable trust*** by written instrument or through the exercise of a power of appointment (M.S. 273.124, subdivision 21). For property that is held under a trust to receive an agricultural homestead, the grantor must be a Minnesota resident, and neither the grantor nor the spouse of the grantor can claim another agricultural homestead.

owner - is defined as an individual person or multiple people who own the property (i.e. not owned by a business or entity). To receive an agricultural homestead, the owner must be a Minnesota resident, and neither the owner nor the spouse of the owner can claim another agricultural homestead.

qualified person - must be a Minnesota resident and can be a: member in an authorized entity; a shareholder in an authorized entity; or a partner in an authorized entity.

qualifying relative or surviving relative - must be a Minnesota resident. For agricultural property a qualified relative can be a child, sibling, grandchild or parent of the owner or of the spouse of the owner or grantor of the agricultural property (M.S. 273.124, subdivision 1(d)). The list of relatives for residential property is different (M.S. 273.124, subdivision 1(c)).

trust - a fiduciary relationship under which one party holds property for the benefit of another party.

trustee - means the party that holds property rights for the benefit of another party through a trust.

Revised June 2011