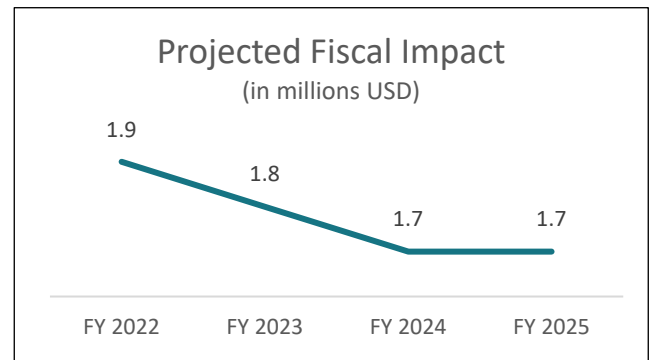


Agricultural Loans

Tax Expenditure Initial Review – TEB 9.01

Tax Expenditure Facts

Year Enacted	2001
Statute	Minn. Stat. § 287.04(9)
Tax Type	Mortgage Registry Tax
Provision Type	Exemption
Latest Fiscal Impact Estimate	\$1,700,000 – Fiscal Year 2024
Latest Claims Estimate	Direct measure of this estimate is not currently available
Expiration Date	None



Tax Expenditure Description

An exemption from the mortgage registry tax is allowed for an agricultural mortgage if the proceeds are used to acquire or improve real property that is classified as agricultural for property tax purposes. The fiscal impact estimate shown above excludes mortgages by federal agencies because federal law prohibits taxation by the state.

Additional Background Information

The mortgage registry tax (MRT) is imposed when a mortgage on Minnesota real property is recorded. The tax rate is 0.23 percent of the debt being secured by the mortgage. The mortgagor (borrower) is liable for the tax. The exemption does not apply to a house, residential garage, or surrounding one acre that is purchased with an agricultural property.ⁱ

Beneficiaries of the agricultural loan exemption include individuals who use the proceeds of a mortgage-secured loan that would not otherwise be tax exempt to acquire or improve qualifying real property.

Mortgage registry taxes are collected by county treasurers. On or before the 20th of each month, 97 percent of MRT revenue collected the preceding month is remitted for deposit in the state General Fund, while 3 percent is retained by the county to cover administrative expenses.

This exemption reduces the amount of mortgage registry tax revenue that would otherwise be collected. In fiscal year 2022, state revenues from the mortgage registry tax were approximately \$203 million.ⁱⁱ Collections fluctuate from year-to-year based on the real estate market.

Mortgages given to federal lenders such as the Farm Service Agency are exempt from state mortgage taxes pursuant to Federal law.ⁱⁱⁱ

This exemption was enacted in 2001.^{iv} Conforming and technical changes were enacted in 2009 and 2021.^v

Proposed Tax Expenditure Objective for Consideration

The objective of the mortgage registry tax agricultural loan exemption is to increase the competitiveness of Minnesota banks offering agricultural loans with federal lenders whose loans are not subject to the state mortgage registry tax.

Sources

The proposed objective is based on committee hearings for H. F. 52 and companion bill S. F. 290, introduced during the 2001 regular legislative session. Both bills were heard in committee but not included in the regular session tax omnibus bill, H. F. 2498.^{vi} However, similar exemption language was included in tax omnibus bill H. F. 1, passed during the 2001 1st Special Session.^{vii} Bill authors emphasized the need to “level the playing field” between local lenders and the Farm Service Agency (FSA), noting that Minnesota bank loans were subject to the mortgage registry tax, while FSA loans were not.^{viii}

Potential Metrics and Performance Measures

A full review may compare the number and value of qualifying agricultural loans issued by Minnesota banks versus federal lenders since the exemption was enacted.

Contact Information

This tax expenditure review was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission pursuant to Minnesota Statutes 2023, section 3.8855, subdivision 4.

For questions regarding this review, please contact Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov.

Notice: Proposed tax expenditure objective statements are not binding authority and should not be used as a legal interpretation of any tax expenditure statute.

For more information, please visit the [Tax Expenditure Review Commission website](#).

ⁱ Modification of Revenue Notice # 01-06: Mortgage Registry Tax – Exemption for Mortgages that Secure Qualifying Agricultural Loans, Minnesota Department of Revenue, Modified February 22, 2010, Accessed September 3, 2024, https://www.revenue.state.mn.us/sites/default/files/2011-11/RN_01-06.pdf; “Mortgage Registry Tax Agricultural Loan Exemption”, Minnesota Department of Revenue, Accessed September 3, 2024, <https://www.revenue.state.mn.us/mortgage-registry-tax-agricultural-loan-exemption>.

ⁱⁱ “General Fund Analysis – Summary,” Minnesota Management and Budget, accessed November 7, 2023, <https://mn.gov/mmb/budget/current-budget/current/>.

ⁱⁱⁱ “Mortgage Registry, Tax Federal Government and Agencies,” Minnesota Department of Revenue, last updated August 16, 2023, <https://www.revenue.state.mn.us/mortgage-registry-tax-federal-government-and-agencies>.

^{iv} Laws of Minnesota 2001, 1st Spec. Session, chapter 5, article 7 section 25, <https://www.revisor.mn.gov/laws/2001/1/Session+Law/Chapter/5/>.

^v Laws of Minnesota 2009, chapter 88, article 9, section 1, <https://www.revisor.mn.gov/laws/2009/0/88/#laws.9.1.0>; Laws of Minnesota 2021, 1st Spec. Session, chapter 14, article 13, section 10, <https://www.revisor.mn.gov/laws/2021/1/14/#laws.13.10.0>.

^{vi} See House File 52, 82nd Minn. Leg., Reg. Sess. (introduced January 8, 2001), <https://www.revisor.mn.gov/bills/bill.php?f=HF52&y=2001&ssn=0&b=house>.

^{vii} Laws of Minnesota 2001, 1st Spec. Sess. chapter 5, article 7, section 25, <https://www.revisor.mn.gov/laws/2001/1/Session+Law/Chapter/5/>.

^{viii} Minn. H., Hearing on H.F. 52 before the H. Div. on Property Taxes, 82nd Minn. Leg., Reg. Sess. (Jan. 22, 2001), <https://www.lrl.mn.gov/media/file?mtgid=820225>, file no. 1 at 01:10:11; Minn. Sen., Hearing on S.F. 290 before the Sen. Div. on Property Tax Budget, 82nd Minn. Leg., Reg. Sess. (Mar. 21, 2001), <https://www.lrl.mn.gov/media/file?mtgid=820839>, file no. 2 at 00:02:59.