

Can the School Building Bond Agricultural Credit (AG2Schools) be repealed?

Not easily. The Minnesota Rural Education Association (MREA), representing 225 Minnesota school districts at the capitol, the Minnesota School Boards Association (MSBA), representing all 331 Minnesota school districts, State Representative Joe Schomacker, and State Senator Bill Weber, believe the AG2Schools bond credit is here to stay. It is permanent law, existing into perpetuity. Repealing or reducing the credit that received strong bi-partisan support would mean a vote for raising taxes on the backs of rural Minnesota farmers, which is not politically appealing to either party.

What is the School Building Bond Agricultural Credit (AG2Schools)?

Ag2School provides a tax reduction to ag owners by creating a 40 percent credit on the taxes paid on farmland for school bonds. Starting with the 2018 tax year (January 1, 2018), these funds previously paid by ag owners will now be paid by the State of Minnesota directly to school districts.

This reduction of taxes will NOT be shifted to any other taxpayer (such as homeowners, or businesses) within a school district. This bill has no sunset clause, which means the bill is ongoing and has no end point written into it. For it to change, a future legislature and governor would have to come to an agreement to revise it.

Statement from Sen. Bill Weber (R)

The Ag2School tax credit, which passed during the 2017 legislative session, means 40% of the cost of existing, proposed, and future construction bond issues on agricultural land will be paid for by the State of Minnesota, with the balance of the cost to be assessed to property under the existing formula.

It is important to note that the Ag2School tax credit is permanent law in Minnesota – it has no automatic sunset date. It would take specific legislative action, and the governor's approval, to revoke this tax credit. In past years, the habit of dipping their hand into education funds has been something for which the legislature has been soundly criticized. That does not mean it cannot happen, but a future legislature will need to look at such action with the knowledge that they would be accused – and rightly so – of raising taxes by removal of this provision.

The provision had strong bipartisan support in the legislature.

Statement from Rep. Joe Schomacker (R)

The tax bill that was signed by the Governor included the following provision. The idea was to help alleviate the strain on farmers' property tax statements in counties where there are few businesses/homes, thus where farmers shoulder much of the school debt levy burden.

School building bond agricultural credit – reduces the disproportionate share of school district debt service paid by farmers by providing a property tax credit equal to 40 percent of the school debt tax rate on all agricultural land not including the house, garage, and surrounding one acre of the property.

Simply put, 40% of the school debt portion of a farmer's property tax will be returned in the form of a tax credit. It should also be noted that there is no set expiration of this Ag credit and it would take another act of the legislature to make any changes to the program going forward. With education and farm groups both creating strong coalitions of support for the measure, any effort to make changes would be highly unlikely.

Statement from Rep. Rod Hamilton (R)

The school ag bond credit is a great piece of bipartisan legislative understanding. Farmers pay a disproportionate share of school debt service, and because of this many have been reluctant to vote in favor of school construction referendums. Providing property tax relief to them will hopefully show farmers that the state recognizes their concerns, and allows members of our rural community to openly evaluate the needs of our schools, and the development of our children, without worrying about the tax disparity that previously existed with city property owners.

Statement from MSBA

The School Building Bond Agricultural Credit – M.S. 273.1387 – was bi-partisan legislation designed to reduce the property tax burden on farmers when school district voters approve the construction of school district buildings and/or capital projects. MSBA pushed for this legislation as a way to balance the needs of student learning environments and the taxes placed on farmers. Prior to this legislation, agriculture property assumed a greater burden for the repayment of debt to fund voter approved school district construction. While cities and counties don't need voter approval for construction items, school districts must continue to provide justification to the voters and to the MN Department of Education that construction is needed. The reasons for construction vary by school district, but common reasons include a shift in population or aging buildings that require updating or replacing.

The membership of the Minnesota School Boards Association, 331 public school districts across the state, made this legislation a priority at our grassroots Delegate Assembly, where school board members passed a resolution urging MSBA to support ag tax credits at the Legislature.

The 40% agricultural bond credit known as Ag2School passed into law in 2017 and enjoys a broad base of bipartisan support. It is permanent law, existing into perpetuity. It would take an act of both bodies of the legislature and a signature by the Governor to amend or repeal the program. Repealing or reducing the program would mean a vote for raising taxes on the backs on rural Minnesota farmers and harming equity in school funding for kids and parents. Not only is this extremely unlikely, but the strong coalition of like-minded rural interests (MREA, MSBA, farm groups and others) would link arms to defeat any attempt to renege on the 40% credit to farmers for school facilities for rural children's education.

Statement from MREA

Here's a statement of rationale for why the Minnesota Rural Education Association (MREA) representing 225 Minnesota School Districts at the capitol believes the Ag bond credit is here to stay:

The 40% agricultural bond credit known as Ag2School passed into law in 2017 and enjoys a broad base of bipartisan support. It is permanent law, existing into perpetuity. It would take an act of both bodies of the legislature and a signature by the Governor to amend or repeal the program. Repealing or reducing the program would mean a vote for raising taxes on the backs on rural Minnesota farmers and harming equity in school funding for kids and parents. Not only is this extremely unlikely, but the strong coalition of like-minded rural interests (MREA, farm groups and others) would link arms to defeat any attempt to renege on the 40% credit to farmers for school facilities for rural children's education.

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