



Memorandum in Support of A.8181/S. 5685 Legislation to Create a Working Farmland Tax Credit

American Farmland Trust seeks your support for S. 5685 that would create a “working farmland” tax credit equal to the property taxes paid on qualified farmland that is committed to active farm use for at least 8 years.

WORKING FARMLAND TAX CREDIT – THE CONCEPT

The proposed Working Farmland Tax Credit would complement New York’s successful Agricultural Districts program by building a powerful partnership between New York State, local governments and agricultural landowners. Specifically, this proposal seeks to:

- Encourage rural economic growth by encouraging active management of New York’s agricultural land base.
- Stabilize New York’s rural landscape and support the efficient use of the state’s land resources.
- Provide local governments with a voluntary tool to help support farms and complement their local land use policies.

The Working Farmland Tax Credit is a refundable state income tax credit equal to the property taxes (county, town and school) paid on qualifying agricultural land that is committed to active agricultural use for at least 8 years. To qualify, land must be located within an Agricultural District and qualify for Agricultural Assessment (land either owned or rented by a farmer with at least \$10,000 in gross agricultural sales). It is estimated that approximately 4 million acres of land in New York are currently located in a state-certified Agricultural District and qualify for Agricultural Assessment.

WORKING FARMLAND TAX CREDIT – THE MECHANICS

County governments will play an important role in the administration of the Working Farmland Tax Credit. Interested counties will certify to the Department of Agriculture and Markets and Department of Taxation and Finance that they are willing to oversee landowner enrollment. Once approved, counties will enroll interested landowners and record a deed covenant that precludes conversion of participating farm properties to non-agricultural use for a period of 8 years. This term will include a rolling commitment – meaning the final date of the term will continue to roll forward until a landowner files notice with their county government. The term end date will be fixed as 8 years from the date the notice is filed with the county. Participating counties must also file a report every 8 years with the State listing the parcels enrolled in the Working Farmland Tax Credit Program and their current status.

Participating landowners will claim the credit on their state income taxes and will also need to file: evidence of enrollment of the property in the Agricultural Assessment Program, a copy of the filed county restrictive covenant and a personal certification that they have met the program requirements.

Working Farmland Tax Credit: Three Case Studies

EXAMPLE 1

A 250-acre property managed by a farmer in the Town of Batavia, Genesee County. The property qualifies for New York's agricultural assessment program, farmer's school tax credit, and includes of 174 acres of tillable land.

Land Value at Agricultural Assessment	\$ 77,207
Property Taxes Under Agricultural Assessment	\$ 2,378
Farmer's School Tax Credit	\$ 1,655
Current Property Taxes Owed by Farmer	\$ 723
Proposed Working Farmland Tax Credit	\$ 723

The farmer would be eligible for a property tax credit of \$723 in exchange for a term covenant preventing non-farm development of the land.

EXAMPLE 2

This is a 48.3 acre property owned by a non-farm landowner who rents the property to a neighboring farmer. The property qualifies for New York's agricultural assessment program and consists of 48.3 acres of tillable land in the Town of Batavia, Genesee County. The property does not qualify for the farmer's School Tax Credit, as the owner is not farming it directly.

Land Value at Agricultural Assessment	\$ 15,575
Property Taxes Under Agricultural Assessment	\$ 508
Current Property Taxes Owed by Landowner	\$ 508
Proposed Working Farmland Tax Credit	\$ 508

The landowner would be eligible for a property tax credit of \$508 in exchange for a term covenant preventing non-farm development of the land.

EXAMPLE 3

This is a 124 acre property in the Town of Princetown, Schenectady County that is owned by a non-farm landowner. It includes 78 tillable acres of land with good soils that is currently sitting idle, except that the landowner pays a neighbor \$350 to cut over the fields with a brush hog every two years. The property does not qualify for the farmer's School Tax Credit, as the owner is not farming it directly.

Current Assessed value	\$ 67,606
Land Value under Agricultural Assessment	\$ 47,500
Current property taxes	\$ 1,342
Property Taxes Under Agricultural Assessment	\$ 943
Proposed Working Farmland Tax Credit	\$ 943

To qualify, the landowner would have to make a multi-year arrangement with a farmer to make the land eligible for Agricultural Assessment. This would reduce his taxes by \$399. Participation in the Agricultural Assessment program would make this landowner eligible for an income tax credit equal to \$1,342/year. The Working Farmland Tax Credit would serve two purposes, both protecting the land from development for at least eight years and stimulating the local economy by putting an idle farmland back into production.