

DEPARTMENT OF TAXATION 2006 Fiscal Impact Statement

1. **Patron** W. Roscoe Reynolds

2. **Bill Number** SB 56

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Real Property Tax; Real Estate Devoted
To Agricultural or Horticultural Use

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill clarifies that local assessing officers may accept the following as evidence that real estate is devoted solely to agricultural or horticultural use when determining eligibility for special land use value assessment and taxation: 1) the assigned USDA/SCS farm number and evidence of participating in a federal farm program; 2) federal tax forms 1040F Farm Expenses and Income, 4835 Farm Rental Income and Expenses, or 1040E Cash Rent for Agricultural Land; (3) a conservation farm management plan prepared by a professional; or (4) documentation of gross sales of agricultural or horticultural products averaging more than \$5,000 annually over the previous three years. This bill would not restrict local assessing officers from accepting other evidence as proof that real estate is devoted solely to agricultural or horticultural use.

Current law does not specify the evidence that local assessing officers may accept as evidence that real estate is devoted solely to agricultural or horticultural use.

The effect date of this bill is not specified.

6. **Fiscal Impact:** Not Available. (See Line 8.)

7. **Budget amendment necessary:** No

8. Fiscal implications:

This bill would have no impact on state revenues. The revenue impact on localities is unknown. To the extent that this bill clarifies the types of documents that local assessing officers may accept as evidence that real estate is devoted solely to agricultural or horticultural use, it may reduce the expense to localities of determining whether real estate devoted qualifies for special use valuation and taxation.

9. Specific agency or political subdivisions affected:

All localities.

10. Technical amendment necessary: Yes.

In order to properly reference the federal tax forms that could be used in making the determination as to whether certain real estate is devoted solely to agricultural or horticultural use, the following technical amendment is necessary.

Line 38, After: forms

Strike: (1040F) Farm Expenses and Income, (4835) Farm Rental Income and Expenses, or (1040E) Cash Rent for Agricultural Land

Insert: Schedule F (Profit or Loss From Farming), Form 4835 (Farm Rental Income and Expenses), or Schedule E (Supplemental Income and Loss) reporting cash rent for agricultural land

11. Other comments:

Land Use Taxation

Land use valuation is intended to encourage conservation by providing tax relief to the owner of real estate devoted solely to agricultural, horticultural, forest or open-space use. In valuing land at its use value, the assessing officer considers only the value of the real estate in its current use. The assessing officer does not consider the fair market value of the land at its most profitable use.

"Real estate devoted to agricultural use" is real estate devoted to the production for sale of plants and animals useful to man under uniform standards prescribed by the Commissioner of Agriculture and Consumer Services or devoted to and meeting the requirements and qualifications for payments or other compensation pursuant to a soil conservation program under an agreement with an agency of the federal government.

"Real estate devoted to horticultural use" is real estate devoted to the production for sale of fruits under uniform standards prescribed by the Commissioner of Agriculture and Consumer Services or real estate devoted to and meeting the requirements and qualifications for payments or other compensation pursuant to a soil conservation program under an agreement with an agency of the federal government.

Current law does not specify the types of evidence that local assessing officers may accept as evidence that real estate is devoted solely to agricultural or horticultural use.

Proposal

This bill clarifies that local assessing officers may accept the following as evidence that real estate is devoted solely to agricultural or horticultural use when determining eligibility for special land use value assessment and taxation: 1) the assigned USDA/ASCS farm number and evidence of participating in a federal farm program; 2) federal tax forms 1040F Farm Expenses and Income, 4835 Farm Rental Income and Expenses, or 1040E Cash Rent for Agricultural Land; (3) a conservation farm management plan prepared by a

professional; or (4) documentation of gross sales of agricultural or horticultural products averaging more than \$5,000 annually over the previous three years. This bill would not restrict local assessing officers from accepting other evidence as proof that real estate is devoted solely to agricultural or horticultural use.

cc : Secretary of Finance

Date: 01/16/2006 JEM