

FARMLAND ASSESSMENT

For years I have listened to Utah politicians speak of our balanced tax policy that includes property, income, and sales tax. I have also listened to dialogue regarding agricultural exemptions of some taxes. The most common conversation deals with the Utah Farmland Assessment Act (FAA), sometimes known as “Greenbelt”. Voters approved this constitutional amendment years ago to encourage retention of land in agriculture and to assess agricultural lands at a rate that reflects current agricultural productivity values.

This method of assessment is vital, especially to agricultural operations in close proximity to urban areas. If agricultural property were taxed at market value, farming would be economically prohibitive for most producers because property taxes would increase several fold. The difference in taxes that are paid under greenbelt as compared to non-greenbelt provides an incentive to abuse the law. As such, considerable effort is expended to make sure only eligible lands are assessed at greenbelt rates. The current roll-back provision of the FAA is also accepted as reasonable and necessary to preserve fairness and integrity of the law.

Private farmland can qualify for assessment and taxation under FAA if the land is at least five contiguous acres and is actively devoted to agricultural production. There must also be a reasonable expectation of a profit if the land is managed according to best management practices. Guidelines indicate that land must have been devoted to agricultural use for at least two successive years immediately preceding the tax year in which application is made and meet the average annual production requirements within a given county. Land adjacent to the farmhouse, such as landscaped yards, cannot be included in FAA designation.

County assessors establish local production requirements by examining the most recent publication of Utah Agricultural Statistics; crop and enterprise budgets published by Utah State University; or from standards established by the Utah Tax Commission. To qualify for FAA, land must produce in excess of 50 percent of the average agricultural production per acre for the given type of land within the given county or area. The production requirement may be waived if the owner can show that the property has been in agricultural production for the previous two years and that failure to meet the production requirement in a particular year was due to no fault or act of the owner, purchaser, or lessee. The production requirement may be waived in the short run if the land is in a bona-fide range improvement program, crop rotation program or other similarly accepted agricultural practice which does not give reasonable opportunity to satisfy the production requirement.

Productive value is another part of the equation and is determined by the Utah State Tax Commission with assistance of a five member FAA Board. These productive values are based on crop budgets developed at USU. Productive values apply county-wide and are based upon income and expense factors associated with typical agricultural activities. They do not reflect the productive value of a particular parcel of land. Land is also classified according to its capability of producing crops. Soil type, topography, availability of irrigation water, length of growing season are examples of factors the Utah State Tax Commission uses to classify land. The general classifications of agricultural lands are: irrigated,

dry land, grazing land, orchard, and meadow. Land owners can appeal their classification status to the county board of equalization if they disagree with the assigned classification. Most county assessors, however, are quite careful in assigning a general classification.

Whenever there is a change in land ownership, the Greenbelt status is lost unless the new owner applies to the local County Assessor and demonstrates that acreage and production requirements are met. The assessor may request documents such as federal tax returns, lease agreements, sales receipts or other papers certifying that the production levels have been satisfied and that the land is being managed according to generally accepted agricultural practices. Application must be made within 120 days of an ownership change. Timeliness is essential to ensure continued FAA status.

Land becomes ineligible for farmland assessment when use of the land changes from agricultural use (usually to housing). At this point the owner becomes subject to a five year roll-back tax. The roll-back tax is the difference between the taxes paid while in greenbelt and the taxes which would have been paid had the property been assessed at market value. In determining the amount of roll-back tax due, the tax rate and market value for each of the years in question will be applied to determine the tax amount. This amount is usually quite significant.

Some have suggested that roll-back tax dollars be used to purchase conservation easements on agricultural lands that stay in production. The thinking is that agricultural land going out of production can help provide an incentive for land that is staying in agricultural production. That concept has merit and represents an alternative method of financing the purchase of conservation easements that legislators and voters may want to consider.

The website <http://propertytax.utah.gov/faa> provides additional information for serious readers.