

POLICY QUESTIONS FOR DISCUSSION PURPOSES SJR 21

Prepared for the
Revenue and Transportation Interim Committee
November 30, 2001

At their September 14, 2001 meeting, members of the Revenue and Transportation Interim Committee discussed current agricultural land tax policy and the problems associated with it that brought about Senate Bill No. 516 (SB 516) and Senate Joint Resolution No. 21 (SJR 21).

SB 516 would have defined and provided for the taxation of rural nonagricultural land and rural residential land at one-quarter the rate for class four property. The bill also had provisions to change the standards for property to qualify as agricultural for property tax purposes and to require simple annual certification to retain an agricultural property tax classification. The bill was tabled in the Senate Taxation Committee and the legislature opted instead for a study resolution.

The following questions are based on the specific topics that SB 516 addressed, that are contained in SJR 21, and that the Committee discussed on September 14. The questions are intended to elicit Committee discourse and perhaps help the Committee decide to which issues it wants to devote the most time and attention.

Following the questions is a first shot at a list of possible options for the Committee to consider. Members will likely wish to remove some of the options from the list or add others.

- (1) a. Is the \$1,500 income threshold established in 15-7-202 appropriate?

This section provides that contiguous parcels of land that are between 20 and 159 acres may be considered agricultural if at least \$1,500 annual gross income is marketed from the raising of agricultural products produced by the land.

Noncontiguous parcels that meet the \$1,500 requirement may also be considered agricultural land if the land is part of a bona fide agricultural operation and if the land is not devoted to a residential, commercial, or industrial use.

Parcels under 20 acres may qualify if the \$1,500 threshold is met or would have been met if not for production failure out of the producer's control or for marketing delay.

- b. Should the income threshold be higher, adjusted annually for inflation¹, lower, not exist at all?

¹ A paper prepared by the Department of Revenue in September, 1998, calculated that the \$1,500 figure, adjusted for inflation, would be worth \$2,273 in 1998.

- c. Should the different sized parcels have different income requirements?
 - d. Should there be a test other than income for an owner to meet to establish agricultural production?
- (2) Is it appropriate that all contiguous parcels totaling 160 acres or more be automatically eligible for valuation, assessment, and taxation as agricultural land (provided it is not devoted to residential, commercial, or industrial use), regardless of income from the land or whether or not the land is used for agricultural production?
- (3) a. Should nonqualifying agricultural land (a parcel between 20 and 159 acres that does not meet the \$1,500 income test or for which the owner has not applied to be considered agricultural) continue to be assessed as if it were grazing land and taxed at 7 times the taxable rate for grazing land, regardless of its characteristics?
Section 15-6-133(3)
- b. Should nonqualifying agricultural land be taxed at a percentage of class 4 property?
SB 516 defined "rural residential" and "rural nonagricultural" land and provided that it be taxed at one-fourth the rate of class 4 property.
- c. Should another calculation be used?
 - d. Should a new class be established for nonqualifying agricultural land?
- (4) Will altering the agricultural land tax system interfere with communities' ability to preserve agricultural land as open space?
- (5) a. Should the statutory definition of agricultural land be changed?
- b. Should separate definitions of rural residential and rural nonagricultural (or some other definitions be created?
- (6) Should landowners with 160 acres or more be required to certify on an annual basis that the land is being used for agricultural production?
- (7) What are the overriding social values the legislature wants to convey through its agricultural land tax policy? (i.e. promoting and encouraging agricultural use, encouraging preservation of open space, tax fairness, local control, other)

OPTIONS

1. Do not change current system
2. Issue a statement/policy guidance expressing the values the Committee thinks should be emphasized.
3. Change definition of agricultural land or create new definitions for land that is not engaged in agricultural production.

4. Eliminate income test.
5. Change income test.
6. Change acreage breakdowns.
7. Establish alternative ways to prove agricultural use.
8. Require that nonqualifying agricultural land be taxed at a percentage of class 4 property.
9. Create a new class for nonqualifying agricultural land with its own criteria, valuation methodology, and rate.
10. Explore the use of zoning (similar to Oregon).
11. Establish tests that an owner of land over 160 acres must meet for the land to be considered agricultural for property tax purposes.
12. Resurrect SB 516.
13. Other.