

The Farm Land Tax Issue

(Continued From Page 11)

seems reasonably clear that presently much of the agricultural land in the Commonwealth is assessed at a value less than its agricultural use-value. The amount of this preference varies from county to county. (2) It is also clear that where the tax base would be reduced from immediate implementation of agricultural use-value assessment (mainly the Philadelphia suburban area) the total effect is likely to be small.

Differential assessment options.
Differential assessment of farmland, as it is used in this country, comes in many shapes and sizes. It is often divided into three general types. They are preferential assessment, deferred taxation, and restrictive agreements. The term "differential assessment" denotes all three types collectively.

Under the preferential assessment approach, land devoted to agricultural use is assessed on the basis of its value in agricultural use. Market values reflecting potential uses, such as housing subdivisions or industrial sites, are given little consideration

Opponents of preferential assessment commonly raise several objections. One is that landowners are being given a break in their taxes and little is required of them. To qualify, they usually have to keep the land in agricultural use for the year in question (or more accurately, have it in agricultural use on the assessment date and, perhaps, for two or three years preceding). Furthermore, it is said that non-farmer speculators succeed in getting their land classified as farmland by conducting very minimal farming operations on it. The laws then benefit land speculators more than they do the bona fide farmers.

Under a deferred tax law, eligible lands are assessed and taxed on their value in agricultural use, just as under preferential assessment. But when any land assessed under this act passes into nonagricultural uses, a "roll-back" tax is levied. This tax is levied for the year in which the land use changes and several years immediately preceding. It is equal to the amount of tax which was saved, each year,

because of the special agricultural assessment.

The effect of a deferred tax provision is to remove some of the financial incentive for an individual who is holding land for relatively near-future urban use to apply for the differential assessment. He will save little money. The effect depends, in substantial measure, on the length of the deferred period. A three-year period, the states having a majority of the states having such tax provisions.

An additional advantage claimed for the deferred tax is that it provides additional revenue at the precise time it is needed for new schools, sewer extensions, and other community services.

Both preferential assessment and the deferred tax leave the taxing unit little choice. If the land is in agricultural use, usually it must be assessed on this basis, at least if the owner applies for the assessment. The community may have decided that the farm is in an area where urban growth should be encouraged, but in most cases it has no alternative to granting financial benefits to those who want to continue farming.

Several states including Pennsylvania have met this problem by legislation which allows the county government and the landowner to enter into a voluntary agreement under which the landowner agrees to keep his land in agricultural or open-space use for a period of five or ten years (Act 515 as amended). In return he is granted assessment on that basis.

Differential assessment and the preservation of open space.
Differential assessment laws

have been passed in various states for a variety of reasons, but one of the more common reasons is the suggestion that these laws will provide for the preservation of open space.

To evaluate these laws, there is a need to look at several

questions. First, we must decide what kinds of land use we are trying to preserve. Then we need to ask whether differential assessment can produce the results wanted because nearly

(Continued On Page 21)



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