

Economist Explains Preferential Farm Tax Assessments

MANHEIM (Lancaster Co.) — County-wide reassessments have triggered dramatic increases in the number of acres of Pennsylvania farmland enrolled in preferential tax programs, according to John Becker, an associate professor of agricultural economics at Penn State.

These programs can reduce property taxes by as much as 60 percent, Becker told the Ag Issues Forum last week, at Kreider's Restaurant in Manheim. The Forum is a group of farmers and agribusiness leaders who meet monthly to discuss issues facing Pennsylvania's farm community.

Enrollment in the preferential tax programs increased from just over 500,000 acres in 1981 to more than 3.7 million acres as of April 1, 1991, according to Becker. Farmers from 42 of Pennsylvania's 67 counties are enrolled.

Under Pennsylvania Act 319, the "Clean and Green" law of 1974, farmers can ask county governments to value their land as farmland for the purpose of computing real estate taxes. Another law, Act 515, has similar provisions. Most farmers who apply for this kind of tax relief are in areas where real estate prices are inflated by development pressures. A corn field next to a hous-

ing development, for example, has a higher market value than a field that is surrounded by other farmland.

Market value is often a moot issue until a county elects to reassess its taxable property. In Lancaster County, for example, farmland values are under intense pressure from population growth and a relatively active real estate market. However, there has been no county-wide tax reassessment for decades, so farmland valuations for tax purposes are fairly low. In fact, only two Lancaster County farmers are enrolled under either Act 319 or 515, for a total of 24 acres.

Participation would increase, as

it has in other counties, with a county-wide reassessment.

Becker told the group that under Act 319, the program most commonly used, farmers can qualify for lower tax assessments on three categories of land - that which is used for agricultural production, in an agricultural preserve, or in a forest preserve.

Land in agricultural production must have been in use for three years before it can be considered; it must consist of a parcel that is at least 10 acres in size; or, if it is smaller, it must produce at least \$2,000 in annual sales.

Ag preserve lands are a minimum of 10 acres in size, do not

generate any income, and must be open to the public.

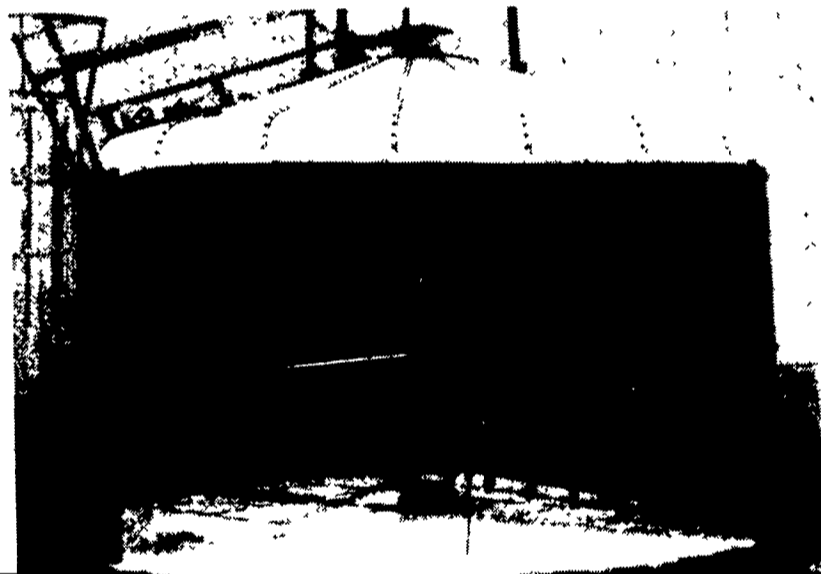
Forest preserves must be able to produce salable timber products and must be at least 10 acres in size, unless they are part of a farm, in which case there is no minimum acreage requirement.

Farmers who enroll in preferen-

tial tax programs can become ineligible by changing to non-farm uses, or by selling off part or all of the property for non-agricultural uses. In those cases, the legislation has provisions that call for repayment, with interest, of any tax monies that were saved by virtue of the preferential treatment.

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