Manor Farmers Meet To Assess Reassessment

(Continued from Page A1)

need for tax reform, and that is why we have elected officials with us here tonight," Shertzer said.

The elected officials were introduced. In the group were Rep. Tom Armstrong; Rep. John Barley; Sen. Noah Wenger; Terry Kauffman, Lanc. Co. commissioner; Paul Thibault, Lanc. Co. treasurer; Robert Kindig, president, and Ed Davis, member, Penn Manor school board, and Les Eckman, Manor Twp. supervisor.

"This is not a whining or complaining session," Shertzer said. "But it is a time for farmers to share our insights and hearts on this issue of high assessments."

Dave and Lou Ann Hostetter were first to report. They used their own farm tax situation as an example of the impact of real estate taxes on their farming operation.

"We believe we are being unfairly burdened in financing local governments," Dave said. "Our products are sold on contract or market price, and we have no way of extending these costs to others. Since we purchased the farm in 1986, real estate taxes have been rising at an alarming rate. Under the present taxing system, the ability to pay is not considered. That's why we are concerned about our present situation and more so, our future in farming."

Lou Ann showed their farm taxes with a bar graph. In 1988 their farm paid $4,000 in taxes. By 1991 their payment increased to over $5,000 and now, two years later the 1995 tax bill is over $7,000. Of course, reassessment does not kick-in until next year.

At the same time, the average residental property in the district increased $758. For the nine year period, the farm paid $46,870 in taxes while the average residente paid $10,171.

To put the earning power of the farm in perspective to the residential wage, Lou Ann said the average household in the Manor district would need to be earning $178,000 a year to be spending the same percentage of income for real estate taxes.

"We would like to continue to farm, but with the present tax system it does not look real encouraging," Dave said.

Noll said his father purchased the farm in 1965. At the time, the farm was in considerable disrepair. Sodded waterways and terraces were installed to conserve the soil. Noll said he was proud of his father for doing the right things to build up the farm.

Today, however, everything is being done to increase the income on the farm. Noll called the farm "maxed out." The beef and broiler operations on the 125 acre acre farm with 116 acres tillable has been expanded to the limit. Double cropping of beans and corn after hay has been done for about the last 10 years. Additional ground is rented, and some custom work is done to increase income. Even with the increased farm activity, the farm economy has not kept up with costs, and Noll's wife works part time off the farm.

Noll said he also is "maxed out," working the equivalent of two full-time jobs on the farm but with an income that amounts to the average teacher's salary in the Penn Manor School District. "I'm paying more than my fair share of the tax burden because of the income the farm can generate," Noll said.

Noll said excessive taxes on his farm is nothing new because assessment on his broiler houses is based on the square feet size rather than the ability to produce income. In 1995 his real estate taxes are expected to take over 16 percent of his farm and off-farm income. And with the reassessment, he projects next year 31.7 percent of his income (if his income stays the same as this year) will go for real estate taxes. Taxes divided over the total tillable acreage on the farm is $159 per acre and you can rent ground for less than this cost. Even with "Clean and Green," the program that helps to base farm assessments on the ability to produce, Noll said he would pay $1,500 more next year than at present.

"One of my major concerns is that if property taxes continue to increase at the rate they have been in the last 10 years, I will soon be paying 35 to 40 percent of my total income," Noll said. "That will mean I will be retiring from this farm before I expected or hoped to do.

"Obviously, I am paying four or five times what the average home owner is paying with the same income. Industry is paying less than one percent of its net income on property taxes. If taxes on farms increase in the next 10 years like the last 10 years, there is no question I will be doing something other than farming."

"Is this really what Lancaster County wants for our farming community? I hear often that we must save the Lancaster County farm. What does this mean? At whose expense are these farms to be saved?"

Wilmer Shertzer said his assessment increased 1,015 percent, and many farms have experienced 1,000 percent increases. He said we don't need this extra expense in the dairy industry in which lower milk prices and increased production costs have reduced bottom line incomes. In 1982, dairy farms had 8.4 percent profits after taxes. In 1993 this profit dipped to 1.5 percent, and under the new reassessment tax base, profits will go below one percent.

"With this very low profitability, it's the kind of business you sell to someone else and let them lose the money," Wilmer said. "I think we need a totally new structure for taxes. But before that can happen, we need relief from the assessments the county has imposed. Every farmer needs to take some kind of stand and do our job to get this thing changed."

Dave Charles said he was disappointed that the whole reassessment program was done in secrecy. Even under "Clean and Green," the buildings are the same as under the regular assessment. And because the figures have not been released to the county, these figures on farm buildings are hard to obtain. "Even at the prescribed hearings, very few of us got to see the paper work involved," Charles said. "I think if there had been more openness before the final decisions, there would have been greater input into the procedures and a possible better tax situation now.

"I learned that the most valuable building on our farm is a spring house they coded as a granny house or apartment where grandma would live. That building was not constructed as a dwelling place and could not be made livable. Also, it is 40 feet long; they have it at 500 feet.

"I encourage everyone to go over his figures," Charles said. "Check the date of construction, what the building is being used for, the depreciation schedule, size of the building and the final assessment. Property taxes are prone to error. The majority of local taxes should be based on income and not on someone's opinion."

Guy Eshleman said that on his 200 acre crop farm it's a struggle to make ends meet, and with the new taxation schedule, he will owe $32,000 on his 200 acres. That's 240 per acre. "Why would I encourage my kids to go into farming when you can rent gound for less than that?" Eshelman asked. "We can't keep on digging into savings to pay taxes to keep on farming for the pleasure of it. We are all in this together."

Phil Shertzer said he was concerned that many farmers are going to get a wake up call next year that they are not anticipating. "We know it will be high," Shertzer said. "But when the bill comes and your taxes are doubled, I don't know about you, but I don't know where that extra tax money is coming from. We are paying for farms with what is being generated on these farms. We're not coming to the farm with a pocket full of money."

Terry Kauffman, county commissioner, confirmed the report that the county had asked AVS to do a full review of the Manor district. In addition, the county's regular assessors are doing spot checks throughout the county.

"The board of commissioners is determined to make the assessment fair and equitable. Where there are discreprancies, we are going to look at that. We want to be able to tell you with clear conscience that we have done it the best way we know how.

"But even if every one of your farms' assessments were reduced by 20 percent right now, with what has happened in Penn Manor in the past, in two years, the total tax burden would be exactly the same. What I'm telling you is that tax assessment is a horrible way to do business; tax reassessment is an inexact science.

Noah Wenger said he believed the farmers' concerns were legitimate and said that was why "Clean and Green" was enacted—to give some relief to the ag community. But it does not solve everyone's problem. He said there were state bills in progress that would address the tax reforms to shift taxes from real estate to personal income.

"But, tax reform does not reduce taxes; it simply shifts taxes" Wenger said. "In most cases the shift would be beneficial to many farmers. But if you are retired and don't own real estate and your income is from investments, then you will have an increase in taxes. Think about it carefully. Reform will be helpful to some people, but everytime you reduce tax for one person, you increase it for someone else.

Tom Armstrong said he believed that legislators were convinced that we need to transfer from real estate based taxes to earned income. But some areas of the state already have an earned income tax, so for them tax reform would be someting different. At one time, only property owners could vote. Now everyone can vote, but many of these people own no property. "Since we have more people who have an earned income who don't own property, they need to pay their share of taxes also," Armstrong said.

John Barley said that before we can address tax reform, we need to address the cost of government. And while agreeing with the need for tax reform, Barley said that not all the savings in farm taxes would be profit for the farmer if the base was shifted from real estate to income.

Barley gave the example that if the shift reduced a farm's tax liability from $6,000 to $3,000, the saved money would then become income and subject to the increased taxes on this income. If this extra $3,000 shifted the farm total income into a higher percentage bracket, then the farm might run the risk of paying more taxes than with the real estate based tax.

But for the farmers seated on the straw bales on Bob Noll's barn floor Monday night, the issue of how the taxes were assessed was not the real heart of the underlying feelings in the meeting.

"In many cases, for farmers, you are not talking about greater or fewer taxes." Phil Shertzer seemed to express the consensus of the group: "You are talking about our survival."