

# Agriculture Insights

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## CLEAN AND GREEN: WHAT YOU DON'T KNOW CAN HURT YOU

Guest Columnist

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Owners of Pennsylvania farmland may be able to achieve significant reductions in their real estate taxes through preferential assessment under Act 319, commonly known as "Clean and Green." Under the Act, agricultural land is assessed at its current use value for agriculture, which in most cases is much lower than its fair market value.

Land in agricultural use must have been producing an agricultural commodity or have been in a soil conservation program agreement for three years preceding the application, and must either be 10 or more contiguous acres, or have an anticipated yearly gross agricultural production income of at least \$2,000 from the production of an agricultural commodity.

Landowners wishing to enroll their property for the 2002 tax year must submit an application to their county assessment office by June 1, 2001 to be eligible.

Clean and Green is good news for most Pennsylvania farmers, but it can also be a trap for the unwary if the application process is not carefully thought out beforehand, or if the rules of the Act are not followed. The Act imposes "rollback taxes," plus six percent simple interest, for up to the seven previous years if the landowner changes the use of the property or splits off a portion in a way that is not allowed by the regulations. Rollback taxes are the difference between the taxes paid based on the preferential assessment and the taxes that would have been paid otherwise.

For example, a landowner may "split off" up to two acres per year (up to a maximum of 10 acres or 10 percent of the property, whichever is less) for a residential use. However, if the landowner splits off more than two acres in one year, he is liable for rollback taxes and interest on the entire parent tract that was on the original application.

A landowner may also make a "separation" of an enrolled tract into two or more tracts, as long as both tracts still qualify, without triggering rollback taxes. However, if the owner of either of the separated tracts subsequently changes the use of that tract within seven years of the separation so that it no longer qualifies, the owner who changed the use is liable for rollback taxes and interest on the entire original tract. If the change in use occurs more than seven years after the separation, rollback taxes are only due on the tract on which the use was changed.

The Act allows up to two acres of enrolled land to be used for "direct commercial sales of agriculturally related products and activities" without triggering rollback taxes on that land. The Act also provides for other "rural enterprises" that could be per-



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formed on enrolled land and trigger rollback taxes on only the area used for the rural enterprise. Again, in either of the above instances, the landowner must be careful not to exceed the size or use restriction, or he could face rollback taxes on the entire property. Any sale, change in use, separation, split off of Clean and Green Property requires 30 days advance written notification to the county assessment office.

Recent changes to Clean and Green by Act 156 of 1998 and the resulting regulations have clarified some questions and made the Act more uniformly favorable to farmers across the state. For example, Act 156 prevents counties from establishing "base acres" with higher assessed values within Clean and Green tracts. It also requires that counties assess farm buildings at the value they actually contribute to the farm, not at replacement cost or some other arbitrary value, and eliminates the ability of counties to impose additional requirements as a condition for enrollment. The new law clarifies that rollback taxes are not triggered by merely the transfer of property, but rather only if the new owner actually changes the use. It also clarifies that in the case of a split off tract where a new owner changes the use of the split off tract, it is the new owner, not the original owner, who is liable for the rollback taxes and interest that will be assessed on the entire original property.

Clean and Green is a good deal for most Pennsylvania farmers. Many of the problems and pitfalls mentioned above can be avoided by a thorough understanding of the rules and by careful planning at the application stage, for instance, by making separate applications for separately deeded tracts in order to minimize the scope of rollback taxes should it be necessary to change the use. If you are unsure whether Clean and Green is right for you, or if you are already enrolled and are thinking of selling all or part of your property, you should seek professional advice before continuing.

For more information on Clean and Green, contact John Howard directly at (717) 464-4300 or contact Brent Landis at The Lancaster Chamber at (717) 397-3531, ext. 134 or blandis@lcci.com

# Proposed Legislation Would Prohibit Destruction of Research Crops

**HARRISBURG** (Dauphin Co.) — To prevent vandalism that can potentially delay important agricultural projects for years, Rep. Raymond Bunt Jr. has introduced legislation making it illegal to intentionally destroy crops grown for testing or research purposes.

"In an effort to advance their agenda, the opponents of agricultural biotechnology have destroyed crops involved in private and public research field trials," said Bunt, who chairs the Pennsylvania House Agriculture and Rural Affairs Committee.

"This destruction can set back the timetable of research projects, denying people the benefits

resulting from crop research, including improved food quality and added economic value for farm families."

"While Pennsylvania so far has avoided crop destruction of this type, research is an important part of our state's agriculture industry, which is responsible for \$44 billion in economic activity. We can't afford to let our guard down — destruction in the name of protest is inappropriate and should not be tolerated."

Bunt's legislation consists of two bills. House Bill 1493 adds a section to the state's crimes code to make it a felony of the second degree to intentionally and

knowingly damage any field crop grown for personal or commercial purposes or for research or testing use by a public or private agency. Persons who are convicted may also be sentenced to pay restitution, attorney fees and court costs.

House Bill 1492 allows the victims of agricultural crop destruction to pursue civil remedies to recover the cost of the damaged crops. Damages available would be limited to three times the market value of the crop prior to its damage plus three times the actual damages for production research, testing, replacement and crop development costs.

The bills will be reviewed by a House standing committee.

# Soybean Association Cites Need For Biodiesel Fuels

**SAINT LOUIS, Mo.** — The American Soybean Association (ASA) presented testimony to Congress recently that proposed a two-pronged approach to support biodiesel. ASA is asking that as much as two percent of all motor fuels sold in the United States be required to include either biodiesel or ethanol, and proposing a tax exemption that would make biodiesel more price competitive.

"Our initiative would provide the United States with more homegrown energy and help our nations farmers by fostering markets for our surplus commodities, such as vegetable oil," said ASA Executive Committee Member Ron Heck of Perry, Iowa, who gave the testimony before the House Agriculture Conservation, Credit, Rural Development and Research Subcommittee. "ASA's two-part plan supports cleaner-burning fuels for everyone, reduces dependence on foreign energy sources and provides a much-needed boost to farm prices and rural economies."

Biodiesel is commonly produced from soybean oil, which is currently in surplus and depresses the price of soybeans and other oilseeds. It contains no petroleum, but it can be blended easily with diesel to offer environmental, energy security and economic development benefits.

Biodiesel is popular in Europe where motorists use 250 million gallons annually. According to the National Biodiesel Board, U.S. biodiesel producers are expected to manufacture 20 million gallons in fiscal year 2001, a four-fold increase from last year.

Strong public support is essential to develop the biodiesel market since U.S. culture and policies are focused on petroleum products. Therefore, ASA and the National Corn Growers Association are proposing that renewable fuels, such as biodiesel and ethanol, should constitute as much as two percent of the U.S. motor fuel market over the next 10 years. The policy would be part of a flexible and user-friendly national fuels program that would gradually increase federal renewable fuel content requirements.

ASA's recommendation for a biodiesel tax incentive would provide a partial exemption to the diesel fuel excise tax similar to the partial tax exemption for ethanol. The amount of the exemption would be three cents for diesel fuel that contains two percent biodiesel. This approach is similar to the partial tax exemption for ethanol, which provides a 5.4 percent exemption for gasoline that contains 10 percent ethanol. (Biodiesel and ethanol are complementary renewable fuels since they are sold in separate fuel markets.)

The proposal would boost farm prices and save taxpayer dollars. Every 100 million gallons of biodiesel requires 760 million pounds of a feedstock, such as vegetable oils, recycled grease or animal fats. If soybean oil were the only feedstock used, 100 million gallons of biodiesel would reduce by one-third the current surplus of 2.1 billion pounds of soy oil. Reducing soy oil supplies by this amount would increase the U.S. soy oil price by an esti-

mated 1.5 cents per pound. With 11 pounds of soy oil in a bushel of soybeans, this would raise U.S. soybean prices by as much as 16.5 cents per bushel.

The proposal would save taxpayer dollars because ASA is proposing to reimburse the Federal Highway Trust Fund through the U.S. Department of Agriculture's Commodity Credit Corporation (CCC). The cost to the CCC would be offset, at least initially, by the savings from increased biodiesel sales that would reduce government expenditures under the soybean marketing loan program.

For example, if 100 million gallons of biodiesel were used under this program, it would be blended at two percent per gallon into five billion gallons of diesel fuel. At a cost of three cents per gallon, the cost of the program would be \$150 million. Reduced soybean oil surpluses will result in higher soybean prices, and raising soybean prices in the marketplace would reduce CCC outlays under the soybean marketing loan program. Using a conservative 13 cents per bushel impact on price, the cost savings on this year's estimated 3.0 billion bushel soybean crop would be \$390 million. As a result, the proposal will save more than two dollars for each dollar it costs.

Furthermore, biodiesel users and the public would benefit from the fuels many operational and environmental benefits. In particular, biodiesel can increase the lubricity of diesel, which is of particular benefit when the sulfur content of diesel is reduced. Independent studies also show that the use of biodiesel in conventional diesel engines results in a substantial reduction of pollutants, including carbon dioxide. Additional information on the attributes of biodiesel is available at [www.biodiesel.org](http://www.biodiesel.org)

## Penn State Golf Outing

The Department of Dairy & Animal Science at Penn State is sponsoring "Tee Times for Tuition" on Tuesday, June 19, a golf outing to bring together groups and individuals for some friendly competition and fun. The goal is to help undergraduate students by using the proceeds from this event to help build the department's scholarship funds for incoming students.

The golf outing includes a continental breakfast, greens fees and cart, and a barbecue in addition to prizes.

The deadline for registration is May 20. If interested in participating, registration information is available by calling (814) 865-1362 or e-mailing [eem12@psu.edu](mailto:eem12@psu.edu) and is available at [www.das.psu.edu](http://www.das.psu.edu).

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