MINUTES

ASSEMBLY TAXATION
February 12, 1975
7:00p.m.

Members Present: Chairman May
Mr. Mann
Mr. Murphy
Mrs. Ford
Mr. Young

Members Excused: Mr. Bennett
Mr. Christensen
Mr. Demers
Mr. Harmon

Guests Present: (See attached list)

Chairman May called the meeting to order at 7:11 and introduced the legislators present to the guests in the audience. He then explained that this was an informative hearing presented by the Division of Agricultural and Resource Economics and the Cooperative Extension Service, University of Nevada, Reno. They were going to explain AJR 23 and its implications. He then introduced Dr. Hans Radtke and turned the meeting over to him.

Dr. Garrett , Agricultural Economist, was the first speaker. He first mentioned that the main problem that gave rise to AJR 23 was the pressures of growth. He said it caused high market values for land. This he said, if taxed, will tend to force the use of the land to a use that can afford to pay the tax. Even if not taxed on the high market value, if the differential is great enough, the capital gains potential will change its use, thus encouraging development. Agriculture is one of the lowest potential returns in areas of expansion. He also said that the pressures of growth caused very erratic and, in some cases, undesirable development such as unsightly expansion and inefficient developments.
He stated that some of the objectives of the proposal (AJR 23) were to preserve agricultural lands and to promote orderly development including preservation of open space.
The meaning of AJR 23 was his next topic. He said it allows use-value assessment for agricultural land and open space land; and if use value is used a retroactive reassessment for at least 7 years is required. This is commonly called a rollback. Nevada is basically on a use-value tax for agriculture now. So why the amendment? 1. The constitutionality of the present law might have been challenged. 2. They want to include open space land. 3. They want to recapture some of the subsidies given to agricultural and open space land if they are converted to another use.

He then said that the potential effects of the two main objectives would be 1) that it will remove the possibility of forcing agricultural land to change, and there will still be an attraction to utilize capital gains, but this will probably be reduced depending on the penalties. 2) The potential effect on the objective to promote orderly development will depend on how the law is written and how severe the penalties are.
In sumation he covered the points which must be considered carefully before passage. 1) What lands qualify as agricultural lands? 2) What lands qualify as open space lands? 3) Is a land-use plan to be adopted before lands are identified as open space or agricultural? 4) Are contracts to be voluntary? 5) What are the penalties for breaking the contracts?
a. Length of rollback
b. Interest payment
c. Any other penalties.
6) Is county participation voluntary?

Dr. Glen Atkinson, Economist and Chairman of the Governor's Tax Equity Study, reviewed the main objectives of the Tax Equity Study. He then added some other questions that should be asked while considering AJR 23. There were 1) How do you define a farm or ranch? 2) How do you define open space? He also said that guidelines for the Tax Commission should be set to give equality in all areas.

Dr. Bruce Mackey, Community Resource Development Economist, then went over some of the affects of the use-value plan in California. A question he added for the committee to think about is, do you let the people sign up for the use-value plan or do you make it mandatory? He pointed out that when the voluntary plan was used in the Sacramento area only 2% of the eligible people signed up for it. He said that the main reason for this was thoughts about development or that they had just overestimated the value of their land. He suggested the voluntary program be used.

Dr. William Wood, Agricultural Economist from the University of California at Riverside, was the next speaker. He discussed the issues and concerns of the California Williamson Act which is very similar to AJR 23. Attached is his outline that he distributed, and then discussed. (Attachment 1)

There was an informal question period with the audience and Dr. Radtke turned the chair over to Chairman May who adjourned the meeting at 9:11, after sincerely thanking the guests and especially the speakers for attending the meeting.

Respectfully submitted,

Kim Morgan

Kim Morgan
Assembly Attache

ASSEMBLY

AGENDA FOR COMMITTEE ON TAXATION

Date February 12, 1975 Time 7-9pm Room 316

Bills or Resolutions to be considered	Subject	Counsel requested*

THIS AGENDA CANCELS THE PREVIOUS AGENDA REGARDING A MEETING ON FEBRUARY 11, 1975 OF THE TAXATION COMMITTEE.

AS BEFORE, THIS WILL BE AN INFORMATIVE DISCUSSION OF AJR 23 OF THE 56TH SESSION (GREEN BELT BILL)FEATURING DR. HANS RADTKE OF THE COLLEGE OF AGRICULTURE, UNIVERSITY OF NEVADA AT RENO, AND OTHERS.

*Please do not ask for counsel unless necessary.

Guests - Feb. 12, 1975

Louis W. Bergevin	Nev. Cattlemen's Ass'n
I R Anderson	Carson City Nev
Warren L. Monroe	State Senator
Robert A. Crookham, Jr.	Area Ext Agt., CES/UN
Kay Winters	
John D. Winters	Rancher Dayton
Tom Hickey	Assemblyman
Clay Buntin	Nev. Tax Commission
John Polish	McGill Nev. Assembly 36
Ena Lompa	Carson City, Nevada
L. A. Anderson	Carson " "
Wm Wood Jr.	Univ of Calif - Riverside
Michael B. Mooney	Univ. Nevada - Reno - CES
R. Bruce Mackey	Univ. of Nevada, Reno
Hans Radtke	" "
Bill Raggio	Senate
Richard R Pyatt	NV Tax Com.
Watkins W. Miller	Univ. Nev. Reno, Extension
Mel Steninger	Elko Daily Free Press
Rex Steninger	Elko
Kim Steninger	Elko
Frank Bradson	rancher Lee
Al Steninger	Elko, I
Thomas Wilson	Senator

(Attachment 1)

CALIFORNIA'S WILLIAMSON ACT

ISSUES & CONCERNS

1. Enabling Aspects:
   a. Counties (and cities) may or may not utilize it
   b. Landowners may not sign contracts
2. Relationship to Planning:
   a. Ag preserves inadequately tied to local general plans
3. Permanence:
   a. Is ten years adequate
   b. Restrictions on cancellation
4. Local, Regional & Statewide Interests:
   a. Local governmental autonomy
   b. Distribution of land categories (rural vs. urban counties)
5. Equity and Inverse Condemnation:
   a. Dealing with appreciated market value of land
6. Specifying Use Under Restrictions:
   a. Current use
   b. Potential use within restrictions
   c. Compatible use
7. Valuation For Estates and Tax Settlement:
   a. Landowner age and liquidity
8. Public Access:
   a. Agricultural production, open space, recreation
9. Land Tenure:
   a. Corporations, family farms and size of ownership
10. Private and Public Sector Revenue Impacts
11. Standardization of Use Value Assessment Procedures:
    a. Income estimates
    b. Capitalization rates
12. Distribution of Program Costs and Benefits:
    a. Legislative Aanlyst: do <u>we</u> get what we pay for?

OVER-ALL POLICY GOALS

A. Balancing taxes paid and cost of government services received
B. Maintaining land use options
C. Retaining open space
D. Providing for future food supplies
E. Preventing urban sprawl--decreasing urban service costs
F. Controlling the speculative function in land markets

No. 4 Land Economics May 1973 Vol. XLIX No. 2

R. BRUCE MACKEY

Reports and Comments

Use-Value Assessment Legislation in the United States†

SINCE WORLD WAR II the United States has experienced a suburbanization movement unparalleled in its earlier history. Virtually every city has literally burst its seams as tracts of land extending far into the surrounding countryside have shifted to shopping center, subdivision, individual residential development, and other urban-oriented uses.

This movement has had a serious impact upon the areas used for farming purposes around most cities. Rough or hilly sites and tracts of secondary value for agriculture may have represented logical sites for residential developments around many cities, but it has been the developed farm lands which have usually been picked off first for development. Developers, investors and speculators have been active in bidding up rural land prices. Farmers in turn have had many opportunities to sell their holdings either piecemeal or in toto. When they have resisted the temptation to sell, they have often found themselves the victims of both higher property tax assessments and the higher taxes associated with increased local governmental costs—costs often incurred by local governments to provide new residents with services which the farm population has hitherto regarded as unnecessary.

An important outgrowth of this emerging situation has been increased acceptance of use-value assessment techniques to retain agricultural and other nonurbanized properties in their present uses. Three principal motives have prompted this interest: (1) concerns over the need for keeping high grade agricultural lands in agriculture; (2) a desire to retain existing high grade agricultural and other undeveloped lands around cities as open spaces for greenbelt, scenic, and esthetic reasons; and (3) the hope that tax measures can implement the efficient and orderly use and development of rural lands around cities for their most socially desirable uses.

Classification of Use-Value Legislation

Each of the state laws that deal with rural land taxation is unique. Enough similarity exists among these laws, however, to justify their general classification into five groups: (1) classified property taxes that give preferential treatment to rural or agricultural lands, (2) simple provisions that require assessors to assess land at its current use-value, (3) deferred taxation arrangements under which qualifying lands are assessed at their current use-values but are subject to rollback taxes at the time they shift to other uses, (4) deferred tax and rollback arrangements that limit eligibility for participation or provide special tax incentives to lands that have been zoned or classified for special uses, and (5) arrangements involving the public acquisition of development-right easements.

While not specifically designed as use-value assessment laws, classified property taxes tend to have a similar effect in that they usually provide preferential tax assessment treatment for agricultural and sometimes other open space uses. The classified property tax laws of Arizona, Minnesota, Montana, and West Virginia all call for assessment of agricultural properties at the lowest authorized percentage of market value. Alabama amended its constitution in 1972 to provide similar tax classification treatment.

Several states have use-value assessment provisions that provide that those lands that qualify as agricultural lands, and such

† An earlier draft of this article was presented at a seminar of NE-67, the Northeastern Regional Resource Economics Research Committee on the Impact of Use-Value Assessments on Farm Land, in December 1970.

other lands as qualify under the specific terms of the law, be assessed for property taxation purposes on the basis of their values for agriculture and open space. Other potential "highest and best" uses are to be ignored by the assessment officer. The criterion in assessment valuation is the value of the land in its present rather than its possible alternative uses. The utilization of nearby tracts of land for other purposes and the potential for shifts to other uses that buyers would consider in market transactions are not to be included in the determination of assessed values. Nine states had laws of this type in 1971. They include Colorado, Connecticut, Delaware, Florida, Indiana, Iowa, Louisiana, New Mexico and South Dakota.

A more complicated arrangement involving a deferred or rollback tax on declassified lands has been adopted in 14 states: Alaska, Arkansas, Hawaii, Kentucky, Maryland, Minnesota, New Jersey, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Virginia, and Washington. Under this arrangement, two assessed values are determined annually for each qualified property. The value at which the property is assessed on the tax roll corresponds to its use-value assessment in its current agricultural or open space classification. A second value representing the assessed value that would be assigned to the property if it were assessed according to its current market value is also recorded. As long as the property is utilized for purposes consistent with its classification under law, it is assessed for property taxation on the basis of the values associated with that use. Should the property be sold or developed for purposes not consistent with those covered by the law, all or part of the taxes due on the difference between the two levels of assessment becomes due. Deferred tax payments are ordinarily limited to given percentages of the deferred taxes or to rollbacks for a limited number of years of deferred taxes.

A fifth arrangement goes beyond the use of special taxing measures to authorize units of government to enter into contracts with property owners for the public holding of the development rights to specific properties. As applied in California, this approach permits cities and counties to make 10-year continuing contracts with property owners for the establishment of agricultural preserves. Annual payments of approximately five per cent of the assessed value of the land are made to the owners to compensate them for their tax liabilities, in return for which the owners are expected to retain their lands in agricultural, recreation, or open space uses. Payments are graduated downward over the remaining contract period when owners elect not to renew their contracts. Penalties involving payment of up to half of the new assessed value of the property are collected when contracts are cancelled for reasons such as the shifting of land to other uses.

Variations in Laws

The use-value assessment laws of the various states vary considerably in their provisions. In addition to adopting the different approaches described above, some of the legislative provisions are very brief and leave the interpretation of many points to tax assessor or tax administrator discretion while others are quite detailed and comprehensive. Some laws such as those of California and Maryland have been subject to considerable legislative revision.

Several of the laws are designed primarily to provide preferential tax treatment for farmers. An increasing number, however, utilize use-value assessments as a means for directing land use and hopefully for preserving agricultural and open space areas around cities. This broader objective is highlighted in the Maryland law which

> . . . declares it to be in the general public interest that farming be fostered and encouraged in order to maintain a readily available source of food and dairy products close to the metropolitan areas of the State, to encourage the preservation of open space as an amenity necessary to human welfare and happiness, and to prevent the forced conversion of such open space to more intensive uses as a result of economic pressures caused by the assessment of land at a rate or level incompatible with the practical use of such land for farming.[1]

The laws of California, Connecticut (which is supplemented with a separate capital gains tax), Hawaii, and Washington provide excellent examples of measures which

[1] Annotated Code of Maryland, Article 81, Paragraph 19 (b), p. 567.

employ the use-value assessment concept for land use planning purposes.

Some of the leading differences in the individual laws center around their provisions relative to (1) size of eligible tracts, (2) prior use requirements, (3) productivity requirements, (4) permitted uses, (5) systems for determining use-value, (6) voluntary or mandatory participation, (7) term of classification, (8) termination of classification, (9) rollback provisions, (10) application to partial sales or conversions, (11) application to buildings and improvements, and (12) treatment of eminent domain and forced conversions.

All of the laws assume applications to agricultural lands. Most of them, however, have no provisions as to minimum acreages. Of those that do specify a minimum, most require tracts of five or ten acres, although Pennsylvania requires 50 acres of farmland or 25 acres of forest land with smaller acreages of farmland being acceptable if certain value of production standards are met.

The laws generally assume or require that eligible lands have prior histories of agricultural use. Three states—Delaware, New Jersey, and Oregon—require that the land have been used in agriculture during the preceding two years; Texas for the three preceding years; and Florida, Kentucky, New Mexico, South Dakota, and Utah for the five preceding years. Arkansas requires that the land be designated as farm, agricultural, or timberland by the county board of equalization. Maryland requires that it be zoned agricultural or have a current or past history of agricultural or timberland use. Pennsylvania requires that it be classified by a local planning commission.

An interesting requirement included in several laws tends to discriminate against property owners who do not operate as commercial farmers. New Mexico requires gross production valued at $100 or more in the two preceding years; Delaware, New Jersey, and Utah a gross production value of $500 for each tract in the immediately preceding two to five years; Kentucky $1000 of gross returns for both of the two preceding years; Minnesota a gross of $750 plus a minimum value of production of $25 per acre; Hawaii a minimum of $200 per acre except on pastural grasslands; and Washington a minimum of $100 per acre on tracts of 5 to 20 acres and $1000 per acre on smaller tracts of farmland. Alaska goes a step farther to require that the owner secure at least a fourth of his income from the land.

All of the laws permit and encourage the continued use of the classified land in agriculture. Many define agriculture as including horticultural and orchard uses and use for livestock production. Arkansas, Delaware, Florida, Hawaii, New Jersey, Utah, and Virginia specifically include forestry as an authorized use, while California, Connecticut, Pennsylvania, Rhode Island, and Washington expand their coverage to include open space land.

Several of the laws make no mention of the procedures or guidelines assessors are to use in the determination of use-values for assessment purposes. Criteria for assessment are outlined in several laws, while in others the responsibility for preparing assessment guidelines is specifically delegated to the state tax commissions. Capitalization of the value of farm products or of the gross rental values for the production of farm crops are indicated as the favored valuation technique in Connecticut and Iowa, while analysis of the sales prices of comparable lands for agricultural use is favored in Kentucky. Provisions are made for the appointment of state farmland evaluation committees to advise assessors on appropriate use-value levels in Delaware, New Jersey, Utah, and Virginia, while provisions are made for county land advisory committees in Indiana.

Use-value assessment applies automatically to all qualifying lands in several states. In Arkansas, California, Minnesota, Pennsylvania, and Rhode Island, however, land owners must apply to have their lands classified for use-value assessment. In Connecticut, Delaware, Kentucky, New Jersey, Texas, Utah, and Washington annual applications must be submitted for this purpose.

Eligible lands are classified on a year-to-year basis in most states. The leading exceptions are the classified property states: Maryland, which uses continuing classifications; Hawaii, where the State Land Use Board reviews all agricultural district clas-

sifications every five years; and California, Pennsylvania, and Washington, where the classifications involve commitments to keep the lands in their present uses for periods of five or ten years.

Classification for use-value assessment is automatically terminated in all states if the land in question shifts to or is developed for unauthorized uses. Lands can also be declassified at the request of the owner. The laws in Arkansas, Connecticut, Delaware, and Utah provide for termination of the classification if the owner fails to reapply. Owners who fail to reapply in Arkansas lose their eligibility for use-value assessment classification for a period of four years.

Rollback provisions are included in the laws of the 14 states with deferred tax arrangements. Alaska, Kentucky, and New Jersey levy a rollback tax equivalent to the difference between the taxes paid and those that would have been paid under the second assessment for the preceding two years. Maryland, Minnesota, Rhode Island, and Texas have a three-year rollback period. Maryland has the additional provision that the tax shall not exceed five per cent of the full cash value assessment of the land at the time the tax is paid. Pennsylvania, Utah and Virginia use a five-year rollback; Oregon, a five-year plus interest at 6 per cent rollback; and Washington, a seven-year plus interest rollback.

Of the states with rollback penalties, it is interesting to note that Maryland, New Jersey, Rhode Island, and Utah are the only ones with specific provisions that indicate that the rollback taxes will apply only to the lands that are declassified. The question of what happens with the partial conversion or sale of classified holdings for nonauthorized use is ignored in most of the laws.

Similar vagaries are involved with the question of whether the classifications should cover buildings and whether rollback taxes should apply to eminent domain and forced conversions. Alaska, Connecticut, Florida, Hawaii, Minnesota and Utah provide for the inclusion of farm residences under the agricultural classification. California, Delaware, Kentucky, New Mexico, Oregon and Texas specifically exclude farm residences from this classification while the laws of the other states ignore this issue. On the subject of applications of the rollback taxes to lands taken by eminent domain, Utah requires the rollback while Hawaii, Rhode Island, and Washington exempt classified lands from the penalty tax, and the other state laws make no mention of this issue.

Effectiveness of the Use-Value Laws

Except for the classified property tax provisions used in Minnesota, Montana, and West Virginia, most of the laws have been enacted since 1960. Research on the actual impacts of use-value assessment vary by stage, by type and time of existing or proposed legislation, and by stage of legal review. Constitutional amendments are often necessary to meet uniformity of taxation requirements in many states. These in turn can limit the scope of state laws and create legal problems. Correspondence with officials and scholars in several states indicates that many of the laws are viewed primarily as a concession to agricultural interests and that many states are still devising regulations and procedures for the smooth operation of their laws.

The laws of California, Connecticut, Hawaii, Maryland, and New Jersey are generally credited as having had desirable effects in slowing down the haphazard, helter-skelter shifting of rural lands to urban-oriented uses.[2] Hawaii was able to achieve extensive state land-use planning and zoning as early as 1961 with passage of the State Land Use Law. Widescale land speculation and development has continued in each of these states, however, and land speculators have been identified in some cases as leading beneficiaries of use-value assessment.

California provides an excellent example of a state where public attitudes towards measures for providing tax concessions to owners who are willing to hold lands in continued agricultural and open space uses have matured. When use-value assessment was first proposed in California in the early 1960's, it was regarded as tax relief for farm owners. Today this approach finds

[2] Pennsylvania and Washington have laws that could have similar effects. Pennsylvania's law, however, has been largely inoperative because of faulty phrasing. Washington's law was enacted in 1970.

many of its strongest supporters in urban centers. It has become a land use measure that provides a means of preserving or at least slowing down the erosion of the open space areas found around growing cities.[3]

Strengths and Weaknesses—An Evaluation

As is true with most taxation and land use directional measures, strengths and weaknesses can be claimed for each of the various use-value assessment arrangements now in use. All of them have a common goal in encouraging the continued use of land for agricultural and other open space uses by assuring owners that their assessments for property taxation purposes will not rise above levels commensurate with the uses made of the land. Beyond this objective, wide differences exist in the techniques used, the extent to which responsibilities are assigned to the benefiting taxpayers, and the ways agricultural and open space lands are used as a desired feature in well-ordered land use patterns.

Purposeful evaluation of the current use-value assessment laws calls for assumptions concerning the full scale of the objectives to be attained. If the objective is simply to give the owners of farms or other open space lands a "tax break" which will enable them to continue operating their properties in the future as in the past, use of a simple use-value assessing arrangement may be enough. This arrangement involves a minimum of administrative fuss and bother. Assessments are related to the current uses made of properties, and assessed values presumably are correlated both with the existing use capacities of individual properties and with the incomes they provide to their owners.

The chief problem in this case is simply that of devising an appropriate technique for determining use-value. The appraisal process used in assessing agricultural and open space lands normally depends heavily on the use of sales value comparisons. The ruling out of this approach and the stipulation that use-values must be based upon worth for agricultural or open space use complicates the assessment procedure. Assessments involving separate appraisals of the income productivity of each tax parcel seem hardly practicable. The technique accepted in several states of establishing advisory committees to provide value guidelines on acceptable ranges of values for different soil associations, cropping patterns, and resource use programs has merit and appears to work out acceptably.

A second major weakness of the simple use-value assessment approach is that it bestows benefits on a particular class of taxpayers without giving them concomitant responsibilities. This is not necessarily bad. In practice, it can be justified as an expression of public concern or as the granting of a subsidy or as protection to a vulnerable, easily exploited citizen group. Simple use-value assessment, however, may be criticized on the ground that it provides protection for a group of taxpayers without securing any assurances or guarantees that the classified lands will continue more than momentarily in their present uses. This arrangement can encourage speculators and developers to acquire farm and other open space lands far in advance of the time when they will probably be needed for development. Used in this way, use-value assessments can promote tenancy, less intensive land use than would result in its absence, and the hedge-hopping of speculator-held tracts in land development. In this process, the best interests of local communities may be ignored and large tracts of land may receive favorable tax treatment at a time when their capital values are appreciating because of nearby suburban growth and the provision of additional local government services.

Some of the taxpayer responsibility problem may be handled by the adoption of tax deferral arrangements. This addition makes it possible for property owners to keep their holdings in agricultural and open space uses. Should they or their successors in ownership decide to shift to other land uses, a deferred tax can be paid. Payment of this tax out of the seller's capital gain simplifies his problem in holding the land. Meanwhile, payment of the extra tax at the time of the shift in land use should bring added revenue to local governments at a time of probable need.

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[3] Don V. Collin, "The California Land Conservation Act: The Easement and Control Approach to Open Land Planning," Proceedings of the Seminar on Taxation of Agricultural and Other Open Land April 1971, East Lansing, Michigan, pp. 55–66.

Tax deferral arrangements, however, pose a number of problems. Two assessments must be made for each property where one was made before. There may be some temptation for assessors to value properties higher in the second "true market value" assessment than they would otherwise. Questions may also be raised concerning the amount of deferred tax that should be paid as a penalty if the owner changes his land use. Justifications can be advanced for requiring payment of all of the deferred tax plus interest. Most states, however, have softened this penalty by limiting the tax rollback to periods of from two to five years.

While they make a gentle bow in that direction, tax deferral arrangements really vest property owners with little responsibility for keeping lands in their present use. They provide a curb or penalty for shifting, but when the rollback period is short, they represent only a slight deterrent for the speculator who plans to hold his lands at low tax cost while he waits for his expected market to emerge. At the other extreme, deferred tax payments covering extended periods, with or without interest, could involve amounts of sufficient size to discourage desirable future shifts in land use.

If it is assumed that responsibility for keeping lands in agricultural and other open space uses should accompany the granting of the use-value assessment privilege, it can be argued that use should be made of contractual arrangements that will preserve existing uses for stated time periods. Contracts for easements can introduce elements of stability in fluctuating land use situations. They can be used in combination with other governmental measures to channel developments to other areas and to promote desired land use patterns. Acquisition of easements can prove expensive and can be administratively difficult, but a contractual arrangement relating easements to use-value assessments can stabilize local situations and provide local governments with time for the purchase of permanent easements.

Insofar as use-value assessment is advanced as a means for securing better or more orderly land use, steps should be taken to coordinate it with the local planning process. Some owners of agricultural holdings should be encouraged to shift their lands to urban developments while others should be urged to retain their properties in open space uses. Individual owners cannot always judge what is best from the standpoint of the community at large. Planning commissions can play an important role in these situations and it is probably the best policy to require planning commission designation of the areas or zones where use-value assessments should be used as a tool for keeping lands in agricultural and open space uses. Planning commission action should be fortified with appropriate zoning regulations.

Desirable as local planning and zoning regulations may be as a supplement to use-value assessments, they have their shortcomings. Plans are always in a state of flux and local zoning regulations have a reputation for being easily modified and changed to meet the desires of vocal interested parties. State land use districts or agricultural and natural reserves offer an alternative that can be flexible enough to meet changing needs and yet stable enough to withstand local real estate development pressures.

If the objective is to preserve agricultural lands, keep considerable areas around cities as open space, and promote the development of orderly and efficient land use patterns, steps should be taken to interrelate and coordinate use-value assessments with a variety of other land use directional measures. Each approach used to direct land use has its own direct and indirect costs as well as its own set of administrative difficulties. Contracts and easements can give continuity and duration to land use preservation programs. Planning and zoning ordinances can provide them with overall direction. State agricultural and natural area reserves can be established to give them breadth and stability. Public grants-in-aid may also be used to shoulder part of the general public responsibility for maintaining open space and to compensate local governments for the loss of foregone tax revenues.

Consideration should also be given to alternative approaches. Land owners frequently hold properties with the hope of selling at some future date for a handsome capital gain. Under use-value assessment, local governments share the ripening costs

associated with these holding operations. They frequently play larger roles than most owners in creating the market demand conditions that justify high resale prices. This situation warrants the substitution of a capital gains tax for the present deferred tax. Properties could be appraised at their market values when classified for use-value assessment and again when shifted to ineligible uses. A graduated tax rate rising from a low rate for properties held for a short time period to a maximum rate of 50 per cent, for example, could be applied to allow the local community to share with the owner in the capital gain associated with their joint venture in holding the land at a less-than-highest-and-best use while waiting for an emerging market to materialize. Private investors might also be granted an inflation-corrected allowance for the full value of their investments and be required to pay a near 100 per cent capital gains tax on any remaining surplus.

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Decentralization and the Growth of Urban Manufacturing Employment†

RECENT PATTERNS of urban growth have reflected the redistribution of manufacturing employment within and among metropolitan areas. For the 1954–1967 period, the 35 largest SMSAs, adjusted for annexations, experienced a 9% decline in central city manufacturing employment while employment was more than doubling in suburbs. As the production requirements for manufacturing have changed, so have the economic strengths of alternative production sites. This paper focuses on the determinants of (1) metropolitan (SMSA) differentials in the extent of manufacturing decentralization, and (2) city differentials in the growth of manufacturing employment, 1954–1967.

Shifts in Manufacturing Locations

Location decisions within SMSAs depend on the significance of agglomeration economies found in the city relative to potentially lower unit labor and land costs available outside it. The most important of the agglomerative forces are urbanization economies, not readily transferable to suburbs. External economies accrue from central city locations to groups of firms, resulting in lower average costs of production. The most important economies come from the availability of ancillary services, centralized shipping points, and larger, more skilled labor supplies. Firms dominated by urbanization economies are typically small and use space vertically rather than horizontally. Thus, higher unit land costs in cities are less an obstacle to centralized firms than to those for which horizontal plant layouts will minimize costs. The contribution of capital to value-added is small for firms locating production facilities in centralized sites.

For other firms, the attributes of urban sites offset losses due to urbanization economies left behind. Indeed, in three instances centralization is less necessary. (1) The truck has reduced short haul costs within SMSAs, thereby decreasing the need for central handling facilities. Container shipping has also permitted production sites away from city rail-sidings. (2) The automobile boom has increased congestion

† The author acknowledges the helpful comments of Professors M. S. Baratz and E. J. Burtt, Jr. on an earlier draft.

Statement for the Printed Ballots and Voting Machines

The following language should appear on the printed ballots and voting machines:

Shall--Assembly Joint Resolution No. 23 of the 56th Session (1971), approved by the 57th Session (1973), proposing to amend Section 1 of Article 10 of the Nevada Constitution, relating to rates of assessment and taxation of property, to authorize the Legislature to classify agricultural and open-space real property separately for taxation purposes, and to provide for retroactive reassessment of such property when converted to a higher use, be approved?

Yes.....
No.....

(Explanation of Question No. 3)

Section 1 of Article 10 of the Nevada Constitution presently requires the Legislature to provide for a uniform rate of assessment and taxation on all property. Assembly Joint Resolution No. 23 would amend Section 1, Article 10, to authorize the Legislature to classify agricultural and open-space real property as a separate class for taxation purposes. Agricultural and open-space real property having a greater value for another use than that for which it is actually being used could, therefore, be taxed according to a separate uniform plan for appraisal and valuation. The amendment further provides that when agricultural and open-space real property is converted to a higher use conforming to the use for which other nearby property is used, the Legislature shall require at least seven (7) years retroactive assessment of taxes on the property, requiring the property owner to pay additional taxes at the standard assessment for that period based upon the higher use. A majority vote of 'yes' would so amend the Nevada Constitution. A majority vote of 'no' would defeat the proposed amendment.

Prepared by:

James R. Garrett, John W. Malone, Jr., and Hans D. Radtke

Max C. Fleischmann College of Agriculture, University of Nevada Reno
Division of Agricultural and Resource Economics

QUESTIONS AND ANSWERS REGARDING PROPOSITION 3
(AJR-23 or Greenbelt Amendment)

On the November 5, 1974 ballot, the voters of Nevada will be asked to vote on a Constitutional Amendment to allow the Nevada Legislature to make separate assessments of agricultural and open space real property. The purpose of this pamphlet is to answer some of the questions that might arise relating to the amendment.

Q. Why are we concerned with Proposition 3?
A. It is recognized that urban sprawl and uncontrolled land development is not the most ideal use of our limited land resources.

Q. What will Proposition 3 do?
A. It will allow a change in the way agriculture and open space lands will be taxed.

Q. In what way?
A. These lands could then be assessed according to their ability to produce income.

Q. How does that differ from the present system?
A. It doesn't as far as agricultural lands are concerned. However, it will include certain open space land which is not presently classified as agricultural.

Q. If there is no difference in how land is taxed, why not just include open space in the present system of taxation?
A. There is some question as to whether or not the present system of taxing agricultural land is constitutional.

Q. What if it is unconstitutional?
A. If the present procedure is ruled unconstitutional by the courts, then agricultural lands would have to be taxed according to their value in an open and free market--just as homes and most other businesses are now, where price includes much more than what the land will produce in income.

Q. Why is this bad? Would not this mean more tax revenue?
A. Probably so, however it would also tend to accelerate the change of land from an agricultural use to a use that would be more able to pay these higher taxes.

Q. **Is there any evidence of this?**
A. Yes. Studies have shown that many farms and ranches are receiving a very low return on their investment. A very substantial jump in taxes would force these people out of business.

Q. **How much land are we talking about in Nevada?**
A. It is estimated that only about 8.7 percent of the State's land area is subject to conversion under this amendment. This doesn't sound like much, but it is over 6 million acres and does include most of the better lands in the state.

Q. **Are you saying all farmers and ranchers will be forced out?**
A. Of course not. Many farms and ranches, particularly those in the less populated areas of the state will not be affected nearly as much as those closer to the urban areas where they are more suited to development.

Q. **Back to the amendment, it's easy to see how it might slow down development if we were on a market value assessment, but will it do any good in going from our present system?**
A. Yes, it should to some extent. Even though the taxing scheme would be the same as under our present system as long as these lands remain in agriculture, there is a provision to penalize those that change the use of this land from agriculture to some higher use.

Q. **How?**
A. By what is called a deferred tax or 'Rollback'. In this case it means collecting a tax on the difference between the value of the property on the market and the value of the property in its past use. What's more, this tax will be accumulated over a period of at least seven years.

Q. **Is this something new?**
A. To Nevada, yes. This is the main thrust of the amendment. However, the idea of preferred taxation, that is taxing agriculture and open space lands differently than other property, and that of deferred taxation has been tried in various forms and in various combinations by at least 31 other states.

Q. **So it has been successful?**
A. Not necessarily. The success of the approach depends to quite a large extent on how it's implemented. These other states are finding that for it to be as successful as they had hoped, it must be tied to some type of zoning or land-use regulation.

Q. **How is this?**
A. A community planning agency must decide as to which lands would qualify as agricultural or open space and which lands should go into more intensive development. Once this decision is made, then those lands which qualify would be taxed according to this lower value use.

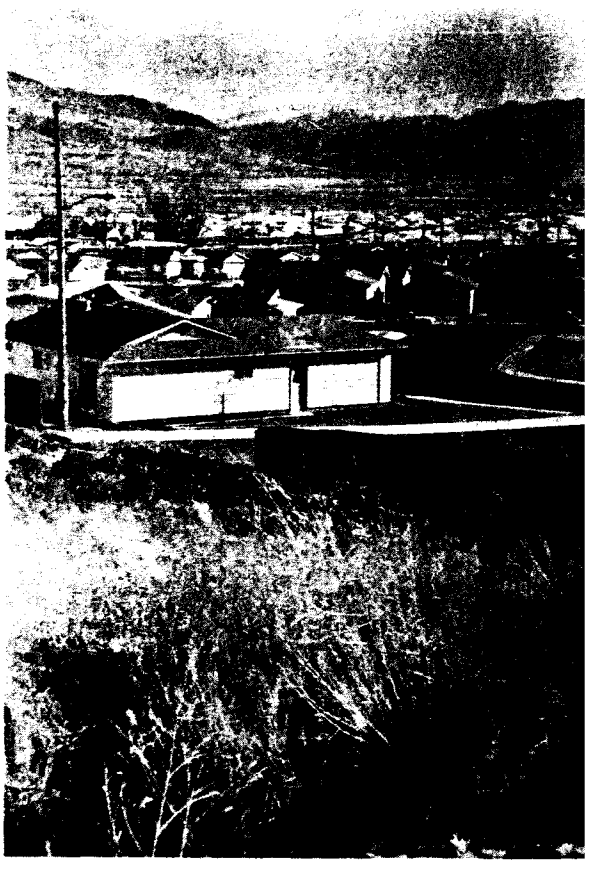
Q. **Is this part of the amendment?**
A. No. Definitely not. The amendment only changes the Constitution so that the Legislature MAY change the current laws. It is not an act and will not automatically change the law.

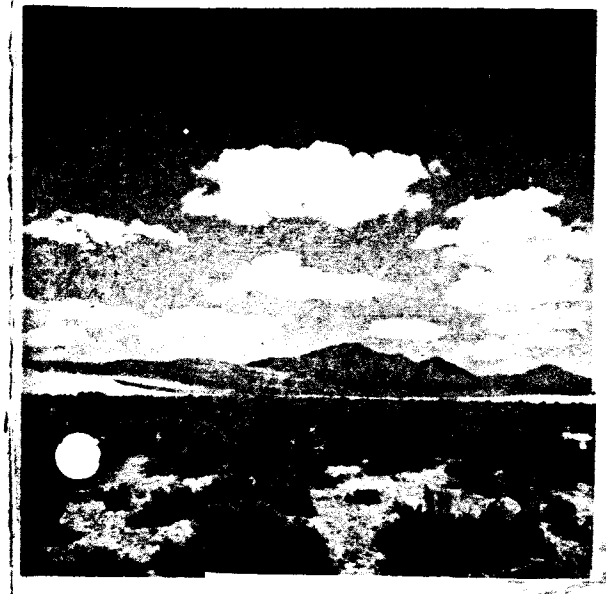
Q. **Are there any alternative ways of controlling this land development?**
A. There are other ways that are either being tried or being proposed, but as yet it is too early to assess the impact of these approaches. One is called a 'Circuit Breaker', which means simply to tax property at differing rates depending upon the owner's income. This means that the land owners with higher income will be taxed higher because they have a higher ability to pay--as they now do in our federal income tax laws. Another approach is for the state or county to buy development rights which may be bought, sold or simply held much the same as water rights are. Another approach is to zone lands without the incentive of the tax deferral system. Each of these has its disadvantages as well as its advantages and their success is not known at this time.

The following is the actual language of the amendment to section 1 of article 10 of the constitution:

Notwithstanding the provisions of this section, the legislature may constitute agricultural and open-space real property having a greater value for another use than that for which it is being used, as a separate class for taxation purposes and may provide a separate uniform plan for appraisal and valuation of such property for assessment purposes. If such plan is provided, the legislature shall also provide for retroactive assessment for a period of not less than 7 years when agricultural and open-space property is converted to a higher use conforming to the use for which other nearby property is used.

Property Taxation as Related to Agricultural and Other "Open-Space" Lands in Nevada





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SUMMARY

Currently in Nevada, agricultural land is given preferential assessment, i.e., property tax assessment based on use of the land rather than market value. In November of 1974, Nevada voters will vote on a constitutional amendment which, if passed, will recognize this practice and allow for a tax deferral and recapture penalty if the specified agricultural or open-space lands are later developed.

The two central issues behind the amendment, Assembly Joint Resolution - 23 (Proposition 3), are tax equity and future land use planning. Are property taxes on agriculture equitable: and if preferential assessment is granted, should a penalty be imposed on the land if later developed? If the primary interests and emphasis are land use planning and controls over rapid unplanned development, then what additional restrictions should be a part of the eventual differential assessment law?

This publication draws no conclusions about whether Nevada should pass a differential assessment law or the kind it should use. That is a decision for the citizens and the legislature. This review does recognize that Nevada presently has a system of preferential assessment of agricultural land which may or may not be in violation of the uniformity clause of the State Constitution.

The intent of this paper is to provide a framework for the decision-making process and to put into perspective the issues surrounding AJR-23. It is worth repeating, however, that because of current use value or preferential assessment practice, the intent of AJR-23 is seemingly not to further reduce taxes on agricultural lands, but to recapture revenues when and if those lands are developed.

One of the prime questions that remains is the degree of interest in the State in land use planning and permanent open-spaces. If these are particular concerns, then the ultimate definitions, eligibility criteria, and restrictions of the final differential tax law become very important. Alternative approaches to tax equity (i.e., the circuit breaker) and alternative approaches to land use planning (i.e., direct controls) are not competitive or mutually exclusive, but rather complementary. Since no single approach is best, alternative complementary approaches should be seriously considered.

Chapter 5

Summary and Conclusions

1. *With or without use-value assessment laws, farm real estate is generally assessed in a preferential manner as compared to nonfarm real estate.*

This is a rather well-known fact, associated with the tendency to assess farmlands on a primarily use-value basis, regardless of law. In fact 1971 assessment-sales ratio figures suggest that there is more assessment equality between rural and urban properties in states *with* use-value assessment legislation than in states *without* such laws.

Similarly, the adoption of use-value assessment laws appears to be associated with achievements in assessment equalization between farm and nonfarm properties. In other words, when and where farm and open space properties, particularly on the urban fringe, are [illegible]ssed as the law says (i.e., upon market value criteria) demands to change the law mount.

2. *In terms of income, real property taxes impose a greater burden upon farmers than upon other segments of the population.*

This is in spite of the fact that farm real estate is taxed at a considerably smaller percentage of full value than most nonfarm real estate.

From 1968 through 1971 real property taxes absorbed over 7 percent of personal farm income, double the percentage for nonfarm income. In 1972, a record year in terms of farm income, the figure still stood at 6.9 percent. Although another record year in 1973, with prospects of an almost equally good year in 1974, should ameliorate the situation somewhat, the basic trend will persist. Much of the problem stems from the fact that farming is a real estate intensive enterprise, as well as from the tendency of per capita farm income to lie below per capita urban income. On the urban fringe, where the problem is most serious, however, the primary cause is nonfarm market forces which drive market values far above agricultural values.

3. *States and provinces wishing to extend property tax relief to urban fringe farmers can regard a use-value farmland assessment program as an effective relief measure.*

An important advantage to these programs is that they strike *directly* at the problem itself--large increases in land values and taxes due to nonfarm market factors.

Another relief measure gaining popularity and worthy of further study is a system of "circuit-breaker" tax relief, similar to programs by the same name instituted to grant property tax relief to elderly homeowners. Farm real estate taxes which exceeded a certain percentage of farm income would simply be returned to the owner. While such a plan has certain logical appeal, there are some problems that would have to be worked out. Most importantly, making tax relief contingent upon farm income would encourage the inefficient or minimal agricultural use of land. Speculators and part time farmers who produced only the minimum required income would be most rewarded. The alternative, to make relief contingent upon *total* income, would give rise to another series of problems. Use-value assessments have the appeal of taking a more direct and unencumbered approach.

However, there can be a good deal of difference between types of use-value assessment programs. While a well designed plan can extend help when and where it is needed, a poorly written law might benefit many for whom it was not intended, as well as pose serious administrative difficulties.

4. *Use-value assessment legislation can be written so as to benefit only bona fide farmers.*

Legislation requiring only a minimum gross income regardless of land area is completely inadequate. One alternative is to require an average minimum income per acre. A possible complication, however, is that allowances may have to be made for variability in soil

productivities and the presence of woodlands.

A second alternative is to require the owner to derive a minimum percentage of his income from the land. In setting the figure, it should be remembered that the typical farmer derives almost half of his income from nonfarm sources.

5. *The rollback tax provides a means of recapturing part of subsidies failing to preserve lands in farm or open space use.*

In the long run, rising land values, regardless of their cause, are more of a windfall gain than a detriment to the owner. They produce hardships for a landowner (in terms of increased taxes as a percentage of income) only so long as he continues to farm or hold his land in an undeveloped state. Once the use of the land is changed, large capital gains are realized and it can be argued that society is entitled to recapture at least part of the revenue foregone by use-value assessment.

At least two systems of recapture merit consideration. The first is a rollback tax that would apply to at least the current year and five preceding years. A longer period, however, might be preferable. There are two major advantages to recording annually both use and market value: (1) it indicates to what extent the tax base is being reduced, and (2) it greatly simplifies the determination of rollback tax liabilities. Under such a system, the landowner could be informed annually of both values and not allowed to defer appeal. A disadvantage is the administrative expense of making two appraisals for each participating farm each year. If market values are not recorded, then it would be helpful to at least maintain data on farm sales in a readily available form.

A second method is a tax on the difference between use and market values when the land is removed from qualified use. The rate of tax could be geared to the amount of time during which the land received use-value assessment, say at a rate of 1 percent per year of use-value assessment, up to 10 percent. Thus, a parcel of land assessed at use-value for the past ten or more years would be taxed at 10 percent of the difference between use and market value if transferred to an unqualified use. Another variation of the same basic method would be to tax the difference by a multiple of the going tax rate—in this case, ten times the applicable rate. The advantage of this methodology is that market value must only be determined on a one time basis. Furthermore, since participating lands would in many cases be sold only shortly prior to becoming disqualified, sales price itself could be used as an indicator of market value.

Finally, deferred taxes could be allocated to the taxing jurisdiction(s) in which the property is located. It seems reasonable that taxing jurisdictions foregoing revenue because of state/provincial legislation should be the ones to recapture it if participating lands are converted to another use. An alternative means of reimbursing local governments for foregone revenue is payments made on the basis of participating acres, number of parcels, differences between use and market values (if recorded), etc. These recapture provisions are consistent with the official policy of the International Association of Assessing Officers regarding exemptions.[1]

6. *Use-value assessment laws can be expected to have only a very limited effect upon land use.*

By relieving unreasonable tax burdens, such laws provide the serious farmer with the opportunity of maintaining his land in agricultural use. This is their primary advantage.

Use-value assessments, however, afford no *control* or *regulation* as to either the pattern or timing of development. Basic market factors and opportunities for large capital gains through sale and/or development remain unaffected. Most importantly, no special protection or immunity is provided for those lands with the greatest social value in open space use—those nearest to population centers. It is precisely these lands that are most susceptible to developmental pressure, and their owners have been notably unwilling to participate in a use-value assessment program with any teeth (e.g., California and Washington). Regardless of use-value legislation, it is unlikely that many urban fringe farms, unless handed down from father to son, will continue operations for more than one generation. The market price on such lands is simply too out of line with agricultural value to make their purchase attractive to any but the speculator or developer. Thus, while use-value assessments might be widely applied for and, indeed, may slow the pace of development by reducing farm and holding costs, they are *not* likely to have any appreciable influence upon long term land use patterns.

7. *Rollback taxes are largely incapable of affecting land use decisions.*

Except in cases where there are additional penalties for early withdrawal, rollback taxes merely provide a means of recapturing part of taxes that otherwise would have been payable. The presence of such provisions, then, should discourage neither the bona fide farmer nor the pure speculator from participating in

[1] "When an exemption or immunity from taxation is granted, the tax loss should be replaced to the local unit by that agency creating the exemption to avoid a shift to nonexempt taxpayers" (from Policy Statement No. 2 approved by the IAAO membership at its annual business meeting September 22, 1971, in Boston.

a use-value assessment program. Where there is no interest recapture clause, the participant is also afforded the free use of the money involved. Once a landowner has entered a program, rollback taxes do provide an incentive to maintain the land in a qualified use. However, because the amount of rollback tax is directly dependent upon potential nonfarm value, realizable capital gains associated with sale and development will ordinarily dwarf accrued rollback tax liabilities.

Also, the effect can sometimes be other than intended, that is, to discourage rather than encourage continued agricultural use. This applies particularly to older farmers who might be willing to participate in a purely use-value assessment program, but not in one where accrued tax obligations will be reflected in a lower sales price at time of retirement. In such a case, the farmer may simply sell out and retire earlier than under a purely use-value assessment program.

These considerations do not mean, however, that rollback taxes are a poor idea. While having little effect upon land use decisions, they do provide the community with a means of recapturing part of subsidies failing to accomplish intended objectives.

8. *In terms of the tax base, use-value assessments are likely to have their greatest impact in taxing jurisdictions with both a relatively large amount of farmland and large or expanding urban pressures.*

In general, the potential impact will increase with (1) the percentage of land in agricultural use (i.e., potentially qualifiable), and (2) the density and rate of expansion of the population. The productivity of the soil is also important. If it is of high quality, then market values will not deviate from farm values as much as if it were of poorer quality.

Data on the market value of farm real estate and farm income, on a per acre basis, can be very helpful in estimating the extent to which the *agricultural* tax base might be reduced by use-value as opposed to market value assessments. Once this is known, of course, it is easy to extend the analysis to the *overall* tax base. Very basically, the methodology is to develop an average value/income or value/receipts ratio, per acre, on farmland whose highest and best use is agricultural, and compare it with similarly constructed ratios on farmlands subject to various degrees of urban influence. The resulting differences provide estimates as to what part of the market values of the latter farmlands are justified by agricultural factors and what part must be attributed to nonfarm or urban factors.

It should always be remembered that the granting of tax relief to one segment of taxpayers will necessitate an increased tax rate if the same level of public services is to be maintained. In the case of use-value assessments, this can sometimes generate perverse results, raising taxes on some farmers, including *participants* (when use-value assessment is relatively close to market value assessment), in order to extend relief to others.

9. *The effective administration of a use-value farmland assessment program calls for appraisers possessing specialized training or skills in agricultural science and economics.*

The traditional approaches to value, especially the market and cost approaches, are of little help in determining the farm value of a parcel of land having a higher market value. The income approach, while relevant, is difficult to properly apply, requiring knowledge of agricultural economies and accounting. The assessment, therefore, must be based largely upon the potential productivity of the soil, the determination of which requires specialized expertise.

One solution is to have participating lands assessed by specialists who might be required to possess relevant qualifications, such as a degree in agriculture. The major advantage is that participating lands would likely be assessed more uniformly and efficiently. This is the approach taken by Saskatchewan.

Another solution is to offer instruction to assessors who have participating farmlands in their jurisdictions. In conjunction with this instruction, the state or province will probably want to make soil productivity maps of local areas available to assessors, along with an index of average values for each soil type. Maryland has made much progress in this area. If the soil maps and indices are well done, a little added instruction as to their proper use and limitations might be all that is needed to insure best results.

10. *States and provinces can monitor the extent, cost, and impact of their programs by recording and compiling data on acres of participating lands, types of participating lands, and the "dropout" rate.*

In regard to type of lands, the most important variable is location. If a large percentage of land in and about urban areas is participating—and the drop out rate is minimal—then the program is probably having a positive effect upon land use. One of the most analytically useful techniques is to plot participating lands on a map. Other variables on which a compilation of data can be helpful are market value and income of participating lands.

Appendix B

Eligibility Requirements by States and Provinces

State / Province	Qualifications
States	
Alaska	Owner must be actively engaged in farming and derive 25 percent of his income from the land.
Arkansas	The land must be currently engaged in active agricultural or forest use.
California	Qualifications vary from county to county. Normally land must be part of an "agricultural preserve" of 100 acres unless smaller units meet city or county planning requirements. The owner must sign a ten or twenty year contract with the local government.
Colorado	Land must have been in agricultural use the immediate past two years and have been classified as agricultural land the immediate past ten years.
Connecticut	Forest land must consist of at least twenty-five acres. Land classified as open space must have been so recommended by a municipal planning commission.
Delaware	Eligible land must consist of at least five acres. Agricultural-horticultural land must have a $500 minimum gross income and have been in a qualified use for the immediate past two years.
Florida	Ordinarily, eligible land need only be in bona fide agricultural use. If, however, the land has been zoned for nonagricultural use at the owner's request or the owner has recorded a subdivision plat, it must be reclassified. In addition, a board of county commissioners can declassify lands on which there is contiguous urban development on two or more sides and whose continued agricultural use would deter the orderly expansion of the community. Finally, a sale of the land at a price that is three or more times the agricultural assessment creates a presupposition that the land is not in bona fide farm use.
Hawaii	Crop land must (1) consist of five acres, (2) have an economically reasonable use as such (normally a gross revenue of $150/acre), and (3) not be in conflict with the overall development plan of the state as determined by the Director of Planning and Development. Such lands must lie in specified land use districts and the owner must enter into a ten or twenty year contract. Other agricultural lands, on which contracts are not mandatory, are also assessed at use-value if reasonably well suited for agricultural use.
Idaho	Land must be in agricultural use.
Illinois	To be eligible land must consist of ten or more acres, have been in agricultural use the immediate past three years, and produce a "substantial" income.

State / Province	Qualifications
States	
Indiana	Land must be in agricultural use, and not have been purchased for industrial, commercial, or residential use.
Iowa	Minimum of ten acres in agricultural use.
Kentucky	Agricultural and forest lands must consist of at least ten acres, and horticultural lands of at least five. All eligible lands must produce a gross income of $1,000 and have been in a qualified use for the immediate past five years. Land zoned for other than agricultural or horticultural use is specifically excluded.
Maine	Agricultural-horticultural lands must consist of at least ten acres and have produced a $1,000 gross income in three of the five preceding years. Forest lands must also consist of at least ten acres, and participation is mandatory for tracts in excess of 500 acres. Forest lands must be actively devoted to the growing of timber for commercial use. Open space lands must be approved for their compliance with municipal or state land use planning.
Maryland	On agricultural lands, the assessor is directed to consider (1) present zoning ordinances, (2) present and past use, and (3) productivity. Open space land must be (1) primarily underdeveloped, (2) part of a contiguous tract of 500 acres (or constitute such a tract), and (3) zoned for development in compliance with a master, regional, or governmental plan. Country clubs are eligible if they contain at least fifty acres, have nine or more holes, and have a dues-paying membership of not less than 100 persons, with dues averaging at least $50 annually per member.
Massachusetts	Eligible lands must be at least five acres in size, have been devoted to agricultural or horticultural use for the two immediately preceding years, and produce a gross return of $500 per year including government payments. Lands in excess of five acres must yield an additional average gross return of $5 per acre on tillable land and $.50 per acre on woodland and wetland.
Minnesota	Agricultural and timber land must either consist of at least ten acres and have been in a qualified use the previous year, or be used primarily for nonresidential purposes if less than ten acres in size. The land also must either produce a minimum gross income of $300 plus $10 per tillable acre, or produce one-third of total family income. Open space land must (1) be actively and exclusively devoted to golf or skiing recreational use; and (2) consist of at least five acres and (a) be operated by private individuals and open to the public, or (b) be operated by a firm or corporation for the benefit of its employees; or (c) be operated by a private club having a membership of fifty or more.
Montana	Eligible land must (1) constitute at least five acres, (2) be in agricultural use, and (3) yield either a $1,000 gross return or at least 15 percent of the owners total income.
Nevada	No particular qualifications.
New Hampshire	No specific requirements for farm and forest lands. Open space lands must be designated as such by a town or city for a period of at least ten years.
New Jersey	Eligible land must consist of at least five acres and have been in farm use for the past two years. Gross sales for the first five acres must have averaged at least $500 over the last two years, $5 per acre on land in excess of five acres, and $.50 per acre on woodlands and wetlands.
New Mexico	The land must have been in agricultural use the last five years (ten years for grazing land) and produce a $100 gross revenue. In addition,

State / Province	Qualifications
States	
	there must be evidence that the land is held *primarily* for agricultural purposes.
New York	Land must (1) be at least ten acres in size, (2) have produced a gross income of $10,000 from the sale of farm products in the preceding year, and (3) either be in an "agricultural district" or have been committed to agricultural use for an eight year period by the owner.
North Carolina	Agricultural-horticultural land must constitute at least ten acres and have produced an average gross income, including government payments, of $1,000 over the last three years. Forest land must be at least twenty acres and either (1) be the owner's place of residence or (2) have been owned by the present owner, one of his siblings, or his parents for the last seven years.
North Dakota	Eligible forest land must either be native woodlands of at least ten acres or newly planted forest areas of at least five acres. Native woodlands must produce a forest cover and not be dealt with in a destructive manner. Agricultural land within the corporate limits of a city, whether or not platted, is classified and assessed as agricultural land until put to another use.
Ohio	Land must have been devoted to exclusive commercial farm use for the immediate past three years. If less than thirty acres, the land must have produced an average annual gross income from farming of at least $2,500 during the three year period or show evidence of such a return in the future.
Oregon	Land zoned for farm use is automatically assessed at use value. Unzoned farmland must have been in farm use the immediate past two years, and there should be evidence that the land is held *primarily* for the purpose of making a profit from farming.
Pennsylvania	Farmland must consist of at least twenty acres, forest land of at least fifty, and open space land of at least ten. The land must be designated as farm, forest, water supply or open space land in a plan adopted by the planning commission of the municipality, county, or region in which it is located. Site coverage by structures, roads, and paved areas on open space lands may not exceed three percent of total acreage.
Rhode Island	No specific qualifications; although the assessor is directed to consider, among other things, the acreage, use, and productivity of the land.
South Dakota	The land must have been in agricultural use for at least five successive years immediately preceding the present year.
Texas	The land must have been continually used for or developed for agricultural use during the immediate past three years, and must constitute the *primary* source of income and occupation of the owner.
Utah	To be eligible land must (1) be at least five acres in size, (2) have been devoted to agricultural use for the last five years, and (3) have yielded an average gross return of $250 an acre over the last five years. On tracts of less than ten acres, the landowner may apply for a waiver if he submits proof that 80 percent of his income comes from the sale of agricultural products.
Virginia	Farm and open space land must consist of at least five acres, and forest land of at least twenty acres. Farm lands must have generated an average of at least $500 in gross sales together with payments received under a soil conservation program in three of the immediate past five years. The land must be located within a county, city, or town which had adopted an ordinance to provide for use value assessments.
Washington	Farmland must comprise (1) twenty

State / Province	Qualifications
States	
	or more contiguous acres devoted to agricultural use, or (2) five to twenty acres with a gross income of $100 per acre for three of the last five years, or (3) less than five acres with a gross income of $1,000 per year for three of the last five years. Timberland must constitute at least five acres devoted to the growth and harvesting of forest crops.
Wyoming	The land must have been used during the immediate past two years for agricultural purposes and for obtaining a monetary profit thereon.
Provinces	
Alberta	If under twenty acres, the land must be the principal source of income of the operator. If over twenty acres, it must produce an income sufficient to produce a livelihood.
British Columbia	Land located in a municipality must consist of at least two acres. On such land, the assessor is directed to consider the proportion of land under cultivation, the time devoted to its cultivation, and the value of its produce. If the land is between two and five acres, the assessor may require the operator to submit a declaration stating that he derives at least half of his income from the land. Farm and forest land in rural areas is subject to similar considerations, except that the assessor need not obtain a statutory declaration of income.
New Brunswick	Farmland must produce a gross return of $30 per acre.
Ontario	Farmland is automatically assessed at use-value and there are no specific qualifications. In addition, however, farmers also are given a 50 percent rebate of both municipal and school taxes. To be eligible for the rebate, farmland must either (1) consist of at least eleven acres or (2) yield $2,000 or more in gross income from farming operations.
Prince Edward Island	To be eligible farmland must be operated as a "farm enterprise" by a "bona fide farmer." A "farm enterprise" is (1) a farm operation of twenty acres owned and operated by a bona fide farmer for at least ten years; or (2) a farm operation whose previous years' gross sales were at least $2,500; or (3) a poultry, hog, greenhouse, or market garden enterprise, owned and operated by a bona fide farmer either for more than ten years or from which gross sales for the previous year were at least $10,000. A "bona fide farmer" is either (1) one who spends more than 50 percent of his working time on the farm and receives more farm income than nonfarm wages, or (2) a firm, corporation, or syndicate having at least one officer who receives more gross farm than nonfarm income and who spends more than 50 percent of his working time on the farm. The firm or corporation must be solely engaged in farming and/or processing produce from the land.
Quebec	Farmlands must either consist of at least ten acres or produce a gross revenue of $2,000 per annum.
Saskatchewan	No specific qualifications.