

Fiscal Estimate Narratives
DATCP 2/25/2010

LRB Number	09-3925/1	Introduction Number	AB-0743	Estimate Type	Original
Description Processing certain applications for farmland preservation agreements					

Assumptions Used in Arriving at Fiscal Estimate

This bill requires DATCP to process applications for farmland preservation agreements that were submitted before July 1, 2009, using the laws that were in effect before that date. The requirement that covered land be in an agricultural enterprise area would, therefore, not apply to these applications.

The department is aware of about 75 applications for farmland preservation agreements in the application period specified in the proposed bill. (There may be additional applications that were submitted to county clerks of which the department is not aware.) The majority of these applications have been through the farmland preservation agreement application process, but were not yet signed by the applicant prior July 1, 2009, the effective date of 2009 WI Act 28.

Completing these applications would require the department to do the following: confirm the applicant wishes to sign a farmland preservation agreement; process the applications; develop a farmland preservation agreement; obtain the applicant's and secretary's signatures; and deliver a copy of the agreement to the owner of record.

The department could perform these tasks with existing staff. Some applications may have tasks outstanding at the county level. The department assumes that affected counties would also be able to perform their tasks with existing county staff.

The bill would increase the amount of tax credits paid under the affected agreements. Statewide, the department currently has about 4,800 agreements covering about 660,000 acres. Tax credits vary by claimant (farmers under an agreement only are eligible for a lower tax credit than persons under zoning), but the average credit under an agreement is likely about \$600 per participant. The average annual tax credits in tax year 2008 (the last information DATCP has available) is about \$690 per participant.

Based on that estimate, if a total of 75 farms are eligible for an agreement and collect the tax credits, this would represent about \$45,000 per year in farmland preservation tax credits (income tax credits) paid by the Department of Revenue. The farmland preservation agreements are a minimum of 10 years and a maximum duration of 25 years in length, depending on the farmer's application. The Department of Revenue may have better information related to the tax credits involved with the proposed bill.

Tax credit costs do not affect DATCP, and are not reflected in the cover sheet for this estimate.

Long-Range Fiscal Implications

The amount of tax credits related to implementing the proposed bill, depending on the length of time for the agreements, could range between \$450,000 and \$1,125,000, depending on the duration of agreements applied for. Tax credit costs do not affect the department, and are not reflected in the cover sheet for this estimate.