Fiscal Estimate - 2023 Session

<table>
<thead>
<tr>
<th>LRB Number</th>
<th>23-0606/1</th>
<th>Introduction Number</th>
<th>AB-0133</th>
</tr>
</thead>
</table>

Description
farmland preservation agreements and tax credits

**Fiscal Effect**

**State:**
- ☐ No State Fiscal Effect
- ☐ Indeterminate
- ☒ Increase Existing Appropriations
- ☐ Increase Existing Revenues
- ☒ Decrease Existing Appropriations
- ☐ Decrease Existing Revenues
- ☒ Increase Costs - May be possible to absorb within agency's budget
  - ☒ Yes
  - ☐ No
- ☐ Decrease Costs

**Local:**
- ☐ No Local Government Costs
- ☐ Indeterminate

1. ☐ Increase Costs
   - ☐ Permissive
   - ☐ Mandatory
2. ☐ Decrease Costs
   - ☐ Permissive
   - ☐ Mandatory
3. ☐ Increase Revenue
   - ☐ Permissive
   - ☐ Mandatory
4. ☐ Decrease Revenue
   - ☐ Permissive
   - ☐ Mandatory

5. Types of Local Government Units Affected
   - ☐ Towns
   - ☐ Village
   - ☐ Cities
   - ☐ Counties
   - ☐ Others
   - ☐ School Districts
   - ☐ WTCS Districts

**Fund Sources Affected**
- ☒ GPR
- ☐ FED
- ☐ PRO
- ☐ PRS
- ☐ SEG
- ☐ SEGS 20.835(2)(do)

**Agency/Prepared By**

DOR/ Bradley Caruth (608) 261-8984

**Authorized Signature**

Michael Oakleaf (608) 261-5173

**Date**

4/3/2023
Fiscal Estimate Narratives
DOR 4/3/2023

<table>
<thead>
<tr>
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<tr>
<td>23-0606/1</td>
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Assumptions Used in Arriving at Fiscal Estimate

Under current law, the farmland preservation credit is available for owners of farmland that is located in a farmland preservation zoning district or covered under a farmland preservation agreement with the state.

- If the farmland IS located in farmland preservation zoning district AND subject to a farmland preservation agreement, the credit is equal to $10.00 per qualifying acre of farmland.

- If the farmland IS located in farmland preservation zoning district, BUT NOT subject to a farmland preservation agreement, the credit is equal to $7.50 per qualifying acre of farmland.

- If the farmland IS NOT located in farmland preservation zoning district, but IS subject to a farmland preservation agreement, the credit is equal to $5.00 per qualifying acre of farmland.

This bill increases the credit rates per acre beginning in 2020 and indexes them for inflation beginning in 2023. The $10.00 credit rate is increased to $12.50 per acre, while the other two credit rates are increased to $10.00 per acre. The bill also adds a new category of farmland that qualifies for a credit of $10.00 per acre. The new category of farmland is located in a farmland preservation area and covered by an agricultural conservation easement. An analysis by DATCP indicated that this new category was not expected to significantly increase the number of acres eligible for a farmland preservation credit.

The biennial budget proposal (2023 Assembly Bill 43) provides an estimated funding level of $16.4 million for the farmland preservation credit in FY24. Based on farmland preservation credit claims for tax year 2021, about 7.9% of claims were for the $10/acre credit, 89.8% of claims were for the $7.5/acre credit, and 2.4% were for the $5/acre credit. At the FY24 funding level, this suggests an allocation of approximately $1.29 million for the $10/acre credit, $14.72 million for the $7.5/acre credit, and $0.39 million for the $5/acre credit. If those credit rates increase to $12.5/acre, $10/acre, and $10/acre, respectively, the new amounts would be $1.61 million, $19.63 million, and $0.78 million respectively (current law credit x new rate / old rate). This reflects an overall increase in the credit of approximately $5.6 million in FY24.

The bill indexes the credit rates using the prices paid by farmers, as determined by the National Agricultural Statistics Service. If the adjustment would be negative, no adjustment is made for that year. Year over year changes from August 2013 to August 2022 have ranged from -4.0% to +12.4%. Indexing the credit at the average rate during that period (approximately 2.7%) would increase the credit by approximately $590,000 in FY25, accumulating over time (2.7% x ($16.4M + $5.6M)).

As the number of acres subject to farmland preservation agreements and the number of acres located within a farmland preservation zone change over time, the impact of the change in credit rates will also change over time.

Long-Range Fiscal Implications
# Fiscal Estimate Worksheet - 2023 Session

**Description**
farmland preservation agreements and tax credits

## I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

## II. Annualized Costs:

<table>
<thead>
<tr>
<th>Annualized Fiscal Impact on funds from:</th>
<th>Increased Costs</th>
<th>Decreased Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. State Costs by Category</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Operations - Salaries and Fringes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(FTE Position Changes)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Operations - Other Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Assistance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aids to Individuals or Organizations</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL State Costs by Category</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## B. State Costs by Source of Funds

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>GPR</th>
<th>FED</th>
<th>PRO/PRS</th>
<th>SEG/SEG-S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased Rev</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decreased Rev</td>
<td></td>
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</tr>
</tbody>
</table>

## III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>GPR Taxes</th>
<th>GPR Earned</th>
<th>FED</th>
<th>PRO/PRS</th>
<th>SEG/SEG-S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased Rev</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decreased Rev</td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL State Revenues</strong></td>
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</table>

**NET ANNUALIZED FISCAL IMPACT**

<table>
<thead>
<tr>
<th>NET CHANGE IN COSTS</th>
<th>$See Text</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET CHANGE IN REVENUE</td>
<td>$</td>
<td>$</td>
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### Date
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