

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-2210/1	Introduction Number SB-0134
Description farmland preservation agreements and tax credits	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.835(2)(do)	
Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Michael Oakleaf (608) 261-5173
Date 3/30/2023	

Fiscal Estimate Narratives

DOR 3/30/2023

LRB Number	23-2210/1	Introduction Number	SB-0134	Estimate Type	Original
Description farmland preservation agreements and tax credits					

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

Detailed Estimate of Annual Fiscal Effect

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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:		
	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$See Text	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		
Authorized Signature		Date
DOR/ Bradley Caruth (608) 261-8984		Michael Oakleaf (608) 261-5173
		3/30/2023