



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #575

### **Farmland Preservation Credit Reestimate (Shared Revenue and Tax Relief -- Property Tax Credits)**

[LFB 2017-19 Budget Summary: Page 416, #8]

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#### **CURRENT LAW**

The farmland preservation tax credit consists of two refundable income tax credits. The older tax credit, known as the pre-2010 credit, is provided to landowners with farmland preservation agreements entered into prior to 2009 Act 28. Pre-2010 credits are based on the claimant's income and property tax liability. The newer tax credit, known as the per-acre credit, is provided to landowners at \$10, \$7.50, or \$5 per acre, depending if the land is located in a farmland preservation zoning district (\$7.50), subject to a farmland preservation agreement (\$5), or both (\$10). Both farmland preservation zoning and farmland preservation agreements limit covered lands to agriculture-related uses, and eligibility for the credit requires compliance with state land and water conservation standards. Credits are paid from sum-sufficient appropriations of general purpose revenues (GPR).

#### **GOVERNOR**

Delete \$188,000 GPR in 2017-18 and \$268,000 GPR in 2018-19 to reestimate the pre-2010 farmland preservation tax credit. Further, delete \$850,000 GPR in 2017-18 and \$750,000 GPR in 2018-19 to reestimate the per-acre farmland preservation tax credit.

#### **MODIFICATION**

Reduce the pre-2010 credit by an additional \$215,000 GPR in 2017-18 and \$285,000 GPR in 2018-19. Further, increase bill estimates for the per-acre credit by \$800,000 GPR in 2017-18 and \$950,000 GPR in 2018-19.

**Explanation:** Pre-2010 credits were \$1,074,000 in 2015-16 and are budgeted at \$1,028,000 in 2016-17. The modification would reestimate credits at \$625,000 in 2017-18 and \$475,000

in 2018-19 to reflect the continuing expiration of farmland preservation agreements eligible for the pre-2010 credit.

Per-acre credits were \$18.4 million in 2015-16 and are budgeted at \$18.75 million in 2016-17. The modification would reestimate credits at \$18,700,000 in 2017-18 and \$18,950,000 in 2018-19 to reflect anticipated program trends and estimated claims. Per-acre claims are expected to decrease in the first year of the biennium due to new compliance requirements. It is expected claims in 2018-19 will resume growth consistent with historical trends.

	<b>Change to Base</b>	<b>Bill</b>
GPR	- \$806,000	\$1,250,000

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