Farmland Preservation and Tax Relief Credits

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Introduction

The farmland preservation program provides property tax relief to farmland owners and encourages local governments to develop farmland preservation policies. Relief is provided as a credit reducing income tax liability or as a cash refund if the credit exceeds income tax due. The credit formula is based on household income, the amount of property tax, and the type of land use provisions protecting the farmland (either a preservation agreement or exclusive agricultural zoning).

Tax credit payments are made from a sum sufficient, general fund appropriation. Claimants may receive a credit on up to $6,000 of property taxes. The maximum potential credit is $4,200. In 2001-02, credit payments totaled $16.8 million.

Except for agreement holders at the end of their contract, a penalty generally exists for owners of farmland if they choose to remove farmland from the program and convert their land to nonagricultural use. In this case, owners are usually subject to a rollback tax for credits received over the previous ten years.

The farmland tax relief credit is also a refundable credit that is provided through the state income tax system. The credit reimbursement rate for net property taxes levied on agricultural land only is established annually by the Department of Revenue (DOR). The maximum allowable credit is $1,500. This credit is not affected by an individual's income. Credit payments are made from a sum sufficient, lottery fund appropriation, except for 1999-00, when the credits were paid from a sum sufficient, general fund appropriation. In 2001-02, credit payments totaled $13.7 million.

The majority of this paper describes the more-involved farmland preservation tax credit. The first three sections of this paper provide a detailed description of the farmland preservation program, including the credit formula and eligibility criteria, land use provisions, and contract relinquishments, while the fourth and fifth sections describe program participation and expenditures and property tax relief under the program. The last two sections describe the farmland tax relief credit and examine program participation and expenditures under that program.

Farmland Preservation Program

Credit Formula and Eligibility Criteria

Tax Credit Computation

The farmland preservation credit received by eligible claimants depends on the interaction of household income and allowable property taxes and on the contract, zoning, or planning provisions that cover the land.

Household Income. Household income includes all income of the claimant and spouse and, for minor dependents, any income they earn on the claimant's farm. Income is broadly defined (see

Appendix I) to include net farm income; nonfarm wages of the claimant and spouse; tips and salaries; dividends; interest; pensions; public assistance; all nonfarm depreciation expenses and farm depreciation expenses over $25,000; certain tax preference items, such as excluded capital gains; and nonfarm business losses.

Property Taxes. Eligible property taxes include up to $6,000 of property taxes levied on the farmland and improvements, exclusive of special assessments, delinquent interest, and charges for service. A claimant must certify that all taxes owed on this property in the previous year have been paid. This requirement may not apply to claimants who choose to compute their credit using the law as it existed when they first signed a preservation agreement.

Formula. Although the tax credit formula is complex, the claimant refers to a table in order to determine the credit amount. The formula calculation is outlined in Table 1.

Step one of the formula determines the income factor, which can be interpreted as the amount of income that a household can afford to contribute to the payment of property taxes. By including higher percentages of income as income rises, an element of progressivity is introduced. In step two, the deduction of the income factor from eligible property taxes serves to determine what portion of the taxes are "excessive" for a claimant with a particular income level. Step three prorates the "excessive" property tax to determine the potential credit, which guarantees that claimants of all income levels continue to pay part of their property tax, with larger farms paying a higher percentage. Finally, step four adjusts the potential credit depending on the degree of land use restriction, with larger credits given for more restrictive conditions.

The degree of land use restriction and the associated percentage of the potential credit received by claimants vary by municipality. Appendix II lists the percentage of the potential credit available to a farmland owner by municipality for tax year 2002. Table 2 shows the calculation of a farmland preservation tax credit for a hypothetical claimant.

Application Requirements

The following eligibility conditions must be met for a farmland owner to qualify for a credit:

1. The farmland involved must:

a. consist of at least 35 contiguous acres;

b. produce gross farm profits of at least $6,000 in the preceding year or at least $18,000 in the three preceding years, unless at least 35 acres was enrolled in the federal conservation reserve program;

c. be devoted to agricultural use for at least 12 consecutive months during the preceding 36-month period; and

d. be covered by a farmland preservation agreement or be located in an exclusive agricultural zone.

Gross farm profits are defined as gross receipts from the farmland's agricultural activities, including payments from the federal dairy termination program and payments in-kind for placing land in federal programs, but excluding both rent and the initial cost of livestock or any other items bought and resold within the year.

Table 1: Calculation of the Farmland Preservation Tax Credit

Step 1: Calculate "income factor." The income factor is based on the following percentages of household income:

	Maximum Income Factor for Income Bracket	Cumulative Income Factor
0% of 1st $5,000 of household income	$0	$0
7% of 2nd $5,000 of household income	350	350
9% of 3rd $5,000 of household income	450	800
11% of 4th $5,000 of household income	550	1,350
17% of 5th $5,000 of household income	850	2,200
27% of 6th $5,000 of household income	1,350	3,550
37% of household income over $30,000	2,450	6,000

Step 2: Determine "excessive property tax."

Excessive Property Tax = Eligible Property Tax - Income Factor

The maximum eligible property tax which may be claimed is $6,000.

Step 3: Determine "potential credit." The potential credit equals:

90% of first $2,000 of excessive property tax plus 70% of next $2,000 of excessive property tax plus 50% of next $2,000 of excessive property tax

The maximum potential credit equals $4,200.

Step 4: Determine "actual credit."

The actual credit depends upon individual agreements and the zoning or planning actions taken by local government. The actual credit equals:

100% of the potential credit for farmland covered by county, city, village, or town zoning and a county preservation plan.

80% of the potential credit for farmland covered by a preservation agreement and a county preservation plan. Owners of farmland subject to a farmland preservation agreement have the option of calculating their credit based on the farmland credit law that existed on the effective date of the agreement.

70% of the potential credit for farmland covered by county, village, or city zoning without a county preservation plan.

10% of eligible property taxes if this amount is larger than the tax credit formula amount.

Table 2: Example Calculation of a Farmland Preservation Tax Credit

Example Claimant

Farm located in the Town of Hobart in Brown County
Household Income = $23,000
Property Taxes = $4,700

Formula	Example Claimant						
Step 1: Calculate "Income Factor"							
				Income		Income Factor	
0% of 1st $5,000 of household income		0%	x	$5,000	=	$0	
7% of 2nd $5,000 of household income		7	x	5,000	=	350	
9% of 3rd $5,000 of household income		9	x	5,000	=	450	
11% of 4th $5,000 of household income		11	x	5,000	=	550	
17% of 5th $5,000 of household income		17	x	3,000	=	510	
27% of 6th $5,000 of household income							
37% of household income over $30,000	TOTAL			$23,000		$1,860	
Step 2: Determine "Excessive Property Tax"							
Eligible Property Tax - Income Factor = Excessive Property Tax		$4,700	-	$1,860	=	$2,840	
Step 3: Determine "Potential Credit"							
Potential Credit equals:		90%	x	$2,000	=	$1,800	
90% of first $2,000 of excessive property tax		70	x	840	=	588	
plus 70% of next $2,000 of excessive property tax							
plus 50% of next $2,000 of excessive property tax	Potential Credit				=	$2,388	
Step 4: Determine "Actual Credit"							
Actual Credit equals:	Town of Hobart is covered by a county plan and town zoning. Therefore, the formula credit equals:						
100% of the potential credit if the farmland is covered by county, city, village, or town zoning and a county plan.		100%	x	$2,388	=	$2,388	
80% of the potential credit for farmland covered by a preservation agreement and a county plan.	The minimum credit equals:						
70% of the potential credit for farmland covered by county, village, or city zoning without a county preservation plan.		10%	x	$4,700	=	$470	
10% of eligible property taxes if this amount is larger than the tax credit formula amount.	$2,388 is greater than $470, so						
	Actual Credit				**=**	**$2,388**	

Agricultural use is defined as beekeeping; commercial feedlots; dairying; egg production; floriculture; fish or fur farming; forest and game management; grazing; livestock raising; orchards; plant greenhouses and nurseries; poultry raising; raising of grain, grass, mint, and seed crops; raising of fruits, nuts, and berries; sod farming; placing land in federal programs in return for payments in-kind; owning at least 35 acres of land enrolled in the federal conservation reserve program; participating in the federal milk production termination program; and vegetable raising.

2. The claimant:

a. may be an individual, legal guardian, partnership, corporation, trust, estate, or two or more persons holding an interest in the land;

b. must be a Wisconsin resident for the entire year for which the credit is claimed; and

c. may not receive a farmland preservation tax credit in a year in which a homestead tax credit is received (the claimant may receive both a farmland preservation tax credit and a farmland tax relief credit within the same year, but the sum of the two credits may not exceed 95% of the property taxes accrued on the farm).

An applicant must file a claim with the Department of Revenue in order to receive a credit. The due dates, extensions, late fees, penalties, interest charges, and time for filing amended claims and claims for refund for the farmland preservation tax credit are the same as for the individual income and corporate income and franchise taxes. Individual income tax returns are due three and one-half months after the end of the tax year and extensions are allowed for up to two months following the due date. Corporate income and franchise tax returns are due two and one-half months following the close of the tax year and extensions are allowed for up to six months. Claims for refunds of either tax may be filed up to four years after the unextended due date of the original return.

Land Use Provisions

Land use provisions are required to ensure that tax credits are paid only for farmland that local governments believe is important to preserve for agricultural use. They also ensure a long-term commitment to preserving individual parcels for agricultural use. The three land use provisions under the farmland preservation program are: (1) county farmland preservation plans; (2) individual preservation agreements; and (3) exclusive agricultural zoning. The level of tax credit varies depending on the land use policy in effect. In addition, all participants must comply with certain soil and water conservation standards.

Farmland Preservation Plans

In order for farmland owners to receive a credit under a preservation agreement, the county containing the farm must have a farmland preservation plan in place. Preservation plans include maps that identify farmland to be preserved, special environmental areas (such as wetlands), and transition areas suitable for future development. The county must also state its policies regarding farmland preservation, development, the provision of public services, and protection of environmental areas. The plan must contain a program of "specific public actions designed to preserve agricultural lands and guide urban growth." Only Milwaukee and Menominee counties have not adopted a county plan.

Under 1999 Act 9, local governments are required to develop comprehensive plans for development. The Act also specifies that, by January 1, 2010, all farmland preservation plans must be consistent with the comprehensive development plans. All town, village, city, and county zoning ordinances, including exclusive agricultural zoning, must also be consistent with these comprehensive development plans by that date.

Preservation Agreements

A preservation agreement is a contract between a farmland owner and the Department of Agriculture, Trade and Consumer Protection (DATCP) under which the owner agrees to maintain farmland in agricultural use. The farmland must be in a farmland preservation area under a county preservation plan before the owner can sign a contract.

Application. An eligible farmland owner files an application for a contract with the county clerk. This is followed by a period for review and comment by affected governments and agencies (for example, the county planning and zoning agency or county land conservation committee). The local governing body with zoning jurisdiction (generally the county board) must certify that the land is subject to the required planning provisions. The local governing body then approves or rejects the application.

If the local governing body approves the application, DATCP then enters into the contract if the land is eligible. If the local governing body rejects the application, the farmland owner can appeal to the Land and Water Conservation Board (LWCB). The LWCB consists of the secretaries of DATCP, Administration, and Natural Resources, three members of county land conservation committees, and five public members appointed by the Governor.

Contracts. Contracts are for 10 to 25 years for land in a preservation district and five to 20 years for farmland in a transition area under a county preservation plan. Contracts are not required for land located in an exclusive agricultural zone, but farmers with land in these areas can sign a contract.

Urban Counties. Before July, 1988, only farmland owners in rural counties (less than 100 residents per square mile) could enter into farmland preservation agreements. 1987 Wisconsin Act 399 allowed farmland owners in urban counties to participate in the farmland preservation program by signing a preservation agreement before June 30, 1991. During this period, no urban county or municipality was allowed to rescind its exclusive agricultural zoning ordinance.

Current Participation. At the end of 2001, there were approximately 7,500 farmers covered by farmland preservation agreements.

Exclusive Agricultural Zoning

Exclusive agricultural zoning ordinances designate certain lands for exclusive agricultural use, allowing the owners of such lands to claim a tax credit. In general, the procedures for adopting and administering exclusive agricultural zoning are identical to procedures for other types of zoning.

In nonurban counties, if a county adopts exclusive agricultural zoning, the town must also adopt it before it goes into effect. If a town adopts the county version, claimants receive 100% of the potential credit. Also, if the town adopts a different zoning plan or the town alone has a zoning plan, claimants receive 100% of the potential credit. In an urban county, towns must accept the application of a county's exclusive agricultural zoning unless a majority of the towns file resolutions disapproving it within six months of its adoption. In this case, the county zoning is rejected for all towns.

If a county simply amends an existing zoning ordinance to make the agricultural district provisions consistent with the standards for an exclusive agricultural zone (this method is more widely used), the amendment takes effect in each town (even in nonurban counties) unless that town board specifically rejects it.

The following minimum standards must be contained in an exclusive agricultural zoning ordinance:

1. Prior to January 1, 2001, the minimum parcel size for a residence or farm was 35 acres. However, 1999 Act 9 repealed this requirement and instead provides only that the ordinance specify a minimum lot size, effective January 1, 2001. For purposes of farm consolidation and if permitted by local regulation, farm residences or structures that existed prior to adoption of the ordinance may be separated from a larger farm parcel.

2. With some exceptions, the only residences that are allowed are those housing the owner, a person who (or family with one member who) earns the majority of his or her income from conducting the farming operations, or a parent or child of an owner who conducts or previously conducted the majority of farm operations.

3. No structures or improvements can be made on the land unless they are consistent with agricultural use.

4. Agricultural zones must be consistent with the county plan.

5. Special exceptions and conditional uses are limited to agricultural, religious, utility, institutional, and governmental uses, farm family business under certain restrictions, oil and natural gas exploration and drilling, and nonmetallic mineral extraction under a state- or locally-approved reclamation plan.

6. The ordinance must contain adequate provisions for its effective administration and enforcement.

Exclusive agricultural zoning ordinances have been adopted by 34 county governments. However, exclusive agricultural zoning exists in 12 other counties due to a town, village, or city zoning ordinance. A total of 439 municipalities are under exclusive agricultural zoning. Much of the acreage protected by these ordinances is concentrated in several south central and southeastern counties.

Of the nearly 21,000 farm owners currently claiming the farmland preservation credit, approximately three-fourths are under exclusive zoning. However, exclusive agricultural zoning applies to more than these farmers since some farmers subject to zoning choose to not participate in the farmland preservation program.

Soil and Water Conservation Standards

Farmland preservation participants must either comply with soil and water conservation standards (preservation agreements on or after July 1, 1986, and zoning participants) or be in "substantial accordance" with a soil and water conservation plan (preservation agreements before July 1, 1986). The soil and water conservation standards, which replaced the plans, are developed by the land conservation committee of the county board, following guidelines set by the state Land and Water Conservation Board. In 2001, 28 participants were rejected for not complying with these standards. (For additional information on soil and water conservation standards, see the Legislative Fiscal Bureau Informational Paper #63, entitled "Nonpoint Source Water Pollution Abatement and Soil Conservation Programs.")

Contract Relinquishments, Rezoning, and Rollback Provisions

DATCP must relinquish land from a farmland preservation agreement: (1) at a contract's termination date; (2) at the owner's request, after 10 years; (3) upon the owner's death or total and permanent disability; (4) for use as a site for a public electric generating plant or other public utility use; or (5) for use for state or federal public improvements or structures, including highway improvements. Contract relinquishment or release of part of the land is also allowed under certain other circumstances if agreed to by the owner, county board (or city, village, or town where applicable), and state.

Before a local government can approve a request for early termination or release, it must find that one of the following applies to the request: (1) it will allow the owner to resolve foreclosure or bankruptcy proceedings by a voluntary settlement with a mortgagee or creditor; (2) the natural physical conditions of the land have changed so it is no longer good for farming; (3) surrounding conditions prohibit agricultural use; (4) it would assist local economic development; or (5) it would allow land to be transferred and subsequently used for agriculturally-related, utility, religious, governmental, or institutional purposes that are consistent with agricultural use and that are found to be necessary in light of the alternative locations available for such uses.

For approval under (4) or (5), the local government must find that the proposed development or use meets the following conditions: (a) there are adequate public facilities to serve it, unless provided as part of the development; (b) the land is suitable for it; (c) it will not cause excessive air or water pollution or soil erosion, adversely affect rare or irreplaceable natural areas, or otherwise harm the environment; (d) it is consistent with remaining agricultural uses in the area; (e) it is consistent with any existing county agricultural preservation plan; (f) it is not for residential use; (g) it is consistent with local economic development plans; and (h) there is no suitable alternative location for it.

In addition to these mandatory conditions, the local government must consider the following factors: (a) the agricultural productivity of the land; (b) whether the amount of agricultural land converted to nonagricultural uses would be minimized; (c) the relative economic costs and benefits of developing the land and leaving it in agricultural use; and (d) the cost and ability of affected local governments to provide public facilities.

Rezoning

Land subject to an exclusive agricultural zoning ordinance can be rezoned if a petition is made to the local governing body. A finding must be made that the following conditions are met before a petition can be approved: (1) adequate public facilities to accommodate development either exist or will be provided within a reasonable time; (2) provision of these facilities will not place an unreasonable burden on the affected local units of government; and (3) the land proposed for rezoning is suitable for development and this development will not result in undue water or air pollution, cause unreasonable soil erosion, or have an unreasonably adverse effect on rare or irreplaceable natural areas.

Rollback Tax

Early cancellation of a contract, early release of land, or rezoning of eligible agricultural land result in the assessment of a rollback tax against the land. A rollback tax is not assessed if an agreement holder, who has fulfilled all terms of the contract, does not renew the contract at the termination date, dies, or becomes totally and permanently disabled. The rollback tax equals the amount of tax credits received in the last 10 years on the farmland taken out of agricultural use. If a tax is imposed, a lien is attached to the property for the amount of the tax and any interest.

The rollback tax does not have to be paid until some part of the land is sold or converted to a use prohibited by the contract or zoning ordinance. The owner can choose to pay the tax earlier. A lien filed on land for which a preservation agreement has expired does not have to be discharged or paid at the time of sale if the land is sold to the owner's child and it remains in agricultural use. A lien filed on land for which an initial preservation agreement expired is discharged if the land is zoned for exclusive agricultural use. Also, a lien may be waived when, for purposes of farm consolidation, a building located on a parcel of five acres or less, which existed before the land was enrolled in the farmland preservation program, is separated from a farm protected by the program.

Table 3 summarizes the various rollback tax and interest provisions that apply to relinquishment of contracts or rezoning of land under the permanent farmland preservation program.

Program Participation and Expenditures

The farmland preservation tax credit is funded through a sum sufficient appropriation from the state's general fund. The amount expended for credit payments for each fiscal year since 1992-93 is listed in Table 4.

Table 5 shows the number of claims and total and average tax credits for non-corporate claimants by tax year. The average credit and total expenditures increased slightly each year between 1992 and 1994. In 1995, the reduction in total credits can be partially attributed to an increase in average household income and a decline in average property taxes for claimants, as well as a decline in the number of claimants receiving a

Table 3: Rollback Tax Provisions Under the Farmland Preservation Program When a Contract is Relinquished, Land is Rezoned, or Land is Released Under Permanent Program Provisions

Situation	Rollback Tax	Interest Charges
Regular or Transition Contract Expires (No New Contract Signed)		
1. Within Exclusive Agricultural Zone	None	None
2. Outside of Exclusive Agricultural Zone		
a. Fulfilled All Terms of Agreement	None	None
b. Did Not Fulfill Terms of Agreement	Last 10 years of tax credits	6% interest from contract expiration date
Early Contract Cancellation (or Early Release of Land)		
1. Within Exclusive Agricultural Zone	None	None
2. Outside of Exclusive Agricultural Zone		
a. Death or Total & Permanent Disability	None	None
b. Owner's Request Using 10-Year Rule	Last 10 years of tax credits	9.3% interest from credit receipt
c. Economic Hardship, Local Economic Development, or Public Purpose	Last 10 years of tax credits	6% interest from credit receipt
Land Rezoned Out of Exclusive Agricultural Zone	Last 10 years of tax credits	6% interest from payback calculation date

Table 4: Farmland Preservation Tax Credits by Fiscal Year

Fiscal Year	Total Amount of Claims
1992-93	$29,114,200
1993-94	29,868,400
1994-95	31,448,900
1995-96	28,402,100
1996-97	22,672,900
1997-98	19,995,000
1998-99	18,108,300
1999-00	18,497,000
2000-01	17,358,000
2001-02	16,800,000

Table 5: Farmland Preservation Program Participation by Tax Year*

Tax Year	Number of Claims	Total Amount of Credits	Average Tax Credit
1992	23,239	$27,259,300	$1,173
1993	23,029	28,579,000	1,241
1994	23,432	30,344,400	1,295
1995	22,689	27,453,700	1,210
1996	22,137	22,114,900	999
1997	21,531	19,571,700	909
1998	21,521	17,475,100	812
1999	21,628	17,821,500	824
2000	20,918	16,880,800	807
2001	20,490	16,351,000	798

* Excludes corporate claims.

credit. In 1996, credits declined significantly due to the assumption of two-thirds funding of partial school revenues by the state and as a result of the state's use value assessment law. Under the use value assessment law, for tax years 1996 and 1997, agricultural land values remained at their 1995 levels. In 1998, use value assessment began to be phased-in. However, under a DOR emergency rule, use value assessment was fully implemented for property taxes levied in 2000 (payable in 2001), which again has had a downward impact on agricultural property taxes and consequently a downward impact on the credits.

Property Tax Relief Under the Farmland Preservation Program

Table 6 shows average property taxes and tax credits, by household income, for the 2001 tax year. The amounts shown are based on aggregate data reported by the Department of Revenue.

The average tax credit tends to decline as household income increases. Farm households with negative or no household income (depreciation or other expenses exceeding current income) received the largest tax credits. Farm households with the highest incomes received the lowest tax credits. The percentage of claimants in this category has increased from 16.5% for 1986 credits to 57.7% for 2001 credits.

In general, the percentage of property taxes offset by the tax credit decreases as household income increases. This demonstrates the "circuit breaker" effect of the farmland tax credit formula. As property taxes consume a greater share of household income the formula grants relief from these "excess taxes."

Distribution By Type of Credit

After claimants calculate the potential credit, the type of land protection determines the final credit. Table 7 shows the tax credit distribution by type of credit claimed on 2001 taxes.

Approximately 71.2% of all claimants received the 10% minimum credit available to higher-income households. The average percent of property taxes offset by the credit for this group (9.0%) is less than 10% due to some claimants having property taxes in excess of the maximum eligible property tax ($6,000). Due to the lower credit level, this group received only 29.7% of the total credits distributed.

The tax year 2001 farmland preservation tax credit averaged 21.2% of property taxes, but if

Table 6: Farmland Preservation Tax Credit Characteristics of Individual Claimants by Household Income -- Tax Year 2001*

Household Income	Number of Claimants	Percent of Claimants	Average Property Tax	Average Credit	Average Credit as a % of Average Property Tax
Zero or Less	573	2.8%	$4,198	$2,681	63.9%
$1 to $4,999	530	2.6	3,202	1,786	55.8
$5,000 to $9,999	670	3.3	3,164	2,163	68.4
$10,000 to $14,999	1,030	5.0	3,308	1,966	59.4
$15,000 to $19,999	1,274	6.2	3,470	1,743	50.2
$20,000 to $24,999	1,515	7.4	3,409	1,288	37.8
$25,000 to $29,999	1,615	7.9	3,547	833	23.5
$30,000 to $34,999	1,461	7.1	3,509	447	12.7
$35,000 and over	11,822	57.7	3,973	357	9.0
Total / Average	20,490	100.0%	$3,760	$798	21.2%

*Excludes corporate claims.

Table 7: Farmland Preservation Tax Credit Characteristics of Individual Claimants by Type of Credit – Tax Year 2001*

Group	Credit Type	Number of Claims	Percent of Total	Average Household Income	Average Property Tax	Average Tax Credit	Average % of Property Taxes Offset by Credit
I	County, village, city, or town zoning with a plan (100%)**	4,661	22.7%	$15,956	$3,904	$1,994	51.1%
II	Preservation agreement with a plan (80%)**	889	4.3	15,209	4,130	1,789	43.3
III	County, city, or village zoning without a plan (City of Franklin) or a prior law agreement (70%)**	139	0.7	15,019	3,933	1,490	37.9
IV	Multiple township	218	1.1	20,683	4,068	1,812	44.5
V	Minimum credit (10% of property taxes)	14,583	71.2	71,000	3,685	333	9.0
	Total / Average	20,490	100.0%	$55,198	$3,760	$798	21.2%
	Total / Average excluding 10% minimum credit	5,907	28.8%	$15,992	$3,944	$1,945	49.3%

*Excludes corporate claims.
**Excludes 10% minimum credit claims.

minimum credit claimants are excluded, all other claimants received credits that averaged 49.3% of property taxes. Average household income for all individual claimants was $55,198 , but was $71,000 for minimum credit recipients and only $15,992 for all other claimants.

Farmland Tax Relief Credit

Program Description

The farmland tax relief credit was created in the 1989-91 budget. 1999 Act 5 modified the credit by replacing the previous credit reimbursement rate, which equaled 10% of the first $10,000 in property taxes. Under the modification, the reimbursement rate on the first $10,000 in property taxes is to be determined annually by DOR at a rate that will distribute the funds available for credit payments in that year, which was set at $15 million for claims filed for tax year 1999. For each year thereafter, annual credit payments are to total $15 million plus an amount (which can be positive or negative) equal to the amount estimated to be expended in the previous year minus the actual expenditures for the credit in the previous year. For tax year 2001, DOR established the reimbursement rate at 13% of the first $10,000 in property taxes. For tax year 2002, with $18,487,400 available for distribution, DOR established the credit reimbursement rate at 30% of the first $10,000 in property taxes. Act 5 also increased the maximum allowable credit from $1,000 to $1,500.

The credit is not affected by the owner's income. Taxes levied on improvements, such as buildings, are not eligible for the credit. Also, eligible property taxes cannot include the part of the gross tax levied that is paid by the state's school levy tax credit. The credit can be claimed against individual and corporate income taxes. If the credit exceeds income taxes due, a refund is provided.

The sum of the farmland tax relief credit and any farmland preservation tax credit cannot exceed 95% of the total property tax amount. An individual farm owner could receive both a homestead tax credit and a farmland tax relief credit. However, a farmer could not receive both a farmland preservation and homestead tax credit.

The acreage and production requirements for participation in this program are the same as those for the farmland preservation tax credit. Under these requirements, a claimant must own at least 35 acres of state farmland that produced gross farm profits of at least $6,000 in the preceding year or at least $18,000 in the three preceding years, unless at least 35 acres was enrolled in the federal conservation reserve program. A claimant must also be an owner of farmland who was domiciled in Wisconsin for the full year.

In addition to individual owners, the credit is available to: (a) corporations incorporated in this state; (b) partnerships or associations of two or more persons having a joint interest in the land; (c) the personal representative of an estate of a person who was a Wisconsin resident at the time of death; (d) the trustee of a trust, unless the trust was created by a nonresident, received its farmland from a nonresident, or had a beneficial interest in the trust retained by a nonresident; (e) the buyer, if the land was sold under a land contract; and (f) the guardian for a ward who owns the land.

Program Participation and Expenditures

The farmland tax relief credits are funded from a sum sufficient appropriation from the segregated lottery fund, except for 1999-00, when the credit was funded from general fund revenues. The total amount of credits claimed each fiscal year since 1992-93 is listed in Table 8.

Table 8: Farmland Tax Relief Credit by Fiscal Year

Fiscal Year	Total Amount of Credits
1992-93	$15,410,300
1993-94	15,865,900
1994-95	15,547,600
1995-96	15,141,300
1996-97	12,939,200
1997-98	10,701,900
1998-99	11,218,200
1999-00	16,019,700
2000-01	11,748,000
2001-02	13,744,600

Table 9 shows the number of claims and the total and average tax credits for noncorporate claims, by tax year, since 1992. Since 1993, the highest year for claimants in the credit's history, the number of farmland tax relief credit claimants has decreased each year.

The lower credit levels from 1996 through 1998 reflect the assumption of two-thirds funding of partial school revenues by the state, which resulted in a decrease in statewide property tax levies in 1996(97), the implementation of a two-year freeze in agricultural land values, and transition to use value assessment of agricultural land. In 1999, because the funding level for the credit and the credit reimbursement rate were increased under the 1999 Act 5 program changes, credit payments and the average credit also increased.

In recent years, the credit levels have remained lower than 1999 levels, primarily due to lower property rates resulting from the full implementation of use value assessment of agricultural land. However, because the program has underspent the expected total credit amount in recent years, under the program changes enacted under Act 5, the expected appropriation level of the credit and the percentage of property taxes reimbursed through the credit will be increased for tax year 2002. This will likely increase the total and average tax credit amounts.

Table 9: Farmland Tax Relief Credit Program Participation by Tax Year*

Tax Year	Number of Claims	Total Amount of Credits	Average Tax Credit
1992	59,200	$14,683,034	$248
1993	59,222	14,914,088	252
1994	58,869	14,538,177	247
1995	58,318	14,238,600	244
1996	57,371	12,065,436	210
1997	56,689	10,379,300	183
1998	55,687	10,598,780	190
1999	55,181	15,017,361	272
2000	55,119	10,937,285	198
2001	54,404	13,005,971	239

*Excludes corporate claims.

APPENDIX I

Sources of Income Included in "Household Income" Under the Farmland Preservation Tax Credit Program

Household income includes all income of the claimant and the claimant's spouse and, for minor dependents, any income they earn on the claimant's farm. Household income includes income from the following sources:

- sum of Wisconsin adjusted gross income
- maintenance payments (except foster care maintenance and supplementary payments excludable under s. 131 of the internal revenue code)
- support money
- cash public assistance and cash benefits paid under county relief programs
- gross amount of any pension or annuity
- railroad retirement benefits
- social security payments
- veterans disability pensions
- nontaxable interest received on federal, state, or municipal bonds
- worker's compensation
- unemployment compensation
- gross amount of "loss of time" insurance
- compensation and other cash benefits received from the United States for past or present services in the armed forces
- scholarship and fellowship gifts or income
- capital gains
- gain on the sale of a personal residence excluded under s. 121 of the internal revenue code
- dividends
- income of a nonresident or part-year resident who is married to a full-year resident
- housing allowances provided to members of the clergy
- amount by which a resident manager's rent is reduced
- nontaxable income of an American Indian
- nontaxable income from sources outside this state
- nontaxable deferred compensation
- intangible drilling costs
- depletion allowances and depreciation (excluding first-year depreciation allowances)
- amortization
- contributions to individual retirement accounts
- contributions to Keogh plans
- capital loss carry-forwards deducted in determining Wisconsin adjusted gross income
- nonfarm business losses
- payments received under s. 46.27 of the statutes (long-term support community options program)
- all farm depreciation over $25,000

APPENDIX II

Farmland Preservation Tax Credit Levels for the 2002 Tax Year

NOTE: Landowners in all counties (except for Milwaukee and Menominee counties) are now eligible to claim at the 80% tax credit level if they have a long-term agreement. All claimants are eligible for a minimum credit equal to 10% of up to $6,000 of property taxes if the minimum credit is greater than the formula amount.

County	Date County Plan Certified	Tax Credit Level
Adams	1981	100% Towns of Adams, Dell Prairie, Easton, Jackson, Lincoln, New Chester, New Haven, Preston, Richfield and Springville 80% Others, with a long-term agreement.
Ashland	1982	80% With a long-term agreement.
Barron	1979	100% Towns of Almena, Barron, Crystal Lake, Cumberland, Dallas, Maple Grove, Maple Plain, Oak Grove, Prairie Lake, Rice Lake, Stanford, Stanley, Sumner and Turtle Lake; Cities of Barron, Barron Extraterritorial and Rice Lake Extraterritorial 80% Others, with a long-term agreement.
Bayfield	1982	80% With a long-term agreement.
Brown	1985	100% Villages of Howard and Wrightstown; Towns of Bellevue, De Pere, Eaton, Glenmore, Green Bay, Hobart, Holland, Humboldt, Lawrence, Morrison, New Denmark, Pittsfield, Rockland, Scott, Suamico and Wrightstown 80% Others, with a long-term agreement.
Buffalo	1980	80% With a long-term agreement.
Burnett	1982	100% Towns of Anderson, Dewey, Rusk, Swiss and Trade Lake 80% Others, with a long-term agreement.

County	Date County Plan Certified	Tax Credit Level
Calumet	1980	100% Towns of Brillion, Charlestown, Rantoul and Woodville 80% Others, with a long-term agreement.
Chippewa	1984	80% With a long-term agreement.
Clark	1986	100% Town of Colby 80% Others, with a long-term agreement.
Columbia	1978	100% All towns except Pacific, Randolph and Scott; Village of Doylestown 80% Others, with a long-term agreement.
Crawford	1981	100% Village of Soldiers Grove; Towns of Haney and Utica 80% Others, with a long-term agreement.
Dane	1981 (Revised 1996)	100% All towns except Bristol, Burke, Middleton and Springdale; Village of Dane and Cities of Fitchburg Extraterritorial and Sun Prairie Extraterritorial 80% Others, with a long-term agreement.
Dodge	1980 (Revised 2002)	100% Towns of Burnett, Calamus, Elba, LeRoy, Lomira, Oak Grove, Portland, Shields, Theresa, Trenton and Williamstown 80% Others, with a long-term agreement.

APPENDIX II (continued)

County	Date County Plan Certified	Tax Credit Level	County	Date County Plan Certified	Tax Credit Level
Door	1982	100% Town of Clay Banks 80% Others, with a long-term agreement.	Iowa	1980	100% All 14 towns, City of Mineral Point and Village of Highland 80% Others, with a long-term agreement.
Douglas	1982	80% With a long-term agreement.	Iron	1983	80% With a long-term agreement.
Dunn	1981	100% Towns of Grant, Lucas and Wilson 80% Others, with a long-term agreement.	Jackson	1986	80% With a long-term agreement.
Eau Claire	1983	100% Towns of Brunswick, Clear Creek, Drammen, Lincoln, Otter Creek, Pleasant Valley, Seymour and Washington; Village of Fall Creek 80% Others, with a long-term agreement.	Jefferson	1978 (Revised 2001)	100% All towns and City of Lake Mills 80% Others, with a long-term agreement.
Florence	1983	80% With a long-term agreement.	Juneau	1979	80% With a long-term agreement.
Fond du Lac	1981	100% City of Fond du Lac; Villages of St. Cloud and Oakfield; All towns 80% Others, with a long-term agreement.	Kenosha	1982	100% Towns of Brighton, Bristol, Paris, Randall, Salem, Somers and Wheatland; Village of Pleasant Prairie 80% Others, with a long-term agreement.
Forest	1983	80% With a long-term agreement.	Kewaunee	1982	100% Village of Luxemburg; All 10 towns 80% Others, with a long-term agreement.
Grant	1982	100% Towns of Clifton, Ellenboro, Fennimore, Hickory Grove, Jamestown, Liberty, Lima, Millville, Mt. Ida, Paris, Platteville, Potosi, South Lancaster, Watterstown and Wingville; City of Platteville Extraterritorial 80% Others, with a long-term agreement.	La Crosse	1980	100% All towns except Campbell and Medary; City of La Crosse 80% Others, with a long-term agreement.
Green	1981	80% With a long-term agreement.	Lafayette	1980	100% Towns of Argyle, Belmont, Fayette, Gratiot, Kendall, Lamont, Monticello, Shullsburg, Wayne and Wiota 80% Others, with a long-term agreement.
Green Lake	1983	100% City of Berlin Extraterritorial; Towns of Berlin, Brooklyn, Green Lake, Mackford, Manchester and Marquette 80% Others, with a long-term agreement.	Langlade	1982	100% Towns of Ackley, Antigo, Elcho, Neva, Norwood, Parrish, Peck, Polar, Rolling, Vilas and Wolf River 80% Others, with a long-term agreement.

APPENDIX II (continued)

County	Date County Plan Certified	Tax Credit Level
Lincoln	1983	80% With a long-term agreement.
Manitowoc	1981	100% Towns of Cato, Centerville, Cooperstown, Eaton, Franklin, Gibson, Liberty, Manitowoc, Manitowoc Rapids, Maple Grove, Meeme, Mishicot, Newton, Rockland, Two Creeks and Two Rivers 80% Others, with a long-term agreement.
Marathon	1982	100% Towns of Brighton, Day, Eau Pleine, Hull, Marathon, McMillan, Mosinee and Stettin 80% Others, with a long-term agreement.
Marinette	1981	80% With a long-term agreement.
Marquette	1982	100% Towns of Moundville, Neshkoro, Newton, Packwaukee and Westfield 80% Others, with a long-term agreement.
Milwaukee	NA	70% City of Franklin
Monroe	1982	80% With a long-term agreement.
Oconto	1985	80% With a long-term agreement.
Oneida	1983	80% With a long-term agreement.

County	Date County Plan Certified	Tax Credit Level
Outagamie	1982	100% City of Seymour Extraterritorial; Towns of Black Creek, Cicero, Deer Creek, Hortonia, Kaukauna, Maple Creek and Seymour 80% Others, with a long-term agreement.
Ozaukee	1983	100% All towns 80% Others, with a long-term agreement.
Pepin	1979	80% With a long-term agreement.
Pierce	1982	100% City of River Falls Extraterritorial; Towns of River Falls and Salem 80% Others, with a long-term agreement.
Polk	1979	100% Towns of Alden and McKinley 80% Others, with a long-term agreement.
Portage	1985	100% Towns of Almond, Buena Vista, Carson, Eau Pleine, New Hope, Plover and Sharon 80% Others, with a long-term agreement.
Price	1983	80% With a long-term agreement.
Racine	1982	100% Towns of Burlington and Waterford 80% Others, with a long-term agreement.
Richland	1981	100% City of Richland Center Extraterritorial; Towns of Akan, Buena Vista, Dayton, Eagle, Forest, Henrietta, Marshall, Orion, Richland, Westford and Willow; Town of Ithaca 80% Others, with a long-term agreement.

APPENDIX II (continued)

County	Date County Plan Certified	Tax Credit Level
Rock	1979	100% Cities of Edgerton Extraterritorial, Evansville Extraterritorial and Milton Extraterritorial; All 20 towns 80% Others, with a long-term agreement.
Rusk	1983	80% With a long-term agreement.
St. Croix	1980	100% Towns of Baldwin, Cylon, Erin Prairie, Pleasant Valley, Rush River, St. Joseph, Somerset, Stanton, Star Prairie and Troy; City of River Falls Extraterritorial 80% Others, with a long-term agreement.
Sauk	1979	100% Towns of Franklin, Honey Creek, Ironton, Prairie du Sac, Reedsburg, Sumpter, Troy and Westfield; Villages of Sauk City Extraterritorial, Prairie du Sac Extraterritorial and Spring Green Extraterritorial 80% Others, with a long-term agreement.
Sawyer	1982	80% With a long-term agreement.
Shawano	1982	100% Towns of Aniwa, Fairbanks, Grant, Hartland, Maple Grove, Navarino and Washington 80% Others, with a long-term agreement.
Sheboygan	1979	100% Villages of Cedar Grove and Glenbeulah; All towns except Mitchell and Sheboygan 80% Others, with a long-term agreement.
Taylor	1981	80% With a long-term agreement.
Trempealeau	1980	80% With a long-term agreement.
Vernon	1981	100% Towns of Coon and Harmony 80% Others, with a long-term agreement.

County	Date County Plan Certified	Tax Credit Level
Vilas	1984	80% With a long-term agreement.
Walworth	1978	100% All 16 towns; City of Elkhorn Extraterritorial 80% Others, with a long-term agreement.
Washburn	1982	80% With a long-term agreement.
Washington	1981	100% Village of Germantown; Towns of Barton, Hartford, Kewaskum, Richfield and Trenton 80% Others, with a long-term agreement.
Waukesha	1984	100% Towns of Eagle, Mukwonago, Oconomowoc, Ottawa and Pewaukee; City of Muskego 80% Others, with a long-term agreement.
Waupaca	1981	80% With a long-term agreement.
Waushara	1981	80% With a long-term agreement.
Winnebago	1982	100% Towns of Clayton, Neenah, Nekimi, Utica, Vinland, Winchester and Wolf River 80% Others, with a long-term agreement.
Wood	1984	80% With a long-term agreement.