

# Essex County Conservation Alliance

## Land Use Taxes on Farms, Forestry and Open Space

### **\* THE FACTS \***

- 1. Land in farms, forest and open space, even in Land Use, produces more net revenue for the County than residential properties.**

**How can this be true?** Because the cost of county services for residential properties is greater, often **much greater**, than the tax revenue they generate. The opposite is true for farmland, forests and open space land which produce a substantial tax revenue **surplus** to the county. Residential properties require county expenditures for schools, police protection, fire and rescue teams, road maintenance, and a variety of social services which have to be budgeted and maintained. Farmland, forests and open space land typically require minimal, if any, county services.

- 2. What's the net difference? A lot! 65¢ out of every \$1.00.**

For every \$1.00 in real estate tax revenue that agricultural lands produce, the median cost to counties is 35¢ in services according to an American Farmland Trust (AFT) study, a **surplus** of 65 cents. Compare that to a median cost in services of \$1.16 for every \$1.00 residential properties bring in. Another study in Albemarle County showed the net difference to be even greater. The Albemarle study showed that for every \$1.00 in tax revenue, residential properties cost the county \$1.41, whereas the cost of services to agricultural land was only 20 cents, a revenue **surplus** of 80 cents.

- 3. What are other benefits to maintaining farms, forests and open space?**

In addition to providing a reliable net revenue stream to the County, Essex's farms, forests and open space lands improve air quality, maintain tree canopy, provide soil stability, impede storm water runoff, and provide wildlife habitat. Agriculture and forestry operations are the primary economic engines of our County. Together they comprise our State's largest industry, with an economic impact estimated to be 91 billion dollars, and on a state-wide basis provide approximately 450,000 jobs to Virginia's residents.

- 4. What about local jobs? Lots! In addition to the farm and forest owners, there are:**

Farm equipment dealerships, crop production suppliers, farm service companies, crop storage facilities, machine shops, mechanics, truck drivers, extension agents, farm laborers, timber consultants, lumber companies and tree cutting crews. A 2017 report produced for Virginia's Secretary of Agriculture by the Weldon Cooper Center for Public Service concluded that every job in agriculture and forestry supports another 1.7 jobs in our state's economy. In a rural county such as Essex, the number of farm and forestry related jobs is likely to be even greater.

**5. Are there other benefits? Yes!**

Conserving natural resources, cultural and historic sites, landmarks and scenic vistas is vitally important to tourism, which is a growing industry in Virginia and is becoming increasingly important as a revenue source to rural counties. The Weldon Cooper report emphasized this point noting that "Virginia agritourism and forest recreation account for millions of visitors and billions of dollars of tourism-related spending" which is essential to the economic health of the Commonwealth's rural counties.

**6. Do farm and forest owners pay the same tax rate for their residences as other taxpayers? Yes!**

They pay the **same** tax rate for their residences, and the surrounding curtilage acres that support their residences, as any other property owner. Land use taxation only applies to the actual farm, forest, and open space acreage. Farm and forest owners are also taxed at the **same** personal property rate as other taxpayers.

**7. Would the elimination of Land Use Taxation be in the best interests of Essex County and its residents? No!**

Land use taxation is a policy authorized by Virginia's legislature in 1974 to foster "the **preservation** of real estate for agricultural, horticultural, forest and open space use in the public interest." It was adopted by Essex's Board of Supervisors in recognition of the economic importance of agriculture and forestry to the County, and to help sustain the County's rural and scenic characteristics and quality of life benefits of Essex residents.

Essex's land use policy is not unique or unusual. Land use taxation has been adopted by 69 counties in Virginia, including all the counties which border the Rappahannock. All 50 states have some form of land use programs that are designed to reduce the assessment values of farmland to its value for agricultural use. When viewed objectively, land use taxation is not only fair but totally consistent with the long-term goals of a rural county that relies heavily on its agriculture and forestry operations.

## **8. What are the consequences of eliminating land use taxation?**

The short answer is a predictable acceleration in the loss of productive farm and forest acreage as some land owners look for ways to convert or sell their acreage for another use. In most cases, the alternative use of the acreage is likely to be one that requires costly county services of a recurring nature, for example residential housing or trailers, which would eliminate any property tax surplus currently received by the County. Virginia, and Essex County, in particular, are already experiencing an alarming loss of farm and forest acreage. Adding to the financial burden which many owners of agricultural land are currently shouldering by increasing their property taxes makes no economic sense.

Critics of land use taxation should understand that the owners of farmland who pay the property tax are often families who own relatively small tracts of acreage which they lease to a farm operator. The rent these families receive, which is typically \$70 to \$80 an acre, is the only income they earn from their land.

Farming and forestry operations have always been high risk businesses in which market conditions and weather patterns are unpredictable. However, this is particularly true today due to extreme weather conditions and volatile tariff negotiations that have altered the availability of markets and materially impacted the prices of farm and forestry products. These are conditions which are clearly beyond the control of local owners of farms and forests and the farm operators who lease acreage from the owners.

Essex's land use taxation policy should not be a political football to be tossed around whenever there is a Board of Supervisors election. To abandon land use taxation as a perceived quick-fix to address our County's current financial needs, which farms and forests have not caused and which they help alleviate, would be a short-sighted and foolish decision with long-term negative consequences.

\*\*\*\*\*

Land use taxation is a policy rooted in the recognition that farming and forestry are essential to the economic health of rural counties and to the quality of life all residents of the county enjoy. Land use taxation is entirely consistent with a rural county's goal of conserving its rural lands, scenic landscapes and natural resources for the benefit of all citizens of the county.

For a fuller discussion of the benefits of preserving farms, forests and open spaces, go to the website for ECCA's July 16, 2019 paper, "The Need to Reaffirm Conservation Priorities."

