

CAUV: Comments from County Farmland Preservation Plans, 2000

The following are comments taken from reports from the 2000 County Farmland Preservation Plans submitted to the Ohio Department of Development and the Ohio Department of Agriculture. The intent is to learn what the reports included with an emphasis on the recommendations. All county reports were not available, but relevant comments are included from those reports that were reviewed. Prepared by Allen Prindle, March 2001. Please feel free to address any questions or comments to him at 614-823-1481 or AMPrindle@otterbein.edu.

The Ohio CAUV (Current Agricultural Use Valuation) Program allows agricultural land owners to reduce their real estate property taxes if they meet the eligibility requirements of 10 acres minimum or annual agricultural sales of more than \$2500. If the property is not eligible (for example a home is built there), a recoupment fee, equal to three years of tax savings, is paid. Following the completion of the Ohio Farmland Preservation Task Force, there were proposed legislative changes related to CAUV program. These proposals included increasing the minimum acreage for eligibility and extending the recoupment period.

- **Auglaize County:** For the past 12 years, Auglaize County has seen an average of 606 acres of land per year taken out of CAUV and converted into development.
- **Champaign County:** Report indicates the land in CAUV exceeds the amount of land-in-farms by 17,000 acres. 996 parcels out of 4,765 in the CAUV program are less than 10 acres in size (21%). The number of parcels 10 to 20 acres in 1998 was 649 (14%). About 19% of the parcels were over 20 acres and less than 40 acres. The remaining 54% was more than 40 acres. Number of parcels and number of acres in CAUV declined from 1995 to 1998. Recommendation includes “lobby for current state legislation to remove five acre exemption, raise CAUV acre requirements, and tie benefit programs to areas in voluntary Ag Security Districts.”
- **Clark County:** Question: “Is use of CAUV within the county working to keep land in agricultural use, or to lower the holding costs for eventual conversion to suburban development?” Response: Analysis of existing data does not currently indicate extensive use of CAUV for pre-development assembly purposes. The amount of acreage shown as land-in-farms is relatively proportional to that shown in CAUV. However, there is growing indication that CAUV is being used to reduce the costs of development on 5 to 10 acres size residential lots. For example, in German Township, residential development absorbed 238 acres in the last four years, while only 59 acres were removed from CAUV roles. Similarly in Pleasant Township, new development absorbed approximately 400 acres while CAUV roles declined by only 266 acres. This trend supports the concern that the Committee has over the 5 acre subdivision exemption, and poses future cost of services problems in areas where it is being heavily utilized. Overall, however the 5 acre development format does not currently represent an increased problem as the number has remained constant (at approx 65 per year) over the last four years. Support efforts at the State level to increase CAUV minimums... Farmers were supportive of concepts such as minor subdivision reform, limits on development, stricter CAUV compliance; ...CAUV was discussed as not being a program that was appropriately monitored. Five acre residential lots should not be keeping these exemptions. Recoupment requirements should be strengthened. There were questions raised about the tracking and reporting of

CAUV by the Auditors Office. CAUV can be a valuable tool for farmland preservation, particularly in the suburbanized areas of the county, but it must not be abused. Suggestions were made about expanding CAUV exemptions to farm buildings. This would address some of the cattle and dairy disinvestments as their buildings are a prime component of their capital intensity. Several interviewees suggested that there should be additional tax penalties for developers who buy farms then immediately cut them up for development. This concept is reflected in the current proposed State legislation that would add 3 additional years of recoupment penalties for land taken out of CAUV. This additional recoupment or penalty tax could be used to support farmland preservation plans. Table in text shows 2,742 acres of CAUV acres decrease from 1995-98. Projection is to lose an additional 15,511 acres by year 2020.

- **Clinton County:** CAUV number of parcels increased from 1990 to 1998 (peaked in 1996), acres per parcel decreased by 17 acres to 65.4 acres per parcel. Of the 1233 parcels enrolled in Ag district in 1998, 1078 were also in CAUV.
- **Coshocton County:** Although sound urban development should be encouraged, farmland preservation should be fostered whenever possible. To achieve this goal, a system for monitoring the type, extent and location of the depletion of farmland should be established. The county's existing Agricultural Districts should be identified, and the program designed and carried out to promote their expansion. The county should update its comprehensive plan with particular emphasis on farmland preservation.
- **Darke County:** Nearly 94% of the parcels in Darke County are utilizing the CAUV Program. Approximately 14% of the county's acreage is entered into the Ag District program. The County Auditor reported 187 parcels recoupment during 1998. Most of the recoupment occurred on tracts 10 acres or less. These tracts do not qualify for CAUV because of their size. "It is important to note that just because the recouped parcels no longer qualify for the CAUV program, does not mean that these parcels were taken out of agricultural production." CAUV is a voluntary program where farmland becomes a tax shelter.
- **Delaware County:** Recommendation to "Support the increase of CAUV Recoupment to six years with the increased revenue dedicated to local farmland preservation programs. ... The increased recoupment could be used to fund farmland preservation with no reduction in the tax support for community services." The report included a memo describing an exchange with the county auditors office which (a) cleared up differences in data related to CAUV recoupment amounts at the county versus what was reported to the Ohio Dept. of Taxation, (b) clarified the process the auditor uses to "trigger" recoupment and maintain eligibility for CAUV.
- **Erie County:** Re-evaluate current tax policies and work with State lawmakers regarding the CAUV to mitigate economic pressures to sell or develop prime agricultural land.
- **Gallia County:** "Recommend support for legislative change in CAUV recoupment to use the selling price instead of the Auditor's values in figuring recoupment and change the number of years from 3 to 5 with complete taxation exemption for agricultural buildings or at least a fair valuation of agricultural buildings."
- **Geauga County:** Table shows an increase of 9,349 acres in CAUV between 1992-99. This is 16.9%. A complete description of the CAUV is included, with advantages and disadvantages listed. Recommendations: Conduct seminars on existing programs including CAUV, ag districts and forestry tax. Encourage farmers to sign-up for CAUV,

ag districts and forestry tax program through the county Auditors Office. Continue to promote an understanding of the importance of the ag community to Geauga County through voluntary methods such as CAUV and ag Districts.

- **Greene County:** The Current Agriculture Use Value Program allows farmland to be assessed at an agricultural value for real-estate tax purposes rather than a highest and best use valuation. In 1997 Greene County had approximately 178,300 acres identified by the Census of Agriculture, as land in farms. Despite this, over 180,878 acres are listed for CAUV tax reduction in 1999. It is clear that the current ten acre parcel size (within Greene County around 916 parcels are less than ten acres in size and are enrolled in CAUV), \$2500 agricultural product limit and three year recoupment are all negatively affecting sound development patterns in Greene County as well as negatively affecting tax generation potential for all political jurisdictions and school districts. The Green County Farmland Preservation Taskforce suggests the following changes to the CAUV Policies: (1) acreage requirements for CAUV should be at least 20 acres or \$5000 of agricultural products produced on the land per year, (2) the recoupment time should be returned to at least five years, (3) the program should be discontinued within incorporated communities, and (4) give the county Auditor the authority to require proof of the property meeting the established \$ requirement.
- **Hancock County:** Large local land owners who do not farm the land they own do have the majority of their non-urbanized or otherwise undeveloped land in the CAUV program. This land is generally rented to farmers, and is thus held in speculation. As the owner waits for the right time to introduce the land to the urban market. This timing depends on the market demand for the use to which the land is to be put, the availability of infrastructure (cost to run central utilities to the site if they are not readily available, and the costs of any road improvements for which the local jurisdiction will not, or can not fund. The fundamental question, however, is the undermining of the purpose of the CAUV program. CAUV was set up to give FARMERS a tax break on their farmland as farmers pay considerably more in property taxes than they take out in tax-supported services – at least that was once the original theory for the use of CAUV. Now the use of CAUV is having a highly corrosive effect on farming as farmers are less likely to invest in their farming operations such as upgrading and replacing equipment and taking out loans to make major improvements to their operation as the amount of non-farmer owner land they rent could be turned into development at any time. Conversely, developers assert that the CAUV allow the developers to permit the farmers to continue farming the land – as immediate development (without the CAUV shield) would be too expensive for the developer to permit. Finally, use of CAUV by non-farm property owners does give the remainder of the surrounding farming community a harbinger of things to come. Lastly, the issue of consistency and fairness in the recoupment of the three years' of property taxes forgone via the use of CAUV needs further examination. This is recommended to be done on a methodical, thorough basis in each of Ohio's 88 counties. Is the recoupment being fairly assessed and collected? Where does the money go once it is collected? Can it be used to pay toward bonds associated with Tax Increment Financing Districts and other government-created loan programs to foster development in ways that preserve farmland? Could these funds be placed into a county fund that will foster and strengthen Ohio's remaining farming communities? How much is collected annually? The questions and possibilities concerning use of recouped property taxed

related the CAUV program may be of significant value to the State's recent interest and efforts in farmland preservation.

- **Hardin County:** "Since 1985, participation in the CAUV program has remained stable, declining by only 1.3 percent or 3,682 acres within Hardin County." Support for use of the actual selling price in calculation of recoupment, rather than the value assigned by the Auditor. With the existing program, any disincentive for removing land from the production and thus having to pay the difference between the market value and the agricultural value is minimized. Recommendation: Farmers actively farming should be encouraged to enroll in both the CAUV and Agricultural District programs. The continued use of CAUV should be encouraged.
- **Henry County:** It is recommended that CAUV recoupment period be increased to at least 6 years through changes in State Legislation.
- **Highland County:** The residents of Highland County have actively used The CAUV program. Records obtained from the Highland County Auditor's Office show there were parcels comprising 286,751 acres enrolled in the CAUV program in 1994. In 1999, there were 6,815 parcels consisting of 285,181 acres enrolled. The net change from 1994-99 is 261 more parcels and 1,621 fewer acres enrolled in CUAUV in Highland County. In the important issue of farmland preservation, providing tax benefits and protecting farmers from costs that can impact their ability to farm in an economically viable fashion helps to retain farmland. The CAUV program helps landowners who are actively involved in farm operations to continue farming when rising land values fueled by strong growth threaten to overwhelm the farm's economic viability with large real estate tax increases. In a survey, 91% of respondents agreed or strongly agreed to the statement, "Highland County should maintain its rural character." 91% agreed to the statement, "We need to protect the agricultural industry." Thirty-two percent agreed to the statement, "I am satisfied with how new development is being handled in Highland County."
- **Holmes County:** CAUV acreage had increased in the last five years. It is likely (though not certain) that a large proportion of the new CAUV protected acres are recently purchased acreage for land speculation purposes. County will continue to encourage participation in CAUV and Agricultural District programs. Participants will explore and lobby for various avenues through which to maintain private rights while discouraging CAUV enrollment for land speculation purposes.
- **Huron County:** "Recoupment penalties are made for land taken out of production. These penalties equal the difference between CAUV value and the low market value. Using a higher market value based on actual selling prices, could help maintain farmland. The recoupment period could be extended as well from the current 3 years to the original 5 year length. Changes in CAUV would require a change at the state legislative level. Such change thus would require concerted lobbying efforts through countywide and statewide organizations such as Farm Bureau, etc."
- **Logan County:** CAUV enrollment reached highest acreage in 1990, then started to decline.
- **Lucas County:** "Since 1987, participation in the CAUV program has declined by nearly 9 percent or 6,800 acres within Lucas County."
- **Marion County:** The report indicated the number of acres in CAUV in each political jurisdiction from 1994-98. The total for the county decreased about 5,000 acres to 215,297 during that period.

- **Medina County:** Recommendation: “Lobby for State Legislation to Change CAUV Policies.” “It is clear that the current 10 acre parcel size, \$2500 agriculture product limits and minimal 3 year recoupment are all negatively affecting sound development patterns in Medina county as well as negatively affecting tax generation potential for all political jurisdictions and school districts. Acreage requirements for CAUV should be at least 20 acres and the recoupment time should return to at least 5 years with the understanding that recoupage not be imposed on land that is placed in a permanent conservation easement. ...farm buildings should be valued at agricultural use and taxed accordingly. The county commissioners should provide written and testimonial support for this legislation and continue to work with the County Auditor to minimize tax liability on agricultural buildings.” In a letter from the county commissioners to state representative Calvert, dated June 21, 1999, “While (the CAUV program) has proved to be very beneficial to retaining farms in counties like ours that border large metropolitan regions, its abuse and potential for encouraging suburban sprawl have recently come to our attention. ... Our county auditor, Mike Kovack recently estimated that the county could be losing about \$457,000 in property taxes because of CAUV program abuse. This is a significant loss in tax revenues that would otherwise go toward educating our children, providing safety services, building our parks and paving roads.” “... the program is being abused and should be reformed. In addition, the study (by the consultant working with the Farmland Preservation committee) has revealed that in some townships, a large amount of land under the CAUV program is lowering the holding costs for imminent conversion of farmland to suburban development, rather than working to keep the land in agricultural use. We find this subsidization of suburban development through the CAUV tax abatement program a reprehensible aberration of an otherwise beneficial program.”
- **Meigs County:** CAUV is a state program locally implemented that taxes land at an agricultural use value. Typically, this program can reduce property taxes for agriculture producers. For Meigs County farm operators this is a tool to sustain economic viability with agricultural production. (From table: CAUV enrollment for 516 farms, 67,640 acres) Results of a survey of county residents: Most residents are not familiar with current options available for CAUV, Most respondents (45% on CAUV, 55% on ag districts) did not show knowledge of these land preservation tools available to them. Recommendation: Prepare and distribute information on CAUV... for Meigs County farmers.
- **Morrow County:** The report indicates that the number of acres enrolled in CAUV peaked in 1997 for the county. The report encourages “State legislation to increase penalties associated with the recoupment of CAUV and allow monies collected to remain at the county to promote farmland preservation efforts. While the Farmland Preservation Task Force did not thoroughly investigate tax laws and their effect on farmers and farmland preservation, we certainly recognize that the current farmland valuation system seems out of balance.” “Morrow County’s farmland was valued on the average at \$1542 per acre when figuring recoupment penalties for land removed from the CAUV Program. Considering the real value of farmland sold for residential purposes in Morrow County, we believe that the recoupment receipts are falling far short of their potential. In addition the disincentive for removing land from production also falls short. Therefore, we recommend that the Morrow County Commissioners support efforts currently underway to amend the current three year recoupment period to a six year period. We recommend

that the equivalent of three years of recoupment penalty be returned to the counties from which they were collected to continue farmland preservation efforts. Future efforts funded by the recoupment fees may be the development of a conservation easement program.”

- **Ottawa County:** “Legislation at the state level which addresses CAUV recoupment and eliminates the exemption of five acre, large lot size transfers needs to be supported by the appointed agency or board and the Ottawa County Commissioners.”
- **Portage County:** Between 1985-97, the number of parcels in CAUV increased by 464 to 3,279 parcels. The average size of parcels in the CAUV program declined from 40 acres to 35 acres. Changes in the way CAUV is administered and qualifying lands will require a change in the state laws.
- **Sandusky County:** Recommendation to “Review current practices with regard to CAUV, and advocate for changes in laws where more incentives could be put in place to continue agricultural use. This may include extending the recoupment period when land is converted from 3 years to the formerly used 5 year period, and calculation of recoupment amount using current sale (higher) value of land.”
- **Seneca County:** Action point includes to recommend regulations be changed to require the selling price for land enrolled in CAUV be utilized in recoupment calculations. Eliminate CAUV rollbacks on non-agricultural parcels.
- **Shelby County:** “Continue to encourage participation in CAUV and Agricultural District programs, and adopt a local right-to-farm resolution to support the state law.”
- **Trumbull County:** The report described the CAUV program and indicated the number of acres enrolled in CAUV by township for 1982, 1988, 1995 and 1998. This number is increasing in total for the county, but shows decreases in some townships. CAUV is listed as a tax program under the category of Tools To Encourage Farmland Preservation. The report states “to strengthen the protection powers of the CAUV program, the Ohio Legislature is proposing to extend the period from three years to ten years in HB645.” The recommendations include encouraging landowners to enroll in CAUV and ag Districts, to develop a PDR program and perhaps use the local recoupment funds for the local match. The Task Force stated that the ten-acre parcel size, the \$2500 sales limit, and the three year recoupment “are not positively affecting the agricultural industry. Over participation in the program has distorted the appearance of agriculture within the county. (1997 Census of Agric lists 112,477 acres in farms and the Auditor reports 135,578 acres in CAUV in 1998) “Higher limits and a longer recoupment period could help restore the original intent of the program. These changes would add to the county’s tax revenue by more accurately representing land use reality and help provide a funding source for the proposed local PDR Program.”
- **Union County:** “Support legislation to change eligibility for CAUV to landowners with 20 acres or more and extend the recoupment period from three to six years.”
- **Van Wert County:** Participation in the CAUV program has remained relatively stable. One of the potential problems with this program, as noted by the Wayne County Report is that the market value assigned by the Auditor’s Office may fall far short of the actual selling price. Therefore recoupment receipts may fall far short of their potential. Therefore, any disincentive for removing land from production and having to pay the difference between the market value and the agricultural value is minimized.

- **Wayne County:** “something appears to be out of whack.” “land prices are grossly underestimated,” “ the latent disincentive for removing land from production falls short of its potential.” “We recommend that the selling price of the land be used in the calculation of recoupments. This would offer a truly accurate means of valuation for land being taken out of production.” “We recommend that the Wayne County Commissioners support the county farm bureau, citizens groups and others who are seeking to return the current three year recoupment period to its original length of five years. The additional funds generated by this action should be returned proportionately to the counties in which they were collected, and earmarked for farmland preservation efforts.”
- **Wood County:** Recommend (State) increase recoupment fees for withdrawal of farmlands enrolled in CAUV program. Increase recoupment period from three to seven years. Divert recoupment fees into PDR funding programs.