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January 2016

**PA 490 Talking Points**

Public Act 490, enacted in 1963, allows owners of farmland, forestland and open space to be taxed at its “current use” value, rather than its highest and best use. It is considered the single most important land use legislation in the Connecticut General Statutes and has been instrumental in preserving an agricultural, forest, and natural resource base in CT.

Statistics: As of 11/13/2015 CT DEEP reported 960,000 acres and 34,610 parcels of land classified as PA 490 land. (Includes 10 Mill forest land which is assessed at PA 490 forest land values at time of 50 year revaluation). With respect to PA 490 Forest Land it is important to recognize that nearly 56% of the state is forested with 73% of the forest land held in private ownership.

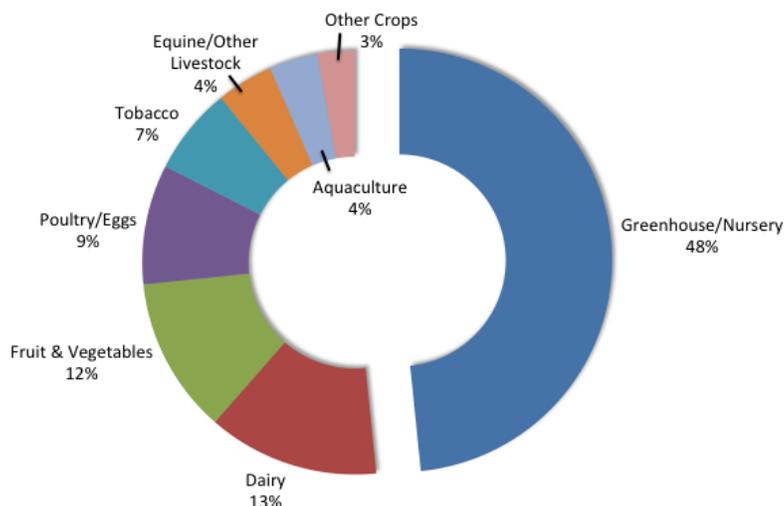
**Parcels and acres classified as PA490 land  
(as of November 13, 2015 with 99% of towns reporting)**

<b>490 Classification</b>	<b>Number of Parcels</b>	<b>Number of Acres</b>
Farm	11,897	261,979
Forest	9,979	504,271
Open Space	12,633	185,561
10 Mill	101	8,506
<b>TOTAL</b>	<b>34, 610</b>	<b>960,317</b>

Demographics: The average age of CT farm and forest landowners is mid to late 50’s. Within the next 20 years these landowners will be making decisions on the sale or transfer of their land holdings. CT needs to maintain a favorable tax structure for the state’s working farm and forest land in order for the next generation of landowners to be able to keep this land as farmland or forest land.

Economics: According to the 2012 USDA Census of Agriculture, 4.4% of our farms account for 85% of gross sales in CT, only 12% of CT farms gross \$50,000 or more, and nearly half of the total sales come from the greenhouse and nursery sector (see chart below). With many farm businesses facing significant economic challenges, the PA 490 tax structure is critical to ensuring these lands remain in agriculture.

## Connecticut Agriculture, by Sales (2012 Census of Agriculture data):



**The annual Gross State Output of Connecticut's forest products economy totals over \$2.1 billion.**

### Impact of Recommended Changes to PA 490 by State Tax Panel

The State Tax Panel recently recommended a series of changes to Public Act 490. These changes include implementing an objective test of agricultural use in order to qualify for the program (ie. a de minimis level of gross income from agricultural production), requiring forest parcels participating in the program to be adjacent parcels, expanding the time period land which land must be remain undeveloped from 10 to 15 years, increasing the penalties for early withdrawal from the program, etc. The full recommendations are attached.

- Access to land is one of the major challenges for entry-level farmers or existing farmers interested in expansion. Establishing a de minimis level of gross income for farmland classification will add another barrier to entry-level farmers. 50% of the farmland in Connecticut is leased. Land that could not demonstrate the de minimis income level would almost certainly be sold and converted to development.
- Connecticut land values are some of the highest in the country. For over 50 years, PA 490 has accomplished the legislative intent of keeping CT working land open and accessible for production agriculture. Any impediment such as higher assessments or extended and higher penalty phases will deter landowners from enrolling their property in the program or be able to afford to keep the land in the 490 program. Land that will not be included in these provisions would be developed and lost forever.
- Under current statute, non-contiguous forested parcels need to be a minimum of 10 acres in size, aggregating 25 acres or more in the same deeded ownership in order to qualify for PA 490 forest land classification. Removing this provision would force forested parcels that are 10 – 24 acres in size into development.
- Some PA 490 landowners go through the subdivision process for a variety of reason (ie. to be able to convey a building lot or lots to family members who want to construct residences on the farm or forest land, or others may anticipate needing to sell some land in the future for medical or retirement revenue). Until such time as the current use of the land changes to other than forest land or agriculture, which in some cases may never happen, the land should remain in PA 490.

## **Tax Panel Recommendations**

### Agricultural Land Use Valuation

#### **Recommendation 6: Agricultural Land**

Tighten up the implementation of the PA490 use value assessment program so the program is more aligned with the intended purpose of the program by

1. Implementing an objective test of agricultural use in order to qualify for participation in the program (e.g., establish a de minimis level of gross income from agricultural production)
2. Rationalizing use value assessment computation methods using more accurate income measures and more realistic capitalization rates
3. Requiring forest land participating in the program to be contiguous parcels
4. Allowing towns to remove land from the program if it has been rezoned for subdivision
5. Expanding the time period which land must remain undeveloped from 10 to 15 years
6. Increasing the penalties for early withdrawal from the program
7. Moving away from general tax relief for agriculture broadly and move toward strategic use of use value assessment to protect and preserve land that provides ecosystem services that are a form of public good or generates positive externalities. (Revenue Implications: broadening the property tax base could increase revenues or result in reduced property tax rates, but revenue estimates are not provided due to limited information).