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## OLR Bill Analysis

**sHB 5057 (as amended by House "A")\***

***AN ACT CONCERNING THE ASSESSMENT OF HORSES AND PONIES AND FARM MACHINERY AND THE TRANSFER OF LAND CLASSIFIED AS FARM LAND, OPEN SPACE LAND, FOREST LAND AND MARINE HERITAGE LAND.***

**SUMMARY:**

This bill makes procedural changes to the "490 program," in which eligible farm, forest, open space, and maritime heritage land is assessed for property tax purposes based on its current use, rather than its full market value. Specifically, it:

1. eliminates a conflicting provision concerning the application deadline for forest land classification;
2. modifies notice and filing requirements for transfers of 490 property that are exempt from conveyance tax;
3. specifies, with one exception, that these exempt transfers do not affect the 10-year period used to determine a landowner's liability for the tax if the land is subsequently sold or changes use;
4. requires landowners to file a new, rather than a revised, program application with the town assessor whenever land in the program is sold (§ 4);
5. extends the date by which an assessor must file certain information with the town clerk for 490 program property in a revaluation year; and
6. makes minor and technical changes.

The bill also (1) allows municipalities to exempt all horses and ponies from local property taxes (those used in agriculture are already

exempt); (2) expands the mandatory property tax exemption for farm machinery; and (3) extends the application deadline for property tax exemptions for farm machinery, horses, and buildings for farmers granted an extension to submit their personal property tax declarations.

\*House Amendment "A" (1) modifies how the 10-year period is measured for excepted transfers of farm or forest land and (2) requires landowners who obtain title to classified forest land as a result of an excepted transfer to submit a certified forester's report if one was not submitted within the 10 years before the transfer, rather than any time before the transfer.

EFFECTIVE DATE: October 1, 2014, and applicable to assessment years starting on or after that date.

### **§§ 3 & 5-6 — 490 PROGRAM CHANGES**

#### ***Application Deadline for Forest Land Classification***

By law, landowners seeking to have their land classified as forest land for purposes of the 490 program must (1) hire certified foresters to determine and report if the land meets state standards and (2) include a copy of the report with their 490 program applications. The bill requires the forester's report to be signed and dated no later than October 1.

The bill also repeals a requirement that landowners submit the applications by October 1. The repealed provision conflicts with another statute that requires owners to file the application between September 1 and October 31, unless the town is in a revaluation year, in which case, the application must be filed by December 30 (CGS § 12-107d (f)).

#### ***Excepted Property Transfers***

With some exceptions, the law imposes a conveyance tax on farm, forest, open space, and maritime heritage land in the 490 program that is sold or transferred within 10 years of its classification. The conveyance tax does not apply to certain transfers under the law,

including those (1) for no consideration within a family, (2) resulting from a land owner's death where no consideration was received for the land, or (3) resulting from foreclosures.

In the case of any transfer not subject to this conveyance tax (i.e., excepted transfers), except those due to foreclosure, the bill specifies that the 10-year period is measured:

1. for open space or maritime heritage land, from the date on which the land received its 490 program classification, and
2. for farm or forest land, from the earlier of the date on which the (a) transferor received title to the land or (b) land received its 490 program classification.

The bill also requires individuals who obtain title to land as a result of an excepted transfer to notify the town assessor by completing a form prescribed by the (1) agriculture commissioner, for farm and open space land; (2) state forester, for forest land; or (3) Office of Policy and Management secretary, for maritime heritage land. Landowners who obtain title to classified forest land must also submit a certified forester's report evaluating the property's 490 program eligibility, unless such a report was submitted within the 10 years before the transfer.

***Deadline for Tax Assessor to Report to Town Clerk***

Under current law, tax assessors must annually, by November 30, file with the town clerk a certificate for any land classified under the 490 program. The bill extends this deadline to January 31 for any year in which a revaluation of all real property becomes effective.

**§§ 1 & 2 — PROPERTY TAX EXEMPTIONS FOR HORSES AND FARM MACHINERY AND BUILDINGS**

***Horses and Ponies***

Under current law, horses and ponies are considered personal property and municipalities must assess them at 70% of their fair market value for property tax purposes. Current law exempts from the tax (1) horses and ponies used exclusively for farming and (2) the first

\$1,000 of assessed value for those used for other purposes. The bill allows a municipality, by vote of its legislative body (or in a municipality where the legislative body is a town meeting, by vote of the board of selectmen), to fully exempt all horses and ponies from property taxes, regardless of their use.

***Farm Machinery***

Under current law, municipalities must also exempt from property taxes farm machinery, other than motor vehicles, valued at up to \$100,000. The bill expands this exemption to up to \$100,000 in assessed value, which by law equals 70% of its fair market value. Municipalities may grant an additional exemption of \$100,000 of assessed value for such machinery, by law unchanged by the bill (CGS § 12-91 (b)).

To qualify for the farm machinery exemptions, farmers must individually or as a part of a group, partnership, or corporation, derive at least \$15,000 per year in gross sales from the farming operation or have incurred at least \$15,000 in farm-related expenses in the most recent assessment year before the assessment year to which the exemption applies.

***Deadline for Applying for Farm Machinery, Horse, and Building Exemptions***

By law, farmers must apply annually, by November 1, for property tax exemptions for farm machinery, horses, and buildings. The bill extends this deadline for farmers who have been granted a filing extension for their personal property declarations, to the extended deadline set by the assessor.

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Change of Reference  
Yea 15 Nay 0 (03/12/2014)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 50 Nay 0 (04/01/2014)