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Farm Credit East

Shannon Yearwood
End Hunger CT!

STAFF

Chelsea Gazillo - Director
cgazillo@farmland.org

Armando Paolino - Lobbyist

Working Lands Alliance Policy Statement SB 208 Finance, Revenue, and Bonding Committee Public Hearing February 13, 2019

Dear Co-Chairs Fonfara and Rojas, Vice-Chairs Cassano, Leone, Concepcion, and Mesker, Ranking Members Witkos and Davis, and members of the Finance, Revenue, and Bonding Committee:

The Working Lands Alliance appreciates this opportunity to submit testimony in support of SB 208, An Act Exempting from the Personal Income Tax Proceeds from the Sale of Agricultural Land Development Rights to the State.

My name is Chelsea Gazillo and I am the director of the Working Lands Alliance (WLA), a broad-based, statewide coalition dedicated to preserving Connecticut's farmland. WLA includes such organizations as American Farmland Trust, the CT State Grange, New Connecticut Farmer Alliance, End Hunger CT!, Connecticut Land Conservation Council, and the CT Farm Bureau, among many others. As an alliance, we care deeply both about saving Connecticut's farmland and ensuring a healthy agricultural sector and prosperous future for Connecticut's farmers. As such, the issue that this bill seeks to address has prompted a significant amount of discussion within our coalition.

Since 1978, Connecticut's Farmland Preservation Program has protected over 46,000 acres from development. The program has a goal of protecting 130,000 acres. As you can see, the State's Farmland Preservation Program has an acreage goal for farmland protection, which we are far from reaching. By taxing landowners on the proceeds of the sale of an agricultural conservation easement, the current state tax code discourages farmers who want to protect their land in perpetuity. It also impacts state and local investments in farmland protection and the amount of farmland that is affordable for beginning farmers.

By passing this legislation state tax policy could help facilitate the transfer of this land to the farmers who are most challenged in finding and affording it: young, beginning, veteran, and minority farmers. Young and beginning farmers have ranked access to farmland as their top challenge in recent surveys conducted by both the American Farm Bureau Federation and the National Young Farmers Coalition.



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Farmland availability and affordability are also impacted by the continued conversion of land to development. Between 1992 and 2012, the U.S. has converted 31 million acres of farmland to development--an area the size of Indiana and Rhode Island combined. Farmland loss has been greatest in and around metropolitan areas that offer some of the most profitable market opportunities for young, beginning, minority, and veteran farmers. In places with active farmland protection programs, like Connecticut, next generation farmers are often able to purchase more-affordable protected farmland. Yet the state tax code discourages conservation-minded landowners from permanently protecting their land by taxing the proceeds of the sale of a farm's "development rights."

Additionally, this legislation will further encourage farmers to sell their development rights as the sales tax exemption will allow them to preserve liquidity from the sale which can be used to reinvest in the farm, pay down debt, or just build a stronger liquidity/working capital position for the farm. All of these are key to continued growth of a farm and creating a strong and vibrant agriculture industry allowing the farm to better withstand the seasonality of agriculture and variability of the market and weather.

Finally, the tax benefit proposed in this bill should be extended to farmers who preserve their farm through any qualified conservation organization, not just the State. This would go beyond incentivizing the State program to promote the very idea of farmland conservation and support farmers across Connecticut.

On behalf of the Working Lands Alliance, I strongly urge the Committee to vote in favor of SB 208 to increase the amount of protected farmland we have in the state and promote farmland affordability and accessibility for the next generation. Additionally, I strongly urge the committee to consider including an income tax exemption for the sale of development rights to nonprofits, municipalities, and other qualified conservation organizations. Thank you for consideration of this important bill.