

Handbook for Landowners

*Understanding the Tools, Opportunities,
and Financial Implications of
Farmland Protection*



A 2013 publication from the
Cazenovia Area Community
Development Association with
support from the New York State
Scenic Byways Program.



Table of Contents

Introduction.....	3
Background.....	4
Agricultural Districts.....	6
Agricultural Assessment.....	8
Farm Building Exemption.....	10
Farmers School Tax Credit.....	11
Forest Land Exemption.....	12
Agricultural Protection Zoning.....	14
Conservation Easements.....	15
Purchase of Development Rights....	16
Other Tools.....	18
Right to Farm Law.....	19
Agricultural District Maps.....	20
Additional Resources.....	23

Cazenovia Area Community Development Association (CACDA) was incorporated as a 501(c)(3) organization in 2005 with the purpose of enhancing economic vitality and preserving the rural, historic character of our region through education, consensus-building and project implementation. Visit our website at www.cacda.net.

Introduction

The Greater Cazenovia Area is a great place to own land, whether for farming, residential use, recreation, or conservation. There are many government supported programs and policies that are intended to encourage farming and land ownership by providing various protections and incentives. However, it can be difficult to wade through all of the regulations and understand eligibility requirements and the potential implications. The purpose of this booklet is to provide clear and concise information to current and prospective landowners regarding the farmland protection tools and opportunities available.

This document is offered as a general guidance document and some sections may be subject to programmatic or other changes. While reasonable efforts were made to provide current, complete, and accurate information, no guarantee is implied. It should also be noted that rules and laws are subject to change at any time. You are encouraged to check with the appropriate agencies for up to date information (see Additional Resources at the end of the booklet).



BACKGROUND

For purposes of this booklet, the Greater Cazenovia area is defined by the school district boundaries that generally include the Towns of Cazenovia, Nelson, and Fenner. All three towns have recently and historically been friendly to farming and proactive in their commitment to supporting agriculture and preserving our rural heritage.

The **Town of Cazenovia** 1984 *Land Use Guide* ascribes a central role to agricultural land: “Deterioration of the agricultural base in Cazenovia threatens not only the farmer, but also the local economy, the character of the land, and the quality of life people enjoy.” More recently, the Town has further strengthened the commitment to agriculture through several actions.

- In 2007 the Town of Cazenovia passed a comprehensive Right to Farm Law.
- In 2008 the Town passed a Comprehensive Plan in which developing strategies to protect agricultural lands was identified as one of the three most important tasks.
- In 2013 the Town adopted an Agriculture and Farmland Protection Plan.

Similarly, the **Town of Nelson** has addressed Agriculture as a priority in their planning documents.

- In 2007 the Town of Nelson updated their Comprehensive Plan. This plan highlights scenic resources, agrarian character, and the agricultural industry as three of the key elements toward achieving their vision.
- In 2013 the Town adopted an Agriculture and Farmland Protection Plan.

The **Town of Fenner** Comprehensive Plan, adopted in 2009, states that “preservation of the rural character of the Town, the quality of its residential and agricultural life, and the development of alternative agricultural and renewable energy enterprises should be the prime concern in any and all efforts by the Town to regulate land use within its borders”.

As a reflection of this commitment to supporting agriculture and preserving our rural heritage, our communities have put into place many tools that make **landownership more affordable and farm-based businesses more sustainable**. Local officials have worked hard to ensure that proven farmland protection tools can be used in an effective way under our land use laws and regulations.

The purpose of this handbook is to make information on farmland protection tools and the resulting financial and tax implications available to land owners and prospective land owners. Included in this booklet is information on:

- Agricultural Districts
- Agricultural Assessment
- Tax Exemptions and Credits
- Zoning and Easements

It should be noted that land use regulations vary by town and land use codes and zoning regulations for specific towns should be referenced for site specific circumstances (see Additional Resources for Town Contact information).

AGRICULTURAL DISTRICTS

What is an agricultural district?

Agricultural Districts are designed to protect agriculture through benefits and protections from overly restrictive regulations. They provide a favorable operating environment for farms. Districts include geographic areas where agriculture is the priority land use. In 2013, Madison County is consolidating into 4 Agricultural Districts. Designated parcels in Cazenovia, Nelson and Fenner are included in Agricultural District No. 3. Agricultural Districts are re-certified every eight years. Landowners in Madison County can apply to be included in an Agricultural District during an open enrollment period each year between **October 1 and October 31**. To determine whether a parcel is located within an Agricultural District, please see the maps on pages 20-21 or consult the following website:

www.agriculture.ny.gov/AP/agservices/agriculture-districts.html

Who may apply?

Farmers or individuals who have predominately viable agricultural land (defined as land highly suitable for a “farm operation”) may apply to be included in an Agricultural District regardless of parcel size. Applicants should contact **Madison County Planning** at 315-366-2376 or www.madisoncounty.ny.gov for application materials. Property can only be removed from an Agricultural District during the eight-year review.

Implications for Landowners

- Farm activities are protected from unreasonable local regulation and nuisance lawsuits. (Note that municipalities *may* still require site plan review for the construction of on-farm buildings and other reasonable regulations that do not interfere with farming.)
- There are limits on ability of municipalities to assess special taxes on farmland to finance development-related projects (e.g. sewer, water, landfill operations).
- Certain planning and zoning actions in Agricultural Districts require Agricultural Data Statements by the reviewing agency and notice of intent filings.
- Anyone selling a property within an agricultural district must provide the prospective buyer with a disclosure notice warning about possible noise, dust, and odors that might arise from nearby farming operations.
- Although non-farm properties often are included within an Agricultural District, the benefits and protections *primarily* apply to farm operations and land in agricultural production.



AGRICULTURAL ASSESSMENT

What is an Agricultural Assessment?

An agricultural assessment allows eligible farmland to be taxed at the agricultural assessment value rather than at its fair market value. The property **does not** have to be within an agricultural district to be eligible. Agricultural Assessment does not apply to farm buildings or residences.

Who may apply?

Property owners must have a minimum of **7 acres** of land which produces a minimum gross income of **\$10,000** annually (or less than 7 acres with a minimum gross income of \$50,000 annually). The sales income level is determined using an average of the preceding 2 years and may include the sale of crops, livestock and livestock products. Income from horse boarding, timber production, agricultural tourism, and apiary products are also eligible. Up to 50 acres of woodland is eligible per tax parcel. Farms in the first year of operation may apply if they meet the minimum acreage and sales thresholds. Proceeds from more than one parcel of land used in a single operation may be combined to satisfy the average gross sales requirement.

If a crop is processed on the farm, the **gross value before processing** must be used. For example, if apples are grown and made into cider, the gross value of the apples would be used to determine gross sales value, not the actual sales of the cider.

Land that is **rented** for agricultural purposes may be eligible for an agricultural assessment if it satisfies the acreage and sales thresholds. In addition, if rented land does not satisfy the thresholds, but is part of a written rental agreement of at least 5 years with land that qualifies, the property may be eligible.

Landowners must apply to the Town Tax Assessor for an agricultural assessment every year by **March 1** in the Towns of Cazenovia, Nelson, and Fenner and are encouraged to meet with the Assessor early in the process. In order to complete the initial application (Form RP-305), the owner must contact the county **Soil and Water Conservation District** (SWCD) to determine soil type & acreage for the land to be enrolled. The SWCD will complete a “Soil Group Worksheet” (Form APD-1) that will be used to complete Form RP-305. After the initial application, the renewal form (RP-305-r) may be used annually if there are no changes. All forms can be found at

www.tax.ny.gov/research/property/assess/valuation/ag_overview.htm

Madison Co. SWCD - 315-824-9848 or www.madcoswcd.com.

Implications for Landowners

Landowners can receive a savings on property taxes with an agricultural assessment. The amount of the assessment is calculated based on the acreage in each soil type and the acreage in woodland. For example, suppose a new farmer purchased 100 acres and the assessed value of the land was \$200,000. The land was determined by the SWCD to be within Mineral Soil Group 4a. In 2012, New York State determined the value of land within this soil group to be \$617/acre. (For other soil group values see the tax department website listed above.) Therefore, if this farmer meets the sales income criteria and applies annually to the tax assessor, he/she would receive an agricultural assessment of \$61,700 instead of \$200,000.

It should be noted that if land within an agricultural district is converted to a nonagricultural use within five years of receiving an agricultural assessment (eight years for land outside of an agricultural district) a conversion payment and taxes will be due. Leaving land idle does not constitute a conversion.

FARM BUILDING EXEMPTION

What is a Farm Building Exemption?

Newly constructed or reconstructed farm buildings may be eligible for a 10 year property tax exemption.

Who may apply?

Eligible structures include 1) those that are essential to the raising and production for sale of agricultural or horticultural products and 2) structures used to house essential employees and their families. Specifically excluded are buildings used for the processing of products (with the exception of maple syrup), retail space, and the primary residence of the applicant. Therefore, buildings used for processing value-added products, slaughtering livestock, and cleaning, sorting, and packaging produce are not eligible. Permanent exemptions are provided for certain limited use agricultural buildings such as silos, manure storage facilities, and temporary greenhouses.

In addition, the farmed land on which the buildings are constructed must not be less than **five acres** and must be used for profitable agricultural or horticultural production.

The application can be found at

www.tax.ny.gov/pdf/current_forms/orpts/rp483_fill_in.pdf

and **must** be filed with the town assessor within one year after the completion of the construction and by March 1 in the Towns of Cazenovia, Nelson, and Fenner.

Implications for Landowners

If all of the eligibility criteria are met, newly built or reconstructed agricultural buildings will not add to the assessed value of the property for ten years. In the event the structure is converted to a non-farm use, roll-back taxes will be due.

FARMERS SCHOOL TAX CREDIT

What is the Farmers School Tax Credit?

The Farmers School Tax Credit is a tax credit against State personal income tax or corporation franchise tax, which can reimburse some or all of the school district property taxes paid by farmers, under certain circumstances. The credit is funded by New York State, so the credit does not affect the revenue the school district receives.

Who may apply?

There is no application. Individuals or corporations that operate or manage a farm for profit may claim the credit when filing tax returns. There are some eligibility criteria:

- Federal gross income from farming must be at least two-thirds of excess federal gross income (defined as federal gross income minus up to \$30,000) for the tax year or an average of the two preceding tax years.
- The credit applies only to school taxes on **qualified agricultural property**, which includes land and land improvements that are used in agricultural production and structures that are used to carry out agricultural production (not value-added processing, with some exceptions for maple, cider, and wine production). Residential property is excluded.
- There is no minimum land requirement.
- The credit is phased out for farmers whose modified New York adjusted gross income is between \$200,000 and \$300,000 and provides no credit for those over \$300,000.

Implications for Landowners

This credit can have significant implications for qualified farmers. The credit is equal to the total eligible school taxes paid on qualified agricultural property for the first 250 acres and 50% of the eligible taxes paid on additional acreage.

FOREST LAND EXEMPTION

What is the Forest Land Exemption?

In order to encourage long-term ownership of woodlands to produce forest crops, eligible forest land owners may receive a property tax exemption.

Who may apply?

In order to be eligible, landowners must have at least **50 contiguous acres** of forest land. In addition, the landowner must commit the land to the production of forest crops and follow a management plan prepared by a qualified forester and approved by the NYS Department of Environmental Conservation (DEC). The owner must follow the management plan for a ten-year period following the receipt of each annual exemption. Applications can be found at

www.dec.ny.gov/docs/lands_forests_pdf/ApplicationForCertificate.pdf.

The regional DEC office that covers Madison County can be reached at 315-426-7400.

Implications for Landowners

The amount of the exemption depends on the assessed value of the property and the town in which the property is located. As an example, suppose a tract of forest land in the Town of Cazenovia is assessed at \$300/acre. First multiply the assessment per acre by 80% ($\$300 \times 80\% = \$240/\text{acre}$). Next multiply the town equalization rate by \$40/acre ($\$40 \times 85\% = \$34/\text{acre}$) and subtract that amount from the original assessment per acre ($\$300 - \$34 = \$266$).

The exemption is the lesser of the two numbers, in this case \$240/acre. The new assessment is the original assessment per acre minus the exemption or $\$300 - \$240 = \$60/\text{acre}$.

Although the reduction can be substantial, forest owners should be aware that there are significant costs associated with preparing a management plan and making investments in the forest which may be required by the plan. It is possible that the associated costs could exceed any potential tax savings.

The obligation to follow the management plan stays with the property in the event of a sale. This commitment represents a lien on the property and can affect the market value during the ten-year period.



AGRICULTURAL PROTECTION ZONING

What is Agricultural Protection Zoning?

Agricultural Protection Zoning includes any municipal zoning ordinances that support and protect farming. These may include limits on subdivision, rural siting guidelines, and density of residential development.

The Town of Cazenovia land use regulations include an “Agricultural Overlay District” (AOD). Parcels meeting the following criteria are included in the AOD: 1) greater than 15 contiguous acres, 2) at least 50% of soils deemed USDA Prime Soils, and 3) located within an Agricultural District. Inclusion in the AOD is meant to encourage farming as a preferred use in the district and only certain land uses are permitted. Please see the land use regulations at www.townofcazenovia.org under the Zoning Page.

When may a special use permit be granted?

Certain land uses and structures that enhance the validity of farmland operations that are not specifically permitted in the AOD may be allowed through the issuance of a special use permit by the Zoning Board of Appeals.



CONSERVATION EASEMENTS

What are Conservation Easements?

Conservation easements are voluntary restrictions that protect agricultural land by limiting development of the property. The easement can be donated by a landowner to a private conservation organization or public agency. The Cazenovia Preservation Foundation (CPF) is a local non-profit organization that holds conservation easements for many local properties. Please see www.cazpreservation.org for more information.

Who may apply?

Anyone may voluntarily donate an easement as long as a private conservation organization or public agency is willing to accept it.

Implications for Landowners

- Easements are generally permanent and bind future landowners by the same restrictions.
- The reduction in value of the property due to the easement makes the land more affordable for new farmers and eases the tax implications of transferring farms to future generations.
- The value of the easement is considered a donation for income tax purposes.
- Landowners are eligible for a New York State Income Tax credit of up to 25% of the school district, county, and town property taxes paid on the restricted parcel. The maximum credit is \$5,000 annually per taxpayer.

PURCHASE OF DEVELOPMENT RIGHTS

What is the Purchase of Development Rights Program?

Under the New York State Farmland Protection Program, counties and towns with approved farmland protection plans can apply for grants to permanently protect farmland for agriculture. The grant funding can be used to purchase a conservation easement from a property owner. The landowner is paid the difference between the value of the land when used for farming and the value for the “highest and best use”.

Through this program, the Cazenovia Preservation Foundation (CPF) has worked with three local farms to obtain agricultural easements on the farm and farmstead in perpetuity. These include Critz Farms (241 acres), Greyrock Farm (272 acres) and Reed Farm (422 acres).

Who may apply?

In New York State, only municipalities, counties or land trusts may apply on behalf of a landowner. Interested landowners should contact town/county officials. The process for purchase of development rights is very rigorous and the landowner should be prepared to be an active participant in the process. Please see Additional Resources at the end of this booklet for contact information for individual towns.



Implications for Landowners

- As with other conservation easements, easements under this program are permanent and bind future landowners by the same restrictions.
- As with other conservation easements, the reduction in value of the property due to the easement makes the land more affordable for new farmers and eases the tax implications of transferring farms to future generations.
- Landowners are eligible for a New York State Income Tax credit of up to 25% of the school district, county, and town property taxes paid on the restricted parcel. The maximum credit is \$5,000 annually per taxpayer.



OTHER TOOLS

There are some other tools that can be used to preserve open space for agriculture that are less common but worth mentioning, including Transfer of Development Rights (TDR) and Land Banking.

Transfer of Development Rights

Under this type of program, development rights can be transferred from one parcel of land to another. If a municipality has established a TDR program, development rights from one parcel of land in an agricultural area can be transferred to a parcel planned for higher density growth. The parcel in the agricultural area is then protected with a conservation easement and the landowner purchasing the rights can generally build at higher density than zoning allows on the other parcel. The municipalities in the Cazenovia area do not currently have a framework in place to allow for the transfer of development rights.

Land Banking

Under this type of program, development rights are purchased with public money to protect key agricultural land. These rights are then “banked” and can be sold to private developers. The purchaser can then generally build at higher density than zoning allows on a parcel planned for higher density growth. These transfers can be very involved from both a legal and planning perspective.

RIGHT TO FARM LAW

In order to ensure a supportive operating environment for farmers and limit conflicts between farmers and non-farm neighbors, the Town of Cazenovia enacted a “Right to Farm” law. This law also serves to inform non-farm residents that generally accepted farming practices are to be expected within the Town.

The Right to Farm law includes a provision that requires sellers of land within an Agricultural District (or on property with boundaries within 500 feet of an agricultural district) or adjacent to a farm operation located outside of an agricultural district to provide the following notice to prospective purchasers and occupants.

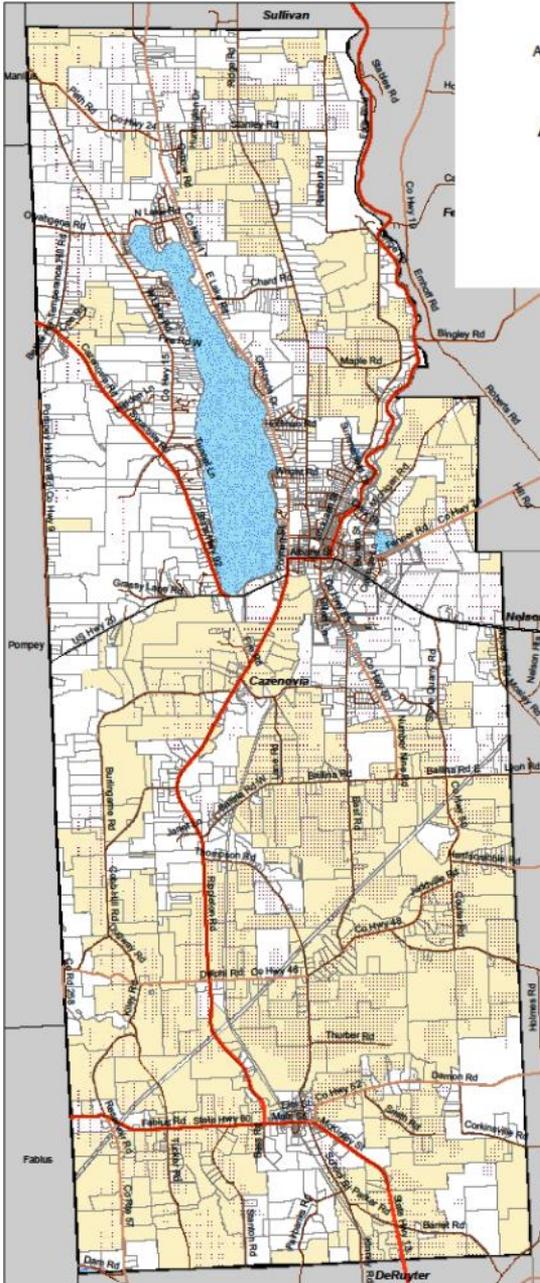
“It is the policy of this state and this community to conserve, protect, and encourage the development and improvement of agricultural land for the production of food and other products, and also for its natural and ecological value. This notice is to inform prospective residents that the property they are about to acquire lies partially or wholly within an agricultural district, or partially or wholly adjacent to areas where farm operations take place, and that farming activities occur within the district and within these other areas. Such farming activities might include, but not be limited to, activities that cause noise, dust and odors.”

A copy of this notice must be included by the seller or seller’s agent as an addendum to the purchase and sale contract at the time an offer to purchase is made.

Agricultural & Farmland Protection Plan
Town of Cazenovia

Agricultural Districts

January 2013



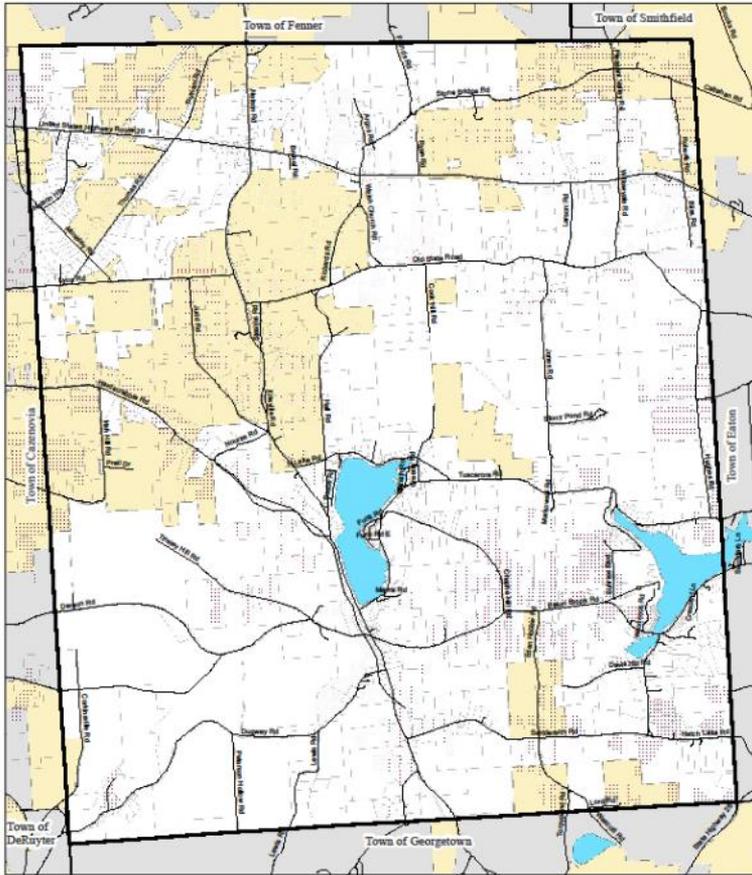
- Active Agricultural Land
- Land in Agricultural District

SOURCE: Agricultural District
Boundaries from CUGIR

Active Agricultural Land from 2008
and 2009 Aerial photographs digitized
by Stuart I. Brown Associates



Agricultural District



SOURCE: Property Classifications from Madison County assessment records.
Active Agricultural Land from 2008 and 2009 Aerial photographs digitized by Stuart I. Brown Associates

-  Active Farmland
-  Land in Agricultural District
-  State-Owned Land
-  Madison County Land
-  Parcels



0 0.5 1 2 Miles

December 2012

NOTES

ADDITIONAL RESOURCES

American Farmland Trust

www.farmland.org

Cazenovia Preservation Foundation

www.cazpreservation.org

Cazenovia Area Community Development Association

www.cacda.net

Madison County Agricultural Economic Development

www.madisoncountyagriculture.com

Madison County Agriculture & Farmland Protection Plan

www.madisoncounty.org/motf/ExhU.pdf

Madison County Soil and Water Conservation Service

www.madisoncountyswcd.org

NYS Department of Agriculture & Markets

www.agmkt.state.ny.us

Agricultural Districts map -

www.agriculture.ny.gov/AP/agservices/agriculture-districts.html

NYS Scenic Byways Program

www.dot.ny.gov/display/programs/scenic-byways/route-20

Town of Cazenovia

www.townofcazenovia.org

Town of Fenner

www.townoffenner.com

Town of Nelson

www.townofnelson.org

