



N E W Y O R K

Agricultural Landowner Guide

To Tax, Conservation and Management Programs



American Farmland Trust



Farmers have shaped the landscape of New York state. They have cleared the countryside, tilled crop fields and maintained woodlands and wetlands for centuries. Even today, more than seven million acres in New York are used for farming. Nationwide, our state's farmers are leading producers of many products, from milk and apples to sweet corn and maple syrup.

Farming is crucial to New York's economy and way of life, yet farms are endangered throughout the state. Unchecked development has sprawled out from urban areas into the countryside. Economic factors have made it difficult for many farmers to turn a profit. Disastrous weather events have destroyed entire seasons of crops. And, increasing numbers of New York residents have little connection to our rural heritage, making it harder for them to understand the needs of their farm neighbors.

Although new policies and initiatives will always be needed to address such issues, a number of programs currently exist to help New York farmers. This publication identifies those programs, available statewide, that help agricultural landowners cut their tax expenses, conserve their land and improve their environmental stewardship.

The guide is divided into the following sections:

- Tax Reduction and Exemption: Strategies for reducing the tax burden on agricultural landowners
- Farmland Protection: Techniques for keeping land in farming and limiting development pressure
- Environmental Management: Programs that help farmers protect soil and water resources
- Natural Resource Conservation: Incentive-based initiatives for conserving wetlands, wildlife habitat and other natural resources
- Page 12 provides contact information for the agencies and organizations listed as resources in the publication



Tax Reduction and Exemption

Tax relief is an important issue for farmers. Farms need land to operate, and property taxes on farmland often are a significant expense. At the same time, farmland tends to pay more in property tax than it requires in public services. As farmers often say, “Cows don’t go to school and tractors don’t dial 911.” Increasingly, state and local governments are recognizing that keeping farmland in production may help control the cost of providing community services.

The following programs offer various kinds of tax relief for farmers.

Agricultural Assessment

Agricultural assessment provides “use value” assessment for eligible farmland. This allows farmland to be taxed for its agricultural value, rather than its market (i.e., non-farm development) value. Any owner of land used for agricultural production may qualify if the land meets the requirements or is rented to an eligible farm operation.

To qualify for agricultural assessment:

- Enrolled land generally must be a minimum of seven acres and farmed by a single operation.
- Land must have been used in the preceding two years for crop production, commercial boarding of horses or livestock production.
- Farm operation must gross an average of \$10,000 or more in sales per year.
- Land of fewer than seven acres may qualify if the operation has an average gross sales value of \$50,000 or more per year.



Support land, land set aside in federal conservation programs or farm woodland (up to 50 acres per eligible tax parcel) may qualify. Non-farmers who rent land to farmers are eligible to receive agricultural assessment if the rented land satisfies the basic eligibility requirements described above. If the rented land does not satisfy the average gross sales requirement, but does satisfy the other requirements, it may still be eligible if it is farmed, under a written rental agreement of at least five years, with other farmland that satisfies the eligibility requirements.

To apply for first time agricultural assessment, a landowner goes to the county Soil and Water Conservation District office, where farmland to be enrolled in the program is classified by soil productivity. Landowners must file for agricultural assessment annually. Land placed under agricultural assessment and then converted to non-

agricultural use is subject to conversion fees.

For more information about agricultural assessment, contact your town tax assessor, county Soil and Water Conservation District or the New York State Office of Real Property Services, Agricultural Unit.

Farm Building Exemptions

Several provisions in New York's Real Property Tax Law exempt farm buildings or structures from property taxes. To claim each of these exemptions, owners must apply to their local assessors. Section 483 exempts new or reconstructed agricultural buildings, such as barns or farm worker housing, from any increase in assessed value that results from the improvement. The application must be made within a year following the completion of construction work. The exemption continues automatically for 10 years, as long as the building continues to be used for farming.

Sections 483-a and 483-c exempt entirely certain agricultural structures from taxation. Some of the structures that qualify for the exemption include:

- Silos
- Grain storage facilities
- Bulk tanks
- Manure facilities
- Temporary greenhouses

Structures used for processing, retail merchandising, personal use or residences of applicants and their immediate families do not qualify for the exemption. The owner of the building or structure for which the exemption is sought must file application form RP-483 (available from the local assessor or the County Director of Real Property Tax Services) with the city/town or county assessor.

For more information about farm building exemptions, contact your local tax assessor or the New York State Office of Real Property Services, Agricultural Unit.

Farmers' School Tax Credit

The Farmers' School Tax Credit allows eligible farmers to obtain an income tax credit (or corporate franchise tax credit) for school district property taxes. The credit is fully funded by the state. It is not a real property tax exemption and does not diminish local school district revenue.

To be eligible, farmers (either individual or corporate) must receive at least two-thirds of their excess federal gross income from farming.

The credit equals the amount of school taxes paid on the first 250 acres of qualified agricultural property. After 250 acres have been claimed, the credit equals 50 percent of school taxes paid on remaining land. When a farmer's New York adjusted gross income exceeds \$100,000, the credit becomes limited. It decreases by two percent for each \$1,000 of income earned over \$100,000 and phases out completely at \$150,000.

The Farmers' School Tax Credit applies to school taxes paid by the farmer on land, structures and buildings used for agricultural production. Farmhouses used as personal residence do not qualify. However, farmers may also qualify for the New York State School Tax Relief (STAR) program, which provides a partial exemption of \$30,000 from school property taxes for owner-occupied primary residences. The basic STAR program is available to all primary residence homeowners, including farmers, regardless of age. The enhanced STAR program provides eligible senior citizens with a \$50,000 exemption off the full value of their property.

For more information about the Farmers' School Tax Credit, contact your tax preparer or the New York State Department of Taxation and Finance. Ask for tax forms IT-217 (for individuals, estates and trusts) or CT-47 (for corporations). For more information about the STAR program, contact your local tax assessor or the New York State Office of Real Property Services.

Forest Land Exemption

To encourage the long-term ownership of woodlands, Section 480-a of the Real Property Tax Law allows eligible owners of forest land to receive reductions in tax assessment. Landowners must own a minimum of 50 acres of contiguous forestland and be willing to commit the land to forest crop production. In addition, landowners must follow forest management plans that have been prepared by qualified foresters and approved by the New York State Department of Environmental Conservation (DEC). Owners of tracts certified by DEC must apply annually to their local assessors for the exemption. Landowners must comply with the program for nine years following the last year of commitment. Penalties may be imposed if a landowner fails to follow the approved management program or converts the land to a use that prevents continued forest crop production.

For more information about the forest land exemption, contact the New York State Department of Environmental Conservation, Division of Lands and Forests, Bureau of Private Land Services.

Historic Barns

A relatively new state program helps owners of historic barns restore and preserve their structures. The New York State Barns Restoration and Preservation Program provides funding for a variety of capital repairs on agricultural buildings that are at least 50 years old and are in need of substantial repair. Eligible improvements include repairs to roofs, foundations, walls, sills and overall stabilization. Repairs must be compatible with the historic nature of the building. Applicants are expected to provide a matching share, ranging from 10 to 50 percent of total project cost (determined on a sliding scale according to income). The applicant's share may be in the form of cash, in-kind services or labor.

For more information about the New York State Barns Restoration and Preservation Program, contact the New York State Office of Parks, Recreation and Historic Preservation.





Replanted or Expanded Orchards and Vineyards

For owners of orchards or vineyards, a partial exemption now exists that applies to newly replanted or expanded orchard and vineyard land. Land eligible for agricultural assessment and used solely for the replanting or expansion of an orchard or vineyard is exempt from taxation for up to four successive years. Land eligible for the exemption cannot exceed 20 percent of the orchard or vineyard's total acreage (unless the land is located in a disaster emergency area).

For more information about this exemption, contact your local tax assessor or the New York State Office of Real Property Services, Agricultural Unit.

Sales Tax Exemptions

New York tax law now exempts certain items used in farm production from state and local sales and use taxes. The items must be used "predominantly" (more than 50 percent) for farm production in order to qualify. Some of the exempt items include personal property used for production/operation; building materials used for farm buildings or structures; services to install, maintain or repair farm buildings or structures; motor vehicles used predominantly for production/operation; and fuel, gas, electricity, refrigeration or steam used for production/operation.

For more information about sales tax exemptions, contact the New York State Department of Taxation and Finance or Cornell Cooperative Extension.

Farmland Protection

Competition for land is an increasing challenge for many New York farmers. As farmland is sought after for new housing and other development, land values price farmers out of the market. The following programs have been established to help New York farmers and agricultural landowners protect their productive farmland.

Agricultural Districts

New York's Agricultural Districts Law was enacted in 1971 to help keep farmland in agricultural production. An agricultural district is created when a group of interested landowners (who collectively own at least 500 acres) submit a proposal to their county. By 2001, the state had 343 county-level agricultural districts, encompassing nearly 22,000 farms and more than 8.5 million acres.

Farms in agricultural districts receive important "right-to-farm" protections. For farmers, enrolling land in an agricultural district—and keeping the land enrolled when the district comes up for review—provides several benefits:

- The taxation of farmland within agricultural districts for certain municipal improvements (sewer, water, lighting, non-farm drainage, solid waste disposal and other landfill operations) is limited.
- When requested, the Department of Agriculture and Markets can decide whether land uses are agricultural or if farm practices are "sound agricultural practices." Such determinations can help defend farmers in zoning disputes or private nuisance lawsuits.

- The Department of Agriculture and Markets has the authority to intervene when local governments enact laws that unreasonably regulate farm operations in agricultural districts.
- Additional measures—such as agricultural impact statements, notice of intent filings and real estate disclosure notices—are required for new developments and public projects in agricultural districts.

For more information about enrolling land in an agricultural district, contact your county Cornell Cooperative Extension. For questions about right-to-farm protections, contact the New York State Department of Agriculture and Markets.

New York State Farmland Protection Program

Established in 1996, New York's Farmland Protection Program provides grants to eligible counties and towns (with approved farmland protection plans) to permanently protect land for agriculture. The grants are used to purchase the development rights on farmland.

The purchase of development rights to a piece of farmland places a deed restriction, known as a conservation easement, on the property. Conservation easements are voluntary legal agreements that restrict the development and subdivision of land. When farmland owners sell their development rights, they retain all other rights of ownership and continue to farm the land as they did before. The land stays private, and landowners are not required to allow public access. Protected land can be passed on to other family members or sold, but future landowners are required to follow the terms of the agreement.

Typically, the value of a conservation easement equals the property's fair market value minus its restricted value (the value once it can no longer be developed). New York's Farmland Protection Program pays a farmer up to 75 percent of the cost to complete the purchase of development rights transaction. The remaining 25 percent must come from a private source (such as a land trust), a municipality, the federal Farm and Ranch Land Protection Program, a development rights donation by a neighboring landowner or from a "bargain sale" by the farmer (who may use the donation value as a tax deduction).

Each year, the New York State Department of Agriculture and Markets issues a request for proposals (RFP). Farms that submit applications are ranked and scored. Since its inception, the program has been competitive. Priority is given to projects that preserve viable agricultural land in areas facing high development or conversion pressure. Priority also is given to land that buffers a significant public natural resource.

In addition, projects are evaluated by:

- Number of acres preserved
- Soil quality
- Percentage of total farm acreage available for agricultural production
- Proximity to other conserved farms
- Level of farm management demonstrated by current landowner



Partners in Farmland Conservation

Many municipalities have used partnerships with nonprofit land trusts to successfully protect farmland throughout New York. Land trusts often help municipalities ensure that agricultural conservation easements—the legal deeds that limit future development—are followed in perpetuity. In addition to holding and monitoring easements, land trusts often play key roles in initiating farmland protection projects and writing applications to the state and federal farmland protection programs. For more information about land trusts, contact the Land Trust Alliance of New York or American Farmland Trust.



The Challenge of Estate Planning

For many farm families, passing the farm on to the next generation can be a major challenge.

Transferring a farm involves more than just passing on land. A will is an important part of an estate plan, but a will alone cannot guarantee a secure future for a farm family's land and business. Estate planning is needed to address inheritance tax and settlement issues that may arise because land is not a liquid asset.

- Likelihood of the property's succession as a farm if ownership changes

For more information about the State Farmland Protection Program, contact the New York State Department of Agriculture and Markets or American Farmland Trust.

Federal Farm and Ranch Land Protection Program

The 1996 Farm Bill established the federal Farm and Ranch Land Protection Program (FRPP), which provides funding to purchase development rights on productive farmland. The FRPP provides up to 50 percent of a project's development rights value. However, before an application can be submitted to the FRPP, a project must have a source of funding for the remaining 50 percent. In the past, New York farms have secured funding from the state or from a local farmland protection program before applying to the FRPP for matching funds.

In 2002, the new farm bill increased FRPP funding greatly, so that approximately \$100 million will be allocated per year from 2003 to 2007. This enhanced funding should create new opportunities for New York farmers who are experiencing development pressure.

For more information about the FRPP, contact USDA Natural Resources Conservation Service or American Farmland Trust.

New York Farmlink

NY FarmNet and Cornell University administer the NY Farmlink program, a transition network designed to help farmers get into or out of farming. The program connects older farmers nearing retirement or planning to leave farming with young farmers who want to get started with their own businesses. The program also develops transition plans that allow retiring farmers and entering farmers to work together for a period of time before the actual farm transfer. In addition, NY FarmNet has consultants available, free of charge, to assist farmers with business planning and financial management.

NY Farmlink maintains its database of new and retiring farmers at www.nyfarmlink.org. For additional assistance, contact NY FarmNet.

Estate and Transition Planning

Estate planning can accommodate the needs of all family members, even those who leave the farm operation. A good estate plan will accomplish at least four goals:

- Transfer ownership and management of the agricultural operation, land and other assets
- Avoid unnecessary income, gift and estate taxes
- Ensure financial security and peace of mind for all generations
- Develop the next generation's management capacity

There are many sources of information about estate and transition planning, including attorneys, accountants and other financial advisors. Western New York Farm Credit, First Pioneer Farm Credit and NY FarmNet are commonly used resources. For a copy of *Your Land is Your Legacy: A Guide to Planning for the Future of Your Farm*, contact American Farmland Trust at 1-800-370-4879.

Environmental Management

Farmers have been the stewards of our land for generations. Farms not only maintain scenic working landscapes; they also guard wildlife habitat and environmentally sensitive areas such as meadows, woodlands, wetlands and streams. The following programs address water quality and other natural resource concerns on farms and forestland.

Agricultural Environmental Management (AEM)

New York's Agricultural Environmental Management (AEM) program is a statewide program that helps farmers address environmental concerns. Participating farmers benefit by documenting farm stewardship, addressing natural resource concerns, reducing farm liability and meeting regulatory requirements. AEM is implemented through the cooperation of several agencies, including Cornell Cooperative Extension, Soil and Water Conservation Districts and the USDA Natural Resources Conservation Service.

In its first stage, the voluntary program helps farmers identify their natural resource concerns by completing confidential environmental risk assessments. Farmers who continue to participate in AEM may receive cost sharing (up to 100 percent in more sensitive watershed areas such as the Skaneateles Lake Watershed) to implement recommended best management practices (BMPs) that address environmental risks.

The AEM process is often facilitated with funding from New York's Agricultural Nonpoint Source Abatement and Control Program (ANSACP) and the federal Environmental Quality Incentive Program. ANSACP may provide up to 75 percent of the funding needed for farmers to plan and implement best management practices.

For more information about AEM or ANSACP, contact your county Soil and Water Conservation District or the New York State Soil and Water Conservation Committee.

Agricultural Management Assistance (AMA)

AMA is a relatively new program that provides funding to 15 states (including New York) where participation in the Federal Crop Insurance Program typically has been low. The voluntary program addresses the natural resource concerns of water and soil conservation. In New York, the USDA Natural Resources Conservation Service (NRCS) has directed its AMA funds to projects related to cropland erosion control and prescribed grazing. AMA funds up to 75 percent of the cost for producers to install and maintain eligible conservation practices.

For more information about AMA, contact your local or state USDA Natural Resources Conservation Service.

Conservation Security Program (CSP)

This newly created, voluntary program pays farmers to maintain or adopt conservation practices. A wide range of natural resource concerns may be addressed, although CSP focuses specifically on land-based practices. Producers participate in CSP at one of three tiers (Tiers I, II and III). Higher tiers require greater conservation effort and offer higher payments. CSP contracts last a minimum of five years.

For more information about CSP, contact your local or state USDA Natural Resources Conservation Service.





Environmental Quality Incentive Program (EQIP)

The federal EQIP program pays up to 75 percent of the cost for farmers to implement structural and management practices on eligible agricultural land. Cost-share payments may be made to help farmers install erosion control measures and agricultural waste management facilities or to establish conservation practices such as nutrient management, integrated pest management, manure management and wildlife habitat management. In New York, EQIP has been used in combination with AEM and ANSACP to help farmers meet regulatory requirements and improve water quality. The 2002 Farm Bill increased the amount of EQIP cost-share and incentive payments available.

For more information about EQIP, contact your local or state USDA Natural Resources Conservation Service.

Forest Land Enhancement Program (FLEP)

The Forest Land Enhancement Program (FLEP) is a new program for owners of private forest-land. Authorized by the 2002 Farm Bill, FLEP replaces two previous conservation programs: the Stewardship Incentive Program (SIP) and the Forestry Incentive Program (FIP).

State forestry agencies can use FLEP funds to provide financial, educational and technical assistance to private forest owners. The program's priorities are projects relating to stewardship management plan development; afforestation and reforestation; forest stand improvement; agroforestry; water quality improvement and watershed protection; fish and wildlife habitat protection; forest health and protection; invasive species control; and wildfire and catastrophic risk reduction/rehabilitation.

For more information about FLEP, contact the New York State Department of Environmental Conservation.

Natural Resource Conservation

The federal government has established a number of programs to help farmers retire environmentally sensitive land. The following voluntary programs compensate farmers for reducing or eliminating farm practices on portions of their property, with the aim of establishing riparian buffers, wetlands and other natural settings.

Conservation Reserve Program (CRP)

Conservation Reserve Enhancement Program (CREP)

The Conservation Reserve Program (CRP) encourages farmers to convert highly erodible cropland and other environmentally sensitive land to vegetative cover such as tame or native grasses, wildlife plantings, trees, filterstrips or riparian buffers. Participating farmers receive annual rental payments for the term of their multi-year contracts (between 10 to

15 years). Cost-share funding is provided for the establishment of the vegetative cover practices. Landowners also may receive funding to fence streams that exclude livestock, build grass waterways or develop shallow water areas for livestock.

The Conservation Reserve Enhancement Program (CREP) is a variation of CRP that provides annual rental payments and cost-share assistance to farmers for establishing long-term, resource-conserving covers on eligible land.

For more information about CRP or CREP, contact your local or state USDA Farm Service Agency.

Debt for Nature

The Debt for Nature Program is available to landowners with USDA Farm Service Agency (FSA) loans that were secured by real estate. The program reduces a borrower's debt in exchange for a conservation contract with a term of 10, 30 or 50 years. A conservation contract is a voluntary legal agreement that restricts development on marginal cropland or other environmentally sensitive land for conservation, recreation or wildlife purposes.

For more information about the Debt for Nature program, contact your local or state USDA Farm Service Agency.

Wetland Reserve Program (WRP)

The Wetland Reserve Program (WRP) restores and protects wetlands on private property. Participating landowners are paid for permanent or temporary conservation easements that establish wetland protection and restoration as the primary land use for the duration of the agreement. Landowners can receive as much as 100 percent of the appraised agricultural market value of the property for permanent conservation easements or 75 percent for 30-year easements. A third option, 10-year restoration agreements, provides 75 percent of the restoration costs without the requirement of a conservation easement. In all the program options, landowners continue to control access to their land.

For more information about WRP, contact your local or state USDA Natural Resources Conservation Service.

Wildlife Habitat Incentives Program (WHIP)

The Wildlife Habitat Incentives Program offers financial incentives to agricultural landowners who maintain habitat for fish and wildlife. Participating landowners work with the USDA Natural Resources Conservation Service (NRCS) to create wildlife habitat development plans that list the goals and practices needed to improve wildlife habitat. NRCS provides up to 75 percent in cost-share assistance to implement the plans. In New York, the priority of WHIP primarily has been habitat for grassland birds.

For more information about WHIP, contact your local or state USDA Natural Resources Conservation Service.





Resources

American Farmland Trust
(518) 581-0078
www.farmland.org

Cornell Cooperative Extension
(607) 255-2237
www.cce.cornell.edu
Local offices are listed in the phone book under “[County name] County Cooperative Extension”

Farm Credit of Western New York
(585) 762-8223
www.farmcreditwny.com

First Pioneer Farm Credit
(860) 741-4380
www.firstpioneer.com

Land Trust Alliance of New York
(518) 587-0774
www.lta.org

New York Farm Bureau
(518) 436-8495
www.nyfb.org

NY FarmNet
(800) 547-FARM
www.nyfarmnet.org

NYS Department of Agriculture and Markets
(518) 457-3880 or (800) 554-4501
www.agmkt.state.ny.us

NYS Department of Environmental Conservation
Division of Lands and Forests
Bureau of Private Land Services
(518) 402-9425
www.dec.state.ny.us
Regional offices are listed under “New York State Environmental Conservation” in the phone book

NYS Department of Taxation and Finance
Taxpayer Assistance Bureau
(800) 225-5829
www.tax.state.ny.us

NYS Office of Parks, Recreation and Historic Preservation
(518) 474-0456
www.nysparks.state.ny.us/grants

Barn Tax Credit
(518) 237-8643

Barn Restoration and Preservation
(518) 402-5368

NYS Office of Real Property Services
(518) 486-5446
www.orps.state.ny.us

NYS Soil and Water Conservation Committee
(518) 457-3738
www.nys-soilandwater.org
County offices are listed in the phone book under “[County name] Soil and Water Conservation District”

USDA Farm Service Agency
New York State Farm Service Agency
(315) 477-6300
www.fsa.usda.gov/ny
Local offices are listed in the phone book under “United States Agriculture Department Farm Service Agency”

USDA Natural Resources Conservation Service
(315) 477-6504
www.ny.nrcs.usda.gov (New York NRCS)
Local offices are listed in the phone book under “United States Agriculture Department Natural Resources Conservation Service”



American Farmland Trust is a private, nonprofit farmland conservation organization founded in 1980 to stop the loss of productive farmland and to promote farming practices that lead to a healthy environment.

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Northeast Regional Office
6 Franklin Square, Suite E • Saratoga Springs, NY 12866 • (518) 581-0078