



Ohio Senate
1st District

Cliff Hite

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Committees:

Agriculture – Chair
Education Finance Subcommittee – Chair
Education – Vice Chair
Energy & Natural Resources
Health & Human Services
Public Utilities
Ways and Means
Correctional Institution Inspection Committee
Legislative Service Commission

SB 36 Sponsor Testimony
Current Agricultural Use Value Program-Farmland Valuation
Wednesday February 15, 2017

Chairman Eklund, Vice Chair Terhar, Ranking Member Williams, and distinguished members of the Senate Ways & Means Committee:

Thank you for the opportunity to present testimony on Senate Bill 36. The CAUV program has been extremely effective and has been critical to the effort of conserving farmland for over 40 years now. The program provides a means to measure the value of land for tax purposes based on its use for agricultural production, rather than the value of its potential to be developed.

In an industry with such small profit margins, many farmers simply could not afford to keep farming their land without CAUV. Voters felt so strongly about the importance of this program that they amended Ohio's constitution to ensure it would continue to provide a fair way of taxing agricultural land.

The amendment left broad discretion to the legislature to devise the parameters of the program. Laws to implement CAUV also left some ability for the Department of Taxation to make administrative changes. A number of changes to CAUV have been made administratively over the years, two of which are the focus of this proposed legislation.

First, the bill seeks to improve the accuracy of the evaluation of the value of farmland by prohibiting the use of certain non-agriculture factors in the formula. Currently, the formula attempts to account for a theoretical percentage of equity buildup achieved over time by farmers who take out loans to finance the purchase of farmland. Similarly, the appreciation factor serves as a built in assumption that demand for farmland will always increase at a predetermined rate. Including these assumptions has no bearing upon the land's capability to produce agricultural income, which is the sole purpose of the CAUV formula. These factors arbitrarily inflate the value of farmland based on market considerations and do not in any way account for how much income is achieved.

Second, this legislation would remove disincentives to engaging in certain conservation practices. When farmers take acreage out of production to place that land in practices that help protect water quality and preserve the soil, valuation of the land should reflect that lack of production. Currently, the CAUV formula continues to assume agricultural production is still



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taking place on these lands and that income from that acreage is being realized. This important change will allow for wider implementation of best practices to enhance water quality.

Farmland taxes have been increasing at intimidating rates for the last several years. While part of the increase is attributable to upward adjustments we should expect to see due to higher commodity prices included in the formula, the factors this bill will address have artificially inflated the taxes our farmers are paying. Supporting this legislation will ensure the formula sticks to valuing farmland based solely on agricultural production taking place, as the constitution stipulates.

Thank you again, and I am happy to answer any questions.