



Testimony of Theodore O. Finnarn, Attorney for Ohio Farmers Union
Submitted As Written
Ohio Senate Committee on Ways and Means
Hearing on S.B. 36 (CAUV Computation Bill)
March 1, 2017

Chairman-John Eklund, Vice-Chairman-Lou Terhar, Ranking Member-Sandra Williams, and members of the Committee:

I am Ted Finnarn, an attorney and farmer; I represent the Ohio Farmers Union on the Agricultural Advisory Committee to the Division of Tax Equalization, Ohio Department of Taxation, in regards to the Current Agricultural Use Valuation (CAUV) law. I have been a member of that Advisory Committee for now going on 41 years and I was "present at the creation" of the CAUV.

The CAUV has served us well over the past forty years in delivering its intended purpose of allowing farmland owners to pay their real estate taxes based on the income producing ability of the farmland and not on its speculative fair market value. This allows our farmers to pay "reasonable" real estate taxes and keeps agricultural production in Ohio the number one industry. This basic concept is known as "use value" and it has a long history in Ohio tax law.

Recently, during the past six to seven years, the CAUV values have "sky-rocketed" (with increases of from 200-800%) and the calculations went "out of whack" due to the unprecedented and extremely low interest rates in our U. S. economy. In regards to SB 36, this bill helps to clarify and further define what is known as the "capitalization" interest rate

legislation in the past. Therefore, the Ohio Farmers Union welcomes this legislation as it will further refine and improve the CAUV tax formula.

We also support the legislative changes in the Bill in regards to "conservation" acres and I would note that in the past these conservation acres were valued at the lowest value which was the minimum value. Several years ago there was a change on this wherein that, even though the farmland owner would have the acres in a conservation practice and not be able to farm the farmland, the CAUV value was determined as if the farm ground was being tilled and producing a crop. Therefore, this legislation clarifies for the Tax Department – Division of Tax Equalization that since these soil type farm acres are not actually being farmed, that their valuation should be at the lowest value for that soil type, which in most cases would be the minimum value we have used within formula in the past. (Those values most recently are at \$350 per acre/cropland or pasture and \$230 per acre/woodland).

Thus, the Ohio Farmers Union supports this important CAUV tax legislation and notes that it should be passed by the General Assembly so that it can be effective for our "tax year" 2017. Our first meeting of our Ag advisory committee to work on the 2017 values will be held on March 3, 2017 and hopefully this legislation will help us to determine more accurate and reasonable CAUV values.

Thank you for your time today.

Respectfully submitted,
Theodore O. Finnarn
Attorney representing the Ohio Farmers Union
Member of the Agricultural Advisory Committee to the Division of Tax Equalization, Ohio Department of Taxation

421 Public Square, Greenville, Ohio 45331
(937) 548-3240 – phone (937) 548-3291 – fax

toflaw@earthlink.net

**SB 36(HB ___) CAUV Conservation and Computation Bill
Effect of Improvement to Capitalization – Interest Rate
In Formula and Conservation Acres' Values**

Using Milgrove, Silt Loam – “Best” Soil in State of Ohio for Tax Year 2015

	2012 (3 Yrs Prior) Value	Original September 2014 Proposal	After March/May Changes Final 2015	What would have been under SB 36	Other States Iowa * Texas
Cap Rate =	7.5%	6.1%	6.6%	7.5%	11% 7.0% 10%
CAUV Value =	\$2,490.00/Acre	\$5,300.00/Acre 114% Increase from 2012	\$4,770.00/Acre	\$4,190.00/Acre 68% Increase from 2012	\$1,600 per Acre \$2,100 per Acre \$1,000 per Acre
<p>Conservation Acres – In the early days of CAUV, most conservation acres were valued for CAUV at the lowest value assigned on the basis of soil type. This bill would restore that process and encourage farmers to engage in practices that protect the environment and water quality. This would only reduce these farmland values moderately, since in the case of any conservation woodland, the costs of drainage and clearing are going to be increased anyway.</p>					<p>*Iowa also has in addition a Family Farmer Tax Credit that lowers Farmers Real Estate Taxes, and Woodland and Conservation acres are completely exempt from taxation.</p>

By: Theodore O. Finnarn
Attorney representing the Ohio Farmers Union
Member of the Agricultural Advisory Committee to the Division of Tax Equalization, Ohio Dept. of Taxation
421 Public Square, Greenville, Ohio 45331
(937) 548-3240 – phone (937) 548-3291 – fax toflaw@earthlink.net