



**Senate Ways and Means Committee**  
**Senate Bill 36 - (Hite)**  
**Proponent Testimony**  
**Jed Bower, President, Ohio Corn & Wheat Growers Association**  
**March 8, 2017**

Chairman Eklund, Vice Chairman Terhar, Ranking Member Williams and members of the Senate Ways and Means Committee, thank you for the opportunity to submit written testimony to the Committee as a proponent of Senate Bill 36. I would also like to publically thank Senators Hite, Obhof, Peterson, Gardner, Beagle, Coley, Hoagland, Hottinger, LaRose, Hackett, and Brown for their ongoing leadership on this very complex and important issue with the Current Agricultural Use Value (CAUV) program.

My name is Jed Bower. I am President of the Ohio Corn & Wheat Growers Association which represents over 2,100 grain farmers from across the state. I am a fifth-generation grain farmer in Washington Court House (Fayette County) with my wife and two children.

There is no doubt that CAUV, a program recognized by the Ohio Constitution, has benefitted Ohio farmers and their families for a long time. However, like anything over time, adjustments to programs such as CAUV need to be made to be kept current with today's business and economic conditions as well as to correct any inaccuracies that may have been inadvertently incorporated into the program. As I am sure you have heard from many farmers testifying before this Committee or those who farm back home in your districts, the recent escalations in CAUV have been shocking to say the least. Statewide, we have seen CAUV values increase close to 300% for farmland and as much as up to 700% for wooded land enrolled in the program over the last few years. I can personally attest to similar increases on my farm and the challenges that it presents. My personal CAUV tax bill has increase by approximately 250% over the last three-years.

When looking at various state regulations and tax policies, it is tough to find something that is having a bigger negative impact on the state's farming community than the current CAUV formula. I am certainly far from an expert on our state's intricate tax policy, but I can quickly look at how my farm, and the farms of my neighbors, are being impacted and know that reform is needed.

Senate Bill 36 has some common-sense reforms that more accurately reflect the on-the-ground practices of today's farms. In addition, Senate Bill 36 addresses serious concerns in the current CAUV formula that do not adequately reflect the nature of farmland holdings by those who till the land as a way of life.

First, it is counterintuitive to have a farmland property tax system that discourages the use of conservation management to ensure clean air, water and healthy soils in Ohio. Farmland enrolled in conservation programs such as the Conservation Reserve Program (CRP) are not meant to be farmed to help prevent the flow of nutrients from the soil into the watershed. Watersheds such as the Western Lake Erie Basin benefit when farmers incorporate conservation practices on their land to save precious and costly nutrients



meant for crops and not for algae growing in the lake. Because farmers set conservation land aside for programs such as CRP, crops are not planted and therefore not sold from land enrolled in CRP and other similar conservation programs. However, the CAUV formula doesn't see it that way. Ohio farmers are still taxed on conservation land as if that fallow land was still producing a crop. Thus, the "current use" for conservation land should be valued as such, separate from land used to grow commercial crops. Senate Bill 36 looks to correct this flaw in the CAUV formula that is discouraging farmers from enrolling in conservation programs meant to protect our environment.

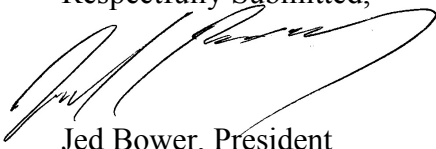
Second, the CAUV formula was meant to incorporate factors that are specific to farmland use. It only makes sense for a formula meant to derive a property tax specifically for the use of farmland that only factors unique to farmland should be used. Unfortunately, that is not the case in some factors used in today's CAUV formula. There are two provisions in the current formula that account for what is known as equity build-up and market appreciation. The problem isn't that these two provisions are in the formula, but more so how they are applied. Both the equity build-up and market appreciation factors treat farmland no different than residential real estate. The formula assumes that land is being held for a short period of time, five years, so that the land owner can build-up equity as they pay down the mortgage and gain in unrealized market appreciation of that land. The formula simply assumes that the land owner will cash out their land holding after five years to collect their gains. The problem with this kind of thinking is that while this may be common practice for residential real estate, it is not common for farmland holdings. Many farmland owners in Ohio hold on to their farmland for decades often passed down to many generations. The gains farmland owners make on their land is realized from the agricultural products grown and raised on that land year after year. Farmland owners are not buying and selling land to make quick gains by flipping property as the current CAUV formula may have you believe based on how the equity build-up and market appreciation factors are applied. Senate Bill 36 removes these two factors that have nothing to do with common practices associated with long-term holding of farmland. Simply put, gains are made from the agricultural output of that farmland and not just from the land itself.

At a time when grain farmers are struggling and many are literally selling their grain for less than it cost them to produce, having to then shoulder CAUV increases of 300% to 700% is discouraging to say the least. Farmers like myself love our communities and work hard so we can reinvest in our neighborhoods, schools and towns, but they cannot come at the expense of the next generation of Ohio farm families. Many farmers serve their communities as township trustees, county commissioners, school board members, teachers and in numerous other public roles with a mission to improve the very communities in which they also live and work.

Let's move forward with Senate Bill 36 so we can better protect the wellbeing of Ohio's hard working farm families, protect Ohio's number one industry and find better ways to reinvest in our communities so that our citizens have the high-quality public services that they need and quite frankly deserve. Ohio farm families and the members of the Ohio Corn & Wheat Growers Association want to be at the table to help keep and make Ohio a great place to live, work and raise a family.

Thank you for your time and consideration. I am happy to try and answer any questions you may have.

Respectfully Submitted,



Jed Bower, President  
Ohio Corn & Wheat Growers Association

