

Implications of the Greenbelt Acreage Cap

Key Takeaways

- Tennessee law only allows an individual to enroll 1,500 acres in the Greenbelt program.
- The enrollment cap on individuals often does not reflect today's farm operations and places those who exceed the cap in a competitive disadvantage to similar farmers in other states.
- Local governments rely heavily on property taxes to fund schools, roads, law enforcement, and fire and emergency medical services, as well as other services associated with residency or property ownership.
- The challenge for local officials providing these services—regardless of whether the services are required—is how to pay for them.
- Non-farm landowners believe the Greenbelt Law impacts local government revenue by reducing the tax base likely leading to a combination of higher property tax rates and taxes on those property owners not enjoying greenbelt valuations.

Questions

1. How does the 1,500-acre limit impact farming operations in your county?
2. What services does the General Assembly require your county to provide by using revenue from local taxes and fees?
3. Aside from dollars received from the federal government, does your local government have a reliable and consistent tax base?

Background

The *Agricultural, Forest, and Open Space Land Act of 1976*, colloquially referred to as the Greenbelt Law or Greenbelt, was designed to maintain farms, forests, and open space and reduce urbanization across Tennessee. Greenbelt helps provide tax relief, not exemption, to those who qualify, based on present use value rather than on market value (TCA 67-5-1002). Present use value means the value of land based on its current use as either agricultural, forest, or open space land and assuming that there is no possibility of the land being used for another purpose.

Eligibility is based on one of three categories:

- Agriculture: acreage; productivity of land; how much acreage is involved in agricultural practices; and income (produce at least an average income of \$1,500 per year over any three-year period) (TCA 67-5-1005 Sec. (a)(3)).
- Forest: acreage; type of timber; amount of timber; growth rate; and management plan of timber and land (TCA 67-5-1006 Sec. (b)(1)).
- Open Space: preservation of land (TCA 67-5-1007 Sec. (b)(2)).

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There are seven circumstances which disqualify land from being classified as Greenbelt (TCA 67-5-1008 Sec. (d)(1)(A-F)):

- It fails to meet the requirement classifications for agriculture, forest, or open space.
- The owner requests to be taken out of Greenbelt.
- A subdivision plat is developed for the property.
- An application is not filed, if needed, for Greenbelt.
- The land is used for a non-agricultural purpose.
- The land is conveyed and becomes ineligible.
- **The land exceeds the maximum limit (1,500 acres).**

The general premise behind the Greenbelt Law is for a property owner to pay property tax based upon how the property is being used (i.e. farming or forest land) rather than by the current market value. An example would be a farm which is beside a commercial development, it is unlikely the farm could produce enough income annually to pay for the taxes on the market value of the property. Therefore, the policy of the state is to allow for the property owner to pay property taxes based on the Use Value.

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Tennessee law only allows an individual to enroll 1,500 acres in the Greenbelt program. This provision in the law dates back to 1984 when rural counties with large forestry landowners were impacted by lower property tax revenues as a result of the Greenbelt tax classification. If a farmer solely owns more than 1,500 acres of land, they must choose which acres to enroll. Partners owning land exceeding 1,500 acres, may split the land based on percent ownership. (i.e. Two partners own 3,000 acres, each may claim 1,500 under the Greenbelt.) However, if a farmer and their spouse own land jointly, they are considered one and are limited to 1,500 acres (TCA 67-5-1003 Sec. (3)).

The enrollment cap on individuals often does not reflect today's farm operations and places those who exceed the cap in a competitive disadvantage to similar farmers in other states. Like other businesses, farms must adapt to current market conditions. For example, row crop operations are often much larger than 1,500 acres in order to spread out risk.

A natural growth of farms is occurring by passing land from one generation to another and farms are losing Greenbelt status because of the death of a family member as acreage accumulates under a single ownership. **A recent study shows that 371 million acres, more than 40 percent of American farmland, will change hands over the next 15 years.**

Farm Bureau policy supports increasing the acreage limitation to reflect increasing acreage ownership by farmers. In both the 111th and 112th General Assemblies, Farm Bureau has brought legislation to increase this acreage limitation but has not been successful. Further conversations with local government representatives are needed as revenue sources for local governments is a point of contention.

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Many other services, though not required, are provided to meet community needs and expectations. Even for services not required, local governments may find they are subject to state and federal mandates governing how those services are to be provided. **The challenge for local officials providing these services— regardless of whether the services are required—is how to pay for them.**

According to a Tennessee Advisory Commission Intergovernmental Relations (TACIR) study, in FY 2016-2017, local governments in Tennessee reported to the US Census Bureau they spent \$34.6 billion—\$12.0 billion on required services in FY 2016-17, \$18.4 billion on authorized services, including \$9.2 billion for utilities, which state law requires to “be and always remain self-supporting,” and another \$4.2 billion in other expenditures.

The revenue available to local governments to fund the services they provide includes not only revenue from local taxes and fees but also revenue received from the federal government or the state. While revenue from local sources makes up most of the revenue available to local governments on a statewide basis, the revenue received from the federal government and the state are also significant. Given the revenue needed to provide services—especially those required by the state—some local officials contend that the share of revenue distributed from the state to local governments and the state laws determining that distribution warrant review by the General Assembly. Local governments in Tennessee reported to the US Census Bureau that they received \$7.4 billion from the state of Tennessee in fiscal year 2016-17, and at least \$4.5 billion of that was for required services.

Non-farmland owners believe the Greenbelt Law impacts local government revenue by reducing the tax base likely leading to a combination of higher property tax rates and taxes on those property owners not enjoying greenbelt valuations. However, according to TACIR, if the greenbelt program prevented one acre of agricultural land from being developed for residential use in each census block group in the state (a total of 4,125 acres maintained as agricultural land), this would generate nearly \$94,000 in additional property tax revenues statewide due to the appreciation of nearby home values. This increase in property tax revenues must be compared to reductions in the property tax based to determine the full effect of greenbelt laws on property tax revenues. However, property tax revenues would not be increased if the greenbelt program prevented one acre of forest from being developed for residential use in each census block group in the state (a total of 4,125 acres maintained as forest).

Policy

State and Local Taxes

The continued use of the Agricultural, Forest and Open Space Land Act is an incentive for keeping agricultural and forest lands in active production. Only bona fide farmers and landowners of forestry and open space land should qualify under the provisions of the act. Adequate regulations should ensure the integrity of the act is preserved in this regard. However, no regulation should prevent even one legitimate agricultural landowner or forest owner from qualifying for the program. When farmers operate through a partnership, corporation, or other legal entity each should individually be attributed his/her interest up to the 1,500 acre maximum. The 1,500 acre cap should be adjusted to more accurately reflect the increasing size of today’s farms.