

# MAINE STATE LEGISLATURE

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R.O.S.

L.D. 13

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TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
120TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 13, L.D. 13, Bill, "An Act to Amend the Definition of Agricultural Land for Taxation at its Current Use"

Amend the bill by striking out the title and substituting the following:

'An Act Relating to Taxation of Agriculture'

Further amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following:

'Sec. 1. 36 MRSA §1102, sub-§4, as amended by PL 1999, c. 731, Pt. Y, §1, is repealed and the following enacted in its place:

4. Farmland. "Farmland" means:

C. Any tract or tracts of land, including woodland and wasteland, of at least 5 contiguous acres on which farming or agricultural activities have contributed to an annual gross farming income of at least \$2,000 per year in one of the 2, or 3 of the 5, calendar years preceding the date of application for classification. The farming or agricultural activity and income derived from that activity may be achieved by either the owner or a lessee of the land. "Gross farming income" as used in this paragraph includes the value of commodities produced for consumption by the farm household; or

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2 D. A tract or tracts of land of at least 2 but less than 5  
3 contiguous acres on which farming or agricultural activities  
4 on at least 2 productive acres have produced an annual  
5 commercial gross farming income of \$2,000 per year in one of  
6 the 2, or 3 of the 5, calendar years preceding the date of  
7 application for classification. The farming or agricultural  
8 activity and income derived from that activity may be  
9 achieved by either the owner or a lessee of the land.  
10 "Commercial gross farming income" as used in this paragraph  
11 does not include the value of commodities produced for  
12 consumption by the farm household.

13 **Sec. 2. 36 MRSA §1103**, as amended by PL 1987, c. 728, §3, is  
14 further amended to read:

15 **§1103. Owner's application**

16 An owner of farmland or open space land may apply for  
17 taxation under this subchapter ~~for the calendar year 1989, and~~  
18 ~~for subsequent calendar years, at his election~~ by filing with the  
19 assessor the schedule provided for in section 1109. The election  
20 to apply ~~shall require~~ requires the unanimous consent of all  
21 owners of an interest in that farmland or open space land. An  
22 applicant for assessment under this subchapter bears the burden  
23 of proof as to the applicant's qualification.

24 **Sec. 3. 36 MRSA §1108, sub-§1**, as amended by PL 1999, c. 731,  
25 Pt. Y, §3, is further amended to read:

26 **1. Organized areas.** The municipal assessors shall adjust  
27 the 100% valuations per acre for farmland for their jurisdiction  
28 by whatever ratio or percentage of current just value is then  
29 being applied to other property within the municipality to obtain  
30 the assessed values. For any tax year, the classified farmland  
31 value must reflect only the current use value for farm or open  
32 space purposes and may not include any increment of value  
33 reflecting development pressure. Commencing April 1, 1978, land  
34 in the organized areas subject to taxation under this subchapter  
35 must be taxed at the property tax rate applicable to other  
36 property in the municipality, which rate must be applied to the  
37 assessed values so determined. For tax years beginning after  
38 April 1, 2003, the State Tax Assessor shall make payments to a  
39 municipality by the same method and using the same formula as in  
40 section 578, subsection 1 for all lands classified under this  
41 subchapter.

42 **Sec. 4. 36 MRSA §1752, sub-§1-H** is enacted to read:

43 **1-H. Agricultural production.** "Agricultural production"  
44 includes:

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- 2            A. Raising animals for human or animal consumption or for
- 4            the purpose of producing food or other animal products;
- 6            B. Growing crops and seed for human or animal consumption
- 8            or for the purpose of producing food;
- 10           C. Growing plants or trees for human or animal consumption,
- 12           for the purpose of producing food or for the purpose of
- 14           producing live or cut plants;
- 16           D. Producing maple syrup;
- 18           E. Producing livestock;
- 20           F. Raising and keeping equines; or
- 22           G. Growing trees on land used primarily for the growth of
- 24           trees to be harvested.

22           **Sec. 5. 36 MRSA §1760, sub-§7**, as amended by PL 1997, c. 550, §1, is further amended to read:

24           **7. Products used in agricultural and aquacultural**  
26           **production, and bait.** Sales of seed, seedlings, feed, hormones,  
28           fertilizer, pesticides, insecticides, fungicides, antibiotics,  
30           weed killers, defoliant, litter and medicines used in  
             agricultural production and aquacultural production and sales of  
             bait to commercial fishermen. ~~Agricultural-production-includes~~  
             ~~the-raising-and-keeping-of-equines.~~

32           **Sec. 6. 36 MRSA §2013, sub-§1, ¶A**, as amended by PL 1993, c.  
34           151, §1, is further amended to read:

36           A. "Commercial agricultural production" means ~~commercial~~  
38           agricultural production ~~of--crops--for--human--and--animal~~  
40           ~~consumption,-including-the-commercial-production-of-seed,-the~~  
             ~~commercial-production-of-seed-to-be-used-primarily-to-raise~~  
             ~~crops-for-nourishment-of-humans-or-animals-and-production-of~~  
             livestock for commercial purposes.

42           **Sec. 7. Appropriation.** The following funds are appropriated  
44           from the General Fund to carry out the purposes of this Act.

2001-02

46           **ADMINISTRATIVE AND FINANCIAL SERVICES,**  
48           **DEPARTMENT OF**

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**Bureau of Revenue Services**

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All Other \$1,000

Provides funds to reimburse municipalities for 90% of the estimated local costs incurred by municipal assessors to adjust property valuations for newly classified farmland. The bureau shall establish a mandate payment distribution schedule in accordance with the provisions of the Maine Revised Statutes, Title 30-A, section 5685.'

Further amend the bill by inserting at the end before the summary the following:

**FISCAL NOTE**

**2001-02                      2002-03**

**APPROPRIATIONS/ALLOCATIONS**

General Fund \$1,000

**REVENUES**

General Fund (\$302,953) (\$417,940)  
Other Funds (16,281) (22,460)

This bill includes a General Fund appropriation of \$1,000 in fiscal year 2001-02 for the Bureau of Revenue Services within the Department of Administrative and Financial Services to reimburse municipalities for 90% of the estimated local costs incurred by municipal assessors to adjust property valuations for newly classified farmland. Whether the amount of the appropriation is sufficient to cover the costs associated with the new procedures can not be determined at this time.

The Department of Administrative and Financial Services will require additional General Fund appropriations for the Farmland and Open Space Municipal Reimbursement program, estimated to be \$300,000 annually beginning in fiscal year 2003-04, to reimburse municipalities for a portion of the tax loss associated with reduced valuations for land classified under the farm and open space program.

The expanded sales tax exemptions and the sales tax refund provided for certain agricultural products and activities will decrease sales and use tax collections by \$319,234 in fiscal year

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2 2001-02 and \$440,400 in fiscal year 2002-03. The reduction of  
3 these tax collections will decrease the amounts transferred to  
4 the Local Government Fund for state-municipal revenue sharing in  
5 those years by \$16,281 and \$22,460, respectively. The resulting  
6 net reductions of General Fund revenue will be \$302,953 in fiscal  
7 year 2001-02 and \$417,940 in fiscal year 2002-03.

8 The Bureau of Revenue Services within the Department of  
9 Administrative and Financial Services will incur some minor  
10 additional costs to administer the expanded sales tax provisions  
11 and reimbursements under the farm and open space program. These  
12 costs can be absorbed within the bureau's existing budgeted  
13 resources.'

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**SUMMARY**

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19 This amendment permits tracts of land of 2 to 5 contiguous  
20 acres to qualify for current use valuation under the farm and  
21 open space tax law if the tracts produce at least \$2,000 annual  
22 commercial gross income from farming or agricultural activity.  
23 The amendment requires the State to reimburse municipalities for  
24 tax loss under the farm and open space tax law according to the  
25 same formula used under the tree growth tax law. The amendment  
26 provides that the same definition of agricultural activity  
27 applies for purposes of eligibility for sales tax exemption for  
28 products used in agriculture and the sales tax refund for  
29 depreciable machinery and equipment and electricity and adds  
30 certain horticultural activities to the definition. The  
31 amendment adds an appropriation section and a fiscal note to the  
32 bill.

**COMMITTEE AMENDMENT**