



**Pennsylvania Senate Agriculture and Rural Affairs Committee
Farmer's First Agenda
Informational Hearing
September 06, 2005**

Written comments of Kevin Schmidt, Mid-Atlantic Regional Director, American Farmland Trust

American Farmland Trust (AFT) is a non-profit conservation organization founded in 1980 to protect our nation's strategic agricultural resources. Today, AFT is the nation's leading source of information and technical assistance on farm and ranch land protection, the costs of community services, and the economic and environmental benefits of working lands. We work across the country with landowners, communities, elected officials, states and the federal government to save the best land for agriculture, plan for its future and keep the land healthy.

I have been asked today to comment briefly on the four farmland preservation initiatives being considered today by the committee. These include Senate Bills 252 and 723, House Bill 629 and the concept of using the Reality Transfer Tax paid on the sale of farmland as a source of funding for the farmland preservation program.

SENATE BILL 252

AFT has no official position on the elimination of federal or state estate taxes, though we have developed materials for farmers interested in estate planning and the possible use of conservation tools as part of their estate planning efforts. This proposal certainly seems like it would provide a strong incentive for a landowner to consider placing an agricultural conservation easement on their property. There are two comments that AFT would like to provide on this draft legislation.

- It is not clear from the bill language, but if the estate tax valuation of \$1 per acre is only applied to agricultural land preserved through the state PDR program, then we would support extending this benefit to agricultural land protected for agricultural use through other efforts (i.e. stand alone county programs, local/state/national land trusts, etc.)
- The committee may also want to consider some way to address the potential concern from families of deceased landowners who had protected their farms before they died, and whose families had to pay state estate taxes in excess of \$1 per acre.

SENATE BILL 723

AFT supports expanding the number of entities that the Pennsylvania Department of Agriculture's Farmland Preservation Program may partner with to protect farmland, with the following provision:

- AFT suggests that the language stating that an "eligible nonprofit entity" have a business address either in the county or in an adjacent county, as well as the requirement that the entity has acquired at least one agricultural conservation easement within the county during the past year be removed. We don't see any reason to limit the options available at

the county level, since the county ultimately has to approve the transaction anyway. Requiring that the entity have an address in the county and that they have acquired at least one agricultural conservation easement within the eligible county in the past year limits the potential for counties who want to partner on direct land protection projects with regional and/or national conservation nonprofits, including American Farmland Trust.

HOUSE BILL 629

AFT has long encouraged farmland preservation programs to focus on stabilizing large, contiguous blocks of farmland with the understanding that these larger blocks of contiguous farmland provide the best chance for the long-term viability of agriculture. We recognize, however, that smaller acreage, high intensity operations can be as profitable, if not more profitable, than larger traditional operations in certain communities. While we still believe that the more total acres of contiguous farmland that a community preserves the better the community's chances for a viable agricultural future, we do not have an official position on the minimum acreage required to remain viable on a per tract basis. AFT would recommend that whether or not the state agrees to allow counties to reduce the tract size from 50 to 25 acres, the priority for acquisition should focus on building large, contiguous blocks of farmland.

REALTY TRANSFER TAX/AGRICULTURAL PRESERVATION ENHANCEMENT AND SPRAWL PREVENTION PROGRAM

AFT supports the idea of using the Commonwealth's portion of the realty transfer tax generated by agricultural transactions recorded in the county to help fund farmland preservation efforts in the county. AFT does have a few specific suggestions regarding this proposal:

- If not done so already, AFT suggest that the Commonwealth consider only levying the realty transfer tax on agricultural land transactions when the land is converted to a non-agricultural use. This would provide an additional incentive for farmers to sell their land to other farmers instead of for development.
- Consider how the funds collected will be distributed back to the counties, and how this distribution may impact the state farmland preservation funding formulas already established. Specifically, will the funds distributed back to the county from the Commonwealth be counted as part of the "weighted transfer tax revenue" or would this be counted as part of the county "match?"