

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2022 REGULAR SESSION**

MEASURE

2022 BR NUMBER 856

SENATE BILL NUMBER 52

TITLE AN ACT relating to agricultural land and making an appropriation therefor.

SPONSOR Senator Paul Hornback

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS
 LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: _____

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED Agricultural Enhancement Fund

FISCAL ESTIMATES	2021-2022	2022-2023	2023-2024	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			\$1,750,000	\$1,750,000
EXPENDITURES				
NET EFFECT			\$1,750,000	\$1,750,000

() indicates a decrease/negative

PURPOSE OF MEASURE: Under the provisions of SB 52, owners of agricultural or horticultural land, as defined in KRS 132.010, would be required to pay a one-time \$100 per acre conversion charge if the use of the land changes to another use (i.e., residential, commercial, industrial). SB 52 would require the property valuation administrator, prior to each January 1st assessment date, to provide a list to the county clerk of the owner of each tract in which the conversion charge is to be assessed. The conversion charge would be collected by the county clerk in the succeeding year after the use of the land has changed.

SB 52 will not impact state real property taxes because the conversion charge will be separate from, and not included in, the calculation of the state property tax. Owners of land where the conversion charge is applicable will be required to disclose to any buyer that the charge will be assessed in the succeeding year.

SB 52 requires the conversion charge proceeds to be deposited in the Agricultural Enhancement Fund established in KRS 262.920. The Agricultural Enhancement Fund was created to receive moneys that would be used for the Purchase of Agricultural Conservation Easements (PACE) program in Kentucky.

FISCAL EXPLANATION: In accordance with Section 172A of the Kentucky Constitution, agricultural and horticultural land is assessed based on the land's value for agricultural or horticultural purposes. Kentucky's statutes define agricultural land as a tract that is at least 10 contiguous acres that has agricultural income producing capability or a tract with 5 contiguous acres if the land is used for

aquaculture. Horticultural land is defined as any tract that is at least 5 contiguous acres that is commercially used for the cultivation of a garden, orchard, or the raising of fruits or nuts, vegetables, flowers, or ornamental plants.

Land use patterns vary across the Commonwealth, and the conversion of land from one use to another varies across time. Areas with expanding population, and/or growing industrial and commercial bases (i.e., urban centers), are prime areas for the conversion of agricultural land to an alternative use. Land use also varies over time, as periods of accelerated economic growth tend to spur a rapid conversion of farmland to a different use.

To estimate the fiscal impact of SB 52, the change in the number of acres classified as agricultural or horticultural land in Kentucky must be measured. County level assessment data for agricultural and horticultural land is available from the Department of Revenue. This data contains the total agricultural and fair cash value for all tracts classified as agricultural or horticultural land in Kentucky but does not record total acreage by use.

Property valuation records in each county contain data that can be used to determine the number of acres assessed as agricultural or horticultural land. To measure the frequency and magnitude of agricultural land conversion in Kentucky, data from a number of assessment years would have to be obtained from each property valuation administrator (PVA). In a previous Legislative Research Commission study that examined the assessment of agricultural and horticultural land in Kentucky, staff found PVA's had different software and record-keeping systems, which severely limited staff's ability to aggregate assessment data across counties and across years.¹

The United States Department of Agriculture's (USDA) Census of Agriculture (COA) monitors the amount of farmland and how farmland is used in each state. The COA defines a farm differently from how agricultural and horticultural land in Kentucky is defined. The COA defines a farm as a place in which \$1,000 or more of agricultural products were produced and sold, or normally would have been sold, during the census year.

While limited, the COA data is a readily available source of consistent data that can be used as a proxy for the amount of Kentucky farmland that has been converted to other uses over time. The most recent COA was conducted in 2017. Data from the 2022 COA will not be available until mid-to-late 2023. Based on the 2017 Census of Agriculture, Kentucky farmland acres declined by 17,513 acres annually from 2012 to 2017. Using this data, if SB 52 had been in place during this 5 year period, the conversion charge contemplated in SB 52 would have generated approximately \$1.75 million annually assuming full compliance. Since the proceeds from the conversion charge are deposited into the Agricultural Enhancement Fund (KRS 262.920), the passage of SB 52 will not impact the General Fund.

DATA SOURCE(S): LRC Economists

PREPARER: Katy Jenkins NOTE NUMBER: 34 REVIEW: JAB DATE: 1/27/2022

¹ Program Review and Investigations Committee. "Assessment of Farmland for Property Taxation In Kentucky," Legislative Research Commission, Research Report No. 432.