

## PA490 Farmland Valuation for 2023

Every five years the Office of Policy Management in consultation with the Commissioner of Agriculture must develop a recommended schedule of land use values for PA490 land per CT General Statutes.

As part of every revaluation, the farmland values are updated. For the 2023 Revaluation, Suffield will use the 2020 Recommended values for the CT River Valley. Prior to this revaluation, the 2015 CT River Valley values were used.

The chart below shows the changes to the land value by category:

Category	Old Rate per acre (2015)*	New Rate per acre (2020)**	% Change
Tillable A	\$2,090	\$2,530	21.05%
Tillable B	\$1,860	\$1,810	-2.69%
Tillable C	\$1,270	\$1,690	33.07%
Tillable D	\$930	\$1,170	25.81%
Orchard	\$2,390	\$990	-58.58%
Pasture	\$230	\$280	21.74%
Swamp, Ledge, Scrub	\$40	\$40	0.00%
Woodland/Forest	\$240	\$390	62.50%

\*2015 Rates were used for the 2018 Revaluation

\*\*2020 Rates are being used for the 2023 Revaluation

The following pages from the CT Farm Bureau's PA490 Guide explain in detail how these Land Values were developed.

# RECOMMENDED PA 490 LAND VALUES



CGS Section 12-63 Rule of Valuation states that: *The present true and actual value of land classified as farmland pursuant to Section 12-107c, as forest land pursuant to Section 12-107d, as open space pursuant to Section 12-107e or as maritime heritage land pursuant to Section 12-107g, shall be based upon its current use without regard to neighborhood land use of a more intensive nature.*

What this means is that classified land will not be assessed at the higher fair market value but at a lower land use value. This has been affirmed by the courts: *Rustic v. Town of Stonington 1977* and *Bussa v. Town of Glastonbury 1968*.

**CGS Chapter 201 Section 12-2b provides that the Office of Policy and Management in consultation with the Commissioner of Agriculture shall develop a recommended schedule of land use values for PA 490 valuation. These values are required to be updated every five years. These recommended values are made available to each municipality and to the general public.**

**It is strongly urged that towns use these values. However, a municipality may choose not to use these recommended values. If this occurs, the values used by that town for each classified property must be supported by data and an approved methodology. Values other than those recommended by the Office of Policy and Management must be justified in the context of CGS Chapter 203 Section 12-63: Rule of valuation.**

## **METHODOLOGY USED TO OBTAIN RECOMMENDED PA 490 FARMLAND USE VALUES**

PA 490 provides the legislative method to assess farmland for taxation by Connecticut's municipalities. The State of Connecticut through its Office of Policy and Management periodically prepares a list of the recommended assessment values for the land classes of farmland eligible under PA 490. The recommended

assessment values are determined by the capitalization of the typical rental rate for each PA 490 land class. These are use values and are not market values.

The rental rates are determined by rent surveys for each land class throughout Connecticut. The PA 490 land classes are divided into two regions to reflect the differences in rental rates due to location. The two regions are River Valley and Statewide. The River Valley area is centered on the Connecticut River Valley. This area of Connecticut has the most favorable soil and climatic conditions for agricultural production. There are twenty-one municipalities in this area. The remaining municipalities are placed in the Statewide category.

The recommended PA 490 values for this survey period, effective as of October 1, 2020, are based upon a current rent survey prepared by the Agricultural and Resource Economics Department, in the College of Agriculture, Health and Natural Resources at the University of Connecticut. The results of the survey were sent to the Connecticut Department of Agriculture.

The recommended value for each PA 490 class has been determined by the capitalization of each land class rent by an appropriate capitalization rate. The formula for determining the recommended value is:  $I/R_o = V$  where  $I$  is income (annual rent),  $R_o$  is the overall capitalization rate and  $V$  is value. This approach has been used in one form or another since the program began to determine the recommended PA 490 values.

The capitalization rate that was used for the current period has been developed in a manner that is like that done in the 2010 and 2015 surveys that developed recommended PA 490 values. Several rates have been developed and from these a single rate has been selected to determine the specific land class values.

The original PA 490 capitalization rate formula required the use of interest rates for farm loans from the Federal Land Bank. The Federal Land Bank was a network of regional agricultural banks and no longer exists. Farm Credit East, ACA is the primary agricultural lender for Connecticut. Farm Credit East, ACA is one of multiple Farm Credit associations that are part of CoBank. CoBank is the successor to the Federal Land Bank that included Connecticut. The finance rate used in developing the capitalization rate for this period utilizes the CoBank average annual loan rates. These rates considered loans

**CONNECTICUT LAND CLASSIFICATIONS**

Land Class Number	Land Class Type	Land Description	Soils and Limitations
1	Tillable A	Excellent, Shade tobacco, ball and burlap nursery, crop land	Light, well drained, sandy loams, typically flat or level, no stones.
2	Tillable B	Very Good. Binder tobacco, vegetables, potatoes, crop land.	Light, well drained, sandy loams, typically level to slightly rolling. may have stones
3	Tillable C	Very good to Good. Quite level. Corn silage, hay. Vegetables, potatoes, crop land.	Moderate heavier soils, level to rolling, may have stones.
4	Tillable D	Good to Fair. Moderate to considerable slope. Hay, corn silage, rotation pasture, crop land.	Heavier soils, may be sloped and hilly, stones and seasonal wetness may be limiting factors. Christmas trees.
5	Orchard	Fruit orchard. Well-maintained trees for the purpose of bearing fruit.	May include grapes and berries.
6	Pasture	Permanent Pasture, not tilled, grazing for livestock and horses.	May be heavier soils that are too wet or stony to till for crops, may be wooded area. Christmas trees.
7	Swamp, Ledge, Scrub Lands	Wasteland. Wetlands, ledge outcroppings	Non-farmable areas that also make up the farm unit
8	Woodland, Forest	Woodland associated with the farm unit.	Non-farmable areas that also make up the farm unit.

utilizing the rental survey that has been prepared by the University of Connecticut.

The University of Connecticut conducted a rental study for the land class categories for PA490 assessments. The survey was completed in August 2020. It was developed and conducted by Boris E. Bravo-Ureta, Professor, Charles Towe, Associate Professor, and Maria Buzzelli, Graduate Assistant, all in the Agricultural and Resource Economics Department, in the College of Agriculture, Health and Natural Resources at the University of Connecticut. The results of the survey were sent to an independent Certified General Appraiser.

The survey collected and sorted rent results based upon the percent of a specific PA 490 land class in the survey responses. Four rents are reported for each class. The rents are grouped by the percent of the designated land class in the rent response. The rental data from the 50% in land class is the most representative market rent for the land classes.

There were land classes that had no responses. The River Valley rents had no responses in the categories of Orchard, Pasture and Swamp and Ledge. These land classes have similar values in both the River Valley and the Statewide Regions. Swamp and Ledge are the least productive land classes. The acreage of orchard in the state is declining. While orchards are replacing trees and there may be some expansion within a specific orchard, there has been a reduction in the managed orchard acreage. Most of the remaining orchards are in the Statewide region. The Statewide rents for Orchard, Pasture and Swamp/Ledge were applied to the River Valley region.

In summary, from 2015 to 2020 Tillable A in the River Valley increased. This is consistent with the increased demand for land for tobacco and vegetable. In the River Valley, Tillable C and D increased, but Tillable B decreased. Orchards in both regions have declined. The overall orchard acreage is declining. Most orchards are in the Statewide area. From 2015 to 2020, Tillable A and B in the Statewide area show a decline. This may be due to the reduction in the number of dairy farms (primary user of this class in the Statewide area) and the reduction in the rent expected by non-farm landlords who want to keep land in agriculture in order to get PA 490 assessments.

from the Farm Credit Associations within its territory, including Farm Credit East, ACA. These average annual loan rates are provided to the United States Treasury's Internal Revenue Service (IRS). These rates are published by the IRS for use in determining agricultural use values by income capitalization.

Three rates have been developed. The Traditional PA490 Rate Development, the Mortgage Equity Bond of Investment and the Buildup Rate. The range set by the rates is from 5.6% to 9.5%. The rates were developed using similar approaches that were developed in the previous survey. The capitalization rate selected was determined by the Traditional PA490 Rate Development. It has the strongest approach for its development. This rate is between the rates determined by the other two approaches. A capitalization rate of 7.2% is the applicable rate to develop the recommended PA 490 land class values

