

Farm Building Tax Exemption-

A Municipal Option



Background:

Farms often have many buildings used to support the farming operation. Municipalities may provide a tax incentive to support economic sustainability of existing farms and encourage new farms by providing an exemption from property tax on farm buildings used exclusively for agriculture.

Key Points:

- This tax exemption is a municipal option adopted at the discretion of the municipality. It is not mandated statewide.
- Municipalities adopt the exemption through an ordinance voted on by the legislative body in that town. The enabling state statute, **CGS Section 12-91 (c)**, provides the language for the ordinance.
- The town may set the level of exemption at any amount up to an assessed value of \$500,000 per building.
- The exemption is applied to each eligible farm building.
- The level of exemption is the assessed value not the appraised value of the buildings.
- The qualifying buildings must be used exclusively for agriculture as defined in CGS 1-1q, or for any building used to provide housing for seasonal employees of the farmer.
- The farm buildings are evaluated on an individual basis.
- The farmer must apply for the exemption with the local assessor annually on or before November 1.
- In order to qualify for the exemption the farmer must derive at least \$15,000 in gross receipts from the farming operation or incur at least \$15,000 in expenditures related to the farming operation in the most recently completed tax year prior to application.
- The farmer should be prepared to provide the assessor with an IRS Schedule F (Form 1040) Farm Profit and Loss from the most recent tax year.
- In 2024 the statute was amended to raise the municipal threshold from \$100,000 to \$500,000.

Statute:

CGS Sec. 12-91. Exemption for farm machinery, horses or ponies. Additional optional exemption for farm buildings or buildings used for housing for seasonal employees. (a) All farm machinery, except motor vehicles, as defined in section 14-1, to the assessed value of five hundred thousand dollars, any horse or pony which is actually and exclusively used in farming, as defined in section 1-1, when owned and kept in this state by, or when held in

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trust for, any farmer or group of farmers operating as a unit, a partnership or a corporation, a majority of the stock of which corporation is held by members of a family actively engaged in farm operations, shall be exempt from local property taxation; provided each such farmer, whether operating individually or as one of a group, partnership or corporation, shall qualify for such exemption in accordance with the standards set forth in subsection (d) of this section for the assessment year for which such exemption is sought. Only one such exemption shall be allowed to each such farmer, group of farmers, partnership or corporation. Subdivision (38) of section 12-81 shall not apply to any person, group, partnership or corporation receiving the exemption provided for in this subsection.

(c) Any municipality, upon approval by its legislative body, may provide an exemption from property tax for any building used actually and exclusively in farming, as defined in section 1-1, or for any building used to provide housing for seasonal employees of such farmer. The municipality shall establish the amount of such exemption from the assessed value, provided such amount may not exceed five hundred thousand dollars with respect to each eligible building. Such exemption shall not apply to the residence of such farmer and shall be subject to the application and qualification process provided in subsection (d) of this section.

(d) Annually, on or before the first day of November, each such individual farmer, group of farmers, partnership or corporation shall make written application for the exemption provided for in subsection (a) of this section to the assessor or board of assessors in the town in which such farm is located, including therewith a notarized affidavit certifying that such farmer, individually or as part of a group, partnership or corporation, derived at least fifteen thousand dollars in gross sales from such farming operation, or incurred at least fifteen thousand dollars in expenses related to such farming operation, with respect to the most recently completed taxable year of such farmer prior to the commencement of the assessment year for which such application is made, on forms to be prescribed by the Commissioner of Agriculture. Failure to file such application in said manner and form on or before the first day of November shall be considered a waiver of the right to such exemption for the assessment year. Any person aggrieved by any action of the assessors shall have the same rights and remedies for appeal and relief as are provided in the general statutes for taxpayers claiming to be aggrieved by the doings of the assessors or board of assessment appeals.

FAQs:

Q: How does a municipality go about adopting the farm building tax exemption?

A: The following are the steps generally taken to adopt the farm building tax exemption:

- 1) An initial meeting is scheduled with members of the agricultural community and municipal officials to discuss the feasibility of adopting the farm building tax exemption. Agriculture service providers from Connecticut Farm Bureau, the Connecticut Department of Agriculture or other advocacy groups may be invited to answer questions.
- 2) Based on a consensus to explore the option, the next step is to ask the assessor to generate a list of all of the potentially qualifying farm buildings and their assessed value.

- 3) This list may then be compared with the list of farmers that apply annually for the \$100,000 exemption on farm machinery since the statutory income and expenditure criteria for both the machinery tax exemption and the farm building tax exemption are identical.
- 4) The municipality can then calculate the increase in the mill rate in order to recapture the loss of tax revenue.
- 5) With this information, the municipality may then decide at what level to set the exemption.
- 6) If the municipality decides to provide a tax exemption for farm buildings, a municipal ordinance is written based on the language provided in CGS Sec.12-91 and the ordinance is sent to a vote of the legislative authority in that municipality.

Q: Can a municipality set the level of the tax exemption per farm building at less than \$500,000?

A: Yes. The ordinance can be written to set the level of tax exemption at any amount not to exceed \$500,000 of assessed value per qualifying farm building.

Q: How does a farmer go about applying for a tax exemption on their farm building(s)?

A: The following are the steps to apply for the farm building exemption:

1. Check with the local tax assessor's office to see if the municipality in which the farm buildings are located offers the farm building tax exemption.
2. If the municipality offers this special tax reduction then the farmer must accurately complete, sign and date the required applications and forms provided by the assessor's office.
3. Application for the exemption must be filed annually on or before November 1st.
4. The farmer should be prepared to provide the assessor with proof of farm income and expenditures such as an Internal Revenue Service (IRS) Schedule F (Form 1040) Profit or Loss from Farming.
5. Failure to file the required application before the filing deadline waives the right to the exemption.

Q: Does the farmer have to apply every year for the farm building tax exemption?

A: Yes.

Q: Do equine facilities qualify for the farm building exemption?

A: Yes if the building is used exclusively for agriculture as defined under CGS 1-1q.

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Q: Will the assessor inspect the building to ensure it is being used exclusively for agriculture?

A: Yes. The assessor may make initial and random inspections to ensure the building qualifies for the exemption.

Notes: