

# **TOWN OF THETFORD**

## **AGRICULTURAL TAX STABILIZATION AGREEMENT POLICY**

### **I. Statement of Purpose**

To promote, and preserve the rural character of the Town of Thetford (“Town”) by incentivizing and supporting economic growth and success in the Town’s agriculture sector by minimizing property tax burdens on farmland pursuant to tax stabilization agreements.

### **II. Authority**

In 2021, voters gave the Selectboard general authority to enter into tax stabilization agreements with owners, lessees, bailees, or operators of agricultural property, pursuant to 24 V.S.A. § 2741(b)(1). Pursuant to this authority, the Selectboard may now enter into these agreements following an application from one of those interest holders.

### **III. Applicability**

This policy applies only to “farmland” as defined below.

Tax stabilization will be applicable to the Municipal Tax only. It does not include State Education Tax. Tax Stabilization Agreements (TSA) will be for real property only, and will not apply to personal property. The Selectboard will review all Tax Stabilization Applications, and will be the final authority in granting a TSA.

### **IV. Definitions**

“Farmland” means real estate, exclusive of any housesite, which is actively and exclusively devoted to farming and is operated or leased as a farm enterprise by the owner, as defined by 24 V.S.A. § 2741.

“Farming” means cultivating, operating, or managing a farm for gain or profit.

The term “farm” is used in its ordinary and accepted sense, and generally means land used for the production of crops, fruits, or other agricultural products or for the sustenance of livestock or poultry. A farm may include livestock, dairy, poultry, fish, fruit, fur-bearing animals, and truck farms, plantations, ranches, nurseries, ranges, orchards, feed yards for fattening cattle, and greenhouses and other similar structures used primarily for the raising of agricultural or horticultural commodities. Greenhouses and other similar structures that are used primarily for purposes other than the raising of agricultural or horticultural commodities do not constitute farmland, as, for example, structures that are used primarily for the display, storage, fabrication, or sale of wreaths, corsages, and bouquets, as defined by 26 C.F.R. § 48.6420-4.

“Housesite” includes any house, mobile home, or other residential dwelling, as well as the surrounding the two acres of land.

For purposes of this policy, “farmer” means a person, whether an individual or other corporate entity, who is required to pay municipal property taxes on farmland in the Town.

## **V. Applicant Eligibility**

Any farmer may apply. To be eligible for a contract, individual farmers must derive at least two-thirds ( $\frac{2}{3}$ ; 66.7%) of their gross family income (including dependent children) from farming. Other farmers must derive at least two-thirds ( $\frac{2}{3}$ ; 66.7%) of their gross income from farming. Applicants shall verify their income by submitting copies of their Federal Income Tax Return. Consistent with Article VI Section (h), the Selectboard may waive such a requirement upon entering an agreement or in following years if it determines that the requirement would place an unreasonable burden on a beginning farmer.

## **VI. Mandatory Contract Terms**

All contracts shall include, in addition to any others, the following terms:

- a. All real property subject to the tax stabilization agreement shall be used as farmland at all times during the term of the agreement.
- b. Each year, the farmer shall verify that they derive at least two-thirds ( $\frac{2}{3}$ ; 66.7%) of their gross income from farming by submitting copies of their Federal Income Tax Return.
- c. In the event that the farmer acquires additional agricultural lands and uses them for farming, the Town of Thetford and the farmer may amend the tax stabilization agreement to include these new agricultural lands. The additional agricultural lands shall be taxed at full market value unless the tax stabilization agreement is amended to include the additional lands.
- d. If the farmer trades a portion of their agricultural land for another piece of agricultural land, the farmer must notify the Selectboard and provide a detailed description of the lands traded within thirty (30) days; the tax stabilization agreement will apply to the newly-acquired land as long as the farmer uses it consistently with the terms of the tax stabilization agreement.
- e. Housesites are excluded from tax stabilization under any tax stabilization agreements.
- f. The farmer shall inform the Selectboard of any material changes in the ownership, occupancy, or operation of the farm within thirty (30) days of the date of the

change. Any material changes in the ownership, occupancy, or operation of the farm will result in the termination of the contract, unless the farmer obtains the written consent of the Selectboard within thirty (30) days of the date of said change.

g. Withdrawal of acreage from farming shall result in an amendment of the tax stabilization agreement to reflect the reduced number of acres used as farmland. Upon withdrawing acreage from farming, the farmer shall notify the Selectboard within thirty (30) days of withdrawing any acreage from farming.

h. If the farmer does not meet the income target relative to total income at the time it enters the agreement or in any given year after the agreement is signed, the Selectboard will determine the impact on the farmer's taxes to be collected. The requirement that a farmer make two-thirds ( $2/3$ ; 66.7%) of their income from farming may be waived by a vote of the Selectboard should the Board determine that such a requirement would place an unreasonable burden on a beginning farmer. In this event, the Selectboard may set a requirement of less than two-thirds ( $2/3$ ; 66.7%) of gross income, but such lower limit shall not be for a period of longer than three (3) years.

i. If the farmer sells any farmland then subject to a tax stabilization agreement, they shall remit to the Town a sum equal to the difference between (i) the amount of taxes which would have been due if the sold farmland had been taxed at 100% of fair market value, and (ii) the taxes actually paid by the farmer under the agreement (or any preceding agreement) attributable to the sold farmland for the three years immediately preceding the sale.

j. If the State of Vermont, or other governmental entity, shall, during the term of this Agreement, grant to the farmer tax relief by subsidy or other payment which directly, or indirectly, reduces the amount of tax on the farmland subject to a tax stabilization agreement, the farmer and the Town shall re-negotiate the agreement to adequately reflect such payments.

k. In the event the farmer causes any portion or all of the farmland covered by a tax stabilization agreement to be eligible for "current use" valuation, the agreement and the obligations hereunder shall terminate at the election of the Town, or shall be subject to review and re-negotiation, such that the amount of tax paid on such land shall reflect such change so that the overall benefits and losses provided for in the tax stabilization agreement shall not be materially changed.

l. Any tax stabilization agreement shall terminate at any time upon failure of the farmer to meet its terms and conditions. No tax stabilization agreement may be for a term exceeding five years.

m. The following formula shall apply:

Formula to Be Used for Determining Taxes to Be Paid:

Year 1	10% of Fair Market Value
Year 2	20% of Fair Market Value
Year 3	40% of Fair Market Value
Year 4	60% of Fair Market Value
Year 5	80% of Fair Market Value

**VII. Duration**

No tax stabilization agreement may be for a term exceeding five (5) years. If a tax stabilization agreement is for a term of less than five (5) years, the term of any extension or renewal of that agreement shall not result in farmland being subject to tax stabilization for a total period that exceeds five (5) years.

**VIII. Application Process**

A farmer applying for a tax stabilization agreement must provide the following information to the Town Manager, who will conduct a preliminary review for eligibility and complete information, and then forward it to the Selectboard at its next meeting:

- Identity and contact information of applicant farmer; and
- Location and description of property that is proposed to be subject to a tax stabilization agreement, including:
  - o Address
  - o Parcel ID#
  - o Description of property's use during the preceding five (5) years
  - o Description of proposed use as farmland, such as crops grown, livestock raised, summary of expected agriculture practices; et cetera.
  - o Current assessment of property; and
- Any permits concerning the property issued by State or Town authorities within the preceding five (5) years; and
- Copies of any notices of violation or administrative action concerning the property issued by State or Town authorities within the preceding five (5) years; and
- Federal Income Tax Return verifying that two-thirds ( $\frac{2}{3}$ ; 66.7%) of gross income (or gross family income in the case of an individual) is derived from farming.

After the application is received by the Town Manager, the Selectboard shall meet with the Town Manager in executive session to discuss the proposed TSA. The Selectboard

will review the application, and determine if additional information is needed, if the application is to be carried over to a following meeting, or to approve or deny the TSA application. The approval or denial decision is that of the Selectboard only.

Selectboard decisions on a TSA application will be made on a case-by-case basis, unconstrained by precedent. In all cases, TSAs will be granted upon finding that there is a demonstrated benefit to the town, including but not limited to economic, social, community aesthetics benefit, employment creation or retention, and an increase or retention of Grand List values, which will ultimately yield higher tax revenue.

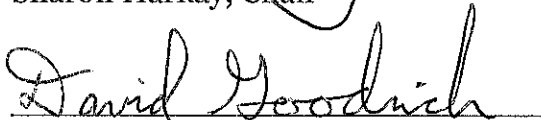
Applicants are encouraged to attend the Selectboard meeting to present their application.

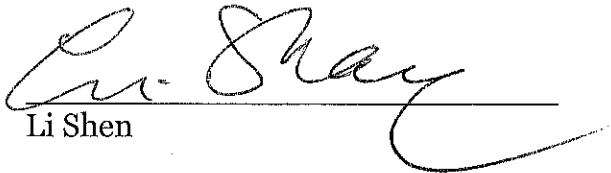
All owners of the property subject to an agreement must sign the tax stabilization agreement, including partners, co-owners, and any corporate parent entity.

THETFORD SELECTBOARD

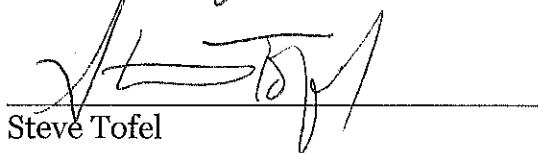
  
Sharon Harkay, Chair

June 5 2023  
DATE

  
David Goodrich, Vice Chair

  
Li Shen

  
Mary Bryant

  
Steve Tofel