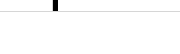



Farmer's School Tax Refund

- Sandy Buxton
- June 2018

Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program






NYS funded program enacted in 1996


- This is an income tax credit for eligible farmers for the school district property taxes paid in a tax year.
- Developed with a goal to protect NYS's agricultural industry and preserve open space.

Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



- Credit is only for school taxes paid on land, structures and buildings **owned** by an eligible farmer; located in NYS and used or occupied for agricultural production.


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



Eligible Farmer

- May be an individual, corporation, married couple, partner, shareholder of NYS S-Corp. A trust, estate or beneficiary may also be eligible.
- Credit is allowed against farmer's income tax or corporation's franchise tax.


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



Where does the money come from?


- The program is fully funded by New York State.
- It is not a property tax exemption nor is it part of the ag assessment program.
- It does not impact school district budgets nor does it shift the tax burden within the district.

Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



- There is **NO** minimum acreage requirement.
- Applicant must be eligible farmer, earning 2/3 of income from ag production.
- Farm does not have to be in an Agricultural District or be receiving Ag Assessment.


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



How to claim the credit

- Claimed on a personal income tax form or corporate franchise tax form using NYS Form IT-217.
- Credit is refundable in the case when the value exceeds the farmer's income tax liability.
- Credit is computed on 100% of school taxes paid on base acreage (350 acres) and 50% of acres in excess of base.

Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



Farming:

- For the purpose of the credit includes the operation or management of livestock, dairy, poultry, fish, fruit, fur-bearing animals or vegetable farms.
- It may also include operation and management of plantations, ranches, ranges and orchards.
- Commercial horse boarding operations.


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



Not Included:

- Forestry or logging, including growing Christmas trees, unless the products are used in the operation of a farm or are connected with an otherwise qualifying farm operation.


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



Also not included:

- Businesses where the principal source of income is derived from ag services such as soil preparation, vet services or farm labor, or are cultivating or operating a farm for recreation or leisure (a hobby farm).


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



Updates from 1998

- Additional income sources now allowed are maple syrup or cider and the sale of wine from licensed farm wineries (as provided by Article 6 of Alcoholic Beverage Control Law).
- Editor Note: *I would imagine this will include the new Farm Brewery locations.*


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



A structure or building is not qualified agricultural property if it is:


- used for (1) the processing of agricultural commodities, or
- (2) the retail merchandising of agricultural commodities, or
- (3) the storage of commodities for the personal consumption of you or your family, or
- (4) your residence or the residence of your immediate family.

Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



- **Note:** In the case of the production of maple syrup or cider, and the sale of wine from a farm winery, buildings and structures used to process the sap into syrup, the apples into cider, or grapes into wine are considered qualified agricultural property even though the property is used in processing.
- **Processing** means doing something to a farm commodity beyond what is needed to make it initially marketable. The mere sorting, washing, and packaging of fruits and vegetables is not considered processing.


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



Gross Income Calculation

- The form uses the gross income received on Sch. F Line 9, income from the disposition of raised assets (cows, heifers, other livestock, etc) and divides against non-farm income to come up with the at least 2/3 value.
- Farmers who do not meet the income requirement cannot receive the credit.


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



Material Participation

- The eligible farmer must be able to prove they spend time working on the farm, make decisions that impact the farm's management, have money at risk in the operation of the farm and furnish at least half the tools, supplies or livestock involved in the operation.


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



Credit Recapture

- If the agricultural property is converted to a non-qualified use before the end of the second year after it first receives a credit, a credit recapture will be recovered.
 - For more info, see NYS IT-217 instructions.


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



Property Class Code Impact

- Class codes for agricultural property are 100 level codes.
- Auditors are reviewing farm property tax bills and questioning farmers receiving the IT-217 credit for land not coded agricultural.


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



Property Class Codes cont'd

- Farmers are asking Assessors to adjust class codes on property.
- Why?
 - Often land purchased by a farm will have non-agricultural codes even if it has been under Ag Assessment and tillage.


Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



Impact

- After initial article and factsheet, numerous farms discovered more than 1/2 of their land was not coded agricultural.
- Farmers are trying to catch up and be more aware of the issue.
- We would like Assessors to understand the implication.

Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program



For more info:

- Visit https://www.tax.ny.gov/pdf/current_forms/it/it217i.pdf for the instructions.

Cornell Cooperative Extension
Capital Area Agriculture and Horticulture Program
