

# Virginia's Land Use Taxation Program Challenges and Issues

Virginia Farm Bureau Federation

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# Virginia Agriculture and Forestry

## 79 Billion Industry



The Economic Impact of Agriculture and Forestry on the Commonwealth  
of Virginia

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# Virginia's Land Use Taxation Program

- Created in 1972 by the General Assembly to allow localities the ability to tax land based on usage
- Listed under Section 58.1-3229 of the Code of Virginia
- Summary of Code:
  - “Foster the preservation of real estate for agricultural, horticultural, forest and open space use in the public interest and ... the classification, special assessment and taxation of such property in a manner that promotes its preservation help foster long term public benefits.”

# How many counties and cities have Land Use Taxation?

- Approx. 74 Counties and 20 cities in Virginia have adopted Land Use Taxation  
– see map

# Virginia's Land Use Taxation Program

- Allows for eligible land in the categories of agricultural, horticulture, forest and open space be taxed on the land's use value as opposed to the land's fair market value
- The intent of the use value program is to conserve natural resources, scenic beauty and open spaces while promoting proper land use planning and development

# Use Value

- Is the calculated value of the parcel of land when it is restricted to a certain use, such as agriculture
- Because the use of the land is restricted, its value is usually lower than the fair market value (tax assessment purposes only)

# Use Value

- Who Determines Use Value?
  - Section 58.1-3239 of the Code of Virginia establishes the State Land Evaluation Advisory Council (SLEAC) and directs it to estimate the use value of eligible land for each jurisdiction participating in the land use program.
  - The Advisory Council, in determining such ranges of values, shall base the determination on productive earning power to be determined by **capitalization of warranted cash rents** or by the capitalization of incomes of like real estate in the locality or a reasonable area of the locality.
  - The Commissioner of Revenue makes the final recommendation on value - (Northern Area Commissioners)

# Qualifying for Use Value Taxation

- A minimum of 5 acres is needed for agricultural, horticultural or open space.
- A minimum of 20 acres is needed for forest land.
- Change in use would be selling it, deeding a lot to a child, etc.

# Sliding Scale Option

- This deferral of additional taxes requires a recorded commitment to keep the property in a qualifying use for a term of years according to the following scale:
- A commitment to hold the property in its qualifying use for more than ten (10) years, but not exceeding twenty (20) years, ninety-nine percent (99%) of the use value taxes otherwise assessed may be deferred for the term of the commitment.
- A commitment to hold the property in its qualifying use for more than five (5) years, but not exceeding ten (10) years, fifty percent (50%) of the use value taxes otherwise assessed may be deferred for the term of the commitment.

(this information was taken from Loudoun Counties Ordinance)

# Rollback Taxes - Sliding Scale

- Change in use or rezoning, subdivision - may trigger rollback taxes for properties enrolled in the sliding scale option.
- For these properties, however, the rollback will include the current tax year plus (a) the previous five tax years OR (b) each year from the date the sliding scale agreement was signed, whichever is greater.
- For example, if a property enrolled in the sliding scale option effective beginning tax year 2001 is rezoned in 2003, rollback will include the year 2003 plus the previous five tax years, 1998 through 2002. If a property enrolled in the sliding scale option effective beginning tax year 2001 is rezoned in the year 2008, rollback will include the year 2008 plus each year from 2001 through 2007, a total of 8 years.

# Challenges and Opportunities

- Cost of program
- Land Values
- Changing Demographics
- Competing interests
  - Education
  - Conservation
  - Other county services
- Increased awareness of the need to protect rural areas
- Local food
- Educate on Agriculture Issues
- Build Alliances

# What is Agriculture?



- Vineyards and Wineries
- Large Farms
- Agri-tourism
- Biofuels
- Commercial