

Report Highlights

Fiscal Impact of Preferential Assessment of Farm and Forest Land (Clean and Green Program)

House Resolution 334 of 2009 directed the LB&FC to determine the fiscal impact of preferential assessment of farm and forest lands. In response to a 1973 state constitutional amendment, the General Assembly authorized farm and forest land to be valued based on actual use rather than fair market value as a developable property. County assessment offices administer the “Clean and Green program” under state law and Pennsylvania Department of Agriculture (PDA) regulations. We found:

- **In 2008, 54 counties had properties enrolled in the program.** Counties without participants included Philadelphia, and 12 others that had not reassessed since the mid-1980s, and where preferential assessed values would be greater than the county’s actual assessed values.
- **Fewer than three percent of all parcels in the state are enrolled in Clean and Green, though several small counties have much higher enrollment.** Bradford, Columbia, Fulton, Huntingdon, McKean, Perry, Potter, Sullivan, Susquehanna, Tioga, and Wyoming, all have more than 10 percent of their total parcels enrolled.
- **Statewide, the assessed value of property would have increased by about 2.8 percent without preferential assessments in 2008.** The increase, however, would have been 10 percent or more in 422 municipalities, 41 school districts, and 5 counties.
- **Preferential assessments do not result in lost property tax revenue, but can result in tax shifting.** Without preferential assessment, county tax reductions for property owners would have ranged from less than 0.001 percent in Butler County to 19 percent in Fulton County, with actual dollar reductions for a \$100,000 property ranging from five cents in Butler to \$241 in Huntingdon County. One county would actually see its assessed values decrease without preferential assessment as the county’s actual assessed values are lower than PDA’s current use values.
- **The effect of preferential assessments varies greatly from county to county.** In Armstrong, Lancaster, Monroe, and Wyoming counties, for example, county property tax bills would decrease approximately seven percent without preferential assessments. A \$100,000 property owner would see very different tax bill reductions, however, ranging from \$25 in Lancaster to reductions in the range of \$109 to \$131 in the other counties. The greatest effect of tax shifting is seen in counties with small populations and property tax bases and significant amounts of property in the Clean and Green program. In 2008, a property owner in one Fulton County township, for example, would have seen a 22.3 percent (a \$978 reduction on a \$100,000 property) reduction in combined county, municipal and school district property taxes without preferential assessments.
- **The Clean and Green Program provides strong financial incentives to property owners to continue agricultural and forest use of their property.** In 2008, Clean and Green participants paid over \$7 million in roll-back taxes and \$1 million in roll-back interest as a result of change in use of the land. Less than one-half-of-one percent of the 8.8 million acres enrolled in the program, however, were terminated. Since 1995, enrolled acreage has increased almost 80 percent.

Recommendations:

- The General Assembly may wish to consider amending Act 319 to ensure counties only use PDA use values when they are less than the county’s actual assessed values for farm and forest land.
- PDA many wish to consider revising its annual county survey to uniformly identify the actual difference in the county’s assessed value and the value of preferential assessments.