Current Use Board
RSA 79-A:3
Regular Board Meeting

Draft

DATE: January 23, 2024 **TIME**: 10:00 a.m.

LOCATION: NH Department of Revenue - Training Room, 109 Pleasant Street, Concord NH

BOARD MEMBERS:
(E) Excused

Senator Ruth Ward *(E)*
Representative Josh Yokela
Dr. Anton Bekkerman, Dean's Designee, UNH College of Life Sciences and Agriculture
Shawn Jasper, Commissioner, NH Department of Agriculture, Markets and Food
Rick Evans, NHDRA Commissioner Designee, NH DRA
Patrick Hackley, Commissioner Designee, NH DNCR, Division of Forests and Lands
Barbara Richter, Executive Director, NH Association of Conservation Commissions *(E)*
Mark Beauchesne, Executive Director, Designee, NH Fish & Game
Jonathan Rice, Assessing Official, City
Tom Hughes, Assessing Official, Population <5,000
Norm Bernaiche, Assessing Official, Population >5,000
Tom Chrisenton, Public Member, Forest Landowner
Tom Thomson, Public Member
Chuck Souther, Chair, Public Member, Agriculture

MEMBERS of the PUBLIC:
Jasen Stock, NHTOA
Ginny Chrisenton

Chair Souther convened the regular meeting of the Current Use Board at 10:30 a.m. Introductions followed.

Forest Carbon Market Presentation by Charlie Levesque

Mr. Levesque began with a brief overview and personal background. He has been in the forest industry for over 30-years. He is a licensed forester in NH and has a firm with offices in NH and Maine that focus on forest related products, industry, carbon related issues, and renewable energy work. He has also worked with a regional non-profit called the Northeast State Foresters Association that has been around since the 1980s.

He currently runs a program that is grant funded through the USDA Forest Service called Securing Northeast Forest Carbon Program and it has one purpose, to educate anyone and everyone who is interested in the topic, in particular landowners who may want to participate. It was created to provide information on the ins and outs of forest carbon and forest carbon markets. This is a cooperative project including New York and the six New England states. Each state has a designee involved with the project, which ends this year. NH's representative is Matt Kelly, who works out of the Cheshire County UNH Cooperative Extension.

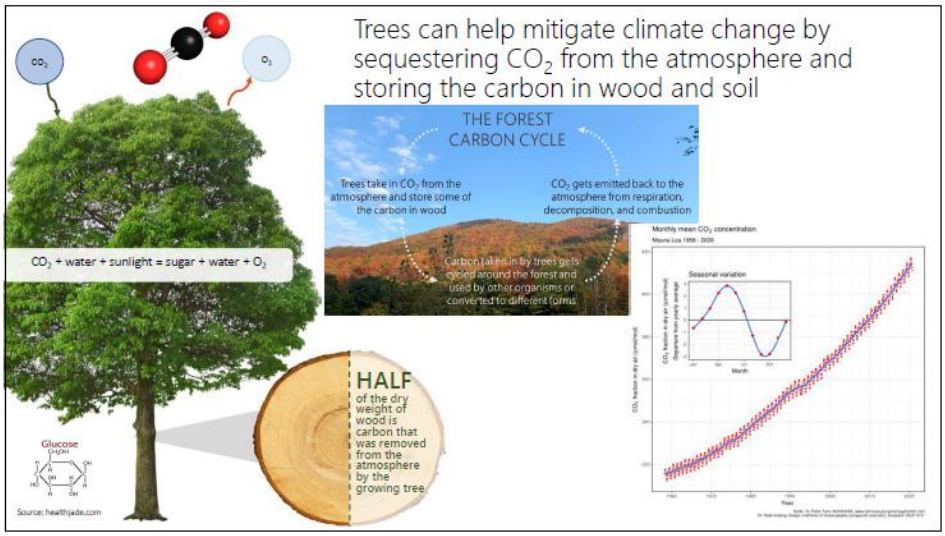
The *www.northeastforestcarbon.org* website provides information, including webinars, that covers all information one may want or need relating to carbon markets.

Controversy and History of Connecticut Lakes Headwaters Working Forest Property

Mr. Levesque provided a brief history of the property and the controversy relating to the recent sale and ownership change.

Slide 6. Forest Carbon

Forest carbon and forest carbon markets are all about what trees and plants do when they grow, which is to take carbon dioxide (CO_2) out of the air and, combined with water and sunlight, create food and sugar, also known as photosynthesis. In trees, this process turns into wood and because trees are large plants, a lot of CO_2 is absorbed into the leaves and needles of these plants. In cold weather climates, like NH, the trees are producing food and growing during the growing season and in the off season, they are not dead, they continue to breathe.



During the summer, trees take in CO_2 in a net way and in the winter, they give off more CO_2 than they take in because photosynthesis is not taking place. This is what trees do over time as they grow, they sequester more carbon every year and put it into the tree as wood. The carbon in the tree is half the dry weight of the tree. As trees are generally at least 50% water, half the tree is dry weight, half of that dry weight is carbon, and that is what the carbon markets are interested in.

Slide 7. Key terminology:

Carbon storage is what is in the tree at a point in time and represents the sequestration that happened in the past.

Carbon sequestration is the process over time of taking in the CO_2 to make food through photosynthesis to store today and in the future.

Carbon emissions come from plants as well and is the opposite of sequestration. It is the release of CO_2 through the burning of fossil fuels in transportation system and in creating power, in factories and other places that have stacks, and houses that burn some type of fuel to heat them.

Carbon flux is the change in carbon storage. In terms of the forest, the carbon sequestration and carbon emissions are measured for a period of time and added together, typically by the year, and the net is carbon flux. A negative carbon flux is a good thing because it means that there is more sequestration happening than emissions during a period of time. The forests in the region generally have a negative carbon flux meaning they are taking in a lot of CO_2.

Slide 8. The map shows where the forests are most dense in terms of timber and carbon. The darker green represents the denser forest that has more timber and more carbon in the region. New York and Maine, being the largest states have a lot of forest and therefore standing carbon, however New Hampshire comes in next just before Vermont because of the acreage of forests we have. What compares the states is the amount of carbon stored in the forest per acre and NH is at the top.

Q: Is carbon flux different between deciduous forest and evergreen forest?

A: Sequestration storage is looked at separately because hardwood forests store more per area because trees are denser. Softwood trees, white pine, hemlock, and spruce & fir are less dense, so per area they will have less carbon stored with an equal average diameter of the forest.

In terms of sequestration, however, there is not a lot of difference. The advantage that softwood trees or evergreen or needle based trees have, is that they have photosynthesis more during the year, in terms of time, than deciduous trees have. When deciduous trees cut water off to the leaves and they start changing color, photosynthesis is over for the year. With white pine, and other softwood trees, they can continue photosynthesis well into the fall and might start earlier in the spring. Ultimately, the forest that takes up the most area, that gets the most sun, is the forest that will grow the fastest and sequester the most carbon over time.

Slide 9. There are different carbon pools in the forest and the marketplace is interested in one, the above and below ground biomass of the live trees. Other carbon pools include soil carbon, litter carbon and deadwood material. In storage, it is important to know that at least half of the carbon that is stored in a forest is actually in the soil, not in the tree and the stuff above ground, and it doesn't accumulate very fast. The only place it accumulates fast is through sequestration in the live trees and that is what the carbon markets are looking at.

Slides 10-12. Important concepts.

Older forests, up to 125 years, have more carbon stored per acre. If trees are not being harvested or are harvested lightly, the forest sequesters less and continues to accumulate carbon and timber in wood.

Younger forests, 25-70 years, sequester the most carbon. These trees take up more space with leaves, needles and stems and therefore sequester the most per area over time. These forests as they grow continue to sequester but at a reduced rate and ultimately become older forests that store more carbon and sequester less per area.

When a tree is cut, it doesn't mean all the carbon is released. Solid wood products can last for hundreds of years and still store carbon because it is not being released. Pulp wood has a short life relative to solid wood products. Paper doesn't start to degrade and breakdown for over seven years, and carbon in wood that is used for heating is released right away. The carbon markets require landowners to report what is being harvested off their property so they can be given credit for the carbon that is not being released.

<u>Carbon Markets</u>

Forests are the most important natural system we have to sequester carbon. The term carbon offset is more applicable when talking about carbon markets. There are three categories of carbon offsets. The first is <u>afforestation</u> which is a non-forested piece of land that has trees planted on it. These represent a very small percentage of carbon projects within the US and the world.

The second category is <u>avoided conversion</u>. This category prevents land that will be imminently developed (forested) to non-forest land to receive credit. The challenge with this category is proving a property will imminently change use and very few projects have met the requirements.

The vast majority of projects are within this third category called <u>improved forest management (IFM)</u>. The concept here is for a project (an ownership of land) to do something different in the carbon contract period than

would have been done without having signed a contract. Sometimes it is agreeing not to cut during the contract period; other times, especially in large ownerships, they can harvest timber and sell carbon.

A carbon project occurs on a forest, with a defined geographic point, and proven ownership.

A carbon developer in an intermediary who helps a landowner develop a project, meet the geographic requirements to sell carbon, understand the complicated standards and rules, and monetize offsets.

Carbon registries issue, hold, and transfer carbon offsets and set the methodology for estimating carbon offsets.

The carbon market is a virtual marketplace where buyers see what's available on the registry credit list and purchase through developers who hold the cards and process the transactions.

There are two markets, the first is the compliance carbon market. The State of California passed a greenhouse gas cap and trade law almost 20 years ago and as part of that, they built in a carbon offset program and under the compliance program is a 100 year or more contract requirement. This program allows projects across the country to access this market.

Who is paying the owner of the land? California's cap and trade law regulates power plants and factories, and it is the owners of these properties who are buying the credits from CT Lakes and any other compliance market projects in the country.

The other kind of market is the voluntary carbon market. While the California compliance market is set in state law and rule, is fairly identified, and has been around for a while, the voluntary carbon market is made up of companies like Microsoft, Bank of America, and American Airlines, big companies who made the decision to reduce their carbon footprint.

The hope is that they are reducing their emissions however unless government is making them do that, there is nothing on the voluntary side requiring them to do so. They are spending hundreds of millions of dollars in carbon offset credits to be able to say they are reducing their emissions. The contract is typically a 40 year commitment and there are a several properties in NH that have signed contracts under the voluntary carbon market. CT Lakes is not one of them.

There is some question whether these programs are enabling polluters to say they are green, that they are reducing their emissions, when they are actually offsetting the emissions by buying credits from landowners who may never cut their trees anyway. Therein lies the frustration expressed by the North Country stakeholders and why the legislature is looking at three proposed bills relating to this topic. Those are the two markets that exist today, and the voluntary carbon market is growing steadily.

Because the California's market is transparent, figures for the compliance carbon market are released by the state. Forest Trends is a non-profit and tracks of the voluntary carbon market through surveys. There are just hundreds of these transactions so information can be tracked down by talking with the registries and developers and requesting numbers.

Q: Is there any taxable income?

A: There is a tax at the federal level. NH does not currently have a tax however that was one of the bills being contemplated by the legislature.

Q: If I have a 100 year commitment and, after 50 years, my land is going to be a lot more valuable, what's to stop me from breaking the contract and selling the land? What is binding them?

A: The penalty clauses in these contracts are enormous. To break a contract, the total amount paid since the beginning would have to be paid back, with interest, plus a penalty that often amounts to half of that

amount. Whether a 40 or 100 year contract, the penalties are severe. And, the contract runs with the land, it is a lien, so the next owner will inherit it.

Slide 20. Carbon Registries

The Regional Greenhouse Gas Initiative (RGGI) represents power plants throughout the 15 New England States. RGGI has rules that would allow for carbon offsets however their rules don't work, and they refuse to change them, so they have no carbon offset projects.

The registries for the voluntary market are Climate Action Reserve, American Carbon Registry, and VERRA. VERRA is the biggest one operating internationally and in North America. These are the ones that set the rules. Anyone putting millions of dollars up wants to know that it is real and once it gets listed on their registry, the buyer can assume that it has at least met the standards of the registry and can be assured of something.

Slide 22. Carbon Developers

The developers listed on this slide work with big landowner projects consisting of 5,000, 10,000, or more acre and have been operating for over 15 years: Finite Carbon and Anew have probably done 80-90% of all forest projects.

Smaller NH landowners have access to Forest Carbon Works and Family Forest Carbon Program. Core Carbon may be available to folks in NH at the end of this calendar year. Forest Carbon Works is a for profit company that tries to operate solely by the revenues they receive from selling credits. Because developers do the work to put these projects together, they get a cut of the carbon sold. They buy carbon from small landowners, so the landowners know what they are getting paid for their carbon. They generally work in the voluntary carbon market with 40 year contracts.

Family Forest Carbon is a non-governmental organization (NGO), and a joint effort of the American Forest Foundation and the Nature Conservancy. They pay landowners to do certain practices or to not do certain practices over the contract period, which is 20 years. They have largely been funded by free money from foundations and companies. They sell carbon, they pay for practices, and own the carbon so landowners do not know what their carbon is selling for.

Q: Do landowners get a lump sum up front on contracts like the Forest Group in the 2013 sale?

A: All the big land projects these folks put together are structured that way, including Forest Carbon Works. Family Forest Carbon Program works differently because they are just paying for practices over a 20 year contract.

The rules of the registries are looking to have a project meet these requirements:

- It is a real project, a piece of ground on planet earth someone owns legally, the geography can be identified, and it has trees on it.
- The project is additional or has a term we call "additionality". This means when you sign a contract, something different is going to happen in that contract period that would have happened had you not signed the contract. It is questionable whether that actually occurs on all or many of these projects but that is what the registry rules are trying to do.
- That it is verifiable. There are actually third party entities that come in to verify the measurements of trees to verify how much carbon is being sequestered and how much is stored.
- That it is somewhat permanent.
- That it is enforceable. So, if you don't meet the terms of the contract, there is a clause in there that requires you to meet the terms or pay huge penalties.

Slide 23. Leakage

There is data from United Nations Food and Agriculture Organization, that has been collected from the 1950s forward, that shows the use of wood as forest products has increased over time. Every year the planet is generally using more and more wood for all uses that includes solid wood products, pulp and paper, and energy. The developing world uses a tremendous amount of biomass for energy just for cooking fires and that is the case in the US too.

What is leakage? If you were planning to harvest your property during your 40-year contract period and you make a choice not to harvest because you are going to sell carbon, that wood is going to get cut somewhere else on the planet because the demand is increasing. That is leakage. The programs try to account for that by setting aside some of your credits, not paying you for them, and putting them into a bank so that if there is some kind of natural disaster, fire, for instance, that completely burns a property leaving only standing dead trees, they can draw from that buffer to account for that. They try to account for that and leakage but in my mind they can't because every time you stop something from happening on one piece of land it is going to spill over to another property or continent. This creates the question whether this practice is making a positive change to the planet.

Slides 25-28. Growth of Carbon Projects

In 2000, there were no carbon projects in the United States. In 2005, they started to appear. In NH, there has been a carbon project on the 146,400 acre property since 2013. As of 2024, there are just under 200,000 acres in total carbon projects. Because NH does not have a registry, this information comes from calling developers. Advocates speaking at the legislative hearing led the committee to believe this is out of control.

Slide 30. This graph shows both 2013 when the CT Lakes property was signed into a carbon contract and then today, 2024. Not much growth has occurred in that 10-year period in NH. There are less than 10 landowners in NH that have signed up for carbon contracts. Based on this information, it does not appear to be out of control.

Q: Do you know if those landowners, excluding CT Lakes, have management plans and land enrolled in the managed forest land category? And, if they do, would the carbon project information be included in the plan?

A: Mr. Levesque believed that they do. These owners generally have thousands of acres. He could not say but if an owner was going to do a carbon project, the management plan would need to be updated to consider the contract period and what would be done. The challenge for the CUB will be getting data.

Mr. Stock offered the few landowners he has spoken with who have a carbon project, stated that it has not impacted their management plans. He felt current use would almost be indifferent as long as the plan on record is being followed. Mr. Levesque agreed, the use is not changing, there is a management plan on file that accounts for what you are doing, so it shouldn't be an issue.

Slide 31. A graph showing the harvest levels in cords, since the conservation easement was signed, and Lyme Timber bought the land in 2003.

Slide 32. A graph that shows the average of what's happened since 2003. Between 2003 and 2013, an average of 40,000 cords of year were harvested. The carbon contract was signed in 2013. Between 2014 and 2023, an average of 30,000 cords was harvested per year. The harvest level was reduced by about 25% because they wanted to sell some of that in carbon in addition to continuing to cut timber.

The new owner, Aurora Sustainable Lands LLC, is proposing as time goes on into the future a huge reduction in harvest to 12-14,000 cords a year because they want to sell more carbon. Therein lies the controversy and why there are three bills in the legislature and why he is presenting today.

Q: How does that affect the towns in the North Country in terms of their revenue and was there any testimony to that yesterday?

A: Tax revenue will be affected. Talking with the selectmen in each of the affected towns of Pittsburg, Clarksville, and Stewartstown, the company is trying to negotiate a pro-rated payment in lieu of taxes that will make up the difference between the most recent 5-year average of timber tax revenue. If the revenue is lower than that average, the company will make a payment in lieu of tax. The Town of Pittsburg will be most affected having the vast majority of the acreage. The contracts have not been signed.

Q: Is that statutorily allowed? They are not a charitable organization.

Mr. Levesque offered that he does not think there is anything in statute that contemplates that. They are currently in negotiation. The company has stepped forward understanding it is a big deal, especially in Pittsburg, where the prior year revenue of $145,000 was equal to 25% of their town budget.

Q: Is there a payment to offset the revenue that one could make harvesting the timber or is it more or less of that? If it is more than offsetting that potential revenue, that should be incorporated into that value of the land, which would affect this board and the setting of the assessment ranges.

Mr. Levesque replied that it could. He and his partner have built a model to try and figure that out. They have run numbers of five particular properties that they have good harvest data for over the last 40 years through this model. It suggests that for a 40-year contract, to make the same amount of money from selling carbon as selling timber, having a full management plan and two harvests, in two cutting cycles, the carbon prices would have to be higher than they are today, more like $30 per metric ton of carbon dioxide equivalent. Some projects, whether it is high value timber or high growth, is more like $20 or less. However, every property is different. A young forest having no harvests in the next 40 years will be very different from a mature forest that is being sustainable managed and harvested over time.

Q: That income of $20 is being paid to the owner? So, there is a middle man making a lot of money.

A: Yes, typically 25-30% of the carbon sales goes to the developer.

Therein lies the criticism. There are so many players, each making money off this process, for activities that weren't going to be done anyway. The concept of carbon credits is a good one until the question of additionality is raised. As an example, two previous managers that managed the carbon program for the 146,400 acre property were asked what they were doing so show they were doing something different. The answer was they are allowed to harvest 40,000 cords but they are only harvesting 30,000 cords and getting carbon credits on the 10,000 cords not being cut. So, they did not harvest the land any differently, they just cut below the allowable threshold and getting paid for it which seems to be the lowest of low thresholds to meet.

Mr. Levesque responded that within the registry rules, there is a base line that they use to compare future management to. There are two methods that have been used over time. All the big projects use the base line that legally is, if your contract is for 40 or 100 years, what could you do on this property in terms of the trees. In NH, we have some laws that require buffers around streams, roads, and boundaries and so forth, but outside of that, you can cut every tree from your property if you want to. In NH, that is the baseline. So, additionality in that contract is anything above there that you are not doing. So, anything you do that is less than cutting all the trees except keeping the buffers according to state law, you get paid for and that is how they measure additionality.

The second way they are starting to gravitate to is different and more realistic and it uses data collected by the USDA Forest Service since after WWII, called forest inventory analysis. These are fixed plots in the forest all over the country, each plot representing 6,000 acres, and in NH it is about 1,000 plots. Over time, we have collected data to understand what is really going on in the forest.

Slide 33. The green is the standing carbon at a point in time and the yellow is the annual net growth. A lot of carbon timber on 146,400 acres per year. You can measure that. That is the allowable harvest level, which is close to 45,000 cords per year on this property. So, a landowner (not including CT Lakes who has an easement) could cut all the net growth or sell it in carbon, with 30% going into a buffer pool. Each time it is sold, the amount of carbon that has to be maintained increases because you can only cut or sell it once.

Mr. Levesque concluded that this is happening, and billions of dollars are changing hands. For the forest products industry and landowners, at least for the big commercial landowner's that are in it to sell timber, this is a good opportunity for them because if markets are down, they can sell more carbon that year, if they are up, maybe they sell more timber because they are going to get more that way. It's actually been used strategically by some landowners that way and that makes sense.

Legislation Update

Mr. Stock summarized the proposed legislation relating to the carbon program. The first bill would preclude land having a carbon program from current use eligibility. There was strong opposition at the hearing to this bill.

The second bill related to RSA 79, creating an intent to generate (carbon contract) and a complicated assessment process. It was recognized that there were some mechanical flaws in the language that would need to be addressed.

The third bill is a moratorium. The initial language did not specify the type of carbon program. The sponsor came to the hearing with an amendment specifying forest carbon program. There was a long hearing, including testimony from the Northern Coos County Delegation who expressed concern about the economics. The hearing was recessed, continued, and was concluded after seeing the presentation by Mr. Levesque. There are several issues with the bill. What is the local timber tax issue? What is the economic impact of jobs, mills, wood supply, etc.? And the need for a registry to know what is happening. The overall testimony was split about 50/50. Those against the moratorium felt it was heavy-handed when considering the volume and that creating a statute for all landowners based on one transaction was not right.

Mr. Stock stated that the NHTOA has been engaged with all three bills and working with the respective chairmen. They feel the first and second bills would not go far, and the moratorium bill has some constitutional issues as it tries to look retroactively at carbon deals. A study committee has been discussed and if there is to be one, he suggested the DRA be on it.

Mr. Thomson agreed. One of the issues will be who is responsible for it. The DRA has oversight over the timber tax and is aware of the cutting operations that exist in every town through the Intent to Cut and Reporting requirements, and he felt it makes sense that it be them.

Mr. Levesque offered that it makes sense the state should know that information and we don't know. Whether or not that should be taxed, he believes that revenue should be taxed in lieu of the timber tax and given to towns because that is important to communities.

Mr. Stock summarized SB 504, that looks to define posting, which would modify the current use and criminal trespass statutes. The Attorney General's Office drafted the language at the direction of the Governor. The impetus of this bill is not clear, and a hearing has not been scheduled to date.

Minutes

Commissioner Jasper ***moved to accept the minutes of the November 14, 2023, meeting***; Mr. Bernaiche ***seconded the motion***. No discussion. Chair Souther called the motion to approve the minutes of the November 14, 2023, meeting as written. ***Motion passed unanimously***.

Agricultural Land Model Update to Include Pasturage

Dr. Bekkerman was asked to research and, if possible, implement a process to value pasture land. The idea with this process is to determine the productivity of the land through how much a piece of land can sustain or be harvested by animals.

Page 2. The idea of this methodology is to measure the land's forage productivity by the standardized system of animal units, or the amount of forest required to sustain one animal unit (units vary depending on the animal). The intent is to determine the productivity, transfer that into grazing income value (how much revenue can be generated from that acre) using NH's price of hay, account for the costs and apply the capitalization method.

Page 3. Remember the high end of the assessment range represents the productive land that produces corn and hay for harvest. Here, we are looking to represent the land that cannot be harvested, we are looking for the level of the forage quality.

The grazing value per animal unit uses dairy production rather than beef because it is the predominant production in NH*. The breakdown used is how much will be a lactating cow versus a heifer or calf. A lactating cow represents 75% and a heifer or calf, 25%. Oregon State University Extension defines forage quality ranging from the least productive such as very dry land to lush legume based forage. In this calculation, the minimum forage quality level has been used.

*It was noted that if beef were used instead of cows, the animal unit would need to be changed however the methodology would not. The model has the flexibility to adjust for that.

Grazing Value per Animal Unit (AU) =
(Minimum forage quality factor) x
([0.75 x AU lactating cow] + [0.25 x AU heifer or calf]) x
(NH price of hay per ton)

Once the grazing value per animal unit is determined, the grazing income per acre is calculated. The estimate of 1 animal unit per acre for the pastureland productivity was provided by Extension Field Specialist Carl Majewski, who has worked in the field for decades.

Grazing Income per Acre =
(NH pastureland productivity, AU/Acre) x
(Grazing value, $/AU)

Next, calculate the net grazing income per acre using a similar multiplier that used for the crops (from the long-term Extension budget determined from surveying producers to figure out how much of the revenue is accounted for with costs). Based on various research Extension publications, for about $1 of income, 75 cents are cost.

Net Grazing Income per Acre =
(Grazing Income per acre) x 0.75

The net grazing income per acre is then capitalized to get the pastureland value.

Pastureland Capitalized Value =
(Net Grazing Income per Acre) / (Capitalization Rate)

Page 4. The following are the actual numbers that went into the formula.

Grazing Value per Animal Unit (AU) = **$23.09/AU**
(.12) x
([0.75 x 1.4] + [0.25 x .6]) x
(160)

Grazing Income per Acre = **$23.09/Acre**
(1.0 AU/Acre) x
($23.09/AU)

Net Grazing Income per Acre = **$17.32/Acre**
($23.09) x 0.75

Pastureland Capitalized Value = **$181.32/Acre**
($17.32/Acre) / (9.55%)

- .12 represents the forage quality (and is the lowest multiplier).
- .75 and .25 represents the weighted average or how much of the herd is in cows versus heifers.
- 1.4 represents the animal units for a lactating cow; what you need to sustain a lactating cow on forage.
- .6 represents an animal unit for a heifer or calf.
- $160 The average NH cost of hay in 2022.

Page 5. Represents the updated model and figures used to determine the minimum and maximum values for the agricultural land assessment range. (Note: The values are for demonstration purposes only).

Page 7. This example illustrates how the range might change during a 5-year implementation period.

Phase-in Year	Old Assessment Range	New Assessment Range*	Weight on Old Assessment Values	Weight on New ssessment Values	Phased-in Assessment Range†
1	$25 - $425	$181 - $657	80%	20%	$56 - $471
2	$25 - $425	$181 - $657	60%	40%	$87 - $517
3	$25 - $425	$181 - $657	40%	60%	$118 - $564
4	$25 - $425	$181 - $657	20%	80%	$150 - $610
5	$25 - $425	$181 - $657	0	100%	$181 - $657

* New assessment range values are for demonstration purposes only. Actual values may go up or down annually depending on market conditions associated with agricultural input costs and agricultural product prices in different years.

† Unproductive land—defined as that which is incapable of producing crops—will be assessed at the lowest current use value established by the board for any category.

Page 8. This example illustrates how assessments might change annually based on market conditions associated agricultural input costs, product prices, and the application of SPI, and the impact on the tax per acre.

Phase-in Year	Old Assessment Range	Tax Amount at 2.2% rate and SPI = 100	Tax Amount at 2.2% rate and SPI = 75	Phased-in Assessment Range	Tax Amount at 2.2% rate and SPI = 100	Tax Amount at 2.2% rate and SPI = 75
1	$25 - $425	$9.35	$7.15	$56 - $471	$10.36	$8.08
2	$25 - $425	$9.35	$7.15	$87 - $517	$11.37	$9.01
3	$25 - $425	$9.35	$7.15	$118 - $564	$12.40	$9.96
4	$25 - $425	$9.35	$7.15	$150 - $610	$13.42	$10.89
5	$25 - $425	$9.35	$7.15	$181 - $657	$14.45	$11.84

The 2.2% represents the average state tax rate.

Using the old assessment and applying the 2.2% to the $425, and no SPI (100), the result is an increase of $9.35 per acre. Using an SPI of 75, the result decreases to $7.15 per acre. After the 5-year phase in, the actual increase per acre is approximately $5, $1 per year. An average 140-acre farm with no SPI would result in an estimated $750 tax increase for the property.

Based on the figures presented, there was a brief discussion whether to shorten the phase-in period. The 5-year phase-in period would be consistent with how the forestry model was implemented and that it was reasonable to provide the same for this model.

Discussion followed about bringing the updated model to the public. The initial model was presented to the public at the four forums held in 2023 for input. Chair Souther felt the Board needed time to review the updated model and suggested members bring back any comments or questions to the next meeting before making any decisions about it. He added that the main concern heard from the public was that the proposed low end of the range was too high.

Representative Yokela opposed the updated rates and does not feel the low end needed to be reduced. He felt the pushback received stemmed from bad communication that was published in the NH Farm Bureau Federation's newsletter stating, "as proposed, it would have set the new range for 2024-2025 to the $312-$675", which was not correct. It did not reflect the phase-in period in which year one would have been more like $75-$100. There really would not have been that big of an increase. He added that communication needs to be better and clearer about the values being proposed, the year they are being proposed for, and the actual impact it might have.

Curtilage Subcommittee Update

Mr. Bernaiche explained the committee met, had a robust discussion, and circled back to no change is needed to the definition of curtilage. The DRA through their visits with municipalities have found inconsistency with how municipalities and assessors apply curtilage. The request was to clarify the definition so the application would be applied more consistently. For those instances that were provided, it was suggested that they be addressed by the assessor on a case-by-case basis.

10-acre Requirement Subcommittee Update

The committee was asked to consider a property of less than 10-acres used for pasturing animals to qualify for current use. The use of animals to harvest the property was compared to the use of a tractor; the difference being the product is sold to show the required income of $2,500. The discussion was tabled until the presentation for the value of pasture land was provided.

The next meeting will be at the call of the Chair.

Mr. Bernaiche ***motioned to adjourn***; Commissioner Jasper ***seconded the motion.*** Chair Souther called the motion. ***All approved***.

Chair Souther adjourned the meeting at 12:06 p.m.

Respectfully Submitted, Stephanie Martel
NH Department of Revenue Administration – Municipal and Property Division

Documentation relative to the Current Use Board may be submitted, requested or reviewed by:

Telephone: (603) 230-5096
Facsimile: (603) 230-5947
E-mail: cub@dra.nh.gov
Web: http://revenue.nh.gov/current-use

In person at 109 Pleasant Street, Concord
In writing to:
Current Use Board
c/o NH Dept. of Revenue Administration
PO Box 487
Concord, NH 03302-0487