

# Current Use Board Regular Board Meeting

## Approved as written

**DATE:** September 21, 2023

**TIME:** 1:00 p.m.

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

## **BOARD MEMBERS:**

*(E) Excused*

Senator Ruth Ward

Representative Josh Yokela

Anton Bekkerman, Dean's Designee, UNH College of Life Sciences and Agriculture

Shawn Jasper, Commissioner, NH Department of Agriculture, Markets and Food *(E)*

Rick Evans, NHDRA Commissioner Designee, NH DRA

Larissa Robinov, Commissioner Designee, NH DNCR, Division of Forests and Lands

Barbara Richter, NH Conservation Commission

Mark Beauchesne, Executive Director, Designee, NH Fish & Game *(E)*

Jonathan Rice, Assessing Official, City

Tom Hughes, Assessing Official, Population <5,000

Norm Bernaiche, Assessing Official, Population >5,000

Vacant, Forest Landowner

Tom Thomson, Public Member

Chuck Souther, Chair, Public Member, Agriculture

## **MEMBERS of the PUBLIC:**

Robert Johnson, NH Farm Bureau

Jasen Stock, NHTOA

Matt Leahy, Forest Society

Phil Bodwell, DRA

Lisa Mudge, DRA

Chair Souther convened the regular meeting of the Current Use Board at 1:00 p.m. followed by introductions.

## **Governor's Commendation**

DRA Commissioner Lindsey Stepp, presented Board members with official commendations signed by the Governor in recognition of 50 years of the Current Use law and a framed copy to the Chair, Chuck Souther. She expressed appreciation for the work of the Board and its members, to Rick Evans for acting as her designee and to Stephanie Martel for the support she provides to the Board. The Commissioner and Board took a picture with the commendation.

## **Minutes**

Mr. Bernaiche *motioned to accept the minutes of the July 27, 2023, regular board meeting*; Senator Ward *seconded the motion*. Mr. Thomson requested the word proclamation be replaced with commendation. No other comments were received. Chair Souther called the motion to approve the minutes of the July 27, 2023, regular board meeting, as amended. *Motion passed unanimously.*

## Nomination for Chairman

Mr. Bernaiche *nominated Chuck Souther to continue as Chairman*; Mr. Thomson *seconded the motion*. No other nominations were offered. Mr. Souther accepted. He called the vote for the nomination that he remain Chairman. Motion passed unanimously.

## Agricultural Land Assessment Model

Dr. Bekkerman presented the Agricultural Land Assessment Model PowerPoint he created to accept input and approval from the Board to present at the public forums. The first two slides provide a brief explanation for the context and need for updating the model and the benefits of using the farm income capitalization economic approach to develop agricultural land values. The model is based on land productivity rather than real estate market forces, uses publicly available data and will cost little to update annually to reflect current economic conditions. Mr. Bernaiche suggested adding another bullet to Slide 4, noting this approach is similar to the income approach assessors use to value commercial and industrial properties in NH.

Dr. Bekkerman explained the key assumption is the productivity on the land can be measured through the net farm income of the land. Once the net farm income is established, it is capitalized to convert it into a long-term agricultural productivity value of the land. The three main components include the land's agricultural productivity as a measure of production output, net income as a measure of the land's agricultural productivity and a capitalization rate to measure the long-term economic return on the land. Because the economic return is unknown, by taking the day's income from farm productivity and assuming the same or similar conditions in the future, the income can be converted into value of the land, which can then be updated annually to maintain current market conditions. Mr. Bernaiche suggested adding language to Slide 6 to clarify that net income is derived by taking the gross income and subtracting out expenses.

$$\text{Agricultural Land Value} = \frac{\text{Net Income From Agricultural Production}}{\text{Capitalization Rate}}$$

The next few slides explain the components that will be used in the model and a breakdown by section that includes definitions, how the components are used in the model and where the data will be coming from.

The property-related inputs of 100 acres for corn for silage and 120 acres for hay represent a typical farm. The figures were established by UNH Extension specialist Mike Sciabarrasi who, over many years, surveyed farmers about the allocation of their farm acres to corn for silage and hay. Based on those survey results, he determined the average allocation was 100 acres to corn for silage and 120 acres for hay, accounting for the most typical agricultural crop production in NH.

There was some discussion about why these acreages were being used and if there might be other ways to present them to make it easier to understand, such as a ratio or a percentage. Dr. Bekkerman reiterated the information in the model represents an average farm including the net income and costs generated on these acreages. Mr. Evans added the purpose of the model is not for use on individual properties. Similar to the forest land assessment model, data is collected and input into the model to develop an assessment range for municipalities to use to value farmland. To make it more understandable, a suggestion was made to add the word "average" farm for clarification and to add an example of a smaller farm.

Slide 9 illustrates the corn for silage and hay yields, figures that will change every year and provides an explanation of the Olympic average, why it is used and where the information will come from.

Slide 10 explains the yield multiplier. The USDA provides the average yields year-to-year. To develop a range, a 20-year period of agricultural census production, that includes all producers, is used to determine the best and worst yield outcomes. From these outcomes, it can be predicted what the best and worst outcomes will be relative to the average yield which can then be developed into a range.

Slides 11 and 12 illustrate the prices for corn for silage and hay. Hay prices are available for NH, but they are not for corn for silage.

Slide 13 explains how the corn for silage price is estimated. An economic regression model developed by Cornell University approximates corn for silage prices using grain markets which are more active. Because NH does not report corn for grain prices to the USDA, the model relies on prices from the two closest states that do, NY and PA. The Cornell model combines the hay prices from NH and the corn for grain prices from NY and PA and using an Olympic average, determines the price for corn for silage.

Slide 14 explains the cost multiplier. Instead of surveying farmers every year to collect their costs, long-term historical relationships between revenues and costs collected by UNH Extension from farmers in NH for many years, is used. On average, the cost for corn production is about 90% of corn revenues, the average cost for a \$1.00 of hay revenue is \$0.96.

The capitalization rate uses an Olympic average of the FSA loan rate and municipal tax rate and converts the income into a long-term valuation of the land. Mr. Bernaiche asked if taxes were included in the expense ratio. Dr. Bekkerman will verify if they are included in the fixed costs.

The last two slides illustrate the proposed five-year phase in of the new values. Dr. Bekkerman explained the values for year 1 were those produced from the model. Not knowing the outcome of the values for years 2-5, he used example numbers to show potential market fluctuation only. A suggestion was made to assume no market fluctuation and use the same new assessment values for the five years and add a note that potential fluctuations would be part of the rolling average to be implemented. It was also suggested to move the note relating to the unproductive category to another slide.

That concluded the presentation. Mr. Bernaiche reported that he presented the presentation to the Assessor's Association and the members were thankful and appreciative of the Board's effort to make this process transparent.

A brief discussion about the impact of the estimated increase in the assessment range, in particular, the low-end and whether that might disincentive owners to keep their land in current use if they are not using the land to produce agricultural products. All land in current use is assessed at its incoming-producing capability not what it does or doesn't produce in a particular year. Having land enrolled in current use still provides a significant reduction in taxes, even with the increase, and the intent is to provide a transparent process based on available information and the law.

There was some concern about the low-end of the range and property that isn't unproductive but is incapable of producing even that small amount of income, such as pasture land or land on the side of a hill. SPI would not be a factor in this situation.

Mr. Johnson agreed with the presenting something to the public and then listen and consider. Historically, the low-end of the range was used for pasture land, the middle range was for hay and corn and the high-end was for orchards and row crops. Hay and corn were central when this model was created, as they represented the most crops produced. The acreages, he believed, represented dairy farms and maybe should be adjusted.

A brief discussion took place about bringing this to the forums. It was made clear that the intent was not to rush this and having input from the farming community was important to move forward. Mr. Evans ***motioned to bring the proposed Agricultural Land Assessment Model, with suggested edits, to the public forums.*** Representative Yokela ***seconded the motion.*** Mr. Thomson asked that Commissioner Jasper be notified of this vote. No further discussion. Chair Souther called the motion. ***Motion passed unanimously.***

Mr. Johnson requested the opportunity for the NH Farm Bureau to notify their members of the forum dates. A publication will be distributed at the end of October, and he requested time for the information to get to their members before the forums are held. The Board agreed to this consideration recognizing the importance of receiving input from farm owners. Discussion followed about availability of members, dates and locations.

## 2024 Public Forum Schedule

- Monday, November 6, 2023, at 6:00 p.m. in Lancaster
- Wednesday, November 8, 2023, at 6:00 p.m. in Durham
- Monday, November 13, 2023, at 6:00 p.m. in Keene
- Tuesday, November 14, 2023, at 1:00 p.m. in Concord, followed by a Regular Board Meeting.

The Agricultural Land Assessment Model presentation will be available on the DRA website, once edited, with the forum information and proposed forest land assessment ranges.

### Other Business

Mr. Bernaiche asked Representative Yokela about the proposed legislation he will be sponsoring and what it will say. Representative Yokela stated he was asked by Mr. Keith to read the statute and he agrees with Mr. Keith's interpretation. The LSR is still in draft form, and he will forward to the Board once submitted.

Discussion followed about land enrolled in current use being reclassified into conservation restriction assessment. The Board has addressed this question and provided their interpretation, and the DRA has addressed it as well. Ms. Richter felt this was common situation and one that needs some clarity. She suggested adding information in the Current Use Booklet to better explain the difference between the two and why a land use change tax is not applied when change in classification occurs.

Mr. Bernaiche mentioned two other bills the Board should be aware of and may need to address. One relates to creating a carbon forest program and the other to current use taxation for certain forested land.

Mr. Stock explained the carbon forest bill is in response to the Connecticut Lakes Project involving the purchase of a large parcel of land in Clarksville and Pittsburg to be primarily managed for carbon credits and secondarily toward forest products. There has been conversation about the implications this might have on the forest industry, rural economics and the timber tax, which is a significant source of income for the Town of Pittsburg. He added a request for the language has been made but not received to date. If the Board was interested, he could ask Charlie Levesque to give a carbon 101 presentation to explain how the markets work, how the private equity is engaged and what comes out of the deals.

The Board agreed to the removal of dates from the Current Use Booklet, the reference document for the current use program. The dates represent the changes to the assessment ranges only, which typically change every year. These assessment ranges are separately posted to the DRA website and included in the Cub rules.

### Public Comment

There was a request at the last meeting for the Board to clarify the definition of curtilage. The DRA assessors have found inconsistency in the way this term is applied which is causing some people to have land removed from current use with others in the same situation, not. After some discussion, Ms. Richter asked if this could be added to the agenda of the next meeting.

Mr. Bernaiche *motioned to adjourn*; Senator Ward *seconded the motion*. Chair Souther called the motion. *Motion passed unanimously.*

Chair Souther adjourned the meeting at 3:01 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:

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E-mail: [cub@dra.nh.gov](mailto:cub@dra.nh.gov)

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In person at 109 Pleasant Street, Concord

In writing to:

Current Use Board

c/o NH Dept. of Revenue Administration

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