

## **I own and farm 500 acres. Isn't there something I need to sign up for now?**

You are probably thinking of the Family Farm Tax Credit. This was required to be signed up every year by October 15<sup>th</sup> until 2001. If you signed up in 2001 or after, you do not have to sign again. However, if you have acquired more agricultural land after you last signed up, you will need to sign an application for the newly acquired land. Applications can be filed anytime. However, those filed after November 1<sup>st</sup> will be applied to the next year.

## **I signed up for Forest Reserve. Do I have sign every year?**

No, this is a one-time sign up and need not be applied for again.

## **What is Forest Reserve exemption?**

The forest reserve exemption was enacted by the legislature to promote the need to keep timber areas in the state. To be eligible, the property must be at least 2 acres and contain at least 200 growing trees per acre. If any buildings are within the area claimed for exemption, one acre for the building site will remain taxable.

Livestock is not allowed on the property. This includes cattle, horses, mules, sheep, goats, or hogs. The property would not qualify, or would cease to receive the benefit of the exemption. It may also be subject to a recapture tax.

There can be no economic gain on the property claimed for exemption other than raising trees. Up to one fifth of the trees may be removed as long as the total trees per acre does not go below the required 200, or enough trees are re-planted to stay above this. The receipt of compensation from the federal government is not acceptable economic gain for forest reserve exempted property. The property would not be eligible or would cease to receive the exemption if other economic gain is being received. It may also be subject to recapture tax.

If a property ceases to be eligible, it shall be assessed for taxation and subject to the recapture tax. The property shall be subject to taxation for the current year. In addition, the property is subject to taxation for each of the five preceding calendar years for which it was exempted. However, if the same person, or their direct descendants or antecedents, have owned the property exempted for at least 10 years, it shall not be subject to recapture tax.

A problem might occur when a property is for sale that has some forest reserve exempted ground, which would cause the buyer to pay the recapture tax. If the buyer is unaware that some of the ground is in exemption, they might decide to clear the trees. If they do, the exemption would cease and they would be responsible for the recapture tax. Our office suggests, if the buyer is unsure if they want to keep the forest reserve exemption or not aware of the exemption, that the seller sign a statement requesting that the exemption be removed. The new owner can sign a new application if they wish it to remain in the forest reserve exemption.