

Frequently Asked Questions

Basic

1. What does use-value taxation mean?
2. How do fair market value and use-value differ?
3. Why and when was use-value taxation established in Virginia?
4. Does the Constitution of the Commonwealth permit use-value taxation?
5. To what does use-value taxation apply?
6. What is the difference between agricultural and/or forestal districts and use-value taxation?

Eligibility

7. Does a tract of real estate have to contain a minimum acreage before it may qualify for use-value taxation?
8. Are there exceptions to the minimum acreage requirements for real estate?
9. Can separate parcels of real estate be added together to meet the minimum acreage requirements?
10. What is the statement of Prior Use and Production?
11. Are there any exceptions to Prior Use and Production?
12. Does income enter into determining whether a tract of agricultural or horticultural real estate qualifies for use value taxation?
13. Does the existing zoning enter into determining whether a tract of real estate qualifies for use value taxation?
14. Can a change in zoning affect the eligibility of a tract of real estate for use-value taxation?
15. If a landowner decides to shift from one qualifying use to another qualifying use, does he have to reapply? If so, would it affect his/her eligibility for use-value taxation?
16. If a parcel has been in land use previously as either real estate devoted to agriculture or real estate devoted to horticulture, but has been out for a period of time, does the requirement for demonstrating at least a five-year production history still apply if the landowner would like to reapply to the program?
17. Does switching to producing crops for non-consumptive use, such as for bio-fuel production, affect the eligibility of land for use-value taxation?
18. Can subdividing a property affect its eligibility for use-value taxation?
19. What are the consequences of delinquent taxes as they pertain to a landowner's eligibility for use-value taxation?
20. What actions can a landowner take if he/she feels the use-value has been set too high?

Standards

21. Does use-value taxation apply to all real estate that appears to be in agricultural, horticultural, forestal or open-space use?
22. What are standards of classifications?
23. How were the standards established?
24. Who prescribes the uniform standards for classification?

25. Why was it necessary for the General Assembly to specify the classes of real estate that qualify for use-value taxation?
26. Can real estate under facilities or structures on the property be included in use-value taxation?
27. Do bees qualify in the agricultural classification?
28. Does aquaculture qualify as an agricultural use?
29. Do horse farms qualify for the use-value assessment program?
30. Can water bodies qualify for use under all four categories of use?

Application Process

31. Does a landowner whose land may qualify for use-value taxation have to file an application for such taxation?
32. Why would a jurisdiction charge a fee for each application filed for use-value taxation?
33. How would the fee for filing an application be calculated?
34. What documents are required of the landowner for application and revalidation for use-value taxation?
35. Why is a farm or forest plan needed to qualify?

Roll-Back Taxes

36. Why do I have to pay roll-back taxes?
37. How are roll-back taxes calculated?
38. What is meant by deferred tax?
39. How is the deferred tax determined?
40. Can penalties be charged in addition to deferred taxes?
41. Why are two valuations of each qualifying tract of real estate recorded in the Land Book?
42. How can I avoid paying roll-back taxes? Are there exceptions?

Localities

43. Are localities required to adopt a use-value taxation program?
44. What has to be done before use-value taxation may be applied within a jurisdiction?
45. What qualifies as a land use plan?
46. Is a zoning ordinance required as part of the required land-use plan?
47. Has a model use-value ordinance been prepared?
48. May a local governing body prepare its own use-value taxation ordinance?
49. What options does a jurisdiction have when preparing its use-value taxation ordinance?
50. What factors could encourage a local governing body to extend use-value taxation to some combination of the qualifying classes of land *less than* all four of the authorized classes?

51. Why would a jurisdiction direct a general assessment of real estate within its jurisdiction in the year following adoption of an ordinance authorizing use-value taxation?
52. Could land still qualify for use-value taxation without a local ordinance?
53. Can a locality increase the minimum acreage requirements for all classifications of land use?
54. Can a locality impose roll-back taxes if a change in ownership of real estate in the program occurs?
55. Are local assessors required to use the values published by the State Land Evaluation Advisory Council (SLEAC)?
56. What is a sliding scale ordinance?

Use Value Estimates

57. What are some possible causes of a sharp increase/decrease in SLEAC estimates from year-to-year?
58. What is Olympic averaging?
59. What is a composite farm and how is it created?
60. Why do SLEAC estimates vary between geographically similar jurisdictions?

Answers:

1. What does use-value taxation mean?

Use-value taxation means that the land portion of eligible real estate is valued and taxed in accordance with the class of use for which it is eligible rather than being valued and taxed only in accordance with its fair market value.

2. How do fair market value and use-value differ?

Fair market value is the price property will bring when offered for sale by a person who desires, but is not obligated to sell, and when the property is bought by a person who is under no necessity of having it.

Use-value is the value that a tract of real estate has in the use being made of it, e.g., agricultural use, and is the value; the total estimated capitalized net earnings indicate could be paid for the tract with the future earnings paying an interest return on the capital. These future earnings could come from cash rents paid for using the property or from net incomes earned from the property.

Fair market value and use-value are the same when the real estate at issue has no alternative use that is valued higher in the existing open market than the use that qualifies the real estate for eligibility for use-value taxation.

3. Why and when was use-value taxation established in Virginia?

The legislation has been seen as a way to preserve this land with the belief that long-term public benefits are derived from its preservation. Virginia General Assembly adopted legislative in 1971, Code of Virginia, Title §58.1-3229 through §58.1-3244, which authorized use-value taxation with the stated purposes of:

- Encouraging the preservation and proper use of such real estate to assure a readily available source of agricultural, horticultural, and forest products and open spaces within the reach of concentrations of population;
- Conserving natural resources in forms that will prevent erosion and protecting adequate and safe water supplies;
- Preserving scenic natural beauty and open spaces;
- Promoting proper land-use planning and the orderly development of real estate for the accommodation of an expanding population; and
- Promoting a balanced economy and ameliorating pressures that force conversion of such real estate to more intensive uses that are attributable in part to the assessment of such real estate at values incompatible with its use and preservation for agricultural, horticultural, forest, or open space purposes.

The law passed by Virginia's General Assembly did not actually establish use-value taxation. Instead it gave jurisdictions the power to adopt use-value taxation legislation while dictating the four different land classifications eligible for use-value taxation (agriculture, horticulture, forest, and open space).

4. Does the Constitution of the Commonwealth permit use-value taxation?

Yes. In Article X, Section 2, the constitution grants the General Assembly authority to enact legislation authorizing use-value taxation.

“The General Assembly may define and classify real estate devoted to agricultural, horticultural, forest or open space uses, and may by general law authorize any county, city, town, or regional government to allow deferral of, or relief from, portions of taxes otherwise payable on such real estate if it were not so classified, provided the General Assembly shall first determine that classification of such real estate for such purpose is in the public interest for the preservation or conservation of real estate for such uses.”

5. To what does use-value taxation apply?

Such taxation applies (a) only to classes of land that are named in the State Constitution, (b) only when the jurisdiction within which the land at issue lies has, as required by the State Constitution, adopted the necessary enabling ordinance and authorized such taxation for one or more of such classes of land, (c) only after

the owner of land at issue has voluntarily filed the required application form, and (d) only after the local assessing official determines the land qualifies for such taxation and approves the application.

6. What is the difference between agricultural and forestal districts and use-value taxation?

A locality may have both programs, one of the two, or neither. As it relates to property taxes, an agricultural and/or forestal district program and a use-value taxation program accomplish the same outcome, assessing qualifying land based on the value in use rather than the fair market value. The difference lies in the configuration. The Agricultural and Forestal Districts Act allows mostly contiguous tracts of land to be combined to form a large agricultural or forestal district consisting of multiple landowners. The district can then be added to upon the approval of an advisory committee established to manage the districts within a locality. These districts are for a period of four to ten years, negotiated between the landowners and the locality. Whereas use-value taxation applies to the individual landowner, districts deal with multiple landowners at once. Districts also provide additional incentives for participation

7. Does a tract of real estate have to contain a minimum acreage before it may qualify for use-value taxation?

Yes, §58.1-3233(2) establishes minimum acreages:

- 5 acres for agricultural and horticultural use consists of a minimum of five acres, except that for real estate used for agricultural purposes, for purposes of engaging in aquaculture as defined in § 3.2-2600, or for purposes of raising speciality crops as defined by local ordinance, the governing body may by ordinance prescribe that these uses consist of a minimum acreage of less than five acres.
- 20 acres for forest use, and
- 5 acres for open-space use, except that for real estate adjacent to a scenic river, a scenic highway, a Virginia Byway or public property in the Virginia Outdoors Plan or for any real estate in any city, county or town having a density of population greater than 5,000 per square mile, for any real estate in any county operating under the urban county executive form of government, or the unincorporated Town of Yorktown chartered in 1691, the governing body may by ordinance prescribe that land devoted to open-space uses consist of a minimum of one quarter of an acre.

These minimum acreages always apply to that acreage that is exclusive of any lot or equivalent thereof on which a main residence is located.

8. Are there exceptions to the minimum acreage requirements for real estate?

Yes in reference to open space, agricultural, and horticultural, but no regarding forestry land use classifications. Minimum acreage can be less than five acres if agricultural and horticultural land is used for aquaculture or specialty crops, as defined by local ordinance. For open space, “real estate adjacent to a scenic river, a scenic highway, a Virginia Byway or public property in the Virginia Outdoors Plan or for any real estate in any city, county or town having a density of population greater than 5,000 per square mile, for any real estate in any county operating under the urban county executive form of government, or the unincorporated Town of Yorktown chartered in 1691, the governing body may by ordinance prescribe that land devoted to open-space uses consist of a minimum of one quarter of an acre.” (§58.1-3233)

9. Can separate parcels of real estate be added together to meet the minimum acreage requirements?

Yes, if the parcels are contiguous, share common ownership, and are not subject to the locality’s subdivision ordinance. ((§58.1-3233(2))

10. What is the statement of Prior Use and Production?

According to the Standards of Classification, “real estate sought to be qualified must have been devoted, for at least five consecutive years previous” to a qualifying use.

11. Are there exceptions to Prior Use and Production?

Yes. According to the Standards of Classification:

1. A “tract may qualify without a five-year history of agricultural or horticultural use only if the change expands or replaces production enterprises existing, on other tracts of real estate owned by the applicant.”
2. “If a tract of real estate is converted from a qualifying use (forestry or open space) to agricultural or horticultural production, the tract may qualify without the five-year history” requirement.
3. If a tract of real estate previously qualified for the program is taken out of use due to government action, the “tract shall be considered productive for that period of time.”
4. “Crops that require more than two years.” If the crop to be produced on the tract takes two years or longer to be commercially feasible, the five-year history may be waived. For example, Christmas tree farms or apple orchards could qualify for this waiver.

(2VAC5-20-20(C))

12. Does income enter into determining whether a tract of agricultural or horticultural real estate qualifies for use-value taxation?

It depends. According to the Standards of Classification, each locality with a use-value ordinance **may** consider income when determining eligibility of real estate. Virginia law does not require a locality to consider income in deciding whether a tract of land qualifies, but it does give the locality to power to do so.

13. Does the existing zoning enter into determining whether a tract of real estate qualifies for use-value taxation?

Yes and no. Yes for certain jurisdictions (Albemarle County, Arlington County, Augusta County, James City County, Loudoun County, and Rockingham County) as they “may exclude land lying in planned development, industrial or commercial zoning districts” and land “changed to allow a more intensive nonagricultural use at the request of the owner or his agent...” For remaining localities, an Attorney General’s Opinion issued on the 19th of December 1975 states “that the use of the land rather than its zoning classification is the basis for qualification for land use taxation.” (§58.1-3237.1)

14. Can a change in zoning affect the eligibility of a tract of real estate for use-value taxation?

Yes and no. The yes-answer applies when, *at the request* of an owner or an owner’s agent, the zoning of eligible real estate is changed to *a more intensive use*. If such rezoning occurs, the eligibility for use-value taxation of the tract at issue is automatically cancelled. Additionally, the landowner is liable for roll-back taxes at the time that the rezoning occurs, not at the time of the change in use. (§ 58.1-3237 D)

The no-answer applies when, at the request of an owner or an owner’s agent, the zoning of eligible real estate is changed to a *less* intensive use; that is, it is down zoned. The no-answer also applies when, without the request of the owner, any change in zoning would be made by the local governing body.

15. If a landowner decides to shift from one qualifying use to another qualifying use, does he have to reapply? If so, would it affect his/her eligibility for use-value taxation?

Yes, according to state code, “an application shall be submitted whenever the use or acreage of such land previously approved changes.” (§ 58.1-3234) As long as the landowner is switching to another qualifying use, his/her eligibility would not be affected.

16. If a parcel has been in land use previously as either real estate devoted to agriculture or real estate devoted to horticulture, but has been out for a period of time, does the requirement for demonstrating at least a five-year production history still apply if the landowner would like to reapply to the program?

Yes. The parcel will be required to demonstrate both previous uses and current uses consistent with the standards for classification for real estate as devoted to agricultural use and horticultural use.

17. Does switching to producing crops for non-consumptive use, such as for bio-fuel production, affect the eligibility of land for use-value taxation?

No. The classification of an agricultural or horticultural product as consumptive or non-consumptive does not affect the eligibility of land for the program. State code only requires that the products be “useful to man.” (§ 58.1-3230)

18. Can subdividing a property affect its eligibility for use-value taxation?

Yes and no. The no answer applies if the subdivision of property results in parcels of land that still meet the minimum acreage requirements, use requirements, and are not subject to local subdivision ordinances, the parcels are still eligible for the program. The yes answer applies if the resulting parcels fail to meet the minimum acreage requirements. (§58.1-3241)

19. What are the consequences of delinquent taxes as they pertain to a landowner’s eligibility for use-value taxation?

Real estate will be removed from the program until delinquent taxes are paid. However, the real estate in question is not subject to roll-back taxes. (§58.1-3235)

20. What actions can a landowner take if he/she feels the use-value has been set too high?

According to §58.1-3350, “an[y] person aggrieved by any assessment may apply for relief to the board of equalization created under Article 14 (§ 58.1-3370 et seq.) of this chapter.”

Also, stated in an attorney general opinion dated July 10, 1987, the landowner may appeal to the local Board of Equalization. According to §58.1-3350, “an[y] person aggrieved by any assessment may apply for relief to the board of equalization created under Article 14 (§ 58.1-3370 et seq.) of this chapter.”

21. Does all land that appears to be in agriculture, horticulture, forestry, and open space automatically qualify for use-value taxation?

No. Such taxation applies to all real estate that meets uniform standards of classification that have been developed and prescribed in accordance with the law. If all standards are met, the landowner must apply to the local government, and the locality must have adopted a use-value ordinance. (§58.1-3230-31)

22. What are standards of classifications?

§ 58.1-3230. Special classifications of real estate established and defined.

- **"Real estate devoted to agricultural use"** shall mean real estate devoted to the bona fide production for sale of plants and animals useful to man under uniform standards prescribed by the Commissioner of Agriculture and Consumer Services in accordance with the Administrative Process Act (§ 2.2-4000 et seq.), or devoted to and meeting the requirements and qualifications for payments or other compensation pursuant to a soil conservation program under an agreement with an agency of the federal government. Prior, discontinued use of property shall not be considered in determining its current use. Real estate upon which recreational activities are conducted for a profit or otherwise; shall be considered real estate devoted to agricultural use as long as the recreational activities conducted on such real estate do not change the character of the real estate so that it does not meet the uniform standards prescribed by the Commissioner.
- **"Real estate devoted to horticultural use"** shall mean real estate devoted to the bona fide production for sale of fruits of all kinds, including grapes, nuts, and berries; vegetables; *and* nursery and floral products under uniform standards prescribed by the Commissioner of Agriculture and Consumer Services in accordance with the Administrative Process Act (§ 2.2-4000 et seq.);, or real estate devoted to and meeting the requirements and qualifications for payments or other compensation pursuant to a soil conservation program under an agreement with an agency of the federal government. Prior, discontinued use of property shall not be considered in determining its current use. Real estate upon which recreational activities are conducted for profit or otherwise; shall be considered real estate devoted to horticultural use as long as the recreational activities conducted on such real estate do not change the character of the real estate so that it does not meet the uniform standards prescribed by the Commissioner.
- **"Real estate devoted to forest use"** shall mean land, including the standing timber and trees thereon, devoted to tree growth in such quantity and so spaced and maintained as to constitute a forest area under standards prescribed by the State Forester pursuant to the authority set out in § 58.1-3240 and in accordance with the Administrative Process Act (§ 2.2-4000 et seq.). Prior, discontinued use of property shall not be considered in determining its current use. Real estate upon which recreational activities are conducted for profit, or otherwise, shall still be considered real estate devoted to forest use as long as the recreational activities conducted on such real estate do not change the character of the real estate so that it no longer constitutes a forest area under standards prescribed by the State Forester pursuant to the authority set out in § 58.1-3240.
- **"Real estate devoted to open-space use"** shall mean real estate used as, or preserved for, (i) park or recreational purposes, including public or private golf courses, (ii) conservation of land or other natural resources, (iii) floodways, (iv) wetlands as defined in § 58.1-3666, (v) riparian buffers as defined in § 58.1-3666, (vi) historic or scenic purposes, or (vii) assisting in the shaping of the character, direction, and timing of community development or for the public interest and

consistent with the local land-use plan under uniform standards prescribed by the Director of the Department of Conservation and Recreation pursuant to the authority set out in § ~~58.1-3240~~, and in accordance with the Administrative Process Act (§ 2.2-4000 et seq.) and the local ordinance.

(Code 1950, § 58-769.5; 1971, Ex. Sess., c. 172; 1973, c. 209; 1984, cc. 675, 739, 750; 1987, c. 550; 1988, c. 695; 1989, cc. 648, 656; 1996, c. 573; 1998, c. 516; 2006, c. 817; 2009, c. 800; 2012, c. 653)

23. How were the standards established?

These were established by the responsible officials after completing public hearings as required by law. The initial hearing was conducted in June of 1973, at four locations in Virginia. Each standard has been amended and readopted in accordance with the law several times since the first hearing.

24. Who prescribes the uniform standards for classification?

The law (§ 58.1-3230) assigns the responsibility for prescribing applicable standards:

- For real estate in agricultural and horticultural use to the Commissioner of Agricultural and Consumer Services,
- For real estate in forest use to the Director of the Department of Forestry,
- For real estate in open-space use to the Director of the Department of Conservation.

25. Why was it necessary for the General Assembly to specify the classes of real estate that qualify for use-value taxation?

This was required by the State Constitution, which states:

All taxes shall be levied and collected under general laws and shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax... (Article X, Section 1)

All real estate is a single “class of subjects”, and only one valuation method may be employed uniformly when real estate is a single class of subjects. Before taxation of agricultural (and the other authorized classes) real estate in accordance with use value could become effective, it was necessary for the people of the Commonwealth to grant, through their Constitution, to the General Assembly the authority to define and establish as a “class of subjects” each class of real estate to which use-value taxation could apply. This authority was granted when the revised Constitution became effective in 1971. (Article X, Section 1)

26. Can real estate under facilities or structures on the property be included in use-value taxation?

It depends. According to state code, “In determining the total area of real estate actively devoted to agricultural, horticultural, forest or open space use there shall be included the area of all real estate under barns, sheds, silos, cribs, greenhouses, public recreation facilities and like structures, lakes, dams, ponds, streams, irrigation ditches and like facilities.” (§58.1-3236) This does not, however, authorize the inclusion of the structures themselves in the tax program. They are still subject to fair market value tax assessment. Also, any real estate under structures that aren’t related to the property’s special use must be assessed at fair market value.

27. Do bees qualify in the agricultural classification?

Yes. According to 2VAC5-20-20 of the “Standards for Classification of Real Estate Devoted to Agricultural Use and to Horticultural Use Under the Virginia Land Use Assessment Law”, real estate devoted to “bees and apiary products” can be considered a qualifying use. There is no specific production standard in terms of yield per acre, hives per acre or animal units per acre governing bees and apiary products. The locality, however, may wish to consider 2VAC5-20-40(A)(4) under the Standards, which allows the commissioner of revenue or the local assessing officer to require that the applicant certify, among other things , “gross sales averaging more than \$1,000 annually over the previous three years”.

28. Does Aquaculture qualify as an agricultural use?

Yes. According to 2VAC5-20-20 of the “Standards for Classification of Real Estate Devoted to Agricultural Use and to Horticultural Use Under the Virginia Land Use Assessment Law”, real estate devoted to “aquaculture” can be considered a qualifying use. The real estate sought to be qualified must have been devoted to this use for the past five years, and must currently be used for this purpose. Livestock, dairy, poultry, or aquaculture production shall be primarily for commercial sale of livestock, dairy, poultry and aquaculture products. The locality may consider 2VAC5-20-40(A)(4) under the Standards, which allows the commissioner of revenue or the local assessing officer to require that the applicant certify, among other things , “the assigned USDA/Farm Service Agency farm number and evidence of participating in a federal farm program; federal tax forms (1040F) Farm Expenses and Income, (4835) Farm Rental Income and Expenses, or (1040E) Cash Rent for Agricultural Land; a Conservation Farm Management Plan prepared by a professional; or gross sales averaging more than \$1,000 annually over the previous three years.”

29. Do horse farms qualify for the use-value assessment program?

Yes. According to 2VAC5-20-20 of the “Standards for Classification of Real Estate Devoted to Agricultural Use and to Horticultural Use Under the Virginia Land Use Assessment Law”, real estate devoted to “livestock, including beef cattle, sheep, swine, horses, ponies, mules, or goats, including the breeding and grazing of any or all such animals” can be considered a qualifying use. The real estate sought to be qualified must have been devoted to this use for the past five years, and must currently be used for this purpose. Livestock, dairy, poultry, or aquaculture production shall be primarily for commercial sale of livestock, dairy, poultry and aquaculture products. Livestock, dairy and poultry shall have a minimum of 12 animal unit-months of commercial livestock or poultry per five acres of open land in the previous year. In addition, the locality may consider 2VAC5-20-40(A)(4) under the Standards, which allows the commissioner of revenue or the local assessing officer to require that the applicant certify, among other things, “the assigned USDA/Farm Service Agency farm number and evidence of participating in a federal farm program; federal tax forms (1040F) Farm Expenses and Income, (4835) Farm Rental Income and Expenses, or (1040E) Cash Rent for Agricultural Land; a Conservation Farm Management Plan prepared by a professional; or gross sales averaging more than \$1,000 annually over the previous three years.”

30. Can water bodies qualify for use under all four categories of use?

VA Code § 58.1-3236. Valuation of real estate under ordinance.

.....B. In determining the total area of real estate actively devoted to agricultural, horticultural, forest or open space use there shall be included the area of all real estate under barns, sheds, silos, cribs, greenhouses, public recreation facilities and like structures, lakes, dams, ponds, streams, irrigation ditches and like facilities; but real estate under, and such additional real estate as may be actually used in connection with, the farmhouse or home or any other structure not related to such special use, shall be excluded in determining such total area.....

Note: The parcel of land still needs to meet the minimum standards for agricultural, horticultural, forest or open space.

31. Does a landowner whose land may qualify for use-value taxation have to file an application for such taxation?

Yes and no. The yes-answer is that an ordinance authorizing use-value taxation does not automatically apply such taxation to the qualifying tract, and the owner must file an application that must be approved by the local assessing official

before use-value taxation can become effective on his tract. Filing is a voluntary action. (§58.1-3234)

The no-answer is that a landowner may also elect not to file an application and therefore, to pay taxes due on the basis of fair market value.

32. Why would a jurisdiction charge a fee for each application filed for use-value taxation?

Day-to-day administration of the use-value taxation program can lead to additional costs to assure timely and accurate implementation and maintenance. Included among such costs are these:

- Additional personnel
- Handling the initial application and, as required by ordinance, the annual re-validation and any fees collected.
- Determining whether or not the tract of real estate at issue meets the criteria for eligibility.
- Determining the acreage that each eligible tract has in each of the several soil conservation service land capability classifications.
- Recording in the Land Book the two valuations appropriate to each eligible tract, that is, the fair market value and the use value.
- Extending the taxes applicable to each valuation.
- Carrying out other administrative duties, including collecting any roll-back tax and interest payable, arising from use-value taxation. These costs are borne by the general public when no fee is paid by individuals who file an application and who become upon approval of the application the beneficiaries of use-value taxation.

33. How would the fee for filing an application be calculated?

Local government is responsible for establishing all filing fees. Many local governments have implemented both an application fee and a per acre fee. For example, a \$15 application fee for each parcel entered into the program up to 100 acres and \$0.15 for each acre over 100 acres. This to enter a 200 acre parcel the owner would pay a \$15 application fee plus \$15 for the 100 acres over the base of 100 ($\$0.15 * 100$) for a total of \$30.

Fees are collected at the time an application is filed and generally are not based on a condition of application approval.

34. What documents are required of the landowner for application and revalidation for use-value taxation?

Along with an application (§58.1-3234), the documents required for the use value taxation program vary by locality as laid out in their ordinance. State code does

authorize local governments to “require the applicant to certify that the real estate is devoted to the bona fide production uses (agricultural, horticultural, forest, or opens space).” Jurisdictions can request documents demonstrating that operations on this parcel of land meet the eligibility standards. For example: for agriculture/horticultural: A USDA-FSA farm number, copy of a filed IRS form 1040F-Sch F (Farm Expenses and Income), IRS form 4835 (Farm Rental Income and Expenses), a nutrient management plan prepared by a professional, or sales receipts: For forestry a forest/timber management plan prepared by a professional, a letter of intent stating that the land will be forested, or a copy of a filed IRS form 1040F-Sch T (Timber). (§58.1-3231)

Check with your locality for more information on their specific requirements.

35. Why is a farm or forest plan needed to qualify?

These are documents that local governments can request or owners can supply to demonstrate that a parcel of land meets the minimum standard for agricultural, horticultural, or forest use. (§58.1-3240 and §58.1-3233)

36. Why do I have to pay roll-back taxes?

Land becomes subject both to possible roll-back taxes and penalties when there is a change to a non-qualifying use or change in acreage. This is determined and enforced by the local government. Only the real estate which no longer qualifies is subject to roll-back assessment. Owners should check with their local government before making any changes to a parcel to ensure continued eligibility of the enrolled parcel. (§58.1-3237 (A))

37. How are roll-back taxes calculated?

The law states that in localities which have not adopted a sliding scale, the roll-back tax shall be calculated by determining the sum of the deferred tax for each of the five most recent complete tax years including simple interest on such roll-back taxes at a rate set by the governing body, which shall not be greater than the rate applicable to delinquent taxes in such locality pursuant to § 58.1-3916, for each of the tax years. In localities which have adopted a sliding scale ordinance, the roll-back tax shall be equal to the sum of the deferred tax from the effective date of the written agreement including simple interest on such roll-back taxes at a rate set by the governing body, which shall not be greater than the rate applicable to delinquent taxes in such locality pursuant to § 58.1-3916, for each of the tax years. A locality may also charge a penalty for certain situations provided in the locality’s use-value ordinance. (§58.1-3237, B and C)

38. What is meant by deferred tax?

The difference between the annual tax owed based on fair market value and the annual tax due and payable based on use value is the deferred tax.

39. How is the deferred tax determined?

To determine the deferred tax, subtract from the tax based on fair market value the tax based on use value.

Here is an example that illustrates how the deferred tax is determined. This example assumes the jurisdiction has had a reassessment in accordance with the 100percent valuation and assessment requirement enacted by the General Assembly during the session held in 1975.

Assume a 100-acre tract of eligible real estate comprised of land only with no residence or other taxable real estate on it. Also assume that

\$600 = average assessed value per acre at fair market value
 \$300 = average of assessed value per acre based on use value;
 \$ 1 = tax rate per \$100 of assessed value.

Given these conditions

\$600 = average assessed value per acre at fair market value
 \$300 = average of assessed value per acre based on use value;
 \$ 6 = tax owed per acre at fair market value; and
 \$ 3 = tax due and payable per acre at use value.

Then, multiply both the \$6.00 tax per acre and the \$3 tax per acre by 100. Then subtract from the

\$600 = tax owed on the basis of fair market value, then
\$300 = tax due and payable on the basis of use value; then,
 \$300 = deferred tax on the 100-acre tract.

40. Can penalties be charged in addition to deferred taxes?

If an owners of a parcel has made a material misstatement to gain eligibility to the land use taxation program, yes penalties can be added to deferred taxes. State Code §58.1-3238 Penalties — Any person failing to report properly any change in use of property for which an application for use value taxation had been filed shall be liable for all such taxes in such amount and at such times as if he had complied herewith and assessments had been properly made, and he shall be liable for such penalties and interest thereon as may be provided by ordinance. Any person making a material misstatement of fact in any such application shall be liable for such taxes, in such amounts and at such times as if such property had been assessed on the basis of fair market value as applied to other real estate in the taxing jurisdiction, together with interest and penalties thereon. If such

material misstatement was made with the intent to defraud the locality, he shall be further assessed with an additional penalty of 100% of such unpaid taxes.

41. Why are two valuations of each qualifying tract of real estate recorded in the Land Book?

This is because the law requires that the Land Book show the fair market value and the use value of each tract of real estate for which an application for use-value taxation has been filed, approved and put into effect. This procedure enables the details of taxation of each qualifying tract to be an appropriate part of the public record, including showing the taxes paid and deferred. (§ 58.1-3301D)

42. How can I avoid paying roll-back taxes? Are there exceptions?

A landowner can avoid liability for roll-back taxes if he withdraws his land from the program for five years before he changes the use of the land to a non-qualifying one. If the landowner pays fair market value taxes for five years before changing the use of the land, he will not owe roll-back taxes.

43. Are localities required to adopt a use-value taxation plan?

This requirement is in the State Constitution, which specifies that:

No such deferral or relief shall be granted within the territorial limits of any county, city, town or regional government except by ordinance adopted by the governing body thereof. (Article X, Section 1)

Thus, adoption of use-value taxation is a voluntary action on the part of each jurisdiction—county, city or town.

44. What has to be done before use-value taxation may be applied within a jurisdiction?

The local governing body must do four things.

1. It must have adopted a land-use plan prior to adopting the ordinance.
2. It must hold a public hearing concerning the enabling ordinance proposed to authorize use-value taxation.
3. It must adopt the necessary enabling ordinance.
4. It must adopt the necessary ordinance no later than the 30th of June of the year prior to the beginning of the first tax-year in which use-value taxation will be in effect. (§58.1-3231)

45. What qualifies as a land use plan?

In general, land-use plans adopted to meet this requirement have been made and officially adopted in accordance with Article 4, Chapter 11, Title 15.1, Section 446, of the Code of Virginia, as amended.

46. Is a zoning ordinance required as part of the required land-use plan?

No. Neither a zoning ordinance nor any other land-use regulation is required as a condition of adopting an ordinance authorizing use-value taxation.

47. Has a model use-value ordinance been prepared?

In the past, a model ordinance was developed for localities to use. The most recent revision of the SLEAC manual ([Link to Manual](#)) now includes actual local ordinances from two localities.

48. May a local governing body prepare its own use-value taxation ordinance?

Yes. Almost every jurisdiction adopting such ordinance has prepared its own ordinance. By preparing their own, jurisdictions may exercise several options when authorizing the ordinance.

49. What options does a jurisdiction have when preparing its use-value taxation ordinance?

At least ten options may be exercised. Thus, a jurisdiction

- May adopt use-value taxation for any combination of the four classifications of authorized real estate;
- May establish a fee to be collected on each application filed for use-value taxation;
- May establish a penalty—that is in addition to the law-prescribed penalty—for failure to report (a) that the use of a tract of real estate has been changed from a qualifying to a non-qualifying use, or (b) that the acreage in the tract to which such taxation applies has changed;
- May require the landowner to provide information, such as photographs, schedules, records, or drawings, needed to support the application and provide data on the various acreage of different soil conservation service land capability classifications;
- May permit the landowner, upon payment of a late fee, to file an application after the regular filing deadline of 60 days before the first day of the tax year in which use-value taxation is to become effective;
- May require the owner of a qualifying tract to revalidate annually any previously-approved application;
- May provide for a late filing of the annual revalidation upon payment of a late fee; and

- May order a general reassessment of real estate within the jurisdiction the year following adoption of use-value taxation.
- May establish that real estate devoted to agricultural and horticultural uses consist of a minimum acreage of less than five acres if used for purposes of engaging in aquaculture as defined in § 3.2-2600, or raising specialty crops as defined by local ordinance.
- May prescribe a minimum acreage greater than five acres for real estate devoted to open-space use.

50. What factors could encourage a local governing body to extend use-value taxation to some combination of the qualifying classes of land *less than all four* of the authorized classes?

Such factors might include these:

- The acreage of land in the use at issue in the locality.
- The form and distribution of ownership of the acreage at issue.
- The potential impact on the local tax base.
- The expected impact on taxation of non-qualifying property.
- The expressed views of local citizens.

51. Why would a jurisdiction direct a general assessment of real estate within its jurisdiction in the year following adoption of an ordinance authorizing use-value taxation?

This action could be taken to assure the jurisdiction:

- that all real estate had a current fair-market evaluation,
- that reasonable uniformity exists among the valuation of all classes and tracts of real estate; and
- that accuracy of taxation was improved among the primary groups paying real estate taxes. There are two such groups: (a) owners of eligible real estate being taxed in accordance with use-value and (b) owners of all other real estate. A general reassessment before use-value become effective would be expected to correct major inaccuracies in valuation existing within or among these two groups.

52. Could land still qualify for use-value taxation without a local ordinance?

Yes, but only if the land is part of an agricultural or forestal district. [Follow this link for more information on agricultural and forestal districts:](#)

Or, if there is a recorded conservation easement on the parcel.

53. Can a locality increase the minimum acreage requirements for all classifications of land use?

Yes and no. While a locality can increase the minimum acreage requirements for open space classifications of land, it cannot do so for agricultural (except for aquaculture), horticultural, or forestry classifications. (§58.1-3233)

54. Can a locality impose roll-back taxes if a change in ownership of real estate in the program occurs?

No, as long as certain conditions are met. According to state code, “liability to roll-back taxes shall not attach when a change in ownership of the title takes place if the new owner does not rezone the real estate to a more intensive use and continues the real estate in the use for which it is classified under the conditions prescribed in this article and in the ordinance.” (§58.1-3237)

55. Are local assessors required to use the values published by the State Land Evaluation Advisory Council (SLEAC)?

No. Local government only has to consider SLEAC published values. (§58.1-3236) Local assessors may choose to place higher or lower values based on their use of “personal knowledge, judgment and experience.”

56. What is a sliding scale ordinance?

A sliding scale ordinance requires that "the special assessment and taxation [of land] be established on a sliding scale which establishes a lower assessment for property held for longer periods of time within the classes of real estate." (§ 58.1-3231) Basically, the locality and the landowner enter into a written agreement that establishes a time period that the property must be in a qualifying use. According to the code, the time period cannot exceed 20 years. (§ 58.1-3234) In exchange for the agreement, landowners can defer a portion of their use value taxes for the agreement period, with the amount deferred dependent on the length of the agreement. Localities do not have to adopt this type of ordinance, but the Code of Virginia does provide this option for all jurisdictions them. Roll-back taxes on land under a sliding scale ordinance are calculated from the time the agreement, unlike a normal ordinance which uses a five year history of deferred taxes to determine the amount of roll-back taxes owed. (§ 58.1-3237)

57. What are some possible causes of a sharp increase/decrease in SLEAC estimates from year-to-year?

SLEAC estimates can vary year-to-year due to a variety of factors. Changing composite farms, housing and paper demand, prices of inputs, Olympic averaging, and region-wide weather events such as draughts can cause a sharp increase or decrease in SLEAC estimates from one year to the next. Please visit the SLEAC use-value website for more information regarding factors that affect SLEAC estimates.

58. What is Olympic averaging?

Olympic averaging is a statistical technique used to smooth out variability in a data set. The highest and lowest values are removed and the remaining values are averaged. In determining net farm income, net farm budgets for the past seven years are used in a moving seven-year Olympic average. This means that the highest and lowest net farm budgets are dropped from the past seven years and the remaining five are averaged to give the net farm budget. For more information on Olympic averaging, please visit the SLEAC use-value website and look through the most up-to-date Procedures Manual.

59. What is a composite farm and how is it created?

Due to the heterogeneous nature of Virginia farming, a composite (or typical) farm must be created for each jurisdiction participating in the use-value assessment program. Jurisdiction level data is obtained from the most recent Census of Agriculture. To calculate the composite farm acreage, crop acreage for each crop is divided by the total number of farms in a jurisdiction. If the resulting value is greater than 1, the crop is included in the jurisdiction's composite farm. For more information on composite farms, please visit the SLEAC use-value website and look through the most up-to-date Procedures Manual.

60. Why do SLEAC estimates vary between geographically similar jurisdictions?

Jurisdictions with similar soil index values may still have different SLEAC estimates due to differences in the composite farm for each of the jurisdictions and participation in farm programs and crop insurance. For more information on this topic, please visit the SLEAC use-value website and look through the most up-to-date Procedures Manual.