

# The Farmers' School Property Tax Credit: How can it work for YOU?



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## What is the Farmer's School Property Tax Credit?

The Property Tax Credit enables farmers to receive a tax credit from the state personal income tax or the corporation franchise tax to reimburse some or all of the school district property taxes paid by the farmer.

## Am I eligible?

- An individual farmer or corporation must be defined as an "eligible farmer".
- The individual or corporation must own qualified agricultural property.
- The individual or corporation must pay eligible school taxes during the year.
- The individual's or corporation's income must be below the income limitation amount.

## Who is an "eligible farmer"?

An individual or corporation that receives at least **2/3 of his or her excess federal gross income from farming**. *Excess* federal gross income is federal gross income, reduced by up to \$30,000.

**As an example:** your federal gross income is \$75,000. Included in that gross income is \$25,000 from your spouse's job, \$10,000 from your part-time job and \$40,000 **gross income** from the farm. Your excess federal gross income would be \$45,000 (\$75,000-\$30,000). 2/3 of \$45,000 is \$30,000 so your \$40,000 **gross income** from farming would more than meet the 2/3 requirement and you would be considered an "eligible farmer".

Farming is defined as an individual or corporation that cultivates, operates or manages a farm for gain or profit, even though the operation may not produce a profit each year. Also included in the definition of farming are members of a limited liability company, a shareholder of an S corporation, or the beneficiary of an estate or trust that is engaged in the business of farming. Many commodities are included in the definition of farming, so check the IT-217-I form to be sure.

There may be years when, due to unforeseen circumstances such as crop failures, an eligible farmer does not meet the 2/3 requirement. When this occurs the eligible farmer is now allowed to use an **average** gross income from farming in calculating their excess federal gross income. The average gross income from farming is calculated using the gross income from farming of the respective taxable year and the gross incomes from farming of the two previous consecutive taxable years.

## How is the amount of my deduction determined?

The credit equals 100% of the school taxes paid on qualified agricultural property where the acreage does not exceed the base acreage amount, and 50% of the school taxes paid on acres exceeding the base acreage amount. The base acreage amount for 2001 and thereafter is 250 acres. Farmers that participate in a federal environmental conservation program are allowed to exceed the 250 acres.

**What is defined as qualified agricultural property?**

Qualified agricultural property includes land and land improvements in New York State that are used in agricultural production. Also included are structures and buildings that are located on the land and used or occupied to perform agricultural production. In addition, land set aside in federal supply management programs or soil conservation programs are included.

**Is my residential property considered qualified agricultural property?**

No, residential property is not qualified agricultural property. This includes your personal house, mobile home, etc. and any buildings associated with the owner's residence (garage, shed). Housing that is provided for essential farm employees (not including the owner's) does meet the definition of qualified agricultural property and can receive the credit.

**What about woodland?**

Woodland property that is used for agricultural production or for the production of woodland products used in the farm operation is included as qualified agricultural property. So, woodland used for pasture does qualify, as does woodland adjacent to agricultural property because it provides erosion control or wind protection.

**Does rented land qualify for the credit?**

Land that you rent for agricultural purposes does not qualify, only land that you own qualifies for the credit. If you own land that you rent to someone else, and that person uses the land for agricultural purposes, then you may consider those acres as part of your qualified agricultural property.

In the case of a land contract, the buyer will be treated as the owner of the property as long as they are obligated under the land contract to pay the school district property tax and deduct those taxes as a tax expense for federal income tax purposes.

**What is the income limitation amount?**

The income limitation reduces or eliminates the credit for higher income taxpayers. The limitation is based on modified adjusted gross income (individuals) or modified entire net income (corporations). If your taxable income is between \$100,000 and \$150,000 your credit will be reduced by a percentage.

**How do I apply & claim the credit?**

You claim the credit on your personal income tax return or the corporation franchise tax return when you file each year. Individuals and estates/trusts complete the Form IT-217-I, *Claim for Farmers' School Tax Credit* and corporations complete the Form CT-47, titled the same.

**Where can I go for more information?**

For tax information you can call 1-800-462-8100 or for forms and publications call 1-800-462-8100. Publication 51 is the NYS Department of Taxation & Finance Question & Answer Book that will likely be helpful. You can always call the New York Farm Bureau office at 1-800-342-4143 for more assistance or clarification. A website that may be helpful to you is <http://www.tax.state.ny.us> for forms, publications and information.