

Eligibility and Enrollment in New Hampshire's Current Use Taxation Program

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Introduction

In New Hampshire, the current use program is a form of preferential taxation used to encourage private landowners to keep medium and large parcels of land in their traditional use, preserving open space and the rural character of the state.

Land enrolled in current use is assessed, and therefore taxed, at a rate consistent with its traditional and current use (e.g. agriculture and forestry), not at the economically "highest and best use," which is often for development. The goal of this law is to allow property owners to maintain their land without being taxed at rates that force changes in land use.

For land to qualify for current use in New Hampshire, it must be a tract of land or a combination of contiguous qualifying tracts at least ten acres in size that's used for agriculture, forestry or wild land. Some smaller parcels may qualify for enrollment if there is at least \$2,500 of agricultural activity on them in four of the previous five years. While a parcel of land is enrolled in current use, it's taxed at its traditional use value, which can result in significant tax savings to the landowner.

When land is removed from current use, it is subject to a land use change tax equal to 10% of the full and true value of the land. The purpose of this tax is to allow the municipality to recapture some of the money it would have collected if the land had not been enrolled in current use. Current use provides only temporary conservation of open space, and preferential treatment may not be enough to deter development during a real estate boom.

This report examines current use around the state, and provides information on the following questions:

- Of the land eligible for current use, what percentage is actually enrolled?
- How would the amount of land eligible for and enrolled in current use change if the minimum acreage requirement was lowered to five acres?
- How would the amount of land eligible for and enrolled in current use change if the minimum acreage requirement was raised to twenty acres?

Methods

Data on twenty-two New Hampshire municipalities were collected in 1994 and 1995. Towns were randomly selected, with half in the southern portion of the state and half in the northern portion.

For purposes of this study, the northern region consists of all towns in Coos, Carroll and Grafton Counties. The southern region consists of all other municipalities in the state. The towns in the southern sample were Barrington, Candia, Claremont, Henniker, Jaffrey, New Boston, New Hampton, Newmarket, Peterborough, Rollinsford and Strafford. Towns in the northern sample were Gorham, Holderness, Jackson, Lincoln, Madison, Northumberland, Rumney, Sandwich, Wentworth, Wolfboro, and Woodstock.

All towns were visited, and information on every parcel five acres or greater was gathered by examining tax records. For all parcels five acres or more, the acreage, presence of buildings, and the amount of land enrolled in current use was recorded. These data provided the information necessary to determine the above objectives.

The amount of land eligible for current use was determined at the parcel level by subtracting one acre from the total parcel size if a building was present. The resulting value provided an estimate of how much land on each parcel was eligible for current use. To determine how much land was eligible for current use at the town level, the acreage eligible on parcels with ten or more acres eligible was added. Regional and sample totals were determined by totaling town level data.

The amount of land enrolled in current use was determined for each sampled town by adding the amount of land enrolled in current use on each parcel. The enrollment rate was then determined by dividing the number of acres enrolled in each municipality by the number of acres eligible. Regional and sample totals are again aggregates of the town level data.

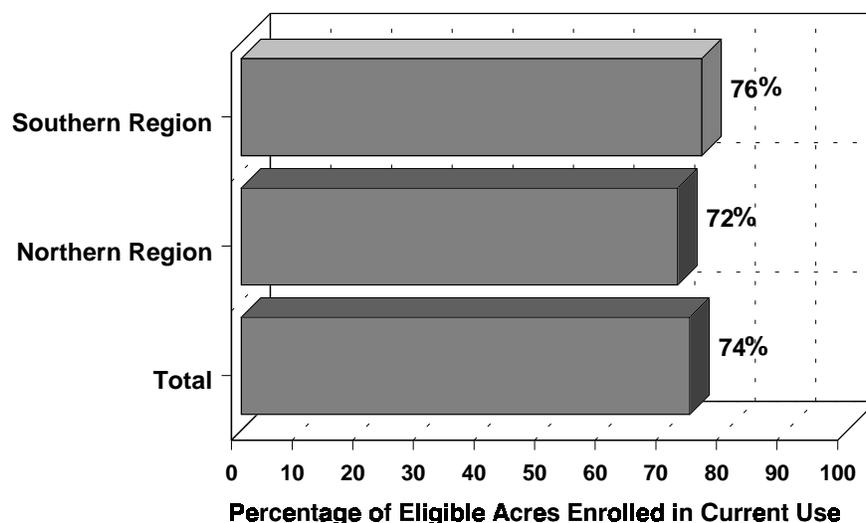
Determinations of how changes in the minimum acreage requirement would affect enrollment were calculated using a similar process. For parcels twenty acres or greater, the enrollment rates were determined by limiting the data analyzed to parcels with at least twenty acres eligible for current use. Eligibility, enrollment, and participation were all determined using the methods described above. For a change in the minimum acreage requirement to five acres, eligibility was calculated as above, using all parcels in the town with five or more acres of open space.

Results

■ Enrollment in Current Use

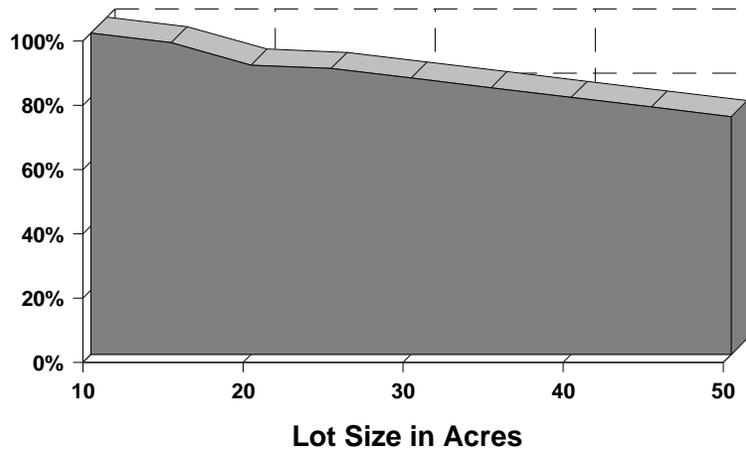
It's important to determine what percentage of land eligible for current use is enrolled. This information allows municipal, regional, and state officials to determine how much land is shielded from development pressures, which may be only temporarily. Also, it shows how much more land could potentially become enrolled in current use. An increase in the amount of land enrolled in current use would both shield a greater portion of the state from development pressure and cause taxes to be shifted to taxpayers not enrolled in current use. In the sampled towns, the amount of land eligible for current use that was enrolled in the program was 74%. The southern region had 76% of the eligible land enrolled; the northern region 72%.

PERCENT OF ELIGIBLE LAND ENROLLED IN CURRENT USE



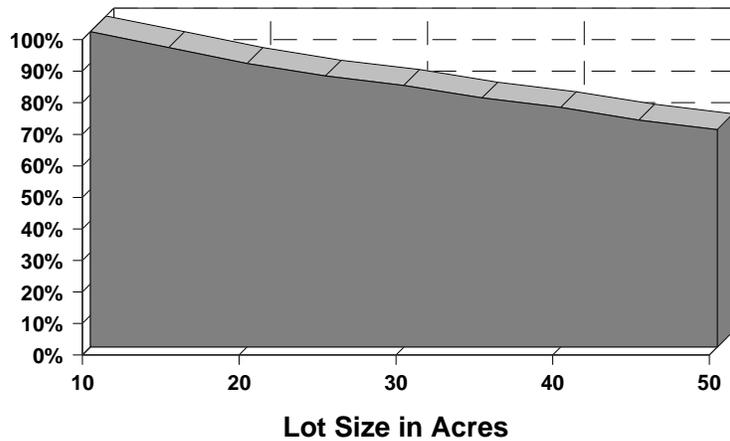
The majority of acreage enrolled in current use is contained on large parcels. Of all land enrolled in current use, 90% is on parcels 20 acres or more; 74% is on parcels 50 acres or more. Distribution of land enrolled in current use by lot size

CHANGES IN MINIMUM ACREAGE REQUIREMENT



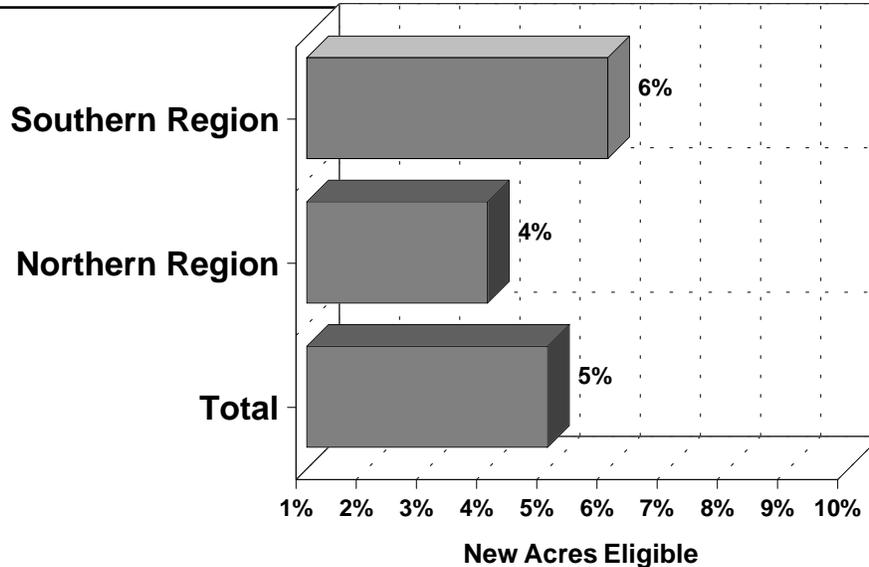
Also, the majority of acreage eligible for current use is contained in large parcels. Of all land eligible for current use, 90% is on parcels 20 acres or more; 69% is on parcels 50 acres or more.

DISTRIBUTION OF LAND ELIGIBLE FOR CURRENT USE BY LOT SIZE



One of the goals of this research was to determine how changes in the minimum acreage requirement would change enrollment in current use. To determine how lowering the minimum acreage requirement would affect the program, the additional number of acres that would become eligible for current use enrollment was calculated for a minimum lot size of five acres. In the towns sampled, this change in minimum acreage would cause a 5% increase in the amount of land eligible for current use. The increase in eligible land would be 6% in the southern portion of the state and 4% in the north.

NEW ACRES ELIGIBLE FOR CURRENT USE WITH A 5 ACRE MINIMUM LOT SIZE



Efforts have been made in the past to raise the minimum acreage requirement for current use enrollment. Of all land eligible for current use in the sampled towns, 90% of the land is on parcels 20 acres or more. In the northern sample, 96% of all land eligible for current use is on parcels of this size; 85% of all land eligible in the southern region is on parcels 20 acres or more.

Policy Implications

This study was designed to address questions policy makers have raised about New Hampshire's current use program. Since its introduction, current use has been a popular method of open space preservation. The results of this research show that current use has been well utilized, with most eligible land enrolled in the program.

In the sampled towns, 74% of the land eligible for current use is enrolled. Assuming that the sampled towns provide a good representation of all towns in New Hampshire, this research shows that most medium and large size parcels of privately held land are maintained as open space farm and forest, although perhaps only temporarily. This land protection serves the public good and is effective in protecting the open space character of the state. Examining the towns sampled in this study, current use appears to be equally effective in the northern and southern

regions of the state.

The sample shows that a change in the minimum acreage requirement to five acres would represent an increase of only 5% in the total acreage eligible for current use. This figure is 6% in the southern region of the state and 4% in the northern region. This difference is as expected, because there are more small parcels in southern areas where development pressures are the greatest.

The data show that lowering the minimum acreage requirement would not protect a much greater quantity of land, but it may provide for open space in areas facing the greatest threats from development. Parcels of open land could serve to provide a rural flavor to some of the developing areas of the state. Lowering the minimum acreage would provide a tax-based encouragement for owners of such parcels to maintain them in their traditional use. However, an increase in current use enrollment would also shift a larger tax burden to landowners not in the program. This tax shift isn't likely to be popular with taxpayers, and for this reason the benefits of lowering the minimum acreage requirement should be carefully weighed against the resulting tax shift.

Lowering the minimum acreage requirement to five acres would cause a large increase in the number of parcels eligible for current use enrollment. Twenty-eight percent more parcels would be eligible for current use enrollment if the acreage was lowered to this level, with a change of 29% in the south and 27% in the north. As these parcels are likely to be in areas with high development pressures, it's possible that lowering the acreage requirement to five acres would mean that a large number of parcels in developing areas could receive some form of protection.

The data show that most land enrolled in current use is on parcels twenty acres or greater. In the sampled towns, 90% of the land enrolled in current use was on parcels of this size. Also, 90% of the land eligible for current use was on parcels of this size. This indicates that if the minimum lot size was raised, the overwhelming majority of the land presently enrolled in current use could remain so. However, many of the parcels that would be excluded from current use at this new higher minimum parcel size may be those that are likely to face the greatest development pressures. The legislature and the public would need to consider any revenue increases from such a change against the loss of open space.

Acknowledgments

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