

WHAT IS THE DIFFERENCE BETWEEN THE FAIR MARKET VALUE OF MY PROPERTY AND THE GREENBELT VALUE?

The fair market value reflects what a willing buyer would give a willing seller for the property in an open market under normal conditions. The Greenbelt value is the value of the land derived from a formula which attempts to determine the land value if it were sold strictly on a farm to farm basis.

HOW IS THE FAIR MARKET VALUE DETERMINED?

The fair market value is to reflect the highest and best use of the property. The laws governing the tax appraisal process in Tennessee are based upon the same principles and procedures that are used throughout the appraisal profession. This includes comparison of sales of similar property, the estimated replacement cost of the structure (estimating depreciation) and an analysis of the property's capacity to generate income for the owner.

ROLLBACK TAXES

WHAT ARE ROLLBACK TAXES?

Rollback taxes are collected when property is removed from Greenbelt; it captures the tax savings realized under Greenbelt. Rollback taxes are calculated by subtracting the difference in "fair market value" and "use value" for the past three(3) years for land classified as agriculture or forest and the past five(5) years for land classified as open space. (TCA 67-5-1008 Sec. (d)(1), (d)(3))

WHO IS RESPONSIBLE FOR ROLLBACK TAXES IF LAND NO LONGER QUALIFIES?

The land owner is responsible for rollback taxes if the land becomes disqualified.

WHO IS RESPONSIBLE FOR ROLLBACK TAXES IF I SELL MY LAND?

The seller of the land is responsible for rollback taxes UNLESS it is otherwise stated in the transaction of property. (Must include on the sales contract that the buyer of the land will be responsible for the rollback taxes, not the seller.) If the buyer wishes to keep the land under the Greenbelt, the buyer must file the necessary form within 90 days of the sale date: failure to do so will result in the buyer paying the rollback taxes. (TCA 67-5-1008 Sec. (f))

WHAT HAPPENS IF I SELL MY PROPERTY AND THE NEW OWNER DOES NOT ENROLL OR QUALIFY FOR GREENBELT?

If the land no longer qualifies for Greenbelt after the sale, then the seller is responsible for the rollback taxes unless otherwise stated in the sales contract. (TCA 67-5-1008 Sec. (f))

WHAT IF I INHERIT PROPERTY RESULTING IN MY TOTAL ACREAGE EXCEEDING 1,500 ACRES?

If the inherited Greenbelt property causes your acreage to exceed 1,500 acres and you are a lineal descendant, you will not have to pay the rollback taxes on the inherited property as long as you keep the property. However, the excess acreage will not be eligible for Greenbelt. (TCA 67-5-1008 Sec. (h))w

WHO IS RESPONSIBLE FOR ROLLBACK TAXES IN THE EVENT PROPERTY IS TAKEN BY EMINENT DOMAIN?

In the event land is taken by eminent domain, the agency or body taking the land is responsible for the rollback taxes, not the previous landowner. (TCA 67-5-1008 Sec. (e)(1))

APPEALING VALUES – SEPARATE WAYS FOR GREENBELT AND FAIR MARKET

IF I WANT TO APPEAL THE GREENBELT VALUE, WHAT DO I DO?

In order to appeal the Greenbelt value, there must be a petition by at least ten (10) owners of land who qualify for greenbelt OR there must be a petition of any organization representing ten (10) or more owners of land that qualifies for greenbelt. These organizations can include, but are not limited to, the Tennessee Cattlemen's Association, the Soybean Association, Farm Credit Services, and Farm Bureau. The petition must be filed on or before twenty (20) days after the date the Division of Property Assessments publishes a public notice in a newspaper of general circulation within the county announcing the availability of the use value schedule for review by interested parties. (TCA 67-5-1008 Sec. (c)(4))

IF I WANT TO APPEAL THE FAIR MARKET VALUE, WHAT DO I DO?

Meet with your county property assessor to discuss the issue. If concerns remain, you must appeal to the County Board of Equalization, which usually meets in June. County decisions may be appealed to the State Board of Equalization (must be filed by August 1 or within 45 days from the county board notice, whichever is later). Decisions of the State Board of Equalization may be appealed to the Chancery Court.

This publication is designed to provide educational information in regard to the subject matter covered and does not constitute legal advice. Farm Bureau does not provide legal services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.



For further information on Tennessee's Greenbelt Law contact:

Local Property Assessor

or

Division of Property Assessments
Comptroller of the Treasury
Cordell Hull Building
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Nashville, TN 37243
615-401-7737

or

Tennessee Farm Bureau Federation
Public Policy Division
P.O. Box 313
Columbia, TN 38402-0313
931-388-7872

Understanding Tennessee's Greenbelt Law

The logo for Farm Bureau Tennessee, featuring the words "Farm Bureau" in a white serif font above the word "Tennessee" in a smaller white sans-serif font, all contained within a red rounded rectangular border.

WHAT IS GREENBELT?

The Greenbelt Law, or the Agricultural, Forest, and Open Space Land Act of 1976, was designed to maintain farms, forests, and open space and reduce urbanization across Tennessee. Greenbelt helps provide tax relief, not exemption, to those who qualify. (TCA 67-5-1002)

WHAT LAND IS ELIGIBLE FOR GREENBELT?

Eligibility is based on one of three categories: Agriculture, Forest, or Open Space.

- **Agriculture** – 15 acres minimum (can also have a separate tract of at least 10 acres within the county). The land must be actively farmed or have “been farmed by the owner, owner’s parent, or spouse for at least 25 years”, and still continues to be the owner’s residence. (TCA 67-5-1004 Sec. (1)(A)-(B)).
- **Forest** – 15 acres minimum of trees “under a sound program of sustained yield management” as a forest. (TCA 67-5-1004 Sec. (3)).
- **Open Space** – must be at least 3 acres that is not being used for agriculture but still remains in its natural condition. Must be in a land use or comprehensive plan designated by the planning commission of the county that establishes the land for preservation (TCA 67-5-1004 Sec. (7)) (TCA 67-5-1007 Sec. (a)(1)).

WHAT DOES THE PROPERTY ASSESSOR CONSIDER IN DETERMINING IF LAND QUALIFIES?

- **Agriculture** – acreage; productivity of land; how much acreage is involved in agricultural practices; and income (produce an income of \$1,500 per year over any three year period). (TCA 67-5-1005 Sec. (a)(3))
- **Forest** - acreage; type of timber; amount of timber; growth rate; and management plan of timber and land. (TCA 67-5-1006 Sec. (b)(1))
- **Open Space** – preservation of land. (Has the land always been open space?) (TCA 67-5-1007 Sec. (b)(2))

HOW OFTEN IS PROPERTY REAPPRAISED?

Depending on the county, reappraisal occurs on a four, five, or six year cycle.

Additionally, in a county that reappraises on a 6 year cycle, there is a possibility for a countywide update of values (Current Value Update or CVU) after the first 3 years if certain conditions occur.

HOW DO I APPLY FOR GREENBELT?

A written application must be filed with the local assessor of property prior to March 1. Unless ownership of the land changes, there is no need to re-file. (TCA 67-5-1005 Sec. (a)(1);TCA 67-5-1006 Sec. (a)(1);TCA 67-5-1007 Sec. (b)(1))

Once approved, the application must also be recorded with the county’s Register of Deeds.

WHAT IF A NEW OWNER MISSES THE APPLICATION DEADLINE?

Once you receive your notice of disqualification, you have 30 days to send in an application along with a \$50 late fee.

(TCA 67-5-1005 Sec. (a)(1);TCA 67-5-1006 Sec. (a)(1);TCA 67-5-1007 Sec. (b)(1))

WHAT IF I OWN MORE THAN 1,500 ACRES?

If you solely own more than 1,500 acres of land, you must choose which acres to enroll. Partners owning land exceeding 1,500 acres, may split the land based on percent ownership. (i.e. You and a partner own 3,000 acres, each may claim 1,500 under the Greenbelt.) However, if you and your spouse own land jointly, you are considered one and are limited to 1,500 acres. (TCA 67-5-1003 Sec. (3))

WHAT DISQUALIFIES LAND FROM BEING UNDER GREENBELT?

- It fails to meet the requirement classifications for agriculture, forest, or open space.
- The owner requests to be taken out of Greenbelt.
- A subdivision plat is developed for the property.
- An application is not filed, if needed, for Greenbelt.
- The land exceeds the maximum limit (1,500 acres).
- The land is used for a non-agricultural purpose.
- The land is conveyed and becomes ineligible.
- TCA 67-5-1008 Sec. (d)(1)(A-F)

IS THE FARM HOME ELIGIBLE FOR GREENBELT TOO?

No. Greenbelt only applies to the farm or forest land. A one acre home site will not be covered under the Greenbelt. The homesite excluded from Greenbelt may be more than one acre if more than one acre is used for the home and yard.

WHAT IF I HAVE FARMED MY LAND FOR MANY YEARS BUT I HAVE NOW RETIRED?

If the farm has been in the family for at least 25 years and historically was continuously farmed and is used as the residence of the owner and the land is not used for a purpose inconsistent with agriculture, it remains eligible for the Greenbelt. (TCA 67-5-1004 Sec. (1)(A)(ii)).
***See also – eligibility for Greenbelt: Agriculture.*

WHAT IF MY LAND IS IN MORE THAN ONE COUNTY?

The Greenbelt maximum acreage is based upon the county; therefore, if you own land in more than one county, you will file with the respective county where the land is located. For example, you could own 1,500 acres in County A and 1,500 acres in County B, but you will have to apply for the Greenbelt in each county.

WHAT IS THE CERTIFIED TAX RATE?

The certified tax rate is the tax rate charged on your property. Following a general reappraisal of property, local officials are required to determine a new certified tax rate that when applied against total assessments based on the new appraised property values, will provide the same revenue as the previous years. The certified tax rate provides “truth-in-taxation” and ensures property tax revenues do not increase simply because of reappraisal. Therefore, the certified tax rates are generally reduced following a county reappraisal. The certified tax rate cannot be increased until the local government advertises its intent to do so.

The tax rate is set by each county commission. Tax rates vary from county to county depending on the services provided and the total value of the county’s tax base.

HOW IS THE VALUE ASSESSED?

The fair market appraised value of property is determined by the county property assessor. The assessment ratio for different classes of property is established by the state law. (Residential and farm property are assessed at 25% of appraised value and commercial and industrial are assessed at 40% of appraised value.) The assessed value is then calculated by multiplying the appraised value by the assessment ratio. Example: \$100,000 appraised value of the property multiplied by the 25% assessment equals a \$25,000 assessed value.

GREENBELT FORMULA

HOW IS THE GREENBELT VALUE DETERMINED?

A set formula is used to calculate the greenbelt value. (TCA 67-5-1008 Sec. (c)(1))

$$\text{GREENBELT} = \frac{(\text{use value} \times 2) + (\text{land schedule value})}{3}$$

ARE COMMODITY PRICES CONSIDERED IN THE GREENBELT VALUE?

Yes. Commodity prices are a component of the use value. Use value is determined by dividing the Annual Average Income Estimate by the Capitalization Rate. The Annual Average Income Estimate includes the farm income, soil productivity, topography, flooding potential, rental value, commodity prices, and several other factors.

WHAT IS THE CAPITALIZATION RATE?

The Tennessee Division of Property Assessments obtains the numbers necessary to calculate the capitalization rate from the Tennessee Agricultural Statistic Service. The capitalization rate is calculated by dividing the farm real estate interest expense by total farm real estate debt, as published by the Tennessee Agricultural Statistics Service. The same rate is applied statewide. (TCA 67-5-1008 Sec. (c)(2)(C))

WHAT DETERMINES WHICH ANNUAL AVERAGE INCOME ESTIMATE TO USE FOR DIFFERENT CLASSES OF LAND AND COMMODITIES GROWN?

The estimated income values are calculated for twelve different classes of land (type of soil) and four land classifications: crop, rotation, pasture, and woodland. A five year average commodity price is calculated for corn, wheat, soybeans, and cotton. The commodity averages are weighted based on the approximate percentage of the crop grown in the area.

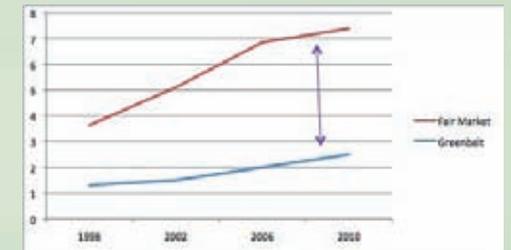
WHAT IS THE 6% CAP?

The 6% cap is designed to limit the sharp Greenbelt tax increases often caused by increasing values of farm sales. One component of the Greenbelt formula is to evaluate least influenced farm to farm sales. The 6% cap helps prevent the large increases.

HOW DOES THE 6% CAP WORK?

With each property reassessment the Greenbelt value may not exceed 6% per year over the last assessment. The 6% is multiplied by the number of years between reappraisals, which is 4, 5, or 6 years. This means any Greenbelt value increase is capped and cannot exceed 24%, 30%, or 36%, respectively, from the previous reappraisal (or 18% in the case of a 3 year Current Value Update).

Over the years, the 6% cap has created a widening gap between the Greenbelt value and the Fair Market value. **Without the 6% cap, the space between the Greenbelt and Fair Market values would be much closer.



ON WHICH VALUE ARE MY PROPERTY TAXES BASED?

Using the Greenbelt formula, the USE VALUE is calculated. The use value for the below example reflects a \$2,550 assessment per acre. This is a 42.68% increase over the 4 years since the previous reappraisal (2006). However, the 6% cap cuts that 42.68% down to 24%. (Multiply 6% by the number of years between appraisals. For this case, 2006 to 2010 is 4 years; 4 times 6% equals 24%) Therefore, the 2010 Greenbelt value is \$2,216 per acre.

$$\$1,787 \times 24\% = 428.88 \quad \$1,787 + 428.88 = \$2,215.88$$

2010 USE SCHEDULE

Land Class	Income	/	Rate	Income Value	Income Value X2	Least Inf Market Value	Total	Use Value	Use % Change	2006 Greenbelt Value	Statutory Maximum Use	2010 Greenbelt Value
45G	\$89.64	/	6.77%	\$1,324	\$2,649	\$5,000	\$7,649	\$2,550	42.68%	\$1,787	\$2,216	\$2,216
45A	\$78.08	/	6.77%	\$1,154	\$2,308	\$4,950	\$7,258	\$2,419	44.34%	\$1,676	\$2,078	\$2,078