

## **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 a natural condition. Must be in a land use or comprehensive plan designed 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)).

## **HOW DO I APPLY FOR GREENBELT?**

A written application must be filed with the local assessor of property prior to March 15. 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 be recorded with the county's Register of Deeds.

## **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 THE 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-agriculture 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 not be more than one acre if more than one acre is used for the home and yard.

## **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.

## **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 property multiplied by the 25% assessment equals a \$25,000 assessed value.

## **HOW IS THE GREENBELT VALUE DETERMINED?**

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

**GREENBELT= (use value x 2) + (land schedule value)**

### **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 Agriculture Statistic Service. The capitalization rate is calculated by dividing the farm real estate interest expense by the 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 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 Fair Market value.

***Without the 6% cap, the space between the Greenbelt and Fair Market values would be much closer.***

### **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 the Greenbelt; it captures the tax savings realized under the 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 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 the property.(Must include on the sales contract that the buyer of the land will be responsible for the rollback taxes, not the seller. This is a private contract enforced by the seller not the Assessor of Property.) 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 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 RESPONSIBLR GOT TOLLBACK 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))

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