May 10, 2007

Chairman Steven M. Costantino  
House Committee on Finance  
Rhode Island State House, Room 35  
Providence, RI 02908

RE: H6117, An Act Relating to Estate and Transfer Taxes

Dear Chairman Costantino:

I am writing to express Grow Smart Rhode Island’s support for H6117, which the Finance Committee heard on May 3rd and held for further study, and to urge the Finance Committee to send the bill on to the full House.

Grow Smart Rhode Island is a statewide coalition of business, labor and institutional leaders and social and environmental advocates that have come together to address the issues of urban decay and suburban sprawl in Rhode Island. Our purpose is to promote policies and practices that direct future growth toward urban and town centers while at the same time preserving the agricultural lands and open spaces that contribute so much to Rhode Island’s distinct character and quality of life.

Rhode Island’s limited land area and the rising demand for land for residential and commercial development have produced sharp escalations in farmland values over recent years. In fact, according to Business Week (as quoted on MSNBC on 5/2/2007), Rhode Island’s agricultural land prices are the highest in the country. One of the impacts of spiraling farmland values is that farming families face large Federal and state estate taxes. Often, when a farmer dies, his heirs have no choice but to sell the farm in order to cover estate taxes and settle the estate. More often than not, the buyer is a developer who uses the land for residential or commercial purposes, meaning that another piece of Rhode Island’s dwindling supply of agricultural lands is lost.

H6117 seeks to address this problem by limiting the value of farmland and other real and tangible property associated with agricultural operations to $2,500,000. The legislation has been crafted to ensure that it will benefit active farms. It would require proof that the property had been commercially farmed and had produced at least $50,000 in annual gross sales for the five years prior to the owner’s death. It would also require assurance that the farmlands would remain in commercial farming for ten years beyond the owner’s death and would place a lien on the property to ensure that commercial farming continues for the full ten-year period. While the legislation would allow up to 20% of the total acreage to be converted during the ten-year period, we believe that this provision is necessary in order to provide the family with the ability to pull some
cash out of the property in order to pay Federal estate taxes and meet other needs.

We note that this bill would not go into effect until July 1, 2009, thereby avoiding any reduction of potential estate tax revenues over the next two years, when the State must deal with budget challenges.

Once lost to development, it is highly unlikely that farmlands will be reclaimed for agricultural purposes. Grow Smart believes that helping to make it financially feasible for farmers with active commercial farming operations to pass their farms on to the next generation is a key way to ensure that Rhode Island retains its agricultural lands and outstanding quality of place.

Sincerely,

Scott Wolf
Executive Director

cc: Kenneth Ayars, Chief, RIDEM Division of Agriculture
    Al Bettencourt, Rhode Island Farm Bureau
    Deming E. Sherman, Board Chair, Grow Smart Rhode Island
    Richard Schartner, Owner, Schartner Farms