

CURRENT AGRICULTURAL USE VALUE (CAUV)

Current Agricultural Use Value (CAUV) is a program that values property based upon its value for agricultural productivity, rather than fair market value, for tax purposes. CAUV was designed to follow the farm economy, resulting in higher values in times of prosperity and lowered values if the farm economy falters. Even as CAUV values increase, landowners typically still see a significant discount from fair market value if enrolled in the CAUV program.

Property Taxation and Exceptions to the Rule

The Ohio Constitution requires that all property be taxed uniformly.¹ This traditionally has meant all land is taxed at its fair market value, or the value at which it would change hands between a willing seller and willing buyer.² A constitutional amendment in 1973 allowed for farmland to be valued differently, using the capitalized net income from agricultural activities to value land or the land's current agricultural use value (CAUV).³ At that time, the value of land at its "highest and best" use was quickly becoming the value used to figure real estate taxes, allowing development pressure to push up the taxable value of farmland. With CAUV, the land value depends upon capitalizing the expected net income from farming, making the taxation of farm real estate more fair and reasonable.

All properties have four individual values, which are aggregated to find the total property value. The four individual values represent the home, a one-acre home site, other buildings and all other land. CAUV can only apply to the "all other land" portion of a property's value. Land values are reappraised on a rotating six-year schedule.⁴ An appraisal is updated every three years following reappraisal or at any time the auditor finds that property has changed in value.⁵



Qualifying for CAUV

Tracts of land, 10 acres or larger, can qualify for CAUV if they are devoted exclusively to commercial agricultural use.⁶ Farms smaller than 10 acres are eligible if the average yearly gross farm income, or anticipated income, is at least \$2,500 from agricultural products.⁷ The land could be used for virtually any type of agriculture, however, there must be some profit seeking activity involved to make it "commercial." Hobby farms or agricultural activities conducted solely for personal use or consumption will not qualify land for CAUV. Land enrolled in a federal conservation or land retirement program also qualifies for CAUV treatment, regardless of acreage.⁸ Woodlands not managed for timber that are contiguous to at least 10 acres of otherwise qualifying agricultural land can also qualify for CAUV, as well as land used for conservation practices that is 25 percent or less of the total acreage.⁹ Finally, the existence of agritourism on a farm that otherwise qualifies for CAUV does not disqualify that farm from the CAUV program.¹⁰ Landowners must apply with the county auditor between the first Monday in January and the first Monday in March each year.¹¹ There is a \$25 fee for new applications and no charge for renewals. Typically, the application will ask for a description

1 Ohio Constitution, Article XII, Section 2

2 ORC 5713.03

3 Ohio Constitution, Article II, Section 36

4 ORC 5715.33

5 ORC 5715.33

6 ORC 5713.30(A)(1)

7 ORC 5713.30(A)(2)

8 ORC 5713.30

9 ORC 5713.30(A)(1)(a); (4)

10 ORC 5713.30(A)(5)

11 ORC 5713.31

of the land and farming activities to help the auditor understand how the land qualifies for CAUV.

Calculating CAUV Values

CAUV values are based on the land's soil type.¹² To find the CAUV of a plot of land, the soil type is determined from a soil map.¹³ The soil type takes into consideration problems or hazards due to slope, erosion, drainage or flooding on that particular farm. The calculation is based on the three most prevalent field crops in the state of Ohio: corn, soybeans and wheat.¹⁴ Five factors make up the CAUV formula:¹⁵

- **Crop yields** are taken from the Farm Service Agency 1984 yield for the soil, and updated using a factor. The factor is derived by taking the most recent 10-year average statewide yield and dividing it by the 1984 average statewide yield.
- **Crop Prices** are gathered from the Ohio grain elevators and the National Agricultural Statistics Service. A seven-year Olympic average of crop prices is applied to the yields to get the average gross income for the farm.
- **Non Land Production Costs**, including things like seed, chemicals, fuel, transportation and machinery, are taken from the OSU Extension Crop Enterprise Budgets. The costs also use a seven-year Olympic average. Costs are deducted from gross income to arrive at the net return.
- **A Cropping Pattern** representing a five-year average of the percent acres harvested of the three crops in Ohio is multiplied by the net returns for each crop to arrive at rotational returns. These rotational net returns are added to find a total net return.
- **The Capitalization Rate** is the final factor. It uses data from a typical mortgage loan from Farm Credit Mid-America to determine interest rates for debt and equity, and uses a seven-year Olympic average. The total net return is then divided by the capitalization rate to arrive at the final soil value.

The Ohio Department of Taxation performs this calculation for all 3,500 soil types with a slope of 25 percent or less each year. Those values are then sent to the local county auditors, who apply values to each individual parcel based on the respective soil types. After applying the CAUV values to a property, the auditor will add the market value of any house, house site and buildings to arrive at the total appraised value for the farm. The auditor will take the total appraised value and assess taxes on 35 percent of that value, as Ohio law requires that all property be taxed at a uniform percentage, which is set by rule at 35 percent.¹⁶

12 ORC 5713.31

13 OAC 5703-25-33

14 OAC 5703-25-33(H)

15 OAC 5703-25-33

16 Ohio Const., Article 12, Section 2; OAC 5703-25-05(B)

Valuing Conservation Land

For land enrolled in a federal conservation or land retirement program, as well as qualifying land used for conservation practices, the auditor will apply the lowest CAUV value of all soil types to such acreage. If conservation land valued in this manner is not used for conservation purposes for at least three years, the auditor will recoup the tax savings enjoyed from being valued at the lowest soil value instead of the actual soil value.¹⁷

Removing Land from the CAUV Program

CAUV was intended to be a farmland preservation tool, and therefore provides for penalties if land is converted from agricultural use and removed from the CAUV program. There are four ways land will be considered converted and removed from CAUV:

- Failure to file a renewal application every year;
- Failure to file an initial application as a new owner;
- Failing to qualify as land devoted exclusively to agricultural use; or
- Taking acts inconsistent with the return to agriculture if the land is laying fallow.

If any of these acts occur, the auditor is required by law to remove the land from the CAUV program and to charge recoupment.¹⁸ Recoupment must be equal to the most recent three years of tax savings the owner enjoyed by being enrolled in the CAUV program.¹⁹ In addition to the recoupment penalty, the owner will begin paying taxes on the fair market value of the land instead of the CAUV value. The property owner of record at the time land is converted from an agricultural use is liable for that recoupment, even if that property owner did not enjoy any of the past three years' savings. This is why it is very important to discuss CAUV status in any land sale.²⁰

Appealing CAUV status or values

Landowners who feel their land should qualify for CAUV and who have had their CAUV application denied or their land removed from CAUV can appeal this through the local board of revision.²¹ The county auditor, county treasurer, and a county commissioner (or a representative of each respective office) sit on the county's board of revision.²² It is important for a landowner to establish a good record supporting his claim at the board of revision, as it may be difficult to present information not brought forth at the board of revision in later appeals.²³

If the board of revision denies the claim, the landowner can choose to appeal to either the local Court of Common Pleas

17 ORC 5713.31, 5713.34

18 ORC 5713.34, 5713.35

19 ORC 5713.34

20 ORC 319.202(B)

21 ORC 5715.19

22 ORC 5715.02

23 ORC 5715.19(G)



or the Ohio Board of Tax Appeals.²⁴ Through the local court, the landowner could then appeal through the typical court system. Through the Board of Tax Appeals, an appeal must be filed with the local court of appeals, with the ability to seek a transfer to the Ohio Supreme Court. Landowners should seriously consider consulting with an attorney when disputing a CAUV denial or removal. Even at the board of revision stage, an attorney can help a landowner compile a sufficient record, which is very important for any further appeals.

CAUV values are not set or controlled by your county auditor; rather they are determined by an official entry of the tax commissioner each year. This is in contrast to the other values that make up your property (house, home site, and other buildings), which are appraised and valued individually by your county auditor. Because CAUV values are not unique to individual property holders, appealing CAUV values requires asserting that the calculation itself is flawed or incorrect. If a landowner is considering such an action, it is highly suggested that they contact an attorney to sort how and if such claims could be made.

Additional resources

A full explanation of the CAUV calculation can be accessed at the Ohio Department of Taxation's webpage:
tax.ohio.gov/real_property/cauv.aspx

Ohio Farm Bureau members can also access many other resources explaining CAUV at the Ohio Farm Bureau Federation website, ofbf.org.



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This publication is meant to be an educational tool and should not be perceived as legal advice. Laws can be amended frequently in both substance and interpretation. This publication should not be considered a substitute of the actual text of the law. Landowners should consult their legal counsel with questions.

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