



DANE COUNTY PLANNING & DEVELOPMENT

Room 116, City-County Building, Madison, Wisconsin 53703
Fax (608) 267-1540

ATTENTION BUYERS OF VACANT FARMLAND:

State Use Value Conversion Charge May Apply to Your Project

Farmland converted to a non-farm use may be subject to a state “use-value conversion charge”. Since 1995 agricultural land in Wisconsin has been assessed based on its “use value” rather than its market value, resulting in low tax rates for farmland. State statutes impose the use value conversion charge when a property previously assessed as agricultural land is converted to a non-agricultural use. Note that this use value conversion charge is not the same as the rezoning conversion fee, which was repealed in 2011 and no longer applies to rezones out of the A-1EX district. In addition, **a change in zoning classification does not automatically result in a use value conversion charge.**

The conversion charge applies when the land is actually converted to a residential, commercial or manufacturing use and the change is reflected in the tax assessment classification. In addition, land is subject to a conversion charge if it becomes tax-exempt and its use is no longer agricultural. There is no conversion charge if land changes from an agricultural use to Undeveloped, Agricultural Forest, Productive Forest or Other as defined by law. Classifications of land may be appealed by making an appointment to appear before Board of Review.

Under the formula the conversion charge is the difference between the average market value of cropland sold in the county and the use-value amount of that land. The conversion charge is applied at different rates based on the number of acres converted. For 10 or fewer acres the penalty equals 10% of the difference between market value and use value. For 10 to 30 acres the conversion charge is 7.5% of the difference. The conversion charge for more than 30 acres is 5% of the difference. If under \$25 per acre, the conversion charge is not assessed.

The conversion charge for agricultural land converted in Dane County **in calendar year 2010**, assessed in 2011, is as follows.

- \$380 per acre if the converted land is more than 30 acres.
- \$570 per acre if the converted land is between 10 and 30 acres.
- \$760 per acre if the converted land is less than 10 acres.

The assessor reviews the classification changes, identifies parcels subject to the use value conversion charge and notifies the County Treasurer within 15 days after Board of Review has adjourned. The County Treasurer is responsible for the administration of the conversion charge. Under the use-value law, sellers are required to give buyers notice that the land has been assessed as agricultural land, whether a conversion charge has been assessed on the land or whether there is a conversion charge deferral on the land.

A use-value conversion charge worksheet developed by the WI Dept of Revenue is on page 2 of this handout, and may be used to estimate the use value conversion charge. For further information on the conversion charge, please visit the Wisconsin Department of Revenue website at www.dor.state.wi.us or refer to sec. 74.485, Wisconsin Statutes.

AGRICULTURAL USE-VALUE CONVERSION CHARGE WORKSHEET

Guide to Estimating Charge for Conversion of Agricultural Land

Property that has benefitted from agricultural classification and use-value assessment may be subject to a Conversion Charge. This occurs when its use is converted to a residential, commercial, or manufacturing use, or becomes exempt and the use is no longer agricultural. The Conversion Charge is effective upon the Assessor's completion of the assessment roll in the year following the change in use. Sec.74.485, Wis. Stats., governs the application of the Conversion Charge.

The County Treasurer is responsible for administering the Conversion Charge. However, the Treasurer cannot act until the actual change in use, verified by a change in class on the assessment roll, is complete. This occurs after the Assessor has submitted the roll to the local Board of Review (BOR), which will resolve any outstanding issues with the Assessor's decision of the proper classification. No later than 15 days after the BOR is complete (typically between May and October), the Assessor must provide the County Treasurer with all of the information that is necessary to compute the Conversion Charges. The Assessor will provide a list of the owners who are subject to the charge for converting agricultural acreage in the previous calendar year. A sample of the Assessor's report to the County Treasurer is available. The conversion charges are due within 30 days of issuance. Unpaid conversion charges will be added as special charges on the next property tax bill.

How can I estimate a Conversion Charge for determining project costs, purchase price, escrow at closing, etc.? The following information outlines the process to estimate a Conversion Charge prior to the actual calculation by the County Treasurer.

1. Determine who will be liable for the Conversion Charge. The person owning the property at the time of conversion will receive the bill. (Example: A Developer/Grantor begins construction of a house in March. Even if the house sold in September, the Conversion Charge will be due from the grantor; not the grantee. The Assessor is required by law to provide notice of the potential Conversion Charge (insert link). The grantor is required by law to provide the grantee with notice of the Conversion Charge status).
2. Determine how many acres had been assessed as 'agricultural use' the prior January 1 and are being converted. (Example: Eight acres which had been a corn field now contain a house and lawn, and 5 acres remain as a corn field. Three acres were converted).
3. Determine the proper Conversion Charge/acre (the larger the number of acres converted, the smaller the Conversion Charge per acre). This is based on the # of changed acres by the same owner in the community. (Example: If the owner in step 2 above converted another 12 acres in the same community in the same year, he or she would have a 15 acre Conversion Charge).
4. Multiply the # of changed acres times the Conversion Charge per acre in the county.

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| Number of acres assessed prior January 1 as agricultural whose use has been converted on current January 1 assessment roll: | Times | \$___ if more than 30 acres were converted \$___ if 10 to 30 acres were converted \$___ if less than 10 acres were converted | Equals | ESTIMATED Conversion Charge Due |
|---|-------|--|--------|---------------------------------|

Note: The 2010 charges for land in Dane County are:

- \$380 per acre if the converted land is more than 30 acres.
- \$570 per acre if the converted land is between 10 and 30 acres.
- \$760 per acre if the converted land is less than 10 acres.