

Current Use Testimony 2/6/25

House Ag Committee

Intro: My name is Mindy Hinsdale, I am a 7th generation Vermonter, grew up in Charlotte, attended CVU and graduated from UVM. I owned and operated Steeple Ridge Farm, a horse farm first in Ferrisburgh, then in Charlotte for 35 years. I sold the farm 8 years ago and am now a small business owner. I am a long-time member of Vermont Farm Bureau and am currently serving as the Chittenden County Vice President. I am also on the board of the VHJA, where I was President for many years, the GMHA board, as well as active member of the VHC where I am on the Equine Industry Committee. After selling my beloved horse farm you would think I would have retired from the horse industry, but to the contrary, I have remained very active in the Vermont horse community and have been an advocate for the horse industry for many years as a volunteer.

In the 35 years I owned and operated Steeple Ridge Farm, I was a full-time farmer making 80 – 100% of my income from working the horse farm. There were a few years when I supplemented my income with a part time school teaching position.

I am very grateful to be able to speak with you today on behalf of the VT Horse Industry.

As I was here last year to testify I won't go through my whole history, but I'm happy to answer any questions you might have regarding the two farms, one dairy and one replacement heifer, I purchased and renovated to suit my needs for horses.

Remarks about recent Committee Meetings: I am enjoying listening to some of your committee meetings, thank you for making the remote option possible! In listening to Jill Remick, Director of Property Valuation & Review, speak on Current Use last week, I was struck with how many things horse farms do that qualify us for Current Use:

Jill showed a slide outlining the Purpose of the Current Use Program (32 V.S.A. Chapter 124) The horse industry in VT nicely fits into the reason the Current Use Program exists.

The first purpose:

- 1) "To encourage and assist the maintenance of Vermont's **productive agricultural land and forest land.**" Jill described Current Use as a "Working Lands Program." Working horse farms need large open spaces to operate, including hay land, pasture land, and land for exercising the horses. Horse farmers not only work the land but need a large parcel of land to be able to properly house and care for the horses. The rule of thumb has always been 1 acre per horse, more if putting up your own hay.

The second purpose:

- 2) "To encourage and assist in (the land's) conservation and preservation for **FUTURE productive use** and for the **protection** of natural ecological systems." When farmers go out of business Vermont needs to encourage that land to stay open and

be farmed in whatever capacity will encourage that land **to** stay open. Not just for today, but for the future. Horse farms help keep land open now **and** for its future productive use.

The third purpose of the Current Use Program:

- 3) “To **prevent the accelerated conversion** of these lands to more intensive use by the pressure of property taxation at values incompatible with the productive capacity of the land.” Horse farms are now in the same situation as dairy farms were in back in the 1970’s. Vermont is now losing horse farms at a rapid rate. In 1978 when Current Use began, dairy farms were in trouble and going out of business fast. Senator Bobby Star helped design this program including being the force behind eliminating property tax on Ag buildings. Horse farmers are being taxed out of business, even when their land is enrolled in Current Use. Horse farms need the tax help that including their Ag buildings will provide.

The fourth purpose:

- 4) “To achieve more **equitable taxation** for undeveloped lands.” Horse farmers need this help more than ever now. When I started my horse business over 40 years ago the financial situations were much different than they are now. Overall, property taxes were significantly lower. I was grateful for the help I received having my land enrolled in the Current Use Program. The savings I received was a significant boost to my bottom line. At that time my tax bill wasn’t a huge burden: the house I lived in was quite modest, I didn’t have an indoor arena, the town didn’t put a large value on the dairy barn I converted from a free-stall cow barn to horse stalls. Also, the cost of living was lower: food prices, gas, price of a bale of hay and a bag of grain, etc. I could come up with a financial business plan that worked. In today’s Vermont economy with the very high tax rates, cost of feed, etc., it’s nearly impossible. In the early 80’s, when I started my horse business, hay was \$1/bale. I see hay prices as high as \$12/bale today. Grain and shavings have skyrocketed. Most farmers get a little break with not having to pay sales tax on agricultural items. Horse farmers in VT don’t qualify for this sales tax break. Why are horse farmers excluded from this agricultural sales tax exemption?

And, the fifth purpose of Current Use:

- 5) “To encourage and assist in the preservation and enhancement of Vermont’s **scenic natural resources.**” Jill said, and I quote, “Current Use was started to preserve scenic landscapes, make VT a lovely place to be.” Horse farms definitely check this box! What will Vermont look like if there are no more pastures filled with beautiful horses? Hayfields being cut to produce hay for the horses to eat? People want to come to VT to enjoy the scenic landscapes kept open to feed and care for all the livestock Vermont is so lucky to have. Vermont is a leader in its desire to keep the beautiful views and landscapes open.

After hearing the testimony from Ryan Patch, Agriculture Climate & Land Use Policy Manager for the Dept of Agriculture, on January 31, I feel more determined than ever to help, not only horse farmers, but all types of farming thrive in Vermont. It was shocking to learn how quickly we are losing open productive land. Our open land needs to be

preserved now so there will be open land in the future for the production of more food! I believe horse farms can help with this!

I want to re-share and add to my story from last year's testimony:

While I was struggling toward the end of my 35 year tenure at Steeple Ridge Farm, I was trying to come up with ways to keep my farm, the farm I struggled to build and was passionate about keeping. I was face to face with excessively high prices for property taxes, worker's compensation, payroll taxes, feed, farm help, even finding help.... I was getting older, working harder, and my profit margin was getting smaller and smaller. I had tried to come up with a reasonable succession plan, but nothing was coming together. So, I thought about cutting my business in half, to a more manageable size, and turning my older horse barn into storage, but the town said zoning wouldn't allow storage businesses unless it was agricultural storage. What a ridiculous notion....agricultural storage? What farmer, who has plenty of barn space (and if they don't, they build another) needs off site storage? Then it occurred to me that I had a parcel I could till for a community garden space. People could rent a garden plot which would include a storage locker for their gardening items. I never got to see this idea through as out of the blue someone came to me wanting to buy my farm, and I ended up selling it. But in listening to Ryan Patch, it occurred to me that horse farms could be very helpful in keeping land open and possibly renting some of it to people to grow their own food or even food they could market. We need to think outside the box and figure out how to diversify farming to keep Vermont land open. But horse farms will not be helpful in this endeavor if they continue to be taxed out of business.

I understand the argument that horse farms aren't producing food, but neither are flower farms or sheep farms that just produce wool. Allowing only horse breeding farms to be fully accepted in the Current Use Program doesn't make sense to me. I understand that having a replacement heifer operation makes sense. The turn around to cash flow for cow breeding operations is much quicker than for horse breeding operations. A dairy cow can be bred as early as 2 years old, then starts producing milk. A heifer replacement farm can sell calves to farmers who need them shortly after they are born. Beef cows can be bred as young as 12- 15 months old. The earliest horses can be bred is 3 years old. Most are older. Then, to make money from the breeding operation, the foals need to grow up and be trained. You shouldn't start riding a horse or pony until they are at least 3 years old. Many are still too immature to start at that age. Training is a long process and a lot of money is put into the animal with feed, care, vet and farrier bills, etc. So the turn around to profit time is much longer and more complicated for horses. It makes more sense for horse farms to purchase young horses when they are 4 – 5 years old and then finish their training. My point is a horse farmer cannot be exclusively in the breeding business and make at least 51% of their income from the breeding portion of their business. That business must teach lessons, board horses, do summer camps, etc. So making breeding the only requirement for horse farm buildings to be considered Ag buildings and be treated the same as other Ag businesses under the Current Use Program isn't realistic. The definition used in the Current Use Program needs to be expanded to include the 'raising' of horses. In all the other VT definitions of agriculture it is understood that raising horses includes boarding, training,

and lessons as they are an integral part of horse care and the financial success of the business. A successful business plan for a horse farm is much different from a successful business plan for a dairy farm or heifer replacement farm.

The IRS considers the boarding of horses an agricultural venture. In publication 225 put out by the IRS the term **livestock** includes cattle, horses, dairy, fish, fruit, and truck farms. In Title 29 section 780.328 the term **livestock** includes cattle, horses, goats, or other domestic animals ordinarily raised or used on the farm. Under the same Title, section 780.120 What constitutes **raising livestock**: breeding, fattening, feeding, and general care of livestock.

When I paid income taxes to the IRS and Vermont, all my income from boarding, lessons, horse events, summer camps, and hauling was considered agricultural income and claimed on the Schedule F tax form.

So, what is standing in the way of having horse farms treated equally to other Vermont farms and to have fair taxation through the Current Use Program? The answer...The definition of Agriculture used by Current Use.

As you heard in earlier testimony from Jackie Folsom, President of VT Farm Bureau, the VHC, with the help of VLS, has uncovered at least 15 different definitions of Agriculture in our state statutes. What we have discovered is that people who run equine businesses, earning at least 51% of their gross income from equine business activities are considered farmers and their properties are considered farms in all but one definition....Current Use. All horse farmers in Vermont are required to meet all the RAP requirements. We are farmers when it comes to water quality issues, manure management, etc.

I think you all received the Memorandum put out by the Vermont Law School that has the results of their research on Vermont Statutes Relevant to Equine Businesses. I won't read the whole document but would like to highlight some of the definitions that were found.

Under Title 10: Conservation and Development:

Chapter 151: State Land Use and Development Plans 10 V.S.A. sections 6001-6111:

4.1. "Farming' means (A) the cultivation or other use of land for growing food, fiber..... or (B) the raising, feeding, or management of livestock, livestock meansequines" under 10 VSA section 6001(32),.....;...or (G) the raising, feeding, or management of four or more equines owned or boarded by the farmer including training, showing, and providing instruction and lessons in riding, training, and the management of equines...." 10 VSA section 6001(22).

4.1.1. "Livestock' means....equines" 10 VSA section 6001(32).

4.1.2. If one raises, feeds, or manages horses, then one is engaged in farming 10 VSA sections 6001(22)(B),(32).

4.1.3. If one raises, feeds, or manages four or more equines (ii) the farmer (a) owns or (b) boards, "including training, showing, and providing instruction and lessons in riding,

training, and the management of equines,” then one is engaged in farming. 10 VSA section (22)(G).

All the same definitions I just read apply to the Required Agricultural Practices (RAP) Rule as found in Title 32: Taxation and Finance.

Also found in Title 32: Taxation and Finance:

Chapter 124: Agricultural Lands and Forestlands 32 VSA section 3750-3777:

Under 1.1.2. “Agricultural lands.” 1.1.2. states If land (i) lacks a housesite, (ii) is at least twenty-five acres, and (iii) is in active use to pasture livestock, that land is agricultural land. 32 VSA Section 3752(1).

1.1.6. If a farmer owns land and that land is part of the overall farm unit, then that land is presumptively used for agricultural purposes. 32 VSA section 3752(1)(A). **** This one speaks to why all my land, including the outdoor riding ring, horse pastures and paddocks, as well as the land my barns sat on, was all enrolled in Current Use. Later in my testimony I will outline how some of these parcels of land, which are enrolled in Current Use, are being taken out of Current Use.

1.2. “Farmer”

1.2.1. If a person earns at least half of the person’s annual gross income from the business of farming as defined under 26 CFR section 1.175-3(1986), then one is a farmer. 32 VSA section 3752(7)(A). 26 CFR section 1.175-3(1986) is an IRS definition, reads: if one (i) is a taxpayer and (ii) cultivates, operates, or manages a farm for gain or profit (either as owner or tenant), then one is engaged in the business of farming.

Still under Title 32: Taxation and Finance: 1.3 “Farm Buildings”

1.3.1. For any farm building or other farm improvement (in VT) if (i) a farmer actively uses that building or improvement as part of a farming operation, then it is a farm building 32 VSA section 3752(14).

This is where it gets confusing:

1.3.3. These definitions of “farming building” under 32 VSA section 3752(14) affect neither the application of the definition of “farming” in 10 VSA section 6001(22) nor the definition of “farm structure” in 24 VSA section 4413(d)(1). 32 VSA section 3752(14)

In Chapter 125: Exemptions 32VSA section 3800-3850

2.1. Horses are exempt from property taxes. 32 VSA section 3802(8)

We really don’t understand what this all means in Title 32: Taxation and Finance, but I’m guessing it is where liberty is taken with horse operations and why horse operations are not fully included in Current Use.

The Vermont Law School Summarizes their findings this way:

Equine businesses may generally constitute farming in two ways. First, the raising, feeding, or management of equines constitutes farming under 10 VSA section 6001(22)(B), (32). Second, the raising, feeding, or management of four or more equines the farmer owns or boards, “including training, showing, and providing instruction and lessons in riding, training, and the management of equines” constitutes farming under 10 VSA section 6001(22)(G).

Exceptions are notable. Vermont Current Use statutes (32 VSA Sections 3750-3777) exclude many forms of equine businesses from the definitions of “agricultural land,” “farmer,” and “farm buildings” that do not satisfy certain conditions, thereby disqualifying those businesses from tax relief from Current Use.

The Current Use Program has been revised and ‘tweaked’ several times since its inception in 1978. Farmers with less than 25 acres wanted to be included in the Current Use Program, so there were provisions made for vegetable farmers and flower growers to be able to put smaller than 25 acre parcels into Current Use as long as they could show they make at least \$2,000 per year selling their vegetables or flowers. Simply changing the definition of Agriculture in the Current Use statute would allow horse farms this same tax relief.

It has occurred to me that one of the reasons horse farms have been excluded from the full tax benefit Current Use offers as well as sales tax exemptions on certain farm goods, is a misunderstanding and/or lack of knowledge about how horses are cared for.

Horses are livestock that need to be cared for on a daily basis; fed 3-4 times per day, stalls and run-in sheds cleaned, horses turned out if live inside, hooves picked every day, and exercised 4-6 times per week, especially if in a training program. Turn out in the summer months can be tricky for some horses and ponies who cannot eat fresh green grass due to hormone issues, so need to be turned out in dry lot paddocks, much like cows who go out on cement pads to get fresh air and sunshine. Most horses can go out in larger fields. Horse farms need enough turn out spaces so pastures can be rotated in order to limit worm infestation and to allow grass to regrow for rotational grazing. Horse farms need safe spaces to exercise the horses, give lessons, run events, and turn out horses on bad weather days. These spaces are outdoor and indoor riding arenas. And, of course, we need barns to house and care for the horses. All of this infrastructure requires acreage which is why many horse farms meet the 25 acre minimum and are often larger if hayfields are part of the farm. I have learned of several horse farms that have recently been inspected by Current Use employees to see if there is any acreage that can be deemed ineligible for the Current Use Program. I have been disheartened to learn that horse pasture space is being taken out, farm roads are being taken out, outdoor riding arenas are being taken out and these parcels are being put back into acreage that gets the full

development value placed on it. In some cases, it makes a farm not able to meet the 25-acre minimum any more. These outdoor spaces are vitally important for the care of the horses. The farmers are not going to build a house in their horse pastures or outdoor ring. I don't understand why this is happening. All of my farm acreage, including the pastures, paddocks, farm road, and outdoor ring, minus the 2 acre homestead, was taxed at the Current Use rate. As you know, none of my buildings were allowed to be enrolled in Current Use. As I testified last year, buildings are taxed on square footage and the square footage of barns that house horses, especially if in a repurposed dairy barn, are quite large.

How does Vermont handle unequal and often over taxation of agricultural buildings? One of the problems is taxing on square footage, indoor arenas and horse barns are a lot of square feet! A small indoor arena, 60 x 120, is 7,200 square feet; My indoor arena was 72 x 176, 12,672 square feet. The largest indoor arena I know of in VT is in New Haven and is 100 x 200 foot arena...you can do the math on that one! Many buildings, including equine buildings, are considered single purpose structures; if you don't use an indoor arena for riding lessons, then what do you use it for, storage? Which isn't allowed in some towns and certainly not if the land is in Current Use or part of the VT Land Trust. Prior to 1978, Ag buildings were considered business inventory and taxed, so, as I mentioned before, Legislator Bobby Starr came up with the idea that Ag buildings were farm equipment inventory, so not to tax them. This was to encourage farming. Bobby Star's motto was, "Don't kill farmers with property taxes." As I have mentioned before, the Equine Industry now has this same problem. It would be nice if horse facilities weren't taxed for more than they are worth, but taxing on square footage tends to make that happen. And frankly, these buildings shouldn't be taxed at all.

When I went to the Town Clerk's office to get a permit to build my indoor arena I was told I didn't need a permit because it was for an Agricultural building. I couldn't believe it! I asked for that decision to be in writing! Yet, as soon as the agricultural building was completed it didn't qualify as an Ag building for Current Use purposes.

We are asking Vermont to accept the fact that horse farms **are** keeping the land open **now and for the future** and are meeting the same Required Agricultural Practices. Until Vermont sees horse farms in this way and treats them equitably in Agriculture, letting them benefit from the same tax relief Current Use offers as well as other Agriculture programs, we predict we will continue to lose horse farms at a rapid rate.

I feel we are at a tipping point in the horse industry in Vermont. We know people who are still wanting to purchase farms, some are trying to hold on to the ones they have, some have already gone out of business, while others have left to their business in another state. We are trying to encourage horse farmers to hang on and hope we can help them by letting them know progress is being made.

This is what will be lost if horse farms continue to be excluded from the full benefits of Current Use:

- Loss of open productive land
- Loss of hay fields and pasture land
- Loss of scenic viewscapes in VT
- Loss of extended revenue for vets, farriers, feed stores, tack shops, etc.
- Loss of tourism dollars for the state
- Loss of children actively and regularly being on farms
- Loss of mental health and therapy programs
- A decline in the horse population
- A decline in the number of viable horse farms in VT.

Or we can change the above list to This is how equine operations, fully supported by the Current Use Program, will support Vermont's goals.

- An increase in open productive land
- An increase in hay land and pasture land
- Increase in scenic viewscapes
- Support for vets, farriers, feed stores, tack shops, etc
- Increase in tourism dollars to the state
- Increase in children actively and regularly being on farms
- Increase in and support of mental health and therapy programs
- Increase in the horse population
- Increase in the number of viable horse farms

On behalf of hard working horse farmers, the Vermont Horse Council, and many other VT horse organizations, I am asking you to consider a simple update to the Current Use Program by changing the definition of Agriculture as it relates to Equines in the Title 32: Taxation and Finance Statute. We are not asking for the backyard horse owner or the doctor who owns an indoor arena, but for the hard working horse farmer who earns at least 51% of their income from the business of farming. We urge you to look at the Title 10: Conservation and Development definition that uses the following language "the raising, feeding, or management of (four or more) equines the farmer owns or boards, including training, showing, and providing instruction and lessons in riding, training, and the management of equines," to update the Current Use Statute.

Thank you! I'm happy to answer any questions you might have.