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***Testimony for New York Farm Bureau
Joint Legislative Hearing on the 2014-15 Executive Budget
Jeff Williams, Director of Public Policy
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On behalf of New York Farm Bureau, thank you for providing me with the opportunity to testify here today. My name is Jeff Williams and I am the Director of Public Policy at New York Farm Bureau. New York Farm Bureau is the state's largest general agricultural advocacy organization with members engaged in all aspects of New York's diverse agricultural community.

In reviewing the proposed Executive Budget for 2014-15, NYFB appreciates the Executive Budget's funding approach towards the overall Agriculture and Markets Agency budget, however more work needs to be done to gain a strong place for agriculture. Since farmers and consumers both rely on the Department to provide critical food safety, farm animal health and plant inspection services, the Department of Agriculture and Markets is an integral Agency to the entire state of New York. The Agency's Executive Budget overall provides a good framework to ensure that both farm and consumer interests are protected. NYFB supports the Governor's inclusion of baseline of funding for some of the agricultural "line item" programs that growers and producers depend on for animal and plant health, and therefore, a healthy local food industry for consumers. The recognition of the critical importance of various animal health programs, as well as programs designed to assist our farm families directly, such as Pro-Dairy and NY FarmNet, is greatly appreciated by NYFB.

Promotion of New York's wonderful local agricultural products continues to be a priority of NYFB, and the organization is supporting a restoration of funds to the NYS Apple Association, New York Maple Producers and our Christmas tree growers to continue marketing efforts, especially in NYC. Continuing to build off of the successful Wine, Beer and Distillates Summit, NYFB supports increased funding for the New York Wine and Grape Foundation to further the reach of our wineries. We also support funding for local timber and wood product promotion through the Wood Products Development Council, an often overlooked farm product by the general public.

Our farmers will tell you that the current and future success of New York's agriculture industries is inextricably linked to applied research. Only applied research can provide innovative farm products, efficient and environmentally sensitive production systems and commodity-specific best management practices that our farm industries need to remain competitive in the marketplace. For this reason, NYFB

supports the NY Farm Viability Institute and its mission to bring farmer-directed research into the fields with the final outcome to be shared with the entire industry.

NYFB is also supporting several applied research efforts critical to combatting agricultural threats currently on our doorstep or within our borders. Several of our farm sectors are facing ominous foes in the form of commodity-specific pest and disease pressures that threaten the viability of these industries. Our onion growers, berry growers, vegetable industry, honeybee industry, turfgrass growers and corn growers are all facing specific threats in NY that require a research-based solution. NYFB supports the strategic applied research needs of these farm sectors to ensure we have a strong local food infrastructure today and in the years ahead. NYFB also supports the Harvest NY project which works closely with growers in WNY to maximize Cornell's research and resources as well as respond to emerging opportunities, like increasing capacity for locally sourced produce to meet wholesale demand.

NYFB is also supporting additional funding for NY FarmNet, which provides farm families with psychological counseling and business planning support services to help them through the extremely stressful time such as dealing with farm crop loss due to a severe weather event or when the farm business is experiencing profitability challenges. FarmNet has helped countless farmers stay on the farm through their services, continuing to be able to produce local foods and farm products. NYFB is particularly interested in the further funding of this program given its emphasis on assisting farmers' transition to the next generation, through matching the increasing numbers of individuals interested in farming to those who may, or may not have children or relatives to take over the farm. Given the average age of the farmer is increasing, it's important to recognize NY FarmNet for the role the program can play in helping to ensure that New York's agricultural community stays intact for the next generation.

New York Farm Bureau also strongly supports the Environmental Protection Fund which champions the partnership between agriculture and the environment by funding farm environmental programs. Programs such as the Farmland Protection Program, the Soil and Water Conservation District services, Agricultural Non Point Source Abatement Program, Invasive Species eradication, and Agricultural Waste Management Program are not just critically important to environmental protection but, in many cases, drive farm profitability.

Regarding funding for farm specific programs within the EPF, NYFB is supportive of the Governor's proposed budget funding for the Agricultural Nonpoint Source Pollution Abatement Program. We are very pleased the Governor recognizes that funding for this program is critical as farmers strive to increase dairy production in an environmentally sound way to meet the demand for New York milk from the growing Greek yogurt industry. The additional funding will also assist our farmers in partnering with the Agricultural Environmental Management Program within the Chesapeake Bay Watershed area and New York's TMDL (Total Maximum Daily Load) obligations.

NYFB also strongly supports proposed increased funding for County Soil and Water Conservation Districts. The Conservation Districts serve as the front line technicians for farm projects including CAFO, AEM and stream bank restoration projects – especially following recent severe storms such as Hurricane's Irene and Lee and Super Storm Sandy. The farm community is grateful and appreciative of our Conservation District partners and the critical nature of their work.

NYFB supports the Executive Budget's proposed increase in funding for the farmland protection program, which has assisted many farm families in making needed investments in infrastructure, other adjacent land acres, or equipment while providing a benefit to the public. NYFB also applauds the NYS Department of Agriculture and Markets for clearing the backlog of farmland protection projects over the past few years, opening up new opportunities to encourage additional farmland conservation.

With agriculture one of the State's largest business sectors, NYFB appreciates Governor Cuomo's proposal for making tax reform one of this year's policy focal points. NYFB supports the proposed increase of the estate tax threshold from \$1 million to \$5.25 million and index to inflation. We also support the reduction of the top estate tax rate from 16% to 10%. The value of a farm is usually tied to assets such as farmland, buildings and equipment which can force families to sell these assets in order to pay the tax. In 2007, according to the U.S. Agricultural Census, New York had over 3,000 farms exceed one million dollars in value. Given land appreciation in the past five years, particularly in Long Island and the Hudson Valley, NYFB anticipates that there are far more farms today that exceed that one million dollar mark. Farm Credit has estimated that most farm families with a \$2 million estate or greater would be forced to sell their farm assets to meet their estate tax liability with only a \$1 million estate tax exemption.

New York State should act to increase the estate tax exemption and reduce the top tax rate for family farms in order to enable the next generation to farm the land. The states of Pennsylvania and Illinois have recently acted to improve their own inheritance taxes assessed on farms, and New York should join these states in recognizing that our own estate tax exemption for farms should be expanded to keep up with modern land values.

NYFB also supports the lowering of the corporate tax rate to 6.5% and the proposed 20% refundable real property tax credit for manufacturers which will help dairy processors that work with our producers to be competitive in today's global marketplace. The restructuring of LLC fees for farmers would be a meaningful addition to this suite of tax reform proposals. LLC's are now assessed a fee based on gross income, not net, and in farming that difference is vast. A farm can easily gross over a million dollars, but earn less than several thousands in profits depending upon how expensive input costs were that particular year or how badly yields were impacted due to weather conditions. Either a flat fee for farm corporations for LLC's, C Corps and S Corps needs to be established or a mechanism put in place that allows farms to provide a Schedule F – a federal tax income form for farmers - to establish net income and pay the fee on this verified net income amount. If we are to continue to have farms in New York, we

have to make it easier for our farmers to form LLC's and, in particular, statutorily restructure existing public policy to assess the LLC fee based on net farm income, as opposed to the current protocol of using gross farm income.

Farmers navigate a significant number of federal and state taxes and the red tape that goes with them. Simple actions like streamlining and consolidating tax forms and deadlines translate into thousands of dollars saved at the farm level in terms of staff hours, record keeping and financial services. For example, farmers utilize three forms to receive the allowable tax refund for purchase of diesel fuel used in farm production. Farmers must submit three separate forms, FT 946/1046, AU 630 and the FT 500, to receive the tax refunds from the diesel motor fuel excise tax, petroleum business tax and state/local retail sales and use tax¹. Again, these may seem to be trivial changes, but translate into meaningful change at the farm level given the wide range of tax compliance a family farm must contend with. More time in the farm office pushing paperwork means less time out in the fields to plant, grow, produce or harvest the nutritious, local foods that we all enjoy.

In closing, thank you for the opportunity to speak at this hearing and comment on the importance of state tax reform to the farm community. I am happy to answer any questions the panel may have here today or at any future time.

¹ TSB-M-11(6)M, TSB-M-11(11)S