Appendix 11-C

Use Conversion Charge

In 1996 the Wisconsin Legislature provided for the assessment of Agricultural Land based on its "Use", rather than its "Market", value. The goal is to keep land in agricultural use by reducing the tax burden. A penalty was created, sec. 74.48, Wis. Stats., for converting agricultural land to another use. Effective January 1, 2003, Wisconsin Act 109 repealed sec. 74.48, Wis. Stats., and created sec. 74.485, Wis. Stats. Similar to the previous penalty, Act 109 penalized owners of agricultural land that has been valued under sec. 70.32(2r), Wis. Stats., who change its use such that it is no longer classified and valued as agricultural land. Land changing from an agricultural use (Class 4) to Undeveloped (class 5), Agricultural Forest (class 5m), Forest (class 6), or Other (class 7) is not subject to penalty. In 2007, Wisconsin Act 210 modified the language of sec. 74.485, Wis. Stats., so that what was previously referred to as a 'penalty' is now called a 'conversion charge'. The statutory language follows.

Section 74.485, Wis. Stats., charge for converting agricultural land. (1) DEFINITION. In this section, "agricultural land" has the meaning given in sec. 70.32 (2) (c) 1g, Wis. Stats.

(2) CONVERSION CHARGE. Except as provided in sub. (4), a person who owns land that has been assessed as agricultural land under sec. 70.32 (2r), Wis. Stats., and who converts the land's use so that the land is not eligible to be assessed as agricultural land under sec. 70.32 (2r), Wis. Stats., as determined by the assessor of the taxation district in which the land is located, shall pay a conversion charge to the county in which the land is located in an amount, calculated by the county treasurer, that is equal to the number of acres converted multiplied by the amount of the difference between the average fair market value of an acre of agricultural land sold in the county in the year before the year that the person converts the land, as determined under sub. (3), and the average equalized value of an acre of agricultural land in the county in the year before the year that the person converts the land, as determined under sub. (3), multiplied by the following:

(a) Five percent, if the converted land is more than 30 acres.
(b) Seven and one–half percent, if the converted land is 30 acres or less but at least 10 acres.
(c) Ten percent, if the converted land is less than 10 acres.

(3) VALUE DETERMINATION. Annually, the department of revenue shall determine the average equalized value of an acre of agricultural land in each county in the previous year, as provided under sec. 70.57, Wis. Stats., and the average fair market value of an acre of agricultural land sold in each county in the previous year based on the sales in each county in the previous year of parcels of agricultural land that are 38 acres or more to buyers who intend to use the land as agricultural land.

(4) EXCEPTIONS AND DEFERRAL. (a) A person who owns land that has been assessed as agricultural land under sec. 70.32 (2r), Wis. Stats., and who converts the land's use so that the land is not eligible to be assessed as agricultural land under sec. 70.32 (2r), Wis. Stats., is not subject to a conversion charge under sub. (2) if the converted land may be assessed as

5 - Undeveloped under sec. 70.32 (2) (a), Wis. Stats., as 5m - Agricultural Forest under sec. 70.32 (2) (a), Wis. Stats., as 6 - Productive Forest Land under sec. 70.32 (2) (a), Wis. Stats., or as 7 - Other under sec. 70.32 (2) (a), Wis. Stats., or if the amount of the conversion charge determined under sub. (2) represents less than $25 for each acre of converted land.

(b) If a person owes a conversion charge under sub. (2), the treasurer of the county in which the person's land is located may defer payment of the conversion charge to the succeeding taxable year if the person demonstrates to the assessor of the taxation district in which the land is located that the person's land will be used as agricultural land in the succeeding taxable year. A person who receives a deferral under this paragraph is not subject to the conversion charge under sub. (2) related to the deferral, if the person's land is used as agricultural land in the succeeding taxable year. If the land of a person who receives a deferral under this paragraph is not used as agricultural land in the succeeding taxable year, the person shall pay the conversion charge with interest at the rate of 1% a month, or fraction of a month, from the date that the treasurer granted a deferral to the date that the conversion charge is paid.

(5) PAYMENT. Except as provided in sub. (4), a person who owes a conversion charge under sub. (2) shall pay the conversion charge to the county in which the person's land related to the conversion charge is located no later than 30 days after the date that the conversion charge is assessed. A conversion charge that is not paid on the date it is due is considered delinquent and shall be paid with interest at the rate of 1% a month, or fraction of a month, from the date that the conversion charge is assessed to the date that the conversion charge is paid. The county shall collect an unpaid conversion charge as a special charge against the land related to the conversion charge.

(6) DISTRIBUTION. A county that collects a conversion charge under this section shall distribute 50% of the amount of the conversion charge to the taxation district in which the land related to the conversion charge is located. If the land related to the conversion charge is located in 2 or more taxation districts, the county shall distribute 50% of the amount of the conversion charge to the taxation districts in proportion to the equalized value of the land related to the conversion charge that is located in each taxation district. A taxation district shall distribute 50% of any amount it receives under this subsection to an adjoining taxation district, if the taxation district in which the land related to the conversion charge is located annexed the land related to the conversion charge from the adjoining taxation district in either of the 2 years preceding a distribution under this subsection.

(7) NOTICE. A person who owns land that has been assessed as agricultural land under sec. 70.32 (2r), Wis. Stats., and who sells the land shall notify the buyer of the land of all of the following:

(a) That the land has been assessed as agricultural land under sec. 70.32 (2r), Wis. Stats.
(b) Whether the person who owns the land and who is selling the land has been assessed a conversion charge under sub. (2) related to the land.
(c) Whether the person who owns the land and who is selling the land has been granted a deferral under sub. (4) related to the land.

(8) TAXATION DISTRICT ASSESSOR. The assessors of the taxation districts located in the county shall inform the county treasurer and the real property lister of all sales of agricultural land located in the county.

(9) ADMINISTRATION. The county in which the land as described in sub. (1) is located shall administer the conversion charge under this section.
History: 2001 a. 109; 2003 a. 33.

Since the statutes require administration of the conversion charge by the county, DOR will not be directly involved in its collection. However, you may feel free to contact DOR with procedural questions. The form for conversion is PR-298 and can be found on the DOR website under state-prescribed forms. This form should be sent to the person who converted the use from agricultural to another classification. If the person converting the land is also the property owner, form PR-298 should be mailed along with the Notice of Changed Assessment.

Common questions regarding the use-value conversion charge are available on the DOR website.

Use-value conversion charges per acre by county are available on the DOR website.