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**MEMORANDUM**

To: Interim Study Committee on Fiscal Policy

From: Bob Sigalow

Re: Farmland Assessments in Other States

Date: October 21, 2015

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This memo contains information on how other states assess farmland for property tax purposes.

The attached report is an excerpt of a report from the Lincoln Institute of Land Policy on farmland assessment practices in all 50 states and the District of Columbia. According to data gathered by Lincoln, all states have some type of farmland assessment practice that is different from that of nonfarmland. Only the District of Columbia was found to have no program. At least 37 states use some type of capitalization-of-income approach. Three states – Alaska, Nebraska, and Vermont – use the market price of farmland sold for farming purposes. South Carolina simply discounts farmland assessments as compared to other property. Four states – Georgia, New York, Oregon, and Wisconsin – limit the annual growth in farmland assessments.

In addition to the assessment practice, Minnesota applies a circuit breaker based on assessed value, and Michigan and New York offer income tax credits against property taxes paid.

In addition to the Lincoln report, LSA reviewed the assessment practices in five nearby states. A summary of what we found is presented below.

**Indiana**

Indiana is included here for comparison purposes, Indiana has been using a capitalization-of-income approach that divides average net income per acre by a capitalization rate to determine a statewide base farmland value. That value is \$2,050 for taxes payable in 2015.

The formula calculates net incomes for each of six years (with a four-year lag) from operating and cash rent. The expenses used to determine net income include the statewide average net property tax per farmland acre.

Then a capitalization rate is applied. The rate is derived from quarterly farm loan rates published by the Federal Reserve Bank of Chicago in an agricultural newsletter called the “AgLetter.” Interest rates for operating loans and real estate are averaged.

After calculating the value for each of the six years, the year with the highest value is dropped and the remaining five years are averaged to determine the base rate. The base rate is then adjusted by local assessors for each parcel to reflect soil productivity and other influence factors.

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The following table from the Department of Local Government Finance's Certification of Agricultural Land Base Rate for Assessment Year 2014 provides a summary of Indiana's base rate computation for taxes payable in 2015.

**Table 2-18. Agricultural Land market value in use**  
**Source: Real Property Assessment Guidelines**

Year	<u>NET INCOMES</u>			<u>MARKET VALUE IN USE</u>		
	Cash Rent	Operating	Cap. Rate	Cash Rent	Operating	Average
2006	110	74	8.18%	1,345	905	1,125
2007	122	184	7.94%	1,537	2,317	1,927
2008	140	189	6.56%	2,134	2,881	2,508
2009	139	116	6.17%	2,253	1,880	2,066
2010	141	172	5.97%	2,362	2,881	2,621
2011	160	254	5.61%	2,852	4,528	3,699
					<b>Average</b>	
					<b>Market Value in Use</b>	<b>\$2,050</b>

Under SEA 436 (2015) the base rate for taxes payable in 2016 is frozen at the 2015 amount (\$2,050). The growth for all future years is limited to the assessed value growth quotient (AVGQ), which is estimated at 3.8% for taxes due in 2017 and 4.2% for taxes due in 2018. Under this law, the base rate is estimated at \$2,130 for taxes due in 2017 and \$2,220 for taxes due in 2018.

Under previous law, the base rate would have been estimated at \$2,420 for 2016, \$2,770 for 2017, and \$3,060 for 2018.

**Kansas**

Kansas uses a capitalization-of-income approach that divides potential income by a capitalization rate and then applies a soil productivity factor. The potential income used is the eight-year average landlord net income.

Under mandate of the Kansas Legislature, the capitalization rate may not be less than 11% nor more than 12%. The capitalization rate is comprised of the following:

1. The five-year average of the Federal Land Bank interest rate on new loans in Kansas;  
 PLUS:
2. An "add on" of not less than .75% nor more than 2.75% determined by the Director of Property Valuation;  
 PLUS:
3. The county average agricultural property tax rate. This accounts for property taxes on agricultural land as an expense. (In Indiana, the statewide average property tax is accounted for in the net income amount instead of the capitalization rate).

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#### **Kentucky**

In Kentucky, the use value of land is based on a capitalization-of-income approach using rental income by agricultural land class. The value per acre of crop land ranges from \$488 to \$824 in the state's six agricultural statistical districts. The value per acre of permanent pasture land ranges from \$211 to \$292.

The calculation uses a ten-year average of rental income. The 2011-2014 quadrennial assessment uses income data from 2000 through 2009.

Kentucky uses a capitalization rate based on the "mortgage equity" method, composed of the actual cost of money to a farm purchaser together with the purchaser's equity investment.

The first component is a ten-year average of Farm Credit Services mortgage interest rates (7.00% average in 2000-2009). It is assumed that 70% is under a first mortgage, so the average interest rate is multiplied by 70% (results in 4.90%).

Then Kentucky adds 3.3% to estimate the return on equity and 1% for the effective tax rate, resulting in a 9.20% capitalization rate.

#### **Nebraska**

In 2014, the average value of Nebraska farmland was \$3,315 per acre, ranging from \$855 to \$7,285 in the state's eight regions. Nebraska assesses farmland at 75% of this special use value, so the average assessed value of farmland was \$2,486 per acre.

The land values are determined using a survey of over 100 expert-panel reporters from across the state that provides information regarding the agricultural land market conditions in their areas. These reporters provide estimates of current agricultural land values and cash rental rates for a variety of land types and classes. They also provide details regarding actual sales transactions which have occurred over the previous 12 months.

#### **Ohio**

For 2015, the average Ohio Current Agricultural Use Value (CUAV) was \$1,388 per acre. Ohio calculates a CUAV for each of 3,514 soil map units. The calculation includes both capitalization-of-income and a soil productivity factor.

All inputs to capitalization-of-income are Olympic averages over seven years. That is, the highest and lowest values are dropped, and the remaining five values are averaged.

Average net incomes for an acre of corn, soybeans, and wheat, are calculated using average yields and crop prices for the gross income calculation, then netting off expenses. The combination of corn, soybeans, and wheat is based on the most recent five-year average of crop acres harvested in Ohio: 40.0% corn, 52.6% beans, and 7.4% wheat. There are two exceptions: 50% corn and 50% soybeans are used for organic soils, and a minimum value is set at \$350 for soil map units with a productivity index of 55 or less (pasture).

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Ohio also uses a capitalization rate based on a “mortgage equity” method. The first component is a five-year average of Farm Credit Services interest rates (6.15% average). It is assumed that 80% is under a mortgage. A 5.25% equity yield rate is applied to the remaining 20% equity. Equity build up is also acknowledged in the formula. Then Ohio adds 1.6% for the effective tax rate, resulting in a 6.6% capitalization rate.

**Wisconsin**

The overall average 2015 use value of farmland in Wisconsin was \$144 per acre. Use values for 4 grades of farmland are calculated for each municipality. The average value was \$212 for grade 1 land and \$53 for pasture. The calculation includes both capitalization-of-income and a soil productivity factor.

Agricultural land is assessed according to the net income that could be generated from its rental for agricultural use. Wisconsin assumes a lease agreement where the income and direct operating costs are distributed equally between the landowner and farm operator.

The landowner's average gross income per acre for each category of agricultural land in each municipality is calculated by multiplying the category's 5-year average corn yield per acre by the 5-year average corn market price per unit of output. The land category reflects soil productivity.

A capitalization rate is then determined for each municipality. A survey is made of each federal land credit association (FLCA) and each agricultural credit association (ACA) in Wisconsin to obtain the interest rate charged by that association for a medium-sized, 1-year adjustable rate mortgage (ARM)

The effective rate of each FLCA and ACA is calculated by dividing the 1-year ARM rate by one minus any stock purchase requirement if one exists, expressed as a percentage of the loan. A statewide five year moving average is calculated for the current and four prior years.

The capitalization rate for each municipality is equal to the greater of (a) 11% or (b) the sum of the 5-year moving average rate plus the net tax rate of that municipality.

Also, increases and decreases in the use values for each category of agricultural land in each municipality are limited to the prior year's percentage change in the statewide equalized value, excluding agricultural land and new construction.

### Tax Treatment of Agricultural Property

State	Program Name	Description of Method of Preferential Treatment
ALABAMA	Agricultural and Timberland Use Value	Agricultural and timberland properties are assessed at 10% of value rather than the 20% rate of other non-residential properties. Soils are used to indicate the income productivity of the land. The Department of Revenue, utilizing statistics from several state agencies, shall determine annually the current use standard value for agricultural property. State statute specifies a formula for this calculation that includes crop production, revenues, return, and income flow. Separate calculations are made for agricultural and forest lands.
ALASKA	Farm Use Land Assessment Program	Farm land is assessed at true use as farm land, not at highest and best value.
ARIZONA	Agricultural Valuation	Land used for qualified agricultural purposes is valued using only the statutory income capitalization valuation procedure without any allowance for urban or market influences. The capitalization rate is computed annually.  Agricultural lands are assessed at a lower rate than commercial and industrial properties.
ARKANSAS	Use Valuation of Agricultural, Pasture, and Timber Land	Agricultural land, pasture land, and timber land valuation is based on the productivity of the soil. Guidelines for valuation are developed by the state based on the typical or most probable use of the soils for agricultural land, pasture land, and timber land in the region.  The Assessment Coordination Department annually develops and publishes valuation tables and other data to be used by county assessors for assessing lands qualifying for use assessment. This includes the development and calculation of capitalization rates by using appropriate long-term federal security rates, risk rates, management rates, and other appropriate financial rates. However, capitalization rates cannot be less than 8% nor more than 12%.
CALIFORNIA	Local Option Farmland and Open Space Program (Williamson Act)	Lands subject to open space or agriculture restrictions are valued based on use rather than market value.
CALIFORNIA	Fruit Trees, Nut Trees and Grape Vines Exemption	Fruit and nut trees are exempt until 4 years after the season in which they were planted. Grape vines are exempt until 3 years after the season in which they were planted. Trees and vines damaged in designated periods are treated as if they are new plantings.

### Tax Treatment of Agricultural Property

State	Program Name	Description of Method of Preferential Treatment
COLORADO	Agricultural Valuation	<p>The actual value of agricultural land, exclusive of improvements, is based on the earning or productive capacity of the land, capitalized at the statutory rate of 13% to arrive at an indication of actual value.</p> <p>The landlord's gross income is calculated by multiplying the 10-year average price of the commodity or grazing rental rate by the yield associated with the subject property's soil classification, and then multiplying that figure by the typical landlord's crop share.</p> <p>The 10-year average of typical landlord expenses (statewide) are subtracted from the landlord's gross income to arrive at the landlord's net income.</p> <p>The assessment ratio for agricultural land is 29% which is same as commercial and industrial properties and higher than residential properties.</p>
CONNECTICUT	Farmland Preservation (PA 490)	<p>The present true and actual value of land classified as farm land is based upon its current use without regard to neighborhood land use of a more intensive nature, provided that the present true and actual value of open space land is less than it would be if it comprised a part of a tract of land classified as farm land.</p>
CONNECTICUT	Local Option Farm Abatement	<p>At local option, the municipality may abate up to 50% of the property taxes.</p>
DELAWARE	Valuation of Agricultural, Horticultural and Forest Land Use	<p>The value of land which is determined by the assessing officer of the taxing jurisdiction to be actively devoted to agriculture use shall, for local tax purposes, on application of the owner, be that value which such land has for agricultural use. The assessor values agricultural, horticultural and forest land by considering only those indicia of value of such land as established by the State Farmland Evaluation Advisory Committee.</p> <p>All structures, including the farmhouse and the land on which the farmhouse is located, together with the additional land used in connection therewith, are ineligible for assessment as agricultural land and are valued, assessed and taxed by the same standards, methods and procedures as other taxable structures and other land in the taxing district.</p>
DIST OF COLUMBIA	No agricultural assessment programs found	
FLORIDA	Classified Use Value of Land Classified Agricultural	<p>The value is based on use as agricultural land. The property appraiser shall consider the following use factors only: the quantity and size of the property; the condition of the property; the present market value of the property as agricultural land; the income produced by the property; the productivity of land in its present use; the economic merchantability of the agricultural product; and such other agricultural factors as may from time to time become applicable, which are reflective of the standard present practices of agricultural use and production.</p>

### Tax Treatment of Agricultural Property

State	Program Name	Description of Method of Preferential Treatment
FLORIDA	Environmentally Endangered Land and Conservation Easement	<p>The property appraiser, in valuing such land for tax purposes, shall consider no factors other than those relative to its value for the present use, as restricted by any conveyance or covenant.</p> <p>If covenant is less than 10 years, the land shall be assessed recognizing the nature and length of the restriction.</p>
FLORIDA	Exemption for Conservation Easement in Perpetuity	<p>For properties that are used exclusively for conservation purposes that have are encumbered by perpetual conservation easement are fully exempt from property tax.</p> <p>Land dedicated in perpetuity for conservation purposes and used for allowed commercial purposes provided that the activities are consistent with a management plan, are 50% exempt.</p> <p>Buildings, structures, and other improvements situated on land receiving the exemption and the land area immediately surrounding the buildings, structures, and improvements must be assessed separately; only those auxiliary to the conservation purposes are exempt to the same extent as the underlying land.</p>
GEORGIA	Conservation Use Valuation Assessment	<p>Value is based on current use rather than fair market value. The formula considers income capitalization based on soil productivity and market sales in different regions of state.</p> <p>In no event may the current use value of any conservation use property increase or decrease during a covenant period by more than 3% from its current use value for the previous taxable year or increase or decrease during a covenant period by more than 34.39% from the first year of the covenant period. The limitations imposed by this subsection shall apply to the total value of all the conservation use property.</p>
GEORGIA	Preferential Assessment for Agricultural and Forestry Property	<p>Property is assessed based on current use.</p> <p>Qualifying agricultural property is assessed at 75% of the assessment of other property. This means that this type of property is assessed at 30% of fair market value rather than 40%.</p> <p>Timber on land is not assessed or taxed until harvested.</p>

**Tax Treatment of Agricultural Property**

State	Program Name	Description of Method of Preferential Treatment
HAWAII	Agricultural Use Value	<p>Property tax assessment of agricultural land is based on use value rather than fair market value. The following factors are considered in calculating the use value: rent; productivity; nature of actual agricultural use; the advantage or disadvantage of factors such as location, accessibility, and transportation facilities; size; shape; topography; quality of soil; water privileges; availability of water and its cost; easements and appurtenances; and to the opinions of persons who may be considered to have special knowledge of land values.</p> <p>The tax rates for agricultural properties is lower than the rate for commercial and industrial properties.</p>
HAWAII	Dedicated Agricultural Land	<p>In addition to the land being valued based on use and subject to special rates, dedicated lands are taxed at 50% of assessed value.</p>
HAWAII	Honolulu County Agricultural Land	<p>Land dedicated for 1 year is assessed at 5%.                      Land dedicated for 5 years is assessed at 3%.                      Land dedicated for 10 years is assessed at 1%.                      Pasture land, regardless of term of dedication is assessed at 1%.</p>
IDAHO	Valuation of Agricultural Land (Speculative Value Exemption)	<p>There is an exemption for the speculative value of agricultural land. The speculative portion is the portion of the value of agricultural land equal to the excess over the actual use value of the land as established by comparable sales data compared to value established by capitalization of economic rent or long-term average crop rental at a capitalization rate. The capitalization is the rate of interest charged by the Spokane office of the farm credit system averaged over the immediate past 5 years plus a component for the local tax rate.</p>

### Tax Treatment of Agricultural Property

State	Program Name	Description of Method of Preferential Treatment
ILLINOIS	Farmland, Open Space, and Forestry Management Plan [Farmland]	<p>Farmland value is based on the productivity of the land as farmland and is determined using an income capitalization approach. Net income is calculated on a per acre basis by soil productivity index for harvested cropland, using moving averages for the most recent 5-year period for which data are available. Net income is capitalized by a moving average of the Federal Land Bank farmland mortgage interest rate. The standard assessment ratio of 33.3% is applied to the resulting agricultural economic value to arrive at an equalized assessed value. However, any increase or decrease in the equalized assessed value per acre by soil productivity index may not exceed 10% from the immediate preceding year's soil productivity index certified assessed value.</p> <p>Cropland is assessed in accordance with the equalized assessed value of its soil productivity index and debased to take into account factors including, but not limited to, slope, drainage, ponding, flooding, and field size and shape. Permanent pasture is assessed at 1/3 of its debased productivity index equalized assessed value as cropland. Other farmland is assessed at 1/6 of its debased productivity index equalized assessed value as cropland. Wasteland is assessed on its contributory value to the farmland parcel. In no case shall the equalized assessed value of permanent pasture be below 1/3, nor the equalized assessed value of other farmland, except wasteland, be below 1/6, of the equalized assessed value per acre of cropland of the lowest productivity index.</p>
INDIANA	Agricultural Assessment	An annual base rate or value per acre is established each year by the state. The base rate is adjusted for soil productivity and other factors, such as flooding and forest cover to determine taxable base. Each assessor shall use data on the appropriate soil productivity for growing corn.
IOWA	Assessment of Agricultural Property	The assessment of agricultural property, excluding agricultural dwellings, is based exclusively on its productivity, or net earning capacity, capitalized at a statutory rate of 7%. Productivity is determined by a 5-year average productivity study, based on each county's actual crop yields, prices, and expenses. The average value per acre is multiplied by total agricultural acres in the county. This aggregate value is distributed among the agricultural land in the county based on the corn suitability rating (CSR) of individual parcels.
IOWA	Agricultural Land Credit for School Taxes	Eligible applicants receive a credit against any general school fund property taxes in excess of 54 mills. If the agricultural land credit fund is insufficient to pay the credit in full, the available funds are distributed on a pro rata percentage.
IOWA	Family Farm Tax Credit for School Taxes	Eligible applicants receive a credit against any general school fund property taxes in excess of 54 mills. However, if the family farm tax credit fund is insufficient to pay the credit in full, the available funds are distributed on a pro rata percentage.

### Tax Treatment of Agricultural Property

State	Program Name	Description of Method of Preferential Treatment
KANSAS	Assessment of Agricultural Property	<p>Agricultural land is valued based on the capability of the land. The value is based on the 8-year average net income for 3 types of land; dry, irrigated and pasture. The capitalization rate used to convert net income into an agricultural value is based on the 5-year average of Federal Land Bank interest rate on new loans and an add on of not less than .75% nor more than 2.75%.</p> <p>Land devoted to agricultural use is assessed at 30% of value. This compares to 25% for commercial and industrial real property and improvements on agricultural land.</p>
KENTUCKY	Agricultural Value Assessment	<p>Use value is based upon income-producing capability and comparable sales of farmland purchased for farm purposes where the price is indicative of farm use value, excluding sales representing purchases for farm expansion, better accessibility, and other factors which inflate the purchase price beyond farm use value.</p>
LOUISIANA	Use Valuation for Agricultural, Timber, and Horticultural Land	<p>Use value of bona fide agricultural, horticultural, and timber lands is determined by the application of the following formula: Value equals net income divided by capitalization rate. In applying this formula the assessors utilizes the use value table and the capitalization rate as determined by the Louisiana Tax Commission or its successor.</p> <p>Use value of bona fide marsh land shall be determined on the basis of its highest use value. In determining the use value of such lands, the assessors utilizes the use value table prepared by the Louisiana Tax Commission or its successor which is applied uniformly statewide.</p> <p>For timberland assessed based on its use value there is also levied a "Forest Protection Tax" of \$0.08 per acre.</p>
MAINE	Farmland Tax Law	<p>The municipal assessor, chief assessor or State Tax Assessor for the unorganized territory shall establish the 100% valuation per acre based on the current use value of farmland used for agricultural or horticultural purposes. The values established must be guided by the Department of Agriculture, Conservation and Forestry and adjusted by the assessor if determined necessary on the basis of such considerations as farmland rentals, farmer-to-farmer sales, soil types and quality, commodity values, topography and other relevant factors. These values may not reflect development or market value purposes other than agricultural or horticultural use.</p> <p>The municipal assessors adjusts the 100% valuations per acre for farmland for their jurisdiction by whatever ratio or percentage of current just value is then being applied to other property within the municipality to obtain the assessed values. The State Tax Assessor adjusts the 100% valuations per acre for farmland for the unorganized territory by such ratio or percentage as is then being used to determine the state valuation applicable to other property in the unorganized territory to obtain the assessed values.</p>

**Tax Treatment of Agricultural Property**

<b>State</b>	<b>Program Name</b>	<b>Description of Method of Preferential Treatment</b>
MAINE	Local Option Agricultural Conservation Easement	In exchange for the farmer granting the municipality an agricultural conservation easement, the municipality will provide an annual farm support payment up to 100 percent of the annual property taxes assessed by the municipality against the land and buildings subject to the easement.
MARYLAND	Agricultural Use Assessment Law	Agricultural use values are calculated by capitalizing farmland rental income. Ranges of value are established for the entire state. According to the Department of Assessment and Taxation's Procedures Manual.  Land under the Forest Conservation Management Agreement (FCMA) is valued at \$125 per acre for parcels of land 5 acres or greater; land under the Woodland Management Plan is valued at \$187.50 per acre; and, all other agricultural use land is valued between \$125 and \$500 per acre. Marshland is valued at a rate less than the lowest agricultural land rate.
MARYLAND	Local Option Relief for Agricultural Land Preservation	At local option, a county or City of Baltimore may grant a property tax credit not exceeding 75% of any property tax imposed on agricultural land subject to an easement conveyed or assigned to the Maryland Agricultural Land Preservation Foundation.
MASSACHUSETTS	Recreation Land Tax Law	Recreational land is valued on the basis of use rather than current fair cash value. In no event shall such valuation exceed 25% of its fair cash value. The rate of tax applicable to such recreational land shall be the rate determined to be applicable to class 3, commercial property. At local option, properties classified as recreational land may be taxed as class 2, open space.
MASSACHUSETTS	Farm Land Tax Law	Farmland Valuation Advisory Commission establishes a range of values on a per acre basis for each of several classifications of land in agricultural, horticultural, and forest land uses. These ranges are based on evidence of agricultural or horticultural use capability available from soil surveys and other pertinent evidence.  Agricultural and horticultural land is taxed at the rate applicable to class 3, commercial property. At local option, such properties may be classified and taxed as class 2, open space property.
MICHIGAN	Farmland Development Program	Under a farmland development rights agreement, the landowner is entitled to claim as a credit against state income tax liability the amount by which the farmland property taxes on land and structures restricted by such agreements exceed 3.5% of household income. This credit is in addition to a homestead property tax credit which the landowner may claim on the state income tax return.

### Tax Treatment of Agricultural Property

State	Program Name	Description of Method of Preferential Treatment
MINNESOTA	Agricultural Property Tax (Green Acres)	<p>The value of any real estate is determined solely with reference to its appropriate agricultural classification and value. Furthermore, the assessor shall not consider any added values resulting from nonagricultural factors. In order to account for the presence of nonagricultural influences that may affect the value of agricultural land, the commissioner of revenue shall, in consultation with the Department of Applied Economics at the University of Minnesota, develop a fair and uniform method of determining the average value of agricultural land for each county in the state. The values must be determined using appropriate sales data. When appropriate, the commissioner may make reasonable adjustments to the values based on the most recent available county or regional data for agricultural production, commodity prices, production expenses, rent, and investment return. The commissioner annually assigns the resulting countywide average value to each county, and these values are used as the basis for determining the agricultural value for all properties in the county qualifying for tax deferment. The county assessor, in consultation with the Department of Revenue, determines the relative value of agricultural land for each assessment district in comparison to the countywide average value, considering and giving recognition to appropriate agricultural market and soil data available.</p> <p>To calculate net taxing capacity, the value of property is multiplied by the class rate for the assigned property class or subclass. For the 2013 assessment year, payable in 2012, agricultural homesteads, which includes homestead, garage, and one acre of land, have a class rate of 1% for the first \$500,000 of value and 1.25% for the remaining value; agricultural homestead land has a class rate of 0.5% for the first \$1,500,000 and 1% for the remaining value; and nonhomestead agricultural land has a class rate of 1%.</p>
MINNESOTA	Metropolitan Agricultural Preserves	Land is valued based on agricultural use in the same manner as land in Green Acres program. In addition, owners receive an annual tax credit of at least \$1.50 per acre.
MINNESOTA	Local Option Agricultural Land Preservation Program	The program provides the landowner with a \$1.50 per acre tax credit.
MISSISSIPPI	Use Value of Agricultural Land	<p>Appraisals of agricultural property are based on current use of the property, regardless of location. Assessors use soil types, productivity, and other criteria set forth in the Mississippi State Tax Commission manuals. These criteria must include, but not be limited to, an income capitalization approach with a capitalization rate of not less than 10% and a moving average of not more than 10 years.</p> <p>Agricultural property is included in Class II and assessed at rate of 15% of value as is commercial property.</p>

### Tax Treatment of Agricultural Property

State	Program Name	Description of Method of Preferential Treatment
MISSOURI	Valuation of Agricultural and Horticultural Land	<p>Land is valued based on the productivity of the soil. On a biannual basis, the State Tax Commission determines values based on productive capability for each of the several grades of agricultural and horticultural land. If such rules are not disapproved by the general assembly, they take effect on 1 January of the next odd-numbered year. These values are based on soil surveys, soil productivity indexes, production costs, crop yields, appropriate capitalization rates and any other pertinent factors, all of which may be provided by the college of agriculture of the University of Missouri. The general assembly has not approved increased values since 1995.</p> <p>Agricultural and horticultural property is assessed at 12% of its use value.</p>
MONTANA	Valuation of Agricultural Land	<p>Agricultural land is valued based on its agricultural productive capacity. Land is classified according to its use, which includes but is not limited to irrigated use, non irrigated use, and grazing use. Within each class, land is subclassified by productive categories based on yield. The productive capacity value of agricultural lands is determined by dividing the per acre net income of agricultural land in each subclass by the capitalization rate.</p> <p>The productivity value of agricultural land is then multiplied by taxable percentage rate to arrive at taxable value. In tax year 2013 the taxable percentage rate is 2.54%. This is the same taxable percentage as residential, commercial and industrial property.</p> <p>Non-qualified agricultural land containing 20 acres or more but less than 160 acres is valued at the productive capacity value of grazing land, at the average grade of grazing land. The taxable value of land is computed by multiplying the productive capacity value of the land by seven times the taxable percentage rate for agricultural land. For tax year 2013, this taxable percentage is 17.78%.</p> <p>One acre of land beneath agricultural improvements on agricultural land is valued at the class with the highest productive value and production capacity of agricultural land.</p>
NEBRASKA	Valuation of Agricultural and Horticultural Land	<p>Agricultural and horticultural that meets qualifications is valued for taxation at 75% of its special value. Special valuation means the value that the land would have for agricultural or horticultural purposes or uses without regard to the actual value the land would have for other purposes or uses. Agricultural and horticultural that does not meet the requirements for special valuation is valued at 75% of its actual value.</p>
NEVADA	Assessment of Agricultural Property	<p>Agricultural real property is assessed based on its value for agricultural use. To determine use value, the Department conducts an annual study of the value of land designated for agricultural use. The study is based on the productivity of the land as determined by the application of a capitalized earnings approach. The approach uses a 5-year weighted average of net operating income which is capitalized into an indication of the value of the land per acre. The result is multiplied by the assessment ratio to obtain an assessed value per acre. All property subject to taxation has an assessment ratio of 35%.</p>

### Tax Treatment of Agricultural Property

State	Program Name	Description of Method of Preferential Treatment
NEW HAMPSHIRE	Current Use Taxation Program	<p>Eligible land, excluding any building, appurtenance or other improvement on the land, is assessed based on its current use value. Current use value means the assessed valuation per acre based upon the income-producing capability of the land in its current use, solely for growing agricultural crops, and not its real estate market value. This valuation is determined by the assessor in accordance with the range of current use values established by the board and in accordance with the class, type, grade and location of land.</p> <p>For unproductive land, the board develops only one category, setting its current use value not to exceed that of the lowest current use value established by the board for any other category. Land classified as unproductive land must be reclassified as farmland (and/or forestland) if the land becomes accessible or practical to harvest.</p>
NEW JERSEY	Farmland Assessment Act	<p>The New Jersey Farmland Evaluation Advisory Committee, made up of the Director of the Division of Taxation, the Dean of Cook College, and the New Jersey Secretary of Agriculture publish a range of fair values for use by assessors, based on productive capability of the land.</p>
NEW MEXICO	Valuation of Agricultural Land	<p>The value of land used primarily for agricultural purposes is determined on the basis of the land's capacity to produce agricultural products or the production capacity of land used for grazing purposes.</p> <p>For agricultural land, the production capacity is determined by the income method of valuation based on the income derived or capable of being derived from the use of the land for agricultural purposes. Annual income per acre is divided by the capitalization rate to arrive at the value per acre for property taxation purposes.</p> <p>For grazing land, the state calculates the value per animal unit, which value reflects the net income derived or capable of being derived from the use of the land (or fractional interests in real property) used for grazing. These animal unit values are applied uniformly throughout the state and are calculated in a manner so that the tax ratio is applied. The value per animal unit is multiplied by the carrying capacity of the land to arrive at taxable value.</p>
NEW YORK	Agricultural Assessment	<p>Taxes on eligible farmland are based on the land's agricultural assessment rather than its full assessment. Any assessed value above the agricultural assessment is exempt from real property taxation.</p> <p>The agricultural assessment value is based on the value of production adjusted for the productivity of soil averaged over 8 years, as determined by the department of taxation. The change in the base agricultural assessment values for any given year shall not exceed 2% of the assessment value of the preceding year.</p>

### Tax Treatment of Agricultural Property

State	Program Name	Description of Method of Preferential Treatment
NEW YORK	Farmers' School Tax Credit	<p>A farmer is eligible for a credit on the state income tax return for school property taxes paid on land, structures and buildings used for agricultural purposes. Taxes on residences are not included.</p> <p>The credit is phased-out for adjusted gross income that exceeds \$200,000.</p>
NORTH CAROLINA	Use Value for Agricultural, Horticultural and Forest Land	<p>The value of the land is its current use as agricultural, horticultural, woodland, as well as working waterfront. Wildlife conservation land is assessed as agriculture. The value is based on the capitalized cash rents except for forestland which is valued using net income from actual production. The values are based on the region of the state and the productivity of the soil. Standing timber is exempt.</p> <p>The value for the best agricultural land can be no higher than \$1,200 per acre.</p>
NORTH DAKOTA	Valuation of Agricultural Land	<p>Agricultural land values are based on the land's agricultural value, known as the capitalized average annual gross return. Calculating the capitalized average annual gross return takes into consideration a number of factors; including production (acres X yield X price), input costs, along with interest rates. This calculation results in an average agricultural value per acre of cropland, non-cropland and inundated agricultural land for each county. Gross return for sugar beets and potatoes equals 20% of gross income and for all other croplands, 30% and for non-croplands, 25%. Inundated agricultural property is reduced by 50% before applying the 20% or 30%. The gross revenue for cropland in each county is based on acreage, yield, and price for each crop, over the prior 10 years, with the high and low years dropped. Production costs in terms of cost of production index and capitalization rate are factors are included in determining the value.</p> <p>Agricultural property is assessed at 10%, as are commercial properties. Residential properties are assessed at 9%.</p>
OHIO	Current Agricultural Use Value (CAUV)	<p>Farmland devoted exclusively to commercial agriculture may be valued according to its current use. Current values are set each year by the state for each soil type. The annual current use values are calculated by the capitalization of net income from agricultural products assuming typical management, cropping and land use patterns, and yields for given types of soils.</p>
OKLAHOMA	Agricultural Use Value	<p>Use value is based on agricultural productivity of 4 classes of agricultural land: cropland, improved pasture, native pasture, and timberland wasteland. Agricultural productivity is based on soil mapping unit characteristics and assigned productivity points. A use value per use class per productivity point is calculated based on comparable sales and cash rentals in each county.</p> <p>Timber inventories are classified as a crop and as such are exempt from ad valorem taxation.</p>
OREGON	Farm Use Value	<p>Farm use is based on income for each class of land. Values are also subject to measure 50 limitations which restricts value increases to no more than 3% in a given year.</p>

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PENNSYLVANIA	Preferential Assessment of Farmland and Forest Land under the Clean and Green Act	Preferential assessment in the Clean and Green program is based on current-use valuation. The state will determine the land use subcategories and provide county assessors use values for each land use subcategory. For agricultural and agricultural reserve uses, values will be based on income that is appropriate for the county specific uses. For forest reserves the assessment is based on productivity of the land to produce timber, taking into account the the forest type, species of trees, age, and market conditions, among other factors.
RHODE ISLAND	Farmland Assessment	Farmland is taxed according to agricultural use based upon the following 4 categories: 1) Ornamental crops, 2) Vegetable and Orchards, 3) Dairy and Livestock, 4) Forest and Wasteland. Recommended values for farmland will be periodically determined by the Farm, Forest and Open Space Land Value Subcommittee.
SOUTH CAROLINA	Agriculture Use Value	<p>Fair market value for agricultural purposes is based on the productive earning power considering soil capability to be determined by capitalization of typical cash rents or typical net income from timber and non-timber crops.</p> <p>Agricultural real property is assessed at 4% of fair market value. Manufacturing property is assessed at 10.5% and commercial property at 6%.</p>
SOUTH DAKOTA	Valuation of Agricultural Property	<p>The agricultural income value of agricultural land is determined on the basis of productivity and the annual earnings capacity of the agricultural land. Agricultural income value is defined as the capitalized annual earning capacity on a per acre basis.</p> <p>The maximum levy for school districts on agricultural property is less than that for residential property and for all other properties.</p>
TENNESSEE	Greenbelt Law	<p>The assessed value of eligible property is based on the income, soil productivity, topography, and other factors that determine anticipated agricultural or forestry income. The annual agricultural income estimate for a parcel of open space land shall be the same as that for the least productive type of agricultural land.</p> <p>The assessment ratio for Greenbelt property is 25%, the same as for residential property. Commercial and industrial properties are assessed at 40%.</p>
TEXAS	Agricultural Use Value	Agricultural land is appraised at its value based on the land's capacity to produce agricultural products, which is determined by capitalizing the average net income the land would have yielded under prudent management from production of agricultural products during the 5 years preceding the current year.
TEXAS	Open Space Agricultural Use	Agricultural land is appraised at its value based on the land's capacity to produce agricultural products, which is determined by capitalizing the average net income the land would have yielded under prudent management from production of agricultural products during the 5 years preceding the current year.

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UTAH	Farmland Assessment Act (FAA) "Greenbelt" Law	<p>The Utah Farmland Assessment Act (FAA) allows qualifying agricultural property to be assessed and taxed based upon its productive capability instead of the prevailing market value.</p> <p>Land is classified according to its capability of producing crops or forage. Capability is dependent upon soil type, topography, availability of irrigation water, growing season, and other factors. These values are provided annually to the county assessor and may not be changed. Productive values apply county-wide. These are based upon income and expense factors associated with agriculture activities. These factors are expressed in terms of value per acre for each land classification.</p>
UTAH	Urban Farming Assessment Act	<p>The county assessor considers only those indicia of value that the land has for agricultural use as determined by the commission.</p>
VERMONT	Agricultural and Farm Buildings Program	<p>Property is valued according to its use, which is the price per acre that the land would command if it were required to remain in agriculture or forest use. Farm buildings of enrolled agricultural land are tax exempt.</p>
VERMONT	Local Option Contract with Land Owners for Fixed Value	<p>Under contract with land owner a municipality may fix the value of the property, rate of taxes, annual payment or percentage of annual tax.</p>
VIRGINIA	Local Option Special Land Use Assessment	<p>The value of the eligible lands shall be based on the productivity of the land. The local assessor shall take into account the recommendations of value made by the State Land Evaluation Advisory Council.</p>
WASHINGTON	Open Space Taxation Act - Farmland	<p>In determining the current use value of farm and agricultural land, the assessor considers the earning or productive capacity of comparable lands from crops grown most typically in the area averaged over not less than 5 years. This earning or productive capacity is the "net cash rental" and is capitalized by a "rate of interest" charged on long term loans secured by a mortgage on farm or agricultural land plus a component for property taxes.</p>
WASHINGTON	Local Option Public Benefit Rating System for Open Space	<p>In addition to being valued based on current use, open space properties may be eligible for a property tax exemption based on a locally- adopted Public Benefit Rating System (PBRS).</p> <p>PBRS defines both the criteria for evaluating the land for enrollment and the reduction rate such classification will have on the landowner's property taxes. The system provides points based on the type or nature of the open space, the commitment of the land owner to retaining open space use, and the degree the public is granted access. Based on points awarded, assessments may be reduced up to as much as 90%.</p>
WEST VIRGINIA	Valuation of Farmland and Structures	<p>Property is appraised at its fair and reasonable value for farming purposes regardless of what the value of the property would be if used for another purpose. The value is the fair and reasonable income which the property might be expected to earn in the locality wherein situated, if rented. The fair and reasonable value for farming purposes shall be deemed to be the market value of such property for appraisal purposes.</p>

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State	Program Name	Description of Method of Preferential Treatment
WISCONSIN	Agricultural Use Value Assessment	Agricultural land shall be assessed according to the income that could be generated from its rental for agricultural use. Current use valuation applies only to bare land.
WISCONSIN	Farmland Preservation Credit	Credit is a flat per-acre payment of \$5 if acres are subject to a farmland preservation agreement entered into after 1 July 2009 but not located in a preservation zone, \$7.50 for acres in a preservation zoning district but are not subject to a farmland agreement, or \$10 for acres located in farmland preservation zoning district and subject to a preservation agreement entered into after 1 July 2009. There is no maximum grant for individual claimants.  Acreage under an agreement entered into prior to 1 July 2009 may be eligible for credits determined under the old law.
WYOMING	Valuation of Agricultural Land	The value of agricultural land shall be based on the current use of the land, and the capability of the land to produce agricultural products, including grazing and forage, based on average yields of lands of the same classification under normal conditions.  Agriculture land is taxed at 9.5% compared to 11.5% for industrial property.

Source:

Significant Features of the Property Tax.

[https://www.lincolnst.edu/subcenters/significant-features-property-tax/Report\\_Tax\\_Treatment\\_of\\_Agricultural\\_Property.aspx](https://www.lincolnst.edu/subcenters/significant-features-property-tax/Report_Tax_Treatment_of_Agricultural_Property.aspx)

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