Guideline

Property Tax
Valuation Concepts - Agricultural Property

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Tax Commissioner

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True And Full Value

For property classified as agricultural, the true and full value is its agricultural value, which is defined as the "capitalized average annual gross return," except for inundated agricultural land. The capitalized value represents the landowner's share of gross returns per acre from agricultural land.

County Average Agricultural Value

Each year the Department of Agribusiness and Applied Economics at North Dakota State University (NDSU) has the responsibility to compute the average agricultural value per acre of cropland, noncropland and inundated agricultural land for each county. In addition, NDSU computes an average value per acre of all agricultural lands on a countywide and statewide basis. These values are provided to the State Tax Commissioner by December 1 of each year. The model for this process is contained in North Dakota Century Code § 57-02-27.2.

The model uses the county's annual crop production and annual regional market prices by crop reporting districts for the major crops and summerfallow. The major crops include: spring wheat (fallow, continuous and irrigated), durum (fallow, continuous and irrigated), barley (fallow, continuous and irrigated), oats, rye, sunflower (oil and non-oil), flaxseed, corn grain (dryland and irrigated), corn silage (dryland and irrigated), alfalfa hay, other hay, soybeans, winter wheat, dry edible beans, sugar-beets, potatoes (dryland and irrigated), and canola. Cropland data includes acres planted and harvested. Noncropland production data includes rangeland and pastureland acreage estimates and gross income potential of the land based upon animal unit carrying capacity. Most of the data in the model is obtained from the National Agricultural Statistics Service (NASS), the Natural Resources and Conservation Service (NRCS), and the Farm Service Agency (FSA).

The annual gross return for cropland in each county is determined by using 20 percent of the county's annual gross income produced by sugar beets and potatoes, plus 30 percent of the county's annual gross income from the other crops, plus a share of government payments. Annual gross return from irrigated cropland is 50 percent of the dryland rate to recognize additional expense associated with irrigation. The average annual gross return is determined for each county by considering the annual gross returns for the most recent ten years for which data is available preceding the current year, eliminating the returns from the highest and lowest years, and averaging the remaining eight years. The average annual gross return is adjusted by a cost of production index, which accounts for the increasing proportion of the total cost of production represented by variable costs. The data source for this index is *Items Used For Production* from the *Prices Paid Index* published by the National Agricultural Statistics Service. The adjusted average annual gross return per acre is capitalized into an agricultural value per acre for each county by dividing the adjusted average annual gross return by an appropriate capitalization rate.

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* The capitalization rate is calculated by taking the twelve most recent years' gross federal land bank (AgriBank, FCB) mortgage rate of interest for North Dakota, eliminating the highest and lowest years, and averaging the remaining ten years. However, the capitalization rate may not be less than 8.9 percent for 2005 and may not be less than 8.3 percent for taxable years after 2005.

  A noncropland value is determined for each county in the same manner as cropland value, except that the annual gross return is 25 percent of the gross annual income potential from livestock.

  The agricultural value of inundated land is 10 percent of the average agricultural value of noncropland for each county. "Inundated agricultural land" means:
  1. Property classified as agricultural property containing a minimum of ten contiguous acres if the value of the inundated land exceeds ten percent of the average agricultural value of noncropland for the county;
  2. which is inundated to an extent making it unsuitable for growing crops or grazing farm animals for two consecutive growing seasons or more;
  3. and which produced revenue from any source in the most recent prior year which is less than the county average revenue per acre for noncropland calculated by the agricultural economics department of the North Dakota state university.

  Application for classification as inundated agricultural land must be made in writing to the township assessor or county director of tax equalization by March 31 of each year, and must be approved by the board of county commissioners before all or part of a parcel of land may be classified as inundated agricultural land.

An average value per acre for all agricultural land for each county is determined from the cropland, noncropland and inundated agricultural land values by weighting the average of the three categories by the acreage in each category.

Average Agricultural Value For Each County

Each year before January 1, the tax commissioner provides to each of the county directors of tax equalization the county average agricultural values as computed by NDSU.

Average Agricultural Value For Each Assessment District

The county director of tax equalization determines an estimate of the average agricultural value per acre for each township or assessment district. The total agricultural value of all the assessment districts, divided by the total number of taxable agricultural acres, should be equal to the average agricultural value per acre for the county as provided by the tax commissioner. The county director of tax equalization provides these values to the local assessors before February 1 each year.

Whenever possible, the county director of tax equalization should use soil type and soil classification data from detailed and general soil surveys to estimate the average agricultural value for each assessment district relative to the county average agricultural value. If soil survey data is not available, the county director of tax equalization should use the method most appropriate for that county.

Assessor Estimates Value Of Each Parcel Of Agricultural Land

The local assessor estimates the relative agricultural value for each quarter section or smaller parcel of agricultural land in the assessment district. The total agricultural value of the district divided by the total number of taxable agricultural acres should be equal to the average value of agricultural land as estimated by the county director of tax equalization for that district.

Detailed soil surveys provide an accurate method of estimating the relative agricultural value for each parcel. The assessor should use soil type and soil classification from the detailed soil surveys to the extent that the information is available. The assessor may use modifiers to adjust for conditions not documented in the soil surveys. If the detailed soil survey for the county is not available, the assessor should use the most appropriate method to estimate the value of each parcel.

Assessor's Or Township Board's Estimate Of Average Value

The local assessor or township board of equalization may develop an average value of agricultural land for the assessment district that is significantly different from the estimate provided by the county director of tax equalization. In this situation, written evidence supporting a change in valuation must be presented to the county director of tax equalization. If the county director of tax equalization disagrees with the values as submitted by the township board of equalization, the matter is resolved by the county board of equalization.

* Indicates significant change since last revised.