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TO: Senator Les Donovan, Chairman
Senate Assessment and Taxation Committee

FROM: Roger L. Hamm
Deputy Director of Property Valuation

DATE: February 10, 2015

SUBJECT: Follow up to Senate Assessment and Taxation Committee Meeting of 02/05/2015

The following contains additional information requested during the presentations of the Division of Property Valuation (PVD) at the Senate Assessment and Taxation Committee on February 5, 2015.

1) What were the tax rates for agricultural land before and after the 1989 reappraisal?
A request was made for the effective tax rates for agricultural land before reappraisal as compared to the current rates. The effective tax rate expresses the taxes as a percentage of the appraised value. As an example, if a quarter of land (160 acres) had an appraised value of $65,573 and taxes of $2,400, the effective tax rate would be 3.66% (2,400 / 65,573 = 3.66%). The following table shows the effective tax rate for agricultural land for selected years before and after 1989.

Year	Effective Tax Rate	Year	Effective Tax Rate
1980	2.07%	1987	3.29%
1981	2.19%	1988	3.45%
1982	2.17%	1989	2.72%
1983	2.78%	1990	2.80%
1984	2.88%	2000	2.96%
1985	3.03%	2010	3.60%
1986	3.12%	2014	3.69%

2) Is Use Valuation for agricultural land still relevant?

Currently in the Kansas Constitution agricultural land is to "be valued upon the basis of its agricultural income or agricultural productivity..." This is achieved by determining the landlord's net income which is then used to develop the appraised value of the land. This question surfaced from that discussion; is this method of valuation still relevant because of shifts in land ownership; ie, away from the "family farm" to more corporate farming? As in many businesses, tight profit margins have forced larger scale of operations for most farms. Even with this trend to "big farms", corporate farms make up a small percent of the Kansas agricultural land. Please see below the information provided by the Kansas Department of Agriculture.

Percent of Farm Land Ownership by Organizational Structure

Family or Individual	Partnership	Family Corporation	Non-Family Corporation	Trust
71.00	**14.85**	**11.26**	**.49**	**2.39**

Source: USDA Census of Agriculture

3) How is agricultural land in Nebraska valued?

Agricultural and horticultural land is assessed at or near 75% of the actual market value. The recently published Nebraska Farm Real Estate Market Highlights 2013-2014 report indicates as of February 1, 2014 the weighted average farmland value for the state rose by 9% over the prior 12-month period to $3,315 per acre. Currently, agricultural land makes up about a third of the statewide property tax base.

York County Nebraska has some of the best irrigated land in the state. The market value for irrigated land in York County is about $10,000 per acre. An example of the taxes on an irrigated quarter (160 acres) of this land is as follows:

Market Value	Assessed Value (75%)	Levy	Tax	Tax Per Acre
$1,500,000	$1,125,000	.0153	$17,213	$107.58

Please let me know if you have questions about this information.