

Issue:

South Dakota's system for determining the taxable value of agricultural land uses two different methods - yield and prices for cropland, and cash rent for pasture land. Recent commodity prices and yields have indicated significant increases in most counties for cropland, whereas cash rents for pasture land have been more stable.

Background:

For the 2012 assessment year, cropland values increased an average of nearly 46% statewide over where they were the previous year. At the same, state law limits changes in valuations to 10% through the 2017 assessment year, to allow a gradual transition from the market-based system to the productivity system. Last year, values went up more than 10% in all counties except Lincoln County.

Pasture land values changed far less significantly, with the majority of counties changing less than ten percent.

Information was presented at the August 29, 2011, meeting of the Ag Land Advisory Task Force indicating that if cash rents were to be used for crop land, the results would be very close to current valuation levels. In fact, projected values would need to increase less than five percent from their current levels.

When the legislature first began examining how to transition to the productivity method for valuing agricultural land, Farm Bureau supported the idea of using cash rents for both crop and non-crop land, as a proxy of value. We were also supportive of using actual yield and price data to determine cropland productivity, and we have asked legislators to find a similar method - such as animal unit carrying capacity - for valuing pasture land.

Concerns about using cash rent are that the terms of rental contracts vary widely, and that self-reported rental information may not be accurate. On the other hand, there seems to be difficulty in finding a reliable data source which accurately portrays pasture land carrying capacity. The data sources explored so far are not refined enough to help differentiate pasture land productivity from one area of the state to another.

SDFB Policy:

The assessed valuation of ag land should reflect the land's ability to produce under natural conditions and should be adjusted on a regular basis.

SDFB supports legislation that will allow counties to equalize tax assessments and use any measure of productivity in addition to the soil survey to calculate assessments. The practice of "neighborhooding" in specific geographic areas within a county should be substantially weighted and at least equal in influence with the soil survey.

Questions:

- 1) Should SDFB support using cash rents for both crop and pasture land?
- 2) Should SDFB more aggressively pursue an alternative to cash rents for determining pastureland value? What would be an appropriate measure? What data source(s) should be used?