

Agricultural Land Operator Discount

ISSUE: Should South Dakota Farm Bureau pursue policy that would create a new agricultural land classification. For example, potential legislation would give a property tax break to farmers and ranchers who own their own land. Those who lease their farm or ranch to non-family members would pay more property taxes on the parcel. Some lawmakers also believe that South Dakota's tax policy should encourage family farms and ranches, not investors.

Components of the Plan:

- Divides the General Education Levy on ag property into AG-Operator and AG-Investor. The AG-Investor levy would be higher and the AG-Operator levy lower. The difference between the two levies has not been established. Current General Education mill levies are
 - \$5.211 for commercial property
 - \$2.518 for owner-occupied homes
 - \$1.125 for ag property
- AG-operators include:
 1. Landowner Operator (includes spouse and grantor trust arrangements)
 2. Family Farm: Land leased to family members (degree of kinship is undefined)
 3. Entity Substantially Owned by Landowner
 4. Legacy Farm: Retired Operator After Years of Working the Land (number of years is undefined)
- No shift from agriculture to owner-occupied homes or commercial/other properties.
- No impact on school budgets, county levies, or other property tax levies
- Landowner farmers/ranchers would submit an affidavit to the Director of Equalization to get the Ag-Operator Designation. The program would be an "Opt-In" versus "Opt-Out."
- Plan would be phased in over a two-year period.

Winners	Losers
Farmers & ranchers who actively work the land	Non-Family renters (neighbors, young farmers and ranchers)
Entities significantly owned by the farmer/rancher	Landowners who rent to non-family members
Retired farmers (Legacy Operators – not defined)	Heirs who don't farm
	Directors of Equalization
	Land Speculators
	Cash Rent Market

Policy

The assessed valuation of ag land that reflects the land's ability to produce under natural conditions and should be adjusted on an annual basis.

Requiring actual use for property tax valuation.

A majority approval of the county commission to remove land from the tax rolls. Notification must also be given to the township chairman in any affected township. Land to be purchased, sold or transferred should be publicly advertised and a bid process enacted.

The interpretation of real property as land and permanent structures only.

Legislation that will allow counties to equalize tax assessments and use the adjustment factors in statute to measure productivity in addition to the soil survey to calculating 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.

Discussion Questions:

1. How will this be implemented?
2. Public perception? Good or bad for agriculture? Will it jeopardize productivity?
3. Will it accomplish the goal?
4. What is the needed difference in levies for meaningful tax relief?
5. How will the integrity of the system be maintained?
6. How do you address the issue of leases, crop sharing, etc.?
7. How will business information be shared? Will counties make typically private information available to the public?
8. Directors of Equalization have the personnel, resources, and guidance needed to administer and audit classifications?
9. What mechanisms exist to prevent fraud or “paper farming” to retain AG-OP status?
10. How specifically is “substantially owned” defined for entities? What about blended ownership?
11. Will higher taxes on investors increase rent and harm young farmers reliant on renting?
12. How many years must someone operate the land to achieve “Legacy Operator” status? What documentation is required?
13. Is the two-year implementation schedule realistic to avoid disruption?
14. Does land enrolled in conservation still qualify as AG-OP? If so, does it incentivize investors to transition land to CRP and become the operator?
15. Will operators need to re-certify annually? Could changes mid-cycle create legal challenges?