

TAXATION OF AGRICULTURAL LAND

ISSUE: The disparity of taxation of agricultural land that is utilized as non-crop land with cropland rated soils within the property's boundaries.

OVERVIEW: SDFB has been a supporter of taxation of land being based on actual/current use rather than being based upon the property's soil type.

In the 2016 Legislative Session, Senate Bill 4 was introduced to provide for an assessment of certain agricultural land as non-cropland. The bill would have provided for the following:

- Agricultural land that has been seeded to perennial vegetation for at least 30 years and used for animal grazing or left unharvested or is a native grassland shall be categorized as non-cropland for purposes of determining agriculture income value. The owner would make the request and would provide all necessary documentation.
- Additionally, the owner would be responsible for notifying the director of equalization when that land was changed to cropland. Owners who misrepresent the facts would be assessed a penalty of \$2 per thousand dollars of assessed valuation.

SB 4 was tabled in the 2016 session due to the state contracting with South Dakota State University to conduct a 2-year study on agricultural land assessment and taxation. The study is complete and did not produce results that were usable for agricultural landowners.

CONSIDERATIONS:

1. Legislation that mirrors SB 4 attempts to capture the actual use of land deemed agricultural. Historically, acres of native grassland in South Dakota have been taxed according to soil type and not actual use. This classification allowed for some land to be taxed more than the land use rental rate.

2. For several decades, actual use has been opposed by the owners of other classes of property. This opposition occurs because if the value and taxes paid on land switches from crop land to non-crop land, there will need to be a like shift in the taxes payable difference. This not only includes owner-occupied and commercial, but also owners of cropland.
3. Additionally, many are of the opinion that taxing land on actual use is unconstitutional as it treats like properties differently.

SDFB POLICY: SDFB holds specific policy supporting actual use for property valuation.

DISCUSSION:

1. There will be an effort in the 2022 Legislative Session to introduce a bill similar to SB 4 from 2016. Should SDFB policy favor the approach outlined in SB 4?