



Agricultural Use Value

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What Is Agricultural Use Value?

- A System of Valuation That Gives Preferential Property Tax Treatment For Agricultural Land

Why Do We Have It?

- Substantial Public Interest in Protecting Farmers & Agricultural Industry in Our Country
- Has Translated Into Modified Valuation Approaches for Ag. Land for Property Tax Purposes Across the U.S.

National Agricultural Statistics

- 60% of Private Land in 48 Contiguous States is in Farms and Ranches
- On Average, 75% of All ASSETS in a Farm are Land

BUT

- Agricultural Real Estate Represents Only 5% of all Real Estate Value In U.S.
- Agricultural Real Estate Represent Only 3% of Total Real Property Taxes In U.S.

Agricultural Statistics

- So, There's a Lot of Agricultural Land In U.S.
- But, Ag. Land Does Not Represent a Large Amount of the Total Value of Real Estate, or Property Taxes
- From a Public Policy Standpoint, Then It's Easy to Give Property Tax Breaks To This Group of Taxpayers

Agricultural Use Value Across U.S.

- All 50 States Have Some Form of Agricultural Property Tax Relief Programs
- Two Broad Categories:
 - Differential Assessment (Use Value Rather Than Market Value- This Is What Oklahoma Has)
 - “Circuit Breaker” (State Income Tax Credits to Offset Local Property Tax Bills When They Exceed a Certain Percentage of Household Income)

2008 Oklahoma Agricultural Statistics

● Value:

- Residential \$11.938 Billion
- Commercial \$4.025 Billion
- **Agricultural \$1.513 Billion**
- Total \$17.48 Billion

● Value As Reflected By Percentage:

- Residential 68.31%
- Commercial 23.03%
- **Agricultural 8.66%**

Values As Percentage of Total:



2008 Oklahoma Agricultural Statistics

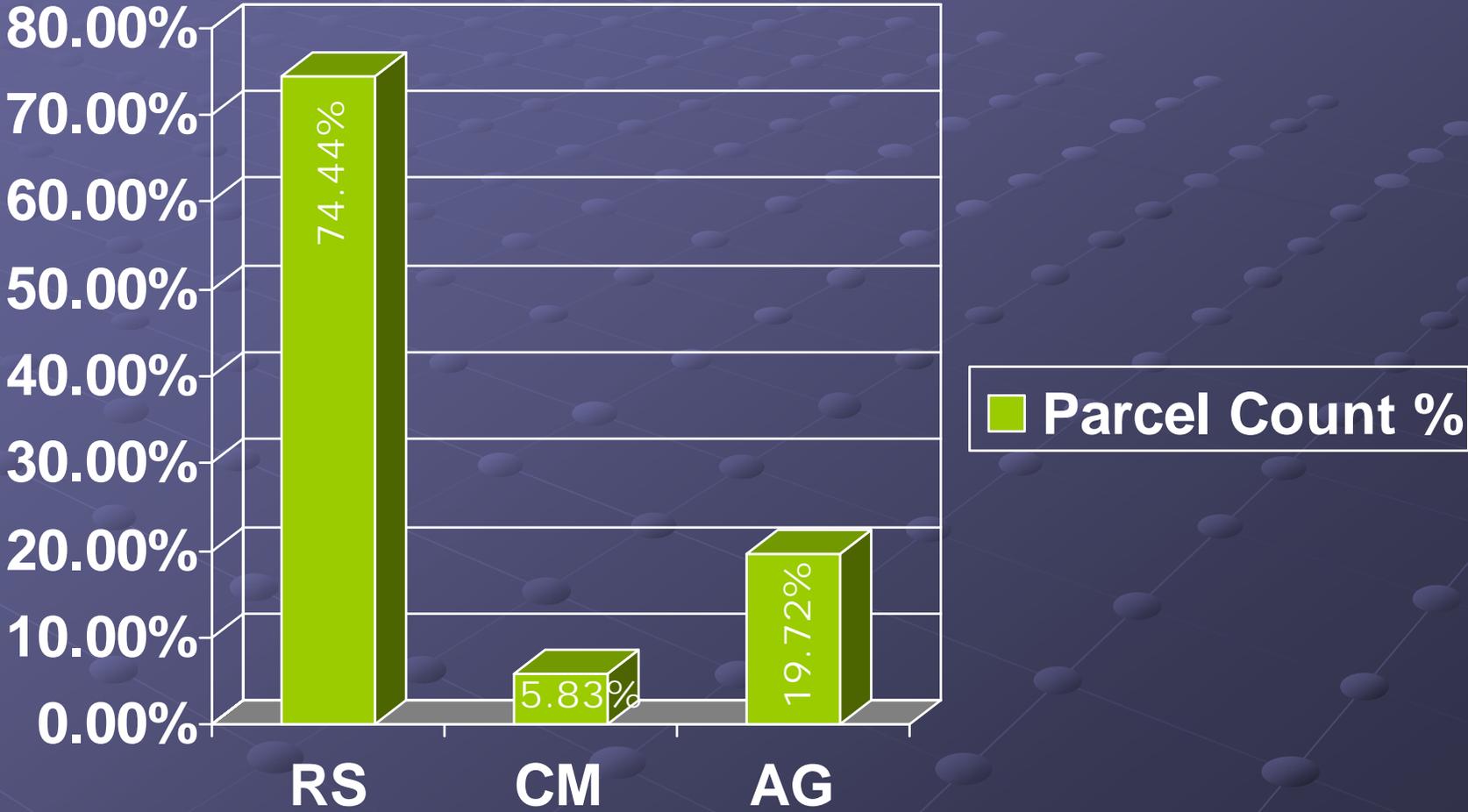
● Parcel Counts:

■ Residential	1,582,444
■ Commercial	124,033
■ Agricultural	419,289
■ Total	2,125,766

● Parcel Counts Reflected As Percentages:

■ Residential	74.44%
■ Commercial	5.83%
■ Agricultural	19.72%

Parcel Counts As Percentage of Total:



Oklahoma Ag. Use Value History

- Poulos Court Cases (1975 and 1976) Influenced Use Value Methodology
- 1976: SBOE Initiated Detailed Methodology For Residential, Commercial & Agricultural Use Value
- SBOE Adopted Current Agricultural Use Value Methodology on July 21, 1981. Included Definition and Classification of Land Uses.

Foundation of “Use Value”

- Foundation of Use Value is Assessment of Real Property at its Highest and Best Use for which the Property was Actually Used, or was Previously Classified for Use During the Calendar Year Prior to the Current January 1 Assessment Date. No Speculation Value is to be Considered.

Basic Subclasses of Ag. Land:

- The Four Authorized SBOE Land Use Classifications Developed in 1981 Are:
 - Cropland
 - “Tame” or Improved Pasture
 - Native Pasture Land
 - Timber Land and Other Unimproved Land
- No Other Land Use Classifications are Authorized

Agricultural Land Valuation Statute:

- The Techniques and Definitions Were Codified Into Statute in 1982
 - *(What is Now Title 68 Section 2817)*
- Requirements Have Not Changed Since the 1981 SBOE Adoption.

“Managed Timber”

- In 1987, SBOE Adopted Subclass Called “Managed Timber” But Was *Repealed In 1990.*



Agricultural Use Value

- OTC Responsible for Annual Calculation of the Capitalization Rate Used for Producing New Calculations of Use Value When Counties Conduct Ag. Studies
- There Have Been Soil Symbol And Productivity Index Changes Since the Inception of Ag. Use Value, But Basic Methodology Unchanged

Details & Mechanics

- CLGT Assessor Certification Class Unit VII
- Agricultural Land Valuation
- Provides Detailed Mechanics of Ag. Land Valuation Process
- Required For Advanced Accreditation

Ag. Use Value Basics

- We'll Touch on Some of the Basics of Ag. Use Value in This Introductory Presentation



Data Needed For Ag. Valuation:

- Number of Acres
- Use Type (Crop, Improved Pasture, Native Pasture, Timber/Unimproved)
- Soil Type / Productivity Index

How Are \$ / Productivity Point Developed?

- An Ag. Study Was Done at Some Point in Your County (See CLGT Unit VII For Details on How Ag. Study is Done)
- These Ag. Studies Produced Dollars Per Productivity Point By Soil Type for Each of the Four Use Types
- Data Then Loaded In CAMA / Mapping Systems
- Produces Values Utilizing Oklahoma Agricultural Use Value Methodology

CAMA Ag. Calculations

- Portion of CAMA Field Card With Agricultural Land Lines:

LAND	USE	DESC	ZONING	UNITS	TP	PRICE	-----	
1	HM10	RURAL HOMESITE	R1	1.00	AC	1000.00	C	1000.00
2	A04	BATES-CV FSL 2-5	NP	.54	AC	50.00	AG	2.44
3	A27	HECT-HARTS COMP	NP	.23	AC	35.00	AG	2.44
4	A39	TALI-COLL COMP 5	NP	29.55	AC	29.00	AG	2.44
5	A10	DENNIS LOAM 1-3%	NP	8.63	AC	79.00	AG	2.44
6	A04	BATES-CV FSL 2-5	TM	6.70	AC	50.00	AG	1.54
AC		77.94						
AC		77.94						

Soil Code

Soil Description

Use Type

Number of Acres

Productivity Index

\$/Point For Use Type

Ag. Use Value Calculations

- Using One Of The Land Lines From CAMA Print In Previous Slide:
- 29.55 Acres
- Native Pasture @ \$2.44 Per Productivity Point
- Productivity Index For Soil Type Is 29
- **Calculations:**
 - **$29.55 \times \$2.44 \times 29 = \$2,091$**

Ag. Use Value Calculations

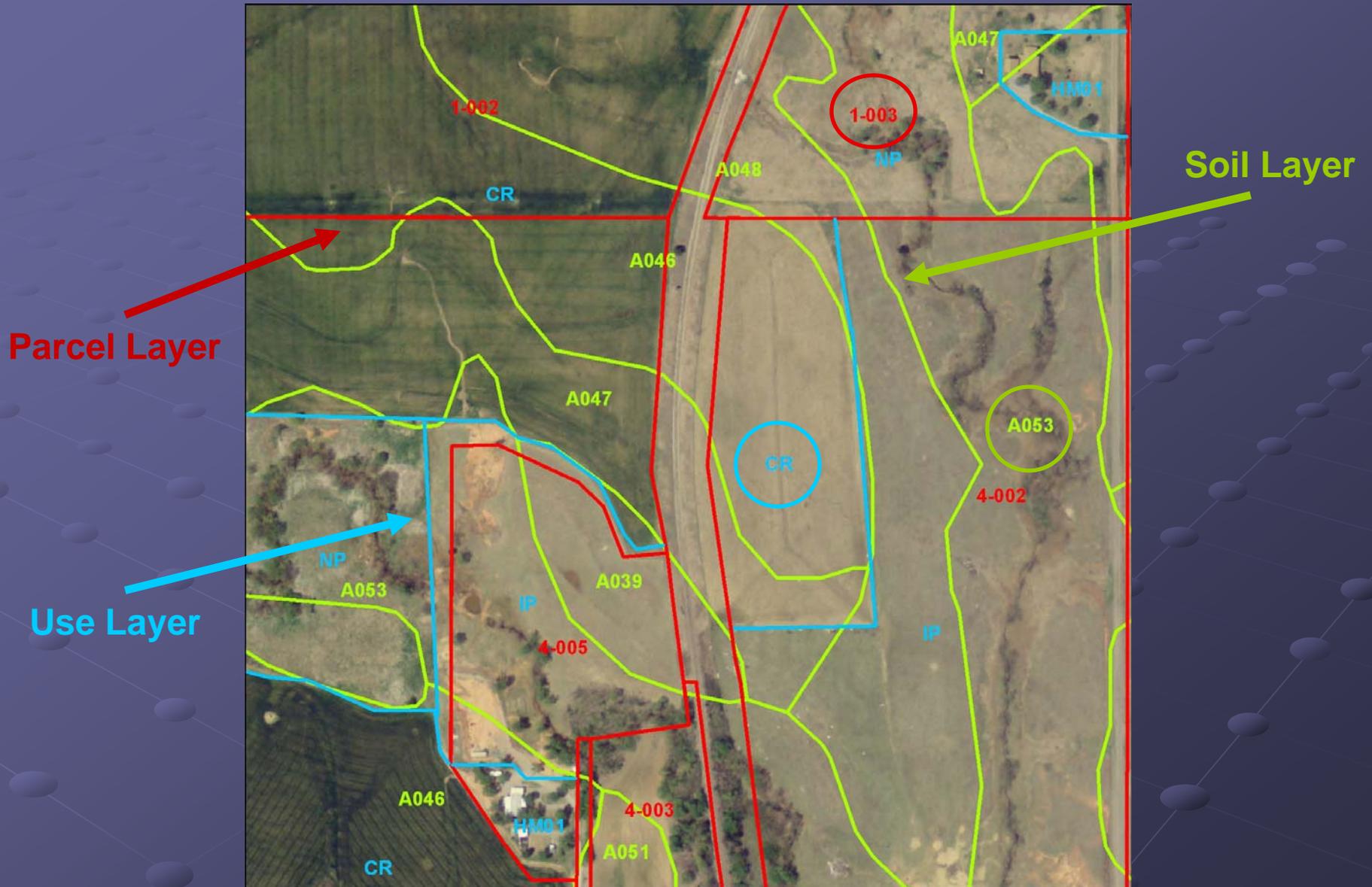
- In Valuation Example of Previous Slide, 29.55 Acres Is Valued at \$2,091
- Works Out to Approximately \$71 Per Acre
- “Use Value” Obviously Much Less Than “Actual Fair Cash Value”
- Anyone Know Where We Can Buy Ag. Land For \$71 / Acre????!!!

Mapping Data To CAMA

- Soil Information, Acreages, and Land Use Can All be Transferred From MIMS and ArcView Mapping Software Into State CAMA program For Ag. Land Value Calculations



Digital Layers From Mapping Software:



Maintenance of Ag. Values

- Primary Maintenance Is Regular, Systematic Review of Land Use on Each Ag. Parcel
- It Would Be Possible to Conduct New Ag. Study for Calculation of New \$ / Productivity Point Utilizing Latest Capitalization Rate
- Although, No New Ag. Studies Have Been Implemented in the Counties Recently

Regular Review Of Land Use

- During the Visual Inspection Cycle, When All Property is Physically Inspected, Use of Ag. Land Should Be Reviewed While in the Field
- Done By Looking at Agricultural Land Lines on Field Card and Looking For Any Major Discrepancies (Ex. Change From Improved Pasture to Cropland, or Change in the Number of Acres in a Particular Use)
- Current Aerial Photos, and Mapping Software May Also Be Utilized in Review of Ag. Land Use

Other Regular Ag. Maintenance:

- Updating Mapping Information When Splits or Combinations are Made.
- Regular Review of Actual Homesite Acreage Breakouts When Conducting Visual Inspections
 - Adjust Homesite Acreages To Reflect Actual Land (and Structures) Utilized in Support of the Residence

Agricultural Improvements:

- How Do We Value Agricultural Improvements?



Agricultural Improvements:

- To be Based on Cost Approach Using Marshall and Swift as a Guideline, Taking Depreciation and Obsolescence into Consideration, Along With Adjustments for Labor and Differences in the Area.
 - See 68 O.S. Section 2817(D)

Conclusions:

- “The Certainty of Misery is Better Than the Misery of Uncertainty”
 - Pogo Comic Strip
- Questions??????????

