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.
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:

- RS: 68.31%
- CM: 23.03%
- AG: 8.66%
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:

<table>
<thead>
<tr>
<th>Parcel Count %</th>
<th>RS</th>
<th>CM</th>
<th>AG</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>74.44%</td>
<td>5.83%</td>
<td>19.72%</td>
</tr>
</tbody>
</table>
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

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:

<table>
<thead>
<tr>
<th>LAND USE DESC</th>
<th>ZONING</th>
<th>UNITS TP</th>
<th>PRICE</th>
<th>---------</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 HM10 RURAL HOMESITE</td>
<td>R1</td>
<td>1.00 AC</td>
<td>1000.00</td>
<td>C 1000.00</td>
</tr>
<tr>
<td>2 A04 BATES-CV FSL 2-5</td>
<td>NP</td>
<td>0.54 AC</td>
<td>50.00</td>
<td>AG 2.44</td>
</tr>
<tr>
<td>3 A27 HECT-HARTS COMP</td>
<td>NP</td>
<td>0.23 AC</td>
<td>35.00</td>
<td>AG 2.44</td>
</tr>
<tr>
<td>4 A39 TALI-COLL COMP 5</td>
<td>NP</td>
<td>29.55 AC</td>
<td>29.00</td>
<td>AG 2.44</td>
</tr>
<tr>
<td>5 A10 DENNIS LOAM 1-3%</td>
<td>NP</td>
<td>5.62 AC</td>
<td>79.00</td>
<td>AG 2.44</td>
</tr>
<tr>
<td>6 A04 BATES-CV FSL 2-5</td>
<td>TM</td>
<td>6.70 AC</td>
<td>50.00</td>
<td>AG 1.54</td>
</tr>
</tbody>
</table>

- **Soil Code**: Column indicating the type of soil.
- **Soil Description**: Detailed description of the soil type.
- **Use Type**: Indication of the land use.
- **Number of Acres**: Acres of land under each category.
- **Productivity Index**: Index used to determine productivity of the land.
- **$ / Point For Use Type**: Cost or point value for each 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:

- **Parcel Layer**
- **Use Layer**
- **Soil Layer**
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???????????