

## **Agricultural Use Value Is Increasing**

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According to the Kansas Division of Property Valuation, agricultural land use value is worth more than last year. Land owners will want to learn about this, because property taxes on agricultural land are calculated based on these figures.

How much of an increase? In our area of the state, the agricultural land use value is increasing in all counties. The lowest county increase in our area is Sedgwick County at 9 percent while the highest increase will be for Chautauqua County at 27 percent. In Butler County, the increase from 2014 to 2015 is 22 percent. Native grass 26%, Tame grass 26%, Dry land crop 13%.

Many people do not understand how agricultural land is valued for taxation purposes. The value of the land is governed by state law. The Kansas legislature passed a law in 1985 requiring agricultural land to be valued for property tax purposes based on the agricultural income or productivity of the land, not the fair market value of the land. Starting in 1989, that agricultural use value was used to calculate property tax.

The system is set up to estimate landlord net income from each class of land based on production levels, and then divides that estimated income by a capitalization rate to determine a per acre value. The capitalization rate is used to estimate a value of the landlord share of agricultural income. It is based on a five-year average of Federal Land Bank interest rates and the county average agricultural property tax. Since it is the divisor in the equation, the larger the capitalization rate, the lower the agricultural use value.

For cultivated land, which is subcategorized into dry and irrigated categories, the agricultural use value is based upon an inherent land productivity potential by soil type. To estimate this, the state estimates several factors on a county-by-county basis. One important one is the Soil Rating for Plant Growth (SRPG) developed by the Natural Resource Conservation Service (NRCS) which provides a numerical rating for all soil types without factoring management practices into the rating. Along with this rating, the county crop mix, yields, prices, production costs, and landlord shares of crops and expenses are factored into the equation.

For grazed land, which is subcategorized into native and tame classifications, the value of productivity is based on the grazing index assigned to each soil type. Also included in the equation are pasture estimates are rental rates, gross rental income, and expenses.

So, why are the values increasing? In an effort to minimize large shifts in the agricultural use values, eight year moving averages of estimated landlord net income are included in the calculation. This basically means that one good (or poor) year doesn't move the calculation as much as it would in calculating simple averages. The stretch of relatively good years of the recent past are now factoring into the equation which has increased the values.

With higher agricultural use values, land property taxes could be higher. Hopefully, landowners can prepare for these higher costs and budget accordingly. If you would like to look at some very good detailed information and state-wide data on Ag Land Use Value, here is a link to the Sedgwick County Appraisers site with the information.

<http://www.sedgwickcounty.org/appraiser/agvalue.asp>

We will also have the link on [www.butler.ksu.edu](http://www.butler.ksu.edu) under the Ag section.