

April 2002

Introduced by

1 A BILL for an Act to amend and reenact section 57-02-27.2 of the North Dakota Century Code,
2 relating to valuation and assessment of agricultural lands; and to provide an effective date.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 57-02-27.2 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **57-02-27.2. Valuation and assessment of agricultural lands.**

7 1. "True and full value" of agricultural lands must be their agricultural value for the
8 purposes of sections 57-02-27, 57-02-27.1, 57-02-27.2, and 57-55-04. Agricultural
9 value is defined as the "capitalized average annual gross return", except for
10 inundated agricultural land. The "annual gross return" must be determined from
11 crop share rent, cash rent, or a combination thereof reduced by estimated property
12 taxes and crop marketing expenses incurred by farmland owners renting their
13 lands on a cash or crop share basis. For purposes of this section in taxable years
14 after taxable year 2002, for rented and nonrented cropland and noncropland the
15 computation of "annual gross return" and "annual gross income" must include a
16 component based entirely on cash rent data and a component determined by the
17 same method as annual gross return was determined in taxable year 2002. The
18 component based entirely on cash rent data must be weighted to be the
19 determinant of twenty percent of "annual gross return" for taxable year 2003, forty
20 percent of "annual gross return" for taxable year 2004, sixty percent of "annual
21 gross return" for taxable year 2005, and eighty percent of "annual gross return" for
22 taxable year 2006. After taxable year 2006, "annual gross return" must be based
23 entirely on cash rent data.

- 1 2. For purposes of this section, "annual gross return" for cropland used for growing
2 crops other than sugar beets and potatoes means thirty percent of annual gross
3 income produced, "annual gross return" for cropland used for growing sugar beets
4 and potatoes means twenty percent of annual gross income produced, and "annual
5 gross return" for land used for grazing farm animals means twenty-five percent of
6 an amount determined by the agricultural economics department of North Dakota
7 state university to represent the annual gross income potential of the land based
8 upon the animal unit carrying capacity of the land.
- 9 3. The "average annual gross return" for each county must be determined as follows:
- 10 a. ~~For taxable year 1999, total the annual gross returns for the nine years~~
11 ~~immediately preceding the current year for which data is available and discard~~
12 ~~the highest and lowest annual gross returns of the nine. For taxable year~~
13 ~~2000 and thereafter, total~~ Total the annual gross returns for the ten years
14 immediately preceding the current year for which data is available and discard
15 the highest and lowest annual gross returns of the ten.
- 16 b. The agricultural economics department of North Dakota state university shall
17 establish a base year index of prices paid by farmers using annual statistics
18 on that topic compiled by the national agricultural statistics service for the
19 seven-year period ending in 1995, discarding the highest and lowest years'
20 indexes, and averaging the remaining five years' indexes. ~~For taxable year~~
21 ~~1999, the agricultural economics department shall gather the national~~
22 ~~agricultural statistics service annual index of prices paid by farmers for the~~
23 ~~nine years ending with the most recent year used under subdivision a, discard~~
24 ~~the highest and lowest years' indexes, average the remaining seven years'~~
25 ~~indexes, and divide the resulting amount by the base year index of prices paid~~
26 ~~by farmers. For taxable year 2000 and thereafter, the~~ The agricultural
27 economics department shall gather the national agricultural statistics service
28 annual index of prices paid by farmers for the ten years ending with the most
29 recent year used under subdivision a, discard the highest and lowest years'
30 indexes, average the remaining eight years' indexes, and divide the resulting

amount by the base year index of prices paid by farmers. This amount must be divided into the amount determined under subdivision a.

c. ~~For taxable year 1998, divide the figure arrived at in subdivision b by six. For taxable year 1999, divide the figure arrived at in subdivision b by seven. For taxable year 2000 and thereafter, divide~~ Divide the figure arrived at in subdivision b by eight.

4. To find the "capitalized average annual gross return", the average annual gross return must be capitalized by a rate that is a ten-year average of the gross federal land bank mortgage rate of interest for North Dakota. The ten-year average must be computed from the twelve years ending with the most recent year used under subdivision a of subsection 3, discarding the highest and lowest years, and the gross federal land bank mortgage rate of interest for each year must be determined in the manner provided in section 20.2032A-4(e)(1) of the United States treasury department regulations for valuing farm real property for federal estate tax purposes, except that the interest rate may not be adjusted as provided in paragraph (e)(2) of section 20.2032A-4.

5. The agricultural economics department of North Dakota state university shall compute annually an estimate of the average agricultural value per acre [.40 hectare] of agricultural lands on a statewide and on a countywide basis; shall compute the average agricultural value per acre [.40 hectare] for cropland, noncropland, and inundated agricultural land for each county; and shall provide the tax commissioner with this information by December first of each year. Fifty percent of the annual gross income from irrigated cropland must be considered additional expense of production and may not be included in computation of the average agricultural value per acre [.40 hectare] for cropland for the county as determined by the agricultural economics department. Before January first of each year, the tax commissioner shall provide to each county director of tax equalization these estimates of agricultural value for each county.

6. For purposes of this section, "inundated agricultural land" means property classified as agricultural property containing a minimum of ten contiguous acres if the value of the inundated land exceeds ten percent of the average agricultural

1 value of noncropland for the county, which is inundated to an extent making it
2 unsuitable for growing crops or grazing farm animals for two consecutive growing
3 seasons or more, and which produced revenue from any source in the most recent
4 prior year which is less than the county average revenue per acre for noncropland
5 calculated by the agricultural economics department of the North Dakota state
6 university. Application for classification as inundated agricultural land must be
7 made in writing to the township assessor or county director of tax equalization by
8 March thirty-first of each year, ~~except that for the year 2001, the written application~~
9 ~~must be made within ninety days from March 16, 2001.~~ Before all or part of a
10 parcel of property may be classified as inundated agricultural land, the board of
11 county commissioners must approve that classification for that property for the
12 taxable year. The agricultural value of inundated agricultural lands for purposes of
13 this section must be determined by the agricultural economics department of North
14 Dakota state university to be ten percent of the average agricultural value of
15 noncropland for the county as determined under this section. Valuation of
16 individual parcels of inundated agricultural land may recognize the probability that
17 the property will be suitable for agricultural production as cropland or for grazing
18 farm animals in the future.

19 7. Before February first of each year, the county director of tax equalization in each
20 county shall provide to all assessors within the county an estimate of the average
21 agricultural value of agricultural lands within each assessment district. The
22 estimate must be based upon the average agricultural value for the county
23 adjusted by the relative values of lands within each assessment district compared
24 to the county average. In determining the relative value of lands for each
25 assessment district compared to the county average, the county director of tax
26 equalization, whenever possible, shall use soil type and soil classification data from
27 detailed and general soil surveys. When such data cannot be used, the county
28 director of tax equalization shall use whatever previous assessment data is best
29 suited to the purpose.

30 8. Each local assessor shall determine the relative value of each assessment parcel
31 within the assessor's jurisdiction and shall determine the agricultural value of each

1 assessment parcel by adjusting the agricultural value estimate for the assessment
2 district by the relative value of the parcel. Each parcel must then be assessed
3 according to section 57-02-27. If either a local assessor or a township board of
4 equalization develops an agricultural value for the lands in its assessment district
5 differing substantially from the estimate provided by the county director of tax
6 equalization, written evidence to support the change must be provided to the
7 county director of tax equalization.

8 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
9 December 31, 2002.