

Fifty-eighth  
Legislative Assembly  
of North Dakota

## HOUSE BILL NO. 1055

Introduced by

Legislative Council

(Taxation Committee)

1 A BILL for an Act to amend and reenact subsection 4 of section 57-02-27.2 of the North Dakota  
2 Century Code, relating to the capitalization rate used in the agricultural property tax valuation  
3 formula; and to provide an effective date.

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

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

7 4. To find the "capitalized average annual gross return", the average annual gross  
8 return must be capitalized by a rate that is the sum of a ten-year average of the  
9 gross ~~federal land bank~~ agribank mortgage rate of interest for North Dakota and  
10 the effective tax rate for all agricultural property in this state.

11 a. The ten-year average of the gross agribank mortgage rate of interest must be  
12 computed from the twelve years ending with the most recent year used under  
13 subdivision a of subsection 3, discarding the highest and lowest years; and  
14 the gross ~~federal land bank~~ agribank mortgage rate of interest for each  
15 calendar year must be determined in the manner provided in section  
16 20.2032A-4(e)(1) of the United States treasury department regulations for  
17 valuing farm real property for federal estate tax purposes, except that the  
18 interest rate may not be adjusted as provided in paragraph (e)(2) of section  
19 20.2032A-4.

20 b. The effective tax rate for all agricultural property in this state must be  
21 determined by the tax commissioner and provided to the agricultural  
22 economics department of North Dakota state university for each taxable year  
23 by dividing the amount of property taxes levied against all agricultural property  
24 in this state by the true and full value of all agricultural property in this state in

1                   the most recent year used under subdivision a of subsection 3. The effective  
2                   tax rate as determined in this subdivision must be adjusted by multiplying it by  
3                   twenty-five percent for taxable year 2003, fifty percent for taxable year 2004,  
4                   and seventy-five percent for 2005.

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