

Fifty-fifth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1070

Introduced by

Legislative Council

(Taxation Committee)

(Representatives Timm, Keiser, Gulleeson)
(Senators Kringstad, Urlacher, Kinnoin)

1 A BILL for an Act to amend and reenact section 57-02-27.2 of the North Dakota Century Code,
2 relating to assessed valuation of irrigated cropland; 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 1995 Supplement to the North
5 Dakota Century Code is amended and reenacted as follows:

6 **57-02-27.2. ~~(Effective for first three taxable years beginning after December 31,~~**
7 **1994) Valuation and assessment of agricultural lands.** "True and full value" of agricultural
8 lands must be their agricultural value for the purposes of sections 57-02-27, 57-02-27.1,
9 57-02-27.2, and 57-55-04. Agricultural value is defined as the "capitalized average annual
10 gross return". The "annual gross return" must be determined from crop share rent, cash rent, or
11 a combination thereof reduced by estimated property taxes and crop marketing expenses
12 incurred by farmland owners renting their lands on a cash or crop share basis. For purposes of
13 this section, "annual gross return" for cropland used for growing crops other than sugar beets
14 and potatoes means thirty percent of annual gross income produced, "annual gross return" for
15 cropland used for growing sugar beets and potatoes means twenty percent of annual gross
16 income produced, and "annual gross return" for land used for grazing farm animals means
17 twenty-five percent of an amount determined by the agricultural economics department of North
18 Dakota state university to represent the annual gross income potential of the land based upon
19 the animal unit carrying capacity of the land. The "average annual gross return" for each
20 county must be determined as follows:

- 21 1. Total the annual gross returns for the most recent six years immediately preceding
22 the current year for which data is available and discard the highest and lowest
23 annual gross returns of the six.
24 2. Divide the figure arrived at in subsection 1 by four.

1 To find the "capitalized average annual gross return" for years after 1983, the average
2 annual gross return must be capitalized by a rate which is a ten-year average of the gross
3 federal land bank mortgage rate of interest for North Dakota. The ten-year average must be
4 computed from the twelve years ending with the most recent year used in subsection 1,
5 discarding the highest and lowest years, and the gross federal land bank mortgage rate of
6 interest for each year must be determined in the manner provided in section 20.2032A-4(e)(1)
7 of the United States treasury department regulations for valuing farm real property for federal
8 estate tax purposes, except that the interest rate may not be adjusted as provided in paragraph
9 (e)(2) of section 20.2032A-4.

10 ~~It is the duty of the~~ The agricultural economics department of North Dakota state
11 university ~~to shall~~ compute annually an estimate of the average agricultural value per acre [.40
12 hectare] of agricultural lands on a statewide and on a countywide basis, ~~to shall~~ compute the
13 average agricultural value per acre [.40 hectare] for cropland and noncropland, which is
14 agricultural land, for each county, and ~~to shall~~ provide the tax commissioner with this
15 information by December first of each year. Fifty percent of the annual gross income from
16 irrigated cropland must be considered additional expense of production and may not be
17 included in computation of the average agricultural value per acre [.40 hectare] for cropland for
18 the county as determined by the agricultural economics department. ~~Prior to~~ Before January
19 first of each year, the tax commissioner shall provide to each county director of tax equalization
20 these estimates of agricultural value for each county.

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

1 ~~It is the duty of each~~ Each local assessor ~~to shall~~ determine the relative value of each
2 assessment parcel within ~~his~~ the assessor's jurisdiction and ~~to shall~~ determine the agricultural
3 value of each assessment parcel by adjusting the agricultural value estimate for the
4 assessment district by the relative value of the parcel. Each parcel must then be assessed
5 according to the provisions in section 57-02-27. If either a local assessor or a township board
6 of equalization develops an agricultural value for the lands in its assessment district differing
7 substantially from the estimate provided by the county director of tax equalization, written
8 evidence to support the change must be provided to the county director of tax equalization.

9 **~~(Effective for taxable years beginning after December 31, 1997) Valuation and~~**
10 **~~assessment of agricultural lands.~~** ~~"True and full value" of agricultural lands must be their~~
11 ~~agricultural value for the purposes of sections 57-02-27, 57-02-27.1, 57-02-27.2, and 57-55-04.~~
12 ~~Agricultural value is defined as the "capitalized average annual gross return". The "annual~~
13 ~~gross return" must be determined from crop share rent, cash rent, or a combination thereof~~
14 ~~reduced by estimated property taxes and crop marketing expenses incurred by farmland~~
15 ~~owners renting their lands on a cash or crop share basis. For purposes of this section, "annual~~
16 ~~gross return" for cropland used for growing crops other than sugar beets and potatoes means~~
17 ~~thirty percent of annual gross income produced, "annual gross return" for cropland used for~~
18 ~~growing sugar beets and potatoes means twenty percent of annual gross income produced,~~
19 ~~and "annual gross return" for land used for grazing farm animals means twenty five percent of~~
20 ~~an amount determined by the agricultural economics department of North Dakota state~~
21 ~~university to represent the annual gross income potential of the land based upon the animal unit~~
22 ~~carrying capacity of the land. The "average annual gross return" for each county must be~~
23 ~~determined as follows:~~

24 4. ~~Total the annual gross returns for the most recent six years immediately preceding~~
25 ~~the current year for which data is available and discard the highest and lowest~~
26 ~~annual gross returns of the six.~~

27 2. ~~Divide the figure arrived at in subsection 1 by four.~~

28 ~~To find the "capitalized average annual gross return" for years after 1983, the average~~
29 ~~annual gross return must be capitalized by a rate which is a ten year average of the gross~~
30 ~~federal land bank mortgage rate of interest for North Dakota. The ten year average must be~~
31 ~~computed from the twelve years ending with the most recent year used in subsection 1,~~

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.

It is the duty of the agricultural economics department of North Dakota state university to compute annually an estimate of the average agricultural value per acre [.40 hectare] of agricultural lands on a statewide and on a countywide basis, to compute the average agricultural value per acre [.40 hectare] for cropland and noncropland, which is agricultural land, for each county, and to provide the tax commissioner with this information by December first of each year. Prior to 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.

Prior to February first of each year, the county director of tax equalization in each county shall provide to all assessors within the county an estimate of the average agricultural value of agricultural lands within each assessment district. Such estimate must be based upon the average agricultural value for the county adjusted by the relative values of lands within each assessment district compared to the county average. In determining the relative value of lands for each assessment district compared to the county average, the county director of tax equalization shall, wherever possible, use soil type and soil classification data from detailed and general soil surveys. Where such data cannot be used, the county director of tax equalization shall use whatever previous assessment data is best suited to the purpose.

It is the duty of each local assessor to determine the relative value of each assessment parcel within his jurisdiction and to determine the agricultural value of each assessment parcel by adjusting the agricultural value estimate for the assessment district by the relative value of the parcel. Each parcel must then be assessed according to the provisions in section 57-02-27. If either a local assessor or a township board of equalization develops an agricultural value for the lands in its assessment district differing substantially from the estimate provided by the county director of tax equalization, written evidence to support the change must be provided to the county director of tax equalization.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 1997.