

HOUSE BILL NO. 1198

Introduced by

Representatives Herbel, Kingsbury, Nicholas

Senators Fischer, Trenbeath

1 A BILL for an Act to amend and reenact sections 57-02-27.2 and 57-13-04 of the North Dakota
2 Century Code, relating to authority of the board of county commissioners to determine average
3 agricultural property values per acre for the county; and to provide an effective date.

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

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

7 **57-02-27.2. Valuation and assessment of agricultural lands.**

- 8 1. "True and full value" of agricultural lands must be their agricultural value for the
9 purposes of sections 57-02-27, 57-02-27.1, 57-02-27.2, and 57-55-04. Agricultural
10 value ~~is defined as~~ must be based upon the "capitalized average annual gross
11 return", except for inundated agricultural land. The "annual gross return" must be
12 ~~determined~~ estimated from crop share rent, cash rent, or a combination thereof
13 reduced by estimated property taxes and crop marketing expenses incurred by
14 farmland owners renting their lands on a cash or crop share basis.
- 15 2. For purposes of this section, "annual gross return" for cropland used for growing
16 crops other than sugar beets and potatoes means thirty percent of annual gross
17 income produced, "annual gross return" for cropland used for growing sugar beets
18 and potatoes means twenty percent of annual gross income produced, and "annual
19 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
21 state university to represent the annual gross income potential of the land based
22 upon the animal unit carrying capacity of the land.
- 23 3. The "average annual gross return" for each county must be ~~determined~~ estimated
24 as follows:

- 1 a. For taxable year 1999, total the annual gross returns for the nine years
2 immediately preceding the current year for which data is available and discard
3 the highest and lowest annual gross returns of the nine. For taxable year
4 2000 and thereafter, total the annual gross returns for the ten years
5 immediately preceding the current year for which data is available and discard
6 the highest and lowest annual gross returns of the ten.
- 7 b. The agricultural economics department of North Dakota state university shall
8 establish a base year index of prices paid by farmers using annual statistics
9 on that topic compiled by the national agricultural statistics service for the
10 seven-year period ending in 1995, discarding the highest and lowest years'
11 indexes, and averaging the remaining five years' indexes. For taxable year
12 1999, the agricultural economics department shall gather the national
13 agricultural statistics service annual index of prices paid by farmers for the
14 nine years ending with the most recent year used under subdivision a, discard
15 the highest and lowest years' indexes, average the remaining seven years'
16 indexes, and divide the resulting amount by the base year index of prices paid
17 by farmers. For taxable year 2000 and thereafter, the agricultural economics
18 department shall gather the national agricultural statistics service annual
19 index of prices paid by farmers for the ten years ending with the most recent
20 year used under subdivision a, discard the highest and lowest years' indexes,
21 average the remaining eight years' indexes, and divide the resulting amount
22 by the base year index of prices paid by farmers. This amount must be
23 divided into the amount determined under subdivision a.
- 24 c. For taxable year 1998, divide the figure arrived at in subdivision b by six. For
25 taxable year 1999, divide the figure arrived at in subdivision b by seven. For
26 taxable year 2000 and thereafter, divide the figure arrived at in subdivision b
27 by eight.
- 28 4. To find the "capitalized average annual gross return", the average annual gross
29 return must be capitalized by a rate that is a ten-year average of the gross federal
30 land bank mortgage rate of interest for North Dakota. The ten-year average must
31 be computed from the twelve years ending with the most recent year used under

1 subdivision a of subsection 3, discarding the highest and lowest years, and the
2 gross federal land bank mortgage rate of interest for each year must be determined
3 in the manner provided in section 20.2032A-4(e)(1) of the United States treasury
4 department regulations for valuing farm real property for federal estate tax
5 purposes, except that the interest rate may not be adjusted as provided in
6 paragraph (e)(2) of section 20.2032A-4.

7 5. The agricultural economics department of North Dakota state university shall
8 compute annually an estimate of the average agricultural value per acre
9 [.40 hectare] of agricultural lands on a statewide and on a countywide basis; shall
10 compute the estimated average agricultural value per acre [.40 hectare] for
11 cropland, noncropland, and inundated agricultural land for each county; and shall
12 provide the tax commissioner with this information by December first of each year.
13 Fifty percent of the annual gross income from irrigated cropland must be
14 considered additional expense of production and may not be included in
15 computation of the average agricultural value per acre [.40 hectare] for cropland for
16 the county as determined by the agricultural economics department. Before
17 January first of each year, the tax commissioner shall provide to each county
18 director of tax equalization these estimates of agricultural value for each county.
19 Based upon these estimates, the board of county commissioners shall establish
20 the average agricultural value per acre for cropland, noncropland, and inundated
21 agricultural land for the county.

22 6. For purposes of this section, "inundated agricultural land" means property
23 classified as agricultural property containing a minimum of ten contiguous acres if
24 the value of the inundated land exceeds ten percent of the average agricultural
25 value of noncropland for the county, which is inundated to an extent making it
26 unsuitable for growing crops or grazing farm animals for two consecutive growing
27 seasons or more, and which produced revenue from any source in the most recent
28 prior year which is less than the county average revenue per acre for noncropland
29 calculated by the agricultural economics department of the North Dakota state
30 university. Application for classification as inundated agricultural land must be
31 made in writing to the township assessor or county director of tax equalization by

- 1 March thirty-first of each year, except that for the year 2001, the written application
2 must be made within ninety days from March 16, 2001. Before all or part of a
3 parcel of property may be classified as inundated agricultural land, the board of
4 county commissioners must approve that classification for that property for the
5 taxable year. The agricultural value of inundated agricultural lands for purposes of
6 this section must be ~~determined~~ estimated by the agricultural economics
7 department of North Dakota state university to be ten percent of the average
8 agricultural value of noncropland for the county as determined under this section.
9 Valuation of individual parcels of inundated agricultural land may recognize the
10 probability that the property will be suitable for agricultural production as cropland
11 or for grazing farm animals in the future.
- 12 7. Before February first of each year, the county director of tax equalization in each
13 county shall provide to all assessors within the county an estimate of the average
14 agricultural value of agricultural lands within each assessment district. The
15 estimate must be based upon the average agricultural value for the county as
16 determined by the board of county commissioners adjusted by the relative values
17 of lands within each assessment district compared to the county average. In
18 determining the relative value of lands for each assessment district compared to
19 the county average, the county director of tax equalization, whenever possible,
20 shall use soil type and soil classification data from detailed and general soil
21 surveys. When such data cannot be used, the county director of tax equalization
22 shall use whatever previous assessment data is best suited to the purpose.
- 23 8. Each local assessor shall determine the relative value of each assessment parcel
24 within the assessor's jurisdiction and shall determine the agricultural value of each
25 assessment parcel by adjusting the agricultural value estimate for the assessment
26 district by the relative value of the parcel. Each parcel must then be assessed
27 according to section 57-02-27. If either a local assessor or a township board of
28 equalization develops an agricultural value for the lands in its assessment district
29 differing substantially from the estimate provided by the county director of tax
30 equalization, written evidence to support the change must be provided to the
31 county director of tax equalization.

1 **SECTION 2. AMENDMENT.** Section 57-13-04 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **57-13-04. General duties and powers of board.** The state board of equalization shall
4 equalize the valuation and assessment of property throughout the state, and has power to
5 equalize the assessment of property in this state between assessment districts of the same
6 county, and between the different counties of the state except as limited by this section. It
7 shall:

- 8 1. Equalize the assessment of real property by adding to the aggregate value thereof
9 in any assessment district in a county and in every county in the state in which the
10 board may believe the valuation too low, such rate percent as will raise the same to
11 its proper value as provided by law, and by deducting from the aggregate assessed
12 value thereof, in any assessment district in a county and every county in the state
13 in which the board may believe the value too high, such percent as will reduce the
14 same to its proper value as provided by law. However, the determination of the
15 board of county commissioners of average agricultural value per acre under
16 section 57-02-27.2 may not be altered by the state board of equalization. City lots
17 must be equalized in the manner provided for equalizing other real property.
- 18 2. In making such equalization, add to or deduct from the aggregate assessed
19 valuation of lands and city lots such percent as may be deemed by the board to be
20 equitable and just, but in all cases of addition to or deduction from the assessed
21 valuation of any class of property in the several assessment districts in each
22 county and in the several counties of the state, or throughout the state, the rate
23 percent of addition or deduction must be even and not fractional.
- 24 3. In equalizing individual assessments:
 - 25 a. The board may, if it believes an assessment to be too high, reduce the
26 assessment on any separate piece or parcel of real estate if the taxpayer has
27 appealed such assessment to the board either by appearing personally or by
28 a representative before the board or by mail or other communication to the
29 board in which the taxpayer's reasons for asking for the reduction are made
30 known to the board; provided, however, that the board does not have
31 authority to reduce an assessment until the taxpayer has established to the

1 satisfaction of the board that the taxpayer had first appealed the assessment
2 to the local equalization board of the taxing district in which the property was
3 assessed and to the county board of equalization of the county in which the
4 property was assessed.

5 b. The board may, if it believes an assessment to be too low, increase the
6 assessment on any separate piece or parcel of real estate. The secretary of
7 the board shall, by mail sent to the last-known address of the owner to whom
8 the property was assessed, notify such person of the amount of increase
9 made by the board in such assessment.

10 c. The percentage of reduction or increase made by the board under this
11 subsection in any assessment must be a whole numbered amount and not a
12 fractional amount.

13 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
14 December 31, 2002.