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10/22/03  
Date

2003 SENATE FINANCE AND TAXATION

SB 2390

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2390

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 11, 2003

Tape Number	Side A	Side B	Meter #
1	X		3020-end
1		X	1-1364
1		X	5515-end
Committee Clerk Signature <i>Mary Kay Walley</i>			

Minutes:

Senator Urlacher opened the hearing on SB2390. All committee members are present. This bill relates to the capitalization rate for valuation of agricultural property for property tax purposes.

Senator David O'Connell (mtr #3182) - Introduced the bill and explained the intent of a floor on the capitalization rate to hold property taxes in place. Supports SB2390.

Senator Wardner (mtr #3182) - Question regarding the increase in land values of 30%.

Mark Sitz, ND Farmers Union (mtr#3242) - Testified in support of SB2390.

Senator Seymour (mtr #3359) - Asked a question on the valuation of land when it passes to heirs.

Mr. Sitz (mtr #3374) - Tried to answer the question.

Sandy Clark, ND Farm Bureau (mtr #3445) - Testified in support of SB2390. Clarified earlier questions on land valuation for property tax purposes vs. valuation for inheritance situations.

Also explained the "capitalization rate". Additional testimony is attached.

Senator Wardner (mtr #4690) - What if rates go to high?

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Senate Finance and Taxation Committee

Bill/Resolution Number SB2390

Hearing Date February 11, 2003

Ms. Clark (mtr #4712) - Then we would be talking about a ceiling. That was addressed in a previous session.

Senator Wardner (mtr #4948) - Clarified his understanding that land values have increased because rates have decreased.

Ms. Clark (mtr #4990) - Clarified effect of capitalization rate, also talked about the other factors that effect the formula.

Senator Syverson (mtr #5225) - Question regarding the proposed change in the bill and the purpose.

Ms. Clark (mtr #5286) - Proposed change is a housekeeping issue.

Senator Syverson (mtr #5357) - Appreciation of land values in SD is significant, cited non-ag use of land.

Ms. Clark (mtr #5522) - Land valuation in the productivity formula is not the same as the market valuation for resale.

Senator Syverson (mtr #5845) - Reference page 10 of handout, question about non cropland.

Ms. Clark (mtr #5925) - Defined non-cropland revenue.

Senator Tollefson (mtr #6052) - Question about formula used in SD, MN, and MT.

Understanding that this caps land taxes.

Ms. Clark, Tape 1 Side B (mtr #64) - Reclarified intent of the land valuations. This only effects one component of the formula.

Wade Williams, Association of Counties (mtr #160) - Testified in support of SB2390.

Referenced the handout to clarify capitalization.

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Senate Finance and Taxation Committee

Bill/Resolution Number SB2390

Hearing Date February 11, 2003

Allan Braaten (mtr #350) - Testified in support of SB2390. Compared property taxes in ND and MN.

Lawrence Scheresky, farmer (mtr #447) - Testified in support of SB2390.

Jerry Hjelmstad, ND League of Cities (mtr #560) - Testified in opposition of SB2390. Feels taxes would be shifted to residential property owners.

Senator Urlacher (mtr #686) - Closed the hearing of SB2390

General discussion followed among committee members. Discussed the formula, the tax issue of ag property in ND, the cost of production, and opinions of the formula.

Tape 1, Side B

Senator Urlacher opened the discussion on SB2390. All committee members are present.

Senator Nichols (mtr #5815) - The bill keeps the valuation in check. The formula has not worked real well in the past.

Senator Tollefson - Concerned that the tax burden will be shifted.

Senator Urlacher - Yes, over more people

Senator Wardner - Would support. Agrees with Richland County Assessor.

Senator Seymour move a Do Pass. 2nd by Senator Nichols. Roll call vote 4 yea, 2 nay, 0 absent.

Carrier is Senator Nichols.

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## FISCAL NOTE

Requested by Legislative Council  
01/28/2003

Bill/Resolution No.: SB 2390

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

SB 2390 will reduce agricultural property values statewide by approximately 10 percent from the 2003 values calculated under current law. It will cause an annual reduction in the revenues to the State Medical Center of approximately \$50,000.

SB 2390 will have no direct effect on revenue to counties, cities or school districts because those political subdivisions have authority to levy the same number of dollars, regardless of changes in taxable value. Property taxes not paid by agricultural property owners because of the reduced agricultural values will be shifted onto other property owners.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	02/10/2003

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Date

Date: 2/11/03  
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2390

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken De pass

Motion Made By Sen. Seymour Seconded By Sen. Nichols

Senators	Yes	No	Senators	Yes	No
Senator Urlacher - Chairman	✓		Senator Nichols	✓	
Senator Wardner - Vice Chairman	✓		Senator Seymour	✓	
Senator Syverson		✓			
Senator Tollefson		✓			

Total (Yes) 4 No 2

Absent \_\_\_\_\_

Floor Assignment Senator Nichols

If the vote is on an amendment, briefly indicate intent:

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10/22/03  
Date

**REPORT OF STANDING COMMITTEE (410)**  
February 11, 2003 4:42 p.m.

Module No: SR-26-2340  
Carrier: Nichols  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**  
SB 2390: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **DO**  
**PASS** (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2390 was placed on the  
Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

SR-26-2340

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2003 HOUSE FINANCE AND TAXATION

SB 2390

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Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2390

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 5, 2003

Tape Number	Side A	Side B	Meter #
1	X		12.2
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

**REP. WES BELTER, CHAIRMAN** Called the hearing to order.

**SEN. DAVID O'CONNELL, DIST. 6.** Introduced the bill. This bill places a form to the capitalization rate.

**SANDY CLARK, REPRESENTING THE NORTH DAKOTA FARM BUREAU** Testified in support of the bill. See attached written testimony. Also submitted a handout from the Ag Productivity Book, including historic documentation regarding what interest rates have been.

**REP. WINRICH** Is there any significance in changing the designation of the mortgage rate here, from the federal land bank, to agra bank?

**SANDY CLARK** The federal land bank is what it used to be called, there has been a name change, it is now called Agra bank.

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*10/22/03*  
Date

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House Finance and Taxation Committee

Bill/Resolution Number SB 2390

Hearing Date March 5, 2003

**REP. GROSZ** Was there any talk about putting in a cap, especially in 1993-1994, when the capitalization rates were the highest, if we are talking about the low end, will they cap the high end as well?

**SANDY CLARK** You are right, when interest rates are extremely high, then property taxes could be unrealistically low. I believe there was a bill in last session that had a range, high and low both, but it failed. This formula is designed to have a lot of variables and a lot of flow to it, despite the fact that you could have a high interests, if you had, at that same time, high commodity prices and no drought, no disease, everything was eutopia, you could still have realistic land valuations. There are several componants, yield, price, cost of production, for various factors. That is why the productivity formula works. You are right, if you came to that point where you had historic high interest rates, and commodity prices were low, yield was low, then you could have low land valuations. I think you are a long way from that today, but we don't know what will be in store for the future.

**REP. IVERSON** If we were to cap this rate at a certain percentage, and they couldn't go to the property taxes, where would they go?

**SANDY CLARK** That is the other side of the coin. You could get exactly the same amount of dollars with high land valuations, if they drop the mill levy.

**REP. IVERSON** If capped at this rate, they could only get a certain amount of money, and they need more money, where will they go to get more money, from the residential properties?

**SANDY CLARK** The same way as it goes right now, they will have to go back to the vote of the people to increase the mill levy.

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House Finance and Taxation Committee

Bill/Resolution Number SB 2390

Hearing Date March 5, 2003

**REP. WINRICH** There appears to be a technical detail here, it goes through the method for computing the ten year average and talks about using the mortgage rates that are determined by federal regulations for evaluating farm real property for federal estate tax purposes, but then it says, except that the interest rate may not be adjusted as provided in paragraph (3)(2) of section 20.2032A-4, what is the significance of that exception?

**SANDY CLARK** Stated she couldn't answer that, she said she would research it.

**SEN. RON NICHOLS, DIST. 4** Testified in support of the bill. Everyone is aware, over the last few years, that there has been problems in our ag sector, a lot of farms and ranches have been having problems with disease and drought this last year. Regardless what the problems are, or if there is any profit, farmers and ranchers have to pay their property taxes each year, and those have been increasing rapidly over the last few years. If you visit with any farmer or rancher, he will tell you it hasn't been too many years for his real estate taxes to double. This bill is something we need to do to take the peak off the problems we are seeing with regard to the changes in the land valuations at this time.

**REP. GROSZ** Related to the Farm Bureau testimony, it is a shift to residential and commercial property, what do you think it will do to rural residential and commercial areas?

**SEN. NICHOLS** I guess if you look at the last few years and see what has been happening in the rural areas, the shift has been toward ag farm land and ranch land, because, in most cases, residences and business evaluations have been going up, whether that's a problem with the formula, but that is part of what has been happening. We can say, there has already been a shift, from those areas to the farm and ranch land. This bill would moderate that shift.

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House Finance and Taxation Committee

Bill/Resolution Number SB 2390

Hearing Date March 5, 2003

**MARK SITZ, REPRESENTING NORTH DAKOTA FARMERS UNION** Testified in

support of the bill. We have had this discussion for some time. We would support the floor capitalization rate. The fiscal note speaks to the reality of what is occurring. We are trying, with this bill, to have more of an impact of what the situation really is. The current situation is skewed by the increase in evaluations due to the low interest rate.

**REP. DROYDAL** I agree with what you are saying in principal, the agriculture is certainly struggling and we are losing a lot of farmers, where I question whatever direction we are going, is that these taxes are paying for services that are being rendered at the county level, we have a number of bills to address this and help them out, if your organization comes in here and asks us to lower property taxes through adjustments on the capital rate, do you ever go to the county commissioners and ask them, they are the ones who set the mill levy, and they are the ones who decide what services to render, when I talk to my county commissioners at home, they never hear from you, they aren't getting any feedback?

**MARK SITZ** On behalf of our members, they do pursue the county commissioners. As far as statewide, I don't know.

**REP. WINRICH** I don't have a great deal of practical experience with the business of agricultural land values, but I have read the law and tried to understand how it works, essentially, this whole formula as I see it, is to evaluate agricultural land on the basis of what the land can produce, it is a very complex system of trying to turn property tax into income tax. Do you think that is a correct assessment of what that formula is supposed to do? If that is what it is, then isn't it working?

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House Finance and Taxation Committee

Bill/Resolution Number SB 2390

Hearing Date March 5, 2003

**MARK SITZ** The formula really is to address the productivity. The problem is the interest rate, as we all know, has been going down. That somewhat, sets aside, you have to differentiate, the numbers you get from the productivity, and when we find a skewed interest rate, we are saying one part of this whole situation is causing the problem. As far as relating to an income tax, I am not sure what to answer.

**REP. WINRICH** Property taxes should reflect what kind of income the land can produce.

**WADE WILLIAMS NORTH DAKOTA ASSOCIATION OF COUNTIES** Testified in support of the bill. It has been a policy for about six years, starting out in the eastern part of the state, where we have seen the base increases earlier, now it is moving to the western part of the state, where they are starting to feel the impact of the formula on their land evaluations. In talking to different tax assessors, they are forecasting that the interest rates will continue to fall for the next four or five years, and the cap rate has the largest effect on the evaluation formula, more than any other part of that formula, the evaluation will continually increase. This bill will start to slow that down.

**MAC HALCROW, COUNTY COMMISSIONER.** Testified in support of the bill. He stated evaluations in North Dakota are a moving target, they change practically daily. I hear you say, if we pass this, will it move taxes to the cities. Everytime there is an economic giveaway in a city in North Dakota, it moves evaluations to the ag land. Some of these cities have as much as fifty percent of the property within the city that is not taxable with zero evaluation. Then they complain about not having any evaluation in their school district. Another question I hear is, can't the county commissioners lower the mills. In a taxing entity in the county, the county commissioners have about twenty percent of the mills, the large one is normally, the schools,

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House Finance and Taxation Committee  
Bill/Resolution Number SB 2390  
Hearing Date March 5, 2003

then you have about ten other taxing entities. So, to say the county commissioners can lower the mills, that is true, whether the taxes will go down, is not something we can determine. Another question asked, the production formula is more a formula for potential rather than production. Land in my area, went up ten percent, even though there was zero production. Somebody asked the question, does the Farmers Union or the Farm Bureau lobby locally, I can say, yes.

**ALLEN BRAATEN, FARMER, RED RIVER VALLEY** Testified in support of the bill.

Stated he was involved with farm organizations from 1971 to 1981. He stated he didn't think anybody ever realized that interest rates could go so high, and now drop so low. That is why I support this bill.

**ARVID WINKLER, FARMER & TOWNSHIP ASSESSOR IN BARNES COUNTY.**

Testified in support of the bill with concerns. See attached written testimony. He also submitted e-mail he had sent to some committee members and calculations for 2003 assessments.

**KEN YANTES, NORTH DAKOTA TOWNSHIP OFFICERS ASSOCIATION** Testified in support of the bill. See attached written testimony.

With no further testimony, the hearing was closed.

#### COMMITTEE ACTION

**REP. IVERSON** Made a motion for a DO NOT PASS

**REP. CLARK** Second the motion. MOTION FAILED.

**REP. KLEIN** Made a motion for a DO PASS.

**REP. FROELICH** Second the motion. MOTION CARRIED

9 YES      5 NO      0 ABSENT

**REP. KLEIN** Was given the floor assignment.

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Date: 3-5-03  
Roll Call Vote #: /

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. **SB 2390**

House FINANCE & TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken D N P

Motion Made By Rep. Seconded By Rep.

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN		✓			
DROVDAL, VICE-CHAIR	✓				
CLARK	✓				
FROELICH		✓			
GROSZ	✓				
HEADLAND		✓			
IVERSON	✓				
KELSH		✓			
KLEIN		✓			
NICHOLAS		✓			
SCHMIDT		✓			
WEILER	✓				
WIKENHEISER		✓			
WINRICH	✓				

Total (Yes) 6 No 8

Absent \_\_\_\_\_

Floor Assignment Rep.

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Date: 3-5-03  
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2390

House FINANCE & TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Do Pass

Motion Made By

Rep. Klein

Seconded By

Rep. Froelich

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN	✓				
DROVDAL, VICE-CHAIR	✓				
CLARK		✓			
FROELICH	✓				
GROSZ		✓			
HEADLAND	✓				
IVERSON		✓			
KELSH	✓				
KLEIN	✓				
NICHOLAS	✓				
SCHMIDT	✓				
WEILER		✓			
WIKENHEISER	✓				
WINRICH		✓			

Total (Yes) 9 No 5

Absent 0

Floor Assignment

Rep. Klein

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Date

10/22/03

**REPORT OF STANDING COMMITTEE (410)**  
March 5, 2003 11:56 a.m.

Module No: HR-39-3940  
Carrier: F. Klein  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**  
SB 2390: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO  
PASS (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). SB 2390 was placed on the  
Fourteenth order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-39-3940

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2003 TESTIMONY

SB 2390

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Date



**Administration:**  
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P.O. Box 2064  
Fargo, ND 58107  
701-298-2200 • 1-800-367-9668  
Fax: 701-298-2210

**State Headquarters:**  
4023 State St  
P.O. Box 2793  
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Fax: 701-224-9485

**North Dakota Farm Bureau**

[www.ndfb.org](http://www.ndfb.org)

**Senate Finance and Tax Committee**

*February 11, 2003*

**Testimony by North Dakota Farm Bureau**

*presented by Sandy Clark, public policy team*

Good morning, Mr. Chairman and members of the committee. For the record, my name is Sandy Clark and I represent the 26,000 family members of the North Dakota Farm Bureau.

We are here today to support SB 2390. This bill would place a floor on the capitalization rate of 9.5 percent. The bill would simply remove the high peaks of land valuations that we are experiencing today, as a result of historic low interest rates.

NDFB believes very strongly in maintaining the ag productivity formula. As you know, there have been two other bills introduced this Session in the House relative to the ag productivity formula. NDFB has opposed both of those bills. We have concern that those bills would destroy the integrity of the formula and create more problems than they'd cure. We believe SB 2390 is a realistic, workable option.

We do realize the formula is complex. I have distributed a manual that Farm Bureau developed simply as a resource tool to help you better comprehend the formula and its components. This manual includes every calculation that is included in the formula, along with an explanation of each calculation. Don't panic; I'm not going to read this book to you.

But if you would join me on page 10, today we'd like to talk about the capitalization rate. The capitalization rate is nothing more than the interest rate. It reflects the last 12 years' interest rate, with the high and low dropped, and the remaining ten years averaged.

*One future. One voice.*

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10/22/03

Date

If you look at the bottom of the page, you will see that the capitalization rate has been going down. I've also enclosed a handout indicating the Agribank mortgage interest rates since 1980 that have been used in the formula. Dwight Aakre of NDSU provided this information to the Interim Tax Committee, so I know some of you have seen it before.

The only time you would place a floor on the capitalization rate is when interest rates are at historic lows.

Low interest rates are positive for agricultural, which is a capital intense industry. But in the capitalization rate, you have to change your thinking. Low interest rates have exactly the opposite effect of what you would normally think.

Again on page 10, in calculations #25 & #26, you'll notice the capitalization rate is the last divisor in the formula. Therefore, the lower the capitalization rate, the higher the land valuation.

Unfortunately, this trend of higher land valuations will continue an upward spiral as interest rates remain low and we drop off the higher capitalization rates. If you look again on the interest rate sheet, next year we will drop the 10.69% interest and probably add the 6.48% interest. Land valuations will take another big jump and will continue to do so until interest rates go back up and the extreme low years are dropped.

During the interim, the tax committee did look at the impact of different capitalization rates. On the green handout, Mr. Aakre determined that based on the 2002 assessment year, the change from 8.5 percent to 9.5 percent on the capitalization rate would decrease land valuations by 10.5 percent.

We think a floor of 9.5% would make land valuations more realistic. Again, it only takes off the high peaks.

When interest rates begin to climb again...and they will...the capitalization rate will quickly surpass the 9.5 percent level and the floor will be a moot point. So, this is simply a short-term situation.

I realize that residential property owners view this as a shift of property taxes. But, first keep in mind we are talking about a state average.

Secondly, a 10.5 percent reduction in land valuations does not mean a 10.5 percent increase for each individual residential property owner. There are 30,504 farmers and ranchers in North Dakota. But there are 171,299 homeowners and 85,853 renters who are paying residential property taxes. So it's spread out over 257,152 taxpayers.

Again, I need to keep emphasizing when the capitalization rate goes over 9.5 percent, we will back to the same proportion of taxes between ag land and residential property that we are now.

Farmers and ranchers have faced several years of continually increasing land valuations. With interest rates at an all-time low, the time is right to place a floor of 9.5 percent on the capitalization rate.

NDFB urges you to give SB 2390 a do pass recommendation. Thank you for your consideration and I would entertain any questions.

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*Deanna Hall*  
Operator's Signature

10/22/03

Date

## **Senate Finance & Tax Committee**

***By Laurence Scheresky, farmer  
Des Lacs, North Dakota***

Good morning, Mr. Chairman and members of the Senate Finance and Tax Committee. My name is Laurence Scheresky and I farm in Ward County near Des Lacs.

I am here today to support SB 2390. Each year, farmers and ranchers continue to pay a larger share of the tax burden, even though commodity prices have declined dramatically.

Land valuations are unrealistically high and property taxes have been on a steep incline on our farm for the last several years. This bill would at least curb land valuations and keep these land valuations from going higher.

The productivity formula to determine ag land property taxes has worked very well through the years and will continue to work. But at this time of low interest rates, a floor on the capitalization rate would be a wise action for the Legislature to take.

I urge you to give SB 2390 a do pass recommendation. Thank you.

## 2002 NDCCA RESOLUTION

**2002-10 Capitalization Rate.** The capitalization rate has a larger effect on the valuation of agricultural land than any other factor in the valuation formula. The Interim Taxation committee is considering the creation of a floor for the capitalization rate used in the formula, as a means of controlling the increases in valuation. This Association supports a floor on the capitalization rate and urges the legislature to adopt this proposal.

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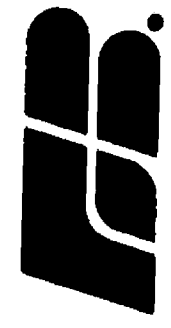


1390

# North Dakota Property Tax Ag Productivity Formula

January, 2003

Presented by  
**North Dakota  
Farm Bureau**  
*One future. One voice.*



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Operator's Signature Dwight Aakre Date 10/22/03

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## Thank You

- Dwight Aakre, Farm Management Specialist, NDSU Extension Service, for his assistance and cooperation in the production of this information.
- ND Tax Department for reviewing this presentation.

Sources of information and statistical data:

- Formula and its related statistics from Dwight Aakre, NDSU
  - ND Ag Statistics Service
  - ND Legislative Council
  - State Tax Commissioner
  - North Dakota Century Code

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## History -- Productivity Formula Established in 1981

Until 1981, ag property taxes were based on sales ratio and market value. The 1981 Legislative Assembly restructured property tax assessments in the state and changed the basis for valuation of agricultural property to a formula to determine its productive value. True and full value of agricultural property for property tax purposes is now based on productivity, as established through computation of the capitalized average annual gross return of the land as made by the NDSU Extension Agricultural Economics Department as required by North Dakota Century Code Section 57-02-27.2.

## Glossary of Terms

**Ad Valorem Tax:** A tax based on the value of the property subject to tax. Property tax is an ad valorem tax.

**Agricultural Productivity Formula:** A formula used to establish the valuation and assessment of agricultural lands in the state of North Dakota.

**Agricultural Property:** Platted or unplatted lands used for raising agricultural crops or grazing farm animals, except lands platted and assessed as agricultural property prior to March 30, 1981, shall continue to be assessed as agricultural property until put to a use other than raising agricultural crops or grazing farm animals. The time limitations contained in this section may not be construed to prevent property that was assessed as other than agricultural property from being assessed as agricultural property if the property otherwise qualifies under this subsection. Property platted on or after March 30, 1981, is not agricultural property when any four of the following conditions exist:

- The land is platted by the owner.
- Public improvements including sewer, water, or streets are in place.
- Topsoil is removed or topography is disturbed to the extent that the property cannot be used to raise crops or graze farm animals.
- Property is zoned other than agricultural.
- Property has assumed an urban atmosphere because of adjacent residential or commercial development on three or more sides.
- The parcel is less than ten acres [4.05 hectares] and not contiguous to agricultural property.
- The property sells for more than four times the county average true and full agricultural value.

**Assessed Valuation:** Means fifty percent of the true and full value of property.

**AUMs:** One AUM is the carrying grazing capacity it takes to support a 1,000 pound cow and her calf for one month.

**Capitalization:** The average interest rate as reported by Agribank, St. Paul, MN

**Capitalized Average Annual Gross Return:** The value of agricultural land.

**Cost of Production Index:** This index is a reflection of prices paid by farmers for inputs and indexed for inflation. It is determined by NDSU by comparing Economic Research Service, USDA, indexes of prices paid by farmers over a period of ten years, with the high and low years dropped, and averaging the remaining eight years.

**Equalization Process:** Equalization is a method required by law to adjust assessments so that they are consistent. Local assessments are reviewed and equalized by the Township Board of Equalization on the second Monday in April. The Board of County Commissioners meets within the first ten days of June to equalize among assessment districts within the county. The State Board of Equalization has the responsibility to equalize among counties and assessment districts in a county and meets the second Tuesday in August.

**Farmstead Exemption:** Property exempt from property taxes, including farm residences, farm structures and improvements located on agricultural lands.

**Inundated Agricultural Land:** 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 value of noncropland for the county, which is inundated to an extent making it unsuitable for growing crops or grazing farm animals for two consecutive growing seasons or more, and which produced revenue from any source in the most recent prior year which is less than the county average revenue per acre for noncropland calculated by the agricultural economics department of the North Dakota state university.

**Mill Levy:** Local mill rates are established to meet the revenue needs of the taxing district. Each taxing district prepares a budget to determine the money needed to provide services. To determine the mill rate, the county auditor divides the total property taxes to be collected for each taxing district by the district's total taxable value.

**Personal Property:** Personal property is exempt in North Dakota.

**Olympic Average:** Used when establishing averages over a period of years, by dropping the high and low, and averaging the remaining years.

**Taxable Valuation:** Signifies the valuation remaining after deducting exemptions and making other reductions from the original assessed valuation, and is the valuation upon which the rate of levy finally is computed and against which the taxes finally are extended.

**True and Full Value:** The value determined by considering the earning or productive capacity, if any, the market value, if any, and all other matters that affect the actual value of the property to be assessed. This shall include, for purposes of arriving at the true and full value of property used for agricultural purposes, farm rentals, soil capability, soil productivity, and soils analysis. True and full value for residential and commercial property is market value, as established by the local assessor. True and full value of agricultural property is based on productivity as established through computation by NDSU of the capitalized average gross return of the land.

## The Components -- The Input Data

### Components of Ag Productivity Formula

Crop Production of Crops  
Total Cropland Acres  
CRP Payments  
Government Payments  
Irrigated Production  
Cost of Production  
Non-Cropland Production (livestock grazing)  
Total Acres of Rangeland and Pastureland  
Inundated Lands  
Capitalization Rate (average interest rate)

### Statistical Input Data

The data comes from the North Dakota Agricultural Statistics Service and the National Agricultural Statistics Service of USDA. It is acquired from the September surveys for small grains and December surveys for row crops that are submitted by farmers and ranchers, who are actively engaged in farming in North Dakota. If a large percentage of small grains are not harvested in September, a call back is done in October.

The data is scanned both by human and machine method to determine any gross inaccuracies. NDASS staff call producers if something appears inaccurate. FAS data is also cross referenced as a check. Except for the capitalization rate, ten years of data are utilized with the highs and lows dropped and the remaining eight years averaged.

As a result of the collection process and timing, a two-year time lapse occurs between the actual production year and the property tax year.

## Cropland Module

### Crops Included in the Module

Spring Wheat	Winter Wheat	Rye
Durum	Sunflower Non Oil	Sunflower Oil
Barley	Corn Silage	Corn Grain
Alfalfa Hay	Flaxseed	Oats
Other Hay	Soybeans	Canola
Sugar Beets	Potatoes	Dry Edible Beans
Irrigated Durum	Irrigated Spring Wheat	Irrigated Barley
Irrigated Potatoes	Irrigated Corn Grain	Irrigated Corn Silage
Summerfallow		

### County Data to Estimate Gross Cropland Revenue

Acres for crops (that might be grown) and summerfallow (see above)  
Yield per acre for crops (yield is based on harvested acres, but is divided by total county acres. Therefore, the revenue per acre is lower because of preventive planting and inundated lands.)  
Prices for crops are adjusted for transportation

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## Estimating Gross Return from Crop Production

- 1) Production of each crop = Acreage x Yield per Acre \_\_\_\_\_ Acreage is based on harvested acres of each crop.
- 2) Production Irrigated Land = Acreage x Yield per Acre = Total x .5 Irrigated Land: 50% 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 for cropland for the county. (see #5 below for 15% net effect.)
- 3) Value of Production = Production x Price \_\_\_\_\_ Price is the district price, adjusted for transportation costs.
- 4) Landlord share for sugar beet & potato cropland revenues = \_\_\_\_\_ Sugarbeets & Potatoes: These high-value crops are weighted differently (20%) to reflect higher inputs, rent, crop share, etc.  
Value of Production x 0.2 (20% sugarbeet & potato revenues)
- 5) Landlord share for other cropland revenues = \_\_\_\_\_ All other crops based on 30% to reflect inputs, rent, crop share, etc.  
Value of Production x 0.3 (30% all other crop revenue) Irrigated cropland would be the 50% (#2) and then 30% (#5) for a net effect of 15%.
- 6) Cropland Revenue = Irrigated Revenue + Sugar Beet/Potato Revenue \_\_\_\_\_ (In the instance of irrigated potatoes, 100% of revenue is reduced by 50% (#2) and then 20% of that (#4) for a net effect of 10%.  
+ Other Cropland Revenue
- 7) County Total Cropland Acreage = all crop acreage + CRP acres \_\_\_\_\_ This is based on all acres, whether harvested or not, but unharvested  
+ summerfallow acres acres are included at zero and later divided by all total acres.
- 8) CRP Payments = CRP payments in county x .50 (50%) \_\_\_\_\_ CRP Payments: Data received from Farm Service Agency (FSA)  
• Acres enrolled in CRP program, by county  
• Payments for CRP, by county  
• One half of the total CRP payments are entered as CRP gross revenue
- 9) Government Payments = All government payments x 0.3 (30%) \_\_\_\_\_ Government Payments: Data received from Farm Service Agency  
• All government payments (except CRP) for commodities are included at 30% of gross revenue.
- 10) Landlord Share of Cropland Revenues = Cropland Revenue (#6)  
+ CRP Payments (#8) + Government Payments (#9)

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11) Data for the last ten years are collected for Landlord Share of Cropland Revenues (#10), the high and low years are dropped, and the remaining eight are averaged.

12) Cost of Production Index = Avg 8-yr index\* / Base Year Index\*\*

Annual Index Example for 2003:

$$112 / 102 (\text{base year}) = 1.098 \times 100 = 109.8$$

13) Adjusted Landlord Share of Cropland Revenues (includes cost of production) =  
Landlord share of cropland revenues (#11)  
 Cost of Production Index (#12)

14) Landlord Share of Gross Return per Acre of Cropland =  
Landlord Share of Annual Return per Acre Cropland Revenue (#13)  
 Total County Cropland Acres (#7)

### Cost of Production Index

Cost of Production Index is a reflection of prices paid by farmers for inputs and indexed for inflation. It is determined by NDSU by comparing Economic Research Service, USDA, indexes of prices paid by farmers over a period of ten years, with high and low dropped, and averaging the remaining eight years.

#### \*\* Base Year Index of Prices Paid by Farmers

\*\* Base year index is a 7-year base from 1995-1989, with highs and lows dropped, and the remaining five years averaged.

Year	Index
1995	108
1994	106
1993	104
1992	101
1991	100
1990	99
1989	95
Olympic Average	102

Example:

$$112 / 102 (\text{base year}) = 1.098 \times 100 = 109.8$$

(Net effect is reducing value of production by 9.8%)

#### \*Annual Index of Prices 2003 Assessment

\* The annual index of prices paid by farmers for the last 10 years, with high and low years dropped, are collected and the remaining eight are averaged.

Year	Index
2001	122
2000	118
1999	113
1998	113
1997	119
1996	115
1995	108
1994	106
1993	104
1992	101
1991	100
1990	99
Olympic Average	112

The next step includes computing the capitalized average annual gross return. See page 10.

## Non-Cropland Module

### Data Used in Non-Cropland Productivity Formula

Total rangeland acres in county      Rangeland AUMs for county  
Total pastureland acres in county      Pastureland AUMs for county  
Cull cow income per AUM  
Calf income per AUM

### Estimating Gross Return from Non-Crop Production

Estimating the value of native rangeland and pasture involves estimating the value of calves and cull cows produced per acre of those lands. These estimates are based on the livestock carrying capacity, measured in animal unit months (AUMs). One AUM is the grazing capacity it takes to support a 1,000 pound cow and her calf for one month.

The AUMs used in the formula were originally established by NRCS for each county (see Appendix A, page 16.)

Cull Cow Weight per AUM = 0.25 cwt per month of grazing season —

### Cull Cow Income Calculations

- One sixth of the cow herd is culled each year
- Six month grazing season is assumed
- Production equals 1/6 of 1000 pounds or approximately 1.5 cwt per year or 0.25 cwt per month

Calf Production per AUM = 0.5275 cwt per month of grazing season —

### Calf Income Calculations

- Production is adjusted for assumed calving rates and heifers held for replacements. These rates were established during the original formula and have not changed.
- Assumed calf production for sale per cow is 316.5 pounds or 0.5275 cwt per month.

15) Value of Production per AUM =

(Calf production per month x calf price) +  
(weight of cull cows per month x cull cow price)

2000 example:

\$40.00 (cow price per cwt) x 0.25 per cwt (cull cow wt) = \$10.00  
+ \$98.60 (calf price per cwt) x 0.5275 per cwt (calf wt) = \$52.011  
Total Value of Production per AUM = \$62.011/AUM

### Value of Production per AUM

- Price is that reported by ND Agricultural Statistics Service. (See page 9)

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## Returns for Pastureland and Rangeland

### 16) Returns for Pastureland =

Returns per AUM x Pastureland AUM capacity x Pastureland acres

### 17) Returns for Rangeland =

Returns per AUM x Rangeland AUM capacity x Rangeland acres

### 18) Total County Non-Cropland Returns =

Return for Pastureland + Return for Rangeland

Gross Annual Return for non-cropland used for livestock grazing is based on 25%

### 19) Landlord Share of Non-Cropland Revenues =

Total Non-Cropland Returns (#18) x .25

20) Data for the last ten years for Landlord Share of Non-Cropland Revenues (#19) are collected for total non-cropland returns, the high and low years are dropped, and the remaining eight are averaged.

## Cost of Production

Cost of Production Index is a reflection of prices paid by ranchers for inputs and indexed for inflation. Determined by NDSU by comparing National Agricultural Statistics indexes of prices paid.

## Cost of Production Index

### 21) Cost of Production Index = $\frac{\text{Avg 8-yr index}^*}{\text{Base Year Index}^{**}}$

## \*\* Base Year Index of Prices Paid by Farmers

\*\* Base year index is a 7-year base from 1995-1989, with highs and lows dropped, and the remaining five years averaged.

Year	Index
1995	108
1994	106
1993	104
1992	101
1991	100
1990	99
1989	95
Olympic Average	102

Example:  
 $112 / 102 (\text{base year}) = 1.098 \times 100 = 109.8$   
 (Net effect is reducing value of production by 9.8%)

## \* Annual Index of Prices 2003 Assessment

\* The annual index of prices paid by farmers for the last 10 years, with high and low years dropped, are collected and the remaining eight are averaged.

Year	Index
2001	122
2000	118
1999	113
1998	113
1997	119
1996	115
1995	108
1994	106
1993	104
1992	101
1991	100
1990	99
Olympic Average	112

### 22) Adjusted Landlord Share of Non-Cropland Revenue (with cost index) =

$\frac{\text{Landlord share of non-cropland revenues (\#20)}}{\text{Annual index (\#21)}}$

### 23) Total Non-Cropland Acres = Pastureland Acres + Rangeland Acres

### 24) Landlord's Gross Return per Acre of Non-Cropland =

$\frac{\text{Non-Cropland Revenues (\#22)}}{\text{Non-Cropland Acres (\#23)}}$

The next step includes computing the capitalized average annual gross return. See page 10.



# **Non-Cropland Example**

In 1999, the Stark County value of production for non-cropland is as follows:

- Total rangeland in Stark County = 242,200 acres  
Carrying capacity of 0.55 AUM per acre  
 $242,200 \times 0.55 = 133,210$  AUMs from rangeland
- Total pastureland in Stark County = 28,720 acres  
Carrying capacity of 0.60 AUM per acre  
 $28,720 \times 0.60 = 17,232$  AUMs from pastureland
- Total value of production =  
 $133,210 + 17,232 = 150,442$  AUMs  $\times$  \$55.248 per AUM = \$8,311,620
- Total acres of pastureland + rangeland =  $242,200 + 28,720 = 270,920$  acres
- Total value of production per acre =  $\$8,311,620 / 270,920$  acres = \$30.679
- Landowner's share of value of production = 25 percent  $\times$  \$30.679 = \$7.669 per acre

## **Livestock Prices Used in the Land Value Assessment Model**

Year	Calves	Cull Cows
1990	\$99.47	\$49.91
1991	\$101.60	\$46.34
1992	\$94.28	\$45.26
1993	\$103.96	\$45.82
1994	\$93.57	\$41.05
1995	\$69.20	\$36.10
1996	\$54.10	\$30.80
1997	\$75.50	\$34.90
1998	\$77.90	\$35.50
1999	\$87.20	\$37.00
2000	\$98.60	\$40.00
2001	\$95.50	\$40.80

Sample does not include cost of production index

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## Capitalization Rate

### Landlord return per acre is computed as follows

14) Landlord Share of Gross Return per Acre of Cropland =  

$$\frac{\text{Landlord Share of Annual Return per Acre Cropland Revenue (\#13)}}{\text{Total County Acres (\#7)}}$$

24) Landlord's Share of Gross Return per Acre of Non-Cropland =  

$$\frac{\text{Non-Cropland Revenues (\#22)}}{\text{Non-Cropland Acres (\#23)}}$$

25) Capitalized Cropland Land Value =  

$$\frac{\text{Landlord's Share from Cropland (\#14)}}{\text{Capitalization Rate}}$$

26) Capitalized Non-Cropland Land Value =  

$$\frac{\text{Landlord's Share from Cropland (\#24)}}{\text{Capitalization Rate}}$$

The annual weighted average interest rate is used to capitalize the landland share of gross revenue. Interest rates are acquired from Agribank in St. Paul, utilizing the last 12 years with the high year and low year dropped, so the interest rate used in the formula is the average of the remaining ten years.

As interest rates decline, land valuations will increase. As interest rates increase, land valuations will decrease. Land valuations as reflected in this formula are simply utilized to determine property taxes.

The impact of capitalization rate is also reflected by the inclusion of cost of production into the formula. An NDSU Economist has indicated the effect of capitalization rate is lowered by 60% by the inclusion of cost of production into the formula.

Interest rates/interest costs are often one of the largest line items in a farm/ranch budget. Therefore, producers benefit more significantly from lower interest rates, (because of the impact it has on land and machinery interests, as well as operating loans) than on the negative impact higher interest rates have on the property tax ag productivity formula and higher land valuations.

### Historic Capitalization Rates

1989	10.54%	1996	10.76%
1990	10.79%	1997	10.47%
1991	11.12%	1998	10.14%
1992	11.35%	1999	9.77%
1993	11.40%	2000	9.45%
1994	11.40%	2001	9.18%
1995	11.11%	2002	8.91%
		2003	8.53%

\* The last 12 years are used in the formula with the high and low years dropped, so the rate used in the formula is the average of the ten remaining years.

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## Inundated Lands Module

### Inundated Land — Exception to the Formula

- 10% of the average agricultural value of non-cropland for the county (see #24 for non-cropland formula). The non-cropland value is used for both cropland and non-cropland.
- Definition: Ag property with minimum of ten contiguous acres, if the value of the inundated land exceeds 10 percent of the average agricultural value of non-cropland for the county, which is inundated to the extent making it unsuitable for growing crops or grazing farm animals for two consecutive growing seasons or more and which produced revenue from any source in the most recent prior year which is less than the county average revenue per acre for non-cropland.
- Written application must be submitted to township assessor or county director of tax equalization by March 31 of each year.
- County Commissioners must approve application

27) Inundated Lands Return per Acre = \_\_\_\_\_  

$$\frac{1 (10\%) \times \text{Landlord's Share from Non-Cropland (\#24)}}{\text{Total Inundated Acres}}$$

28) County directors of tax equalization provide total taxable acres for cropland, non-cropland and inundated acres (including all acres, whether they were planted or harvested)

29) County Cropland Capitalized Average Annual Gross Return =  
 Capitalized cropland land value (#25) x county taxable cropland acres

30) County Non-Cropland Capitalized Average Annual Gross Return =  
 Capitalized non-cropland land value (#26) x county taxable non-cropland acres

31) County Inundated Acres Average Annual Gross Return =  
 Inundated land value (#27) x county taxable inundated acres

32) Avg All Land Value for County =  $\frac{\text{Total county values}}{\text{Total taxable acres in county}}$

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Operator's Signature

Date

10/22/03

## What Happens Next?

### Tax Commissioner

The average agricultural value per acre is established for cropland and non-cropland on a statewide and countywide basis. The Department of Agriculture provides the information to the Tax Commissioner by December 1 of each year.

### County Director of Tax Equalization & Soil Surveys

The Tax Commissioner provides the information to each county director of tax equalization. The county director of tax equalization uses the countywide average received from the Tax Commissioner as the basis for determining and providing each assessor in the county with an estimate of the average agricultural value of agricultural lands within the assessor's district.

The 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, whenever possible, shall use soil type and soil classification data from detailed and general soil surveys. When such data cannot be used, the county director of tax equalization shall use whatever previous assessment data is best suited to the purpose. These estimates shall be provided to local assessors by February 1.

### Local Assessor

The assessor uses the average valuation received from the county director of tax equalization to determine the value of each assessment parcel within that district. Within each county and assessment district, the average of values assigned to agricultural property must approximate the averages determined under the formula for the county or assigned to the district by the county director of tax equalization.

### Property Tax Liability

- Assessed value is 50% of land value.
- Taxable value for ag property is 10%; residential is 9% and commercial is 10% of assessed value.
- Property taxes are due January 1. If paid by February 15, taxpayer entitled to 5% discount. Taxes are payable without penalty until March 1 (penalties accrue after March 15)

12

NORTH DAKOTA FARM BUREAU

### County Average May Vary +/- 5%

The county director of tax equalization will report the countywide average back to the State Board of Tax Equalization, which will verify that the county average does not vary more than +/- 5%.

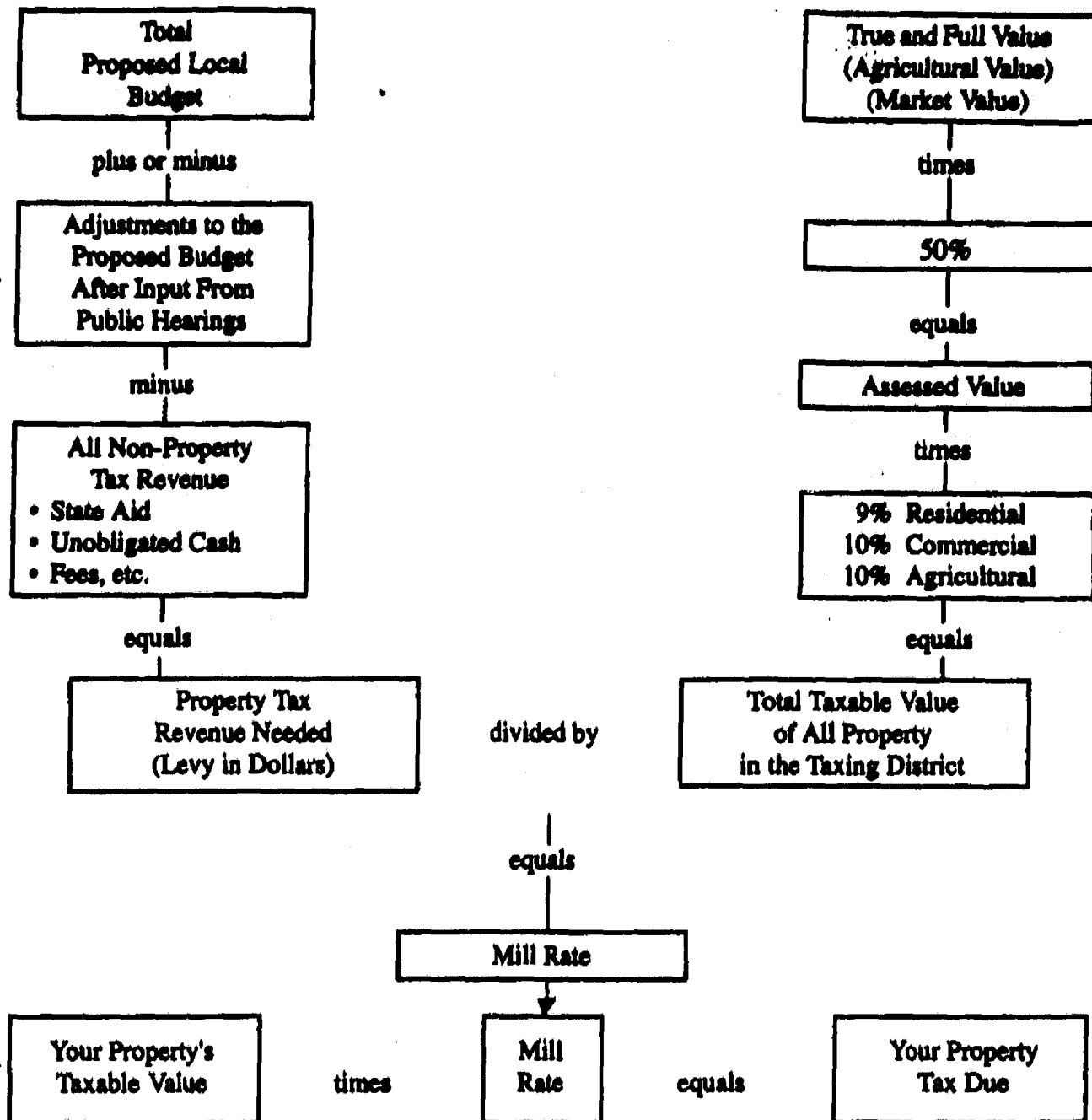
Assessed Value = Land Value x .5 (50%)

Taxable Value = Assessed Value x .10 (10%)

Property Tax Liability = Taxable Value x Mill Rate

# North Dakota Property Tax System

NORTH DAKOTA FARM BUREAU



13

All property in North Dakota is subject to property tax unless it is specifically exempted. Except for a one-mill levy for the State Medical Center, property taxes are administered, levied, collected and expended at the local level for the support of schools, counties, cities, townships and other local units of government. The State does not levy a property tax for general government operations.

The property tax is an "ad valorem" tax, that is, it is based on the value of the property subject to tax. The other element of the property tax is the amount of revenue that needs to be raised.

(Source: "State and Local Taxes: An Overview and Comparative Guide 2000" distributed by North Dakota Tax Department)

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Deanna Walther  
Operator's Signature

10/22/03  
Date

## Century Code -- 2001 -- Property Tax

57-02-27.1. Property to be valued at true and full value. Beginning with the year 1981, all assessors and boards of equalization shall piece the values of all items of taxable property at the true and full value of the property except as otherwise specifically provided by law, and the amount of taxes that may be levied on such property for the year 1981 and each year thereafter must be limited as provided in this chapter. For the purposes of sections 57-02-27, 57-02-27.1, 57-02-27.2, and 57-55-04, the term "true and full value" has the same meaning as provided in subsection 15 of section 57-02-01, except that "true and full value" of agricultural lands must be as determined pursuant to section 57-02-27.2.

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

1. "True and full value" of agricultural lands must be their agricultural value for the purposes of sections 57-02-27, 57-02-27.1, 57-02-27.2, and 57-55-04. Agricultural value is defined as the "capitalized average annual gross return", except for inundated agricultural land. The "annual gross return" must be determined from crop share rent, cash rent, or a combination thereof reduced by estimated property taxes and crop marketing expenses incurred by farmland owners renting their lands on a cash or crop share basis.

2. For purposes of this section, "annual gross return" for cropland used for growing crops other than sugar beets and potatoes means thirty percent of annual gross income produced, "annual gross return" for cropland used for growing sugar beets and potatoes means twenty percent of annual gross income produced, and "annual gross return" for land used for grazing farm animals means twenty-five percent of an amount determined by the agricultural economics department of North Dakota state university to represent the annual gross income potential of the land based upon the animal unit carrying capacity of the land.

3. The "average annual gross return" for each county must be determined as follows:

a. For taxable year 1989, total the annual gross returns for the nine years immediately preceding the current year for which data is available and discard the highest and lowest annual gross returns of the nine. For taxable year 2000 and thereafter, total the annual gross returns for the ten years immediately preceding the current year for which data is available and discard the highest and lowest annual gross returns of the ten.

b. The agricultural economics department of North Dakota state university shall establish a base year index of prices paid by farmers using annual statistics on that topic compiled by the national agricultural statistics service for the seven-year period ending in 1985, discarding the highest and lowest years' indexes, and averaging the remaining five years' indexes. For taxable year 1989, the agricultural economics department shall gather the national agricultural statistics service annual index of prices paid by farmers for the nine years ending with the most recent year used under subdivision a, discard the highest and lowest years' indexes, average the remaining seven

years' indexes, and divide the resulting amount by the base year index of prices paid by farmers. For taxable year 2000 and thereafter, the agricultural economics department shall gather the national agricultural statistics service annual index of prices paid by farmers for the ten years ending with the most recent year used under subdivision a, discard the highest and lowest years' 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 1988, divide the figure arrived at in subdivision b by six. For taxable year 1989, divide the figure arrived at in subdivision b by seven. For taxable year 2000 and thereafter, 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 value of noncropland for the county, which is inundated to an extent making it unsuitable for growing crops or grazing farm animals for two consecutive growing seasons or more, and which produced revenue from any source in the most recent prior year which is less than the county average revenue per acre for noncropland calculated by the agricultural economics department of the North Dakota state university. Application for classification as inundated agricultural land must be made in writing to the township assessor or county director of tax equalization by March thirty-first of each year, except that for the year 2001, the written application must be

made within ninety days from March 16, 2001. Before all or part of a parcel of property may be classified as inundated agricultural land, the board of county commissioners must approve that classification for that property for the taxable year. The agricultural value of inundated agricultural lands for purposes of this section must be determined by the agricultural economics department of North Dakota state university to be ten percent of the average agricultural value of noncropland for the county as determined under this section. Valuation of individual parcels of inundated agricultural land may recognize the probability that the property will be suitable for agricultural production as cropland or for grazing farm animals in the future.

7. Before 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. The 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, whenever possible, shall use soil type and soil classification data from detailed and general soil surveys. When such data cannot be used, the county director of tax equalization shall use whatever previous assessment data is best suited to the purpose.

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

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*Deanna Hallmark*  
Operator's Signature

10/22/03

Date

## Appendix A -- Livestock Statistics

County	Range Acres	Pasture Acres	Total Acres	Range AUM	Pasture AUM	County	Range Acres	Pasture Acres	Total Acres	Range AUM	Pasture AUM
Adams	224,750	13,200	237,950	0.55	0.80	McLean	295,225	19,000	315,225	0.80	0.85
Barnes	43,400	24,300	67,700	0.75	0.80	Mercer	295,885	6,580	302,285	0.55	0.80
Benson	47,000	70,000	117,000	0.85	0.70	Morton	561,130	28,300	589,430	0.55	0.80
Billings	215,000	3,420	218,420	0.55	0.80	Mountain	522,200	7,900	530,100	0.80	0.85
Bottineau	50,800	9,640	60,440	0.85	0.70	Nelson	50,700	24,100	74,800	0.85	0.70
Bowman	306,000	46,800	352,800	0.45	0.50	Oliver	194,100	17,000	211,100	0.55	0.80
Burke	131,600	14,700	146,300	0.80	0.65	Pembina	980	22,500	23,480	0.75	0.80
Burlingame	353,600	56,700	410,300	0.60	0.65	Pierce	118,800	9,800	128,200	0.85	0.70
Cass	11,200	18,000	29,200	0.75	0.80	Ramsey	12,100	28,000	40,100	0.85	0.70
Cavalier	33,700	17,800	51,500	0.85	0.70	Ransom	40,500	4,050	44,550	0.75	0.80
Dickey	82,100	38,900	121,000	0.75	0.80	Renville	41,200	5,250	46,450	0.85	0.70
Divide	172,300	5,600	177,900	0.80	0.65	Richland	55,000	56,200	111,200	0.75	0.80
Dunn	714,600	19,900	734,500	0.55	0.80	Rolette	51,700	22,200	73,900	0.85	0.70
Eddy	23,200	44,200	67,400	0.65	0.70	Sargent	41,500	37,600	79,100	0.75	0.80
Emmons	306,300	6,600	314,900	0.60	0.65	Sheridan	214,000	5,700	219,700	0.80	0.85
Foster	42,800	7,250	50,050	0.85	0.70	Sioux	475,000	28,850	503,850	0.55	0.80
Golden Valley	282,900	17,800	300,700	0.45	0.50	Slope	261,000	21,300	282,300	0.55	0.80
Grand Forks	39,800	19,400	59,000	0.75	0.80	Stark	242,200	28,720	270,920	0.55	0.80
Grant	504,800	46,300	550,900	0.55	0.80	Steele	11,300	17,720	29,020	0.85	0.70
Grisps	28,300	18,500	46,800	0.65	0.70	Stutsman	275,000	43,300	318,300	0.75	0.80
Hettinger	102,500	0	102,500	0.55	0.80	Towner	7,300	14,200	21,500	0.85	0.70
Kidder	285,600	52,640	358,240	0.80	0.65	Trail	15,900	14,400	30,300	0.75	0.80
Lakota	5,250	28,640	33,890	0.75	0.80	Walsh	22,000	8,600	30,600	0.85	0.70
Logan	216,600	23,000	239,600	0.80	0.65	Ward	251,400	3,685	255,085	0.80	0.85
McHenry	348,800	27,300	376,100	0.65	0.70	Wells	56,400	13,600	70,000	0.85	0.70
McIntosh	162,500	4,650	167,150	0.80	0.65	Williams	375,000	19,000	394,000	0.80	0.85
McKenzie	595,200	46,800	642,000	0.55	0.80						
						State	9,800,302	1,229,375	11,029,677		

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Operator's Signature

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## Century Code -- 2001 Farmstead Exemption

57-02-08. Property exempt from taxation. All property described in this section to the extent herein limited shall be exempt from taxation:

15. a. All farm structures and improvements located on agricultural lands.

(1) This subsection must be construed to exempt farm buildings and improvements only, and may not be construed to exempt from taxation industrial plants, or structures of any kind not used or intended for use as a part of a farm plant, or as a farm residence.

(2) Any structure or improvement used primarily in connection with a retail or wholesale business other than farming, any structure or improvement located on platted land within the corporate limits of a city, or any structure or improvement located on railroad operating property subject to assessment under chapter 57-05 is not exempt under this subsection. For purposes of this paragraph, "business other than farming" includes processing to produce a value-added physical or chemical change in an agricultural commodity beyond the ordinary handling of that commodity by a farmer prior to sale.

(3) The following factors may not be considered in application of the exemption under this subsection:

- (a) Whether the farmer grows or purchases feed for animals raised off the farm.
- (b) Whether animals being raised on the farm are owned by the farmer.
- (c) Whether the farm's replacement animals are produced on the farm.
- (d) Whether the farmer is engaged in contract feeding of animals on the farm.

b. It is the intent of the legislative assembly that this exemption as applied to a residence must be strictly construed and interpreted to exempt only a residence that is situated on a farm and which is occupied or used by a person who is a farmer and that the exemption may not be applied to property which is occupied or used by a person who is not a farmer. For purposes of this subdivision:

(1) "Farm" means a single tract or contiguous tracts of agricultural land containing a minimum of ten acres [4.05 hectares] and for which the farmer, actually farming the land or engaged in the raising of livestock or other similar operations normally associated with farming and ranching, has received annual net income from farming activities which is fifty percent or more of annual net income, including net income of a spouse if married, during any of the three preceding calendar years.

(2) "Farmer" means an individual who normally devotes the major portion of time to the activities of producing products of the soil, poultry, livestock, or dairy farming in such products' unmanufactured state and has received annual net income from farming activities which is fifty percent or more of annual net income,

including net income of a spouse if married, during any of the three preceding calendar years. "Farmer" includes a "retired farmer" who is retired because of illness or age and who at the time of retirement owned and occupied as a farmer the residence in which the person lives and for which the exemption is claimed. "Farmer" includes a "beginning farmer" who has begun occupancy and operation of a farm within the three preceding calendar years; who normally devotes the major portion of time to the activities of producing products of the soil, poultry, livestock, or dairy farming in such products' unmanufactured state; and who does not have a history of farm income from farm operation for each of the three preceding calendar years.

(3) "Net income from farming activities" means taxable income from those activities as computed for income tax purposes pursuant to chapter 57-38 adjusted to include the following:

(a) The difference between gross sales price less expenses of sale and the amount reported for sales of agricultural products for which the farmer reported a capital gain.

(b) Interest expenses from farming activities which have been deducted in computing taxable income.

(c) Depreciation expenses from farming activities which have been deducted in computing taxable income.

(4) When exemption is claimed under this subdivision for a residence, the assessor may require that the occupant of the residence who it is claimed is a farmer provide to the assessor for the year or years specified by the assessor a written statement in which it is stated that fifty percent or more of the net income of that occupant, and spouse if married and both spouses occupy the residence, was, or was not, net income from farming activities.

(5) In addition to any of the provisions of this subsection or any other provision of law, a residence situated on agricultural land is not exempt for the year if it is occupied by an individual engaged in farming who had nonfarm income, including that of a spouse if married, of more than forty thousand dollars during each of the three preceding calendar years. This paragraph does not apply to a retired farmer or a beginning farmer as defined in paragraph 2.

(6) For purposes of this section, "livestock" includes "nontraditional livestock" as defined in section 36-01-00.1.

(7) A farmer operating a bed and breakfast facility in the farm residence occupied by that farmer is entitled to the exemption under this section for that residence if the farmer and the residence would qualify for exemption under this section except for the use of the residence as a bed and breakfast facility.

**AgriBank, FCB Mortgage Interest Rates  
on North Dakota Farmland Loans**

*Provided by Dwight Aakre, NDSU, to 2001-2002 Interim Tax Committee*

Year	Annual Mortgage Rate
1980	10.17
1981	11.08
1982	12.50
1983	11.50
1984	11.63
1985	12.44
1986	12.01
1987	10.85
1988	10.95
1989	11.58
1990	11.25
1991	10.69
1992	8.19
1993	7.38
1994	8.98
1995	8.55
1996	8.36
1997	8.27
1998	8.43
1999	8.10
2000	8.32
2001	6.48

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*Dwight Aakre*  
Operator's Signature

10/22/03

Date

**CAPITALIZED LAND VALUES USING A CAPITALIZATION RATE OF 8.5 PERCENT**

County	Cropland	Noncropland	All Agricultural Land
Adams	233.00	83.23	176.31
Barnes	448.57	115.63	386.26
Benson	328.14	102.37	279.40
Billings	200.83	77.92	115.90
Bottineau	333.61	99.07	293.98
Bowman	227.93	68.75	148.06
Burke	276.77	91.10	220.63
Burleigh	263.35	91.39	185.63
Cass	571.47	117.57	558.82
Cavalier	414.77	100.47	370.08
Dickey	439.02	115.35	336.17
Divide	266.46	90.58	219.96
Dunn	228.96	83.02	138.36
Eddy	310.06	102.81	248.06
Emmons	299.06	90.49	209.94
Foster	381.52	98.96	329.83
Golden Valley	247.95	68.20	155.26
Grand Forks	543.02	115.40	506.59
Grant	228.17	83.45	147.43
Griggs	393.38	100.84	332.88
Hettinger	288.89	82.81	237.63
Kidder	258.03	92.29	183.60
La Moure	432.50	119.29	391.05
Logan	285.44	91.06	191.63
McHenry	270.83	98.42	216.82
McIntosh	270.09	90.55	197.85
McKenzie	272.86	83.36	159.46
McLean	316.86	90.80	277.53
Mercer	258.95	82.98	182.75
Morton	270.27	83.18	161.38
Mountrail	286.43	90.45	204.56
Nelson	353.40	100.30	309.70
Oliver	305.69	83.42	174.62
Pembina	668.00	120.15	597.48
Pierce	294.26	98.43	252.61
Ramsey	350.19	103.13	306.07
Ransom	485.68	113.61	399.50
Renville	347.80	98.72	328.54
Richland	636.28	116.73	553.36
Rolette	313.14	100.13	276.87
Sargent	515.95	116.50	432.05
Sheridan	282.82	90.54	209.37
Sioux	218.37	83.24	109.58
Slope	242.01	75.85	171.13
Stark	262.22	83.61	195.92
Steele	493.83	102.45	439.83
Stutsman	354.56	113.95	278.43
Towner	344.22	102.84	333.46
Traill	628.10	116.50	588.88
Walsh	610.39	107.52	555.97
Ward	338.39	90.45	280.36
Wells	368.86	99.33	320.51
Williams	244.00	90.70	190.22
State	360.93	89.15	276.79

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*Deanna Waller*  
Operator's Signature

10/22/03

Date

**CAPITALIZED LAND VALUES USING A CAPITALIZATION RATE OF 9.5 PERCENT**

County	Cropland	Noncropland	All Agricultural Land
Adams	208.48	74.47	157.75
Barnes	401.35	103.46	345.60
Benson	293.60	91.59	249.99
Billings	179.69	69.71	103.70
Bottineau	298.49	88.64	263.03
Bowman	203.94	61.52	132.48
Burke	247.63	81.51	197.41
Burleigh	235.63	81.77	166.09
Cass	511.31	105.19	500.00
Cavaller	371.11	89.90	331.12
Dickey	392.81	103.21	300.78
Divide	238.41	81.04	196.81
Dunn	204.85	74.28	123.79
Eddy	277.42	91.99	221.95
Emmons	267.58	80.97	187.84
Foster	341.36	88.55	295.11
Golden Valley	221.85	61.02	138.92
Grand Forks	485.86	103.25	453.27
Grant	204.15	74.67	131.91
Griggs	351.97	90.23	297.84
Hettinger	258.48	74.09	212.62
Kidder	230.87	82.57	164.27
La Moure	386.98	106.73	349.89
Logan	255.40	81.47	171.46
McHenry	242.32	88.06	193.99
McIntosh	241.66	81.02	177.03
McKenzie	244.13	74.58	142.67
McLean	283.51	81.24	248.32
Mercer	231.69	74.24	163.51
Morton	241.82	74.42	144.39
Mountrail	256.28	80.93	183.03
Nelson	316.20	89.74	277.10
Oliver	273.51	74.64	156.23
Pembina	597.68	107.50	534.59
Pierce	263.29	88.07	226.02
Ramsey	313.33	92.27	273.86
Ransom	434.55	101.65	357.45
Renville	311.19	88.33	293.95
Richland	569.30	104.44	495.11
Rolette	280.18	89.59	247.73
Sargent	461.64	104.24	386.57
Sheridan	253.05	81.01	187.34
Sioux	195.38	74.48	98.05
Slope	216.53	67.87	153.12
Stark	234.61	74.81	175.29
Steele	441.85	91.67	393.53
Stutsman	317.23	101.96	249.12
Towner	307.99	92.02	298.36
Traill	561.99	104.24	526.89
Walsh	546.14	96.20	497.45
Ward	302.77	80.93	250.85
Wells	330.04	88.87	286.77
Williams	218.31	81.16	170.20
State	322.94	79.77	247.65

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*Deanne Hallen*  
Operator's Signature

10/22/03

Date



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## **North Dakota Farm Bureau**

[www.ndfb.org](http://www.ndfb.org)

### **House Finance and Tax Committee**

*March 5, 2003*

#### **Testimony by North Dakota Farm Bureau**

*presented by Sandy Clark, public policy team*

Good morning, Mr. Chairman and members of the committee. For the record, my name is Sandy Clark and I represent the 26,000 family members of the North Dakota Farm Bureau.

We rise today in support of SB 2390. This bill would place a floor on the capitalization rate of 9.5 percent. The bill would simply remove the high peaks of land valuations that we are experiencing today, as a result of historic low interest rates.

NDFB believes very strongly in maintaining the ag productivity formula. As you know, there were two other bills introduced this Session in the House relative to the ag productivity formula. NDFB opposed both of those bills. We have concern that those bills would destroy the integrity of the formula and create more problems than they'd cure. We believe SB 2390 is a realistic, workable option.

At a previous hearing, I distributed this booklet that we put together on property taxes. Today I have distributed page 10 of that manual to facilitate dialogue about the capitalization rate. The capitalization rate is nothing more than the interest rate. It reflects the last 12 years' interest rate, with the high and low dropped, and the remaining ten years averaged.

If you look at the bottom of the page, you will see that the capitalization rate has been going down. I've also enclosed a handout indicating the Agribank mortgage interest rates since 1980 that have been used in the formula. Dwight Aakre of NDSU provided this information to the Interim Tax Committee, so I know some of you have seen it before.

The only time you would place a floor on the capitalization rate is when interest rates are at historic lows.

*One future. One voice.*

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*Sandy Clark*  
Operator's Signature

*10/22/03*  
Date

Low interest rates are positive for agricultural, which is a capital intense industry. But in the capitalization rate, you have to change your thinking. Low interest rates have exactly the opposite effect of what you would normally think.

Again on page 10, in calculations #25 & #26, you'll notice the capitalization rate is the last divisor in the formula. Therefore, the lower the capitalization rate, the higher the land valuation.

Unfortunately, this trend of higher land valuations will continue an upward spiral as interest rates remain low and we drop off the higher capitalization rates. If you look again on the interest rate sheet, next year we will drop the 10.69% interest and probably add the 6.48% interest. Land valuations will take another big jump and will continue to do so until interest rates go back up and the extreme low years are dropped.

During the interim, the tax committee did look at the impact of different capitalization rates. On the green handout, Mr. Aakre determined that based on the 2002 assessment year, the change from 8.5 percent to 9.5 percent on the capitalization rate would decrease land valuations by 10.5 percent.

Land valuations are unrealistically high and we believe a floor of 9.5% would make land valuations more realistic. Again, it only takes off the high peaks.

When interest rates begin to climb again...and they will...the capitalization rate will quickly surpass the 9.5 percent level and the floor will be a moot point. So, this is simply a short-term situation.

I realize that residential property owners view this as a shift of property taxes. But, first keep in mind we are talking about a state average.

Secondly, a 10.5 percent reduction in land valuations does not mean a 10.5 percent increase for each individual residential property owner. There are 30,000 farmers and ranchers in North Dakota. But there are 171,299 homeowners and 85,853 renters who are paying residential property taxes. So it's spread out over 257,152 taxpayers.

Again, I need to keep emphasizing when the capitalization rate goes over 9.5 percent, we will back to the same proportion of taxes between ag land and residential property that we are now.

Farmers and ranchers have faced several years of continually increasing land valuations. With interest rates at an all-time low, the time is right to place a floor of 9.5 percent on the capitalization rate.

NDFB urges you to give SB 2390 a do pass recommendation. Thank you for your consideration and I would entertain any questions.

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Deanna Hall  
Operator's Signature

10/22/03

Date

My name is Arvid Winkler. I am a farmer and township assessor in Barnes County. I have been the Cuba Township assessor since 1977. I have a bachelor's degree in civil engineering from NDSU.

I have limited enthusiasm for SB 2390 and its cupping of the capitalization rate. I do not oppose the bill.

The bill does correct an apparent problem, but I feel that it is targeting the wrong problem. I have attached an e-mail message which I sent to members of the Senate Finance & Taxation Committee.

IN 2002 BARNES CO CROPLAND WAS \$427.93/A

WITHOUT SB 2390

2003 BARNES CO CROPLAND WILL BE \$450.95/A

$$\frac{38.47}{.0853087} = 450.95/A$$

WITH SB 2390

2003 BARNES CO CROPLAND WILL BE \$404.95/A

$$\frac{38.47}{.095} = 404.95/A$$



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*Deanna Waller*  
Operator's Signature

10/22/03  
Date

Barren County Annual number of acres:	Calculations for 2003 assessments				Reported Non-cropland	Reported Total
	Supplemental & Potatoes	NAASS Cropland	Gov't Payments	CRP		
1992	0	97,486,416	9,835,829	881,302	106,173,547	111,240,957
1993	0	82,808,741	10,838,024	881,302	80,094,067	83,362,706
1994	0	84,357,822	9,308,905	881,302	94,517,829	97,421,678
1995	0	86,821,218	4,889,441	881,302	95,371,962	97,738,962
1996	0	100,021,563	11,014,120	881,302	119,896,576	121,770,978
1997	0	74,381,945	8,883,406	1,318,886	84,548,238	87,069,415
1998	0	84,835,860	23,208,401	1,318,886	109,361,950	111,869,747
1999	0	85,839,490	26,765,844	1,284,333	83,689,667	86,542,010
2000	0	74,081,580	43,249,186	1,581,483	118,882,249	122,178,147
2001	0	78,722,586	31,367,880	1,868,248	111,888,514	116,118,673
Landowner share of returns	20.00%	30.00%	30.00%		25.00%	25.80%
Annual landowner share of gross returns						
1992					33,047,976	33,814,826
1993					24,824,132	25,441,231
1994					28,861,280	29,877,223
1995					28,207,500	28,789,250
1996					36,982,004	37,033,004
1997					26,287,490	28,918,835
1998					33,732,507	34,381,969
1999					25,985,933	26,704,019
2000					36,781,212	37,903,187
2001					34,892,328	35,679,868
These 8 years of data were used in the following calculations:						
1998, 1997, 1994, 1996, 1995, 1997, 1998, 1999, 1994, 1992, 2001, 1993						
Eight-year annual average acres:					67,700	803,850
Eight-year average annual landowner share of gross returns:					710,868	31,784,330
Adjusted for cost of production index @ 108.8					947,500	28,956,585
Eight-year average landowner share of gross returns per acre:					9.56	36.03
Capitalized average annual value per acre @ 8.53%					112.12	
Acres provided or reviewed by county:					165,705	918,714
Inundated acres					2,170	2,720
Capitalized average value based on acreage provided or reviewed by county:						388.72

**Subject: SB 2390 Cap Rate Facts**

**Date: Mon, 10 Feb 2003 09:22:21 -0600**

**From: Arvid Winkler <awinkler@valleycity.net>**

**To: rnichols@state.nd.us**

**CC: rwardner@state.nd.us, tseymour@state.nd.us, gherbel@state.nd.us**

Sponsors and F & T Committee members,  
This bill is similar to SB 2053 from the 99 session that was defeated  
48N 1Y after attempting to limit the rates from 10.00 to 11.00.

HB 1246 from the 2001 session was amended to limit the rates from 9.25  
to 10.50 and also amended to be effective after Dec 31, 2001. The  
amended bill was defeated 52N 45Y.

Under current plans I will not testify in favor, or against, SB 2390.

I do object to the proposed effective date as after Dec 31, 2002. I  
suggest amending it to be after Dec 31, 2003 or with the 2004 assessment  
year. We started doing things for the current 2003 assessment year back  
in Jul of 2002.

The lack of an upper limit on the interest rate removes an objection I  
had with previous bills.

The cap rate being used for the current 2003 assessment year is 8.53% as  
a result of the ten year review period.

The current rate on my federal land bank (agribank) loan is 4.35%. That  
cap rate is headed in this direction until interest rates change  
directions.

Last Friday the local bank offered 1.65% for a one year CD of \$100,000.  
The offer was 2.15% for two year CD in the same amount.

Two different ag bankers told me that the unhappy bank depositor can  
take the \$100,000 and purchase a quarter of land, collect close to \$40  
per acre cash rent, pay between \$500 and \$1200 in real estate taxes, and  
be happier with the return on the investment. There is a risk that as  
interest rates rise the invested principal cannot be fully recovered on  
a resale.

The effect of low interest rates is also affecting the residential real  
estate market. A fixed payment will finance a larger value home. The  
net effect is that people can pay more for the same residence, thus  
driving the market up. Residential values in this area have been  
rising for some reason. I had previously reasoned that it was pressure  
from the Fargo market. The future problem will be that as interest  
rates rise the same residence may not sell for the same amount and a  
deficiency will result.

The current ag land valuation model is similar to a valuation method  
set forth in 1976 by Congress for establishing the value of agricultural  
land for federal estate tax purposes (26 U.S.C. §2032A). The growing  
problem is that the NDSU model is based on a 70/30 share system with  
credit for taxes paid that is being used with decreasing frequency as  
time goes on. We continue to apply these Bill Gates type of "patches"  
to keep the model resembling real life.

In my opinion, we need to move to a cash rent based model similar to  
that proposed by Ronald Haugen and Dwight Aakre in the June 2002 NDSU  
Agribusiness and Applied Economics Report No. 481, "County Level Taxable  
Agricultural Land Values in North Dakota: Comparing the Gross Revenue

Approach with Values Based on Rental Values". We do need to properly allow for taxes paid, either as a reduction from receipts, or as an affect on the captitalization rate. Currently the effective tax rate across the state is about 1.5% of the taxable valuation.

The state board of equalization currently requires assessments of agricultural land to come within a 5% tolerance of the NDSU model. It seems to me that the target values should also be statistically sound to the same standard. Any differences between the current shares model and the proposed cash rent model illustrate the magnitude of the current problem.

Thank you for your consideration.

Arvid Winkler, Cuba Township Assessor  
Barnes County  
12217 40 St SE  
Valley City, ND 58072-9575  
845-0608

Table 9. Tax Rates as a Percent of Value by County.

COUNTY	2000 Effect	2001 Effect	2002 Effect
	Tax Rate	Tax Rate	Tax Rate
	As Percent	As Percent	As Percent
	87-88	88-89	89-90
Adams	0.0170	0.0173	0.0175
Barnes	0.0152	0.0156	0.0157
Benson	0.0180	0.0184	0.0186
Billings	0.0045	0.0048	0.0051
Bottineau	0.0143	0.0145	0.0147
Bowman	0.0131	0.0132	0.0133
Burke	0.0133	0.0135	0.0137
Burlingame	0.0139	0.0142	0.0144
Cass	0.0141	0.0146	0.0149
Cavalier	0.0141	0.0145	0.0147
Dickey	0.0141	0.0147	0.0152
Divide	0.0143	0.0145	0.0146
Dunn	0.0137	0.0141	0.0144
Eddy	0.0167	0.0172	0.0176
Emmons	0.0144	0.0147	0.0149
Foster	0.0146	0.0150	0.0152
Golden Valley	0.0150	0.0153	0.0156
Grand Forks	0.0146	0.0151	0.0155
Grant	0.0149	0.0154	0.0158
Griggs	0.0168	0.0172	0.0174
Hettinger	0.0145	0.0148	0.0150
Kidder	0.0139	0.0143	0.0146
LaMoure	0.0136	0.0139	0.0141
Logan	0.0139	0.0142	0.0145
McHenry	0.0139	0.0141	0.0141
McIntosh	0.0125	0.0129	0.0133
McKenzie	0.0091	0.0094	0.0096
McLean	0.0116	0.0118	0.0120
Mercer	0.0149	0.0155	0.0159
Morton	0.0146	0.0153	0.0157
Mountrail	0.0158	0.0161	0.0164
Nelson	0.0170	0.0175	0.0179
Oliver	0.0120	0.0124	0.0128
Pembina	0.0147	0.0150	0.0153
Pierce	0.0161	0.0164	0.0166
Ramsey	0.0146	0.0151	0.0155
Ransom	0.0161	0.0166	0.0161
Renville	0.0133	0.0135	0.0137
Richland	0.0180	0.0186	0.0171
Rosette	0.0158	0.0162	0.0165
Sargent	0.0155	0.0159	0.0162
Sheridan	0.0141	0.0145	0.0148
Sioux	0.0166	0.0170	0.0173
Slope	0.0100	0.0102	0.0103
Stark	0.0167	0.0171	0.0173
Steele	0.0161	0.0165	0.0167
Stutsman	0.0143	0.0148	0.0148
Towner	0.0151	0.0154	0.0155
Trail	0.0164	0.0167	0.0169
Walsh	0.0168	0.0160	0.0164
Ward	0.0139	0.0141	0.0143
Wells	0.0142	0.0146	0.0150
Williams	0.0164	0.0167	0.0170

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**Table 6**  
**Average Prices Per Acre and Median Ratios for Agricultural Land**

County	No. of Sales	Avg. Price Per Acre	Median Ratio
Adams	34	237	62.6
Barnes	33	425	75.0
Benson	18	258	80.5
Billings	5	232	54.5
Bottineau	17	324	77.0
Bowman	9	282	57.4
Burke	7	243	68.5
Burleigh	7	301	64.3
Cass	29	768	62.0
Cavalier	28	463	80.4
Dickey	14	366	77.3
Divide	16	263	71.9
Dunn	13	218	64.7
Eddy	8	316	88.1
Emmons	41	269	59.9
Foster	8	347	77.1
Golden Valley	12	161	63.7
Grand Forks	36	578	87.6
Grant	17	194	65.8
Griggs	19	342	91.7
Hettinger	12	231	61.2
Kiowa	20	171	102.2
Lakota	12	401	78.2
Logan	29	222	73.8
McHenry	23	201	78.9
McIntosh	41	213	73.8
McKenzie	9	285	59.3
McLean	31	358	63.2
Mercer	22	270	69.4
Morton	27	235	64.5
Mountain	6	449	54.8
Nelson	25	297	95.0
Oliver	13	194	64.8
Pembina	28	764	62.2
Pierce	14	258	95.4
Ramsay	26	317	85.8
Ransom	14	482	69.7
Renville	16	484	66.9
Richland	29	835	54.2
Rolette	18	291	76.2
Sargent	15	350	72.1
Sheridan	15	230	82.6
Sioux	7	120	81.7
Slope	8	261	61.7
Stark	18	268	69.4
Steele	4	N/A	67.5
Stutsman	31	344	73.3
Towner	20	308	79.1
Trail	7	662	75.4
Walsh	23	518	85.4
Ward	21	363	63.4
Wells	16	318	92.9
Williams	26	304	59.5
State	997	317	70.8

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Deanna Hall  
Operator's Signature

10/22/03

Date

**Testimony on SB2390 ND Township Officers Association**  
by Ken Yantes

**Mr. Chairman and members of the House Finance and Taxation Committee**

**My name is Ken Yantes; I represent over 6000 locally elected grassroots leaders, the ND Township Officers Association.**

**I have come here today in support of SB2390. The Township Officers feel that this tax bill will work to establish a cap. rate floor when interest rates dip to unusually low levels. The bill will allow the cap. rate to fluctuate when interest rates return to a more normal level. The passage of SB2390, at this time, will result in a more realistic ag land tax.**

**The State board of Directors of the North Dakota Township Officers Association met on February 28th, 2003 and directed me to ask for your do pass vote on SB2390.**

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*Deanne Hallen*  
Operator's Signature

*10/22/03*  
Date