

INTERIM TAXATION COMMITTEE
AGRICULTURAL CAPITALIZATION RATE
MAY 6, 2010

PRESENTED BY SARA MEIER, PROPERTY TAX SPECIALIST

Chairman Cook, members of the Interim Taxation Committee, for the record my name is Sara Meier, and I am a Property Tax Specialist for the Office of State Tax Commissioner.

My presentation today is to inform you on the results of the Agricultural Land Valuation calculation that is prescribed by North Dakota Century Code section 57-02-27.2.

There are four dominant factors that determine the agricultural valuations for each county. They are the eight year average annual production, the cost of production, the capitalization rate, and the number of taxable acres for cropland, non-cropland, and inundated land.

The eight year average is determined by considering the most recent 10 years of production available for summary. For the 2010 calculation, the years 1999 thru 2008 are used. The highest and lowest years of production are excluded and the remaining eight years are summarized and divided by eight.

The second factor is the cost of production. The cost of production for 2010 is 131.37% which is an increase of 4.477% over the 2009 cost of production of 125.74. This cost of production affects the end result of the calculation for agricultural land valuation just as the capitalization rate does. If the rate increases, the value decreases. If the rate decreases, the value increases. The eight year average production is divided by the cost of production.

The adjusted eight year average production is then divided by the eight year average acres. The result is the landowner share of gross returns per acre.

The landowner share is then divided by the third major factor which is the capitalization rate. The capitalization rate for 2010 is 7.70% which is a decrease from the 2009 capitalization rate of 8.00%. This decrease contributes about 3.89% to the increase in values.

The fourth major factor is the county acreage that are reported by the county for cropland, non-cropland, and inundated land. There were no major changes in the acreages reported between the 2009 and 2010 calculations. To calculate the average agricultural value for the entire county, multiply the cropland value per acre by the reported cropland acre and add the

product of the non-cropland value per acre multiplied by the reported non-cropland acres, and divide the sum of those products by the total taxable acres reported by the county. A shift in the classification of the acreages can cause an increase or a decrease in the value when compare to the previous year.

Of the four major factors that affect the agricultural value, the eight year average production is identified as the reason for the dramatic increases in agricultural land values for 2010. The increase in the cost of production and the decrease in the capitalization rate almost cancel each other.

Thank you and I would welcome any questions.

Ward	County	Calculations for 2010 Assessments				Reported	Reported	Reported
Annual number of acres:		Sugarbeets & Potatoes	NASS Cropland	Govt Payments	CRP	Cropland	Non-cropland	Total
1999			756,500		58,387	814,887	255,065	1,069,952
2000			768,500		58,387	826,887	255,065	1,081,952
2001			757,700		58,387	816,087	255,065	1,071,152
2002			768,400		58,387	826,787	255,065	1,081,852
2003			769,800		58,387	828,187	255,065	1,083,252
2004			766,768		41,827	808,595	255,065	1,063,660
2005			708,894		41,827	750,721	255,065	1,005,786
2006			785,706		41,015	826,721	255,065	1,081,786
2007			831,877		42,219	874,096	255,065	1,129,161
2008			877,134		35,088	912,222	255,065	1,167,287

Annual gross returns:	1999	0	38,652,040	16,975,877	985,985	56,613,902	8,465,223	65,079,125
50% of return on irrigated	2000	0	57,571,699	36,897,197	743,471	95,212,367	9,684,029	104,896,396
cropland is included in	2001	0	57,886,733	35,505,028	609,344	94,001,105	9,281,630	103,282,735
NASS cropland gross returns;	2002	0	76,821,383	18,068,812	636,542	95,526,737	8,632,389	104,159,126
CRP returns are 50% of	2003	0	82,269,577	11,415,181	619,640	94,304,398	10,191,195	104,495,593
payments reported by FSA	2004	0	88,138,547	12,989,232	605,312	101,733,091	11,952,484	113,685,575
	2005	0	87,109,458	21,541,097	604,676	109,255,231	12,991,332	122,246,563
	2006	0	106,641,623	14,252,022	613,601	121,507,246	12,014,923	133,522,169
	2007	0	206,273,509	6,791,406	609,449	213,674,364	11,272,178	224,946,542
	2008	0	236,408,855	9,843,083	647,993	246,899,931	10,351,695	257,251,626

Landowner share of returns		20.00%	30.00%	30.00%		30.00%	25.00%	29.60%
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Annual landowner share	1999					17,674,360	2,116,306	19,790,666
of gross returns	2000					29,084,139	2,421,007	31,505,147
	2001					28,626,872	2,320,408	30,947,279
	2002					29,103,600	2,158,097	31,261,697
	2003					28,725,067	2,547,799	31,272,866
	2004					30,943,845	2,988,121	33,931,766
	2005					33,199,843	3,247,833	36,447,676
	2006					36,881,695	3,003,731	39,885,425
	2007					64,528,923	2,818,045	67,346,968
	2008					74,523,574	2,587,924	77,111,498

These 8 years of data were used in the following calculations:

		2007,2006,2005,2004, 2003,2002,2001,2000	2008,2007,2006,2004, 2003,2002,2001,2000	
Eight-year annual average acres:		819,760	255,065	1,074,825 - ④
Eight-year average annual landowner share of gross returns:		35,136,723	2,605,641	37,742,364 - ②
Adjusted for cost of production index @	131.3725	26,745,864	1,983,399	28,729,262 - ③
Eight-year average landowner share of gross returns per acre:		32.63	7.78	26.73 - ⑤
Capitalized average annual value per acre @	7.70%	Inundated 10.10	423.72	100.99 - ⑥
Acreage provided or reviewed by county:		937,615	285,791	1,223,406 - ⑦
Inundated acres				
Capitalized average value based on acreage provided or reviewed by county:				348.33 - ⑧

Stark County	Annual number of acres:	Calculations for 2010 Assessments Sugarbeets & Potatoes	NASS Cropland	Govt Payments	CRP	Reported Cropland	Reported Non-cropland	Reported Total
	1999		450,900		73,151	524,051	270,920	794,971
	2000		412,600		73,151	485,751	270,920	756,671
	2001		425,800		73,151	498,751	270,920	769,671
	2002		444,300		73,151	517,451	270,920	788,371
	2003		442,000		73,151	515,151	270,920	786,071
	2004		422,221		87,976	510,197	270,920	781,117
	2005		472,222		87,976	560,198	270,920	831,118
	2006		462,546		90,189	552,735	270,920	823,655
	2007		455,839		88,519	544,158	270,920	815,078
	2008		466,391		83,512	549,903	270,920	820,823

Annual gross returns:	1999	0	24,805,529	8,371,726	1,073,209	34,250,464	8,311,620	42,562,084
50% of return on irrigated	2000	0	32,582,749	15,432,755	1,187,751	49,203,255	9,508,310	58,711,565
cropland is included in	2001	0	41,978,543	10,614,896	1,222,808	53,816,047	9,113,212	62,929,259
NASS cropland gross returns;	2002	0	28,150,053	3,164,734	1,276,008	32,590,795	8,475,752	41,066,547
CRP returns are 50% of	2003	0	34,556,360	3,309,289	1,227,542	39,093,191	10,006,273	49,099,464
payments reported by FSA	2004	0	34,530,417	5,330,112	1,214,475	41,075,004	11,735,604	52,810,608
	2005	0	53,309,987	6,165,615	1,186,858	60,662,460	12,755,601	73,418,061
	2006	0	36,174,960	5,115,414	1,213,454	42,503,828	11,796,909	54,300,737
	2007	0	85,945,157	2,601,597	1,226,276	89,773,029	11,067,642	100,840,671
	2008	0	22,313,603	4,960,649	1,252,436	28,526,688	10,163,862	38,690,550

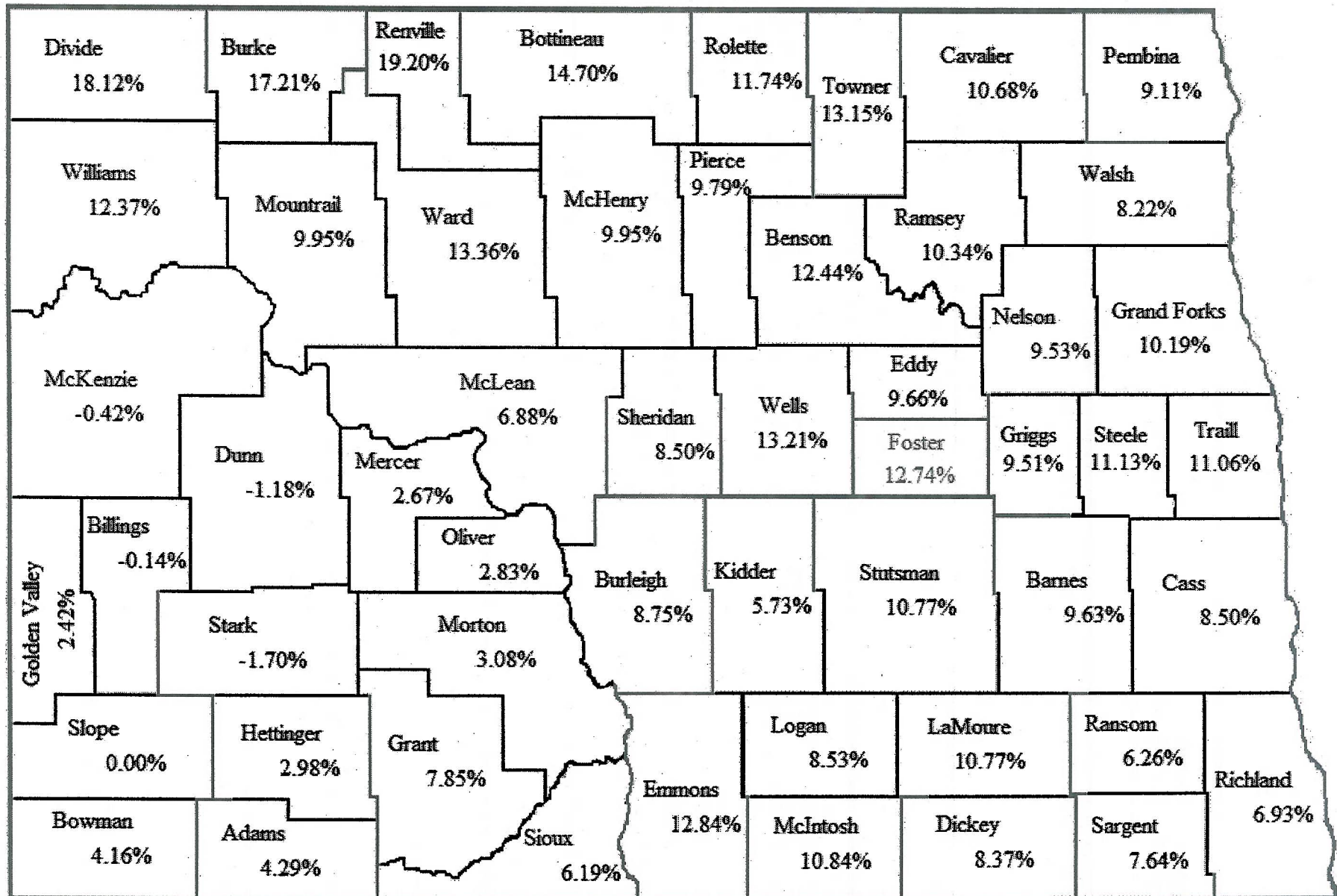
Landowner share of returns		20.00%	30.00%	30.00%		30.00%	25.00%	29.08%
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Annual landowner share	1999					11,026,385	2,077,905	13,104,290
of gross returns	2000					15,592,402	2,377,078	17,969,480
	2001					17,000,640	2,278,303	19,278,943
	2002					10,670,444	2,118,938	12,789,382
	2003					12,587,237	2,501,568	15,088,805
	2004					13,172,633	2,933,901	16,106,534
	2005					19,029,538	3,188,900	22,218,438
	2006					13,600,566	2,949,227	16,549,793
	2007					27,790,302	2,766,911	30,557,212
	2008					9,434,711	2,540,966	11,975,677

These 8 years of data were used in the following calculations:

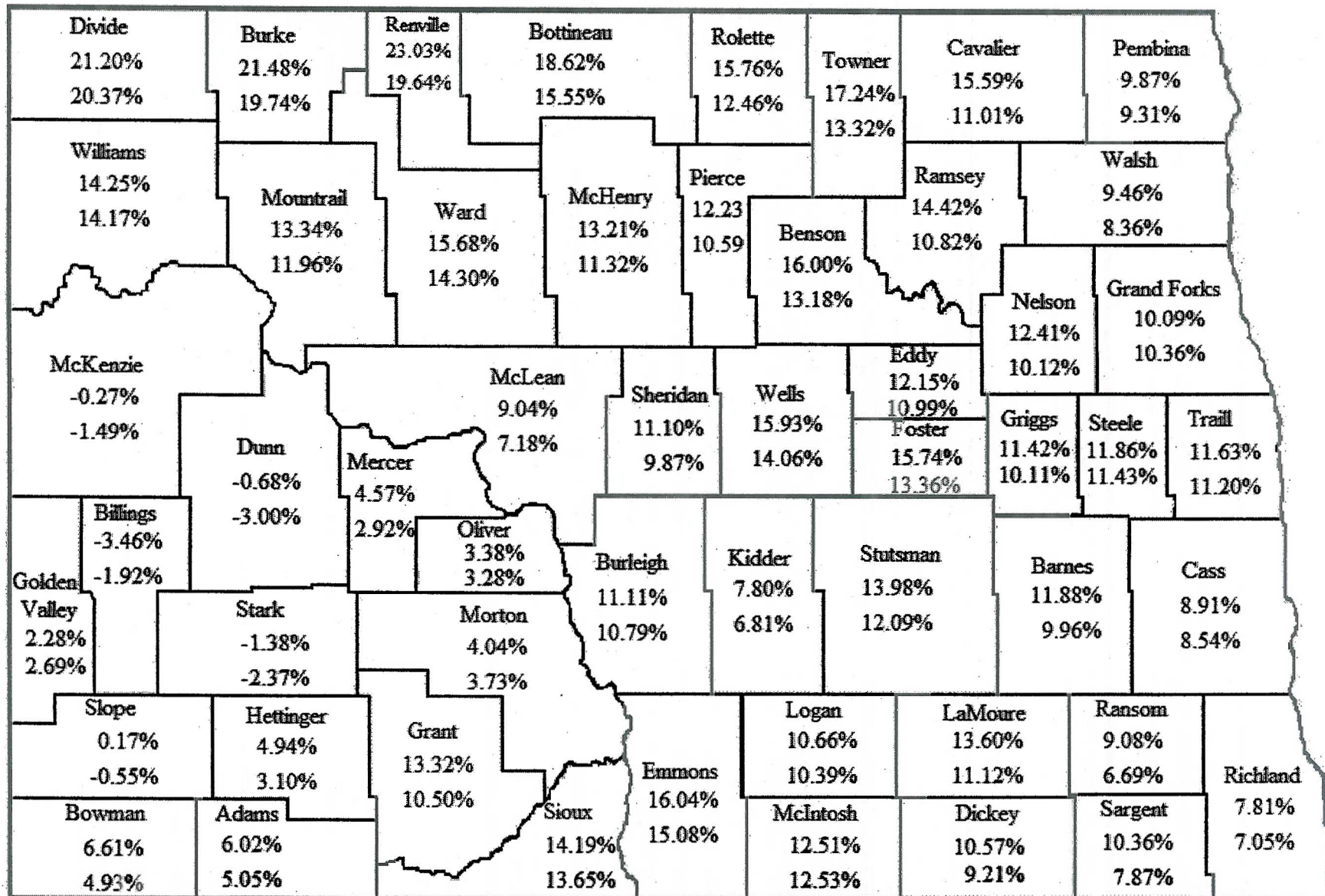
		2008,2005,2004,2003, 2002,2001,2000,1999	2008,2007,2006,2004, 2003,2002,2001,2000	
Eight-year annual average acres:		520,536	270,920	791,456 - ④
Eight-year average annual landowner share of gross returns:		14,084,981	2,558,361	16,643,342 - ②
Adjusted for cost of production index @	131.3725	10,721,403	1,947,409	12,668,813 - ③
Eight-year average landowner share of gross returns per acre:		20.60	7.19	16.01 - ⑤
Capitalized average annual value per acre @	7.70%	Inundated 9.34	267.49	93.35 - ⑥
Acreage provided or reviewed by county:		514,854	304,658	819,512 - ⑦
Inundated acres				
Capitalized average value based on acreage provided or reviewed by county:				202.75 - ⑧

Percentage of All Agricultural Land Valuation Change from 2009 to 2010



County	2010			2009			2009 to 2010 % Changes		
	Crop Value	Noncrop Value	AllAg Value	Crop Value	Noncrop Value	AllAg Value	Crop Value	Noncrop Value	AllAg Value
Adams	222.95	92.93	173.63	212.24	91.34	166.48	5.05%	1.74%	4.29%
Barnes	549.83	129.1	475.77	500.02	126.89	433.99	9.96%	1.74%	9.63%
Benson	397.75	114.3	334.35	351.43	112.35	297.37	13.18%	1.74%	12.44%
Billings	194.76	86.99	120.51	198.58	85.5	120.68	-1.92%	1.74%	-0.14%
Bottineau	389.68	110.61	342.48	337.23	108.72	298.59	15.55%	1.74%	14.70%
Bowman	238.42	76.77	158.87	227.22	75.45	152.53	4.93%	1.75%	4.16%
Burke	324.93	101.71	257.32	271.36	99.97	219.54	19.74%	1.74%	17.21%
Burleigh	300.46	102.03	210.82	271.19	100.28	193.86	10.79%	1.75%	8.75%
Cass	680.89	131.27	665.52	627.3	129.02	613.36	8.54%	1.74%	8.50%
Cavalier	530.79	112.18	472.96	478.15	110.26	427.33	11.01%	1.74%	10.68%
Dickey	542.87	128.79	404.95	497.07	126.58	373.67	9.21%	1.75%	8.37%
Divide	311.71	101.13	256.12	258.95	99.4	216.83	20.37%	1.74%	18.12%
Dunn	237.19	92.69	146.74	244.53	91.1	148.49	-3.00%	1.75%	-1.18%
Eddy	360.37	114.78	286.5	324.68	112.82	261.26	10.99%	1.74%	9.66%
Emmons	375.89	101.04	260.09	326.64	99.32	230.49	15.08%	1.73%	12.84%
Foster	468.69	110.49	404.09	413.45	108.6	358.42	13.36%	1.74%	12.74%
Golden Valley	246.31	76.15	149.94	239.85	74.85	146.4	2.69%	1.74%	2.42%
Grand Forks	624.72	128.85	582.21	566.07	126.64	528.39	10.36%	1.75%	10.19%
Grant	243.89	93.17	166.8	220.71	91.57	154.66	10.50%	1.75%	7.85%
Griggs	475.79	112.6	395.38	432.12	110.67	361.06	10.11%	1.74%	9.51%
Hettinger	321.72	92.46	264.69	312.06	90.88	257.04	3.10%	1.74%	2.98%
Kidder	310.14	103.04	218.74	290.37	101.28	206.88	6.81%	1.74%	5.73%
LaMoure	562.19	133.19	505.73	505.93	130.91	456.56	11.12%	1.74%	10.77%
Logan	335.61	101.67	222.96	304.02	99.94	205.44	10.39%	1.73%	8.53%
McHenry	318.24	109.88	254.65	285.89	108	231.61	11.32%	1.74%	9.95%
McIntosh	352.65	101.1	255.12	313.39	99.37	230.17	12.53%	1.74%	10.84%
McKenzie	272.25	93.07	164.98	276.37	91.48	165.68	-1.49%	1.74%	-0.42%
McLean	374.7	101.37	328.07	349.59	99.64	306.94	7.18%	1.74%	6.88%
Mercer	266.83	92.64	191.4	259.26	91.06	186.42	2.92%	1.74%	2.67%
Morton	268.47	92.86	166.91	258.82	91.28	161.92	3.73%	1.73%	3.08%
Mountrail	324.53	100.99	231.22	289.86	99.27	210.3	11.96%	1.73%	9.95%
Nelson	387.96	111.98	339.97	352.31	110.07	310.4	10.12%	1.74%	9.53%
Oliver	316.11	93.14	186.19	306.06	91.55	181.06	3.28%	1.74%	2.83%
Pembina	783.15	134.15	699.6	716.47	131.85	641.21	9.31%	1.74%	9.11%
Pierce	340.67	109.9	291.31	308.06	108.02	265.33	10.59%	1.74%	9.79%
Ramsey	400.58	115.14	348.17	361.47	113.17	315.54	10.82%	1.74%	10.34%
Ransom	569.34	126.85	436.68	533.62	124.68	410.96	6.69%	1.74%	6.26%
Renville	422.98	110.22	398.88	353.53	108.34	334.64	19.64%	1.74%	19.20%
Richland	751.95	130.33	664.13	702.41	128.1	621.1	7.05%	1.74%	6.93%
Rolette	360.98	111.8	318.11	320.99	109.89	284.7	12.46%	1.74%	11.74%
Sargent	585.94	130.08	519.96	543.17	127.85	483.05	7.87%	1.74%	7.64%
Sheridan	329.52	101.08	240.56	299.91	99.36	221.72	9.87%	1.73%	8.50%
Sioux	236.57	92.94	122.75	208.16	91.35	115.59	13.65%	1.74%	6.19%
Slope	279.99	84.69	179.61	281.53	83.24	179.61	-0.55%	1.74%	0.00%
Stark	267.49	93.35	202.75	273.99	91.76	206.26	-2.37%	1.73%	-1.70%
Steele	610.43	114.41	541.99	547.8	112.45	487.73	11.43%	1.74%	11.13%
Stutsman	445.93	127.23	345.25	397.84	125.05	311.67	12.09%	1.74%	10.77%
Towner	414.69	114.82	401.32	365.96	112.86	354.68	13.32%	1.74%	13.15%
Traill	744.87	130.08	697.65	669.82	127.85	628.19	11.20%	1.74%	11.06%
Walsh	669.67	120.04	611.43	617.99	117.99	565.01	8.36%	1.74%	8.22%
Ward	423.72	100.99	348.33	370.7	99.26	307.29	14.30%	1.74%	13.36%
Wells	449.77	110.91	389.81	394.32	109.01	344.33	14.06%	1.74%	13.21%
Williams	288.63	101.27	217.23	252.8	99.54	193.31	14.17%	1.74%	12.37%

Percent Changes in Cropland Production and Values for 2009 to 2010



Count Name	2010 8-yr ave production		2009 8-yr ave production		2009 to 2010 % Changes	
	crop	non-crop	crop	non-crop	crop	non-crop
Adams	8514016	2236793	8030492	2186186	6.02%	2.31%
Barnes	42467215	884123	37957041	864120	11.88%	2.31%
Benson	22289261	1352798	19214907	1322191	16.00%	2.31%
Billings	2799559	1922012	2899857	1878526	-3.46%	2.31%
Bottineau	29655395	676280	24999793	660979	18.62%	2.31%
Bowman	8333952	2739608	7817293	2677624	6.61%	2.31%
Burke	14087201	1505254	11596391	1471197	21.48%	2.31%
Burleigh	14350177	4234658	12914972	4138849	11.11%	2.31%
Cass	68080684	387728	62512924	378956	8.91%	2.31%
Cavalier	36825837	584399	31857959	571177	15.59%	2.31%
Dickey	26515532	1576337	23980166	1540673	10.57%	2.31%
Divide	16098882	1819943	13282968	1778767	21.20%	2.31%
Dunn	10628338	6886771	10701006	6730959	-0.68%	2.31%
Eddy	9957884	782599	8879159	764893	12.15%	2.31%
Emmons	19372280	3218656	16694881	3145834	16.04%	2.31%
Foster	15501993	559400	13393646	546744	15.74%	2.31%
Golden Valley	4921416	2316252	4811789	2263847	2.28%	2.31%
Grand Forks	46025935	768995	41805708	751596	10.09%	2.31%
Grant	10722293	5191990	9462091	5074522	13.32%	2.31%
Griggs	16004690	533042	14364228	520982	11.42%	2.31%
Hettinger	17709812	958693	16875939	937002	4.94%	2.31%
Kidder	13031366	3734029	12088421	3649547	7.80%	2.31%
Lamoure	33972109	456593	29904492	446262	13.60%	2.32%
Logan	11505774	2464286	10397805	2408532	10.66%	2.31%
McHenry	21738574	4180495	19201897	4085912	13.21%	2.31%
McIntosh	13020714	1709449	11573241	1670773	12.51%	2.31%
McKenzie	12506527	6044482	12540467	5907727	-0.27%	2.31%
McLean	29644432	3232526	27186466	3159391	9.04%	2.31%
Mercer	7160766	2832718	6848072	2768628	4.57%	2.31%
Morton	15153767	5537060	14565449	5411784	4.04%	2.31%
Mountrail	20269669	5415529	17884116	5293003	13.34%	2.31%
Nelson	18602154	847306	16548656	828135	12.41%	2.31%
Oliver	5783839	1988894	5594584	1943895	3.38%	2.31%
Pembina	47379428	318345	43122724	311143	9.87%	2.31%
Pierce	15112461	1425242	13465829	1392996	12.23%	2.31%
Ramsey	23603645	467060	20628745	456493	14.42%	2.31%
Ransom	22704799	571644	20815104	558711	9.08%	2.31%
Renville	19558781	517907	15897387	506189	23.03%	2.31%
Richland	59842455	1466056	55508583	1432886	7.81%	2.31%
Rolette	11700509	835742	10107258	816833	15.76%	2.31%
Sargent	25165910	1040830	22802478	1017281	10.36%	2.31%
Sheridan	11446829	2246529	10302781	2195702	11.10%	2.31%
Sioux	3475992	4737089	3043969	4629913	14.19%	2.31%
Slope	7323057	2418456	7310363	2363739	0.17%	2.31%
Stark	14084981	2558361	14281968	2500479	-1.38%	2.31%
Steele	23338335	335844	20864664	328246	11.86%	2.31%
Stutsman	44587041	4096487	39117763	4003805	13.98%	2.31%
Towner	20871153	249728	17802043	244078	17.24%	2.31%
Traill	37651809	398697	33729217	389677	11.63%	2.31%
Walsh	47101510	371573	43030271	363166	9.46%	2.31%
Ward	35136723	2605641	30373391	2546689	15.68%	2.31%
Wells	29065447	785320	25071207	767552	15.93%	2.31%
Williams	22250581	4036287	19475379	3944967	14.25%	2.31%