

Introduced by

1 A BILL for an Act to amend and reenact sections 57-02-27.2 and 57-02-50 of the North Dakota  
2 Century Code, relating to agricultural property valuation for property tax purposes; and to  
3 provide an effective date.

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

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

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

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

- 1           a. Total the annual gross returns for the ten years immediately preceding the current  
2           year for which data is available and discard the highest and lowest annual gross  
3           returns of the ten.
- 4           b. The department of agribusiness and applied economics of North Dakota state  
5           university shall establish a base year index of prices paid by farmers using  
6           annual statistics on that topic compiled by the national agricultural statistics  
7           service for the seven-year period ending in 1995, discarding the highest and  
8           lowest years' indexes, and averaging the remaining five years' indexes. The  
9           department of agribusiness and applied economics shall gather the national  
10          agricultural statistics service annual index of prices paid by farmers for the ten  
11          years ending with the most recent year used under subdivision a, discard the  
12          highest and lowest years' indexes, average the remaining eight years' indexes,  
13          and divide the resulting amount by the base year index of prices paid by farmers.  
14          This amount must be divided into the amount determined under subdivision a.
- 15          c. Divide the figure arrived at in subdivision b by eight.
- 16      4. To find the "capitalized average annual gross return", the average annual gross return  
17      must be capitalized by a rate that is a ten-year average of the gross agribank  
18      mortgage rate of interest for North Dakota, but the rate used for capitalization under  
19      this section may not be less than eight percent for taxable year 2009, seven and  
20      seven-tenths percent for taxable year 2010, and seven and four-tenths percent for  
21      taxable year 2011. The ten-year average must be computed from the twelve years  
22      ending with the most recent year used under subdivision a of subsection 3, discarding  
23      the highest and lowest years, and the gross agribank mortgage rate of interest for  
24      each year must be determined in the manner provided in section 20.2032A-4(e)(1) of  
25      the United States treasury department regulations for valuing farm real property for  
26      federal estate tax purposes, except that the interest rate may not be adjusted as  
27      provided in section 20.2032A-4(e)(2).
- 28      5. The true and full value and the average agricultural value per acre [.40 hectare] for  
29      cropland and noncropland for each county as determined annually under this section  
30      may not be less than \_\_\_\_\_ percent of the market value for cropland and noncropland  
31      for each county.

1       6. The department of agribusiness and applied economics of North Dakota state  
2       university shall compute annually an estimate of the average agricultural value per  
3       acre [.40 hectare] of agricultural lands on a statewide and on a countywide basis; shall  
4       compute the average agricultural value per acre [.40 hectare] for cropland,  
5       noncropland, and inundated agricultural land for each county; and shall provide the tax  
6       commissioner with this information by December first of each year. Fifty percent of the  
7       annual gross income from irrigated cropland must be considered additional expense of  
8       production and may not be included in computation of the average agricultural value  
9       per acre [.40 hectare] for cropland for the county as determined by the department of  
10      agribusiness and applied economics. Before January first of each year, the tax  
11      commissioner shall provide to each county director of tax equalization these estimates  
12      of agricultural value for each county.

13      ~~6.7.~~ For purposes of this section, "inundated agricultural land" means property classified as  
14      agricultural property containing a minimum of ten contiguous acres if the value of the  
15      inundated land exceeds ten percent of the average agricultural value of noncropland  
16      for the county, which is inundated to an extent making it unsuitable for growing crops  
17      or grazing farm animals for two consecutive growing seasons or more, and which  
18      produced revenue from any source in the most recent prior year which is less than the  
19      county average revenue per acre for noncropland calculated by the department of  
20      agribusiness and applied economics of North Dakota state university. Application for  
21      classification as inundated agricultural land must be made in writing to the township  
22      assessor or county director of tax equalization by March thirty-first of each year.  
23      Before all or part of a parcel of property may be classified as inundated agricultural  
24      land, the board of county commissioners must approve that classification for that  
25      property for the taxable year. The agricultural value of inundated agricultural lands for  
26      purposes of this section must be determined by the department of agribusiness and  
27      applied economics of North Dakota state university to be ten percent of the average  
28      agricultural value of noncropland for the county as determined under this section.  
29      Valuation of individual parcels of inundated agricultural land may recognize the  
30      probability that the property will be suitable for agricultural production as cropland or  
31      for grazing farm animals in the future. Determinations made under this subsection may

1 be appealed through the informal equalization process and formal abatement process  
2 provided for in this title.

3 ~~7.8.~~ Before February first of each year, the county director of tax equalization in each  
4 county shall provide to all assessors within the county an estimate of the average  
5 agricultural value of agricultural lands within each assessment district. The estimate  
6 must be based upon the average agricultural value for the county adjusted by the  
7 relative values of lands within each assessment district compared to the county  
8 average. In determining the relative value of lands for each assessment district  
9 compared to the county average, the county director of tax equalization shall use soil  
10 type and soil classification data from detailed and general soil surveys.

11 ~~8.9.~~ Each local assessor shall determine the relative value of each assessment parcel  
12 within the assessor's jurisdiction and shall determine the agricultural value of each  
13 assessment parcel by adjusting the agricultural value estimate for the assessment  
14 district by the relative value of the parcel. Each parcel must then be assessed  
15 according to section 57-02-27. If either a local assessor or a township board of  
16 equalization develops an agricultural value for the lands in its assessment district  
17 differing substantially from the estimate provided by the county director of tax  
18 equalization, written evidence to support the change must be provided to the county  
19 director of tax equalization. In determining the relative value of each assessment  
20 parcel, the local assessor shall apply the following considerations, which are listed in  
21 descending order of significance to the assessment determination:

- 22 a. Soil type and soil classification data from detailed or general soil surveys.
- 23 b. The schedule of modifiers that must be used to adjust agricultural property  
24 assessments within the county as approved by the state supervisor of  
25 assessments under subsection 910.
- 26 c. Actual use of the property for cropland or noncropland purposes by the owner of  
27 the parcel.

28 ~~9.10.~~ Before February first of each year, the county director of tax equalization in each  
29 county shall provide to all assessors of agricultural property within the county a  
30 schedule of modifiers that must be used to adjust agricultural property assessments  
31 within the county and directions regarding how those modifiers must be applied by

1 assessors. Before the schedule of modifiers is provided to assessors within the  
2 county, the county director of tax equalization shall obtain the approval of the state  
3 supervisor of assessments for use of the schedule within the county.

4 ~~40-11.~~ For any county that has not fully implemented use of soil type and soil classification  
5 data from detailed or general soil surveys by February first of any taxable year after  
6 2011, the tax commissioner shall direct the state treasurer to withhold five percent of  
7 that county's allocation each quarter from the state aid distribution fund under section  
8 57-39.2-26.1 beginning with the first quarter of 2013. The amount withheld from the  
9 allocation must be deposited into the agricultural land valuation fund. The amount  
10 withheld from the allocation must be withheld entirely from the portion of the allocation  
11 which may be retained by the county and may not reduce allocations to any political  
12 subdivisions within the county.

13 **SECTION 2. AMENDMENT.** Section 57-02-50 of the North Dakota Century Code is  
14 amended and reenacted as follows:

15 **57-02-50. Agricultural land valuation fund - Deposits - Continuing appropriation.**

16 There is established a special fund in the state treasury to be known as the agricultural land  
17 valuation fund. The moneys withheld under subsection ~~4011~~ of section 57-02-27.2 must be  
18 deposited into the agricultural land valuation fund. All moneys deposited in the agricultural land  
19 valuation fund are appropriated as a continuing appropriation and must be allocated to the  
20 county from which the withholding was made upon certification from the tax commissioner of  
21 the implementation of subsection ~~78~~ of section 57-02-27.2 by that county.

22 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable years beginning after  
23 December 31, 2012.

**NOTE:** This bill draft contains a blank that must be filled in before introduction.