

Assessing Property Taxes

The Code of Iowa requires that farmland taxes be based on net earning capacity and land productivity.

1) An **Average Productivity Value** is calculated. On this basis each county in the state is assigned a productivity value.

$$\frac{\text{Landlord Net Income/Acre}}{\text{Capitalization Rate}} = \text{Avg Productivity Value Per Acre.}$$

2) The productivity value is used to calculate the **Total Assessed Value** of taxable farmland in the county.

3) The **Total CSR** index points are determined by summing CSR points for each ownership tract of farmland.

4) **Total Assessed Value** of taxable land is divided by the **Total CSR** Points. This determines the **Average Dollar Value per CSR Point**.

5) Finally, the **Average CSR** per Ownership tract is multiplied by the Value of each CSR point.

The above procedure eliminates impact from management skills and links property tax assessment heavily to CSR. With some Iowa pasture on higher quality ground, cattle producers may be challenged by high property taxes if their assessor does not adjust those acres.

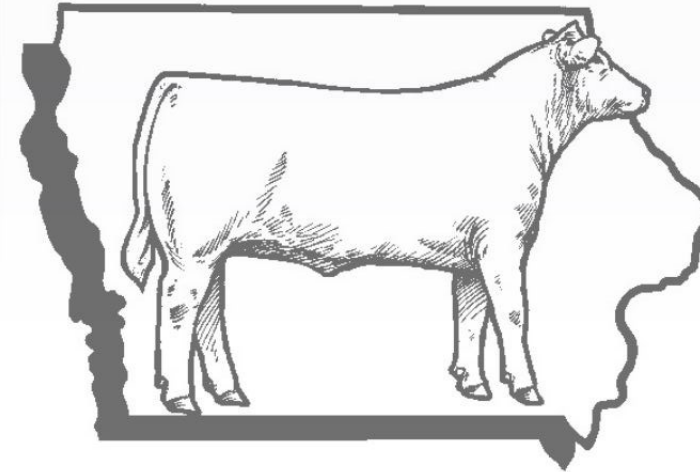
Your Membership Dollars at Work

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The Iowa Cattlemen's Association is a grassroots organization developing policy and legislative movements at the producer level. With cattle producers concerned about dwindling pasture acres within the state, the Iowa Cattlemen's Association is diligently working to develop incentives to maintain pasture levels in Iowa. One being a mandatory property tax adjustment for non-cropland, or pasture acres.

Pursuant to Executive Order 80, the Director of the Department of Revenue formed a stakeholder group to review the proposed ruling. The Iowa Cattlemen's Association was represented as a stakeholder by two producer members. Leadership, staff, and stakeholder members had impactful input throughout the rule making process.

Iowa Cattlemen's Association



Contact the Association with any questions:

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State Property Tax
Assessment
Changes for
Pastureland Acres

The New Ruling

In June of 2013 the Administrative Rules Committee passed a new rule that requires county assessors to adjust non-cropland when distributing agricultural productivity valuation to each parcel. The adjustment is applicable to non-cropland with a CSR greater than 50% of the average cropland CSR for the county.

Prior to the ruling, county assessors were not required to adjust the agriculture productivity value for land use, however some assessors did. The new ruling addresses the lack of uniformity in the distribution of agricultural productivity value at a parcel level across the state of Iowa. Landowners from counties that previously adjusted can expect little to no change in property valuations, while others where no adjustments were in place will likely see a greater change in valuations.

The new adjustment will not be performed on non-cropland acres maintained in conservation vegetation in cooperation with a federal, state, or local conservation agency.

Assessment Example

Below is an example concurring with the new rule. The pasture has a CSR of 58 and is in a county with an average cropland CSR of 80. After the adjustment the pasture is assessed with a CSR of 45.4.

County averages for cropland CSR, cropland rent, and non-cropland rent are utilized to adjust non-cropland acres.



Avg County Cropland CSR: 80
@ 50%: 40

Non-cropland CSR: 58
Points to be Adjusted:

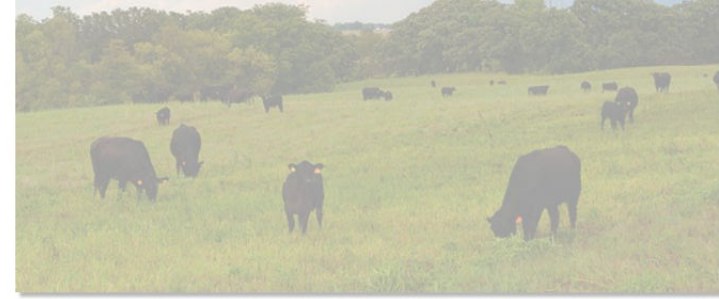
$$58 - 40 = 18$$

5 Yr Avg Crop Rent: \$163.60
5 Yr Avg Pasture Rent: \$48.30

Percent Rent Difference (rounded):
 $1 - (\$48.30/\$163.60) = 70\%$

Apply Percent Rent Difference to Points to be Adjusted:
 $18 \text{ CSR} \times (1 - .70) = 5.4 \text{ CSR}$

Adjusted Non-cropland CSR:
 $40 + 5.40 = 45.40 \text{ Final CSR}$



The new ruling allows a taxpayer to apply to the county for the adjustment to non-cropland beginning with the 2014 assessment and until the county's full implementation of the rule.

To apply for the adjustment, cattle producers should contact their county assessor. Applications for the adjustment will be available this fall.

During the interim period taxpayers should contact their county assessor to determine if adjustments have been made that provide relief at least equal to or greater than the required adjustment contained in the new rule. Producers can then ascertain if an application is beneficial for their situation.



Applying for the Adjustment