

ONE HUNDRED SIXTH LEGISLATURE - FIRST SESSION - 2019
COMMITTEE STATEMENT
LB483

Hearing Date: Thursday February 21, 2019
Committee On: Revenue
Introducer: Erdman
One Liner: Change the valuation of agricultural land and horticultural land

Roll Call Vote - Final Committee Action:
Advanced to General File

Vote Results:

Aye:	7	Senators Brieese, Crawford, Friesen, Groene, Kolterman, Lindstrom, Linehan
Nay:	1	Senator McCollister
Absent:		
Present Not Voting:		

Oral Testimony:

Proponents:

Senator Steve Erdman
Sarah Scott
Joe Murray
Art Nietfeld
Steve Ebke

Representing:

Introducer
Nebraska Department of Revenue
Self
Self
Agriculture Leaders Working Group

Opponents:

Jon Cannon
Tom Placzek

Representing:

NACO
Nebraska Association of County Assessors

Neutral:

John Hansen
Scott Peterson

Representing:

Nebraska Farmers Union
Self

Summary of purpose and/or changes:

LB483 proposes to value agricultural and horticultural at its agricultural productivity value beginning in tax year 2020. This change in valuation will also apply to the special valuation of agricultural and horticultural land. Agricultural productivity value is defined as the value of agricultural land and horticultural land used for purposes of assessment and the land's capitalized net earning capacity.

Agricultural and horticultural land will be separated into five major categories:

- Irrigated cropland
 - Dryland cropland
 - Irrigated grassland
 - Non-irrigated grassland
 - Wasteland
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The determination of agricultural productivity value of agricultural horticultural land consists of the following:

- Dividing agricultural and horticultural land in to major use categories and dividing the categories into subclasses based on soil productivity classifications.
- Computing net revenue based on an 8-year Olympic average of annual net incomes.
 - An Olympic average discards the one-year high and one-year low from annual net incomes.
- Dividing net revenue by the appropriate discount rate.

County assessors shall determine the capitalized net earning capacity by using the agricultural land valuation manual developed by the Agricultural Land Valuation Board (ALVB).

The Property Tax Assessment division of the Department of Revenue shall make the following determinations and calculations for irrigated and dryland croplands:

- Determine a county-wide 8-year Olympic average production in bushels per acre;
- Determine a county-wide acre weighted average of the appropriate Natural Resources Conservation Service (NRCS) index for the acres in each category.
 - For irrigated cropland the index will be the Irrigation Commodity Crop Productivity Index.
 - For dryland cropland, the index will be the National Commodity Crop Productivity Index.

The bill provides the mechanism to calculate net revenue per acre, the landlord share, a capitalized net earning value, and how to convert from dollars per acre to dollars per index point.

The Property Tax Assessment division of the Department of Revenue shall make the following determinations and calculations for non-irrigated grassland:

- Determine the going rental rate for grazing in dollars per animal unit month.
 - Data may be provided by the Department of Agricultural Economics of the University of Nebraska-Lincoln or another appropriate source.
- The production capability source for non-irrigated grassland will be the NRCS's range production rating in a normal year.

The method for calculating a capitalized net earning value and how to convert the capitalized net earning value from dollars per animal unit month to dollars per index point is provided in LB483.

The dollars per index point for each category noted above (irrigated and dryland croplands, non-irrigated grassland) shall be the sole factor required by a county assessor to set the agricultural productivity value of each parcel of property.

The property tax assessment division shall report determinations and calculations made for these categories to the ALVB.

The ALVB will determine the appropriate method for valuing irrigated grassland. The method will be included in the agricultural land valuation manual.

Separate discount rates for each county will be determined by the ALVB. The discount rates will be set according to each county's 8-year Olympic average of annual precipitation. When annual precipitation levels vary by more than 2 inches within a county, at the discretion of the board, separate discount rates to be used within the county may be established.

For tax year 2020, the discount rates will be set so the total agricultural productivity value of all agricultural and horticultural land is the same as the 2019 total assessed value. For tax year 2021 and thereafter, the discount rates are set to allow no more than a 15% deviation from the total agricultural productivity value from the prior tax year.

The ALVB will be created. The board will consist of 8 members; 6 members will be appointed by the Governor with

approval of the Legislature. The 6 members appointed by the Governor will come from the following categories:

- One person involved in livestock production;
- One person involved in agricultural crop production;
- One person from a farm advocacy organization;
- One person with a county assessor certificate;
- One person from the Department of Agricultural Economics of the University of Nebraska-Lincoln; and
- One person from a commodity check-off board.

The Tax Commissioner and the Director of Agriculture are the seventh and eighth members of the board. Board members will be reimbursed for actual and necessary expenses. Appointed board members will be compensated \$500 for each meeting, not to exceed \$6,000 per year. During 2019, appointed board members may be compensated up to \$24,000. The ALVB shall meet at least twice annually.

Duties of the ALVB are:

- Develop an agricultural land valuation manual (Manual) to be used in determining the agricultural productivity value of agricultural and horticultural land.
 - The initial Manual will be created by December 31, 2019.
 - Updated Manuals will be approved by the board by November 30 of each year thereafter.
 - If the board fails to approve an updated Manual, the Director of Agriculture shall have ten days (after November 30) to make final revisions to the Manual.
- Select the data sources to be used in developing the Manual.
- Set the discount rates.
- Prepare an annual report to the Governor on the application of the Manual.
- Make recommendations to the Revenue Committee on improvements and refinements in the method used to value agricultural and horticultural land.
- Participate in a public hearing with the Tax Commissioner and the Property Tax Administrator on each updated version of the Manual.

The bill proposes the county board of equalization may only correct errors in the characteristics affecting the productivity use of such land. The Tax Commissioner will be required to develop the forms for this protest.

The adjusted valuation for TEEOSA purposes will be based on the agricultural productivity value of agricultural and horticultural land.

Sections 1-5, 10-17 and 19-20 become operative on January 1, 2020. All other sections become operative on their effective date.

The bill contains the Emergency Clause.

Lou Ann Linehan, Chairperson