

One Hundred Eighth Legislature - First Session - 2023

Introducer's Statement of Intent

LB820

Chairperson: Senator Lou Ann Linehan

Committee: Revenue

Date of Hearing: February 03, 2023

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB820 enacts the Agricultural Valuation Fairness Act to provide a more fair and uniform assessment of agricultural and horticultural land in Nebraska. It declares that sales of agricultural and horticultural land are influenced by uses other than agricultural or horticultural purposes and cause the price paid for agricultural land and horticultural land to exceed the value such land has for agricultural or horticultural purposes. To achieve fairness, all agricultural and horticultural land will be assessed based on its capacity to produce income, called agricultural use value. The Nebraska Constitution, (Article VIII, Section 1, subsections (4) and (5)), authorize this method of assessment.

Procedurally, LB 820 establishes an Agricultural Land Valuation Committee to establish agricultural land values by Land Capability Groups (LCG) for agricultural land throughout the state. Land values are established utilizing a production approach to value. Gross income will be computed using an eight-year average yield data, with the highest and lowest values removed. Gross income is reduced to net income by utilizing expense ratios. The net income is then capitalized to determine assessed value. The capitalization rate is also determined by the committee and is calculated to arrive at valuations within 69-75% of market value ensuring assessed values are uniformly and proportionately assessed within the class of Agricultural Land.

LB 820 retains elements of local control by keeping the county assessor responsible for classifying land. County assessors currently inventory agricultural land on a productivity index making the implementation of this bill simple at the county level. County Assessors have representation on the Agricultural Land Valuation Committee created in this bill and have the option to petition the Tax Commissioner for alternative values they determine are not uniform and proportionate.

In addition to the fairness in assessment resulting from this method, LB 820 also contains limitations to assure the resulting values for all agricultural and horticultural land statewide cannot be above the current market-based standard of 75% of value and cannot increase more than 3.5% over the prior year.

LB 820 would be operative for 2024, providing sufficient time for county assessors and the Department of Revenue to implement the enacted changes.

Principal Introducer: _____

Senator Joni Albrecht