



FARMLAND ASSESSMENT 101 & WHAT'S TO COME



OVERVIEW

- Approaches to Valuing Property
- History Farmland Assessment Law
- Farmland Valuation
- Legislative Change:
and what's to come



VALUATION

Three Basic Approaches

- Cost Approach
- Sales Comparison Approach
- Income Capitalization Approach



FARMLAND ASSESSMENT ACT

Original enactment in 1977

- Began to move away from fair cash market valuation to agricultural use valuation in assessing farmland for property tax purposes.
- Moved towards identifying land use to determine value.
- Established a formula to determine productivity and assessed value.



OTHER STATES

- Almost all states use a land use approach to value
- Many of those use Illinois' farmland assessment model



FARMLAND ASSESSMENT

Administration



ADMINISTRATIVE RESPONSIBILITIES

Illinois Department of Revenue

- Calculates/certifies use-value assessment
- Guidelines for compliance

County Farmland Assessment Review Committee

- Review use-value data
- Review county assessment practices
- Hold a public hearing (on use value data and assess plan)

Local Assessing Officials

- Township/multi-township assessor
- Chief County Assessment Officer (CCAO)





ADMINISTRATIVE RESPONSIBILITIES

County Boards of Review

- Evaluates all assessments (including farmland)
- Change assessments (made improperly)
- Appeals from landowners (makes adjustments)

Illinois Property Tax Appeal Board (PTAB)

- Appeals by property owners
- Complaints by county farmland assessment review committee
- Decision final not subject to administrative review by court



FARMLAND ASSESSMENT

Applying the Law



FARMLAND ASSESSMENT LAW

Farm parcels divided into four parts:

- **Farm Homesite** - land used residentially
 - market value, BoR, State Equalization
- **Farm Residence**
 - market value, BoR, State Equalization
- **Farm Buildings**
 - contributory value, BoR
- **Farmland**
 - use value, BoR



LAND USE CATEGORIES

Cropland - All lands from which crops are harvested or hay cut; lands in vineyards, nursery and greenhouse crops.

Permanent Pasture - Includes pasture land except woodland pasture, & pasture qualifying under cropland (ex -rotational pasture)

Other Farmland - Woodland pasture, woodland including woodlots, timber tracts, filter strips & land in forestry program.

Wasteland - Land not put into above categories. Not a result of management decision.



LAND USE - VALUATION

Cropland - Valuation foundation. Assessed according to EAV of soil productivity index - certified by IDOR

Permanent Pasture - Assessed at 1/3 its debased PI EAV as cropland

Other Farmland - Assessed at 1/6 its debased PI EAV as cropland

Wasteland - Assessed on contributory value to other farmland - assessed 1/6 value.

Illinois Soils by Productivity Index (PI)

PI
Range:

82
130

Certified Values for Assessment Year 2018 (\$ per acre)						
Average Management PI	Gross Income	Non-Land Production Costs	Net Land Return	Agricultural Economic Value	Equalized Assessed Value	* 2018 Certified Value
82	\$560.44	\$434.47	\$125.97	\$2,837.07	\$945.69	\$102.96
83	\$565.96	\$437.31	\$128.65	\$2,897.52	\$965.84	\$104.57
84	\$571.48	\$440.15	\$131.33	\$2,957.98	\$985.99	\$106.18
85	\$577.00	\$442.98	\$134.02	\$3,018.43	\$1,006.14	\$107.85
86	\$582.52	\$445.82	\$136.70	\$3,078.88	\$1,026.29	\$109.53
87	\$588.04	\$448.66	\$139.39	\$3,139.34	\$1,046.45	\$111.14
88	\$593.56	\$451.49	\$142.07	\$3,199.79	\$1,066.60	\$112.64
89	\$599.09	\$454.33	\$144.75	\$3,260.24	\$1,086.75	\$118.84
90	\$604.61	\$457.17	\$147.44	\$3,320.70	\$1,106.90	\$125.24
91	\$610.13	\$460.00	\$150.12	\$3,381.15	\$1,127.05	\$131.65
92	\$615.65	\$462.84	\$152.81	\$3,441.60	\$1,147.20	\$138.05
93	\$621.17	\$465.68	\$155.49	\$3,502.06	\$1,167.35	\$144.45
94	\$626.69	\$468.52	\$158.18	\$3,562.51	\$1,187.50	\$150.87
95	\$632.21	\$471.35	\$160.86	\$3,622.96	\$1,207.65	\$157.27
96	\$637.73	\$474.19	\$163.54	\$3,683.42	\$1,227.81	\$163.67
97	\$643.25	\$477.03	\$166.23	\$3,743.87	\$1,247.96	\$170.07
98	\$648.78	\$479.86	\$168.91	\$3,804.33	\$1,268.11	\$176.46
99	\$654.30	\$482.70	\$171.60	\$3,864.78	\$1,288.26	\$183.57
100	\$659.82	\$485.54	\$174.28	\$3,925.23	\$1,308.41	\$193.25
101	\$665.34	\$488.38	\$176.96	\$3,985.69	\$1,328.56	\$203.49
102	\$670.86	\$491.21	\$179.65	\$4,046.14	\$1,348.71	\$214.02
103	\$676.38	\$494.05	\$182.33	\$4,106.59	\$1,368.86	\$224.65
104	\$681.90	\$496.89	\$185.02	\$4,167.05	\$1,389.02	\$234.37
105	\$687.42	\$499.72	\$187.70	\$4,227.50	\$1,409.17	\$242.64
106	\$692.95	\$502.56	\$190.39	\$4,287.95	\$1,429.32	\$251.04
107	\$698.47	\$505.40	\$193.07	\$4,348.41	\$1,449.47	\$259.35
108	\$703.99	\$508.23	\$195.75	\$4,408.86	\$1,469.62	\$266.84
109	\$709.51	\$511.07	\$198.44	\$4,469.31	\$1,489.77	\$274.20
110	\$715.03	\$513.91	\$201.12	\$4,529.77	\$1,509.92	\$281.63
111	\$720.55	\$516.75	\$203.81	\$4,590.22	\$1,530.07	\$291.02
112	\$726.07	\$519.58	\$206.49	\$4,650.67	\$1,550.22	\$301.50
113	\$731.59	\$522.42	\$209.17	\$4,711.13	\$1,570.38	\$312.16
114	\$737.11	\$525.26	\$211.86	\$4,771.58	\$1,590.53	\$323.01
115	\$742.64	\$528.09	\$214.54	\$4,832.03	\$1,610.68	\$334.01
116	\$748.16	\$530.93	\$217.23	\$4,892.49	\$1,630.83	\$345.23
117	\$753.68	\$533.77	\$219.91	\$4,952.94	\$1,650.98	\$356.60
118	\$759.20	\$536.60	\$222.59	\$5,013.39	\$1,671.13	\$368.11
119	\$764.72	\$539.44	\$225.28	\$5,073.85	\$1,691.28	\$379.83
120	\$770.24	\$542.28	\$227.96	\$5,134.30	\$1,711.43	\$397.95
121	\$775.76	\$545.12	\$230.65	\$5,194.75	\$1,731.58	\$444.70
122	\$781.28	\$547.95	\$233.33	\$5,255.21	\$1,751.74	\$488.98
123	\$786.80	\$550.79	\$236.02	\$5,315.66	\$1,771.89	\$504.15
124	\$792.33	\$553.63	\$238.70	\$5,376.11	\$1,792.04	\$525.99
125	\$797.85	\$556.46	\$241.38	\$5,436.57	\$1,812.19	\$573.39
126	\$803.37	\$559.30	\$244.07	\$5,497.02	\$1,832.34	\$622.10
127	\$808.89	\$562.14	\$246.75	\$5,557.47	\$1,852.49	\$672.13
128	\$814.41	\$564.97	\$249.44	\$5,617.93	\$1,872.64	\$693.20
129	\$819.93	\$567.81	\$252.12	\$5,678.38	\$1,892.79	\$713.31
130	\$825.45	\$570.65	\$254.80	\$5,738.83	\$1,912.94	\$733.64

The capitalization rate is 4.44% percent.

10% Increase of 2017 certified value at PI 111 IS \$26.46



INCOME CAPITALIZATION FORMULA

Gross Income
- Non-land expenses
Net Return to Land

Net Return to Land
/ Capitalization rate
Agriculture Economic Value

Agriculture Economic Value
X .3333
Equalized Assessed Value



DATA SUPPORTING CALCULATION

- Commodity Prices
- Non-land Production Cost
 - Seed, fertilizer, fuel
 - Labor, storage
- Farm Mortgage Interest Rate



FIVE YEAR RUNNING AVERAGES

- Gross incomes, Non-land production costs and Interest rates used in the formula are five year running averages for the purpose of balancing the year-to-year variations in these components.
- To allow for data collection and utilization the averages lag two years behind the assessment year.
- 2018 assessments incorporate data from 2012 - 2016.



CALCULATED VALUES

- Formula produces “*Calculated Values*” for each soil type based on its Productivity Index.
- Calculated Values used to determine the assessed value of farmland for tax purposes until 1986.



CERTIFIED VALUES

- A 1986 amendment to the Farmland Assessment Law limited the change in farmland assessments for each Productivity Index (PI) to 10% a year.
- IDOR applies 10% limit to calculated values to determine the certified values for each PI.
- Certified Values now used to determine the assessed value of farmland for tax purposes.



FARMLAND ASSESSMENT - NEW

- All calculated values were published May 1 along with the usual certified values
 - *First time in decades all values have been published*
- Shows wide gap between certified values and values actually produced by farmland assessment formula
- Farmland is taxed based on its certified value

2014 CERTIFIED FARMLAND

Average Management PI	1 Gross Income	2 Non-Land Production Cost	3 Net Land Income	4 Agriculture Economic Value	5 Equalized Assessed Value	6 2014 Certified Value
82	\$546.67	\$447.33	\$99.34	\$1,770.83	\$590.28	\$15.26
99	\$643.12	\$506.43	\$136.69	\$2,436.52	\$812.17	\$95.87
111	\$711.20	\$548.15	\$163.05	\$2,906.43	\$968.81	\$203.32
116	\$739.56	\$565.63	\$174.03	\$3,102.22	\$1,034.07	\$257.52
123	\$779.27	\$589.86	\$189.41	\$3,376.33	\$1,125.44	\$416.45
130	\$818.99	\$614.20	\$204.79	\$3,650.44	\$1,216.81	\$645.93

CALCULATED VS. CERTIFIED VALUES

Average Management PI	1 Gross Income	2 Non-Land Production Cost	3 Net Land Income	4 Agriculture Economic Value
82	\$546.67	\$447.33	\$99.34	\$1,770.83
99	\$643.12	\$506.43	\$136.69	\$2,436.52
111	\$711.20	\$548.15	\$163.05	\$2,906.43
116	\$739.56	\$565.63	\$174.03	\$3,102.22
123	\$779.27	\$589.86	\$189.41	\$3,376.33
130	\$818.99	\$614.20	\$204.79	\$3,650.44

5 Equalized Assessed Value	6 2014 Certified Value
\$590.28	\$15.26
\$812.17	\$95.87
\$968.81	\$203.32
\$1,034.07	\$257.52
\$1,125.44	\$416.45
\$1,216.81	\$645.93



DRAFT LANGUAGE FARMLAND ASSESSMENT LAW (35 ILCS 200/10-115 (E))

(e) The equalized assessed value per acre of farmland for each soil productivity index, shall be 33-1/3% of the agricultural economic value, or the percentage provided under Section 17-5; ...but any increase or decrease in the equalized assessed value per acre by soil productivity index shall not exceed 10% from the immediate preceding year's soil productivity index certified assessed value of the median cropped soil;

House Bill **2651**/Senate Bill **20**





LEGISLATIVE IMPACT OF SB 20

- Median PI for cropland soils = PI 111
- PI 111 Certified Value for 2014 = \$203.32
- All 2015 PI values increased by \$20.33 which is 10% of the median.
- \$5 phase-in allowance = \$15.33
- First year's estimated tax increase of \$1.15 per acre for all PI's based on 7.5% tax rate.

2015 CERTIFIED FARMLAND VALUES

Average Management PI	1 Gross Income	2 Non-Land Production Cost	3 Net Land Income	4 Agriculture Economic Value	5 Equalized Assessed Value	6 2015 Certified Value
82	\$581.41	\$476.18	\$105.29	\$2,093.21	\$697.74	<i>(16.78)</i> \$30.59
99	\$682.51	\$537.55	\$144.96	\$2,881.98	\$960.66	<i>(105.45)</i> \$111.20
101	\$694.40	\$544.77	\$149.63	\$2,974.77	\$991.59	<i>(127.35)</i> \$131.11
111	\$753.83	\$580.86	\$172.97	\$3,438.76	\$1,146.25	\$218.65
123	\$825.16	\$624.18	\$200.98	\$3,995.54	\$1,331.85	<i>(458.09)</i> \$431.78
130	\$866.77	\$649.45	\$217.31	\$4,320.33	\$1,440.11	<i>(710.52)</i> \$661.26

2016 CERTIFIED FARMLAND VALUES

Average Management PI	1 Gross Income	2 Non-Land Production Cost	3 Net Land Income	4 Agriculture Economic Value	5 Equalized Assessed Value	6 2016 Certified Value
82	\$607.82	\$493.30	\$114.53	\$2,164.95	\$721.65	(18.45) \$52.45
99	\$712.10	\$553.66	\$158.44	\$2,995.08	\$998.36	(122.40) \$133.06
101	\$724.37	\$560.76	\$163.61	\$3,092.74	\$1,030.91	(139.70) \$152.98
111	\$782.71	\$596.27	\$189.44	\$3,581.06	\$1,193.69	\$240.51
112	\$791.84	\$599.82	\$192.02	\$3,629.89	\$1,209.96	(258.67) \$250.99
130	\$902.26	\$663.74	\$238.52	\$4,508.85	\$1,502.95	(781.57) \$683.13

2018 CERTIFIED FARMLAND VALUES

Average Management PI	1 Gross Income	2 Non-Land Production Cost	3 Net Land Income	4 Agriculture Economic Value	5 Equalized Assessed Value	6 2018 Certified Value
82	\$560.44	\$434.47	\$125.97	\$2,837.07	\$945.69	\$102.96
99	\$654.30	\$482.70	\$171.60	\$3,864.78	\$1,288.26	\$183.57
101	\$665.34	\$488.38	\$176.96	\$3,985.69	\$1,328.56	\$203.49
111	\$720.55	\$516.75	\$203.81	\$4,590.22	\$1,530.07	\$291.02
112	\$726.07	\$519.58	\$206.49	\$4,650.67	\$1,550.22	\$301.50
130	\$825.45	\$570.65	\$254.80	\$5,738.83	\$1,912.94	\$733.64

Outlook

PI	2016 Certified Values (\$21.86)	Taxes payable 2017 (7.5% tax rate)	2017 Certified Values (\$24.05)	Taxes payable 2018 (7.5% tax rate)	2018 Certified Values (\$26.45)	2019 Certified Values (\$29.10)	2020 Certified Values (\$32.01)
82	\$52.45	\$3.93	\$76.50	\$5.88	\$102.96	\$132.06	\$164.01
99	\$133.06	\$9.97	\$157.11	\$11.78	\$183.57	\$212.66	\$244.68
111	\$240.51	\$18.03	\$264.56	\$19.84	\$291.02	\$320.12	\$352.13
112	\$250.98	\$18.82	\$275.03	\$20.62	\$301.50	\$330.60	\$362.61
122	\$438.46	\$32.88	\$462.51	\$34.68	\$488.98	\$518.08	\$550.18
130	\$683.12	\$51.23	\$707.17	\$53.03	\$733.64	\$762.74	\$794.75

Average Soil PI by County

