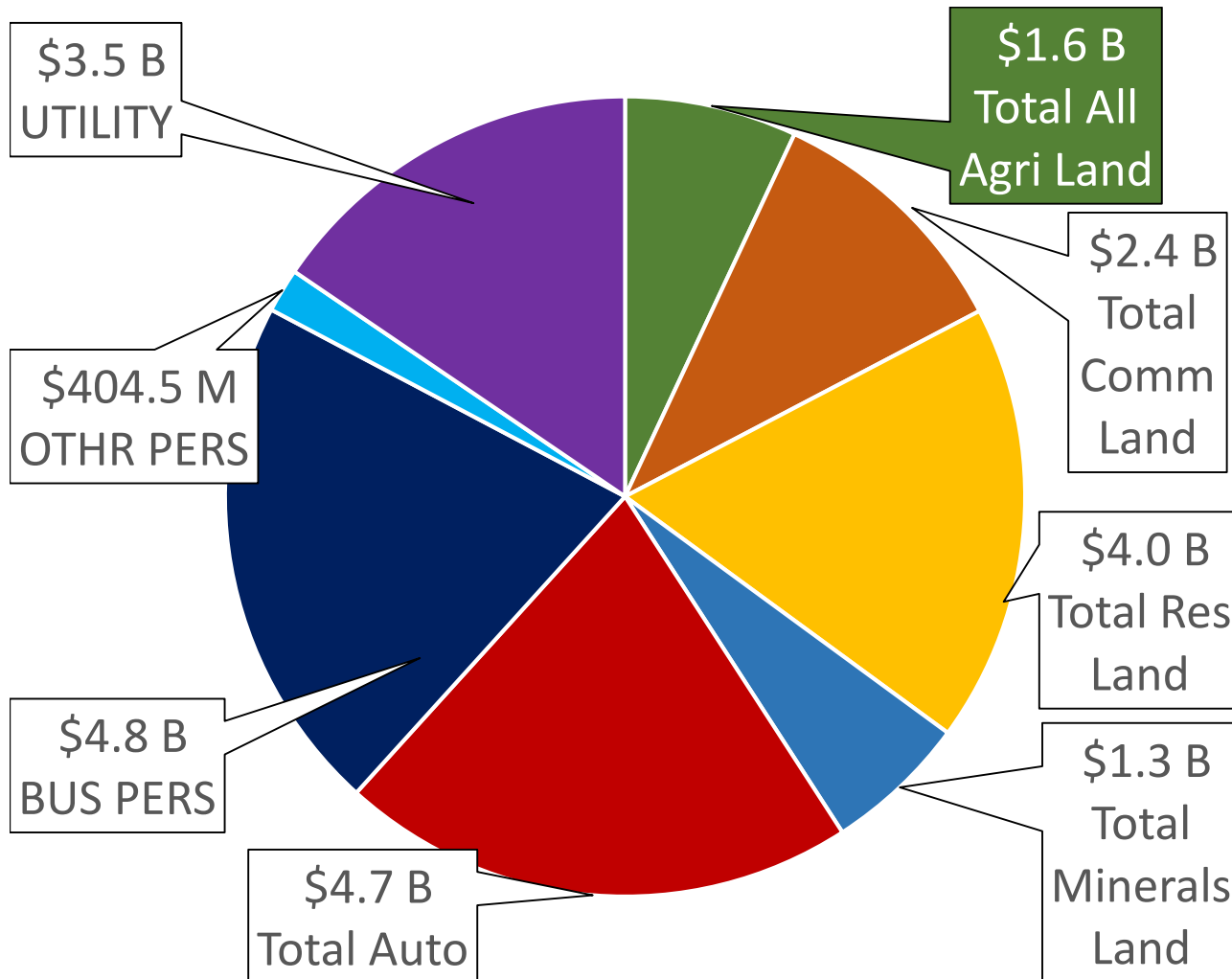


Arkansas Agricultural Land Valuation for Property Tax Purposes

Arkansas Assessment Coordination
Department



Versus Most Other Property Types



History

- Why 2008?
- Lakeview School Case 2004-05
- 1996 Overhaul
- 1981 75 Individual County based
- ????



Constitution Of The State Of Arkansas of 1874

Article 16 Finance and Taxation

- productivity or use

We do not value Agricultural land at market value

Arkansas Code 26-26-407

(b)(1) (A) Agricultural land, pasture land, and timber land valuation shall be based on the **productivity ... soil**

Arkansas Code 26-26-407

(b)(1) (B) Agricultural land, pasture land, and timber land guidelines shall be developed based on the **typical or most probable use of the soils**

Arkansas Code 26-26-407

(2) (A)2008, and every year thereafter, the Assessment Coordination Department shall update the valuation tables for assessing lands qualifying as agricultural land, pasture land, and timber land ... countywide appraisals

Arkansas Code 26-26-407

(f)(1)the Assessment Coordination Department **shall annually**
develop and publish valuation tables...

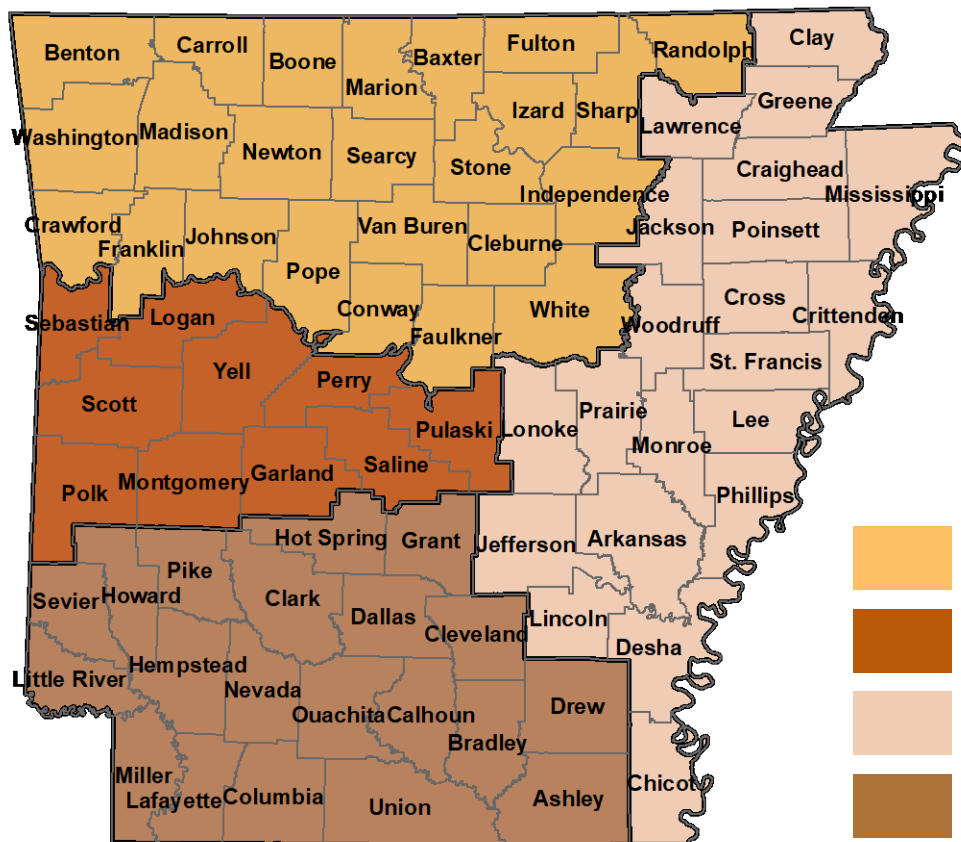
Arkansas Code 26-26-407

(B) Beginning January 1, 2008, ... a county shall assess agricultural land, pasture land, and timber land ...

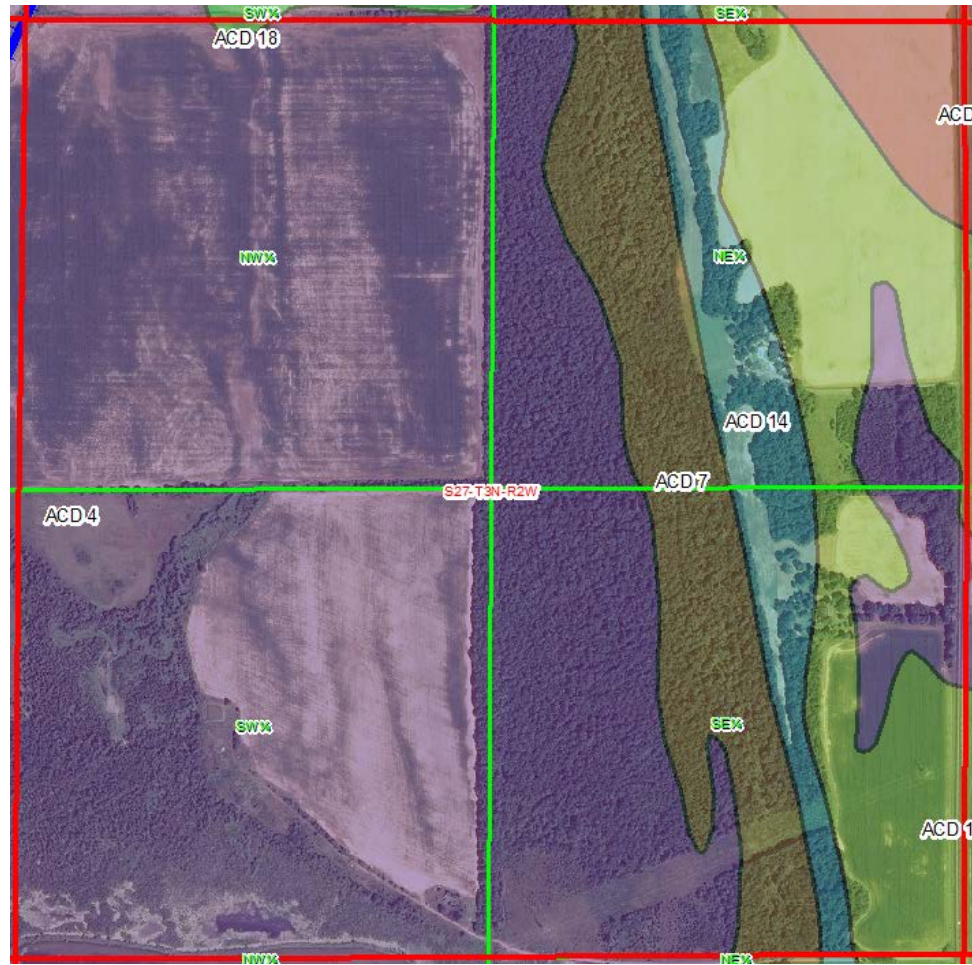
Arkansas Code 26-26-407

- (B) ...appropriate financial rates
- (4) By October 15 ...shall report ...Legislative Council ...





- OZARK
- OUACHITA
- DELTA
- SOUTHWEST



ACD Numbers and Interpretations

- ACD# LAND CAPABILITY CLASSIFICATION
- 1 - (I) Soils have few limitations that restrict use
- 2 - (II_w) Soils have moderate water limitations
- 3 - (III_s) Soils ... suffer from severe limitations
- 4 - (III_w) Soils have severe water limitations
- 5 - (II_s) Soils ... have moderate limitations
- Etc. 6 - 18

Region	County	Map Symbol	MUKEY	Soil_Name	Land Class	ACD_NUM
Delta	SAINT FRANCIS	AcA	564421	Alligator and Sharkey clays, 0 to 1 percent slopes	3w	4
Delta	SAINT FRANCIS	AcB	564422	Alligator and Sharkey clays, gently undulating	3w	4
Delta	SAINT FRANCIS	AcC	564423	Alligator and Sharkey clays, undulating	3w	4
Delta	SAINT FRANCIS	Ad	564424	Alligator and Sharkey silty clay loams, overwash	3w	4
Delta	SAINT FRANCIS	Ak	564425	Arkabutla silt loam	2w	2
Delta	SAINT FRANCIS	BaB	564426	Beulah fine sandy loam, gently undulating	2s	5
Delta	SAINT FRANCIS	BaC	564427	Beulah fine sandy loam, undulating	2s	5
Delta	SAINT FRANCIS	BdA	564428	Bosket-Dubbs fine sandy loams, 0 to 1 percent slopes	1	1
Delta	SAINT FRANCIS	BdB	564429	Bosket-Dubbs fine sandy loam, gently undulating	2e	12
Delta	SAINT FRANCIS	BdC	564430	Bosket-Dubbs fine sandy loam, undulating	3e	13
Delta	SAINT FRANCIS	BeA	564431	Bowdre silty clay, 0 to 1 percent slopes	2w	2
Delta	SAINT FRANCIS	BeB	564432	Bowdre silty clay, gently undulating	2w	2
Delta	SAINT FRANCIS	BeC	564433	Bowdre silty clay, undulating	3w	4
Delta	SAINT FRANCIS	Br	564434	Bruno loamy sand, undulating	3s	3
Delta	SAINT FRANCIS	Ca	564435	Calhoun silt loam	3w	4
Delta	SAINT FRANCIS	CIA	564436	Calloway silt loam, 0 to 1 percent slopes	2w	2
Delta	SAINT FRANCIS	CIB	564437	Calloway silt loam, 1 to 3 percent slopes	2e	12

Soil Classification

RILLA SILT LOAM

0 TO 1 PERCENT SLOPES

LCU 1

ACD 1

Soil Classification

OUACHITA SILT LOAM

FREQUENTLY FLOODED

LCU 4w

ACD 7

Soil Classification

SMITHDALE FINE SANDY LOAM

8 TO 12 PERCENT SLOPES

LCU 4e

ACD 14

USE





Agricultural Value

- A.C.A. 26-26-407 ...use valuation of land should be used for agricultural lands.
- This method is otherwise known as the income approach to value.

Income Approach to Value

$\text{Income} - \text{Cost} = \text{Net Income}$

$\text{Net Income} / \text{Capitalization Rate} = \text{Land Value}$

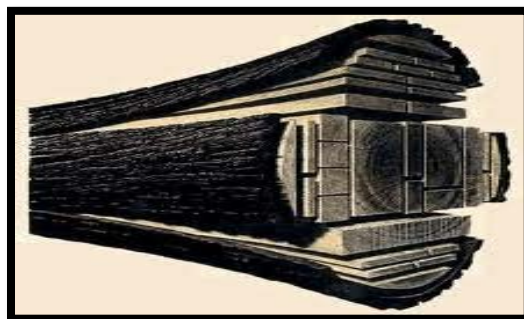
Income



Bushels



AUM



Board
feet

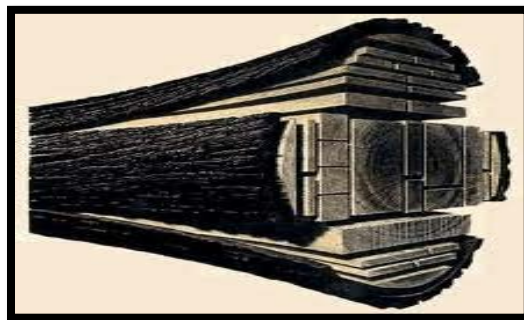
Costs



Rental
Rate



Rental
Rate



Planting, Thinning
etc.

Capitalization Rate

- The rate at which you discount future income to determine its present value.
- Expresses what percentage rate a property's net operating income is to its value.

Capitalization Rate

$$\begin{aligned} &\text{Long Term Safe Rate} \\ &+ \\ &\text{Management Fee} \\ &+ \\ &\text{Risk Rate} \end{aligned}$$

Cropland Value

CROP							
	AVERAGE SOYBEAN BUSHEL PER ACRE		10 YEAR AVERAGE OF PRICES RECEIVED BY FARMERS	SUM	75/25 SPLIT	CAPITALI- ZATION RATE	ROUNDED TO THE NEAREST \$5
						9.15%	
ACD 1	39		\$10.88	\$424.32	\$106.08	\$1,159.34	\$1,160
ACD 2	35		\$10.88	\$380.80	\$95.20	\$1,040.44	\$1,040
ACD 3	18		\$10.88	\$195.84	\$48.96	\$535.08	\$535
ACD 4	32		\$10.88	\$348.16	\$87.04	\$951.26	\$950
ACD 5	30		\$10.88	\$326.40	\$81.60	\$891.80	\$890
ACD 6	14		\$10.88	\$152.32	\$38.08	\$416.17	\$415

Pastureland Value

PASTURE					
	AUM	AVG \$ PER AUM	TOTAL	CAPITAL- IZATION RATE	ROUNDED TO NEAREST \$5
				8.15%	
ACD 1	9.9	\$2.86	\$28.31	\$347.41	\$345
ACD 2	8.4	\$2.86	\$24.02	\$294.77	\$295
ACD 3	5.2	\$2.86	\$14.87	\$182.48	\$180
ACD 4	7.4	\$2.86	\$21.16	\$259.68	\$260
ACD 5	7.1	\$2.86	\$20.31	\$249.15	\$250
ACD 6	4.1	\$2.86	\$11.73	\$143.88	\$145

Timberland Value

$$\begin{aligned} & \text{State average prices on board and pulp} \\ & \quad \times \\ & \text{Harvest volumes by soil type and species and board \& pulp} \\ & \quad = \\ & \text{Income from thinning and final harvests} \\ & \quad - \\ & \text{Expenses from planting thinning etc.} \\ & \quad / \\ & \text{Capitalization rate} \end{aligned}$$

Southwest Region	Crop	Pasture	Timber
ACD#	Value/Acre	Value/Acre	Value/Acre
1	\$1,070	\$320	\$90
2	\$920	\$285	\$135
3	\$595	\$215	\$180
4	\$805	\$255	\$150
5	\$595	\$180	\$90
6	\$445	\$180	\$180
7	\$860	\$240	\$145
8	\$860	\$195	\$75
9	\$445	\$140	\$140
10	\$860	\$175	\$75
11	\$445	\$160	\$130
12	\$805	\$275	\$165
13	\$625	\$255	\$175
14	\$625	\$210	\$175
15	\$335	\$145	\$160
16	\$265	\$105	\$155
17	\$205	\$105	\$90
18	\$125	\$75	\$75

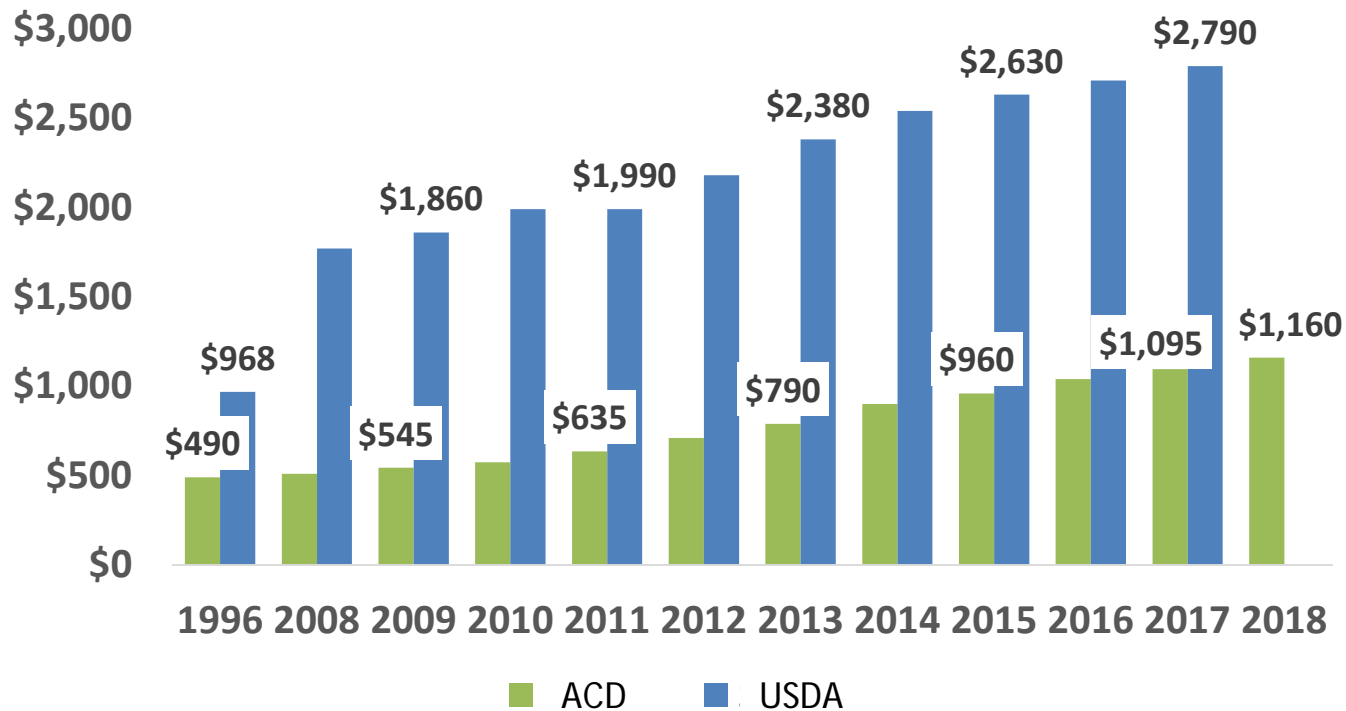
Ashley County

Southwest Region	Crop	Pasture	Timber
ACD#	Value/Acre	Value/Acre	Value/Acre
1	\$1,070	\$320	\$90
2	\$920	\$285	\$135
4	\$805	\$255	\$150
7	\$860	\$240	\$145
8	\$860	\$195	\$75
9	\$445	\$140	\$140
10	\$860	\$175	\$75
12	\$805	\$275	\$165
13	\$625	\$255	\$175
14	\$625	\$210	\$175
16	\$265	\$105	\$155
18	\$125	\$75	\$75

Statewide

	Highest	Lowest
Crop	\$1,160	\$125
Pasture	\$345	\$75
Timber	\$175	\$55
Per acre, full value		

ACD Highest Use Value vs USDA-NASS State Average Market Value



Crop

Full Value	\$1,070 per acre
Ar. Assessment Rate	x .20
Assessed Value	= \$214
Avg. rural mill rate	x .0428
	=\$9.16 est. tax per acre

Pasture

Full Value	\$320 per acre
Ar. Assessment Rate	x .20
Assessed Value	= \$64
Avg. rural mill rate	x .0428
	=\$2.74 est. tax per acre

Timber

Full Value	\$175 per acre
Ar. Assessment Rate	x .20
Assessed Value	= \$35
Avg. rural mill rate	x .0428
	=\$1.49 est. tax per acre

FAQ's

1. Does agricultural land qualify for the Homestead Credit?
No, primary residence and immediate yard
2. Does agricultural land qualify for the over 65 and/ Disabled Freeze? *No, first requirement is that it is a Homestead*

FAQ's

3. Does agricultural land qualify for the (AMD 79) Capped Increase? *Yes 10% per year*
4. What is the Forest Fire Protection Tax?
20¢/Acre timberland - Arkansas Forestry Commission
5. How do we value WRP - CRP lands? *Same*

FAQ's

6. What jurisdiction do the BOE and the County Court have to hear appeals of taxpayers who disagree with the county assessor as to the assessment on their agricultural land, pasture land, or timber land? *None*

26-27-317 (3) The county equalization board **does not have jurisdiction** over and **may not accept or consider** a petition or letter under subdivision (a)(1) of this section for the **adjustment** of the:...(B) *Valuation of agricultural land, pasture land, or timberland derived by the guidelines and methods set forth by the Assessment Coordination Department under § 26-26-407*

Robert McGee, Agricultural Specialist
Arkansas Assessment Coordination Department
501-324-9114
900 West Capitol Ave. Suite 320
Little Rock, Arkansas 72201
Robert.McGee@acd.arkansas.gov