NEBRASKA ADMINISTRATIVE CODE

Title 350 - Nebraska Department of Revenue, Property Assessment Division ~~and Taxation~~

Chapter 22 –Measurement of Special Valuation

Effective Date ~~1/3/07~~

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Title 350 – Nebraska Department of Revenue, Property Assessment Division ~~and Taxation~~
Chapter 22 – Measurement of Special Valuation Assessment Regulations

REG-22-001 PURPOSE

001.01 The purpose of this regulation is to define the data collection and analysis process used to estimate the level of value and the quality of assessment of agricultural and horticultural land receiving the special valuation assessment using accepted mass appraisal techniques for measurement.

001.02 The International Association of Assessing Officers (IAAO) "Standard on Ratio Studies" does not address the equalization process for calculating level of value for properties under constrained value or any prescribed methods of appraisal that are intended to produce a value that is less than market value. Neb. Rev. Stat. Section 77-1343(6) defines special valuation as, "…the value that the land would have for agricultural or horticultural purposes or uses without regard to the actual value the land would have for other purposes or uses." In Nebraska, the special valuation assessment is a statutory constraint on the assessed value of the agricultural and horticultural land.

(Neb. Rev. Stat. Sections ~~77-103, 77-702,~~ 77-1360 and 77-1371, R.R.S. 2003, ~~and~~ Neb. Rev. Stat. Section~~s~~ ~~77-1330,~~ 77-1343, ~~and 77-1344,~~ R.S. Supp., 2006 and Neb. Rev. Stat. Sections 77-103, 77-702. 77-1330 and 77-1344, R.S. Supp., 2007.)

REG-22-002 DEFINITIONS

~~002.01 For purposes of this regulation, the following definitions shall be used:~~

~~002.01A Agricultural and horticultural use shall mean the use of land primarily for the production of agricultural and horticultural products as defined in Neb. Rev. Stat. Section 77-1359 and REGS 11-002.01B and 11-002.01B(1).~~

~~002.01B Zoned for agricultural use shall be as defined in REG-11-002.01C.~~

002.01~~C~~ Actual value shall be as defined in REG-10-001.15.

002.02~~1D~~ Constrained value shall mean the value of the real property using statutorily prescribed methods of appraisal that are intended to produce a value that is less than actual value.

002.03~~1E~~ Special ~~value~~ valuation shall mean the actual value of the land if the land were available only for agricultural or horticultural purposes or uses without regard to any other purpose or use to which the land may be used.

002.04~~1F~~ Recapture ~~value~~ valuation shall mean the land's actual value.

002.05~~1G~~ Agricultural land and horticultural land shall be as defined in REGS-11-002.07~~1H~~ and 14-002.05.

002.06~~1H~~ Land capability groups (LCG) are groups of soils that are similar in their productivity and their suitability for most kinds of farming. It is a classification based on the capability classification, production, and limitations of the soils; risk of damage when they are used for ordinary field crops, grassland, and woodlands; and the way they respond to treatment. Land capability groups are a determination of the Department of Revenue, Property Assessment Division ~~Department of Property Assessment and Taxation~~ based upon dryland capability classifications.

002.01I Special valuation assessment shall mean seventy-five (75) percent of the special valuation.

002.01J Recapture valuation assessment shall mean ~~one hundred (100)~~ seventy-five (75) percent of the ~~actual~~ recapture valuation.

(Neb. Rev. Stat. Section~~s~~ 77-112, ~~77-702 and 77-1359,~~ R.R.S. 2003, Neb. Rev. Stat. Sections~~,~~ ~~77-1343 and~~ 77-1344 and 77-1359, R.S. Supp., 2006 and Neb. Rev. Stat. Sections 77-702 and 77-1343 R.S. Supp., 2007.)

REG-22-003 PROCEDURES

003.01 The ~~Department of Property Assessment and Taxation (Department)~~ Department of Revenue, Property Assessment Division shall use the following procedures to assist in determining the level of value of the special value assessment in any county where it has been determined that the special value assessment is applicable throughout the entire county.

003.01A Income.

003.01A(1) The Property Assessment Division ~~Department~~ shall compile cash rent information for each county using any, or all, of the following sources:

003.01A(1)(a) Published information such as Nebraska Farm Real Estate Market Developments from the University of Nebraska Department of Agricultural Economics;

003.01A(1)(b) Actual lease information from the Board of Educational Lands and Funds;

003.01A(1)(c) The Farm and Ranch Managers Cash Rental Survey published annually by the Board of Educational Lands and Funds;

003.01A(1)(d) Information gathered during the sale review process; and,

003.01A(1)(e) Any other cash rent data gathered or developed by the ~~Department~~ Property Assessment Division that reliably represents cash rents for all or a portion of agricultural or horticultural land in a county.

003.01A(2) The ~~Department~~ Property Assessment Division shall determine an estimated rent most typical for each LCG for each county.

003.01A(3) The rent estimates described in this regulation are performed for both the "subject" counties (those whose special valuation assessments are being measured) and "comparable" counties (counties that are similar to the subject counties based on factors including but not limited to proximity, typical farming practices, and similar soil conditions).

003.01B Gross rent multiplier.

003.01B(1) The ~~Department~~ Property Assessment Division shall calculate a gross rent multiplier for each major land use---irrigated cropland, dry cropland, and grass land---for counties that are deemed comparable to the subject counties being measured.

003.01B(2) The ~~Department~~ Property Assessment Division shall multiply the total number of acres in each LCG in the county as reported on the County Abstract of Assessment for Real Property, Form 45 by the gross rent estimate that corresponds to the LCG information.

003.01B(3) The extended gross rents estimated, multiplied times the number of acres per LCG shall be totaled for the county.

003.01B(4) The ~~Department~~ Property Assessment Division will then divide this total income into the total value for agricultural and horticultural land in the county to calculate the gross rent multiplier for the major land uses in the comparable counties.

003.01B(4)(a) The total value for agricultural and horticultural land in the comparable county is calculated as the total assessed value for agricultural and horticultural land divided by the most recent measured level of value for agricultural and horticultural land of the county.

003.01C Level of value conclusion.

003.01C(1) For any subject county, the total agricultural and horticultural land valuation shall be calculated as the total of the level of rents per LCG multiplied times the number of acres in the LCG times the gross income multiplier as selected when considering physical and economic similarities in the traits of land uses, soil types, and farming and ranching practices in the subject county.

003.01C(2) The level of value for the special valuation assessment of agricultural and horticultural land for any subject county shall be represented by the ratio of the special valuation assessment divided by the estimated agricultural and horticultural land assessed valuation calculation.

003.01C(3) The ~~Department~~ Property Assessment Division shall divide the total special valuation assessment or assessed value of agricultural and horticultural land in the county, as reported on the current County Abstract of Assessment for Real Property, Form 45, by the estimated value of all agricultural and horticultural land subject to the special valuation assessment. This calculation is the equivalent of the assessment-to-selling price ratio used in determining level of value for residential, commercial, and agricultural and horticultural land, by substituting the estimated value for the selling price as the denominator in the formula. This is recognized as an appropriate consideration to determine the level of value for property under statutorily prescribed “constrained value” such as agricultural land and horticultural land in Nebraska.

003.01C(4) This procedure will result in a measure of the special valuation assessment to special valuation.

003.01C(5) For agricultural and horticultural land receiving the special valuation assessment, the acceptable level of value for special valuation assessment shall be from sixty-nine to seventy-five (69 to 75) percent of the special valuation.

003.01C(6) In reporting level of value for the special valuation assessment to the ~~Nebraska~~ Tax Equalization and Review Commission pursuant to Neb. Rev. Stat. Section 77-5027, the ~~Department~~ Property Assessment Division shall express level of value in terms of the standard of sixty-nine to seventy-five (69 to 75) percent of the special value ~~and ninety-two to one hundred (92 to 100) percent of the recapture value~~.

003.01C(7) In reporting the level of value for the recapture valuation assessment to the Tax Equalization and Review Commission pursuant to Nev. Rev. Stat. Section 77-5027, the Property Assessment Division shall express level of value in terms of the standard of sixty-nine to seventy five (69-75) percent of the recapture valuation.

(Neb. Rev. Stat. Sections 77-112, 77-369, ~~77-1334,~~ 77-1361, 77-1362, 77-1371, and 77-1377, R.R.S. 2003, Neb. Rev. Stat. Section~~s~~ ~~77-1327,~~ 77-1363 and 77-5027 ~~77-5023,~~ R.S. Supp., 2006 and Neb. Rev. Stat. Sections 77-1327, 77-1334 and 77-5023, R.S. Supp., 2007.)