



# Classification and Valuation of Agricultural Land in Wyoming

*Presented to the Joint Interim Agriculture, State and Public Lands and Water Committee*

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# Topics to be covered...

- Constitution, Wyoming Statutes and Department of Revenue Rules specific to Agricultural Land
  - Criteria that must be met to qualify for the agricultural land qualification
  - How land that meets the criteria is valued.
- 



# Wyoming Constitution – Article 15

- ▶ Section 11

- ▶ (b) “...All taxable property shall be valued at its full value as defined by the legislature except agricultural and grazing lands which shall be valued according to the capability of the land to produce agricultural products under normal conditions”...

# Wyoming Statutes – Title 39

- ▶ 39-13-103(b)(x) The following shall apply to **agricultural land**.

*“Agricultural land” as used in WS 39-13-103(b)(x) means land which meets the requirements for the purpose of tax assessment*

- ▶ (A) The department shall determine the taxable value of agricultural land and prescribe the form of the sworn statement to be used by the property to declare that the property meets the requirements of subparagraph (B) of this paragraph. In determining the taxable value for assessment purposes, the value of the agricultural land shall be based on the current use of the land, and the capability of the land to produce agricultural products, including grazing and forage, based on average yields of lands of the same classification under normal conditions.

We will come back to the valuation process....



# Wyoming Statutes – Title 39 cont.

- ▶ (B) Contiguous or non-contiguous parcels of land under one (1) operation owned or leased shall qualify for classification of agricultural land if the land meets each of the following qualifications;
  - ▶ (I) The land is presently being used and employed for an **agricultural purpose**.

WS 39-13-101 (a) (viii) “Agricultural purpose” means the following land used when conducted consistent with the land’s capability to produce:

- (A) Cultivation of the soil for production of crops; or
- (B) Production of timber products or grasses for forage;
- (C) Rearing, feeding, grazing or management of livestock.



# 4 qualifications that must be met to be valued as agricultural land (cont.)

- ▶ (II) The land is not part of a platted subdivision, except for a parcel of thirty-five (35) acres or more which otherwise qualifies as agricultural land
- ▶ (III) If the land is not leased land, the owner of the land has derived annual gross revenues of not less than five hundred (\$500) from the marketing of agricultural products, or if the land is leased land the lessee has derived annual gross revenues of not less than one thousand dollars (\$1,000) from the marketing of agricultural products; and
- ▶ (IV) The land has been used or employed, consistent with the land's size, location and capability to produce as defined by department rules and the mapping and agricultural manual published by the department, primarily in an agricultural operation, or the land does not meet this requirement of (III) because the producer:



Statutory provisions allowing land to be valued as Agricultural when items (III) and (IV) are not met.

- (1) Experiences an intervening cause of production failure beyond its control;
- (2) Causes a marketing delay for economic advantage;
- (3) Participates in a bona fide conservation program, in which case proof by an affidavit showing qualification in a previous year shall suffice; or
- (4) Has planted a crop that will not yield an income in the tax year.



# Department of Revenue Chapter 10 – Designation, Classification and Valuation of Agricultural Lands for Property Taxation.

<http://soswy.state.wy.us/Rules/RULES/9529.pdf>

- ▶ Provides Assessors with guidance on:
  - ▶ Section 3 - Definitions
  - ▶ Section 4 - Productivity Classifications
  - ▶ Section 5 - The method of valuing land classified agricultural
  - ▶ Section 6 – Prescribes the Sworn affidavit to be completed by the property owner should they wish land to be considered agricultural for property taxation



# Chapter 10 Definitions

## “Non-agricultural lands”

- (c) "Non-agricultural lands" shall include but not be limited to lands as described in the State of Wyoming Market Valuation of Residential, Commercial and Industrial Lands as published by the Department:
  - (i) Lands in active transition from agricultural use to residential, commercial or industrial use, which includes creation or division of a tract, parcel or other unit of land for the purpose of sale or development for such use;
  - (ii) Farmsteads with lands occupied by buildings which constitute the home site including one or more acres (as determined by the County Assessor) of land used in direct connection with the home site;
  - (iii) Commercial land used for commercial feed lots, dude ranch facilities, and other commercial or income purposes;
  - (iv) Land where Topsoil is removed or topography is disturbed to the extent that the property cannot be used to raise crops, timber or to graze livestock;
  - (v) Resort or recreational lands, summer homes or mountain cabins;
  - (vi) Land zoned for purposes, which exclude agricultural uses;



# Chapter 10 Definitions

## “Non-agricultural lands” (cont.)

(vii) Activities on land which occur after the crop is harvested or animal has been raised do not qualify land for agricultural assessment. A storage activity by a non-producer does not qualify property for agricultural assessment. Processing activities, whether or not by a producer, such as pasteurizing and bottling milk, cheese making, honey candy manufacturing or slaughtering, dressing and packing meat do not qualify land for agricultural assessment;

(A) In general, processing begins with those activities typically carried out at the first level of trade beyond production, which activities enhance the value of primary agricultural products. Milling grain, pasteurizing milk, packaging vegetables and milling timber constitute processing. Packaging products for transport to either the wholesale or retail markets does not constitute processing, but packaging them for sale does. The test is whether the packaging used for transport is suitable packaging for retail sale. Storage within the wholesale trade constitutes processing, as would slaughter of livestock. The producer's interim storage or slaughter prior to sale to a wholesaler or other middleman is not processing.

(B) For silage, while the final product is different from the product as initially stored, the process shall still be considered a primary production activity.

(viii) Land grazed by any animal kept as a hobby;

(ix) Land used to harvest firewood, shrubs or seeds that grow wild on the land;

(x) Land used for the activity of hunting or harvesting game animals or birds.



# Theme throughout

- Does the activity rely on usage of the land and its capability to produce?
- Is the activity commercial in nature? Is an income derived from the agricultural product?

*“Agricultural Products” includes the grazing of livestock, growing of crops or forage under cultivated conditions, or the management and harvest of timber products, for commercial purposes.*

# Section 4 – Agricultural Land Classification

## ➤ 3 Principal Agricultural Uses;





# Section 4 – Agricultural Land Valuation (cont.)

- ▶ ***Irrigated Crop Land***

Tons of all hay per acre is the productivity measurement. This “measurement” is determined from environmental factors that affect the soil's ability to produce. These “factors,” or limitations, are published in the United States Department of Agriculture, Natural Resources Conservation Service's Soil Survey – and include items such as precipitation, length of growing season, slope, etc.

- ▶ ***Dry Crop Land***

Bushels of all wheat, per acre, are the productivity measurement. As with irrigated cropland, this “measurement” is determined by environmental factors that affect the soil's ability to produce. The “factors,” or limitations, are the same as those used with irrigated cropland.

- ▶ ***Range Land***

Animal Unit Months or AUMs is the productivity measurement. The term “AUM” is defined as the amount of forage required to sustain a 1,000 pound cow, with or without a calf, for one month.



# Annual DOR Agricultural Land Valuation Study

<http://revenue.wyo.gov/>

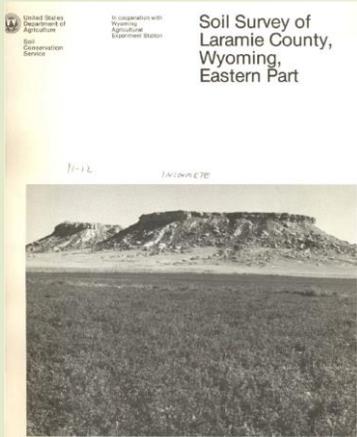
- The valuation process is based on the income approach to value. The appraisal approach involves capitalizing the net operating income the landowner receives.
  - Pricing of Agricultural Commodities.
  - Development of the Capitalization Rate
  - Calculation of the base unit for each land category and determine the net income.
- Calculate minimum and maximum per acre value per use/class of land.



Three main components are used in determining productivity.

- Soil Productivity (Soils Surveys)
  - Land Resource Areas
  - Land Use
- 

# Soil Productivity



- Natural Resource Conservation Service (NRCS)  
Published soil survey books



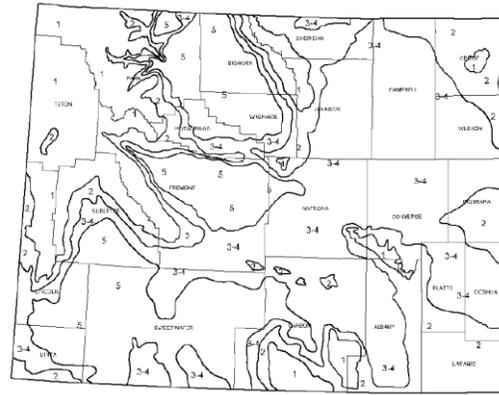
- Today most the data for irrigated and dry crop land is in table form from SSURGO.
- Range land data is available in part from SSURGO, most comes from a 1988 Wyoming land technical guide.



# Land Resource Area's (LRA's)

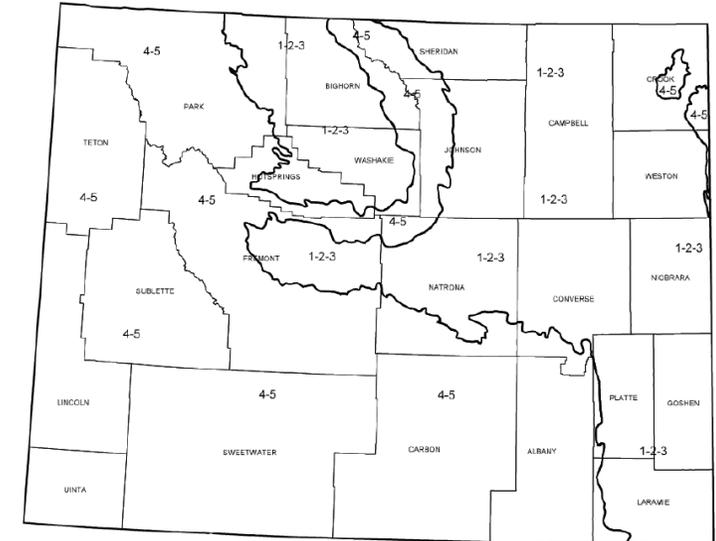
- ▶ Based on NRCS Major Resource Area data
  - ▶ Large sweeping zones that incorporate:
    - ▶ Rainfall
    - ▶ Length of growing season
    - ▶ Basic common topography

## RANGE LAND LRA'S

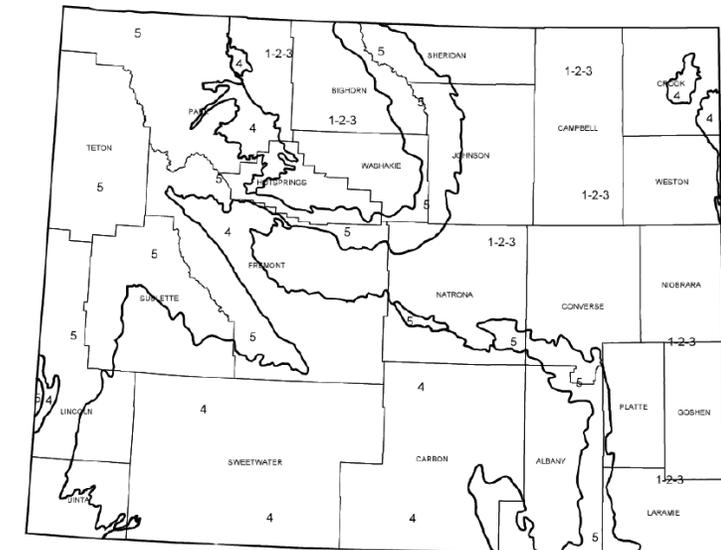


- Five resource areas, based on topography and precipitation.
  - LRA 1 - Mountainous Regions - 20 + Inches of precipitation per year.
  - LRA 2 - Foothills and Mountains - 15 to 19 Inches of precipitation per year.
  - LRA 3 - Eastern and Northern Plains - 10 to 14 Inches of precipitation per year.
  - LRA 4 - Foothills, Basins and High Plains - 10 to 14 Inches of precipitation per year.
  - LRA 5 - Desert Basins - 5 to 9 Inches of precipitation per year.
- The descriptions, Northern Plains – 10 to 14 inches of precipitation, relates directly to the 1988 Wyoming Tech Guide.

## IRRIGATED CROP LAND LRA'S

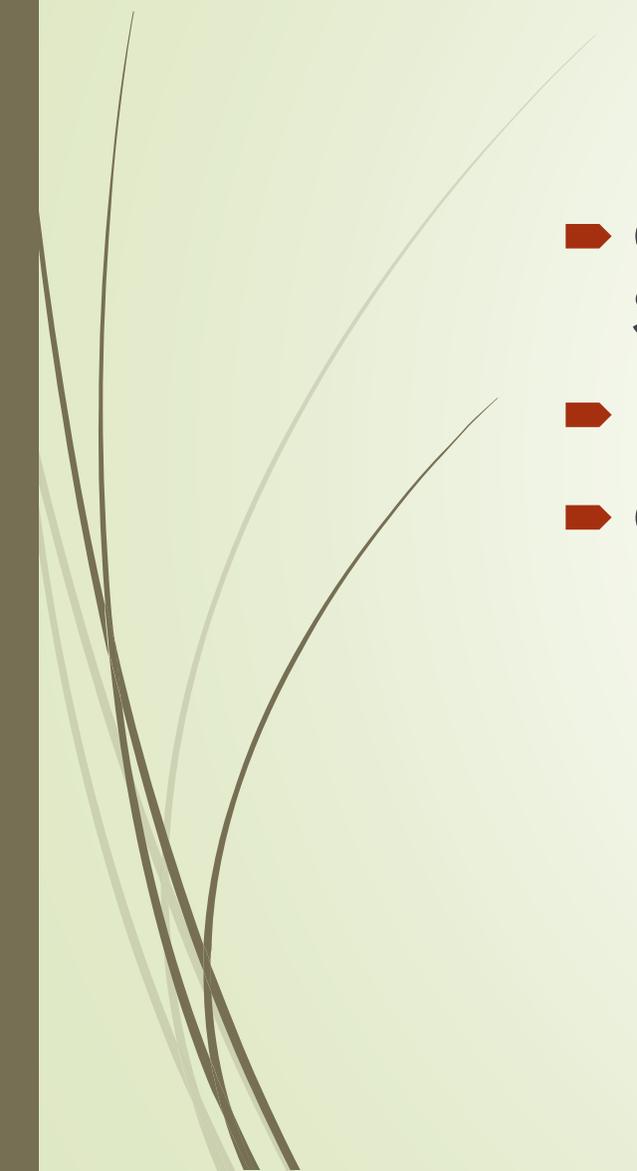


## DRY CROP LAND LRA'S





# Valuation Study Sources

- ▶ Commodity prices from USDA/National Ag Statistics Service.
  - ▶ Interest Rates from Farm Credit Service of Omaha.
  - ▶ Other data
- 

### Irrigated Crop Appraised Land Value

LRA	Value Range	II	III	IV	V-VIII
1-2-3	HIGH	\$3,031	\$2,480	\$1,929	\$1,378
1-2-3	LOW	\$2,480	\$1,929	\$1,378	\$551
4-5	HIGH		\$2,204	\$1,653	\$1,102
4-5	LOW		\$1,653	\$1,102	\$551

*Note: The values have been rounded to the nearest dollar*

### Dry Crop Land Appraised Value

LRA	Value Range	III	IV	V-VIII
1-2-3	HIGH	\$506	\$417	\$328
1-2-3	LOW	\$417	\$328	\$194
4	HIGH	\$462	\$328	\$238
4	LOW	\$328	\$238	\$149
5	HIGH	\$685	\$506	\$328
5	LOW	\$506	\$328	\$238

*Note: The values have been rounded to the nearest dollar*

### Range Land Appraised Value

LRA	Value Range	R-1	R-2	R-3	R-4	R-5	Waste
1	HIGH	\$808	\$269	\$202	\$135	\$101	\$67
1	LOW	\$505	\$202	\$135	\$101	\$67	\$10
2	HIGH	\$791	\$202	\$135	\$101	\$67	\$34
2	LOW	\$387	\$135	\$101	\$67	\$34	\$10
3	HIGH	\$673	\$135	\$101	\$67	\$34	\$17
3	LOW	\$337	\$101	\$67	\$34	\$17	\$10
4	HIGH	\$673	\$135	\$101	\$67	\$34	\$17
4	LOW	\$337	\$101	\$67	\$34	\$17	\$10
5	HIGH	\$539	\$101	\$67	\$34	\$17	\$10
5	LOW	\$269	\$67	\$34	\$17	\$10	\$10

*Note: Where the minimum values of range land and the maximum values of waste are less than \$10, those values have been established at \$10 for assessment purposes. The values have been rounded to the nearest dollar.*

Assessors determine one per acre value per use/class. This value is uniformly applied for each acre within their jurisdiction.

PARCEL (STATE) I.D. # \_\_\_\_\_ LOCAL ID. # \_\_\_\_\_  
R# \_\_\_\_\_ DISTRICT \_\_\_\_\_ Assessment Year \_\_\_\_\_ Int. \_\_\_\_\_

AFFIDAVIT FOR AGRICULTURAL LAND CLASSIFICATION

Owner Name(s): \_\_\_\_\_ Mailing Address: \_\_\_\_\_

Legal Description of Property (if lengthy, please attach): \_\_\_\_\_

Wyoming statute provides that contiguous or noncontiguous parcels of land under one (1) operation owned or leased shall qualify for classification as agricultural land if the land meets each of the following four qualifications (initial all that apply):

1. The land is presently being used and employed for an agricultural purpose. Initial the applicable classification:

- Cultivation of the soil for production of crops
- Production of timber products or grasses for grazing
- Grazing of livestock

2. \_\_\_\_\_ The land is not part of a platted subdivision. Pursuant to §39-13-103(b) (x) (B) (II) individual subdivision parcels of thirty-five (35) acres or more "which otherwise qualifies as agricultural land" may be considered for agricultural classification.

3. Initial the applicable statement:

- The land is not leased land and the owner has derived annual gross revenues of not less than five hundred dollars (\$500.00) from the marketing of agricultural products from the subject land.
- The land is leased and the lessee has derived annual gross revenues of not less than one thousand dollars (\$1,000.00) from the marketing of agricultural products. The applicant must provide name and address of lessee.

Lessee Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

4. \_\_\_\_\_ The land has been used consistent with the land's size, location and capability to produce as an agricultural operation.

If the land has not met the requirements of 3 and 4 above, I state that at least one of the following occurred (initial all that apply). Attach explanation.

- The land has experienced an intervening cause of production failure beyond my control.
- I have caused a marketing delay for economic advantage.
- The land participates in a bona fide conservation program in which case proof by an affidavit showing qualifications in a previous year shall suffice.
- A crop has been planted that will not yield an income in the taxable year.

I \_\_\_\_\_, the owner(s) of the land described above, do solemnly swear (or affirm) that land contained in the legal description noted above has met the requirements of §39-13-103(b) (x) (B) which are outlined in this form.

Signature(s): \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name(s): \_\_\_\_\_ Phone: \_\_\_\_\_

State of \_\_\_\_\_ )  
County of \_\_\_\_\_ )ss Subscribed and sworn before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by

\_\_\_\_\_  
Notary Public \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_ (Seal)

Section 4:  
Uniform application  
for agricultural land  
classification.

# Market Value vs Agricultural Classification

*Using 5 acre example (average productivity and growing season)*

## Other Uses

- \$5,000 per acre x 5 acres = \$25,000
- Level of assessment of x.095
- Total assessed value 2,375
- 2015 average mill levy x.068485
- Estimated Tax Amount **\$162.65**

## Range land

- \$92 per acre x 5 acres = \$460
- Level of assessment of x.095
- Total assessed value 44
- 2015 average mill levy x.068485
- Estimated Tax Amount **\$3.01**

# Market Value vs Agricultural Classification

*Using 5 acre example (average productivity and growing season)*

## Dry Crop

- \$313 per acre x 5 acres = \$1,565
- Level of assessment of x.095
- Total assessed value 149
- 2015 average mill levy x.068485
- Estimated Tax Amount **\$10.20**

## Irrigated

- \$1,859 per acre x 5 acres = \$9,295
- Level of assessment of x.095
- Total assessed value 883
- 2015 average mill levy x.068485
- Estimated Tax Amount **\$60.47**



# Property Taxation and Bee keeping in other states

- ▶ Alabama, Connecticut, Delaware, Florida, Illinois, Maine, Massachusetts, Minnesota, Texas
- ▶ Texas
  - ▶ Laws changed in 2012 to include Beekeeping as qualification for agricultural land valuation
  - ▶ Not less than 5 acres and no more than 20 acres
  - ▶ Land must have been devoted principally to an agricultural use for 5 years before it will apply (valued at market for those 5 years)
  - ▶ If land is used for more than one purpose, the primary use must be agricultural
  - ▶ Lands are subject to a “roll back” tax.
    - ▶ Initiated when there is a change of use. Tax bill includes the taxes for the previous three years plus interest.
- ▶ Other states, including Wyoming, are silent

*Reference*

[www.americanbeeproject.com](http://www.americanbeeproject.com)

# Basis of Valuation of Agricultural Land

## Lincoln Institute of Land Policy - Tax Treatment of Agricultural Property

### Significant Features of the Property Tax.

[http://www.lincolninst.edu/subcenters/significant-features-property-tax/Report Tax Treatment of Agricultural Property.aspx](http://www.lincolninst.edu/subcenters/significant-features-property-tax/Report%20Tax%20Treatment%20of%20Agricultural%20Property.aspx). Lincoln Institute of Land Policy and George Washington Institute of Public Policy. (Tax Treatment of Agricultural Property; accessed: 5/9/2016 3:16:52 PM)



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### Topics

#### Tax Treatment of Agricultural Property

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Most states have preferential tax treatment for agricultural land. The most common methods of reducing the tax burden are to assess the property based on its current use even though this may be less than its market value, and to set a lower assessment ratio for agricultural land. Many states with extensive agricultural acreage do not require the property owner to make a commitment to keep the land in agricultural use. Other states offer agricultural assessment to property owners who are willing to commit to continued agricultural land use over a period of several years, often with a substantial penalty for early withdrawal.

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*Thank you!*

*Wyoming Department of Revenue  
Property Tax Division  
307 777-5235*