

For the agricultural properties in Sioux County there have been two major changes which affect the 2011 assessments. First, the Iowa Department of Revenue has recalculated the productivity formula which is used to determine agricultural assessments across the state (this is done every odd numbered year) and second, Sioux County is implementing the soil survey to determine the allocation of value for the agricultural land assessments.

The productivity formula, as expected, resulted in an increase, not because of rising land prices as many may think, but due to increased production and higher commodity prices. The formula uses a five-year, rolling average which dropped off 2003 and 2004 crops with 2008 and 2009 being added. (2003-2004: corn average of 179 bu/acre, average price \$2.18; soybean average of 47.5 bu/acre, average price \$6.60. 2008-2009: corn average of 199 bu/acre, average price \$4.40; soybean average of 54.5 bu/acre, average price \$10.45. The overall increase for Sioux County was 29%, from \$1,400/acre to \$1,806/acre. Across the state the range was from 12% to 41%, with the average being 25%. Since the statewide agricultural taxable value can only increase by 4%, it's appears the "rollback" (the amount on which taxes are paid) will be going down from 69% to approximately 57%.

Another component of the agricultural assessments is how the buildings are handled. They are valued at the same ratio of productivity value to market value as the land. The average market value is determined by the Iowa Land Value Survey using years 2007 - 2009. Dividing the productivity value of \$1,806 by the market average of \$5,776 results in a 2011 "ag factor" of 31%. This factor is applied as a residual amount to the market value of the building, which for agricultural assessment purposes is defined as replacement cost new less physical depreciation. As an example a building has a replacement cost of \$50,000, for its age there is 20% physical depreciation, \$50,000 - \$10,000 (20%) leaves a market value of \$40,000. In the final step 31% of this amount, \$12,400, is the assessed value of that building. Since the land and buildings aren't adjusted by the same amount across the board, the end result was a 10% increase in the building valuations and a 32% in the land valuations. (These are overall changes and not necessarily reflective of individual parcel changes.)

The second big change in the agricultural assessments for 2011 is how the land valuations are determined for the individual parcels; the U.S. Department of Agricultural Soil Conservation Service soil survey is now being utilized for that purpose. Iowa Code Section 441.21 requires assessors to place emphasis on the modern soil survey when applying agricultural land values. The Sioux County soil survey was completed in 1990 but has never been implemented for the assessments of agricultural land.

A modern soil survey is defined as one being done in 1949 or later. The original survey in Sioux County was done in 1915, when only eleven counties in Iowa had a survey. At that time there were only nine different classifications of soil. The current survey has thirty-six different types of soils and with the subcategories for slope and erosion there are sixty-two classifications. If there are counties without a modern soil survey, the U.S. Soil Conservation Service uses eight

classifications of land ranging from most easily farmed to being of no value for cultivation, grazing or forestry.

An effort was made to determine how the current land valuations were established but unfortunately nothing was found, they have been in place for decades and simply adjusted up or down by whatever percentage was needed to bring them in line with the productivity formula. Information obtained from the early 1970's had land being placed into one of four categories, tillable, non-tillable, pasture or permanent pasture, but how that was used to determine value couldn't be discerned.

When using the soil survey to value agricultural land it is done as follows, each soil type has been assigned a Corn Suitability Rating (CSR) which reflects the quality of that soil. The total land value for the county is divided by the total number of CSR's resulting in a dollar value per CSR point. The total CSR's for each parcel is computed then multiplied by the dollar value to give a total value of the parcel. Adjustments within the soil survey are made; these are called linear debasements and spot symbols. There are additional adjustments for areas determined to be less productive due mainly to topographical reasons. The end result is more uniformity where parcels with the same average CSR should be valued relatively the same per acre. That hasn't been the case; a review showed no consistency at all, there are parcels with the same average CSR but a 60% difference in value.

One problem that existed is how previous adjustments were made and how they were handled if a parcel was subsequently split. The adjustment was applied to the entire parcel and if a portion causing the adjustment was later split off, the value split per acre was done evenly rather than the normal rate staying with "regular" land and the lesser rate going with the "irregular" land. Here is an actual example - 40 acre tract, 10 acres tillable (assessed @ \$1,000/acre- $10 \times 1,000 = \$10,000$ ), 30 acres timber given a 60% deduction in value. ( $30 \times \$1,000 \times .40 = \$12,000$ ) Total assessed value for the tract - \$22,000. The timber land sold off, rather than split value according to how it was assessed; the total value was simply divided by the acres to get an average value per acre ( $\$22,000/40 = \$550/\text{Ac}$ ). This results in too low of an assessment on the tillable (\$5,550 rather than \$10,000) and too high of an assessment on the timber (\$16,500 rather than \$12,000).

The methods used to determine agricultural assessments in Iowa has varied over the years, from 1941-1967 the value was determined by a productivity formula with the assessment level being 60% of that amount. During 1968-1974 one-half productivity formula and one-half market value were used with 27% being the assessment level. For 1975-1977 it was one-half productivity formula and one-half market value with 100% being the assessment level. From 1978 to present, Iowa has been using the productivity formula with a capitalization rate of 7%.