

Fifty-sixth  
Legislative Assembly  
of North Dakota

**SENATE BILL NO. 2052**

Introduced by

Legislative Council

(Taxation Committee)

1 A BILL for an Act to amend and reenact section 57-02-27.2 of the North Dakota Century Code,  
2 relating to the valuation and assessment of inundated agricultural land for property tax  
3 purposes; and to provide an effective date.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Section 57-02-27.2 of the 1997 Supplement to the North  
6 Dakota Century Code is amended and reenacted as follows:

7 **57-02-27.2. Valuation and assessment of agricultural lands.**

8 1. "True and full value" of agricultural lands must be their agricultural value for the  
9 purposes of sections 57-02-27, 57-02-27.1, 57-02-27.2, and 57-55-04. Agricultural  
10 value is defined as the "capitalized average annual gross return", except for  
11 inundated agricultural land. The "annual gross return" must be determined from  
12 crop share rent, cash rent, or a combination thereof reduced by estimated property  
13 taxes and crop marketing expenses incurred by farmland owners renting their  
14 lands on a cash or crop share basis.

15 2. For purposes of this section, "annual gross return" for cropland used for growing  
16 crops other than sugar beets and potatoes means thirty percent of annual gross  
17 income produced, "annual gross return" for cropland used for growing sugar beets  
18 and potatoes means twenty percent of annual gross income produced, and "annual  
19 gross return" for land used for grazing farm animals means twenty-five percent of  
20 an amount determined by the agricultural economics department of North Dakota  
21 state university to represent the annual gross income potential of the land based  
22 upon the animal unit carrying capacity of the land.

23 3. The "average annual gross return" for each county must be determined as follows:

- 1           ~~4.~~   a.   For taxable year 1998, total the annual gross returns for the most recent eight  
2                               years immediately preceding the current year for which data is available and  
3                               discard the highest and lowest annual gross returns of the eight. For taxable  
4                               year 1999, total the annual gross returns for the nine years immediately  
5                               preceding the current year for which data is available and discard the highest  
6                               and lowest annual gross returns of the nine. For taxable year 2000 and  
7                               thereafter, total the annual gross returns for the ten years immediately  
8                               preceding the current year for which data is available and discard the highest  
9                               and lowest annual gross returns of the ten.
- 10          ~~2.~~   b.   For taxable year 1998, divide the figure arrived at in ~~subsection 4~~  
11                               subdivision a by six. For taxable year 1999, divide the figure arrived at in  
12                               ~~subsection 4~~ subdivision a by seven. For taxable year 2000 and thereafter,  
13                               divide the figure arrived at in ~~subsection 4~~ subdivision a by eight.
- 14          4.   To find the "capitalized average annual gross return", the average annual gross  
15                               return must be capitalized by a rate that is a ten-year average of the gross federal  
16                               land bank mortgage rate of interest for North Dakota. The ten-year average must  
17                               be computed from the twelve years ending with the most recent year used in  
18                               ~~subsection 4~~ under subdivision a of subsection 3, discarding the highest and  
19                               lowest years, and the gross federal land bank mortgage rate of interest for each  
20                               year must be determined in the manner provided in section 20.2032A-4(e)(1) of the  
21                               United States treasury department regulations for valuing farm real property for  
22                               federal estate tax purposes, except that the interest rate may not be adjusted as  
23                               provided in paragraph (e)(2) of section 20.2032A-4.
- 24          5.   The agricultural economics department of North Dakota state university shall  
25                               compute annually an estimate of the average agricultural value per acre [.40  
26                               hectare] of agricultural lands on a statewide and on a countywide basis; ~~;~~<sub>1</sub> shall  
27                               compute the average agricultural value per acre [.40 hectare] for cropland ~~and~~<sub>1</sub>  
28                               noncropland, ~~which is~~ and inundated agricultural land; ~~for each county;~~<sub>1</sub> and shall  
29                               provide the tax commissioner with this information by December first of each year.  
30                               Fifty percent of the annual gross income from irrigated cropland must be  
31                               considered additional expense of production and may not be included in

1 computation of the average agricultural value per acre [.40 hectare] for cropland for  
2 the county as determined by the agricultural economics department. Before  
3 January first of each year, the tax commissioner shall provide to each county  
4 director of tax equalization these estimates of agricultural value for each county.

5 6. For purposes of this section, "inundated agricultural land" means property  
6 classified as agricultural property which is inundated to an extent making it  
7 unsuitable for growing crops or grazing farm animals for a full growing season or  
8 more. Before all or part of a parcel of property may be classified as inundated  
9 agricultural land, the county board of tax equalization must approve that  
10 classification for that property for the taxable year. The agricultural value of  
11 inundated agricultural lands for purposes of this section must be determined by the  
12 agricultural economics department of North Dakota state university to be ten  
13 percent of the average agricultural value of noncropland for the county as  
14 determined under this section. Valuation of individual parcels of inundated  
15 agricultural land may recognize the probability that the property will be suitable for  
16 agricultural production as cropland or for grazing farm animals in the future.

17 7. Before February first of each year, the county director of tax equalization in each  
18 county shall provide to all assessors within the county an estimate of the average  
19 agricultural value of agricultural lands within each assessment district. The  
20 estimate must be based upon the average agricultural value for the county  
21 adjusted by the relative values of lands within each assessment district compared  
22 to the county average. In determining the relative value of lands for each  
23 assessment district compared to the county average, the county director of tax  
24 equalization, wherever possible, shall use soil type and soil classification data from  
25 detailed and general soil surveys. Where such data cannot be used, the county  
26 director of tax equalization shall use whatever previous assessment data is best  
27 suited to the purpose.

28 8. Each local assessor shall determine the relative value of each assessment parcel  
29 within the assessor's jurisdiction and shall determine the agricultural value of each  
30 assessment parcel by adjusting the agricultural value estimate for the assessment  
31 district by the relative value of the parcel. Each parcel must then be assessed

1                   according to section 57-02-27. If either a local assessor or a township board of  
2                   equalization develops an agricultural value for the lands in its assessment district  
3                   differing substantially from the estimate provided by the county director of tax  
4                   equalization, written evidence to support the change must be provided to the  
5                   county director of tax equalization.

6                   **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after  
7                   December 31, 1998.