

# Revenue Dept.

## Property Tax

### Chapter 10: Designation, Classification and Valuation of Agricultural Lands for Property Taxation

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## Chapter 10

### Designation, Classification and Valuation of Agricultural Lands for Property Taxation

**Section 1. Authority.** These rules are promulgated under authority of Wyoming Statute 39-11-102(b), W.S. 39-13-101, W.S. 39-13-103(b)(x).

**Section 2. Purpose.** These rules are intended to describe the methods and procedures to be used for designating land as either agricultural or non-agricultural and to describe the methods and procedures for classifying agricultural land as to type, whether irrigated, dry cropland, rangeland, timberland or other; and to describe the valuation methodology to be used to determine the taxable value of agricultural land for property tax purposes. The manuals, formulae, methods, systems, computations, standards, guidelines and criteria to be used by County Assessors and the Department to determine taxable value are set forth herein.

**Section 3. Definitions.** For the purposes of these rules, the definitions set forth in W.S. Title 39, as amended, are incorporated by reference. In addition, the following definitions shall apply:

(a) “Agricultural” means the primary use of the land is to produce crops, harvest timber or graze livestock for commercial purposes consistent with the land’s capability to produce including land used for a farmstead structure that supports the land’s capability to produce.

(b) “Platted Subdivision” means for the purpose of Chapter 13 of Title 39, the creation of a lot, parcel, or other unit of land; or division of a lot, parcel, or other unit of land into one or more parts that has received approval from the governing body in whose jurisdiction the property resides at the time of creation and is recorded in the records of the county clerk.

(c) “Non-agricultural lands” shall include lands whose primary purpose consists of uses other than those defined as agricultural in Title 39 and these rules. Appraisal of such lands shall be conducted in accordance with Department of Revenue Chapter 9 rules:

(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) Home site with lands occupied by structures which are built for or used for human habitation or attached to said structures. The home site shall consist of one acre per habitable structure unless verifiable information is provided by the Assessor or land owner to justify the site being listed as more than or less than one acre of land used in direct connection with the home site;

(A) In addition to land occupied by structures, typical amenities to a home site include, but are not limited to, the area for well and septic, landscaped area, driveway,

patios, decks, gazebos and other land that is not used to support the agricultural purpose stated in W.S. 39-13-101(a)(viii)(A) through (C).

(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 unless land is used for a farmstead structure as defined by W.S. 39-13-101(a)(x)(A) through (D);

(v) Resort or recreational lands, summer homes or mountain cabins;

(vi) Land zoned for purposes, which exclude agricultural uses;

(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.

(d) "Primarily" means chiefly or the first importance.

(e) "FSA" is an acronym for the U.S. Department of Agriculture, Farm Service Agency.

(f) "AUM" is an acronym for animal unit month, the amount of forage required to maintain a 1,000 lb cow, with or without a calf, for one month.

(g) “CAB” is an acronym for crop acreage base. CAB is applicable to any crop eligible to be enrolled in a FSA government support program.

(h) “Capitalization rate” is a ratio between anticipated future income, either accounting income or cash flow, and present value. For property tax purposes the Department will use the following:

(i) The capitalization rate used in valuation of the agricultural lands is the 5 year weighted average of the annual Farm Credit Bank’s average long term loan portfolio rates (obtained from Farm Credit). The average interest rates for the past 5 years are converted to a weighted average to establish the capitalization rate. This is calculated by multiplying the current year’s interest rate by a factor of 5. The previous years’ rates are multiplied by factors of 4, 3, 2 and 1 respectively. This total is divided by 15 to achieve the 5 year weighted average. This capitalization rate is used in the income approach for the valuation of all agricultural lands (irrigated crop land, dry crop land, rangeland, timberland or other).

(i) “CRP” is an acronym for Conservation Reserve Program. CRP is a federal program which pays a yearly rental payment in exchange for farmers removing environmentally sensitive land from agricultural production and planting species that will improve environmental quality.

(j) “Dry Crop Land” means any land which is cultivated and harvested by mechanical means, and is used in the production of cereal grains and row crops, alfalfa, legumes or grass hay, including sub-irrigated hay meadows, or Christmas, ornamental and nursery trees without the artificial application of water.

(k) “Irrigated Crop Land” means any land, which has water applied to it by artificial means for the purpose of producing food or fiber, or Christmas, ornamental and nursery trees. The value of irrigation and sprinkler systems, used in applying water to agricultural lands, is included in the productivity formula and should not be valued separately.

(l) “Land Capability Classification System” for taxation purposes, applies to the productivity valuation of cropland. Soils placed in the Land Capability Classification System are governed by a series of limitations. Major limitations include, but are not limited to, length of growing season (frost-free growing period), precipitation, texture, salinity, alkalinity, stoniness, drainage, permeability, and slop of the soil.

(m) “Rangeland” means any land, which is used for livestock production, and cannot or has not been cultivated, by mechanical means. Wasteland and inaccessible land shall also be included in this category. The presence of trees is not considered a detriment to production and the land shall be valued as rangeland under the premise that the presence of trees is a management choice of crop or mix of crops. If the forestland is neither grazed nor produces timber products, it is not qualified as agricultural land.

(n) “Range Site”, according to the NRCS, is “an area of rangeland where climate, soil and relief are sufficiently uniform to produce a distinct natural plant community.”

(o) “Rangeland Grouping”. Roughly 40 different range sites in Wyoming have been consolidated into five rangeland groupings. These rangeland groupings are a mix of range sites that have similar animal unit month (AUM) production. The rangeland groupings are categorized by the Department as R-1, R-2, R-3, R-4 & R-5. The R-1 grouping is the most productive in any LRA and the R-5 grouping is the least productive.

(p) “NRCS” is an acronym for the U.S. Department of Agriculture, Natural Resources Conservation Service.

(q) “Soil” means a natural three-dimensional body at the earth's surface. It is capable of supporting plants and has properties resulting from living matter acting on earthly parent material as conditioned by relief over periods of time. Soil classes, as applied herein, are in accordance with the Department Mapping and Agricultural Manual.

(r) “Sub-irrigated hay meadows” means lands mechanically harvested that receives water from springs or other natural sources.

(s) “Summer fallow” means the tillage of un-cropped land during the summer to control weeds and allow storage of moisture for the growth of a later crop.

(t) “USDA” is an acronym for the U.S. Department of Agriculture.

(u) “Waste land” means land, which has minimum economic value owing to inaccessibility, boggy conditions, sparseness of forage growth, or ditches, roads, and submerged lands, which contribute, to poor grazing conditions for livestock. It is less productive than Rangeland Class R-5.

(v) The “Mapping and Agricultural Manual” produced by the Department is the official standard for mapping and agricultural land productivity specifications and valuations for property tax purposes in accordance with W.S. 39-13-103(b)(x)(B)(IV).

(w) “LRA” is an acronym for Land Resource Area. Land resource areas are groupings of croplands and rangelands with similar productivity levels. Both crop and rangeland have five (5) LRA groupings each. The national weather service and the NRCS have compiled climatic and productivity data. From their original documentation, the Department has grouped the related areas into five (5) LRA’s to be used for cropland valuation and five (5) LRA’s to be used to be used for rangeland valuation. Crop land LRA’s are groupings of land areas that receive similar amounts of precipitation, have a similar length of growing season and share a similar general topography. Rangeland LRA’s are groupings of land areas that receive similar amounts of precipitation, share a similar general topography and have similar productivity levels (measured in AUM’s per acre). Precipitation amounts are averages from long-term climatic studies and estimate normal conditions.

(x) “Affirming affidavit” means a sworn affidavit affirming that the land meets the requirements of agricultural land definition. The affidavit is found in these Rules.

(y) “Agricultural operation” shall mean a business in the primary pursuit of activities that attempt to produce agricultural products by the application of management, capital and labor consistent with accepted agricultural practices.

(z) “Agricultural products” include the grazing of livestock, growing of crops or forage under cultivated conditions, or the management and harvest of timber products, for commercial purposes.

(aa) “Intervening cause of production failure” means any cause outside of the control of the producer that prevents or significantly impacts the growing of crops, timber products or the grazing of livestock.

(bb) “Bona fide conservation plan” means governmentally approved programs or written recommendations or plans implemented for the conservation of agricultural land or soil. This includes lands enrolled in the CRP. The land must have been classified as agricultural land prior to entering any program. Conservation programs that are designed to conserve and protect wetlands and wildlife habitat are not for the purpose of conserving agricultural land and soil. As such, conservation programs that are designed to conserve and protect wetlands and wildlife habitat do not qualify or disqualify the land from the agricultural classification; all other factors must be considered pursuant to these rules.

(cc) “WRP” is an acronym for Wetlands Reserve Program, a voluntary program providing technical and financial support to landowners to protect, enhance, and restore their wetland property.

(dd) “Income derived from the marketing of agricultural products” means sales of livestock or crops. Income from an agricultural lease by itself will not qualify land as agricultural unless the land is used by the lessee and he can provide proof of annual gross revenues of not less than one thousand dollars (\$1,000.00) from the marketing of agricultural products.

#### **Section 4. Agricultural Land Productivity Classifications.**

(a) The Department shall determine the standards and productivity sources used in the assessment of agricultural lands. The Mapping and Agricultural Manual is the Department’s official source for general mapping and agricultural land valuation standards for all County Assessors.

(i) The taxable value of agricultural land for assessment purposes shall be based on its current use as of the assessment date and the capability of the land to produce agricultural products. The agricultural land productivity shall be based on average yields under normal conditions of lands within the same classification.

(A) The area of land used for a farmstead structure as defined in W.S. 39-13-101(a)(x) shall be valued using the per acre value of the predominant use (Range, Dry

Crop or Irrigated) and class of producing land on the parcel/account in which the farmstead structures are located.

(ii) The classification of agricultural land, for assessment purposes, shall be based on the Mapping and Agricultural Manual in which the soil's capability to produce vegetation will be determined for three principal agricultural uses; irrigated crop land, dry crop land, and rangeland.

(iii) The Department shall categorize and generalize soil productivity classifications used in the valuation of agricultural lands. This includes determining a range of production values based on the three principal agricultural uses.

(iv) Approved methods for the determination of agricultural productivity include, but are not limited to, the following resources:

(A) NRCS Published Soil Survey is the preferred method by which to determine productivity for irrigated cropland, dry cropland and rangeland. In counties where published NRCS Soil Survey information is available, soils productivity data derived there in shall be considered the best information available. Soil Survey information shall be prepared and maintained in accordance with the Mapping and Agricultural Manual. When necessary, the NRCS Published Soil Surveys are organized and are prepared by the Department for use by the County Assessor.

(B) In counties where published NRCS Soil Survey information is not available, alternative methods of determining productivity are allowed. Alternative sources for agricultural productivity information include, but are not limited to third party soil surveys based from aerial photography, infrared photography, satellite imagery, and on-going crop yield survey information. The Department may assist the County Assessor in the identification and compilation of non-NRCS Soil Survey information when requested. All non-NRCS Soil Survey agricultural productivity information being developed directly by the County Assessor must be approved by the Department for uniformity prior to its implementation.

(v) The Department is the primary contact with the NRCS for the review and correction of soil productivity related issues. This includes, but is not limited to, the correction of published hardcopy and digital NRCS soils maps.

(vi) The Department shall develop and maintain LRA maps. These maps shall be included within the standards set forth by the Department's Mapping and Agricultural Manual.

(b) The County Assessors shall adhere to the standards and productivity sources as specified in the Department's Mapping and Agricultural Manual.

(i) Each County Assessor shall purchase and maintain all supplies used in the mapping process. These may include, but are not limited to, aerial photography, rectified aerial photography, infrared photography, satellite imagery, topographic maps and all hardware and software used in the mapping process.

(ii) Each County Assessor shall use the best information available in determining soil productivity. In counties where the NRCS Published Soil Survey does not cover the majority of the geographical contents of the jurisdiction, the County Assessor has the discretion to use a single, uniform source for the productivity data. All sources for agricultural productivity, other than the NRCS Published Soil Survey, must be approved for use by the Department prior to implementation.

(iii) Each County Assessor shall develop and maintain current maps, in accordance with the Mapping & Agricultural Manual, that depict all three categories of agricultural land use, which include irrigated crop land, dry crop land and rangeland.

(iv) The County Assessor shall tabulate, in either hard copy or digital form, the productivity level, LRA, parcel ownership and land use for irrigated cropland, dry cropland and rangeland.

(v) The County Assessor shall not modify the published LRA due to the current weather or precipitation conditions.

#### **Section 5. Agricultural Land Valuation.**

(a) Valuation amounts for agricultural land for assessment purposes shall be based upon the Agricultural Land Valuation Study, and shall be published annually by January first or as soon thereafter as possible by the Department. The valuation of agricultural land is based upon the land's capability to produce forage or crops. Rangeland is valued based on grazing fees per animal unit month (AUM), dry cropland is valued based on all wheat production, and irrigated cropland is valued based on all hay production.

(b) Department responsibilities include using:

(i) The Productivity Method of Value. Productive capability of agricultural land for valuation purposes may be determined by classification of such land and application of a capitalized earnings approach.

(A) Agricultural income may be projected by developing gross income estimates, when possible, based on published data. Projected net income to be capitalized may be determined by applying typical rental shares to projected gross income.

(B) The commodity prices of the agricultural products in Wyoming are based on data from the Wyoming Agricultural Statistics Service. Annually, the Wyoming Agricultural Statistics Service makes estimates of the marketing year average price received by farmers and ranchers for all hay, all wheat and for grazing on privately owned non-irrigated land. The annual prices obtained from the Wyoming Agricultural Statistics Service are converted to a five year weighted average

(ii) Land Use Valuation Procedure.



(A) Irrigated Crop Land.

(I) The gross income from irrigated cropland is based on the price of all hay reported in dollars per ton by the Wyoming Agricultural Statistics Service. This price information is converted to a 5 year weighted average. The gross income from irrigated cropland is calculated using the 5 year weighted average price of all hay per ton. The net income from irrigated cropland is calculated using the tenant-landlord share (60%-40%) arrangement. The net income is extracted from the landlord share (40% of gross income). Expenses (50% of the landlord share) are then deducted from the landlord share gross income. Expenses are miscellaneous costs that the landlord typically pays. Expenses for irrigated cropland production include water costs and irrigation system maintenance costs. The expenses subtracted from the landlord gross income results in a landlord net income per ton.

(II) An additional deduction is subtracted from the value per ton. This deduction (15% of the value per ton) accounts for a loss in production due to necessary management practices. Irrigated cropland has a loss in production during the seed year or the first year of the hay stand (assuming the stand is replanted every 5 years). The production loss deduction is subtracted from the value per ton to reach a net value per ton. The net income is then capitalized to reach a land value per acre. This is done by multiplying the yield per acre (in tons per acre) by the net value per ton. This figure is then divided by the capitalization rate, resulting in a land value per acre. The values are applied to the proper soil class (see Chapter 5, Mapping and Agricultural Manual) and the proper crop land LRA (see Chapters 5 and 6, Mapping and Agricultural Manual).

Landlord share = 40 % of the 5 Year Weighted  
Average Price of Hay Per Ton  
- Expenses (50 % of Landlord Share)  
Income Per Ton of Hay

Income Per Ton of Hay  
Additional Deductions (Seed Year —15%)  
= Net Income Per Ton of Hay

Land Value Per Acre =  $\frac{\text{Yield Per Acre X Net Income Per Ton of Hay}}{\text{Capitalization Rate}}$

(B) Dry Crop Land

(I) The gross income from dry cropland production is based on the price of all wheat reported in dollars per bushel by the Wyoming Agricultural Statistics Service. The price information is converted to a 5 year weighted average. The gross income from dry cropland is calculated using the 5 year weighted average price of all wheat per bushel.

(II) The net income from dry cropland production is calculated using the tenant-landlord share (66.67-33.33) arrangement. The net income is extracted from the landlord share (33.33% of gross income). Expenses (32% of the landlord share) are then deducted from the landlord share gross income. Expenses are miscellaneous costs that the landlord typically pays. Expenses for dry cropland production include herbicides, insecticides and maintenance nitrogen fertilizer. The expenses subtracted from the landlord gross income results in a landlord net income per bushel.

(III) An additional deduction is subtracted from the value per bushel. This deduction (50% of the value per bushel) accounts for a loss in production due to necessary management practices. Dry cropland has a loss in production due to the acreage being in summer fallow (non-production) each year. The production loss deduction is subtracted from the value per bushel to reach a net value per bushel.

(IV) The net income is then capitalized to reach a land value per acre. This is done by multiplying the yield per acre (in bushel per acre) by the net value per bushel. This figure is then divided by the capitalization rate, resulting in a land value per acre. The values are applied to the proper soil class (see Chapter 5, Mapping and Agricultural Manual) and the proper crop land LRA (see Chapters 5 and 6, Mapping and Agricultural Manual).

<p>Landlord Share 33.33 % of the 5-Year Weighted Average Price of Wheat Per Bushel <u>-Expenses (32 % of Landlord Share)</u> Income Per Bushel of Wheat</p> <p>Value Per Bushel of Wheat <u>- Additional Deductions (Summer Fallow)</u> = Net Income Per Bushel of Wheat</p>
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<p>Land Value Per Acre = <math>\frac{\text{Yield Per Acre X Net Income Per Bushel of Wheat}}{\text{Capitalization Rate}}</math></p>
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(C) Rangeland

(I) The gross income from rangeland is based on the price of grazing reported in dollars per AUM by the Wyoming Agricultural Statistics Service. This price information is converted to a 5 year weighted average. The gross income from rangeland is calculated using the 5 year weighted price of grazing per AUM. All of the gross income from grazing is treated as cash rent paid to the owner for grazing. Expenses are then deducted from the gross income. Expenses (10% of owner gross income) for rangeland production are miscellaneous costs that the owner typically pays. Expenses for rangeland production include stock water and fence maintenance costs. The expenses subtracted from the gross income results in a net income per AUM.

(II) The net income is then capitalized to reach a land value per acre. This is done by multiplying the yield per acre (in AUM's per acre) by the net income per AUM. This figure is then divided by the capitalization rate, resulting in a land value per acre. Where the minimum values of rangeland and the maximum values of wasteland are less than \$10.00/acre, those values are established at \$10.00/acre for assessment purposes. The values are applied to the proper rangeland grouping (see Chapter 5, Mapping and Agricultural Manual) and the proper rangeland LRA (see Chapters 5 and 6, Mapping and Agricultural Manual).

$  \begin{aligned}  &5 \text{ Year Weighted Average Monthly Rent Per AUM} \\  &\quad - \text{Expenses (10 \% of owner gross income)} \\  &= \text{Net Income Per AUM}  \end{aligned}  $
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$  \text{Land Value Per Acre} = \frac{\text{Yield Per Acre} \times \text{Net Income Per AUM}}{\text{Capitalization Rate}}  $
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(D) Conservation Reserve Program Lands (CRP). CRP land shall be taxed according to its use and class before it was enrolled in the CRP Program. This was most generally a class of dry cropland; however some irrigated land has also been placed in CRP. If it is suggested that CRP be valued at rangeland value, evidence should be provided that the land has lost its crop acreage base (CAB) and will not be returned to a cropland status in the future or at the end of the 10-year CRP program. Written documentation of the loss of crop acreage base (CAB) could be obtained from the County FSA office.

(c) The County Assessor shall analyze and select the value used, within the range of values for the current year as published in the Department's Agricultural Land Valuation Study for each productivity category and LRA that is present within the county. This analysis may be based on local review of the agricultural land property, specific soil productivity conditions, mapped soil classifications, LRA's, published or independent production yield surveys.

**Section 6. Prescribed Sworn Affidavit.** The following form is prescribed as the sworn affidavit for use by all County Assessors pursuant to W.S. 39-13-103(b)(x)(A). The sworn affidavit shall be available in the County Assessor's office upon request. Any producer wishing to receive agricultural classification of his/her land shall provide the prescribed sworn affidavit, as well as supporting documentation, to the County Assessor.