

## NOTICE OF PROPOSED GUIDANCE DOCUMENT

### Agricultural Land Property Assessment in Wisconsin

Pursuant to s. 227.112, Wis. Stats., the Wisconsin Department of Revenue is hereby seeking comment on the following proposed Agricultural Land Property Assessment in Wisconsin guidance.

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#### PUBLIC COMMENTS AND DEADLINE FOR SUBMISSION

Comments may be submitted to Wisconsin Department of Revenue until October 28, 2019 by:  
Emailing [bapdor@wisconsin.gov](mailto:bapdor@wisconsin.gov)

#### LOCATION OF GUIDANCE

The final version of the guidance documents will be posted at  
<https://www.revenue.wi.gov/Pages/HTML/govpub.aspx#property> to allow for ongoing comment.

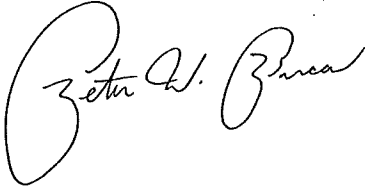
#### AGENCY CONTACT PERSON

Scott Shields  
[scott.shields@wisconsin.gov](mailto:scott.shields@wisconsin.gov)

### Certification Statement

As the Secretary of the Wisconsin Department of Revenue (DOR), I have reviewed this guidance document or proposed guidance document and I certify that it complies with secs. 227.10 and 227.11, Wis. Stats. I further certify that the guidance document or proposed guidance document contains no standard, requirement, or threshold that is not explicitly required or explicitly permitted by a statute or rule that has been lawfully promulgated. I further certify that the guidance document or proposed guidance document contains no standard, requirement, or threshold that is more restrictive than a standard, requirement, or threshold contained in the Wisconsin Statutes.

DEPARTMENT OF REVENUE

A handwritten signature in black ink, appearing to read "Peter W. Barca". The signature is written in a cursive style with a large initial "P" and "B".

Peter Barca

Secretary of Revenue

# Agricultural Land Property Assessment in Wisconsin



*Wisconsin Statute 70.32*

## Assessment process

All taxable property in Wisconsin is assessed annually to establish a value. Municipal assessors use market value as well as an inspection of the property to complete the assessment. A value is assigned after these factors are considered.

### Real estate classes

Under state law (70.32 (1-7), Wis. Stats.), a municipal assessor classifies all taxable real estate into one of the following categories:

#### Full value

Land and improvements (100 percent)

- Residential, commercial, manufacturing
- Other

Land only (50 percent)

- Undeveloped
- Agricultural forest

#### Use-value

Agricultural - land only

## Agricultural land

- Differs from other classes because its assessment value is determined by the value it has if used for agricultural purposes
- According to state law, land must be "devoted primarily to agricultural use"
- Includes these agricultural uses – tilled land devoted to crop production, pastured land for livestock or land enrolled in certain conservation programs
- Primary use – must be one of the above agricultural uses
- **History:**
  - » 1974: State constitution amended to allow non-uniform taxation of agricultural land
  - » 1995: State law amended to create use-value law, effective January 1, 1996
  - » 1996-1997: Agricultural land assessments frozen at 1995 values
  - » 1998-2008: Use-value phase-in period
  - » 1999: Farmland Advisory Council ends phase-in period
  - » 2000-2003: Full use-value assessment
  - » 2004-2005: Agricultural land assessments frozen at 2003 values
  - » 2006: Use-value formula revised – changes limited to annual change in Equalized Value
  - » 2007- present: Values calculated based upon revised formula
- **Intent:**
  - » Retain Wisconsin's family farms
  - » Protect Wisconsin's farm economy
  - » Reduce urban sprawl

## Use-value calculation and data

- Annually, DOR publishes use-values for tillable grades 1, 2, 3 and pasture lands
- Use-values are determined by a multipart formula based on the income approach to value. The basic valuation model is value equals income divided by rate. The income is derived from crop-share agreements (which account for certain farming expenses) and corn harvest data. The rate is the one-year adjustable rate mortgage for farm land plus the local tax rate.
- Values are determined for each municipality in every county
- Annual changes to use-values are limited to the annual statewide change in Equalized Values, less the value of agricultural land and new construction
- Farmland Advisory Council adopts the values per acre each year

### 2020 Calculations

The 2020 use-value guidelines for agricultural land assessment are based on the percentage change in Equalized Value from 2018 to 2019 (4.11 percent). The chart below provides the calculation.

Annual Statewide Percentage Change in Equalized Values		
	2018	2019
Equalized Value	\$ 549,532,691,500	\$ 580,872,723,300
Less Net New Construction		- \$ 8,775,022,800
Less Agricultural Land	- \$ 2,156,126,600	- \$ 2,212,291,500
Total	\$ 547,376,564,900	\$ 569,885,409,000
Amount of Change from: 2018-2019		\$ 22,508,844,100
Percentage Change from: 2019-2020		4.11%

**Note:** Corn data (prices and cost of production) is used to calculate use-values.

#### Corn was selected by the Farmland Advisory Council for the following reasons:

1. Use-value calculation requires a reliable data source
  - Corn data is available from the Wisconsin Department of Agriculture, Trade and Consumer Protection and the United States Department of Agriculture
2. Annual calculations require annually collected data that is readily available
  - Corn data is collected annually by the Wisconsin Department of Agriculture, Trade and Consumer Protection and the United States Department of Agriculture
  - Data is readily available at no cost at the Wisconsin Agricultural Statistics Service and National Agricultural Statistics Service websites
3. Corn is widely grown throughout Wisconsin and surrounding states
  - Use-values, calculated with corn data, are representative of what is produced in Wisconsin

## Assessor considerations

- Municipal assessor examines agricultural land and determines use by practices on the land representing crop or animal production (ex: soil testing and applicable fertilizers, herbicides)
- For guidance on acceptable agricultural land use, review the *Wisconsin Property Assessment Manual*, located at [revenue.wi.gov/propertytax/index.html](http://revenue.wi.gov/propertytax/index.html)

## Surrounding states

- **Illinois**
  - » State of Illinois assesses farmland based on its agricultural use-value rather than its market value
  - » Formula is similar to the one used in Wisconsin
  - » Data is averaged over a five-year period to determine the agricultural use-values
  - » State law prohibits agricultural assessment fluctuation greater than 10 percent from the preceding year (increases or decreases)
- **Iowa**
  - » State of Iowa also produces agricultural use-values for assessment
  - » Iowa averages data over a five-year period
  - » Capitalization rate is predetermined by the Iowa statutes
  - » All data collection and calculations are completed by Iowa State University and Iowa Agricultural Statistics. The productivity data is on a five-year average based on each county's actual crop yields, prices and expenses (ex: corn, soybeans, oats/wheat, hay).
- **Michigan**
  - » All classes of property are assessed at market value
  - » Land classified agricultural is partially exempt from property taxes
  - » Local school levy is not applied to land classified agricultural
  - » Other property tax relief programs are also available to Michigan farmers
- **Minnesota**
  - » All classes of property are assessed at market value
  - » Each class of property (ex: home, apartment, cabin, farm, business) is taxed at a different percentage of its value
  - » Percentage of its value (or class rate) is determined by the legislature
  - » Farm property is taxed at a lower percentage of value than seasonal recreational, residential homestead, residential non-homestead, apartment, commercial-industrial and public utility real property

## Additional information

For additional information, including the *Agricultural Assessment Guide for Wisconsin Property Owners* and "Use-value" common questions, visit our website: [revenue.wi.gov/propertytax/index.html](http://revenue.wi.gov/propertytax/index.html).