

# MINUTES

## Agricultural Land Assessment Implementation and Oversight Task Force



Senator Jim Peterson, Chair  
Mr. Larry Rhoden, Vice Chair

**Second Meeting, 2016 Interim  
Monday, October 17, 2016**

**Room 413 – State Capitol  
Pierre, SD**

The second interim meeting of the 2016 Agricultural Land Assessment Implementation and Oversight Advisory Task Force was called to order by Senator Jim Peterson, Chair, at 10:40 a.m. (CDT), on Monday, October 17, 2016.

A quorum was present with the following members answering roll call: Senator Jim Peterson (Chair), Mr. Larry Rhoden (Vice Chair); Representatives Julie Bartling (via telephone), Mary Duvall, Dennis Feickert, and Lee Qualm; Senators Gary Cammack, Jason Frerichs (via telephone), and Larry Tidemann; Public members Mr. Kirk Chaffee, Mr. Trevor Cramer, Mr. Lyle Perman, Ms. Kim Vanneman, and Mr. Mike Wiese.

Staff members present included Mr. Fred Baatz, Principal Research Analyst; Ms. Amanda Jacobs, Research Analyst; Ms. Stephanie Gruba, Fiscal Analyst; and Ms. Cindy Tryon, Legislative Secretary.

*Note: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC website at <http://www.sdlegislature.gov/>.*

### **Approval of the Minutes**

**A MOTION WAS MADE BY MR. RHODEN, SECONDED BY REPRESENTATIVE DUVAL, TO APPROVE THE MINUTES OF THE SEPTEMBER 12, 2016, MEETING. The motion prevailed on a voice vote.**

### **Opening Remarks**

**Senator Jim Peterson** said many legislators and legislative candidates are not aware of the tax burden placed on agriculture in South Dakota and that there is a lot of remaining work to be accomplished by this task force. The general public needs to know that agriculture is paying its fair share of the tax burden.

### **Ag Land Assessment Factors for Determining Agricultural Income Value**

**Dr. Matthew Elliott, Economics Department, SDSU**, presented a PowerPoint presentation, "SDSU - Ag Land Soil Productivity Study" ([Document #1](#)). Dr. Elliott recommended no change to the current productivity formula regarding the landlord share or the capitalization rate. The intent of the research being done at SDSU is to "Identify the reasonably probable and legal use of ag land that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."

Dr. Elliott explained the two methods used to determine soil productivity, NRCS Crop Productivity Index (CPI) and the Apex Model, and slide 4 of the document includes web addresses for websites that offer additional information regarding those methods.

Slides 13–16 include soil and topography information for Clay County as an example. Dr. Elliott said this data is available for all counties on the NRCS website <http://www.nrcs.usda.gov/wps/portal/nrcs/site/sd/home/>.

Senator Peterson commented that there will not be much legislation from this committee this year regarding the soil productivity study, but once all this research is completed at SDSU the task force will have the information needed to make changes and improvements to the system.

### Draft Legislation

**Mr. Michael Houdyshell, Director, Division of Property and Special Taxes, Department of Revenue**, presented draft legislation 654Y0003, *An Act to revise the income criteria for determining if property is classified as agricultural land for property tax purposes (Document #2)*. Mr. Houdyshell explained the changes made in this draft legislation including revising the two-part test for determining whether the income criteria has been met. This legislation also amended the criteria for determining whether land may be classified as ag land based on two out of three criteria. The criteria concerning principle use is amended to be a threshold requirement and the land must meet one of the two other criteria to be classified as agricultural land. And finally, this legislation strikes "less than twenty acres" from the definition of a management unit.

**Mr. Trevor Cramer** asked how the Department of Revenue defines "principle use". Mr. Houdyshell said principle use is not defined in this legislation as use is subjective and should remain a local determination.

**Mr. Kirk Chaffee** said he would like to see legislation drafted that states each county is allowed to establish definitions related to this criteria. **Mr. Mike Wiese** said that the definition of the term "subdivision" should also remain at the local level.

**Senator Larry Tidemann** said this draft legislation offers clarification to concerns with the legislation passed last session. Mr. Houdyshell said he would like the task force to carry this legislation forward as task force sponsored legislation.

**A MOTION WAS MADE BY MR. CHAFFEE, SECONDED BY REPRESENTATIVE QUALM, TO SUBMIT DRAFT BILL 654Y0003 AS AG LAND TASK FORCE LEGISLATION. The motion prevailed on a roll call vote with 13 members voting AYE and 1 member voting NAY. Those voting AYE: Bartling, Duvall, Feickert, Qualm, Cammack, Frerichs, Tidemann, Chaffee, Perman, Vanneman, Wiese, Rhoden, and Peterson. Voting NAY: Cramer.**

Senator Peterson appointed Representative Qualm and Senator Cammack to be the prime sponsors of the legislation.

Mr. Houdyshell also discussed the changes that have been made to draft legislation that had been presented to task force members at the previous meeting. Suggestions and concerns voiced by task force members have been addressed by changes made to the draft legislation. This is *An Act to specifically classify certain agricultural land as riparian buffer strips, to establish the criteria for the riparian buffer strip classification, and to provide for the taxation thereof*, and will be introduced to the Legislature as a Governor's bill.

Task force members voiced some concerns with certain provisions within this draft legislation. **Mr. Larry Rhoden** pointed out that the legislation will have full hearings and debate during session, and these issues can be addressed at that time.

Senator Peterson said he had drafted the original bill with the intent to incentivize the planting of perennial vegetation along streams, rivers, and lakes in lieu of row crops. Senator Peterson said the bill presented today is an improvement of his original bill.

### **Final Remarks and Adjournment**

The task force members thanked Senator Peterson for his knowledge, dedication, and passion in leading this task force over the past few years, and for being a part of this task force from its inception.

**A MOTION WAS MADE BY REPRESENTATIVE FEICKERT, SECONDED BY MR. CHAFFEE, THAT THE TASK FORCE MEETING BE ADJOURNED. The motion prevailed on a voice vote.**

The meeting adjourned at 12:10 p.m.