

AN ACT

ENTITLED, An Act to conduct a pilot study on agricultural income value, to create a task force, to appropriate money for a pilot study, and to declare an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

Section 1. That chapter 10-6 be amended by adding thereto a NEW SECTION to read as follows:

Notwithstanding the provisions of § 10-6-33, agricultural land shall be assessed based on its agricultural income value. The agricultural income value of agricultural land shall be determined on the basis of productivity and the annual earnings capacity of the agricultural land if the land is used for agricultural purposes. The productivity of land and its annual earning capacity shall be based on data collected and analyzed pursuant to sections 2 to 5, inclusive, of this Act.

Section 2. That chapter 10-6 be amended by adding thereto a NEW SECTION to read as follows:

Agricultural income value is defined as the capitalized average annual earning capacity. The annual earning capacity shall be determined from share rent and, reduced by the estimated property taxes and marketing expenses incurred by agricultural land owners renting agricultural land on a share basis. The capacity of the cropland to produce agricultural products shall be based on average yields for crops or plants under natural conditions. The capacity of noncropland to produce agricultural products shall be based on average acres per animal unit under natural conditions. For the purpose of this section, annual earning capacity for:

- (1) Cropland is thirty percent of the annual gross income produced;
- (2) Noncropland is twenty-five percent of the annual gross income capacity of the land based upon the animal carrying capacity of the land.

The economics department of South Dakota State University shall annually compute the average annual earning capacity of cropland and noncropland for each county using the data base defined in section 4 of this Act. The average annual earning capacity shall be capitalized at a rate of six percent to determine the capitalized average annual earning capacity. The economics department shall

annually provide the secretary of revenue this information by June first.

Section 3. That chapter 10-6 be amended by adding thereto a NEW SECTION to read as follows:

Before July first, the secretary of revenue shall annually provide each director of equalization the agricultural income value for each county as computed pursuant to section 2 of this Act. Before November first the director of equalization shall annually determine the assessed value of agricultural land. Agricultural land shall be assessed based on its agricultural income value and adjusted by the following factors:

- (1) The capacity of the land to produce agricultural products as specified in section 2 of this Act; and
- (2) The location, size, soil survey statistics, terrain, and topographical condition of the land including the climate, accessibility, and surface obstructions which can be documented.

Section 4. That chapter 10-6 be amended by adding thereto a NEW SECTION to read as follows:

The secretary of revenue shall enter into contracts with South Dakota State University and, if necessary, the South Dakota Agricultural Statistics Service for the purpose of creating a data base to determine the agricultural income value of agricultural land by county. A data base for an identifiable region within a county may be created if the director of equalization shows a need for establishing identifiable regions within a county. The secretary shall collect such data for 1993, which will serve as the first year of the data base, and each year thereafter. The data base shall consist of the most recent eight years of data that have been collected and the years representing the highest and lowest agricultural income value shall be discarded from the data base. The data base for the 2002 assessment year shall consist of data from 1993 to 2000, inclusive, and the data base for each assessment year thereafter shall be adjusted accordingly.

Section 5. That chapter 10-6 be amended by adding thereto a NEW SECTION to read as follows:

Agricultural land shall be divided by the director of equalization into categories, including cropland and noncropland, so that the categories reflect uses appropriate for the valuation of such

land. Each category shall be divided into subclasses based on soil classification standards developed by the United States Department of Agriculture Natural Resources Conservation Service.

Section 6. That chapter 10-6 be amended by adding thereto a NEW SECTION to read as follows:

Buildings and structures, other than normally occupied dwellings on agricultural land and automobile garages or portions of buildings used for that purpose, which are used exclusively for agricultural purposes and situated on agricultural land are hereby specifically classified for tax purposes as agricultural property and shall be assessed pursuant to § 10-6-33.

Section 7. That chapter 10-6 be amended by adding thereto a NEW SECTION to read as follows:

The agricultural income value for agricultural land as determined pursuant to section 1 of this Act represents eighty-five percent of the fair market value.

Section 8. That § 10-6-1 be amended to read as follows:

10-6-1. Terms used in this chapter mean:

- (1) "Credit," every claim and demand for money or other valuable thing and every annuity or sum of money receivable at stated periods, due or to become due, and all claims and demands secured by deeds or mortgages due or to become due, except for contracts for deed and mortgages, in which case the term means only the payment received each year under the contract or mortgage;
- (2) "District," township, municipality, or ward, as the case may be;
- (3) "Full agricultural land value," the value of agricultural land as determined by the application of this chapter;
- (4) "Money," gold and silver coin, treasury notes, bank notes, and every deposit which any person owning the same or holding in trust and residing in this state is entitled to withdraw in money on demand;
- (5) "Tract," "lot," "piece," or "parcel" of real property, or "piece or parcel of land," any contiguous quantity of land in the possession of, owned by, or recorded as, the property

of the same claimant, person, or company;

- (6) "True and full value," for all real property, except agricultural land, the usual cash selling price at the place where the property to which the term is applied shall be at the time of the assessment.

Section 9. That § 10-6-33.1 be repealed.

Section 10. That § 10-6-33.2 be repealed.

Section 11. That § 10-6-33.3 be repealed.

Section 12. That § 10-6-33.4 be repealed.

Section 13. That § 10-6-33.5 be amended to read as follows:

10-6-33.5. The assessment, valuation, equalization, and taxation of school and endowment lands shall be at the same level and on the same basis as lands assessed, valued, and equalized according to sections 1 to 5, inclusive, of this Act.

Section 14. That § 10-6-33.6 be repealed.

Section 15. That § 10-6-33.7 be repealed.

Section 16. That § 10-6-33.12 be repealed.

Section 17. That § 10-6-33.20 be repealed.

Section 18. That § 10-11-56.5 be repealed.

Section 19. That § 10-11-57 be repealed.

Section 20. That § 10-12-31.1 be amended to read as follows:

10-12-31.1. Notwithstanding other provision of law, when applying the levies for school purposes, the county director of equalization of each county shall adjust the level of assessment in that district so that the level of assessment as indicated by the most recent assessment to sales ratio as provided for in § 10-11-55 and the most recent agricultural income value as provided for in section 1 of this Act in that district are equal to eighty-five percent of market or agricultural income value.

The Department of Revenue shall provide the director of equalization of each county all of the factors

of adjustment necessary for the computations required in this section.

Section 21. Sections 1 to 22, inclusive, of this Act are effective for the nine counties listed in section 22 of this Act for the purposes of the pilot study only and not for actual assessment and taxation of individual property. Sections 1 to 22, inclusive, of this Act are not effective to repeal any existing law, nor implement any new law, but are enacted solely for the purpose of conducting the pilot study provided for in section 22 of this Act.

Section 22. The secretary of revenue shall conduct a pilot study concerning the use of agricultural income value as a means to value agricultural land. The pilot study shall include an analysis of various capitalization rates and determine the impact of such rates on the total statewide assessed value of agricultural property and its relationship to the total statewide assessed value of all property. The pilot study shall include the counties of Clark, Moody, Turner, Brown, Hyde, Lyman, Corson, Meade, and Custer. The secretary shall, for the purpose of providing information, apply the provisions and procedures provided in this Act to value agricultural land in the selected counties. The secretary shall submit a report detailing the information collected to the Task Force on the Study of Productivity Valuation of Agricultural Land by March 31, 2001. The Governor shall appoint nine members to the Task Force on the Study of Productivity Valuation of Agricultural Land, three of whom shall be members of the Legislature, three of whom shall be either county commissioners or county directors of equalization or any combination thereof, and three members who shall be appointed from the public at large. The task force, after receipt of the pilot study, shall study the effects including the capitalization rate, preventing a tax shift between agricultural and nonagricultural property, and evaluate the procedures used to determine agricultural income values, preventing tax shifts within agricultural property and make recommendations by October 1, 2001, to the Governor and the Seventy-seventh Legislature regarding implementation.

Section 23. There is hereby appropriated from the general fund the sum of one hundred thousand dollars (\$100,000), or so much thereof as may be necessary, to the Department of Revenue for the

purpose of conducting a pilot study concerning the use of agricultural income value as a means to value agricultural land.

Section 24. The secretary of the Department of Revenue shall approve vouchers and the state auditor shall draw warrants to pay expenditures authorized by this Act.

Section 25. Any amounts appropriated in this Act not lawfully expended or obligated by June 30, 2002, shall revert in accordance with § 4-8-21.

Section 26. Whereas, this Act is necessary for the support of the state government and its existing public institutions, an emergency is hereby declared to exist, and this Act shall be in full force and effect from and after its passage and approval.

An Act to conduct a pilot study on agricultural income value, to create a task force, to appropriate money for a pilot study, and to declare an emergency.

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I certify that the attached Act originated in the

HOUSE as Bill No. 1005

\_\_\_\_\_  
Chief Clerk

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\_\_\_\_\_  
Speaker of the House

Attest:

\_\_\_\_\_  
Chief Clerk

\_\_\_\_\_  
President of the Senate

Attest:

\_\_\_\_\_  
Secretary of the Senate

House Bill No. 1005  
File No. \_\_\_\_\_  
Chapter No. \_\_\_\_\_

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Received at this Executive Office this \_\_\_\_\_ day of \_\_\_\_\_ ,

20\_\_\_\_ at \_\_\_\_\_ M.

By \_\_\_\_\_  
for the Governor

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The attached Act is hereby approved this \_\_\_\_\_ day of \_\_\_\_\_ , A.D., 20\_\_\_\_

\_\_\_\_\_  
Governor

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STATE OF SOUTH DAKOTA,  
ss.

Office of the Secretary of State

Filed \_\_\_\_\_ , 20\_\_\_\_  
at \_\_\_\_\_ o'clock \_\_ M.

\_\_\_\_\_  
Secretary of State

By \_\_\_\_\_  
Asst. Secretary of State