

SD DEPARTMENT OF REVENUE

PROPERTY AND SPECIAL TAXES DIVISION
445 E. CAPITOL AVENUE
PIERRE, SD 57501-3185

PHONE: (605) 773-3311
FAX: (605) 773-6729

TO: Directors of Equalization
FROM: Property and Special Taxes Division
RE: Productivity Valuation and SDCL 10-6-77
DATE: July 2015

Enclosed is information for the 2016 productivity valuation system.

The 2012 Legislature passed HB 1003 which states:

10-6-77. For the taxes payable in 2014, 2015, 2016, 2017, 2018, and 2019, the total taxable value of cropland within any county may not increase or decrease more than;

- (1) Fifteen percent in any year, if the county is less than thirty percent from its full agricultural income value;
- (2) Twenty percent in any year, if the county is thirty percent or more but less than fifty percent from its full agricultural income value; and
- (3) Twenty-five percent in any year, if the county is fifty percent or more from its full agricultural income value.

For the taxes payable in 2014, 2015, 2016, 2017, 2018, and 2019, the total taxable value of noncropland within any county may not increase or decrease more than:

- (1) Fifteen percent in any year, if the county is less than thirty percent from its full agricultural income value;
- (2) Twenty percent in any year, if the county is thirty percent or more but less than fifty percent from its full agricultural income value; and
- (3) Twenty-five percent in any year, if the county is fifty percent or more from its full agricultural income value.

Keep in mind that this limitation is on a county wide basis, not on a parcel by parcel basis.

You were provided a worksheet last year with your productivity valuation, and what the “limited” productivity valuation was for the 2015 assessment year. That is our starting point for the 2016 assessment year.

Following is an explanation of the productivity worksheet enclosed.

THE WORKSHEET NUMBERS

Cropland Valuation information:

- Line 1** This is the 8-year Olympic average of crop revenue, as reported on your county's 2016 Productivity Information chart. This number is a six-year average of the gross revenue per acre for 2007 through 2014, with the high and low years removed.
- Line 2** This is the cropland landlord share percentage. This percentage is set by statute in SDCL 10-6-33.28(1).
- Line 3** This is the revenue that will be capitalized to determine the average value per acre of cropland in the county. It is **Line 1** multiplied by **Line 2**.
- Line 4** This is the capitalization rate of 6.6%. This percentage is set by statute in SDCL 10-6-33.28.
- Line 5** This is the average productivity cropland value in the county, BEFORE applying the limitation contained in SDCL 10-6-77. It is **Line 3** divided by **Line 4**.
- Line 6** This is the average cropland value in the county AFTER applying the limitation contained in SDCL 10-6-77. This is a comparison of **Line 5** to the 2015 cropland value.
- Line 7** This is the crop weighted rating for your county as listed on the Department of Revenue Table 1. A weighted rating is determined only on the crop rated soils. (see attachment "Acres and Weighted Ratings").
- Line 8** This is the projected top dollar for cropland in your county. It is **Line 6** divided by **Line 7**.

Non-Cropland Valuation information:

- Line 1** This is the 8-year Olympic average of non-crop revenue, as reported on your county's 2016 Productivity Information chart. This number is a six-year average of the gross revenue per acre for 2007 through 2014, with the high and low years removed.
- Line 2** This is the non-cropland landlord share percentage. This percentage is set by statute in SDCL 10-6-33.28(2).
- Line 3** This is the revenue that will be capitalized to determine the average value per acre of non-cropland in the county. It is **Line 1** multiplied by **Line 2**.
- Line 4** This is the capitalization rate of 6.6%. This percentage is set by statute in SDCL 10-6-33.28.

- Line 5** This is the average productivity non-cropland value in the county, BEFORE applying the limitation contained in SDCL 10-6-77. It is **Line 3** divided by **Line 4**.
- Line 6** This is the average non-cropland value in the county AFTER applying the limitation contained in SDCL 10-6-77. This is a comparison of **Line 5** to the 2015 non-cropland value.
- Line 7** This is the non-crop weighted rating for your county as listed on the Department of Revenue Table 1. A weighted rating is determined only on the non-crop rated soils. (see attachment “Acres and Weighted Ratings”).
- Line 8** This is the projected top dollar for non-cropland in your county. It is **Line 6** divided by **Line 7**.

Step 3: Reconciliation of Undocumented Adjustments.

If you are using the Department’s “official” Table 1 without adjustments and have not made any parcel, township, or other adjustment not documented with the Department, you are done. You can use the crop and non-crop “top dollars” provided on line 8 of the worksheet to calculate your assessed values for 2016.

If you have adjusted your Table 1 ratings, made parcel, township, or other adjustments not documented with the Department, you will have to evaluate those adjustments to see whether they are significant enough to require you to take them into account to comply with the requirements of SDCL 10-6-77.

SDCL 10-6-77 prohibits you from increasing or decreasing the total value of cropland or non-cropland in your county by more than the percentages set in statute. Step 1 above shows how we calculated your current cropland and non-cropland values per acre. However, those numbers will not be accurate if you have made significant adjustments not documented with the Department. You will have to reengineer your undocumented adjustments, to see whether they require you to change your top dollar values to comply with the limitation contained in SDCL 10-6-77.

Because there are so many ways to make undocumented adjustments, it is not possible to provide meaningful instructions on how to reconcile them with the requirements of SDCL 10-6-77. The most important thing is to ensure the transition to productivity valuation and any changes in the adjustments you make do not exceed the limitation set in statute. If you have any questions on this process or need assistance, please contact us.