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PA 98-0109 Legislative Changes to Farmland Valuation

Historical information of the Farmland Assessment Law.

Since the enactment of the Farmland Assessment Law in 1977, farmland in Illinois is assessed for property tax purposes on its ability to produce a crop (agricultural use value) and not on its market value. In 1986, the farmland law was amended. The amendment had a limiting impact on the movement of farmland assessed values from one year to the next. The language in that amendment read as follows: "... increase or decrease in equalized assessed value per acre by soil productivity index shall not exceed 10% from the immediate preceding year's soil productivity index certified value."

Public Act (PA) 98-0109 statutory change.

Beginning with assessment year 2015 (taxes payable in 2016); the farm provision in PA 98-0109 amends 35 ILCS 200/10-115 part (e) of the Property Tax Code. The amended language is underlined below:

(e) *the equalized assessed value per acre of farmland for each soil productivity index, which shall be 33-1/3% of the agricultural economic value, or the percentage as provided under Section 17-5; but any increase or decrease in the equalized assessed value per acre by soil productivity index shall not exceed 10% from the immediate preceding year's soil productivity index certified assessed value of the median cropped soil; in tax year 2015 only, that 10% limitation shall be reduced by \$5 per acre;*

What is the "soil productivity index" (PI)?

The "Soil productivity index" is a soil rating usually given on a per-acre basis as determined by an ID soil survey. The lower the PI, the lower the expected crop yields. As the PI increases, so do the projected crop yields. For per-acre value determination, the

Department of Revenue employs a PI scale from a low of 82 to a high of 130.

What is "agricultural economic value" and how is it determined by the Farmland Assessment Technical Advisory Board (FATAB)?

"Agricultural economic value," a form of use-value of the property used for agricultural purposes, is determined, according to the Property Tax Code [35 ILCS 200/10-115(d)], by dividing the net return to land by the five-year average of the Federal Land Bank farmland mortgage interest rate as calculated by FATAB.

Who serves on FATAB?

FATAB is a five-person panel appointed by the Director of the Illinois Department of Revenue. The members of that board are technical experts from Schools of Agriculture from State Universities. Their purpose is to advise in and provide technical information in the calculation of agricultural economic value.

What are the duties of FATAB?

According to statute, by May 1st of each tax year, FATAB's duty is to publish its estimates of gross income and production costs (other than land costs). This is done by using data it collects on yields per acre as assigned to each soil productivity index, the crop mix for each soil productivity index as determined by the College of Agriculture of the University of Illinois, and average prices received by farmers for principal crops as published by the Illinois Crop Reporting Service. The net return to land is then determined by taking the difference between the gross income and production costs.

How is the "equalized assessed value" of farmland determined by FATAB?

The "equalized assessed value" is calculated by multiplying the agricultural economic value by 33.33%.

How was the Certified Assessed Value calculated for 2014?

Before PA 98-0109 became law; the Property Tax Code limited the increase or decrease of each soil type to 10% of its previous year's soil PI certified value. As a result, the Certified Assessed Value for each soil type was limited to 10% of its previous value. This was the value that was used for the tax bill calculation.

Tax Year 2014 Examples:

Per Acre Pricing for PI 82 Soil Type:

\$1,770.83	(Agricultural Economic Value)
X 33.33%	(Level of Assessment)
<u>\$590.28</u>	(Equalized Assessed Value)
\$13.87	(2013 Certified Value)
X 1.10	(10% limit)
<u>\$15.26</u>	(2014 Certified Value)

Because, in tax year 2014, the increase is limited to 10% of its previous year's soil PI certified value, the taxable per-acre value for soil type 82 is \$15.26.

Per Acre Pricing for PI 130 Soil Type:

\$3,650.44	(Agricultural Economic Value)
X 33.33%	(Level of Assessment)
<u>\$1,216.81</u>	(Equalized Assessed Value)
\$587.21	(2013 Certified Value)
X 1.10	(10% limit)
<u>\$645.93</u>	(2014 Certified Value)

Because, in tax year 2014, the increase is limited to 10% of its previous year's soil PI certified value, the taxable per-acre value for soil type 130 is \$645.93.

How does PA 98-0109 change the Certified Assessed Value calculation for 2015?

PA 98-0109 amended the Property Tax Code to limit the increase or decrease in its previous year's soil PI certified values to 10% of the median cropped soil less \$5.00 for tax year 2015. As a result, the 2015 Certified Assessed Value for each soil type is limited to a 10% increase of the previous year's median cropped soil certified value less \$5.00. The median cropped PI soil level is 111. Therefore, for tax year 2015 (payable in 2016) all soil types in the PI scale from 82 to 130 will receive the same dollar-per-acre increase.

This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

Tax Year 2015 Examples:

Per Acre Pricing for PI 111 Soil Type:

\$203.32	(111 PI Certified 2014 Value)
X 0.10 - \$5.00	(10% increase less \$5.00)
<u>\$15.33</u>	(Increase across all soil types)

Per Acre Pricing for PI 82 Soil Type:

\$2,093.21	(Agricultural Economic Value)
X 33.33%	(Level of Assessment)
<u>\$697.74</u>	(Equalized Assessed Value)

\$15.26	(2014 Certified Value)
+\$15.33	(Dollar increase)
<u>\$30.59</u>	(2015 Certified Value)

Because, in tax year 2015, the increase is limited to 10% of the previous value of the median cropped soil less \$5.00, the taxable per acre value for soil type 82 is \$30.59.

Per Acre Pricing for PI 130 Soil Type:

\$4,320.33	(Agricultural Economic Value)
X 33.33%	(Level of Assessment)
<u>\$1,440.11</u>	(Equalized Assessed Value)
\$645.93	(2014 Certified Value)
+\$15.33	(Dollar increase)
<u>\$661.26</u>	(2015 Certified Value)

Because, in tax year 2015, the increase is limited to 10% of the previous year's soil PI certified value of the median cropped soil less \$5.00, the taxable per-acre value for soil type 130 is \$661.26.

Note: Calculations may be different because they are based upon the actual Certified Values.

How does PA 98-0109 change the Certified Assessed Value calculation for 2016?

For subsequent tax years after 2015, the \$5.00 deduction will be eliminated and the increase or decrease will be limited to 10% of the previous year's soil PI certified value of the median cropped soil.

Are farm valuations subject to state or local equalization factors (i.e., "multipliers")?

No.

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