

Current Agricultural Use Values (CAUV) TY 2020 Agricultural Advisory Committee Meeting

DIVISION OF TAX EQUALIZATION

JUNE 26, 2020



Department of
Taxation

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Introduction

This is a public hearing before the Ohio Department of Taxation to present data on the proposed tax year 2020 Current Agricultural Use Values (CAUV).

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Outline

Factors used in the Calculation

- Crop yields & cropping pattern
- Crop prices & non-land production costs
- Capitalization Rate

2020 Soil Values

- Phase-In Complete
- Average Cropland Values
- Comparative Charts – USDA Cropland Value
- Woodland & Conservation

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Basic Formula

$GOI = \text{Crop Yield} \times \text{Average Crop Price}$

$NOI = GOI - \text{Non-land Production Costs}$

$\text{Value} = NOI / \text{Capitalization Rate}$



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Crop Yields/Cropping Pattern

- Soil yields from 1984:
 - adjusted by 10-year average of actual yields per acre for 2010-19.
- Single crop pattern for most soils based on five-year average of acres harvested, 2015-2019:
 - Corn 37.2%
 - Soybeans 57.2%
 - Wheat 5.6%
- Maintain 50% corn & 50% soybeans for organic and frequently flooded soils.



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Crop Prices Used in Five Year Average USDA National Agricultural Statistics Service

<u>Crop Year</u>	<u>Corn</u>	<u>Soybeans</u>	<u>Wheat</u>
2019	\$4.20	\$9.15	\$5.25
2018	\$3.74	\$8.69	\$5.08
2017	\$3.61	\$9.62	\$4.90
2016	\$3.61	\$9.66	\$4.25
2015	\$3.89	\$9.16	\$4.57
2014	\$3.78	\$10.30	\$5.60
2013	\$4.41	\$13.00	\$6.54

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Adjusted Crop Prices in the Formula, 2017-2020

	<i>Variance</i>				
	<u>2017</u>	<u>2019</u>	<u>2020</u>	<u>2017-20</u>	<u>2019-20</u>
Corn	\$4.51	\$3.68	\$3.63	(\$0.88) -19.5%	(\$0.05) -1.4%
Beans	\$10.83	\$9.78	\$9.12	(\$1.71) -15.8%	(\$0.66) -6.7%
Wheat	\$5.53	\$5.15	\$4.84	(\$0.69) -12.5%	(\$0.31) -6.0%

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Non-Land Production Costs Base & Added Unit, 2017-2020

	<i>Variance</i>				
	<u>2017</u>	<u>2019</u>	<u>2020</u>	<u>2017-20</u>	<u>2019-20</u>
Corn	\$538.78	\$519.04	\$503.44	(\$35.34)	(\$15.60)
+bu	\$1.45	\$1.43	\$1.38	(\$0.07)	(\$0.05)
Beans	\$347.10	\$338.54	\$331.48	(\$15.62)	(\$7.06)
+bu	\$1.05	\$0.90	\$0.89	(\$0.16)	(\$0.01)
Wheat	\$336.21	\$319.08	\$303.88	(\$32.33)	(\$15.20)
+bu	\$1.62	\$1.41	\$1.33	(\$0.29)	(\$0.08)

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Capitalization Rate TY 2017 & 2020

	2017	2020
Mortgage/Equity Ratio	80/20	80/20
Interest Rate, 25-Year Fixed		
Multi-flex Loan*	5.55	5.69
Equity Rate**	7.73	7.36
Tax Additur	1.6	1.6
Capitalization Rate	8.0%	7.9%

*Farm Credit Services 25-year fixed multi-flex rate for loan amounts \$75,000 and over.

**25-year avg. rate of return on farm equity/USDA

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H.B. 49 Values

New values were phased in with counties undergoing reappraisal or update in 2017-2019:

- Values were sum of the new “formula values” for 2017 and half the decrease between the “formula values” and the values for 2016.

Counties scheduled in 2020 will have calculation completely based on the new formula values.

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2020 Sample Calculation - Millgrove

SOIL:	Millgrove, Silt Loam
SLOPE:	0-2
EROSION:	Slight
DRAINAGE:	Very poorly
PROD. INDEX:	100

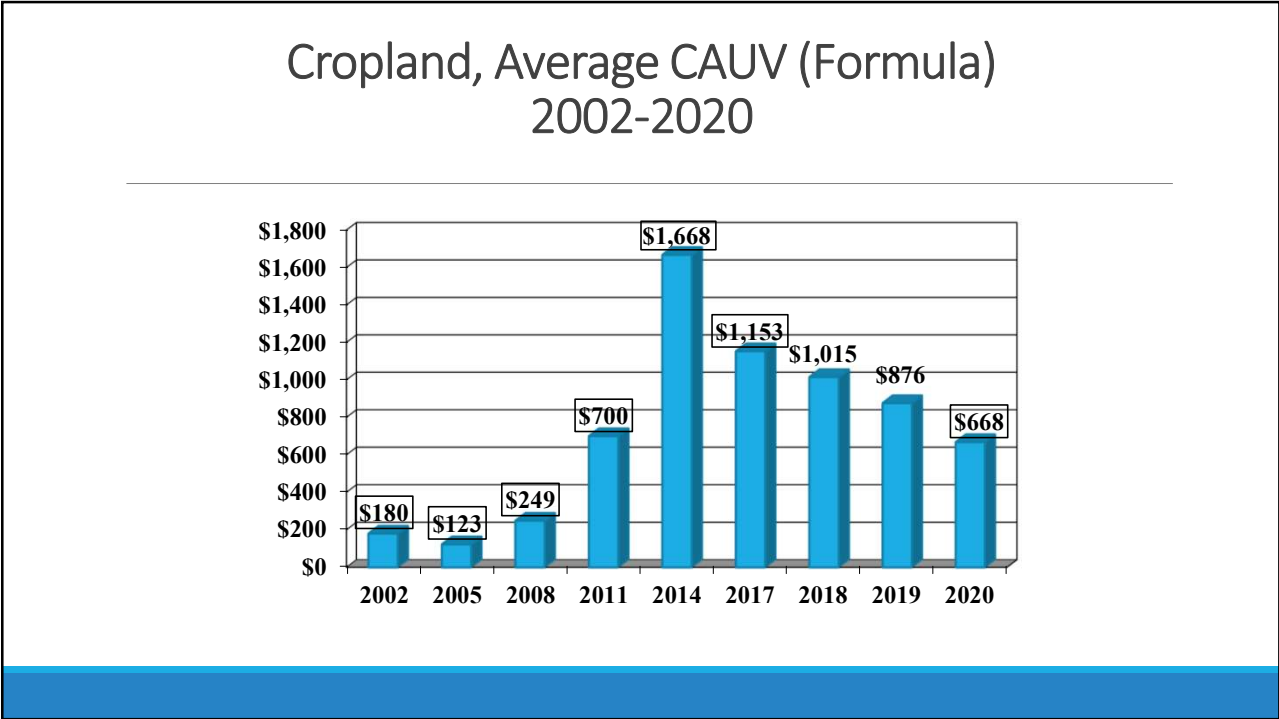
	<u>CORN</u>	<u>BEANS</u>	<u>WHEAT</u>
PI DAT yield/acre (1984)	144	52	64
% increased yield	1.375424	1.375342	1.55
adjusted yield/acre	198	72	99
X Crop Price/Unit	\$3.63	\$9.12	\$4.84
= GROSS INCOME / ACRE	\$718.74	\$656.64	\$479.16
YIELD / ACRE	198	72	99
BASE YIELD	132	40	58
= YIELD ABOVE BASE	66	32	41
X ADDED UNIT COST	\$1.38	\$0.89	\$1.33
ADDED UNIT COST / ACRE	\$91.08	\$28.48	\$54.53
BASE YIELD COST	\$503.44	\$331.48	\$303.88
= TOTAL NON-LAND PROD. COSTS	\$594.52	\$359.96	\$358.41
NET RETURN / ACRE	\$124.22	\$296.68	\$120.75
X CROPPING PATTERN	0.372	0.572	0.056
= ROTATIONAL NET RETURN / ACRE	\$46.21	\$169.70	\$6.76
TOTAL ROTATIONAL NET RETURN	\$222.67		
BASE CAP RATE	0.079		
UNADJUSTED VALUE	\$2,818.64	SAY	\$2,820

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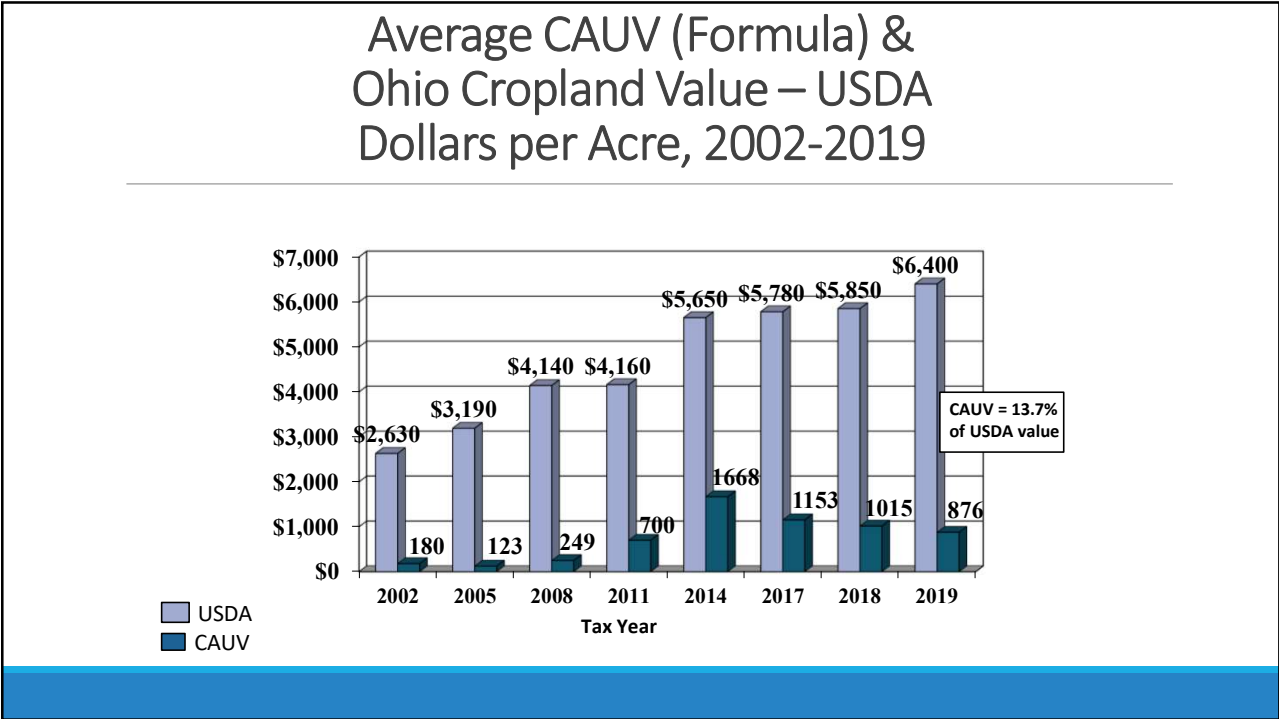
Cropland, Simple Average CAUV Value by Productivity Index 2012-2020

PI	2012	2013	2014	2015	2016	2017	2018	2019	2020
0-49	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350	\$ 350
50-59	362	516	700	518	466	430	400	378	351
60-69	610	1,218	1,778	1,371	1,235	1,061	896	731	488
70-79	1,147	1,958	2,728	2,347	2,255	1,969	1,723	1,469	1,073
80-89	1,717	2,743	3,718	3,354	3,302	2,909	2,586	2,270	1,783
90-99	2,128	3,310	4,428	4,104	4,074	3,602	3,226	2,863	2,303
100+	2,490	3,780	5,030	4,770	4,750	4,205	3,810	3,420	2,820
All Soils Average	\$ 719	\$1205	\$1668	\$1388	\$1310	\$1153	\$1015	\$876	\$668

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Average Woodland Value CAUV Formula

	2016	2017	2018	2019	2020
Slope 25% or Less					
Maximum	\$3,040	\$2,575	\$2,190	\$1,840	\$1,300
Median	\$230	\$230	\$230	\$230	\$230
Average	\$563	\$459	\$383	\$325	\$250
Minimum value: all slopes					
	\$230	\$230	\$230	\$230	\$230
Number of soils at minimum value: slope 25% or less					
	2,128	2,128	2,130	2,130	3,263

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HB 49 – Conservation Land

Land used for conservation practices (25%) or under a qualifying retirement or conservation contract:

- Receives lowest value in the Table (\$230).
R.C. 5713.31

Under contract with federal government:

- As of **January 1st of the tax year** starting with 2017 reappraisal/update counties R.C.5715.01(A)(3)
- If use changes sooner than 36 months after initial certification, auditor recoups extra tax savings. R.C. 5713.34

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Questions?

www.tax.ohio.gov

Government, Real Property Tax

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