



Virginia's Use-Value Taxation Program

Commissioners of Revenue Meeting Presentation

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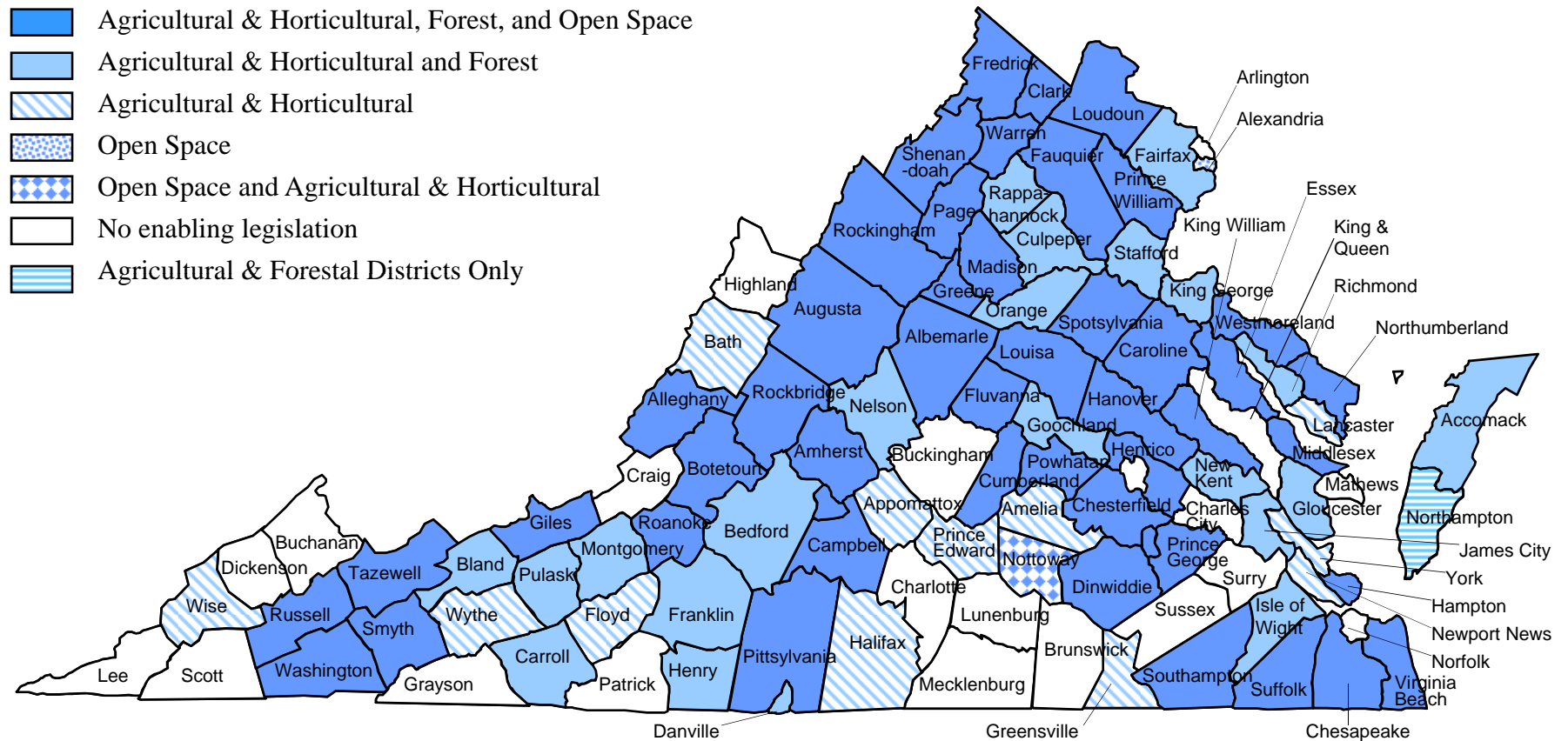
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Web site: <http://usevalue.agecon.vt.edu/>



TY2010: Counties/Cities* with enabling legislation for use-value taxation (Agricultural & Horticultural, Forest, and Open Space)



* Counties/Cities are identified from annual use-value reports and may differ from actual implementation. Contact government officials in each county/city for the current use-value implementation. Not all participating cities are identified on this map.



Virginia's Use-Value Taxation Program



- Currently (TY2010):
 - **Agricultural and horticultural** lands: 93 counties/cities
 - **Forest** lands: 76 counties/cities
 - **Open Space** lands: 52 counties/cities
- If no local ordinance has been adopted, landowners may still qualify if their land is in an Agricultural or Forestal District



Virginia's Use-Value Taxation Program



Organization/Stipulations

- State Land Evaluation and Advisory Council (SLEAC) provides annual use-value estimates for each jurisdiction in the program
 - State Tax Commissioner (Chair)
 - Commissioner of Agriculture
 - State Forester
 - Director of VA Department of Conservation and Recreation
 - Dean of Virginia Tech College of Agriculture and Life Sciences
- *Responsibility for final value of assessment resides with the local assessing officer*



Estimating Use-Values



The Composite Farm

- The county's composite farm is a *typical farm* within the county
- Primary crops (TY2010):
 - Corn
 - Alfalfa
 - Barley
 - Hay
 - Wheat
 - Soybeans
 - Potatoes
 - Cotton
 - Pasture
 - Peanuts
 - Tobacco
- Crop acreage from latest Census of Agriculture (2007)
- Only crops with 1 or more acres in the composite farm are considered



Estimating Use-Values



TY2010 Prince Edward County

(DY2008 Crop Budgets and DCP Payments)

Number of Farms = 446

	<u>Acres*</u>	<u>Composite Farm</u>	<u>Net Returns</u>
Corn	1,540	3	\$74.95
Alfalfa	326	1	\$48.71
Hay	14,477	32	\$0.00
Wheat	143	0	
Barley	144	0	
Soybeans	185	0	
Potatoes	2	0	
Cotton	---		
Pasture	19,793	44	\$0.00
Peanuts	---		
Tobacco	156	0	
<i>Double-cropped (-)</i>	<u>287</u>	<u>1</u>	
Total	36,479	79	\$3.60

* 2007 Ag Census

**D = Withheld to avoid disclosing data of individual farms



Accomack



	TY2009	TY2010	Change
# farms	318	248	-70
	<u>CF Acres¹</u>	<u>CF Acres¹</u>	<u>CF Acres¹</u>
Corn	75	132	57
Hay	2	2	
Wheat	38	53	15
Barley	1	D²	
Soybeans	107	149	42
Potatoes	D²	6	6
Cotton	4	D²	
Pasture		9	9
Double-cropped (-)	39	53	14
<i>Totals:</i>	<i>189</i>	<i>298</i>	<i>109</i>
<i>Type III w/o risk</i>	<i>\$240</i>	<i>\$640</i>	<i>\$400</i>

¹Composite Farm Acres = Crop Acres/# farms

²D = Withheld to avoid disclosing data of individual farms



King George



	TY2009	TY2010	Change
# farms	169	180	11
	<u>CF Acres¹</u>	<u>CF Acres¹</u>	<u>CF Acres¹</u>
Corn	17	18	1
Alfalfa	2		-2
Hay	23	27	4
Wheat	7	5	-2
Barley	2		-2
Soybeans	24	19	-5
Pasture		39	39
Double-cropped (-)	9	5	-4
<i>Totals:</i>	<i>66</i>	<i>103</i>	<i>37</i>
<i>Type III w/o risk</i>	<i>\$280</i>	<i>\$130</i>	<i>-\$150</i>

¹Composite Farm Acres = Crop Acres/# farms

²D = Withheld to avoid disclosing data of individual farms



Rental Rates



- Each year the Council determines and publishes ranges of suggested values for several classes of agricultural, horticultural, forest and open space land in the localities having such a program. The local assessing officer uses these ranges along with his personal knowledge of use values in the area and the other available evidence of land capability in arriving at the official use-value assessment of any parcel of land...
(2003 Manual of the State Land Evaluation Advisory Council – Introduction, p.5).
- On or before October 1 of each year the Advisory Council shall submit recommended ranges of suggested values to be effective the following January 1 or July 1 in the case of localities with fiscal year assessment under the authority of Chapter 30 of this subtitle, within each locality which has adopted an ordinance pursuant to the provisions of this article based on the productive earning power of real estate devoted to agricultural, horticultural, forest and open space uses and make such recommended ranges available to the commissioner of the revenue or duly appointed assessor in each such locality...
(2003 Manual of the State Land Evaluation Advisory Council § 58.1-3239, p.15)
- The Advisory Council, in determining such ranges of values, shall base the determination on productive earning power to be determined by capitalization of warranted cash rents or by the capitalization of incomes of like real estate in the locality or a reasonable area of the locality...
(2003 Manual of the State Land Evaluation Advisory Council § 58.1-3239, p.15)



Rental Rates



- TY2010 Rental Rates published by NASS for counties/cities.
- Capitalization Rate = average interest rate (10 year average from AgFirst) plus the average property tax component (10 year average) from the Dept of Taxation.

Cropland value = Cropland Rental Rate/Cap Rate

- Example, Accomack County:

Cap Rate = 0.0777

Cropland Rental Rate (\$/acre) = 59.5

$59.5/0.0777 = \$770$ Cropland value (\$/acre)



Rental Rates

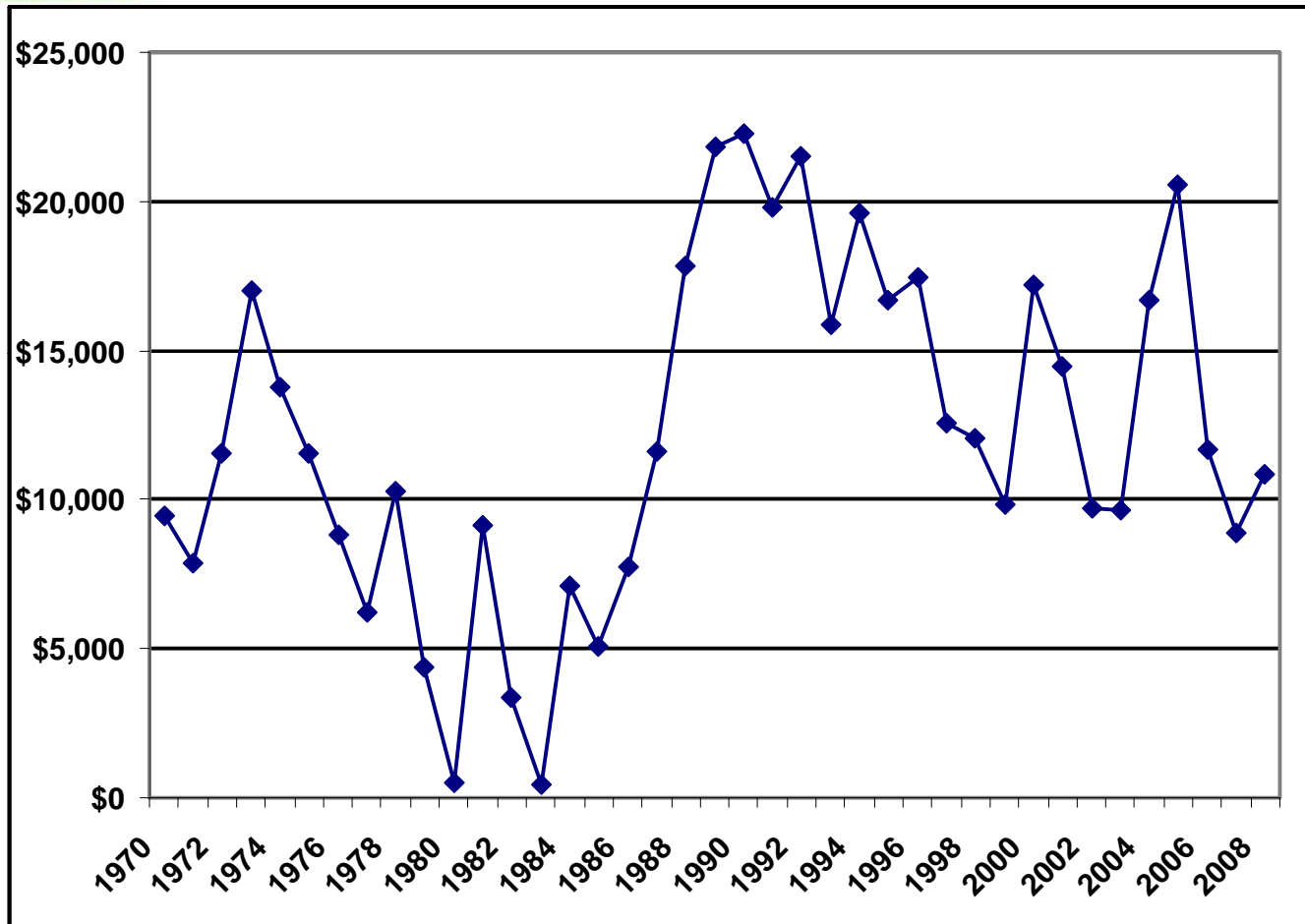


TY2010 Use-value Estimates and Capitalized Rental Rates Compared (Selected Counties)

	Use-value Estimates (w/o risk)											Rental Rates	
	Cropland					V	VI	Pastureland			Other Land VIII	<i>Cropland</i>	<i>Pastureland</i>
	I	II	III	IV	AVG I-IV			VII	AVG V-VII	AVG I-VII		Value \$/acres (rent \$/acre)	Value \$/acre (rent \$/acre)
Accomack	960	860	640	510	840	380	320	190	190	830	60	770 (59.5)	No Data
Albemarle	200	180	130	110	150	80	70	40	60	130	10	330 (26)	240 (19.5)
Carroll	150	140	100	80	100	60	50	30	40	80	10	380 (30)	310 (24.5)
Henry	0	0	0	0	0	0	0	0	0	0	0	270 (21.5)	220 (17.5)
Prince Edward	60	50	40	30	40	20	20	10	10	40	0	330 (26)	250 (19.5)
Rockingham	810	730	540	430	580	320	270	160	200	510	50	750 (59)	440 (35)



VA Real Net Farm Income

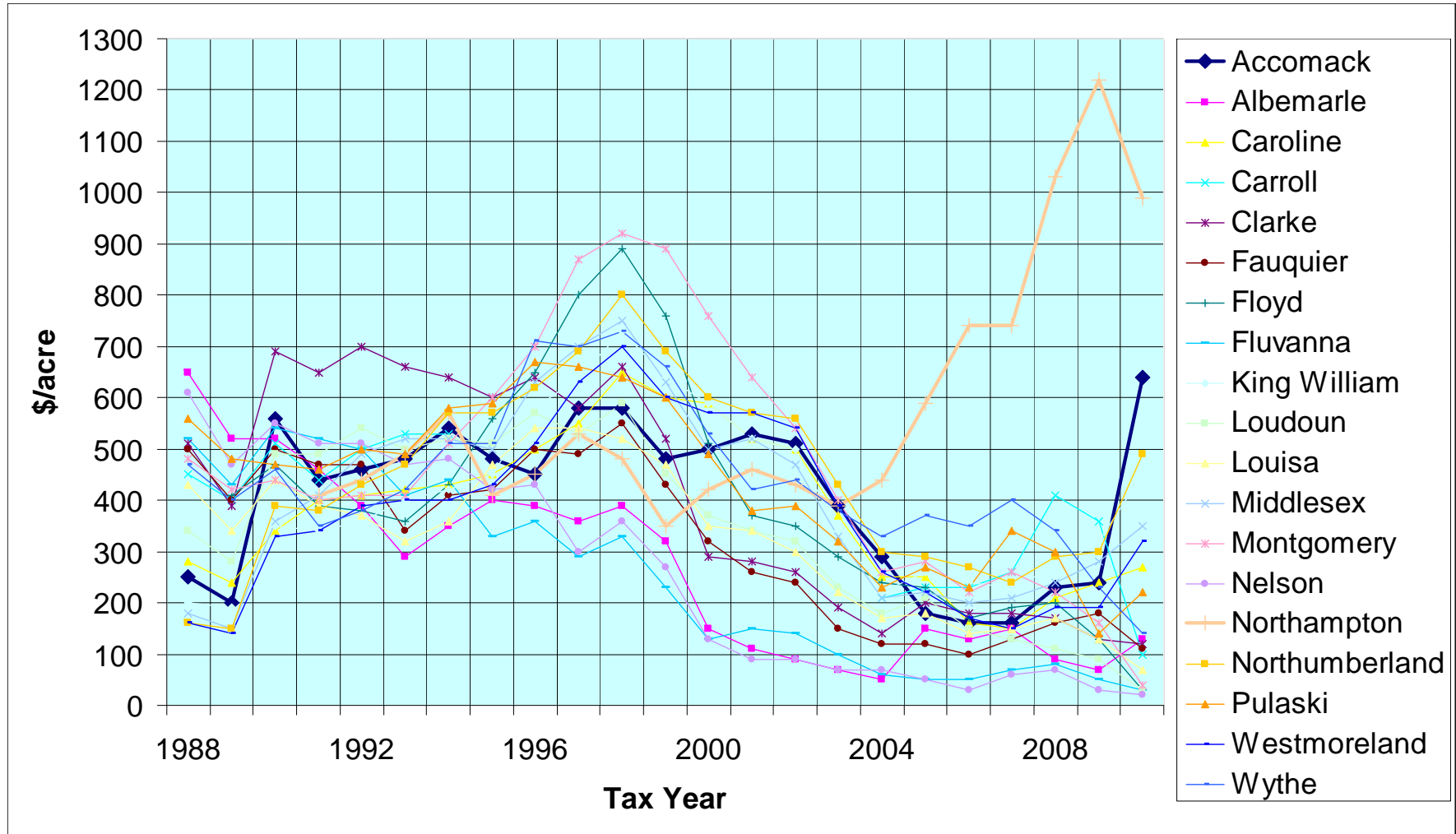


Data, Economic Research Service/USDA

GDP-IPD Index, 2005=100, BEA



Use-Value Estimates (Type III w/o Risk Land) for Selected Counties (1988-2010)





Useful Reports

- *Use-Value Website* <http://usevalue.agecon.vt.edu/>
- The following reports are available on the website at:
<http://usevalue.agecon.vt.edu/publications.htm>
 - Why Use-Value Estimates Differ: Comparing Halifax and Pittsylvania Counties (2008)
 - Use-Value Taxation in Virginia: A Brief Discussion (2006)
 - Results of the 2003 Agricultural and Horticultural Use-Value Taxation Program Survey (2004)
 - Measuring the Impact of Use-Value Taxation for Northampton County, Virginia (2004)