

Purdue Cooperative Extension Service

Farm Land Assessment for Property Taxes in Indiana

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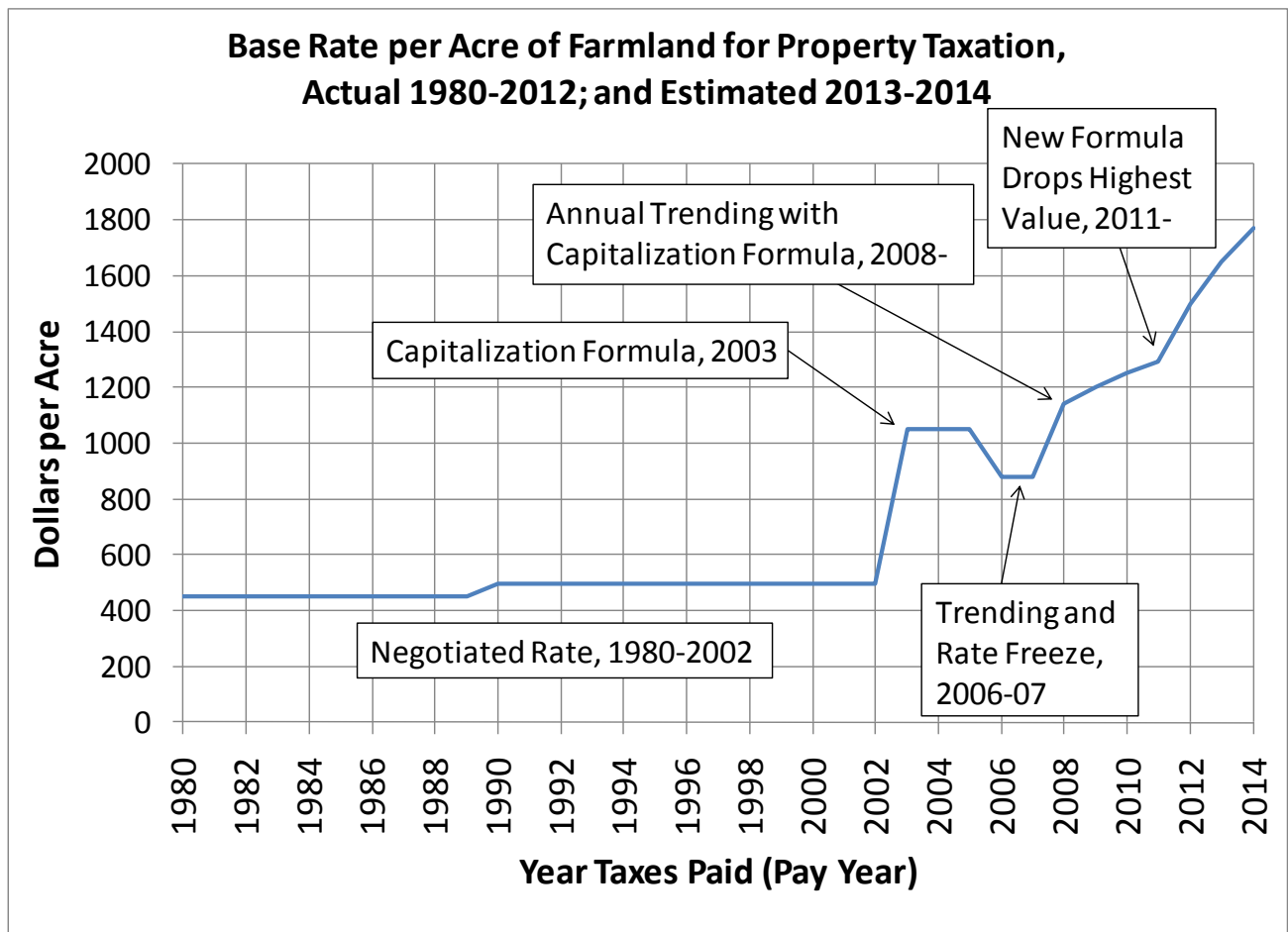
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For more information

DeBoer's Indiana Local Government Information Website:
www.agecon.purdue.edu/crd/Localgov

Farm Land Tax Bills

- Assessed Value
 - Base Rate per Acre, recalculated each year by DLGF
 - times Productivity Factor, measuring soil productivity for corn
 - (for some acreage) less an Influence Factor, adjusting for land attributes that reduce productivity (e.g. frequent flooding)
- Times Tax Rate
 - The sum of the tax rates of the jurisdictions where the acreage is located (county, township, school corporation, etc.)
- Equals the Tax Bill



Calculation of the Base Rate for an Acre of Farmland

Assessment Year 2010; Tax Year 2011

Year	<u>NET INCOMES</u>			<u>MARKET VALUE IN USE</u>		
	Cash Rent	Operating	Cap. Rate	Cash Rent	Operating	Average
2002	105	20	7.02%	1,496	285	890
2003	106	71	6.29%	1,685	1,129	1,407
2004	104	135	6.35%	1,638	2,126	1,882
2005	110	59	7.22%	1,524	817	1,170
2006	110	74	8.18%	1,345	905	1,125
2007	122	184	7.94%	1,537	2,317	1,927
Average Market Value in Use						\$1,290

Assessment Year 2011; Tax Year 2012

Year	<u>NET INCOMES</u>			<u>MARKET VALUE IN USE</u>		
	Cash Rent	Operating	Cap. Rate	Cash Rent	Operating	Average
2003	106	71	6.29%	1,685	1,129	1,407
2004	104	135	6.35%	1,638	2,126	1,882
2005	110	59	7.22%	1,524	817	1,170
2006	110	74	8.18%	1,345	905	1,125
2007	122	184	7.94%	1,537	2,317	1,927
2008	140	189	6.56%	2,134	2,881	2,508
Average Market Value in Use						\$1,500

Calculations of base rates set by the Indiana Department of Local Government Finance for taxes in 2011 and 2012.

Calculation of the Base Rate for an Acre of Farmland

Assessment Year 2012; Tax Year 2013

Year	<u>NET INCOMES</u>			<u>MARKET VALUE IN USE</u>		
	Cash Rent	Operating	Cap. Rate	Cash Rent	Operating	Average
2004	104	135	6.35%	1,638	2,126	1,882
2005	110	59	7.22%	1,524	817	1,170
2006	110	74	8.18%	1,345	905	1,125
2007	122	184	7.94%	1,537	2,317	1,927
2008	140	189	6.56%	2,134	2,881	2,508
2009	142	121	6.17%	2,301	1,961	2,131
Average Market Value in Use						\$1,650

Assessment Year 2013; Tax Year 2014

Year	<u>NET INCOMES</u>			<u>MARKET VALUE IN USE</u>		
	Cash Rent	Operating	Cap. Rate	Cash Rent	Operating	Average
2005	110	59	7.22%	1,524	817	1,170
2006	110	74	8.18%	1,345	905	1,125
2007	122	184	7.94%	1,537	2,317	1,927
2008	140	189	6.56%	2,134	2,881	2,508
2009	142	121	6.17%	2,301	1,961	2,131
2010	144	205	5.99%	2,404	3,422	2,913
Average Market Value in Use						\$1,770

Calculations are estimates of base rates for taxes in 2013 and 2014, based on the revised formula and data for 2009 and 2010 (some 2010 data are estimated), by Larry DeBoer, Purdue University.

**Calculation of Net Operating Income per Acre
Commodity Contribution Margin**

Corn	Corn Yield	Avg. Price	Average Gross Income	Variable Costs-- Corn	Average Contribution Margin--Corn
2000	146	1.87	274	139	135
2001	156	1.89	303	155	140
2002	121	2.20	267	147	119
2003	146	2.34	345	154	188
2004	168	2.28	418	171	211
2005	154	1.89	303	184	107
2006	157	2.47	375	222	166
2007	154	3.46	542	239	293
2008	160	4.47	797	380	335
2009	171	3.87	658	425	237
2010	176	4.15	708	351	380

Beans	Beans Yield	Avg. Price	Average Gross Income	Variable Costs-- Beans	Average Contribution Margin-- Beans
2000	46	4.71	217	89	128
2001	49	4.44	218	93	125
2002	42	5.00	208	97	111
2003	38	6.35	241	99	142
2004	52	6.84	352	106	246
2005	49	5.75	282	114	168
2006	50	5.91	296	125	171
2007	46	8.06	371	120	251
2008	45	10.48	472	182	290
2009	49	10.06	493	223	270
2010	49	10.57	518	194	324

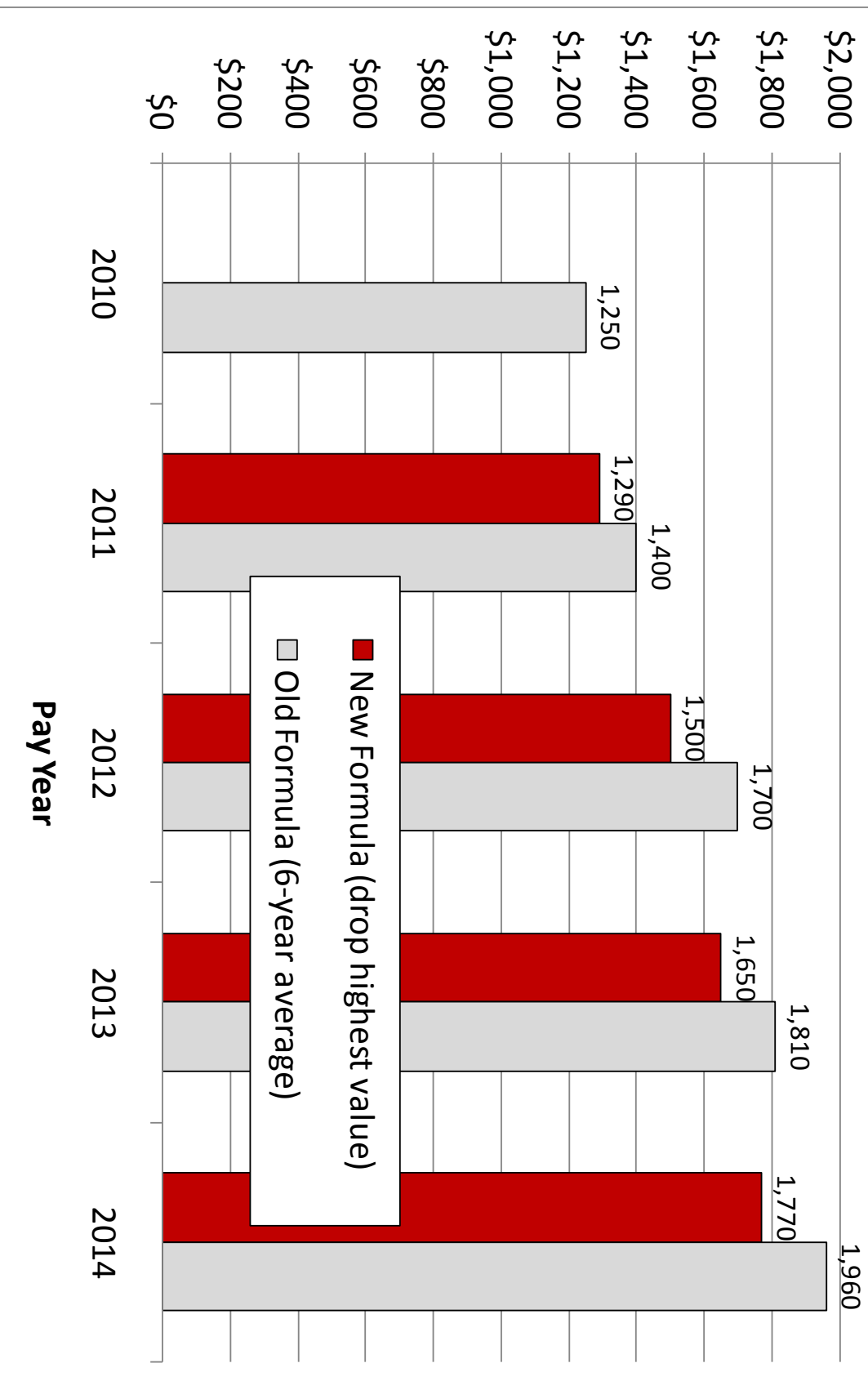
Calculation of Overhead Costs

	Overhead			Property	Total
	Machinery	Handling	Labor	Tax	Overhead
2000	52	7	37	11	107
2001	52	7	37	11	107
2002	52	7	37	11	107
2003	52	7	37	14	110
2004	52	7	37	18	114
2005	52	7	39	16	114
2006	52	7	39	17	115
2007	43	9	30	17	99
2008	58	9	52	17	136
2009	66	11	52	16	145
2010	77	12	52	17	158

Calculation of Value in Use

	Gov't	Total	Net	Average FRB	Value in
	Payments	Contribution	Return to	Cap. Rate	Use
		Margin	Land		
2000	73	168	61	9.57%	637
2001	72	168	61	8.01%	762
2002	25	127	20	7.02%	285
2003	33	182	72	6.29%	1145
2004	41	249	135	6.35%	2126
2005	71	173	59	7.22%	817
2006	41	189	74	8.18%	905
2007	23	284	185	7.94%	2330
2008	25	325	189	6.56%	2881
2009	24	265	120	6.17%	1945
2010	23	364	206	5.99%	3439

Farm Land Base Rates: New and Old Formulas (Actual 2010-2012; Estimated 2013-2014)



**Effect of a 30% increase in the Base Rate
on Property Tax Rates and Farm Land Tax Bills**

	<u>Rural County</u>	<u>Urban County</u>
<u>Share of A.V.</u>		
Farm Land	40%	3%
Other Property	60%	97%
<u>Increase in</u>		
Base Rate	30%	30%
Other A.V.	2%	2%
<u>Change in</u>		
Total A.V.	13%	3%
Tax Levy	5%	5%
Tax Rate	-8%	2%
Per Acre Tax	22%	32%

