

JOSEPHINE COUNTY
BOARD OF REVIEW REPORT
2009 FARM USE VALUES
(2009-2010 Tax Year)



Prepared by:

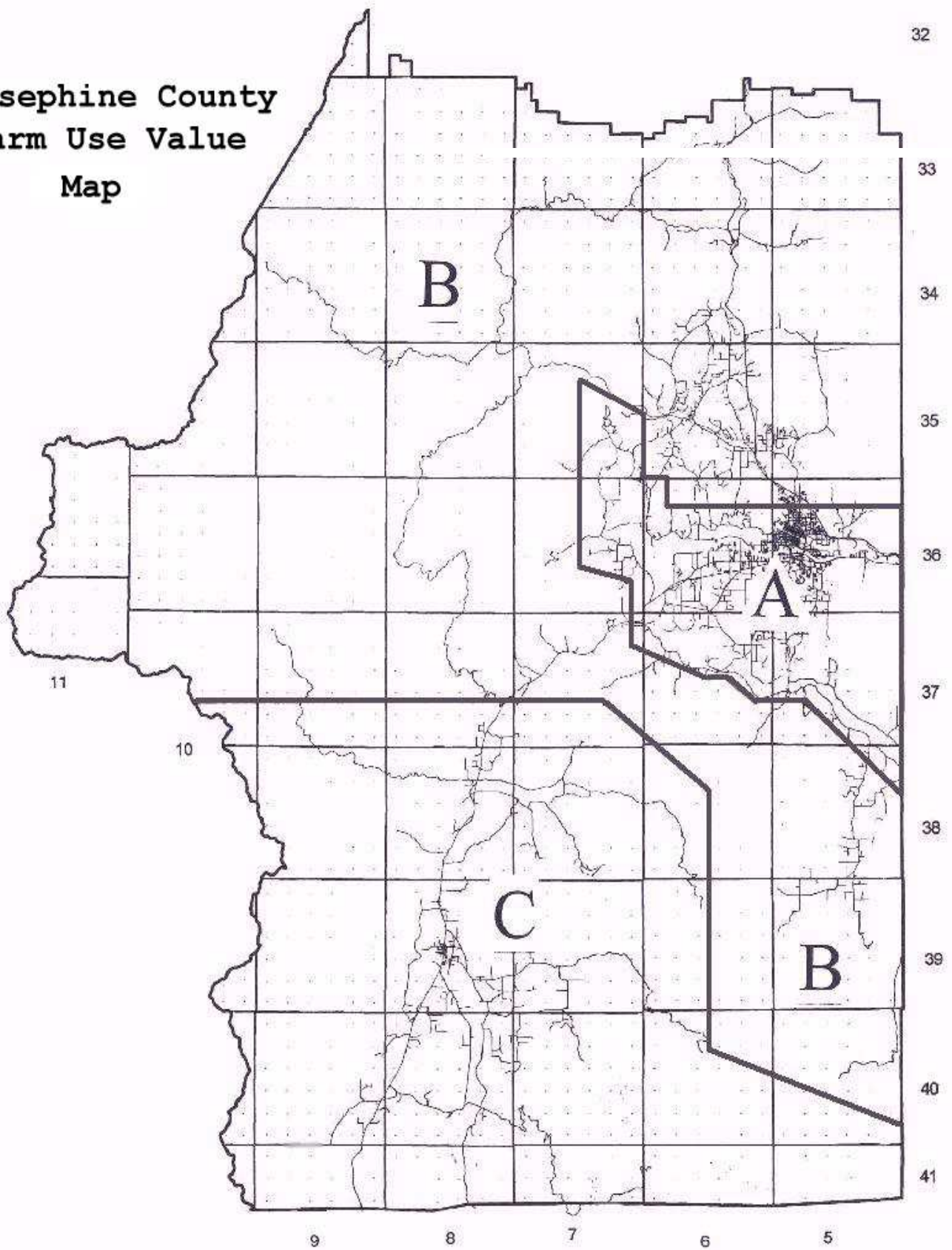
C. Bolen
Data Analyst

JULY 2009

For:

Constance L. Roach
Josephine County Assessor

Josephine County
Farm Use Value
Map



JOSEPHINE COUNTY BOARD OF REVIEW REPORT

This report is submitted to the Josephine County Board of Review (Farm Review Board) to document the development of farm use values in Josephine County. The policies of the State of Oregon and the implementation of legislation are intended to protect farmland values from urban influences or speculative purchases that would adversely affect farming operations. Valuation of farmland for property tax assessment is required to be based on farm use values, not on values for investment and other purposes that are not connected to bona fide farm use. Annually this report is produced to inform the Farm Review Board of the present conditions of the value of Josephine County farmland. Based on the information provided, the Farm Review Board is to advise the Assessor whether the figures or factors being utilized to establish farm use values are proper under ORS 308A.092. The assessed value, which is actually used on the tax rolls, is the lower of either the farm use value or the farm use value calculated under Measure 50 (90% of the value used in 1995, plus 3% per year since 1997).

FARM USE VALUE 2009

The special assessment value provisions of ORS 308A.092 direct county assessors to use the following procedure in establishing farm values.

ORS 308A.092 Establishing value for farm use; procedure. (1) This section and ORS 308A.095 set forth the procedures by which the values for farm use are established for both:

- (a) Exclusive farm use zone farmland that qualifies for special assessment under ORS 308A.062; and
- (b) Nonexclusive farm use zone farmland that qualifies for special assessment under ORS 308A.068.

(2) The values for farm use of farmland shall be determined utilizing an income approach. In utilizing the income approach, the capitalization rate shall be the effective rate of interest charged in Oregon by the Federal Farm Credit Bank system at the time of closing on loans for farm properties estimated as an average over the past five reported calendar years, plus a component for the local tax rate. The Department of Revenue annually shall determine and specify the rate according to the best information available, and shall certify the rate to the county assessors.

(3) The county assessors shall develop tables for each assessment year that reflect, for each class and area, the values determined under this section and that express the values as values per acre.



Oregon

Theodore R. Kulongoski, Governor

Department of Revenue

955 Center St NE

Salem, OR 97301-2555

DATE: January 22, 2009

TO: All County Assessors

FROM: Gary Wright *GW*
Assessment and Taxation Standards
Property Tax Division

SUBJECT: Farm-Use Interest Rate and Wheat Price for 2009-10

The average effective rate of interest charged by the Farm Credit Service on real property loans is annually reported to the Internal Revenue Service. In compliance with ORS 308A.092, the Department of Revenue certifies a five-year average interest rate of **5.89 percent**. This interest rate plus a local property tax rate is to be used to arrive at the farm use capitalization rate.

Each county assessor needs to estimate rates for property taxes when computing farm use values. Measure 50 limits the farm use value to the **lower** of the 2009-10 specially assessed value (SAV) or the 2009-10 maximum specially assessed value (MSAV) for each land class. See example on back.

The market wheat price for computing 2009 farm use values of wheatland is **\$7.90 per bushel**. This price must be adjusted for local costs of storing and marketing the wheat (freight, inspection, handling, and wheat tax). These costs are available from the local grain elevator companies in the counties.

In addition to the market price of **\$7.90** per bushel, any payments growers receive under government programs for the 2007 and 2008 wheat crops need to be added to the market price to arrive at the growers' gross income.

(503) 945-8225
(503) 945-8617 TTY
(503) 945-8737 FAX

2009-10 EXAMPLE

CALCULATION OF FARM USE SPECIALLY ASSESSED VALUES PER LAND CLASS

2009-10 ESTIMATED IMPOSED NOMINAL TAX RATE

Nominal Tax Rate	/	1000	=	Tax rate Percentage	
10.6900	/	1000	=	0.01069	1.069%

CALCULATION OF EFFECTIVE TAX RATE PERCENTAGE:

LAND CLASS 2008-09 MSAY	/	LAND CLASS 2008-09 SAV	=	Tax Ratio (NOT TO EXCEED 1.00)	
708	/	813	=	0.8708	
Nominal Tax Rate	*	Tax Ratio	=	Effective Tax Rate	
0.01069	*	0.8708	=	0.0093	0.931%

CALCULATION OF CAPITALIZATION RATE:

DOR Certified Interest Rate	5.89%
Effective Tax Rate	0.93%

CAPITALIZATION RATE FOR CALCULATING FARM USE VALUE 6.82%

CAPITALIZATION EXAMPLE PER LAND CLASS :

	2009-10 FARM USE NET INCOME	/	2009-10 ESTIMATED CAP RATE	=	2009-10 SPECIALLY ASSESSED VALUE (SAV) PER ACRE TABLE
SAV	\$55.00		0.0682		\$806
	2008-09 MAXIMUM SPECIALLY ASSESSED VALUE (MSAY) PER ACRE TABLE	< Greater of >	2008-09 ASSESSED VALUE TIMES 103% \$708 * 103%		2009-10 MAXIMUM SPECIALLY ASSESSED VALUE (MSAY) PER ACRE TABLE
MSAV	\$708		\$729	=	\$729
	2009-10 SAV PER ACRE TABLE	< Lesser of >	2009-10 MSAV PER ACRE TABLE		2009-10 ASSESSED VALUE (AV) PER ACRE
AV	\$806		\$729	=	\$729

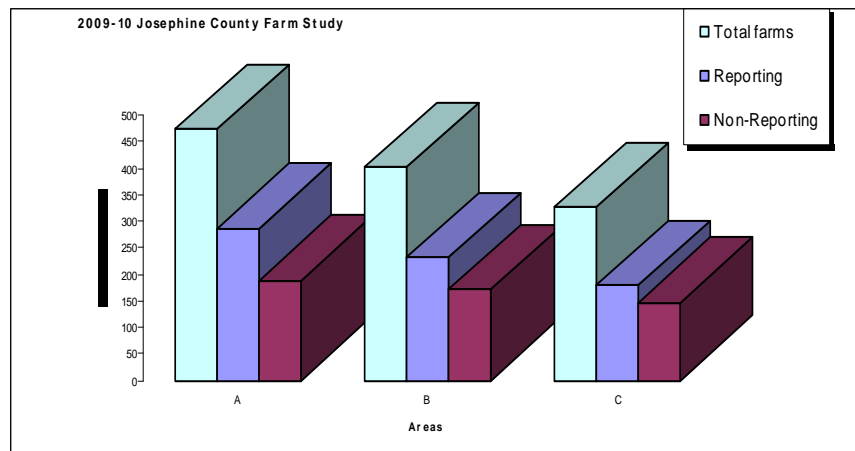
INCOME APPROACH

The farm use values for Josephine County for 2009-2010 were determined by the income approach for farm use assessment. The application of the statutory income approach requires two basic components: an overall capitalization rate and net income or rent for farmland.

The procedure for developing net income has one major source of data: The annual farm income questionnaire mailed by the Assessor's Office began on February 5th of this year and was completed by February 22nd. A typical mailing will yield a 55%-65% response rate by the cut off date of April 15, 2009. This year's mailing list indicates 600 owners of farmland were sent questionnaires with a response of about 60 percent of questionnaires returned.

The income data that have been used to provide the annual base for determining farm use values are cash/share rents and incomes for the prior year (2008). Although differing throughout the County, the rents/incomes are "typical" and present a variety of amounts, acreage and farm uses. "Typical" farm uses for this purpose came from rents/incomes of land used for hay, crops and grazing of livestock. Incomes of atypical farm use lands for our County such as vineyards, herbs, horses, etc., were not used as they tend to be much higher and widely variable responses. Further, income data from atypical uses would not be appropriate to use on the majority of properties in the study as owners could not expect that the higher incomes for such uses could be applied to all farmland.

The total number of reliable income responses for the entire report is less than ideal; this affects the reliability of the final values. From the 60 percent of reporting Farm properties, Area "A" had 41 percent of the farm properties reported, and 10 useable farm incomes. Area "B" had 33 percent of the farm properties reported yielding 4 usable income data sets. Area "C" had 26 percent of the farm



properties reported of which, 7 were deemed useable. Overall reporting was slightly lower than last year. All information was calculated to the percentages of 1K that correspond to their appropriate areas.

Based on these responses and the certified interest rate, a decrease of 2.7% in value is indicated for area "A". Area "B" decreased 2.8% and area "C" saw a market correction of -1.5%. Fuel costs and utility increases have had an impact on farm incomes due to their proximity to economic centers.

FARM COMMUNITY

The Josephine County farm community encompasses three distinct economic areas: identified as Farm Areas "A", "B", and "C" (see reference map, following the cover sheet, for physical location). The general description of these areas is in the following table:

2008 FARM STUDY DATA USED FOR 2009 FARMLAND VALUES

DESCRIPTION	AREA "A"	AREA "B"	AREA "C"	TOTALS
Total Farm Acres	7277.94	6008.64	7922.51	21209.09
Percent of Total	34.31	28.33	37.35	100.00
Acres used in study	280.47	272.87	1122.71	1676.05
Total number of Farm properties	473	401	325	1216
Farms used in study	10	4	7	21

FARM VALUE DIFFERENT THAN ASSESSED VALUE

Assessed value is established in the Oregon Constitution, Article XI, Section 11, which states:

- (1) (a) "For the tax year beginning July 1, 1997, each unit of property in this state shall have a maximum assessed value for ad valorem property tax purposes that does not exceed the property's real market value for the tax year beginning July 1, 1995, reduced by 10 percent.
- (b) For tax years beginning after July 1, 1997, the property's maximum assessed value shall not increase by more than three percent from the previous tax year.
- ...
- (f) each property's assessed value shall not exceed the property's real market value."
- (2) "The maximum assessed value of property that is assessed under a partial exemption or special assessment law shall be determined by applying the percentage reduction of paragraph (a) and the limit of paragraph (b) of subsection (1) of this section."

For farm use special assessment, the amount used for assessment purposes is the lesser of the property's "Market" farm use value which is calculated using farm-income and the capitalization rate or the property's special maximum assessed value (shown as Measure 50 maximum special assessed value.) The capitalization rate is a combination of the annually certified interest rate and the local property tax rate. This year, the Department of Revenue certified an interest rate of 5.89 percent, which is lower than last year's rate of 6.11 percent. Tax rates were steady this year, resulting in a slightly lower capitalization rate. Farm use values varied throughout the county, these income values are lower in area "A" by 5.1%. Area "B" had reported incomes decrease causing the 1 acre prime value to drop 6.0% from last year's value. Area "C" incomes dropped by 5.1% according to information reported.

FARM USE VALUE DETERMINATION

The common basis for farm use value determination is soil class. There are differing soil class types (approximately 100 with an additional 3 modifiers to these base rates) predicated upon the productive nature of the soil for farm crops. The soil class values differ by location dependent upon income and expense variations for production and sale of crops. But the common relationship is the soil class IK-IIK acre. All analyzed farm data rely on the soil class IKi-IIKi acre equivalency. The resulting soil class value for this unit (in each area) is used as the benchmark to which all other soil class types are determined, based upon observed data and derived mathematical relationships between the soil classes. This relationship was established by an income study involving the three economic areas and the base land class types: "K"- river bottom land; "B"- bench land; "H"- hill land; the I-VI slope and productivity variations of each base land class as developed by the Soil Conservation Service with consideration given for irrigated (I) and non-irrigated land (D); class VII woodlot and class VIII rock/gravel wastelands.

The relationship between soil class types allows a means for determining the soil class IKi-IIKi equivalency for each farm unit. This equivalency gives the basis for comparing all income data to a common unit for determining farm use values. The resulting base value for IKi-IIKi acre is adjusted to determine the individual soil class value by using the mathematical relationship to the base.

A soil class value for the IKi-IIKi acre is developed first using capitalized net income. Last year's values are also shown.

		<u>Proposed 2009</u>	<u>2008</u>
Area "A"	IKi-IIKi = \$45.22 @ 6.65% =	\$680.00	\$699.00
Area "B"	IKi-IIKi = \$39.83 @ 6.65% =	\$599.00	\$616.00
Area "C"	IKi-IIKi = \$49.76 @ 6.38% =	\$780.00	\$792.00

The following tables denote the calculated farm use values for IKi-IIKi land, in the three farm areas within Josephine County for the 2009-2010 tax year: the "Market" farm use values for 2009 for all soil classes, Measure 50 Maximum Special Assessed Value, and Farmland Soil Class Relationships. This year's values were calculated from the final per acre value conclusions as indicated.

NOTE: The following tables (#1, #2, #3) depict by area, overall capitalization rates, net incomes and farm use values since 1988. A column has been added to this table to show the M-50 value. The 1997 value is based on the 1995 values less 10% to increase a maximum of 3% each year beginning in 1998. The maximum farm value is to be the lesser of the IKi-IIKi Farm Use Value or the M-50 Value. Table #4 displays the allocation of farm market values for farmland. Table #5 displays the allocation of value for the M-50 value of farmland. Table #6 displays the allocation of value to differing classes and types of farmland in percentages.

FARM VALUE RECAP - AREA A

TABLE #1

YEAR	OVERALL RATE	NET INCOME	IKi-IKi FARM USE VALUE	MSAV Value
1988	13.85%	\$62.07	\$448.00	
1989	13.75%	\$65.67	\$478.00	
1990	13.59%	\$69.45	\$511.00	
1991	13.29%	\$71.51	\$538.00	
1992	12.81%	\$68.31	\$533.00	
1993	12.38%	\$70.65	\$571.00	
1994	11.34%	\$71.21	\$628.00	
1995	10.33%	\$67.84	\$657.00	M-50 Base Year
1996	9.86%	\$68.91	\$699.00	
1997	9.12%	\$69.04	\$757.00	\$591.30
1998	9.10%	\$88.88	\$977.00	\$609.04
1999	9.77%	\$88.88	\$910.00	\$627.31
2000	9.16%	\$89.09	\$973.00	\$646.12
2001	9.03%	\$92.29	\$1,022.00	\$665.51
2002	8.85%	\$62.81	\$709.00	\$685.47
2003	8.71%	\$62.97	\$723.00	\$706.04
2004	8.51%	\$62.89	\$739.00	\$727.22
2005	8.16%	\$62.50	\$766.00	\$749.04
2006	7.72%	\$67.78	\$878.00	\$771.51
2007	7.20%	\$64.01	\$889.00	\$794.65
2008	6.80%	\$47.53	\$699.00	\$818.49
2009	6.65%	\$45.22	\$680.00	\$818.49

FARM VALUE RECAP - AREA B

TABLE #2

YEAR	OVERALL RATE	NET INCOME	IKi-IKi FARM USE VALUE	MSAV Value
1988	13.86%	\$50.34	\$363.00	
1989	13.74%	\$52.78	\$384.00	
1990	13.58%	\$55.57	\$409.00	
1991	13.28%	\$56.72	\$427.00	
1992	12.79%	\$54.12	\$423.00	
1993	12.34%	\$56.17	\$455.00	
1994	11.36%	\$56.71	\$499.00	
1995	10.35%	\$54.14	\$523.00	M-50 Base Year
1996	9.81%	\$53.68	\$547.00	
1997	9.09%	\$53.79	\$592.00	\$470.70
1998	9.01%	\$66.06	\$733.00	\$484.82
1999	9.68%	\$66.06	\$682.00	\$499.36
2000	9.07%	\$69.80	\$770.00	\$514.34
2001	8.95%	\$70.44	\$787.00	\$529.77
2002	8.83%	\$48.47	\$549.00	\$545.67
2003	8.71%	\$59.49	\$683.00	\$562.04
2004	8.51%	\$59.23	\$696.00	\$578.90
2005	8.16%	\$51.16	\$627.00	\$596.26
2006	7.72%	\$58.67	\$760.00	\$614.15
2007	7.10%	\$43.52	\$613.00	\$632.58
2008	6.88%	\$42.38	\$616.00	\$632.58
2009	6.65%	\$39.83	\$599.00	\$634.48

FARM VALUE RECAP - AREA C

TABLE #3

YEAR	OVERALL RATE	NET INCOME	IKi-IKi FARM USE VALUE	MSAV Value
1988	13.92%	\$41.99	\$302.00	
1989	13.78%	\$44.01	\$319.00	
1990	13.61%	\$46.18	\$339.00	
1991	13.32%	\$47.25	\$355.00	
1992	12.82%	\$45.10	\$352.00	
1993	12.37%	\$46.55	\$376.00	
1994	11.39%	\$46.98	\$412.00	
1995	10.38%	\$43.66	\$421.00	M-50 Base Year
1996	9.86%	\$43.66	\$443.00	
1997	9.12%	\$43.75	\$480.00	\$378.90
1998	9.13%	\$46.12	\$505.00	\$390.26
1999	9.76%	\$46.12	\$473.00	\$401.97
2000	9.18%	\$46.12	\$502.00	\$414.03
2001	9.04%	\$55.42	\$613.00	\$426.45
2002	8.87%	\$37.87	\$427.00	\$427.00
2003	8.93%	\$47.42	\$531.00	\$439.81
2004	8.61%	\$61.86	\$727.00	\$453.00
2005	8.16%	\$56.63	\$694.00	\$466.59
2006	7.72%	\$53.57	\$694.00	\$480.59
2007	7.00%	\$53.62	\$766.00	\$495.01
2008	6.62%	\$52.43	\$792.00	\$509.86
2009	6.38%	\$49.76	\$780.00	\$525.16

"MARKET" FARM-USE VALUES 2009

TABLE #4

Values are in dollars		K		B		H	
Area	Class	Irrigated	Dry	Irrigated	Dry	Irrigated	Dry
A	I	680.00	408.00	523.60	394.40		
	II	680.00	408.00	523.60	394.40		
	III	523.60	340.00	462.40	319.60	340.00	210.80
	IV	414.80	224.40	401.20	210.80	292.40	183.60
	V	312.80	210.80	244.80	115.60	204.00	95.20
	VI	244.80	115.60	204.00	115.60	170.00	68.00
	VII						11.56
	VIII						6.12
	OSD						4000.00
	B	I	599.00	442.96	533.11	443.26	
II		599.00	443.26	533.11	443.26		
III		473.21	317.47	449.25	317.47	377.37	233.61
IV		449.25	263.56	371.38	239.60	317.47	143.76
V		371.38	215.64	293.51	149.75	257.57	113.81
VI		293.51	131.78	245.59	149.75	209.65	89.85
VII							37.74
VIII							22.76
OSD							4000.00
C		I	780.00	569.40	631.80	452.40	
	II	780.00	569.40	631.80	452.40		
	III	624.00	413.40	561.60	390.00	452.40	280.80
	IV	569.40	304.20	514.80	335.40	452.40	234.00
	V	413.40	304.20	390.00	288.60	390.00	179.40
	VI	296.40	210.60	280.80	179.40	280.80	140.40
	VII						25.74
	VIII						17.16
	OSD						4000.00

MEASURE 50 MAXIMUM SPECIAL ASSESSED VALUES
FARM-USE VALUES 1995 (Minus 10%) + 3% per year for 1998 – 2009

TABLE #5

Values are in dollars		K		B		H	
Area	Class	Irrigated	Dry	Irrigated	Dry	Irrigated	Dry
A	I	818.49	491.09	630.24	474.72		
	II	818.49	491.09	630.24	474.72		
	III	630.24	409.24	556.57	384.69	409.24	253.73
	IV	499.28	270.10	482.91	253.73	351.95	220.99
	V	376.50	253.73	294.65	139.14	245.54	114.58
	VI	294.65	139.14	245.54	139.14	204.62	81.84
	VII						13.91
	VIII						7.36
	OSD					ORS.308A.256	4000.00
	B	I	634.48	469.20	564.69	469.52	
II		634.48	469.52	564.69	469.52		
III		501.24	336.27	475.86	336.27	399.72	247.45
IV		475.86	279.17	393.38	253.79	336.27	152.28
V		393.38	228.41	310.90	158.62	272.83	120.55
VI		310.90	139.59	260.14	158.62	222.07	95.17
VII							39.97
VIII							24.11
OSD						ORS.308A.256	4000.00
C		I	525.16	383.37	425.38	304.59	
	II	525.16	383.37	425.38	304.59		
	III	420.13	278.33	378.12	262.58	304.59	189.06
	IV	383.37	204.81	346.61	225.82	304.59	157.55
	V	278.33	204.81	262.58	194.31	262.58	120.79
	VI	199.56	141.79	189.06	120.79	189.06	94.53
	VII						17.33
	VIII						11.55
	OSD					ORS.308A.256	4000.00

**JOSEPHINE COUNTY FARMLAND SOIL CLASS RELATIONSHIPS
BY ECONOMIC AREA A, B, AND C: NOTED IN PERCENTAGES**

Table #6

Area	Class	K		B		H	
		Irrigated	Dry	Irrigated	Dry	Irrigated	Dry
A	I	100%	60%	77%	58%		
	II	100%	60%	77%	58%		
	III	77%	50%	68%	47%	50%	31%
	IV	61%	33%	59%	31%	43%	27%
	V	46%	31%	36%	17%	30%	14%
	VI	36%	17%	30%	17%	25%	10%
	VII						1.7%
	VIII						0.9%
B	I	100%	74%	89%	74%		
	II	100%	74%	89%	74%		
	III	79%	53%	75%	53%	63%	39%
	IV	75%	44%	62%	40%	53%	24%
	V	62%	36%	49%	25%	43%	19%
	VI	49%	22%	41%	25%	35%	15%
	VII						6.3%
	VIII						3.8%
C	I	100%	73%	81%	58%		
	II	100%	73%	81%	58%		
	III	80%	53%	72%	50%	58%	36%
	IV	73%	39%	66%	43%	58%	30%
	V	53%	39%	50%	37%	50%	23%
	VI	38%	27%	36%	23%	36%	18%
	VII						3.3%
	VIII						2.2%

NOTES:

The values in this table were updated last year. Based on current sales, the values are still representative.