

NEBRASKA FARM BUREAU FEDERATION

2005 UPDATE
NEBRASKA
AGRICULTURAL
PROPERTY TAX
BURDEN ANALYSIS

A COMPARISON OF NEBRASKA AND THE
SURROUNDING STATES

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EXECUTIVE SUMMARY

In 2002, Nebraska Farm Bureau Federation commissioned a research study of agricultural property tax burdens in mid-western states. The first edition of that study was published in 2003. It included research and statistical data through the year 2001. This report and the accompanying statistical data represent the second edition of the study. This second edition updates the research to include data through 2003. The data and research methods are intended to be updated annually so as to create an ongoing resource of information related to agricultural property taxes in the Midwest.

It has been argued many times that Nebraska has high agricultural property taxes when compared to surrounding states. The purpose of this research is to understand how agricultural property taxes in Nebraska stack up against its neighbors and the policy decisions which lead Nebraska to that result. Understanding mid-western property taxes and tax burdens is a difficult task. Outside of effective levy measures this is the first research which attempts to cross state lines. The difficulties of overcoming differences in tax policy between states have led to the popularity of effective levy methods. Effective levy adjusts most policy differences away, allowing as much as possible for an apples and apples comparison across counties and/or states. Although effective levy does a fine job of comparison, it can sometimes be difficult to use from a policy evaluation standpoint. To extend the analogy, the world doesn't exist entirely of apples. Only by allowing both apples and oranges to exist can the consequences of different tax policies be seen.

The idea of allowing differences to exist so that they may be examined became a primary goal of this research. Hence the methodology shifted itself away from effective levy analysis and toward the policy components of property taxes. This research views property taxes as a whole, and agricultural property taxes specifically as consisting of two parts: value and rate. Value being the worth assigned to a particular piece of property, rate being the force with which government entities tax value.

Hence property taxes paid will rise or decline because of policy decisions regarding value and rate.

The result of this two-pronged research methodology is insight into the conscious and unconscious choices of state and local governments. With or without knowing it, governments control both value and rate, and often compensate for one with the other. Colorado and Kansas for example have high rates and low values, Minnesota has the opposite, high values and low rates. Nebraska is in fact shown to have the highest Ag property taxes in relation to other states included in this research. Further, it is often Nebraska's valuation policies that give rise to high property taxes. Nebraska has tax rates which are middle of the pack compared to neighboring states, unlike Colorado and Kansas, however, Nebraska does not compensate on the value side of the equation.

The information and methods used to arrive at the above conclusion are described in detail on the following pages. It is the hope of Farm Bureau and the researchers that this data be used as resource for citizens and policy makers in understanding tax policy decisions. Providing a basis for discussion and if need be change. It is further hoped that the updating of the information will provide a way to measure the effects, and track the progress of any changes that are made.

INTRODUCTION

It has often been asserted that Nebraska has a more significant agricultural property tax burden when compared to its immediate neighbors. This assertion has been based on a number of studies, federal statistics, and localized comparisons at the borders. Most problematic in demonstrating Nebraska agricultural producer claims of overly burdensome property taxes is that the necessary state by state data to make such assertions is both difficult to collect and compare. Each state has its own system and process for assessing property taxes. Comparability issues arise as a result that tend to weaken assertions of Nebraska's agricultural property tax fairness questions. The Nebraska Farm Bureau Federation commissioned the development of an analysis technique that would better address the data comparability issues between the states as well as demonstrate the relative burden on each state's agricultural producers. This report examines the summary findings of the research, the policy implications for Nebraska, and offers suggestions for further development of this analysis.

STUDY AREA

The study area for this research included Nebraska and the surrounding states, (Colorado, Iowa, Kansas, South Dakota, Minnesota & Wyoming). Each state posed its own set of data dilemmas and difficulties that included issues related to data collection and the delicate task of comparability. Missouri continues to be especially difficult to fit into the analysis model and is excluded from the analysis until such a time that the data can be sufficiently adapted to the comparability model. The resulting study area included over 530 counties in the seven state region.

METHODOLOGY

Attempting to quantify property taxes across states is difficult. Each state has a different tax

policy, and slightly different methods of categorizing and valuing land. The framework of this study must therefore exist with and account for those differences. The methodology of this study has two goals. First, to make property tax data comparable across different states, and secondly, to present the data in a manner which is similar to Nebraska and familiar to Nebraska's agricultural producers.

DATA

The data for this study came from many different sources that included state & federal agencies and reports. All data sources are cited in the bibliography. The one commonality is that each state provided its own tax data. In other words, data on valuation, levy and amounts of property tax for any given state were provided by an entity of government within that state. The population and income data used came from the United States Bureau of Economic Analysis. Data relating to the geography of the states came from US Department of Agriculture 2002 Census of Agriculture.

METHODS AND MEASUREMENT

Most methods used for this study have, in the past, been used in multi-state examinations of property taxes. In particular, the methods used to calculate tax rates in this study have been similarly conducted by previous researchers. However, these studies have typically measured property taxes based on levy alone. A 1993 study conducted by the Nebraska Legislature assumed a theoretical property, valued at similar amount in each state, and then calculated a theoretical tax rate based on tax information. The problem with this method is that it doesn't highlight differences in state tax policy. The 1993 study used survey data to adjust valuation levels between states, then calculated a theoretical tax rate based on survey of taxes actually collected. This method is commonly called an effective levy analysis. Although Nebraska is shown to have the highest tax burden in the 1993 study, the assumptions of effective levy analysis limit the usefulness of that result. As was stated earlier effective levy is fine for comparison. However making policy decisions and evaluations based upon

effective levy measures is a task that requires sophistication. Nebraska Farm Bureau commissioned the development of a method that maintains the comparability of effective levy, but also has more ready utility for its members in terms of policy decisions and evaluation.

When considering property taxes there are always two components: value and rate. Tax policies within each state control both of these components. Effective levy analysis combines policies of both value and rate into a single measure. Hence making policy decisions based on the 1993 study is difficult for Nebraska and for Farm Bureau, because it cannot tell specifically which tax policies to address: value or rate.

This research also utilizes levies or tax rates to express itself; however, it also adds the dimension of comparing valuation practices when looking at state tax policy. The method used here has three primary means of measuring property taxes and tax burden. Those methods are ***tax rate analysis, valuation and production correlation, taxes per producer,*** and ***taxes per average farm & producer.*** Tax rate analysis is the measure of rate policy within a state. Valuation and production correlation is an examination of valuation compared to production capability and measuring value policy within a state. Value and rate policy combine to produce a certain burden on tax payers. There are two primary measures of this hardship: taxes per average farm and taxes per producer. The two measures of hardship are very similar. Both are attempts to express the burden of property taxes on an individual level (that of a individual producer, and a single “average” farming operation). The reason for the two separate measures is that taxes per average farm involves geographic data collected from the Census of Agriculture. This census is conducted every five years, hence taxes per average farm could only be presented in five year intervals. Whereas taxes per producer involves population data collected from the Bureau of Economic Analysis. This data is available on a yearly basis, therefore allowing a measure of burden to be presented each year, instead of every five years. This study calculates the above measures for each state as a whole and each individual county within each state. An example of the calculation of each measure follows.

TAX RATE CALCULATION

Tax rates are calculated by dividing taxes collected by valuation and then multiplying by one hundred. The example below is the tax rate calculation for agricultural lands in Adams county Nebraska.

Example County: Ag Appraised Valuation: \$276,766,510.00

Ag Taxes Collected: \$4,961,254.19

Example County Tax Rate = $(\$4,961,254.19 / \$276,766,510.00) * 100 = \$ 1.79$

This number measures (in dollars per hundred) how heavily a parcel of property is taxed. This measure is “on average” since the valuation and amount of taxes collected have been summed for the county or state. Valuation and tax data from all other states necessarily had to be categorized by way the land is used (agricultural, commercial, residential, etc.) so as to be comparable to Nebraska. These “use classes” became the basis for distinguishing Ag property from other types of property.

The term “appraised ” value is used here to avoid confusion with the term “assessed value”. Appraised value is defined as the total value of all property as determined by county assessors with a particular use (commercial, residential, agricultural etc). Certain states tax only a percentage of value. Kansas is an example of such a state, taxing only thirty percent of the value assigned to agricultural pursuit. Hence in states such as Kansas, “assessed” value could be taken to mean taxable value, which is very different from appraised or market value.

VALUATION AND PRODUCTION CORRELATION

This measure compares taxable valuation per acre against a measure of production per acre. Gross production is defined as the sum of Income From Marketings and Government Payments from Bureau of Economic Analysis table CA 45. Production per acre is calculated by dividing gross production by the total Ag acres (total Ag acres are found in the 1997 Census of Agriculture).

Valuation per acre is calculated in similar manner, dividing appraised value by the total number of Ag acres.

Example County: Ag Appraised Valuation: \$276,766,510.00

Example County: Income From Marketings: \$162,472,000

Example County: Government Payments: \$8,251,000

Example County: Total Ag Acres (from Ag Census): 344,322

Average Value per Ag Acre = \$276,766,510.00 / 344,322 = \$803.80

Average Prod per Ag Acre = (\$162,472,000 + \$8,251,000) / 344,322 = \$495.82

This comparison allows, at least in relative terms, an analysis of how counties and states compare in their valuation practice as it relates to gross production. This measure is not meant as a method to assess the quality of valuation practices within a state. Nor is it to be interpreted in any way as an evaluation of the work done by county assessors. However, given that individual states have different policies and goals for valuation, it demonstrates the weight to which a state relies on valuation practice in generating taxes. It also reveals the importance of valuation methods in the ultimate tax burden on individual producers.

	Gross Prod/ Acre	Valuation/Acre	Ag Tax Rate
Nebraska	\$229.58	\$400.26	\$1.92
Example Co	\$495.82	\$803.80	\$1.79
Iowa	\$440.01	\$673.27	\$2.26

TAXES PER PRODUCER

Taxes per producer is calculated by dividing total agricultural taxes collected by the number of producers within a given state or county. The number of producers can be found in table CA 25 from the Bureau of Economic Analysis.

Example County: Ag Taxes Collected: \$4,961,254.19

Example County: Number of Producers: 571

Taxes Per Producer = (\$4,961,254.19 / 571) = \$8,688.71

This number measures the average amount of tax a single producer pays within a given county or state. This is also an “on average” measure, again due to the fact that taxes collected were summed and categorized.

TAXES PER AVERAGE FARM

Taxes per average farm are calculated by establishing the average valuation of the average size farm (in acres) in a given county and applying the tax rate.

Example County: Average Farm Size: 553 Acres (From Ag Census)

Example County: Ag Appraised Valuation: \$276,766,510.00

Average Value per Ag Acre = \$803.80 (Total Ag Value / Total Ag Acres)

Value of Average Farm: 553 X \$803.80 = \$444,502.18

Ag Tax Rate (from above): \$1.79

**Example County Tax per Avg. Farm =
(Value/100) X Levy = \$444,502.18/100 X 1.79 = \$7,967.73**

This number is the average tax paid on the average sized farm in the county and establishes a point to compare other average operations in other states and counties. The average farm concept helps to standardize the results as a given size of operation in various situations and areas. The average farm certainly differs as size of operation is dependent upon the type of crop or livestock. Naturally, ranches are generally larger than row crop farms but each is assumed to produce enough to support a single farm operator. As one might also expect, farms in Iowa tend to be smaller than farms in western Kansas although both may have a similar gross production for the operation. The assumption also is that the value per acre on more productive land will be higher.

The end result of these calculations is a three dimensional measure (rate analysis, valuation and production correlation, and taxes per average farm or producer). The rate and valuation analysis combine to quantify a particular state's property tax policy. The tax per average farm establishes a measure that examines the burden on a given farm or ranch and allows a relative comparison of viable size agricultural operations. Tax per producer establishes a similar measure that examines the burden on a single person. An examination of all of measures allows us to better understand the intricacies of the policy issues that need to be addressed. Methodologically speaking, these are relatively simple to understand and replicate. As a result, the method is something that can begin to set a baseline for comparison and a tool to evaluate the nature of tax policy changes over time.

TAX RATE ANALYSIS

The *tax rate analysis* is first of the measures of tax burden this study has addressed. The tax rate measures how state and local tax policies combine to tax real property within a given county. In other words, tax rate is the measure of how forcefully the value of real property is taxed. This measure of force combined with measures of the number of individuals or operations bearing that force is the primary methodology of this study. Two different tax rates are presented on the following pages. The first, Total Tax Rates, presents a broad perspective of state tax policy. In this measure every dollar of property tax levied within the state is divided by the total assessed valuation within the state. The second measure, Ag Tax Rates, is calculated the same way except that only land dedicated to agricultural pursuit is considered. A comparison of the total rate with the ag rate demonstrates how states treat ag property tax payers as compared with the state as a whole.

FINDINGS

Measures of tax rate place Nebraska in the middle of the road as compared to other states (see following pages for graphs and tables). For most years Nebraska is fourth out of the seven states for

both measures. Nebraska was trending downward on these measures primarily because of downward changes in the levy limits of school districts and other political subdivisions within the state. However, Nebraska tax rates rose in 2002 and 2003 because the Legislature allowed these limits to increase in the last two legislative sessions. Most other states hold steady or trend slightly downward on rate measures. This suggests that those states have not experienced any major shifts in tax policy. The exceptions are Minnesota and South Dakota, which trend downward more sharply on both measures in 2002 and 2003. This suggests that Minnesota and South Dakota, like Nebraska, may have undergone significant tax policy changes during the last few years. The fact that Minnesota and South Dakota have declined while Nebraska has grown slightly has caused Nebraska's average tax rate to rank second highest in 2003. However, Nebraska's rank in terms of Ag tax rate has remained unchanged throughout the years presented. Nebraska continues to be in the middle; ranked fourth out of the seven states presented for all years.

BORDER COUNTIES

Ag producers who own land across state lines have noticed significant differences in the amount of taxes levied between states. Answering the question of why is one of the primary reasons this research was undertaken. Hence, counties that border Nebraska will receive special attention.

Overall Nebraska's border counties do not differ significantly from the state averages on either measure of tax rate. Nebraska still tends to be in the middle of the pack compared to other states, and has trended downward on both measures from 1997 to 2001. Trending slightly upward again in 2002 and 2003. Again this is due mostly to changes in the funding formula for the state's public schools.

Except for Kansas the same is true of the other states. Those counties in Kansas that border Nebraska tend to have slightly higher than average Ag tax rates when compared to the statewide measure. Kansas, in general, has high Ag tax rates because they have not focused on tax rate policy as a means to diminish tax burden. Presumably this is a policy choice in Kansas that reflects a valuation

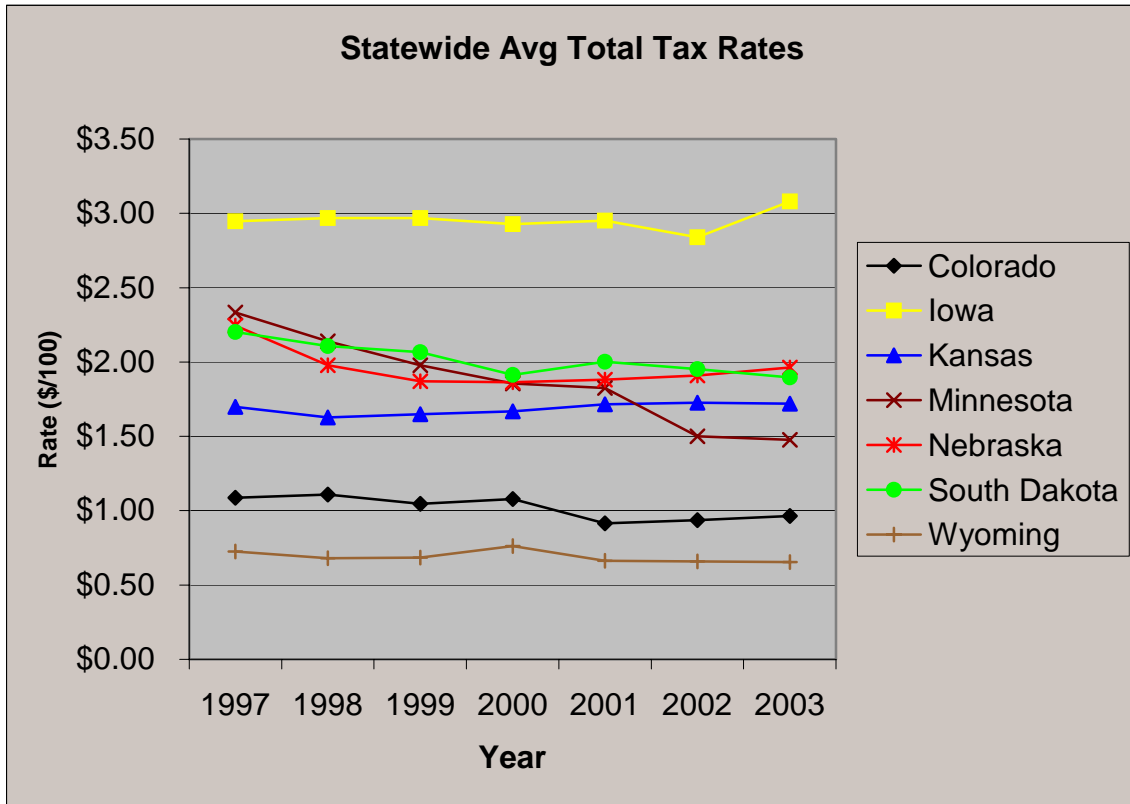
policy that is advantageous to agricultural land owners in the combined impacts of rate and valuation policy. This does not mean that taxes are higher in Kansas. Rather it means that relative to other classes of property, Kansas can and does apply an aggressive rate on Ag land because there are other types of property (commercial, residential, etc.) that carry a more substantial valuation load. This combined effect is more obvious in the following sections.

PEER COUNTIES

Another way to compare data between states is to consider counties that have similar characteristics. Counties in this study were categorized according to the percentage of appraised value dedicated to Agriculture. By comparing counties with these similar characteristics one can see how state tax policies affect counties with differing demographic and economic situations. In particular counties that have differing percentages of land dedicated to agriculture.

Examining peer counties, one begins to see why Nebraska has high property taxes and particularly high Ag property taxes. When considering total tax rates of peer counties Nebraska ranks between second and fourth in total across all percentage categories. Again Nebraska tends to be toward the middle of the pack when compared to similar counties in other states. The same things are true for Ag tax rates. So what we see is that Nebraska tends to hold a fairly constant position relative to other states no matter how counties are grouped.

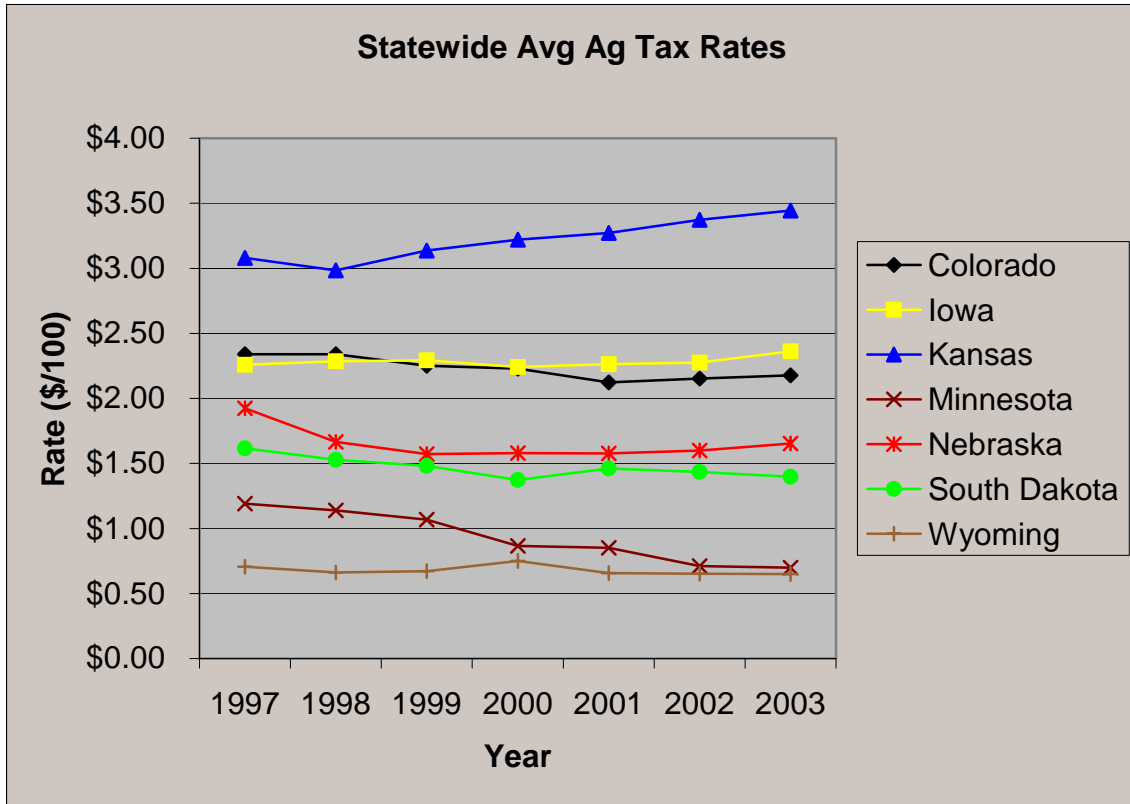
Figure 1: Statewide Total Tax Rates



Statewide Total Tax Rates

	1997	1998	1999	2000	2001	2002	2003
Colorado	\$1.09	\$1.11	\$1.05	\$1.08	\$0.92	\$0.94	\$0.96
Iowa	\$2.95	\$2.97	\$2.97	\$2.93	\$2.95	\$2.84	\$3.08
Kansas	\$1.70	\$1.63	\$1.65	\$1.67	\$1.72	\$1.73	\$1.72
Minnesota	\$2.33	\$2.14	\$1.98	\$1.86	\$1.83	\$1.50	\$1.48
Nebraska	\$2.25	\$1.98	\$1.87	\$1.86	\$1.88	\$1.91	\$1.96
South Dakota	\$2.20	\$2.11	\$2.07	\$1.91	\$2.00	\$1.95	\$1.90
Wyoming	\$0.73	\$0.68	\$0.69	\$0.76	\$0.66	\$0.66	\$0.65

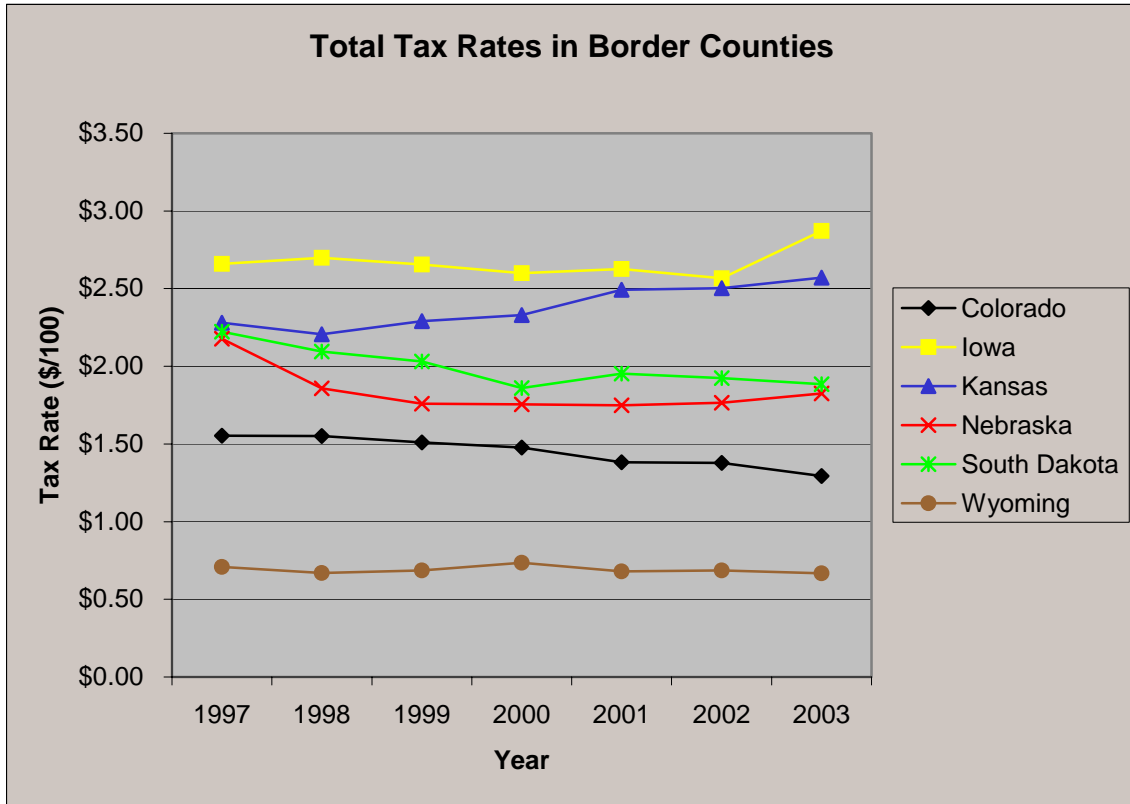
Figure 2: Statewide Ag Tax Rates



Statewide Ag Tax Rates

	1997	1998	1999	2000	2001	2002	2003
Colorado	\$2.34	\$2.34	\$2.25	\$2.23	\$2.12	\$2.15	\$2.18
Iowa	\$2.26	\$2.29	\$2.29	\$2.24	\$2.26	\$2.27	\$2.36
Kansas	\$3.08	\$2.99	\$3.14	\$3.22	\$3.27	\$3.37	\$3.44
Minnesota	\$1.19	\$1.14	\$1.07	\$0.87	\$0.85	\$0.71	\$0.70
Nebraska	\$1.92	\$1.67	\$1.57	\$1.58	\$1.58	\$1.60	\$1.65
South Dakota	\$1.62	\$1.53	\$1.48	\$1.37	\$1.46	\$1.43	\$1.40
Wyoming	\$0.71	\$0.66	\$0.67	\$0.75	\$0.66	\$0.65	\$0.65

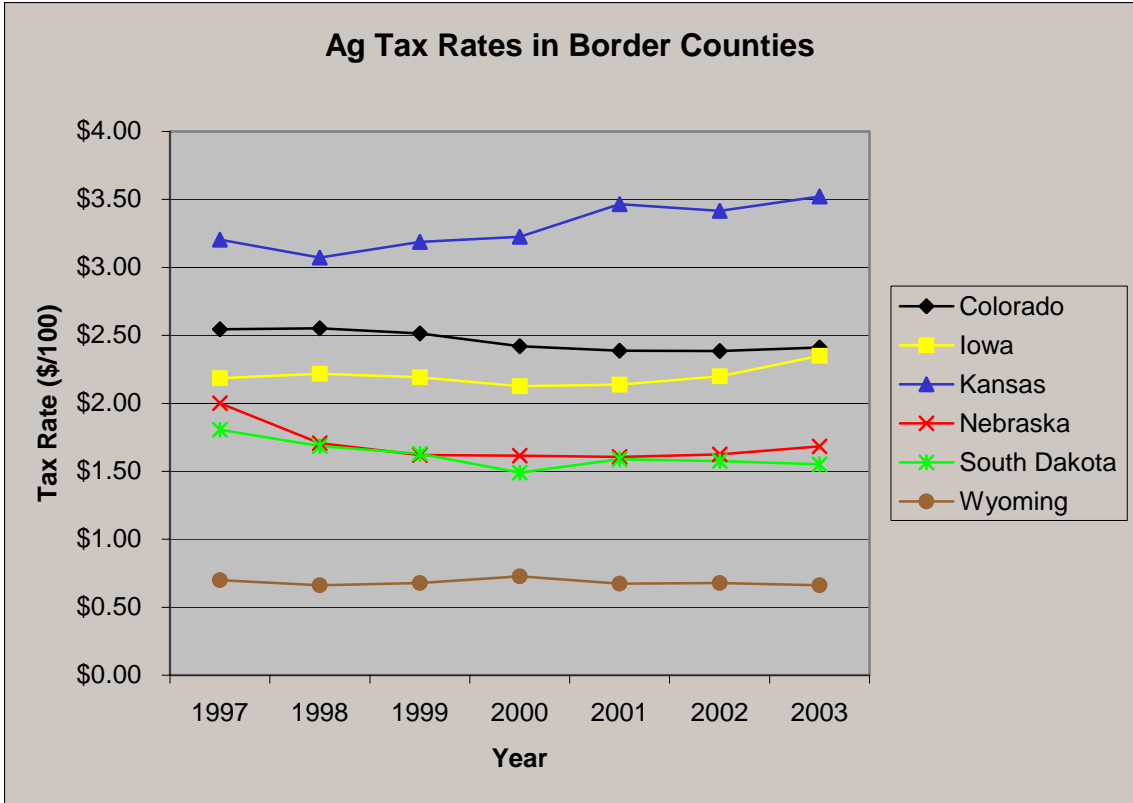
Figure 3: Total Tax Rates in Border Counties



Border Cty Total Tax Rates

	1997	1998	1999	2000	2001	2002	2003
Colorado	\$1.55	\$1.55	\$1.51	\$1.48	\$1.38	\$1.38	\$1.29
Iowa	\$2.66	\$2.70	\$2.66	\$2.60	\$2.63	\$2.57	\$2.87
Kansas	\$2.28	\$2.21	\$2.29	\$2.33	\$2.49	\$2.50	\$2.57
Nebraska	\$2.18	\$1.86	\$1.76	\$1.76	\$1.75	\$1.77	\$1.83
South Dakota	\$2.22	\$2.10	\$2.03	\$1.86	\$1.95	\$1.92	\$1.88
Wyoming	\$0.71	\$0.67	\$0.69	\$0.74	\$0.68	\$0.69	\$0.67

Figure 4: Ag Tax Rates in Border Counties



Border Cty Ag Tax Rates

	1997	1998	1999	2000	2001	2002	2003
Colorado	\$2.54	\$2.55	\$2.51	\$2.42	\$2.39	\$2.38	\$2.41
Iowa	\$2.18	\$2.22	\$2.19	\$2.13	\$2.14	\$2.20	\$2.35
Kansas	\$3.20	\$3.07	\$3.19	\$3.23	\$3.47	\$3.42	\$3.52
Nebraska	\$2.00	\$1.71	\$1.62	\$1.62	\$1.61	\$1.62	\$1.68
South Dakota	\$1.81	\$1.69	\$1.63	\$1.49	\$1.59	\$1.57	\$1.55
Wyoming	\$0.70	\$0.66	\$0.68	\$0.73	\$0.67	\$0.68	\$0.66

VALUATION AND PRODUCTION ANALYSIS

Burden as expressed by the previous discussion of methodology is a product of the both tax rate and valuation. The combined policy impacts of the rate and value are obviously both important to the ultimate burden calculated as taxes per producer and/or average farm. For this piece of analysis the valuation per acre is compared to a gross production per acre in the table on the following pages.

FINDINGS

By comparing value and production on a per acre basis one can begin to understand the impact value has upon overall tax burden. Nebraska, taken as a whole, has valuation levels that run approximately 225% above estimated production levels in 2002. Only South Dakota (approximately 278% above production levels) and Minnesota (almost 460% above production levels) exceed the comparison found in Nebraska. Both Minnesota and South Dakota however, have tax rates which are far below those found in Nebraska. This indicates that the value side of the tax equation is having a great amount of influence on the overall picture of Ag property taxes.

For instance, a direct comparison of Nebraska to Kansas demonstrates that Kansas focuses its policy efforts on minimizing agricultural land values. The Ag tax rate in Kansas ranks higher than any other state. Yet the average farm in Kansas is slightly smaller than an average farm in Nebraska but valued at less than a fourth of the Nebraska operation for taxation purposes.

Overall Nebraska ranks 3rd in gross production per acre; 3rd in valuation per acre and 4th in Ag Tax Rate. All of these measures are seemingly in the middle of the road. However, the combined impacts of value and levy and the inclusion of average farm size demonstrate that taxes per producer or per farm basis; Nebraska Ag taxes are likely to be substantially more onerous than its neighbors to the south and west. This is because Nebraska makes no particular compensations on either value or rate as other states do.

Figure 5: Valuation per Acre Statewide 2002

	Gross Prod/ Acre	Valuation/Acre	Ag Tax Rate	Avg Size (acres) 2002
Colorado	\$170.52	\$88.84	\$2.15	991
Iowa	\$373.38	\$783.46	\$2.27	350
Kansas	\$188.81	\$127.55	\$3.37	733
Minnesota	\$298.91	\$1,365.40	\$0.71	340
Nebraska	\$226.59	\$506.76	\$1.60	930
South Dakota	\$98.47	\$274.19	\$1.43	1380
Wyoming	\$26.83	\$43.56	\$0.65	3651
Avg	\$197.64	\$455.68	\$1.74	1,196.43

Figure 6: Production and Taxation of Average Farm Statewide 2002

	Avg Size (acres) 2002	Gross Prod of Avg Farm 2002	Valu of Avg Farm 2002	Ag Tax Rate 2002	Taxes of Avg Farm 2002
Colorado	991.00	\$168,982.27	\$88,044.00	\$2.15	\$1,894.76
Iowa	350.00	\$130,683.25	\$274,210.97	\$2.27	\$6,236.75
Kansas	733.00	\$138,399.61	\$93,494.81	\$3.37	\$3,153.32
Minnesota	340.00	\$101,629.00	\$464,234.78	\$0.71	\$3,304.06
Nebraska	930.00	\$210,725.03	\$471,290.75	\$1.60	\$7,535.37
South Dakota	1,380.00	\$135,885.68	\$378,380.67	\$1.43	\$5,422.60
Wyoming	3,651.00	\$97,964.17	\$159,034.38	\$0.65	\$1,037.71

AG PROPERTY TAXES PER PRODUCER & AVERAGE FARM ANALYSIS

The Ag Property Taxes of Average Farm and per Producer is the third and final type of measure this study is concerned with. The tax rate analysis measures the force with which state and local tax policies combine to tax real property. Value and production correlation quantify the amounts to which the force of rate is applied. Now taxes per farm or per producer aim to quantify the level of hardship felt by citizens in paying property taxes. In other words, both measures attempt to discern how the combination of value and rate policy feels to the people who must bear it.

In the taxes per average farm measure, valuation per acre is applied to the average number of acres within the county. The tax rate is then applied to this theoretical valuation. The measure of taxes per farm is valid for only 2002 valuation and tax information (due to the 5 year increments of the Ag census).

The taxes per producer measure was derived by dividing the total Ag taxes collected in a given state or county by the number of producers in that area. Unlike taxes of average farm, this measure is calculated every year.

FINDINGS

Measures of Ag property tax per average farm and per producer place Nebraska with higher Ag property taxes than any other state (see following pages for graphs and tables). On a statewide average basis, Nebraska measures a tax per farm that is approximately sixteen hundred dollars higher than second place Iowa across the seven states presented. Tax per producer yields a similar result. In this measure Nebraska is approximately eighteen hundred dollars higher than second place Iowa.

On an individual county level, of the top 25 highest tax per farm counties, 19 are Nebraska counties (including all of the top 10!). There can be no trend analysis of this measure because this measure is only valid for 2002. Again measures of tax per producer also yield similar results, with

Nebraska having 21 out of the top 25 counties (including all of the top 10!).

The tables on the following pages list the top twenty-five counties in the study area in the measure of taxes per average farm and tax per producer. Nebraska accounts for 19 to 21 of these counties (depending on which measure). The variety of operations obviously includes the large average size of ranches in Nebraska's cattle production dominated sandhills as well as the row crop dominated counties of central and eastern Nebraska. Valuation practices also tend to dominate the property tax equation in Iowa as four of the other six top counties in this measure are from Iowa. Minnesota has apparently undertaken substantial policy change in the last two or three years and as a result has all but disappeared from both lists. A look at the valuation of the average farm in the one remaining Minnesota county (Mahnomon) and its Ag tax rate demonstrates that a low rate and high valuation obviously still lead to a significant tax burden. Nebraska's combined middle of the road approach has the same result.

The conclusion of such a measure, and the combined impacts of rate and valuation, is that valuation practice is the more substantial indicator of high property taxes. Nebraska's underlying philosophy has been to assess value based on market approaches while only some of the neighboring states seem to have that philosophy. As valuation is so substantial to eventual burden, political efforts to control burden on the tax rate side may have a limited and diminishing impact as has been apparent in recent years in Nebraska.

BORDER COUNTIES

On average Nebraska's border counties tend to have lower than average taxes per farm and producer than the state as a whole; about four to five hundred dollars less. Nebraska tends to run second to Iowa on taxes per farm averages when considering only border counties by approximately a thousand dollars per farm. Still Nebraska and Iowa have taxes per farm and producer averages that tend to be higher than other states.

The other border states, Kansas, Colorado, and Wyoming feature a slightly different story than Nebraska. Border counties in these states tend to have slightly higher than average taxes when compared to the statewide measures. However, those taxes are far less than Nebraska and Iowa. On average, taxes per farm along Nebraska's border counties tend to run \$2,700 higher than border counties in Colorado, about \$2,800 more than in Kansas, and a whopping \$5,800 more than in Wyoming in 2002. When considering tax per producer Nebraska's border counties run approximately \$4,100 higher than Colorado, around \$3,700 higher than Kansas, and \$6,300 more than Wyoming in 2003.

PEER COUNTIES

Examining peer counties, once again Nebraska has high taxes per farm and producer. Examining measures of tax per farm, Nebraska counties rank between first and third among border states across all valuation categories. Nebraska runs second to Iowa across all valuation categories except one (Nebraska is third behind Iowa and South Dakota for counties with between twenty-five and fifty percent Ag land). The amount of tax per farm and producer in Nebraska tend to be \$200 to \$5,000 dollars higher than similar counties in border states except Iowa. The amount of disparity tends to decrease as the percentage of valuation devoted to Ag land increases. This happens because as the percentage of Ag valuation increases the county becomes more and more dependent on taxing Ag land. The general conclusion is that Nebraska is being asked to do more with less. Nebraska is a very Ag dependent state and it has relatively few producers among which to spread that dependence. Also counties in other states begin to look more like Nebraska counties as they become more Ag dependent.

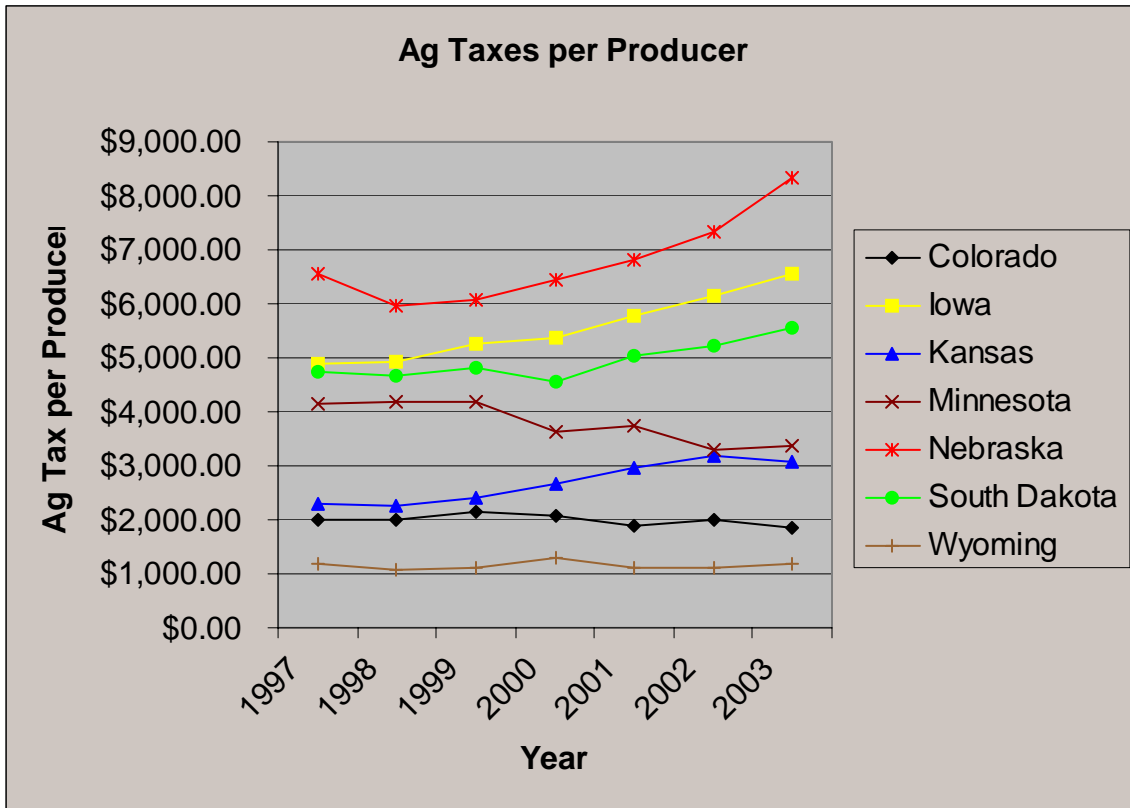
Figure 7: Top 25 Counties, Taxes per Average Farm

Rank	County	State	Avg Farm Size 2002 (Acres)	Prod of Avg Farm 2002	Valu of Avg Farm 2002	Ag Tax Rate 2002	Taxes of Avg Farm 2002
1	Cherry	NE	6,781.00	\$196,427.71	\$1,042,574.48	\$1.42	\$14,752.55
2	York	NE	573.00	\$317,236.05	\$896,031.31	\$1.58	\$14,133.53
3	Kearney	NE	804.00	\$545,835.53	\$858,630.78	\$1.64	\$14,062.34
4	Fillmore	NE	729.00	\$290,037.49	\$845,729.72	\$1.63	\$13,750.61
5	Grant	NE	6,711.00	\$150,116.24	\$900,655.13	\$1.50	\$13,531.16
6	Chase	NE	1,655.00	\$345,573.38	\$845,721.58	\$1.48	\$12,541.74
7	Phelps	NE	779.00	\$802,328.26	\$826,931.18	\$1.51	\$12,508.69
8	Garden	NE	4,237.00	\$231,527.89	\$690,421.66	\$1.77	\$12,246.85
9	Clay	NE	744.00	\$357,963.24	\$707,114.80	\$1.63	\$11,516.86
10	Hamilton	NE	577.00	\$278,308.23	\$817,987.40	\$1.41	\$11,504.96
11	Greene	IA	477.00	\$165,139.59	\$452,796.25	\$2.53	\$11,468.55
12	Dawson	NE	867.00	\$568,438.67	\$669,866.70	\$1.68	\$11,267.16
13	Dundy	NE	2,164.00	\$369,499.45	\$707,312.52	\$1.58	\$11,185.93
14	Hall	NE	531.00	\$287,316.79	\$668,446.80	\$1.67	\$11,184.88
15	Arthur	NE	5,740.00	\$184,547.56	\$837,641.43	\$1.31	\$10,949.51
16	Sully	SD	2,515.00	\$219,829.88	\$1,006,581.35	\$1.08	\$10,821.68
17	Blaine	NE	4,162.00	\$159,462.55	\$685,288.99	\$1.50	\$10,251.21
18	Hamilton	IA	437.00	\$266,344.41	\$418,602.52	\$2.43	\$10,182.78
19	Gosper	NE	1,084.00	\$235,307.08	\$608,948.27	\$1.66	\$10,129.81
20	Mahnomen	MN	537.00	\$57,725.28	\$1,557,452.40	\$0.65	\$10,122.16
21	Hooker	NE	5,233.00	\$107,292.81	\$684,774.64	\$1.47	\$10,077.27
22	Wright	IA	459.00	\$221,806.38	\$450,042.19	\$2.21	\$9,964.20
23	Adams	NE	614.00	\$286,063.38	\$618,940.84	\$1.60	\$9,925.92
24	Franklin	NE	876.00	\$161,395.37	\$559,684.89	\$1.76	\$9,823.36
25	Monona	IA	628.00	\$158,909.94	\$433,350.08	\$2.25	\$9,747.64

Figure 8: Top 25 Counties, Taxes per Producer

Rank	County	State	Ag Tax Rate 2003	Taxes per Producer 2003
1	Arthur	NE	\$1.50	\$15,461.32
2	Cherry	NE	\$1.46	\$14,898.39
3	York	NE	\$1.60	\$13,784.93
4	Grant	NE	\$1.67	\$13,749.61
5	Fillmore	NE	\$1.63	\$13,321.76
6	Kearney	NE	\$1.67	\$13,298.34
7	Clay	NE	\$1.64	\$13,268.57
8	Chase	NE	\$1.55	\$13,200.10
9	Phelps	NE	\$1.60	\$13,065.40
10	Gosper	NE	\$1.65	\$12,571.82
11	Hamilton	NE	\$1.49	\$12,563.18
12	Dawson	NE	\$1.71	\$11,954.55
13	Wheeler	NE	\$1.48	\$11,547.15
14	Buffalo	SD	\$1.28	\$11,429.98
15	Garden	NE	\$1.81	\$11,354.72
16	Greene	IA	\$2.65	\$11,300.00
17	Burt	NE	\$1.70	\$11,232.05
18	Wright	IA	\$2.30	\$11,166.53
19	Adams	NE	\$1.66	\$11,048.73
20	Logan	NE	\$1.52	\$10,995.09
21	Hall	NE	\$1.72	\$10,861.46
22	Hamilton	IA	\$2.48	\$10,831.06
23	McPherson	NE	\$1.34	\$10,746.49
24	Dundy	NE	\$1.62	\$10,399.88
25	Hooker	NE	\$1.56	\$10,334.79

Figure 9: Ag Taxes per Producer Time Series



Statewide Ag Taxes per Producer

	1997	1998	1999	2000	2001	2002	2003
Colorado	\$2,005.68	\$2,005.97	\$2,137.80	\$2,082.87	\$1,901.62	\$1,982.37	\$1,840.62
Iowa	\$4,885.60	\$4,928.88	\$5,240.84	\$5,382.96	\$5,773.17	\$6,143.58	\$6,539.67
Kansas	\$2,295.58	\$2,240.83	\$2,416.91	\$2,664.39	\$2,969.59	\$3,193.87	\$3,057.28
Minnesota	\$4,153.09	\$4,170.83	\$4,201.83	\$3,637.68	\$3,726.61	\$3,306.94	\$3,372.15
Nebraska	\$6,566.15	\$5,979.12	\$6,068.82	\$6,453.31	\$6,812.58	\$7,331.13	\$8,334.26
South Dakota	\$4,736.66	\$4,650.90	\$4,822.29	\$4,550.14	\$5,021.46	\$5,235.85	\$5,567.58
Wyoming	\$1,167.70	\$1,081.85	\$1,117.75	\$1,290.57	\$1,098.75	\$1,102.39	\$1,180.91

CONCLUSION

Why is Nebraska's tax problem so pronounced? In Nebraska, the number of farm proprietors has decreased by 5,157 people from 1997 to 2003. Only Iowa lost more (approximately 5,700), and still Iowa has nearly double the number of producers Nebraska has. Also, on average, Nebraska tends to have valuations running approximately 225% of estimated production levels. Therefore when valuation and levy practices are combined, agriculture is taxed at higher levels in Nebraska than any other state included in this research. Thirdly, Ag dependence is more an issue for Nebraska than any other Midwest state. There are quite a few counties, which are comprised seventy-five percent or more of Ag land (Nebraska has 21 such counties). This means that agriculture and farmers support local infrastructure alone. Add to this fact that the number of producers is decreasing, and the tax paid by each remaining operation or producer must necessarily increase.

Consider the analogy of trying to lift a heavy object. The taxes required to operate local government units would be the object that must be lifted. The weight of Nebraska's object ranks in the middle, yet there are very few people to lift it. Specifically in the case of agricultural land owners, the total weight is significant as a result of the overall value attributed to Ag land.

Looking at the data one gets a sense of how unique Nebraska really is. Agriculture alone must fund the infrastructure of many counties in Nebraska. This coupled with the fact that many of these counties are losing producers forces Nebraska's tax burden to look bad when compared to surrounding states. So how can Nebraska improve its property tax situation? It's not going to be done simply with relief programs or property tax subsidies. The fact that Nebraska is a rural state means that it must maintain infrastructure in places where it is costly to do so. Hence, Nebraska must work on improving the quality of its farming operations. Programs designed to stimulate population growth and Ag income in rural areas will be of paramount importance. These types of programs will bring more people and money to spread the weight of property taxes out, and will make farming operations more profitable and more able to bear the property tax load.