

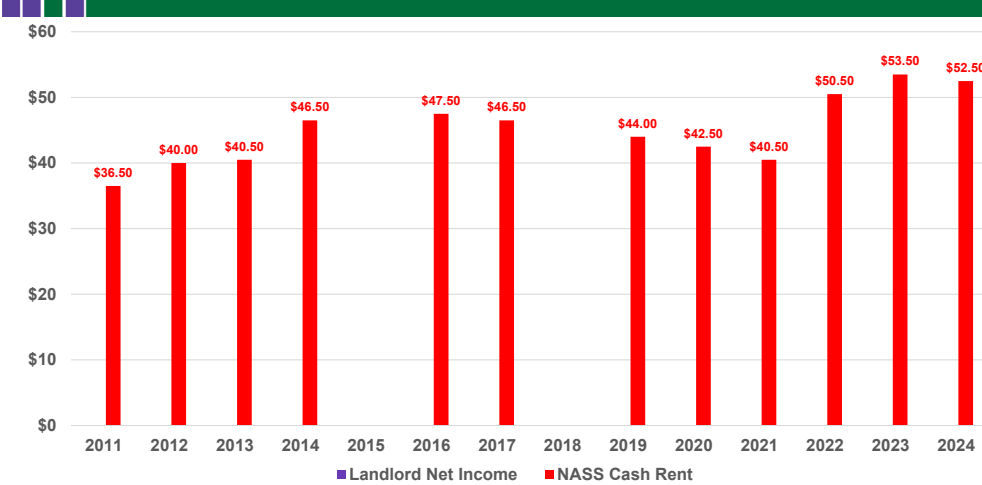
Introduction

2024 Agricultural Net Income Situation for Property Tax Calculations

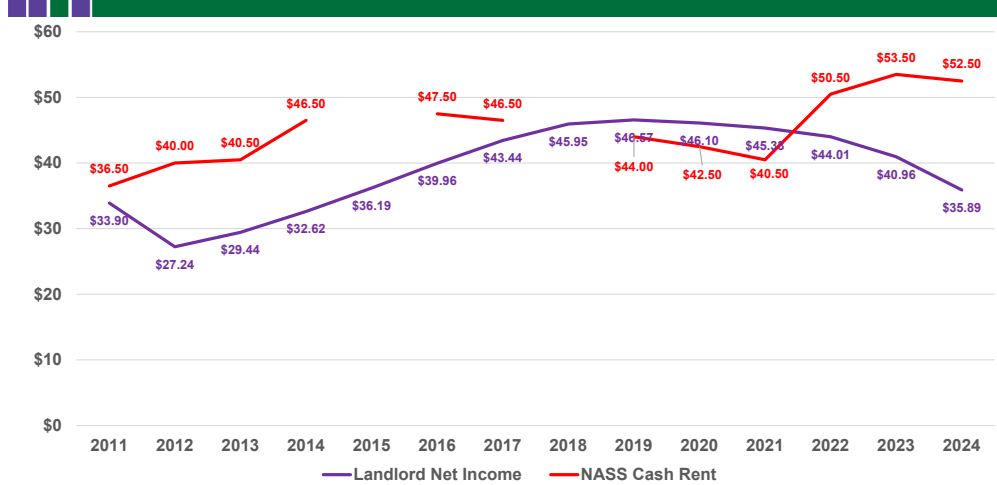
Allen M. Featherstone
and
Leah J. Tsoodle

- Paradox between Expected Returns to Land and Property Tax Appraisals
- Calculation of Landlord Net Income for Property Tax Considerations
- Current Situation

Cash Rent and Landlord Net Income Barton County



Cash Rent and Landlord Net Income Barton County



Definition of the Landlord Net Income

- Process set forth in K.S.A. 79-1476

The share of *net income* from land in the various land classes within each county or homogeneous region which is *normally received by the landlord* shall be used as the basis for determining agricultural income for all land devoted to agricultural use except pasture or rangeland. *The net income normally received by the landlord from such land shall be determined by deducting expenses normally incurred by the landlord from the share of the gross income normally received by the landlord.* The net rental income normally received by the landlord from pasture or rangeland within each county or homogeneous region shall be used as the basis for determining agricultural income from such land.



Definition of the Landlord Net Income

- Process set forth in K.S.A. 79-1476

The *net rental income* from pasture and rangeland which is normally received by the landlord shall be determined by deducting expenses normally incurred from the gross income normally received by the landlord. Commodity prices, crop yields and pasture and rangeland rental rates and expenses shall be based on an average of the eight calendar years immediately preceding the calendar year which immediately precedes the year of valuation.



Definition of the Landlord Net Income

- Process set forth in K.S.A. 79-1476

Net income for every land class within each county or homogeneous region shall be capitalized at a rate determined to be the sum of the contract rate of interest on new federal land bank loans in Kansas on July 1 of each year averaged over a five-year period which includes the five years immediately preceding the calendar year which immediately precedes the year of valuation, plus a percentage not less than 0.75% nor more than 2.75%, as determined by the director of property valuation, *except that the capitalization rate calculated for property tax year 2003, and all such years thereafter, shall not be less than 11% nor more than 12%.*



Definition of the Landlord Net Income

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The term "expenses" shall mean those expenses typically incurred in producing the plants, animals and horticultural products described above including management fees, production costs, maintenance and depreciation of fences, irrigation wells, irrigation laterals and real estate taxes, but the term shall not include those expenses incurred in providing temporary or permanent buildings used in the production of such plants, animals and horticultural products.



Definition of the Landlord Net Income

- Landlord's share is computed
- Yields are adjusted by soil quality normalized to the county average
- **Yields are county average T-yields; an expectation rather than actual yield.**
 - County level yield data is not available for many counties
 - Change occurred beginning in 2016 at PVD directive
- Crop mix is made up of crops with 5% more of the total planted acres in a county
- **Government program payments are excluded**
- Crop insurance transactions are excluded

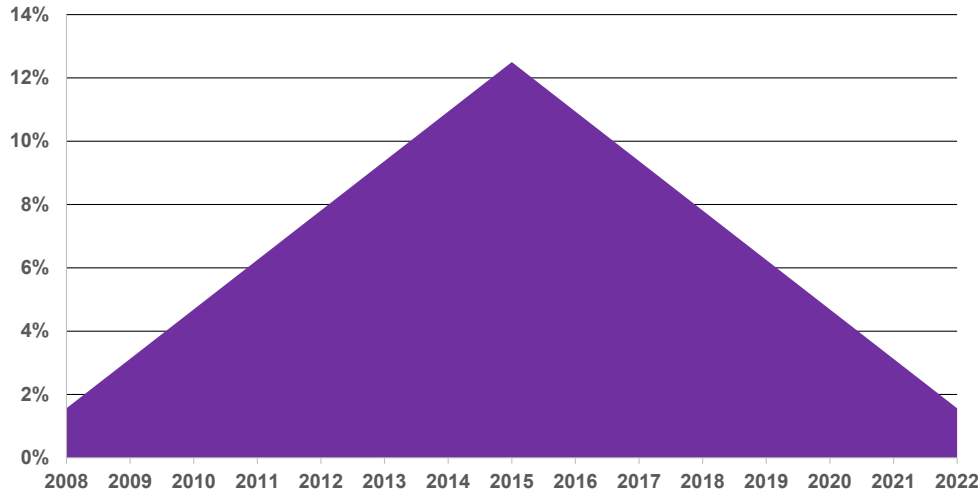


Property Tax Computation

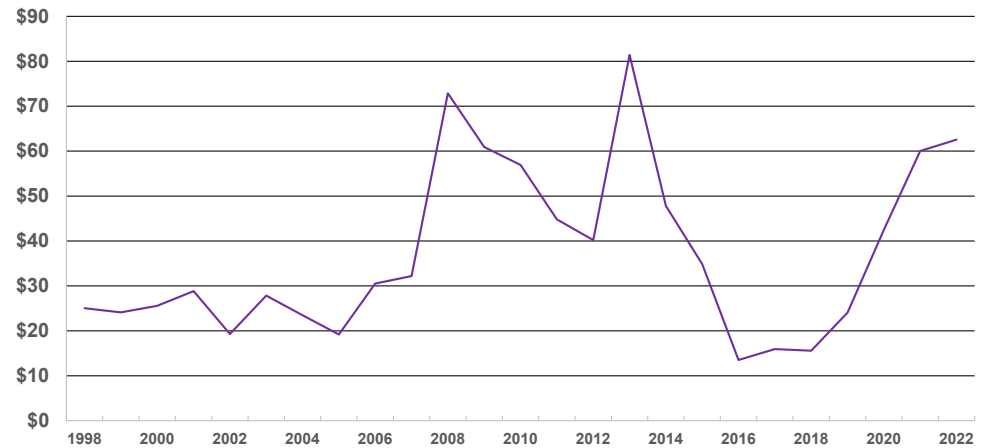
- Defined as the eight-year average of eight-year average of return to landlord
- This eight-year average is then capitalized at the statute defined capitalization rate
- Process places a weight on middle years of the process
- Designed to have a more smoothing effect on tax values
- Landlord net return made up of last 15 years return to the landlord
 - The 2024 Landlord Net Income made up of individual values from 2008 - 2022



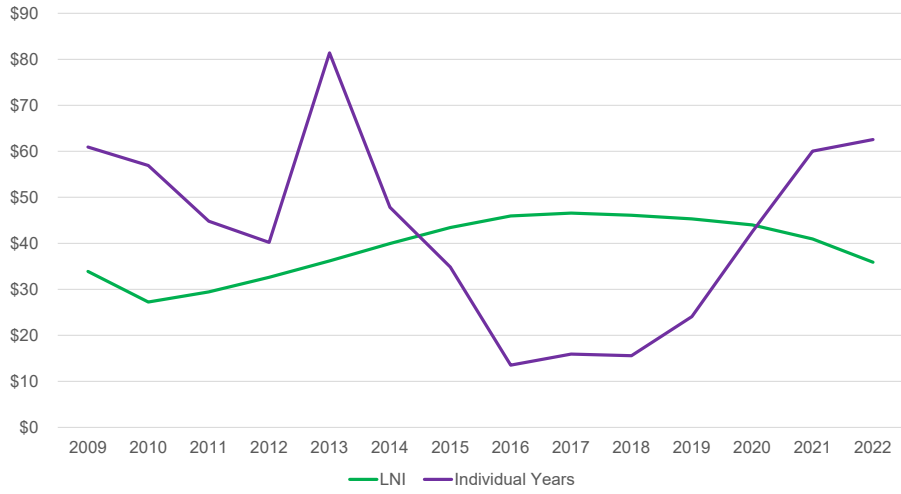
Property Tax Computation Process Eight Year Average of an Eight Year Average



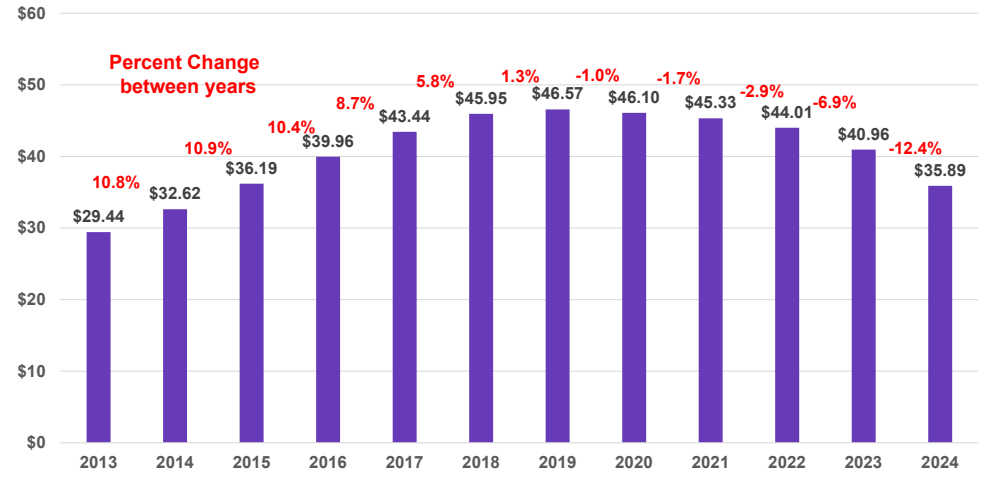
Non-irrigated Single Year Landlord Return for Barton County, 1998 - 2022 (Central Kansas)



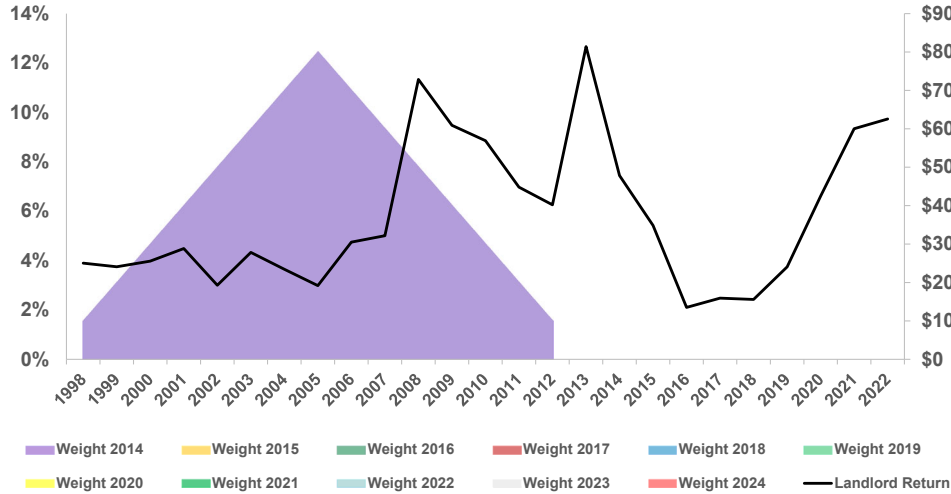
Non-irrigated Single Year Landlord Return and LNI for Barton County, 2009 - 2022



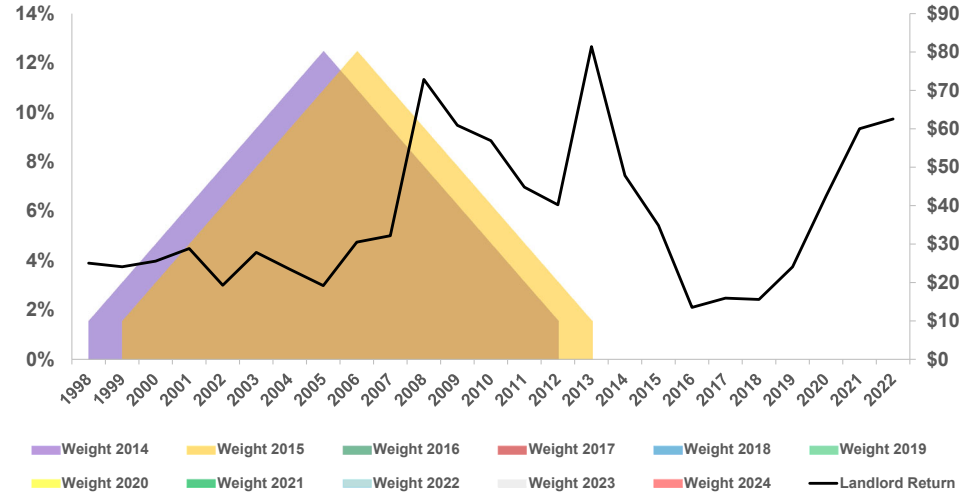
One Year Percentage Change for Barton County



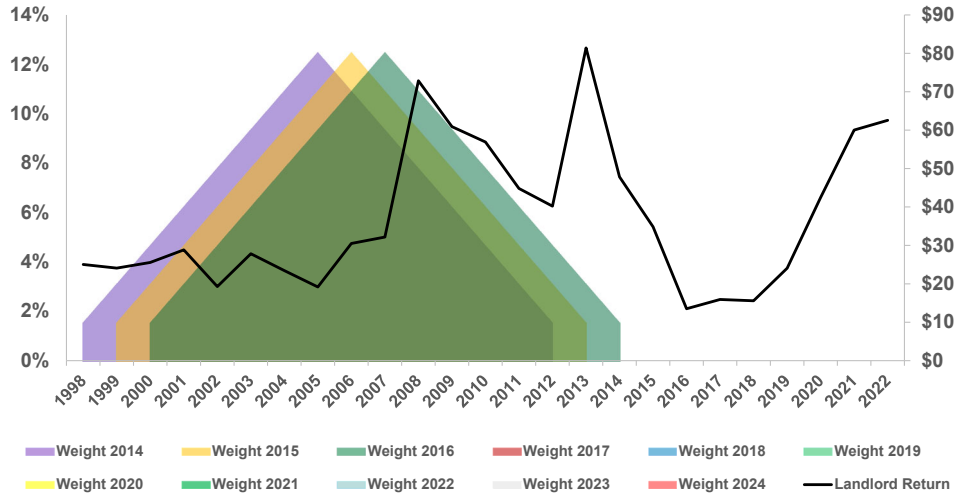
Non-irrigated Computation Process for Barton County



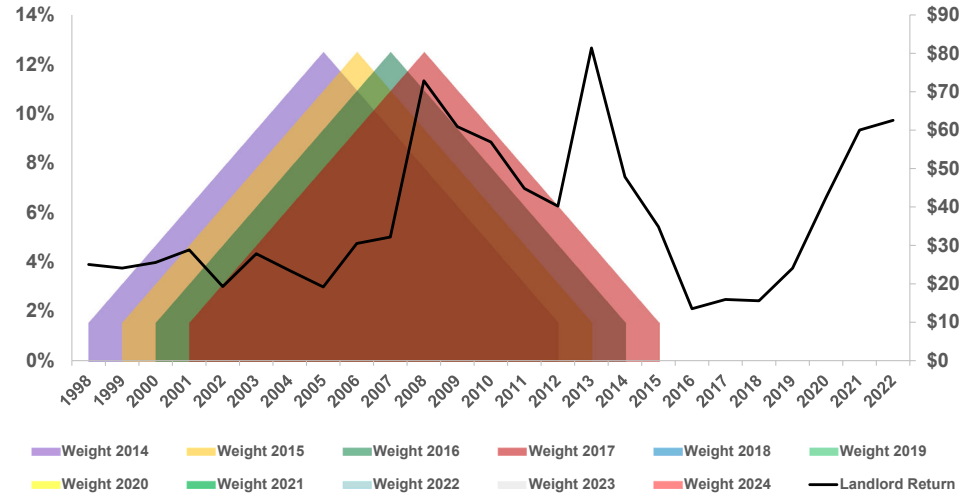
Non-irrigated Computation Process for Barton County



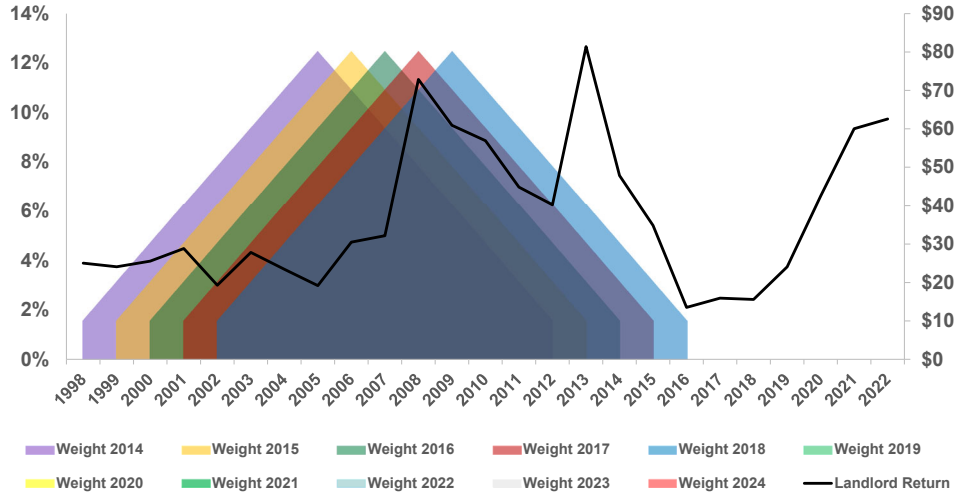
Non-irrigated Computation Process for Barton County



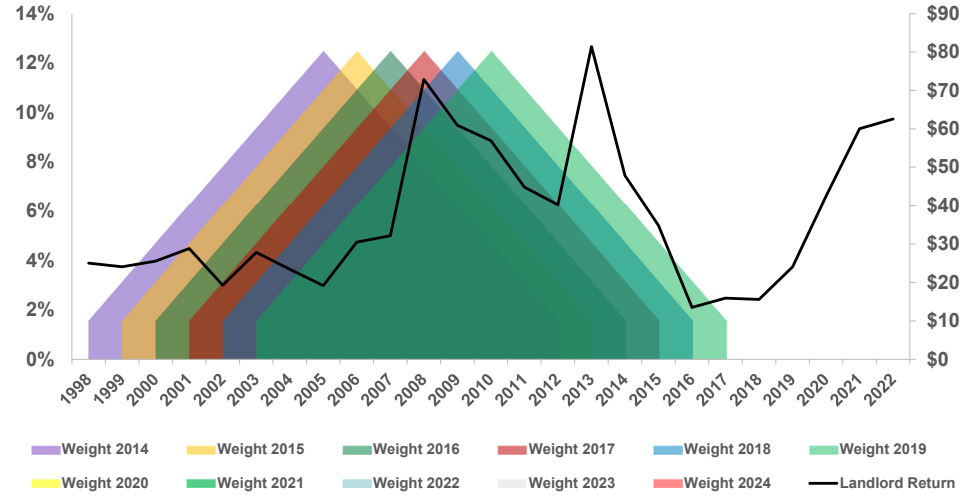
Non-irrigated Computation Process for Barton County



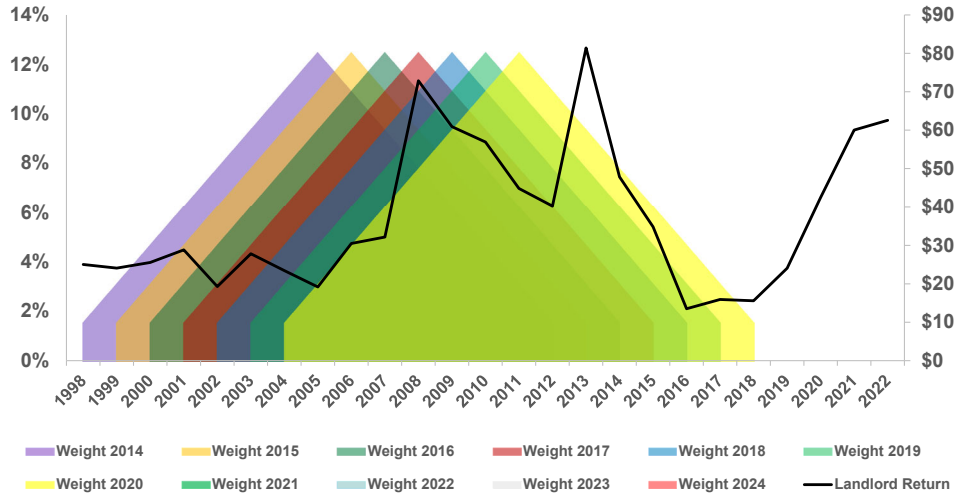
Non-irrigated Computation Process for Barton County



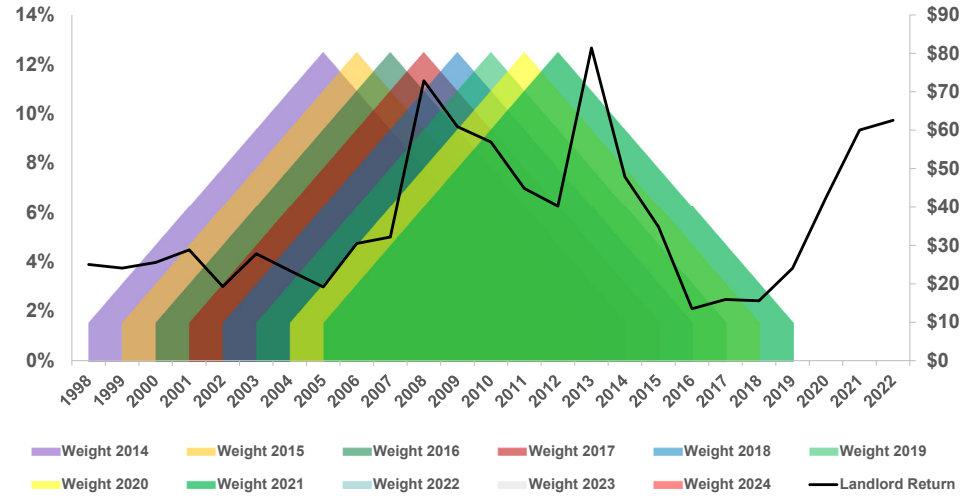
Non-irrigated Computation Process for Barton County



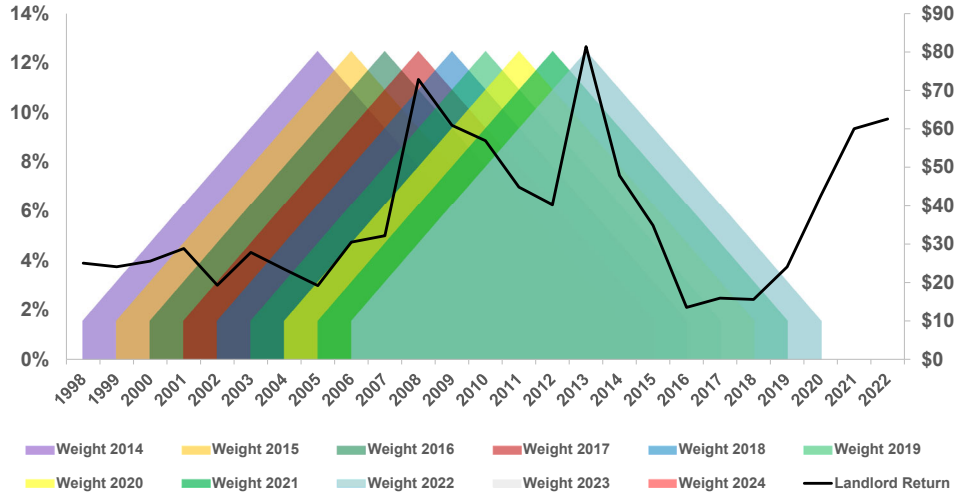
Non-irrigated Computation Process for Barton County



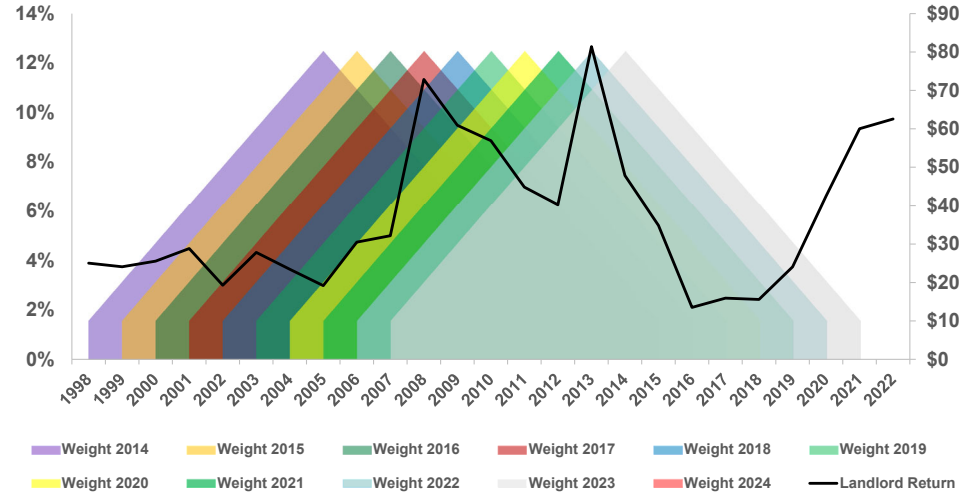
Non-irrigated Computation Process for Barton County



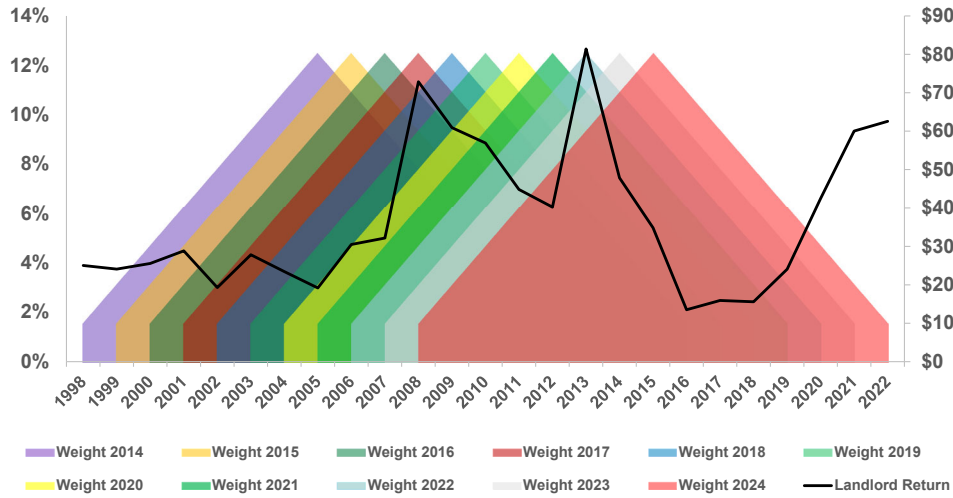
Non-irrigated Computation Process for Barton County



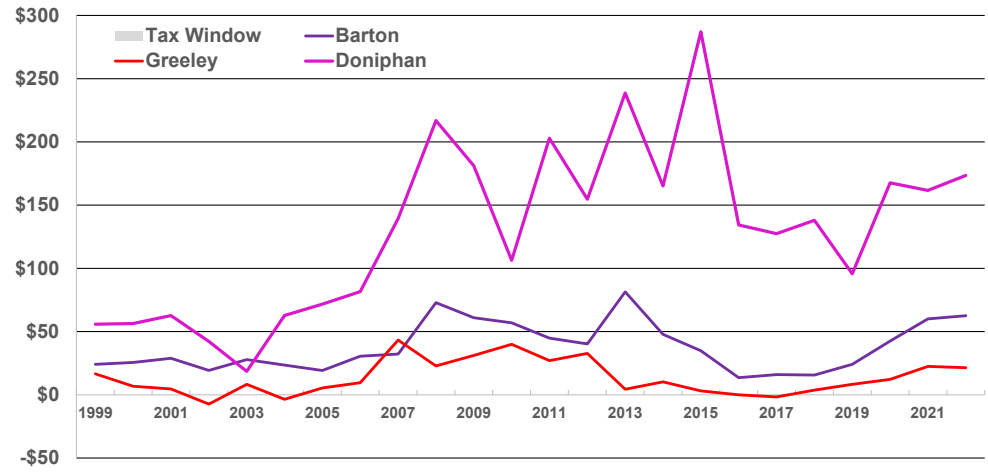
Non-irrigated Computation Process for Barton County



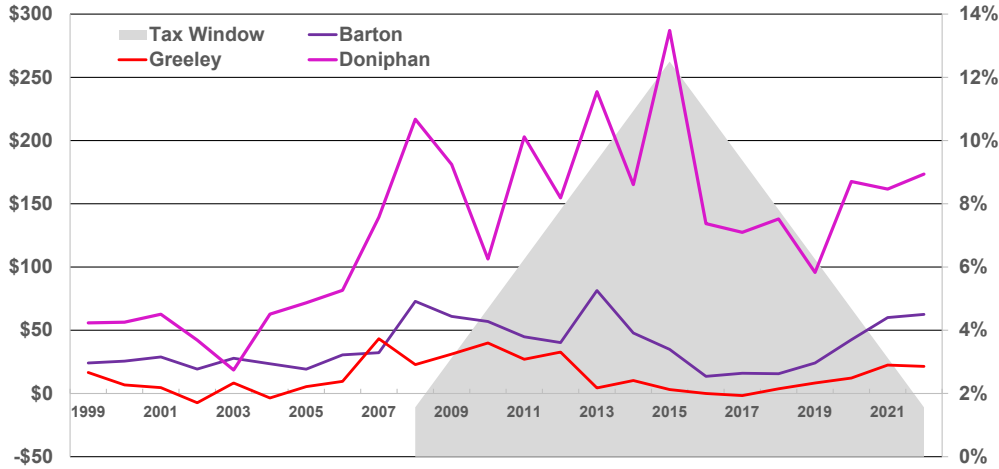
Non-irrigated Computation Process for Barton County



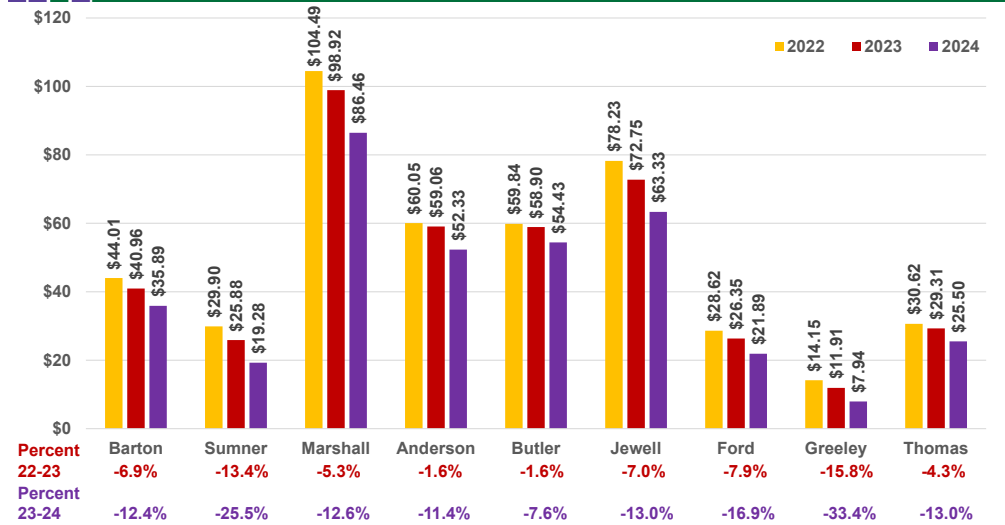
Non-irrigated Single Year Landlord Return for Barton, Doniphan, and Greeley Counties, 1998 - 2022



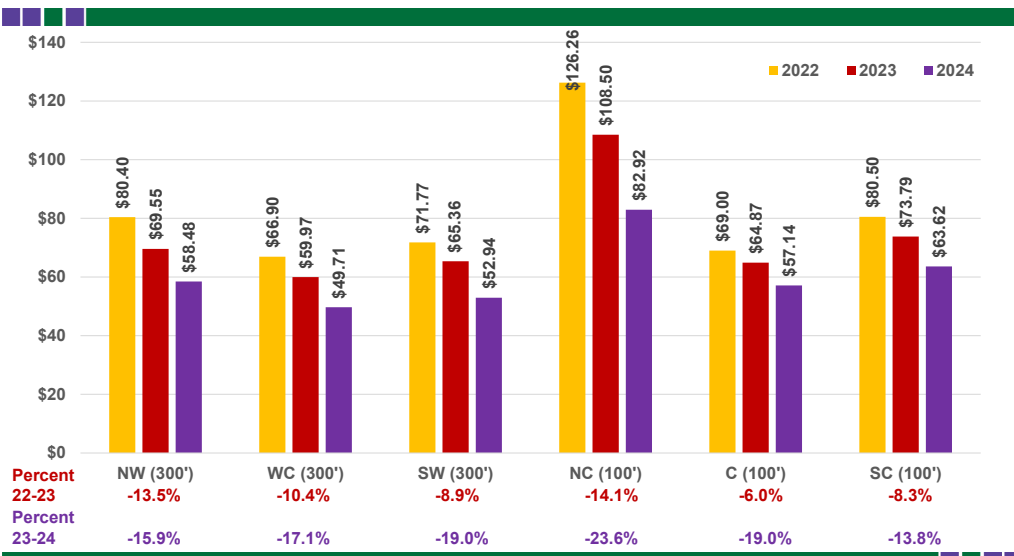
Non-irrigated Single Year Landlord Return for Barton, Doniphan, and Greeley Counties, 1998 - 2022



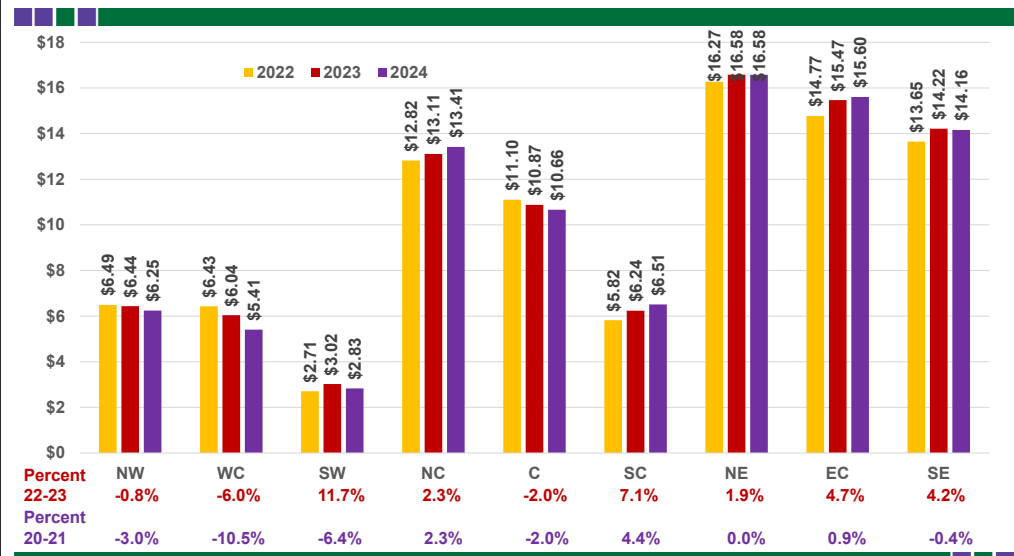
Impact of Moving Forward One Year for Kansas Dryland (Tax Years 2022 to 2023 and 2023 to 2024)



Impact of Moving Forward One Year for Kansas Irrigated (Tax Years 2022 to 2023 and 2023 to 2024)



Impact of Moving Forward One Year for Kansas Native Pasture (Tax Years 2022 to 2023 and 2023 to 2024)



Landlord Net Income 2024 Changes Non-Irrigated

County	2024 Value	2023 Value	Percent Change '21 to '22
Cheyenne	\$11.47	\$11.52	-0.4%
Rawlins	\$26.60	\$30.01	-11.9%
Decatur	\$30.11	\$33.92	-11.2%
Norton	\$33.84	\$37.51	-9.7%
Phillips	\$30.29	\$37.85	-19.9%
Smith	\$49.05	\$57.87	-15.2%
Jewell	\$63.93	\$72.75	-12.9%
Republic	\$18.79	\$20.59	-9.0%
Washington	\$68.52	\$78.23	-12.5%
Marshall	\$56.46	\$64.92	-12.9%
Nemaha	\$103.92	\$119.16	-12.7%
Brown	\$158.06	\$178.03	-11.2%
Doniphan	\$173.49	\$188.84	-8.1%
Sherman	\$16.69	\$20.53	-18.7%
Thomas	\$25.50	\$29.51	-13.0%
Sheridan	\$28.96	\$32.99	-14.5%
Graham	\$26.79	\$31.36	-14.5%
Rooks	\$20.37	\$28.31	-28.0%
Osborne	\$17.81	\$21.58	-17.4%
Mitchell	\$47.18	\$55.09	-14.3%
Lincoln	\$41.20	\$48.98	-18.0%
Ottawa	\$14.24	\$16.81	-15.8%
Clay	\$67.97	\$76.61	-11.9%
Riley	\$73.64	\$84.80	-13.1%
Pottawatomie	\$108.07	\$122.31	-10.4%
Jackson	\$91.21	\$107.09	-14.8%
Atchison	\$113.88	\$131.88	-13.3%
Jefferson	\$103.79	\$118.09	-12.1%
Leavenworth	\$92.11	\$105.12	-12.8%
Wallace	\$11.47	\$11.72	-2.0%
Logan	\$22.62	\$27.35	-17.5%
Gove	\$24.62	\$30.55	-19.4%
Trego	\$19.261	\$23.51	-17.6%
Ellis	\$19.52	\$24.88	-21.5%
Russell	\$27.41	\$33.67	-18.6%
Ellsworth	\$34.49	\$42.92	-19.4%
Wichita	\$15.62	\$19.26	-18.9%
Scott	\$21.58	\$26.93	-19.9%
Lane	\$14.51	\$18.06	-19.8%
Ness	\$18.06	\$22.71	-20.5%
Rush	\$19.75	\$24.44	-20.9%
Barton	\$33.89	\$40.96	-17.3%
Rice	\$42.39	\$51.25	-17.3%
McPherson	\$43.15	\$52.58	-17.8%
Marion	\$44.91	\$54.91	-18.4%
Chase	\$44.51	\$54.87	-19.5%
Lyon	\$41.07	\$50.63	-18.9%
Coffey	\$41.39	\$50.06	-18.2%
Anderson	\$49.11	\$58.33	-16.7%
Linn	\$44.36	\$53.95	-18.3%
Hamilton	\$3.11	\$4.02	-22.5%
Kearny	\$4.02	\$5.17	-22.5%
Finney	\$12.51	\$17.25	-27.5%
Hodgeman	\$11.12	\$17.69	-36.7%
Gray	\$18.09	\$22.66	-20.2%
Ford	\$21.89	\$26.38	-16.9%
Stafford	\$19.30	\$23.78	-21.2%
Reno	\$28.45	\$33.87	-16.0%
Edwards	\$25.13	\$30.59	-17.8%
Pratt	\$17.96	\$21.78	-17.4%
Kingman	\$14.52	\$17.26	-16.4%
Sumner	\$19.28	\$23.20	-16.9%
Cowley	\$30.15	\$36.30	-17.0%
Greenwood	\$46.25	\$55.90	-17.8%
Woodson	\$45.72	\$54.41	-16.4%
Allen	\$45.41	\$54.54	-16.9%
Bourbon	\$49.34	\$58.99	-16.2%
Wilson	\$45.72	\$54.41	-16.4%
Neosho	\$45.41	\$54.54	-16.9%
Crawford	\$44.13	\$52.89	-16.8%
Elk	\$44.57	\$53.33	-17.4%
Montgomery	\$39.57	\$47.57	-16.8%
Labette	\$44.50	\$53.54	-16.7%
Cherokee	\$50.53	\$59.58	-15.1%
Morton	\$3.04	\$3.73	-18.5%
Stevens	\$3.04	\$3.73	-18.5%
Seward	\$11.73	\$14.14	-17.0%
Comanche	\$11.83	\$14.14	-16.3%
Barber	\$16.83	\$20.14	-16.4%
Harper	\$19.28	\$23.20	-16.9%
Chautauque	\$38.77	\$46.77	-17.1%

Legend: 2024 Values Weighted Average LNI (2022). 2023 Values Weighted Average LNI (2021). Percent Change '21 to '22.

In 2024, Landlord Net Income Changes Non-Irrigated

- Each of the 105 counties decreased

Legend: 2024 Values Weighted Average LNI (2022). 2023 Values Weighted Average LNI (2021). Percent Change '21 to '22.

In 2024, Landlord Net Income Changes Irrigated

- At the 200 foot well depth, the weighted average LNI decreased in all districts
- Changes range from -\$8.21 to -\$26.60
 - Percent changes ranges from -12.4% to -28.1%

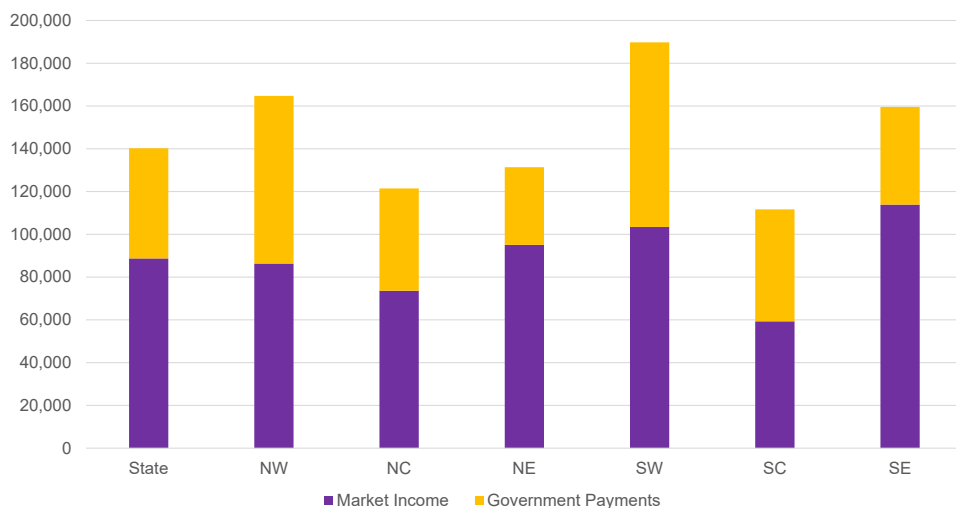


In 2024, Landlord Net Income Changes Pasture

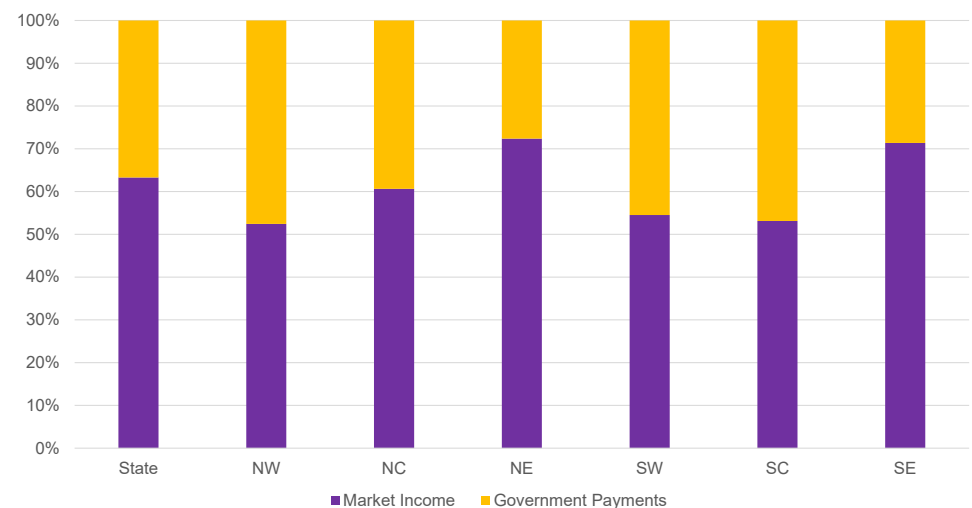
- LNI change was mixed.
- Native decreased in four district, remained the same in one district and decreased in four districts
 - Changes range from -\$0.63 to \$0.31 for native
 - Percent changes range from -10.5% to 4.4%
- Tame increased in all districts
 - Changes range from \$0.19 to \$1.22 for tame
 - Percent changes range from 1.5% to 7.3%



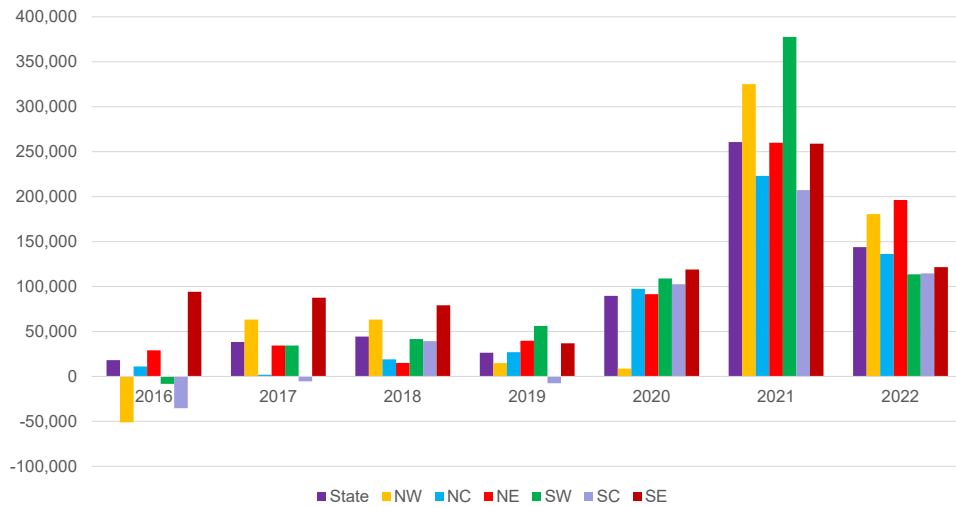
Government Payments compared to Net Farm Income Average 2016 - 2022



Government Payments as a Percent of Net Farm Income Average 2016 - 2022



Net Farm Income without Government Payments



Summary

- Kansas real estate tax values on non-irrigated land are likely to decrease in the next two years
 - Farm incomes will drop due to a decrease in crop market prices and high input costs
 - Also, high incomes earlier in the period are carrying less weight
- Kansas real estate tax values on irrigated land are likely to decrease in the next couple of years
 - The story is the same as for non-irrigated land
 - Percentage is likely to be similar to non-irrigated
- Kansas real estate tax values on pasture are likely to be stable over the next few years with a small increase

Questions?

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