LEGISLATIVE SERVICES AGENCY

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MEMORANDUM

To: Commission on State Tax and Financing Policy

From: Bob Sigalow

Re: Soil Productivity Factors

Date: November 6, 2013

The Department of Local Government Finance (DLGF) is proposing changes to the updated soil productivity factors previously announced in 2012. LSA has analyzed the latest updates that the DLGF is proposing.

The analysis suggests that the statewide weighted average of the latest proposed soil productivity factors would be 1.006 with a range of 0.5 to 1.31. The current soil productivity factors range from 0.5 to 1.28 with a weighted average of 0.951. The proposed factors represent an average 5.9% increase over the current factors. This means that if these new factors are implemented, the assessed value of farmland would increase by an average of 5.9% in addition to any change due to fluctuation in the farmland base value.

The estimated percentage change in the average soil productivity factor by county is presented in the table at the end of this memo. The estimated change in farmland assessed value by county ranges from a 3.3% decline in Floyd County to a 13.2% increase in Lawrence County.

LSA's property tax database contains detailed land data from each county. This analysis is based on Pay 2014 land data that has been submitted by 77 county assessors and Pay 2013 land data for the remaining 15 counties which have yet to submit their Pay 2014 data. All 92 counties are included in this analysis.

A similar analysis performed in 2012 included only 69 counties. For the other 23 counties in that year, the soil ID codes could not be matched between the county land data and the new soil productivity factor list. So we were unable to determine the new factors for each parcel in those 23 counties. The DLGF has since provided a soil ID conversion chart that has allowed us to analyze these counties.

Background

Each farmland assessment begins with the base value which is $1,630 per acre for taxes payable in 2013 and $1,760 for taxes payable in 2014. The base value is then adjusted by the soil productivity factor and influence factors to determine the assessed value for a particular parcel. Each parcel may have multiple soil types.

On February 2, 2012, the DLGF announced that it had received updated soil productivity factors from the USDA's Natural Resources Conservation Service and that the new factors would be effective with taxes payable in 2013.

On February 15, 2012, LSA released the results of an analysis based on the data available at that time for 69 counties. That analysis estimated that the new state average factor (for 69 counties) would have been 1.203 as compared to the current average for those counties of 0.958, or a 25.5% increase.

The implementation of the new factors was delayed for one year, until taxes payable in 2014, under SEA 19 (2012).

Subsequently, the new factors were delayed for an additional year, until taxes payable in 2015, under SEA 319 (2013). This act requires the DLGF to work with the Purdue University College of Agriculture to develop new soil productivity factors, which have been analyzed for this memo.

Estimated County Average Change
DLGF Proposed Soil Productivity Factors

Cnty	County	Average Soil Factor Current	Proposed	Change
01	Adams	0.960	1.022	6.5%
02	Allen	0.984	1.039	5.6%
03	Bartholomew	0.973	1.007	3.5%
04	Benton	1.112	1.141	2.6%
05	Blackford	0.830	0.915	10.2%
06	Boone	1.100	1.122	2.0%
07	Brown	0.709	0.796	12.2%
08	Carroll	1.072	1.108	3.3%
09	Cass	1.027	1.071	4.3%
10	Clark	0.862	0.908	5.4%
11	Clay	0.983	1.034	5.2%
12	Clinton	1.119	1.147	2.5%
13	Crawford	0.682	0.765	12.1%
14	Daviess	0.915	0.980	7.0%
15	Dearborn	0.705	0.763	8.3%
16	Decatur	1.007	1.055	4.7%
17	DeKalb	0.877	0.952	8.5%
18	Delaware	1.002	1.027	2.5%
19	Dubois	0.778	0.850	9.2%
20	Elkhart	0.884	0.952	7.7%
21	Fayette	0.967	1.022	5.7%
22	Floyd	0.910	0.880	-3.3%
23	Fountain	1.081	1.138	5.2%
24	Franklin	0.865	0.928	7.3%
25	Fulton	0.909	0.976	7.4%
26	Gibson	0.968	1.026	6.0%
27	Grant	0.942	1.003	6.5%
28	Greene	0.867	0.936	7.9%
29	Hamilton	1.091	1.125	3.1%
30	Hancock	1.089	1.124	3.2%
31	Harrison	0.754	0.814	7.9%
32	Hendricks	1.080	1.115	3.2%
33	Henry	0.959	1.014	5.7%
34	Howard	1.094	1.127	3.0%
35	Huntington	0.955	1.014	6.2%
36	Jackson	0.881	0.936	6.2%
37	Jasper	0.941	1.003	6.5%
38	Jay	0.807	0.896	11.0%
39	Jefferson	0.832	0.892	7.2%
40	Jennings	0.983	1.039	5.7%
41	Johnson	1.037	1.081	4.2%
42	Knox	0.979	1.030	5.3%
43	Kosciusko	0.898	0.966	7.6%
44	LaGrange	0.775	0.863	11.3%
45	Lake	0.935	0.998	6.8%
46	LaPorte	0.828	0.911	10.0%
47	Lawrence	0.720	0.815	13.2%
48	Madison	1.060	1.099	3.7%
49	Marion	0.989	1.008	1.9%
50	Marshall	0.961	1.017	5.8%
51	Martin	0.775	0.812	4.8%
52	Miami	0.935	0.998	6.7%
53	Monroe	0.805	0.864	7.3%
54	Montgomery	1.078	1.112	3.2%
55	Morgan	0.982	1.028	4.7%
56	Newton	0.959	1.017	6.1%
57	Noble	0.875	0.946	8.2%
58	Ohio	0.722	0.780	8.0%
59	Orange	0.778	0.856	10.1%
60	Owen	0.787	0.859	9.2%
61	Parke	1.007	1.062	5.5%
62	Perry	0.742	0.835	12.5%
63	Pike	0.828	0.900	8.7%
64	Porter	0.923	0.987	6.9%
65	Posey	0.977	1.057	8.1%
66	Pulaski	0.916	0.944	3.1%
67	Putnam	0.996	1.039	4.4%
68	Randolph	0.963	1.018	5.7%
69	Ripley	0.869	0.940	8.2%
70	Rush	1.051	1.091	3.8%
71	St. Joseph	0.941	0.997	5.9%
72	Scott	0.900	0.958	6.5%
73	Shelby	1.037	1.081	4.2%
74	Spencer	0.865	0.928	7.3%
75	Starke	0.802	0.890	11.0%
76	Steuben	0.832	0.908	9.2%
77	Sullivan	0.977	1.029	5.4%
78	Switzerland	0.704	0.768	9.0%
79	Tippecanoe	1.065	1.105	3.7%
80	Tipton	1.139	1.162	2.0%
81	Union	0.978	1.031	5.4%
82	Vanderburgh	0.958	1.019	6.3%
83	Vermillion	1.047	1.084	3.5%
84	Vigo	1.018	1.061	4.2%
85	Wabash	0.965	1.021	5.8%
86	Warren	1.022	1.067	4.3%
87	Warrick	0.885	0.961	8.6%
88	Washington	0.846	0.918	8.5%
89	Wayne	0.885	0.955	7.9%
90	Wells	0.973	1.029	5.8%
91	White	1.020	1.067	4.6%
92	Whitley	0.865	0.937	8.3%
	Statewide	**0.951**	**1.006**	**5.8%**