



CAUV



Current Agricultural Use Value

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TONIGHTS AGENDA

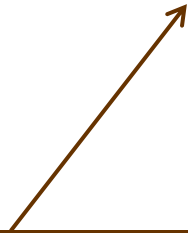
- 1. CAUV Formula Revisions from HB49**
- 2. CAUV Components to the Formula**
- 3. Component Calculations for 2022**
- 4. Impact from Revaluation 2022**
- 5. Answer Your Questions**



WHO SETS CAUV VALUE?

OHIO DEPARTMENT
OF TAXATION

AGRICULTURAL
ADVISORY COMMITTEE



Order



COUNTY AUDITOR



Am. Sub.
H.B. 49 132
General
Assembly



- Established New/Revised Formula Factors since 2017
- 2 Step Phase In- Next 2 Valuations Events
- 2019 Triennial was the first impact year from HB49
- 2022 Revaluation is the final year of the Phase-In
- 2019 CAUV decreased on average by 33% when compared to 2016
- 2022 CAUV increased on average by 14%

GOOD NEWS/BAD NEWS

- The Good News is that the changes made in 2017 are still being used in determining CAUV.
- The Bad News is that the components of the formula remained the same as well and the result is a valuation increase.

COMPONENTS TO THE CAUV FORMULA

- Yield – production from the crop land expressed in Bushels/acre
- Cropping Patterns – an allocation of crop types – wheat, corn, soybeans
- Crop Prices – price per bushel of wheat, corn and soybeans



Components to the CAUV Formula

- ❖ **Non-Land Production Costs** – seed, fertilizer, chemicals, fuel, insurance, hauling/trucking
- ❖ **Capitalization Rate** – measures the (1) Return On Investment, (2) Return of Investment, and Tax Rate expressed as a %;
Value = Net Income/Capitalization Rate



YIELD CALCULATION

- The Calculation to determine Crop Yield in based upon ten years of statewide yield information published by the USDA.
- For Tax Year 2022, the data used is from 2012 through 2021.

| <u>CROP</u> | <u>TY2021</u> | <u>TY2022</u> | <u>% CHANGE</u> |
|-------------|---------------|---------------|-----------------|
| CORN | 163.4bu | 167.4bu | 2.4% |
| BEANS | 50.8bu | 51.8bu | 2.0% |
| WHEAT | 69.2bu | 72.0bu | 4.0% |

CROPPING PATTERNS

- The Calculation for Cropping Patterns is based upon the most recent five-year average crop acres harvested in Ohio.
- For Tax Year 2022, the data reviewed is from 2017 through 2021

| <u>CROP</u> | <u>TY2019</u> | <u>TY2022</u> | <u>% CHANGE</u> |
|-------------|---------------|---------------|-----------------|
| CORN | 36% | 37.1% | 3.0% |
| BEANS | 56% | 57.4% | 2.5% |
| WHEAT | 6% | 5.5% | (8.3)% |

CROP PRICE CALCULATION

- The Calculation used for determining Crop Prices uses a five-year weighted average of prices over a seven year period.
- The highest crop price and lowest crop price over the seven years are removed and the average crop price uses the remaining five years.

| <u>CROP</u> | <u>TY2021</u> | <u>TY2022</u> | <u>% CHANGE</u> |
|-------------|---------------|---------------|-----------------|
| CORN | \$3.59/bu | \$3.77/bu | 5.0% |
| BEANS | \$9.10/bu | \$9.32/bu | 2.4% |
| WHEAT | \$4.76/bu | \$4.75/bu | (0.02)% |

NON-LAND PRODUCTION COST CALCULATION

- The data used to Calculate the Non-Land Production Costs are taken from the Ohio Production Budgets prepared by the Ohio State University College of Food, Agriculture and Environment Sciences for a seven year period, 2015 through 2021.
- The highest non-land production cost and lowest non-land production cost over the seven years are removed and the average crop price uses the remaining five years; similar to the Crop Price and Capitalization Rate calculations.

| <u>CROP</u> | <u>TY2021</u> | <u>TY2022</u> | <u>% CHANGE</u> |
|-------------|---------------|---------------|-----------------|
| CORN | \$492.69/ac | \$492.46/ac | (0.004%) |
| BEANS | \$324.00/ac | \$318.47/ac | (1.7%) |
| WHEAT | \$286.27/ac | \$270.99/ac | (5.34%) |

CAPITALIZATION RATE CALCULATION

- There are three components to the Capitalization Rate Calculation
- A five-year averaging from Farm Credit Service Interest Rate
- The Total Rate of Return on Farm Equity published by the USDA
- The Real Estate Tax Additur derived from the Statewide average tax rate
- Important Fact: A Lower Rate = A Higher Value

Hancock County Update Years

TY2016 Capitalization Rate was 6.3%

TY2019 Capitalization Rate was 8.0%

TY2022 Capitalization Rate is now 7.8%

CAUV FORMULA

- **For Each Soil Type a Value in Use (CAUV) is determined by the following formula:**

Gross Operating Income = Crop Yield X Crop Price (adjusted for Crop Patterning)

Net Operating Income = Gross Operating Income – Non-Land Production Costs

Value in Use = Net Operating Income/Capitalization Rate

Example – Miami Silt Loam Soils

| | <u>CORN</u> | <u>BEANS</u> | <u>WHEAT</u> |
|---|-------------|--------------|--------------|
| ADJUSTED YIELD | 153/bu | 54/bu | 82/bu |
| X CROP PRICE/bu | \$3.77 | \$9.32 | \$4.75 |
| = GOI | \$576.95 | \$503.28 | \$389.50 |
| NON-LAND PROD | (512.43) | (328.73) | (296.47) |
| = NET RETURN | \$ 64.52 | \$174.56 | \$ 93.03 |
| X CROP PATTERNING | 37.1% | 57.4% | 5.5% |
| = ROTATION RETURN | \$ 23.94 | \$100.20 | \$ 5.12 |
| SUMMARY NOI = \$129.25 | | | |
| / CAP RATE OF 7.8% | | | |
| = CAUV W/HB49 PHASE-IN = \$1,657.07 Rounded to \$1,660/acre | | | |

CAUV HISTORY- OHIO

When CAUV was adopted in 1974 it was designed to reduce values by approximately 50% proportionate to Market Value.

In 2005 the reduction was 90%

In 2010 the reduction was 77%

In 2014 the reduction was 62%

In 2016 the reduction was 77%

In 2019 the reduction was 88%

In 2022 reduction is 90%



HANCOCK COUNTY 2022 vs. 2019

| | Blount Silt Loam 0-2% Big1A-1 | Pewamo silty loam PmA |
|---|--|----------------------------------|
| CAUV Land Value - 2022 | \$1,950 | \$2,700 |
| CAUV Land Value - 2019 | \$1,740 | \$2,560 |
| % Increase | 12.1% | 5.5% |
| Percentage of Soil in Hancock County | 20.8% | 24.4% |

HANCOCK COUNTY HISTORY

| YEAR | BLOUNT LOAM (BOA) | PEWAMO SILTY LOAM (PMA) |
|-------------|--------------------------|--------------------------------|
| 2010 | 980 | 1,410 |
| 2013 | 2,210 | 2,970 |
| 2016 | 2,560 | 3,530 |
| 2019 | 1,740 | 2,560 |
| 2022 | 1,950 | 2,700 |

OHIO CAUV AVERAGES

| | |
|--------|--------|
| ➤ 2007 | \$181 |
| ➤ 2010 | \$505 |
| ➤ 2013 | \$1205 |
| ➤ 2016 | \$1310 |
| ➤ 2019 | \$876 |
| ➤ 2022 | \$999 |





2022 Hancock County Revaluation

6-YEAR VALUATION CYCLE

| Triennial | | | Revaluation | | |
|---|---|---|--|---|---|
| 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
| 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Triennial Update of values effective Jan. 1. Pay Dec. of this year and July of next year | New construction & destruction added to tax duplicate | New construction & destruction added to tax duplicate | Revaluation completed effective Jan 1. Pay Dec & July of following year | New construction & destruction added to tax duplicate | New construction & destruction added to tax duplicate |



THE IMPACT OF THE 2022 REVALUATION

- All Real Estate Values in Hancock County are reviewed and updated to the Current Market Value as of January 1, 2022
- On average, Residential Values across the County were increased by 21.99%
- As a result, Homesites and Dwelling values on Farms will be impacted.
- For Example in Marion Township:
Market Value increases on Agricultural homesites are going up slightly less than 15% (\$20,000/homesite to \$23,000/homesite in most cases); and Improvement values including outbuildings, on average are going up 26.5%

EXAMPLE PARCEL

- **Single parcel on CAUV in Marion Township:**

| <u>Attribute</u> | <u>TY2019</u> | <u>TY2022</u> | <u>% CHANGE</u> |
|-----------------------|------------------|------------------|-----------------|
| Homesite 1.0 acre | \$ 20,000 | \$ 23,000 | 15.0% |
| CAUV 100 acres | \$174,000 | \$195,000 | 12.0% |
| Homesite+Outbuildings | \$200,000 | \$253,000 | 26.5% |
| Total Value | \$394,000 | \$471,000 | 19.5% |

PROPERTY TAX IMPACT

- Since 1976, all VOTED property tax levies cannot generate any additional revenue for the taxing authority (School District, Township, County, Village or Municipality) from the impact of a reappraisal.
- Not all property tax levies are voted, some are UNVOTED, commonly referred to INSIDE MILLS. INSIDE MILLS refers to the permissive levying of taxes in Ohio up to 1% or 10 MILLS.
- The OUTSIDE OR VOTED mills levied by Tax District are reduced by the increase from the Reappraisal

Tax District A has 10 mills Unvoted and 40 mills Voted for a total of 50 mills.

In Hancock County, RESIDENTIAL PROPERTIES makeup 67% of the combination of Residential and Agricultural properties, with Agricultural properties being 33%.

In Hancock County, Residential Values increased by 22% and Agricultural Values increased by 14%, the following reduction would occur on Countywide Levies

| | |
|---------------|-------------------------|
| Residential | 67% x 22% |
| +Agricultural | 33% x 14% |
| Total | 100% at 19.36% increase |

| | | |
|---------------|---------------------------|-----------------------------|
| OUTSIDE MILLS | 40.00 LESS 19.36% = | 33.5120 |
| INSIDE MILLS | 10.00 WITHOUT REDUCTION = | 10.0000 |
| TOTAL MILLS | | 43.5120 OR 12.97% REDUCTION |

| <u>Attribute</u> | <u>TY2021</u> | <u>TY2022</u> | <u>% CHANGE</u> |
|-------------------------------|---------------|---------------|-----------------|
| Homesite 1.0 acre | \$ 20,000 | \$ 23,000 | 15.0% |
| CAUV 100 acres | \$174,000 | \$195,000 | 12.0% |
| Homesite + Outbuildings | \$200,000 | \$253,000 | 26.5% |
| Total Value | \$394,000 | \$471,000 | 19.5% |
| Taxable Value at 35% | \$137,900 | \$164,850 | |
| Mills | 50.0000 | 43.5120 | |
| Gross Taxes | \$6,895 | \$7,173 | |
| Non-Business Credit | (689) | (717) | |
| Net Taxes | \$6,206 | \$6,456 | |
| Tax Increase from Reappraisal | | \$ 250 or | 4% |

YOUR QUESTIONS?



Thank You



*Charity Rauschenberg, CPA
Hancock County Auditor*