

Change to the Illinois Farmland Assessment Law - SB 20

CHANGE

The passage of SB 20 (in 2014) contained language, introduced by the IDOR, which limited value changes of all Farmland Productivity Index (PI) soils to 10% of Illinois' median cropland soil PI. The median cropland soil PI in Illinois is a PI 111. The legislation also added a \$5 reduction in the certified value limit for the 2015 assessment year only.

Prior to the passage of SB 20, each individual PI was limited to a growth rate of 10% from its prior year. Under the new law, value changes of all Farmland Productivity Index (PI) soils will be limited to 10% of Illinois' median cropland soil, PI 111. This change became effective beginning with the 2015 assessed values for taxes payable in 2016.

The impact of this change allowed 2015 Certified Values of farmland to increase up to 10% of the PI 111's 2014 Certified Value, minus the \$5 deduction. The 2014 Certified Value for a PI 111 was \$203.32. Therefore, an increase of 10% of this Certified Value was \$20.32. This cap was then reduced by \$5 (for the 2015 assessment year only), which equaled \$15.32. This resulted in a maximum increase in the certified value of all PI's of \$15.32.

REASON FOR CHANGE

The new law is intended to bring farmland assessed values in line with the original intent of the Farmland Assessment Law and allow the statutory formula to be more effective in determining the income potential of all farmland. The previous 10% cap on individual PI soils was artificially keeping the value of lower PI soils from increasing to the actual productivity levels where they should be assessed. By supporting the proposed IDOR change, the integrity of the Farmland Assessment Law will be maintained and the effective implementation of an income approach to determining the assessed value of farmland will be continued.

FARMLAND ASSESSMENT LAW

Since the passage of the Farmland Assessment Act¹ in 1977, farmland in Illinois has been assessed for tax purposes using a formula that takes the soil's ability to produce income as a basis for determining taxable value. Prior to 1977, farmland taxes were based on widely fluctuating market values. This was the main reason the Farmland Assessment Act was necessary.

The law based farmland property taxes on a realistic formula based on the income potential for farmland. The farmland property tax formula produces "Calculated Values" that were used to assess farmland.

In 1986, an amendment was made to the Farmland Assessment Act to limit the increase or decrease in the equalized value to 10%. The application of the 10% limit produces "Certified Values." Since 1986, the assessed values of farmland have frequently been based on those "Certified Values." The process of limiting the assessed value to a maximum annual change of 10% was first suggested by the taxing districts to help stabilize large swings in values from year to year. This helped provide some additional stability in the annual budgeting process for local taxing districts.

¹ Illinois Property Tax Code, Article 10, Division 6 et. seq., 35 ILCS 200 et seq.

In 2008, the Farmland Technical Advisory Board (FATAB)², which serves to advise and provide data to the Director of IDOR for implementing farmland values, recommended that the formula used for calculating the PI values be updated to better reflect the crop growing potential of lower PI soils. Through better utilization of fertilizers, better crop production technologies, and stronger crop hybrids, lower PI soils were performing better than the formula was capturing. Despite the change in the formula in 2008, the 10% cap on individual PI soils was artificially keeping the value on lower PI soils from increasing to the actual productivity levels where they should be assessed.

² Farmland Assessment Technical Advisory Board, Article 10, Division 6 of the Illinois Property Tax Code, 35 ILCS 200.10-115.