

## Why Did Farmland Assessments Increase?

Monroe County farmland owners have recently received their farmland assessment change notices. Many of you will find that your assessed values increased from the previous year.

How and why did this happen?

The simple explanation is that the Illinois farmland assessment law changed. The change was necessary to help insure that farmland would continue to be assessed based on its productivity rather than on some other approach to value.

In 1977, the Illinois Farmland Assessment Act was enacted to value farmland, for taxation, based on its ability to produce income rather than its market value. An assessed dollar value was assigned to each soil type based on that soil's potential to produce a crop, known as its "Productivity Index (PI)". The farmland assessment formula, written in the law, produced "Calculated Values" that historically reflected a ratio close to 2:1 in value between the highest (130 PI) to lowest (82 PI) producing soils.

In 1986, the law was amended to limit increases/decreases in assessed value for each soil type not to exceed 10% per year. Taxing districts supported this change to help limit large annual swings in their tax base and to provide more stability in the budget from year to year. This 10% limit created values known as "Certified Values".

Between 1986 and 2013, the 10% limit continually increased the gap between the "Calculated Values" and the "Certified Values" for each soil type, creating an inequity in values between the highest and lowest producing soils. Rather than the formula's historic balanced ratio, the gap between highest and lowest soils grew to a 40:1 ratio. That type of discrepancy in value was not reflective of yields between our state's highest and lowest soils.

The Illinois Department of Revenue (IDOR) recognized that a substantial change was required to correct the assessed values of farmland. If nothing was done to fix the system, increased pressure from taxing districts and others could jeopardize the continued viability of the Farmland Assessment Act. A return to assessments based on 1/3 of market value would economically devastate many farm operations.

In 2013, the IDOR introduced a bill that was passed by Illinois General Assembly. This new legislative change will eventually bring the "Certified values" closer to the "Calculated values" required by the actual farmland assessment formula. In other words, it will restore the formula's equitable ratio determined by soil productivity.

Because of the legislative change, the assessed values for all soils will now be adjusted by a maximum of 10% of the median cropland soil PI. The median cropland soil PI in Illinois is a PI 111 and the assessment change will be limited to no more than 10% of PI 111's prior year's "Certified Value".

Rather than immediately adjusting assessments to reflect the formula's "Calculated Values", this method will adjust the values gradually over time. The less productive soils will see the greatest impact and will be likely be adjusted over the longest period of time.