



Agricultural Net Income Situation for Property Tax Calculations


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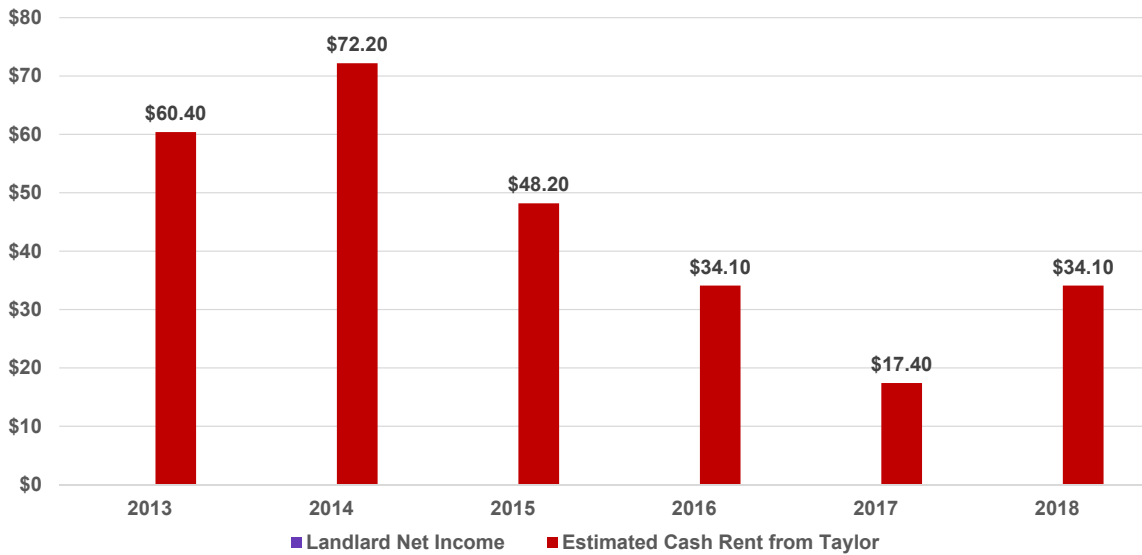


Introduction

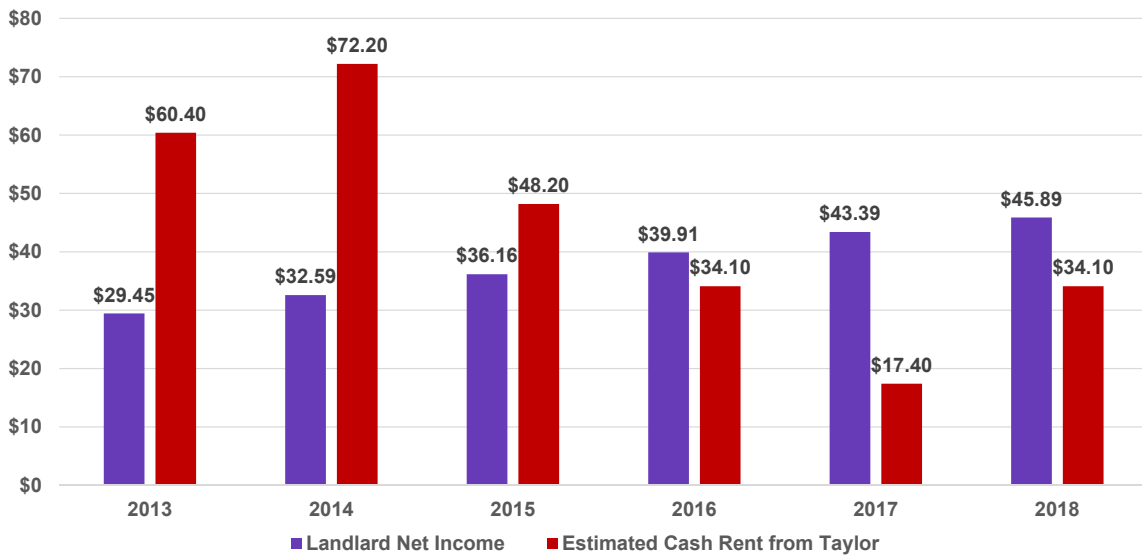


- Paradox between Expected Returns to Land and Property Tax Appraisals
 - Calculation of Landlord Net Income for Property Tax Considerations
 - Current Situation
 - How Long before Property Tax Appraisals Turn?
- 

Impact of Moving Forward One Year for Barton County



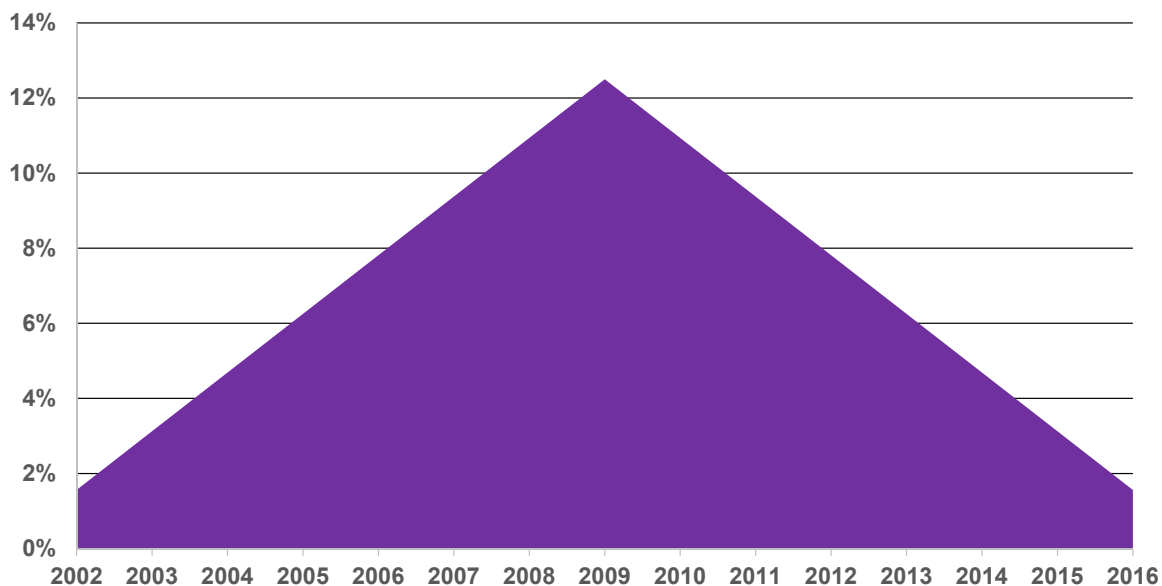
Impact of Moving Forward One Year for Barton County



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
 - Goal is to remove the variability of year to year changes
- Landlord net return made up of last 15 years return to the landlord
 - The 2018 Landlord Net Income made up of individual values from 2002 - 2016

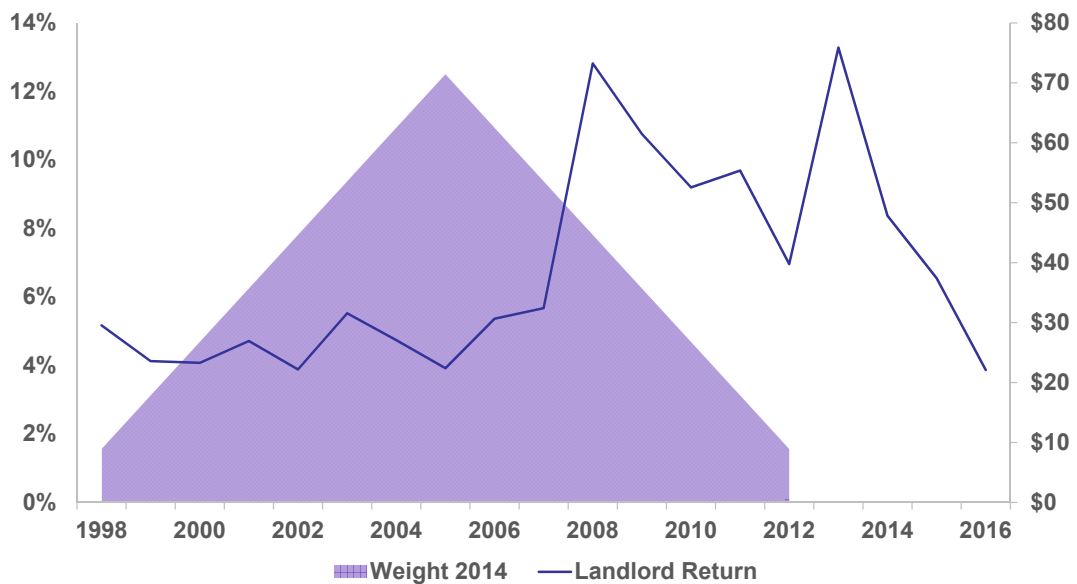
Property Tax Computation Process Eight Year Average of an Eight Year Average



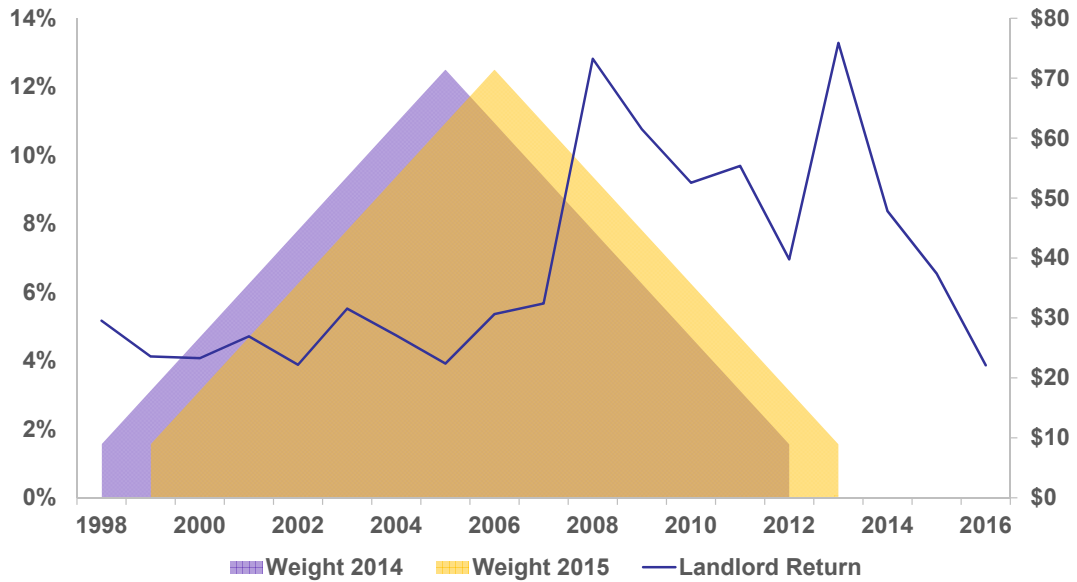
Non-irrigated Single Year Landlord Return for Barton County, 1998 - 2016 (Central Kansas)



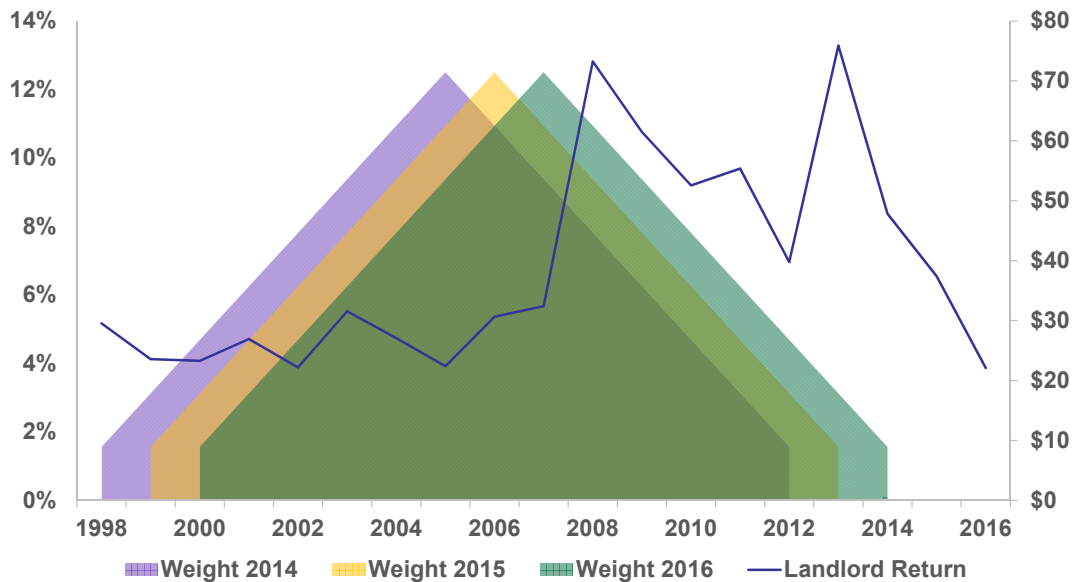
Non-irrigated Computation Process for Barton County



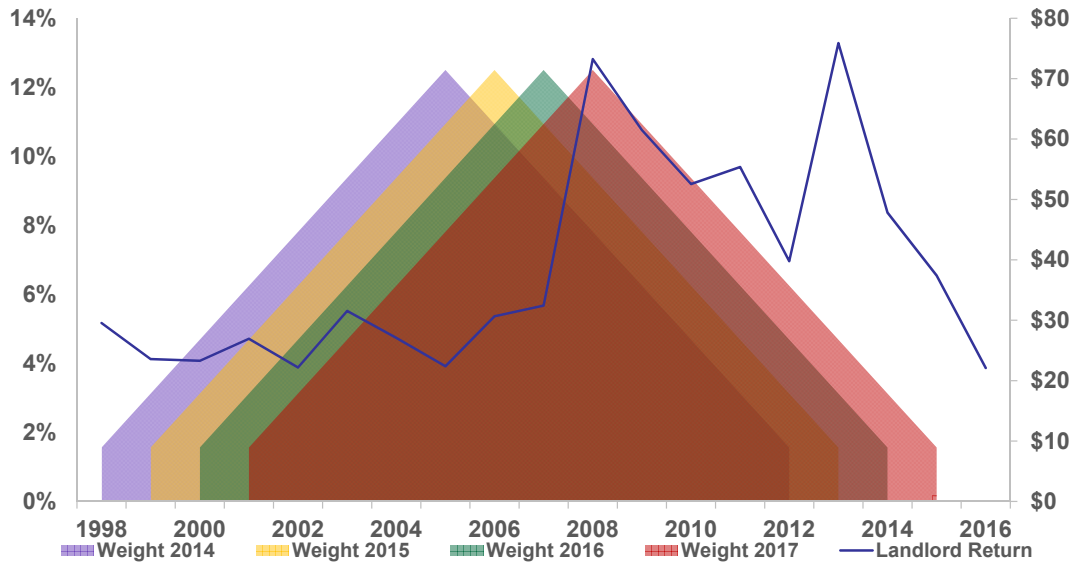
Non-irrigated Computation Process for Barton County



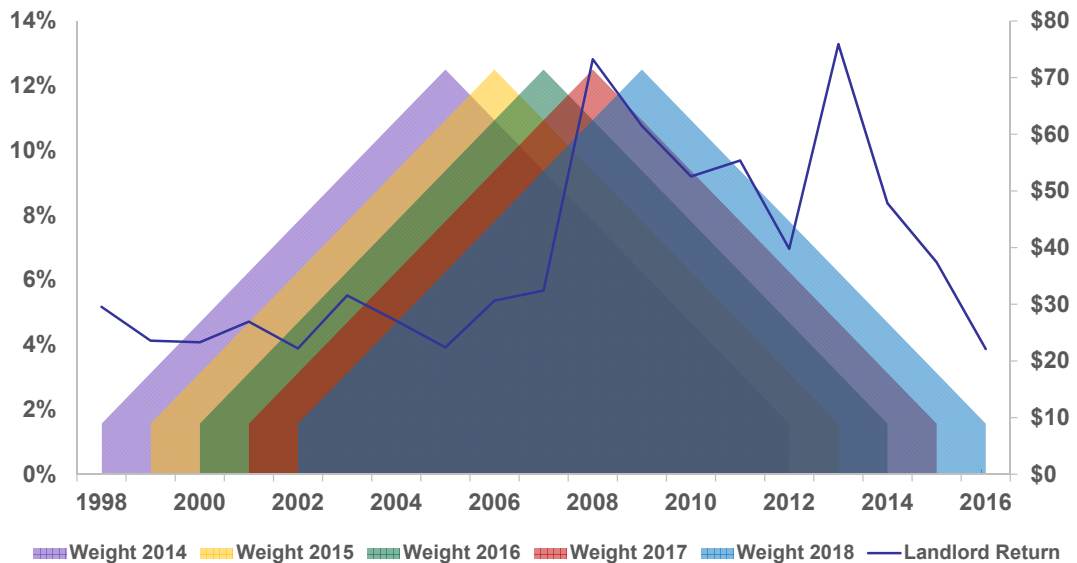
Non-irrigated Computation Process for Barton County



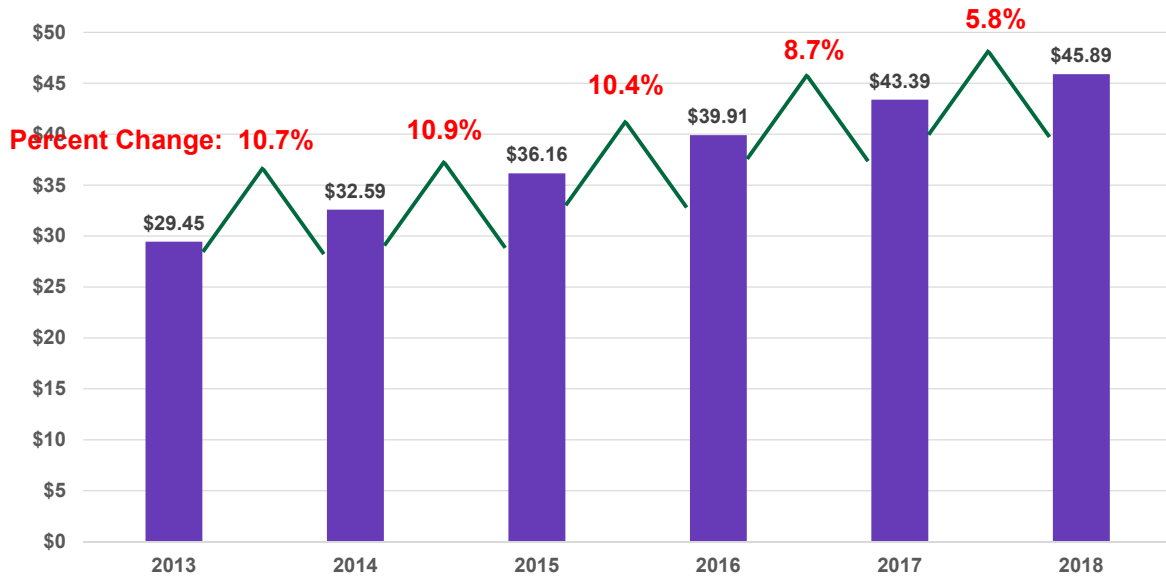
Non-irrigated Computation Process for Barton County



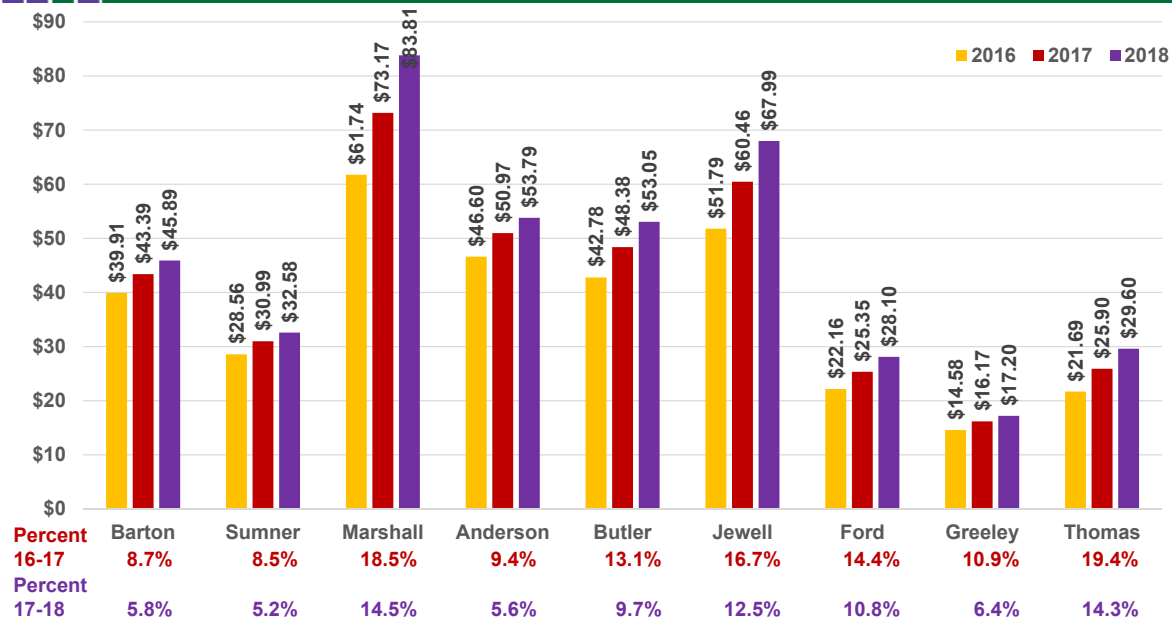
Non-irrigated Computation Process for Barton County



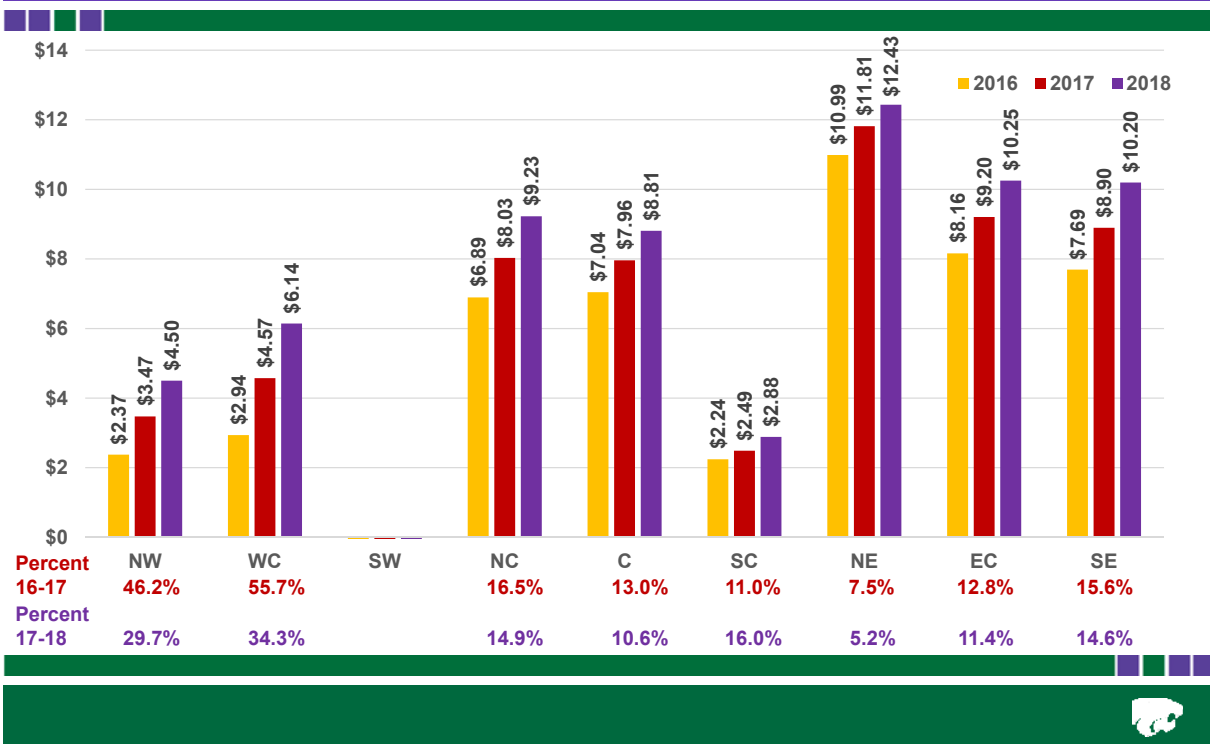
Impact of Moving Forward One Year for Barton County



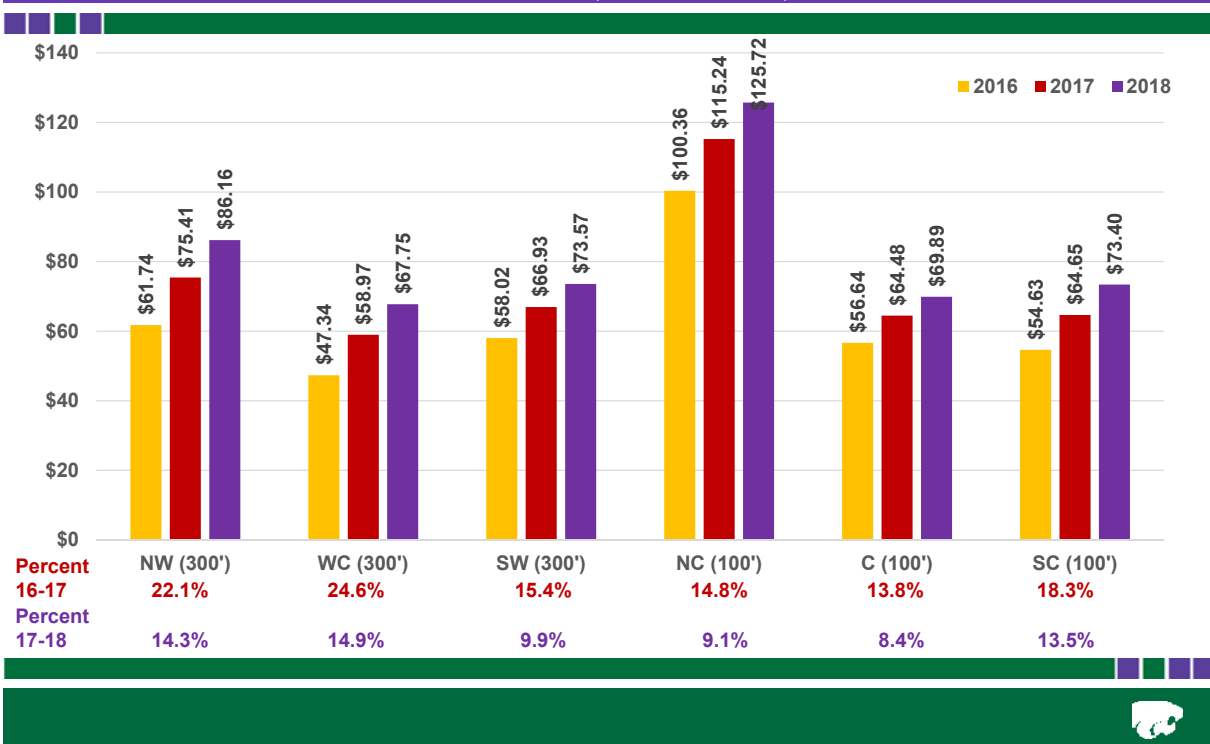
Impact of Moving Forward One Year for Kansas Dryland (Tax Years 2016 to 2017 and 2017 to 2018)



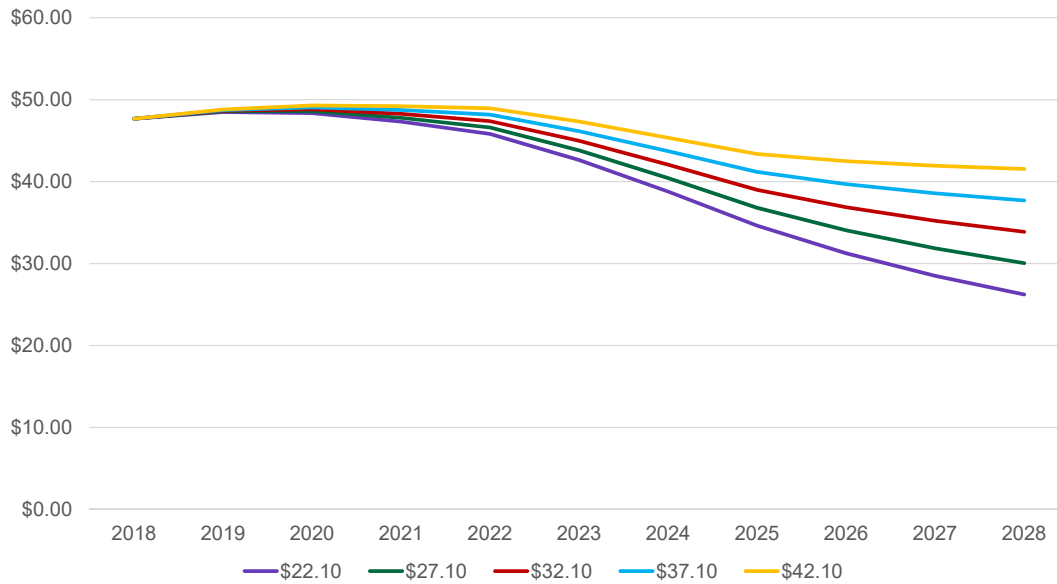
Impact of Moving Forward One Year for Kansas Pasture (Tax Years 2016 to 2017 and 2017 to 2018)



Impact of Moving Forward One Year for Kansas Irrigated (Tax Years 2016 to 2017 and 2017 to 2018)



When might the Non-irrigated Returns Begin to Fall



Turning Point Of Landlord Returns

- 15-year Average is \$42.13
- 15-year Minimum is \$22.10
- Assumes constant returns
- Turning point in 2019 or 2020

	Turning Point	% Change from 2018
\$7.10	2019	1.2%
\$12.10	2019	1.4%
\$17.10	2019	1.5%
\$22.10	2019	1.7%
\$27.10	2020	1.9%
\$32.10	2020	2.4%
\$37.10	2020	2.9%
\$42.10	2020	3.4%

Landlord Returns 2023 with Various LNIs

- 15-year Average is \$42.13
- 15-year Minimum is \$22.10
- Assumes constant returns
- Turning point in 2019 or 2020
- LNIs likely to fall less than 10%

	Turning Point	% Change from 2018
\$7.10	2019	-17.9%
\$12.10	2019	-15.5%
\$17.10	2019	-13.0%
\$22.10	2019	-10.6%
\$27.10	2020	-8.1%
\$32.10	2020	-5.7%
\$37.10	2020	-3.2%
\$42.10	2020	-0.7%



Summary

- Kansas real estate tax values on non-irrigated land are likely to increase for another year or two
 - Percentage increase is likely to be less than 5% unless Kansas agriculture's profitability is above the last 15-year average
- Kansas real estate tax values on irrigated land are likely to increase for another year or two
 - Percentage increase is likely to be similar to non-irrigated unless Kansas agriculture's profitability is above the last 15-year average
- Kansas real estate tax values on pasture are likely to be fairly stable over the next few years
- When landlord net incomes begin to fall, the decrease will likely be less than 10% through 2023





Questions?

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