

STATE OF NEVADA  
DEPARTMENT OF TAXATION

2005-2006

BULLETIN NO. 194



AGRICULTURAL LAND VALUES  
OPEN - SPACE PROPERTIES PROCEDURES

PREPARED BY THE  
DIVISION OF ASSESSMENT STANDARDS

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# 2005-2006

## Agricultural Land Values

### **Authority**

This bulletin is intended to fulfill the requirements of NRS 361A.140 and NRS 361.325 (1)(b).

NRS 361A.140 requires the Nevada Tax Commission to:

- (a) Define the classifications of agricultural real property;
- (b) Determine the valuations for each classification on the basis provided in NRS 361.325;
- (c) Determine the value of land covered by a residence or necessary to support the residence in the same manner as other real property pursuant to NRS 361.227; and
- (d) Prepare a bulletin listing all classifications and values thereof for the following assessment year.

NRS 361.325 (1)(b) requires the Nevada Tax Commission to classify land and fix and establish the valuation thereof for assessment purposes. The classification of agricultural land must be made on the basis of crop, timber or forage production, either in tons of crops per acre, board feet or other unit, or animal unit months of forage.

### **Classification Definitions**

Land devoted to agriculture is categorized under the following classifications:

#### ***Intensive Use Land***

The agricultural pursuits do not depend on the quality of the soil for production. Examples include: poultry ranches, fish farms, rabbit raising operations, cattle feed lots, hydroponic operations, and other agricultural operations whose products do not grow out of the soil but whose operations are carried out entirely on the soil.

#### ***Cultivated Land***

Land developed for agricultural use and is no longer in its natural condition.

**First Class Cultivated Land:** Land that produces during an average year 4 or more tons of alfalfa hay or 1 & ½ tons or more of small grains per acre or the equivalent of other feeds for livestock.

**Second Class Cultivated Land:** Land that produces during an average year 3 or more but less than 4 tons of alfalfa hay, or 1 ton but less than 1 & ½ tons of small grains per acre or the equivalent of other feeds for livestock.

**Third Class Cultivated Land:** Land that produces during an average year 2 to 3 tons of alfalfa hay, or ½ to 1 ton of small grains per acre or the equivalent of other feeds for livestock.

**Fourth Class Cultivated Land:** Land that produces during an average year 1 & ½ to 2 tons of alfalfa hay or ½ ton of small grains per acre or the equivalent of other feeds for livestock.

### ***Native Meadow Land or Wild Hay Land***

Land irrigated by streams or rivers and has not been cultivated. It is still in its natural condition with maybe a simple irrigation system.

**First Class Native Meadow or Wild Hay Land:** Land that produces during an average year 1 or more tons of hay per acre.

**Second Class Native Meadow or Wild Hay Land:** Land that produces during an average year ½ ton or more but less than 1 ton of hay per acre.

### ***Pasture Land***

Pasture land is irrigated or partially irrigated land. It is usually not cultivated but has a higher carrying capacity per acre than “grazing land.”

**First Class Pasture:** During an average year, this land produces enough feed per acre for 4 grown cattle (4 animal units per month) in any 1 month during the calendar year.

**Second Class Pasture:** During an average year, this land produces enough feed per acre for 3 to 4 grown cattle (3 to 4 animal units per month) for any 1 month during the calendar year.

**Third Class Pasture:** During an average year, this land produces enough feed per acre for 2 to 3 grown cattle (2 to 3 animal units per month) in any 1 month during the calendar year.

**Fourth Class Pasture:** During an average year, this land produces enough feed per acre for 1 to 2 grown cattle (1 to 2 animal units per month) in any 1 month during the calendar year.

### ***Grazing Land***

Grazing land usually lacks irrigation and has a lower carrying capacity per acre than pasture land. It is commonly identified as “range land”, either open or fenced. It also may be land found within the fenced boundaries of the farm or ranch that does not meet the definition of the previous classifications.

**First Class Grazing:** During an average year, this land produces enough feed on 4 acres or less for 1 grown cow (1/4 up to 1 animal units per month) for any 1 month in the calendar year.

**Second Class Grazing:** During an average year, this land produces enough feed on 4 to 6 acres for 1 grown cow (1/4 up to 1/6 animal units per month) for any 1 month in the calendar year.

**Third Class Grazing:** During an average year, this land produces enough feed on 6 to 12 acres for 1 grown cow (1/6 up to 1/12 animal units per month) for any 1 month in the calendar year.

**Fourth Class Grazing:** During an average year, this land produces enough feed on 12 acres or more for 1 grown cow (1/12 or less animal units per month) for any 1 month in the calendar year. Such land is barren or rocky.

### ***Farmstead***

The value of the land in the farmstead area covered by a residence or necessary to support a residence is computed as taxable value pursuant to NRS 361.227. Any remaining farmstead area of an agricultural property that is part of the operation is valued by applying the same value as the highest land classification used for that operation.

## **Valuation Methodology**

The methods used to determine the value of agricultural land are defined in the Nevada Administrative Code (NAC) Chapter 361A. The Nevada Tax Commission adopted revised permanent regulations that became effective on December 4, 2003 and are currently listed as “LCB File No. R030-03” until they become codified by the Legislative Counsel Bureau. All sections referenced in this Bulletin refer to the LCB File No. R030-03.

Valuation methodology is defined in Section 21. In summary, Section 21 calls for the application of a capitalized earnings approach, whereby an estimated income stream is capitalized into an estimate of value. There are two major components to the capitalized earnings approach. First, an income stream is developed from information obtained from an annual survey of agriculturalists throughout the state. This year, approximately 280 farmers and ranchers responded to the survey. A copy of the survey form may be found in the Appendix.

The survey requests information about the price per ton of alfalfa hay; estimated tonnage, and total tons. The survey also asks for information regarding wild or other hay, watered pasture rental prices per AUM, and grazing rental prices per AUM. The information is then compared to statistics developed by the Nevada Agricultural Statistics Service (NASS) to verify reasonableness. The NASS develops average price-per-month for alfalfa hay and the average price-per-month for wild hay used to compare information for cultivated land values and native meadow or wild hay land, respectively. The NASS data may be found in the Appendix.

Each year, a mean average for the price of hay is calculated from the annual survey data. A five-year, weighted average using the mean average for five years is then calculated pursuant to the requirements of Section 21. The weighting is intended to reflect a normalized, typical drought cycle estimate of typical gross revenue for cultivated lands. The same process is used to develop a normalized, typical drought cycle estimate of typical gross revenue for native meadow or wild hay lands using the average price of wild hay reported by survey participants.

In addition, a mean average for pasture and grazing land rentals is developed each year from the data reported by survey participants. A five-year, weighted average using the mean average for five years is then calculated pursuant to the requirements of Section 21. The resulting weighted averages are used to develop a normalized estimate of typical gross revenue for pasture and grazing lands. Please refer to the Calculations Section for specific results.

Estimated expenses are then deducted from the normalized gross revenue for each category. Currently, the Department estimates 91.25% of gross income represents expenses for cultivated land; and 70% of gross income represents expenses for native meadow or wild hay land. The estimate was the result of considerable testimony and debate before the Commission several years ago. The rate was set by the Commission so that all but the most marginal farms could continue to exist.

The actual cost of production of hay varies widely year by year and area to area. Last year's survey indicated the actual cost of production of a ton of hay varied between \$40 and \$100 per ton throughout Nevada. (Nevada Department of Agriculture) The prime reason was the cost of water. For instance, river water in Fallon and Yerington may be free or low cost. On the other hand, well water in Eureka is high due to the high cost of power. In other areas relying on other sources, the cost of water can be even higher.

All of the other costs including fuel, fences, payroll, insurance and maintenance are included. A year of fallow, rotation, or replanting is addressed by the basic expense rate, which is an expression of normalized averages. Agricultural land is revalued once every five years and the value based on the average production over the previous 3 to 5 years.

The Department has also carried forward a 10.25% capitalization rate. Capitalization rates typically vary between 8 and 12%, depending on the region and the type of land being valued. However, the Department consults with independent agricultural land fee appraisers and with information from the Agricultural Statistics Service to check for reasonableness of the rate. The suggested capitalization rate is still consistent with current conditions.

## **Procedures**

Procedures for the administration of the assessment of agricultural lands may be found in the NAC, Chapter 361A. For instance, real property owners may apply for an agricultural use assessment on real property qualifying as agricultural land. In order to qualify, the lands must meet the requirements of NRS 361A.020-361A.030, and NAC Chapter 361A. Pursuant to Section 17, county assessors determine the eligibility of agricultural use applications for properties of 20 acres or more and the Division of Assessment Standards reviews those applications of less than 20 acres.

Applications must be on forms approved by the Tax Commission, pursuant to Sections 14 and 15. Assessors may require additional information pursuant to Section 16.

In order to properly classify agricultural real property according to the descriptions in this Bulletin, assessors should inspect the property and gather information from the property owners and managers, agricultural extension agents, university agronomists, and other agricultural land specialists. The assessor should evaluate soil line and topographical maps, and consider the land's carrying capacity, water availability, soil type and condition pursuant to the requirements of Section 19.

Pursuant to NRS 361A.130, assessors must maintain records of agricultural use assessments and make those records available to any person upon request. They must notify property owners of their agricultural use assessments in the same manner used to notify property owners of their taxable value assessments. The notice must contain the following statement: **Deferred taxes will become due on this parcel if it is converted to a higher use.**

# **Agricultural Land Calculations Section**

**Nevada Department of Taxation**  
**Summary of Agricultural Land Values**  
**and**  
**Comparison of Values 1999-2000 through 2005-2006**

Land Classification	Adopted 1999-00	Adopted 2000-01	Annual Percent Change	Adopted 2001-02	Annual Percent Change	Adopted 2002-03	Annual Percent Change	Adopted 2003-2004	Annual Percent Change	Adopted 2004- 2005	Annual Percent Change	Adopted 2005-2006	Annual Percent Change	5 yr Percent Change
Intensive Use Land	170.00	171.00	0.59%	164.00	-4.09%	153.00	-6.71%	\$ 161.00	5.23%	\$ 164.00	1.86%	\$ 164.00	0.00%	-4.09%
Cultivated Land														
First Class Cultivated	132.00	133.00	0.76%	127.00	-4.51%	118.00	-7.09%	\$ 125.00	5.93%	\$ 127.00	1.60%	\$ 127.00	0.00%	-4.51%
Second Class Cultivated	103.00	103.00	0.00%	99.00	-3.88%	92.00	-7.07%	\$ 97.00	5.43%	\$ 99.00	2.06%	\$ 99.00	0.00%	-3.88%
Third Class Cultivated	73.00	74.00	1.37%	70.00	-5.41%	66.00	-5.71%	\$ 69.00	4.55%	\$ 71.00	2.90%	\$ 71.00	0.00%	-4.05%
Fourth Class Cultivated	51.00	52.00	1.96%	49.00	-5.77%	46.00	-6.12%	\$ 49.00	6.52%	\$ 49.00	0.00%	\$ 49.00	0.00%	-5.77%
Native Meadow Land or Wild Hay Land														
First Class Meadow	76.00	76.00	0.00%	71.00	-6.58%	66.00	-7.04%	\$ 66.00	0.00%	\$ 75.00	13.64%	\$ 78.00	4.00%	2.63%
Second Class Meadow	57.00	57.00	0.00%	53.00	-7.02%	49.00	-7.55%	\$ 49.00	0.00%	\$ 56.00	14.29%	\$ 59.00	5.36%	3.51%
Pasture Land														
First Class Pasture	76.00	80.00	5.26%	80.00	0.00%	82.00	2.50%	\$ 75.00	-8.54%	\$ 79.00	5.33%	\$ 88.00	11.39%	10.00%
Second Class Pasture	57.00	60.00	5.26%	60.00	0.00%	64.00	6.67%	\$ 58.00	-9.38%	\$ 61.00	5.17%	\$ 68.00	11.48%	13.33%
Third Class Pasture	50.00	53.00	6.00%	53.00	0.00%	54.00	1.89%	\$ 51.00	-5.56%	\$ 53.00	3.92%	\$ 59.00	9.43%	9.43%
Fourth Class Pasture	21.00	23.00	9.52%	23.00	0.00%	23.00	0.00%	\$ 20.00	-13.04%	\$ 22.00	10.00%	\$ 25.00	13.64%	8.70%
Grazing Land														
First Class Grazing	4.24	4.71	11.08%	5.26	11.68%	5.05	-3.99%	\$ 4.03	-20.20%	\$ 4.54	12.66%	\$ 4.16	-8.15%	-11.46%
Second Class Grazing	2.18	2.43	11.47%	2.73	12.35%	2.59	-5.13%	\$ 2.08	-19.69%	\$ 2.36	13.46%	\$ 2.15	-8.90%	-11.52%
Third Class Grazing	1.54	1.67	8.44%	1.91	14.37%	1.81	-5.24%	\$ 1.47	-18.78%	\$ 1.61	9.52%	\$ 1.50	-6.83%	-10.18%
Fourth Class Grazing	1.25	1.25	0.00%	1.25	0.00%	1.25	0.00%	\$ 1.25	0.00%	\$ 1.25	0.00%	\$ 1.25	0.00%	0.00%

**Nevada Department of Taxation**  
**Cultivated Land**  
**Value Per Acre**

1st Class Cultivated							
A	B	C	D	E	F	G	H
Year	Price of Hay Per Ton	Estimated Expenses	Net Operating Income Per Ton (B-(B*C))	Production Per Acre Total Tons	Net Operating Income/Acre (D*E)	5-Year Weight	Weighted Average NOI (F*G)
1999	80.00	91.25%	\$ 7.00	4.50	31.50	0.0667	\$ 2.10
2000	89.00	91.25%	\$ 7.79	4.50	35.04	0.1333	\$ 4.67
2001	109.00	91.25%	\$ 9.54	4.50	42.92	0.2000	\$ 8.58
2002	100.00	91.25%	\$ 8.75	4.50	39.38	0.2667	\$ 10.50
2003	87.00	91.25%	\$ 7.61	4.50	34.26	0.3333	\$ 11.42

Five-year weighted average of net operating income: \$ 37.28

Capitalization Rate: 10.25%

Income stream: \$ 37.28

Value / Acre (Income stream / cap rate) \$ 363.66

Level of Assessment: 35%

Assessed Value/Acre (Value per acre times assessment level) \$ 127.28

Rounded Assessed Value: \$ 127.00

2nd Class Cultivated							
A	B	C	D	E	F	G	H
Year	Price of Hay Per Ton	Estimated Expenses	Net Operating Income Per Ton (B-(B*C))	Production Per Acre Total Tons	Net Operating Income/Acre (D*E)	5-Year Weight	Weighted Average NOI (F*G)
1999	80.00	91.25%	\$ 7.00	3.50	24.50	0.0667	\$ 1.63
2000	89.00	91.25%	\$ 7.79	3.50	27.26	0.1333	\$ 3.63
2001	109.00	91.25%	\$ 9.54	3.50	33.38	0.2000	\$ 6.68
2002	100.00	91.25%	\$ 8.75	3.50	30.63	0.2667	\$ 8.17
2003	87.00	91.25%	\$ 7.61	3.50	26.64	0.3333	\$ 8.88

Five-year weighted average of net operating income: \$ 28.99

Capitalization Rate: 10.25%

Income stream: \$ 28.99

Value / Acre (Income stream / cap rate) \$ 282.85

Level of Assessment: 35%

Assessed Value/Acre (Value per acre times assessment level) \$ 99.00

Rounded Assessed Value: \$ 99.00

Rounded Assessed Value:

**Nevada Department of Taxation**  
**Cultivated Land**  
**Value Per Acre**

3rd Class Cultivated							
A	B	C	D	E	F	G	H
Year	Price of Hay Per Ton	Estimated Expenses	Net Operating Income Per Ton (B-(B*C))	Production Per Acre Total Tons	Net Operating Income/Acre (D*E)	5-Year Weight	Weighted Average NOI (F*G)
1999	80.00	91.25%	\$ 7.00	2.50	17.50	0.0667	\$ 1.17
2000	89.00	91.25%	\$ 7.79	2.50	19.47	0.1333	\$ 2.60
2001	109.00	91.25%	\$ 9.54	2.50	23.84	0.2000	\$ 4.77
2002	100.00	91.25%	\$ 8.75	2.50	21.88	0.2667	\$ 5.83
2003	87.00	91.25%	\$ 7.61	2.50	19.03	0.3333	\$ 6.34
Five-year weighted average of net operating income:							<b>\$ 20.71</b>
Capitalization Rate:							10.25%
Income stream:							\$ 20.71
Value / Acre (Income stream / cap rate)							\$ 202.03
Level of Assessment:							35%
Assessed Value/Acre (Value per acre times assessment level)							\$ 70.71
Rounded Assessed Value:							<b>\$ 71.00</b>

4th Class Cultivated							
A	B	C	D	E	F	G	H
Year	Price of Hay Per Ton	Estimated Expenses	Net Operating Income Per Ton (B-(B*C))	Production Per Acre Total Tons	Net Operating Income/Acre (D*E)	5-Year Weight	Weighted Average NOI (F*G)
1999	80.00	91.25%	\$ 7.00	1.75	12.25	0.0667	\$ 0.82
2000	89.00	91.25%	\$ 7.79	1.75	13.63	0.1333	\$ 1.82
2001	109.00	91.25%	\$ 9.54	1.75	16.69	0.2000	\$ 3.34
2002	100.00	91.25%	\$ 8.75	1.75	15.31	0.2667	\$ 4.08
2003	87.00	91.25%	\$ 7.61	1.75	13.32	0.3333	\$ 4.44
Five-year weighted average of net operating income:							<b>\$ 14.50</b>
Capitalization Rate:							10.25%
Income stream:							\$ 14.50
Value / Acre (Income stream / cap rate)							\$ 141.42
Level of Assessment:							35%
Assessed Value/Acre (Value per acre times assessment level)							\$ 49.50
Rounded Assessed Value:							<b>\$ 49.00</b>

**Nevada Department of Taxation**  
**Wild Hay Land**  
**Value Per Acre**

<b>1st Class Wild Hay</b>							
A	B	C	D	E	F	G	H
Year	Price of Hay Per Ton	Estimated Expenses	Net Operating Income Per Ton (B-(B*C))	Production Per Acre Total Tons	Net Operating Income/Acre (D*E)	5-Year Weight	Weighted Average NOI (F*G)
1999	50.00	70.00%	\$ 15.00	1.00	15.00	0.0667	\$ 1.00
2000	62.00	70.00%	\$ 18.60	1.00	18.60	0.1333	\$ 2.48
2001	80.00	70.00%	\$ 24.00	1.00	24.00	0.2000	\$ 4.80
2002	92.00	70.00%	\$ 27.60	1.00	27.60	0.2667	\$ 7.36
2003	73.00	70.00%	\$ 21.90	1.00	21.90	0.3333	\$ 7.30

Five-year weighted average of net operating income: \$ 22.94

Capitalization Rate: 10.25%

Income stream: \$ 22.94

Value / Acre (Income stream / cap rate) \$ 223.80

Level of Assessment: 35%

Assessed Value/Acre (Value per acre times assessment level) \$ 78.33

Rounded Assessed Value: \$ 78.00

<b>2nd Class Wild Hay</b>							
A	B	C	D	E	F	G	H
Year	Price of Hay Per Ton	Estimated Expenses	Net Operating Income Per Ton (B-(B*C))	Production Per Acre Total Tons	Net Operating Income/Acre (D*E)	5-Year Weight	Weighted Average NOI (F*G)
1999	50.00	70.00%	\$ 15.00	0.75	11.25	0.0667	\$ 0.75
2000	62.00	70.00%	\$ 18.60	0.75	13.95	0.1333	\$ 1.86
2001	80.00	70.00%	\$ 24.00	0.75	18.00	0.2000	\$ 3.60
2002	92.00	70.00%	\$ 27.60	0.75	20.70	0.2667	\$ 5.52
2003	73.00	70.00%	\$ 21.90	0.75	16.43	0.3333	\$ 5.48

Five-year weighted average of net operating income: \$ 17.21

Capitalization Rate: 10.25%

Income stream: \$ 17.21

Value / Acre (Income stream / cap rate) \$ 167.85

Level of Assessment: 35%

Assessed Value/Acre (Value per acre times assessment level) \$ 58.75

Rounded Assessed Value: \$ 59.00

**Nevada Department of Taxation**  
**Pasture and Grazing Land**  
**Value Per Acre**

1st Class Pasture									
A	B	C	D	E	F	G	H	I	J
Year	Gross Rent Per Acre	AUMS Per Acre	Gross Income (B*C)	Management Expense % of Gross	Adjusted Gross Income (D-(D*E))	Fence, Ditch Water, Maintenance, Insurance	Net Operating Income (F-G)	5-Year Weight	Weighted Average NOI (H*I)
1999	9.76	4	\$ 39.06	6.17%	\$ 36.65	17.95	\$ 18.70	0.0667	\$ 1.25
2000	10.70	4	\$ 42.80	6.17%	\$ 40.16	17.95	\$ 22.21	0.1333	\$ 2.96
2001	11.52	4	\$ 46.08	6.17%	\$ 43.24	17.95	\$ 25.29	0.2000	\$ 5.06
2002	11.93	4	\$ 47.72	6.17%	\$ 44.78	17.95	\$ 26.83	0.2667	\$ 7.15
2003	12.29	4	\$ 49.15	6.17%	\$ 46.12	17.95	\$ 28.17	0.3333	\$ 9.39
Five-year weighted average of net operating income:									<b>\$ 25.81</b>

Capitalization Rate: 10.25%  
Income stream: \$ 25.81  
Value / Acre (Income stream / cap rate) \$ 251.79  
Level of Assessment: 35%  
Assessed Value/Acre (Value per acre times assessment level) \$ 88.13  
Rounded Assessed Value: **\$ 88.00**

2nd Class Pasture									
A	B	C	D	E	F	G	H	I	J
Year	Gross Rent Per Acre	AUMS Per Acre	Gross Income (B*C)	Management Expense % of Gross	Adjusted Gross Income (D-(D*E))	Fence, Ditch Water, Maintenance, Insurance	Net Operating Income (F-G)	5-Year Weight	Weighted Average NOI (H*I)
1999	9.76	3	\$ 29.29	6.17%	\$ 27.48	12.93	\$ 14.55	0.0667	\$ 0.97
2000	10.70	3	\$ 32.10	6.17%	\$ 30.12	12.93	\$ 17.19	0.1333	\$ 2.29
2001	11.52	3	\$ 34.56	6.17%	\$ 32.43	12.93	\$ 19.50	0.2000	\$ 3.90
2002	11.93	3	\$ 35.79	6.17%	\$ 33.58	12.93	\$ 20.65	0.2667	\$ 5.51
2003	12.29	3	\$ 36.86	6.17%	\$ 34.59	12.93	\$ 21.66	0.3333	\$ 7.22
Five-year weighted average of net operating income:									<b>\$ 19.89</b>

Capitalization Rate: 10.25%  
Income stream: \$ 19.89  
Value / Acre (Income stream / cap rate) \$ 194.04  
Level of Assessment: 35%  
Assessed Value/Acre (Value per acre times assessment level) \$ 67.91  
Rounded Assessed Value: **\$ 68.00**

**Nevada Department of Taxation**  
**Pasture and Grazing Land**  
**Value Per Acre**

3rd Class Pasture									
A	B	C	D	E	F	G	H	I	J
Year	Gross Rent Per Acre	AUMS Per Acre	Gross Income (B*C)	Management Expense % of Gross	Adjusted Gross Income (D-(D*E))	Fence, Ditch Water, Maintenance, Insurance	Net Operating Income (F-G)	5-Year Weight	Weighted Average NOI (H*I)
1999	9.76	2.5	\$ 24.41	6.17%	\$ 22.90	10.15	\$ 12.75	0.0667	\$ 0.85
2000	10.70	2.5	\$ 26.75	6.17%	\$ 25.10	10.15	\$ 14.95	0.1333	\$ 1.99
2001	11.52	2.5	\$ 28.80	6.17%	\$ 27.02	10.15	\$ 16.87	0.2000	\$ 3.37
2002	11.93	2.5	\$ 29.83	6.17%	\$ 27.98	10.15	\$ 17.83	0.2667	\$ 4.76
2003	12.29	2.5	\$ 30.72	6.17%	\$ 28.82	10.15	\$ 18.67	0.3333	\$ 6.22
Five-year weighted average of net operating income:									\$ 17.20

Capitalization Rate: 10.25%

Income stream: \$ 17.20

Value / Acre (Income stream / cap rate) \$ 167.80

Level of Assessment: 35%

Assessed Value/Acre (Value per acre times assessment level) \$ 58.73

Rounded Assessed Value: \$ 59.00

4th Class Pasture									
A	B	C	D	E	F	G	H	I	J
Year	Gross Rent Per Acre	AUMS Per Acre	Gross Income (B*C)	Management Expense % of Gross	Adjusted Gross Income (D-(D*E))	Fence, Ditch Water, Maintenance, Insurance	Net Operating Income (F-G)	5-Year Weight	Weighted Average NOI (H*I)
1999	9.76	1.5	\$ 14.65	6.17%	\$ 13.74	9.08	\$ 4.66	0.0667	\$ 0.31
2000	10.70	1.5	\$ 16.05	6.17%	\$ 15.06	9.08	\$ 5.98	0.1333	\$ 0.80
2001	11.52	1.5	\$ 17.28	6.17%	\$ 16.21	9.08	\$ 7.13	0.2000	\$ 1.43
2002	11.93	1.5	\$ 17.90	6.17%	\$ 16.79	9.08	\$ 7.71	0.2667	\$ 2.06
2003	12.29	1.5	\$ 18.43	6.17%	\$ 17.29	9.08	\$ 8.21	0.3333	\$ 2.74
Five-year weighted average of net operating income:									\$ 7.33

Capitalization Rate: 10.25%

Income stream: \$ 7.33

Value / Acre (Income stream / cap rate) \$ 71.51

Level of Assessment: 35%

Assessed Value/Acre (Value per acre times assessment level) \$ 25.03

Rounded Assessed Value: \$ 25.00

**Nevada Department of Taxation**  
**Pasture and Grazing Land**  
**Value Per Acre**

1st Class Grazing											
A	B	C	D	E	F	G	H	I	J	K	L
Year	Gross Rent Per AUM	Acres Required	Grazing Period # Months	Total Acres Required (C*D)	Season Return (B*D)	Gross Income Per Acre (F/E)	Fence, Ditch Water, Maintenance, Insurance Expense 10% of G	Management Expense 2.08% of G	Net Operating Income (G-(H+I))	5-year Weight	Weighted Average NOI
1999	2.24	2	5	10	\$ 11.22	\$ 1.12	\$ 0.11	\$ 0.02	\$ 0.99	0.0667	\$ 0.07
2000	2.94	2	5	10	\$ 14.70	\$ 1.47	\$ 0.15	\$ 0.03	\$ 1.29	0.1333	\$ 0.17
2001	2.82	2	5	10	\$ 14.10	\$ 1.41	\$ 0.14	\$ 0.03	\$ 1.24	0.2000	\$ 0.25
2002	2.98	2	5	10	\$ 14.90	\$ 1.49	\$ 0.15	\$ 0.03	\$ 1.31	0.2667	\$ 0.35
2003	2.61	2	5	10	\$ 13.06	\$ 1.31	\$ 0.13	\$ 0.03	\$ 1.15	0.3333	\$ 0.38
Five-year weighted average of net operating income:											\$ 1.22

Capitalization Rate: 10.25%  
Income stream: \$ 1.22  
Value / Acre (Income stream / cap rate) \$ 11.88

Level of Assessment: 35%  
Assessed Value/Acre (Value per acre times assessment level) \$ 4.16

2nd Class Grazing											
A	B	C	D	E	F	G	H	I	J	K	L
Year	Gross Rent Per AUM	Acres Required	Grazing Period # Months	Total Acres Required (C*D)	Season Return (B*D)	Gross Income Per Acre (F/E)	Fence, Ditch Water, Maintenance, Insurance Expense 7% of G	Management Expense 2.08% of G	Net Operating Income (G-(H+I))	5-year Weight	Weighted Average NOI
1999	2.24	4	5	20	\$ 11.22	\$ 0.56	\$ 0.04	\$ 0.01	\$ 0.51	0.0667	\$ 0.03
2000	2.94	4	5	20	\$ 14.70	\$ 0.74	\$ 0.05	\$ 0.02	\$ 0.67	0.1333	\$ 0.09
2001	2.82	4	5	20	\$ 14.10	\$ 0.71	\$ 0.05	\$ 0.01	\$ 0.64	0.2000	\$ 0.13
2002	2.98	4	5	20	\$ 14.90	\$ 0.75	\$ 0.05	\$ 0.02	\$ 0.68	0.2667	\$ 0.18
2003	2.61	4	5	20	\$ 13.06	\$ 0.65	\$ 0.05	\$ 0.01	\$ 0.59	0.3333	\$ 0.20
Five-year weighted average of net operating income:											\$ 0.63

Capitalization Rate: 10.25%  
Income stream: \$ 0.63  
Value / Acre (Income stream / cap rate) \$ 6.14

Level of Assessment: 35%  
Assessed Value/Acre (Value per acre times assessment level) \$ 2.15

**Nevada Department of Taxation**  
**Pasture and Grazing Land**  
**Value Per Acre**

3rd Class Grazing												
A	B	C	D	E	F	G	H	I	J	K	L	
Year	Gross Rent Per AUM	Acres Required	Grazing Period # Months	Total Acres Required (C*D)	Season Return (B*D)	Gross Income Per Acre (F/E)	Fence, Ditch Water, Maintenance, Insurance Expense 3% of G	Management Expense 2.08% of G	Net Operating Income (G-(H+I))	5-year Weight	Weighted Average NOI	
1999	2.24	6	5	30	\$ 11.22	\$ 0.37	\$ 0.01	\$ 0.01	\$ 0.35	0.0667	\$ 0.02	
2000	2.94	6	5	30	\$ 14.70	\$ 0.49	\$ 0.01	\$ 0.01	\$ 0.47	0.1333	\$ 0.06	
2001	2.82	6	5	30	\$ 14.10	\$ 0.47	\$ 0.01	\$ 0.01	\$ 0.45	0.2000	\$ 0.09	
2002	2.98	6	5	30	\$ 14.90	\$ 0.50	\$ 0.01	\$ 0.01	\$ 0.47	0.2667	\$ 0.13	
2003	2.61	6	5	30	\$ 13.06	\$ 0.44	\$ 0.01	\$ 0.01	\$ 0.41	0.3333	\$ 0.14	
Five-year weighted average of net operating income:											\$ 0.44	

Capitalization Rate: 10.25%  
Income stream: \$ 0.44  
Value / Acre (Income stream / cap rate) \$ 4.28

Level of Assessment: 35%  
Assessed Value/Acre (Value per acre times assessment level) \$ 1.50

<b>4th Class Grazing</b>
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**Fourth class grazing is deemed to have minimal value. Pursuant to NRS 361.230 (1), no patented land of any description in the state of Nevada owned by any individual, partnership, association, estate, corporation or otherwise, and no land held under any state land contract, shall be assessed for less than \$1.25 per acre by the county assessors of the various counties.**

Value / Acre (Income stream / cap rate) \$ 3.57

Level of Assessment: 35%  
Assessed Value/Acre (Value per acre times assessment level) \$ 1.25

**Nevada Department of Taxation**  
***Intensive Use Land***  
***Value Per Acre***

<b>Intensive Use Lands</b>
----------------------------

The formula adopted by the Tax Commission reflects the idea that intensive use lands have a value approximately 30% greater than cultivated lands. The formula used to estimate the value of intensive use lands is the value of 1<sup>st</sup> cultivated divided by 2<sup>nd</sup> cultivated times 1<sup>st</sup> cultivated. In effect it reflects the percentage of difference in value between 1<sup>st</sup> and 2nd cultivated lands to reflect a graduated value line.

<b>1st Class Cultivated</b>	=	<b>\$127.28</b>		<b>Assessed Value per Acre</b>	
<b>2nd Class Cultivated</b>	=	<b>\$99.00</b>		<b>Assessed Value per Acre</b>	
\$ 127.28	divided by	\$99.00	=	\$ 1.29	
\$ 127.28	x	\$ 1.29	=	<table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: center;">\$164.13</td> </tr> </table> Assessed value per acre	\$164.13
\$164.13					

# ASSESSMENT OF OPEN-SPACE REAL PROPERTY

## **Procedures**

NRS 361A.170 requires the governing bodies of every city or county, as part of their master plan, to establish and promote the conservation, maintenance and protection of open-space property. If a property is designated as open-space property, it is eligible for an open-space use assessment.

Open-space use applications are filed with county assessors who forward the applications to the county commissioners or city governing body. The county commissioners or governing bodies evaluate open-space use assessment applications and take action based on procedures adopted by ordinance.

Pursuant to NRS 361A.220 (2) assessors must maintain records of open-space use assessments and make these records available to any person upon request. They must notify property owners of their open-space use assessments in the same manner used to notify property owners of their taxable value assessments. The notice must contain the following statement: **Deferred taxes will become due on this parcel if it is converted to a higher use.**

Pursuant to NRS 361A.050, historic sites may qualify for open-space use assessment. The following conditions must be met:

1. Department of Cultural Affairs, State Historic Preservation Office must designate the site as historical.
2. In addition, an historic site must meet the requirements of NRS 361A.170 through 361A.210.

## **Valuation Methodology**

If an application is approved, the assessor calculates an open-space use assessment by discounting the property's equalized taxable value. The Nevada Tax Commission adopted a formula in which open-space use assessments receive a discount of 9 percent for a term of 3 and 1/2 years.

To apply this discount, multiply the taxable value of the open-space property by the factor of .74. The assessed value is 35 percent of the open-space use value. If the qualified property is a historic site with both land and improvements, apply the .74 factor to the equalized taxable value of both land and improvements.

### **Example**

The subject property qualifies as open-space land. The equalized taxable value of comparable land nearby, which is not open-space land, is \$10,000 per acre. The equalized taxable value of the subject's improvements, an older historic residence, is \$40,000.

Land	$\$10,000 \times .74 = \$ 7,400 \times 35\% =$	\$ 2,590
Improvements	$\$40,000 \times .74 = \$29,600 \times 35\% =$	\$10,360

Total assessed based on open-space use = \$12,950

The assessor should record for tax deferral purposes the following:

Land	\$10,000 x 35% =	\$ 3,500
Improvements	\$40,000 x 35% =	\$14,000
Total Assessed Value	=	\$17,500

Equalize an open-space property's taxable value with the taxable values of comparable surrounding properties. Reappraise the open-space property with other properties in the normal reappraisal cycle. If the taxable value increases or decreases during reappraisal, make the appropriate adjustments to the open-space use valuation.

# **Appendix**

Nevada Department of Taxation

*Appendix*

**2003**

**Nevada Agricultural Statistics Service**

Month	Average Price	
	Alfalfa Hay	Wild Hay
January	\$ 97.00	\$ 105.00
February	\$ 94.00	\$ 100.00
March	\$ 95.00	\$ 100.00
April	\$ 90.00	\$ 95.00
May	\$ 93.00	\$ 90.00
June	\$ 96.00	\$ 90.00
July	\$ 100.00	\$ 95.00
August	\$ 95.00	\$ 120.00
September	\$ 89.00	\$ 128.00
October	\$ 88.00	\$ 111.00
November	\$ 94.00	\$ 105.00
December	\$ 87.00	\$ 118.00
Mean Average	\$ 93.17	\$ 104.75

AGRICULTURAL HAY PRICE AND PASTURE STUDY 2003

«RANCH»  
«CONTACT»

Please include only hay grown and pasture and grazing rented or leased in Nevada.

**Please include weedy and rain damaged hay and note the condition.** If you have a list of hay sales in another form which will include most of this data, a copy of that will be appreciated in place of this form.

Include only sales that occurred in the calendar year 2003.

**ALFALFA HAY - FOB AT THE RANCH - PLEASE DO NOT INCLUDE SHIPPING COST.**

\$ PRICE PER TON	ESTIMATED TONNAGE	COUNTY OF ORIGIN
\$ _____ PER_TON	_____ TOTAL_TONS	_____
\$ _____ PER_TON	_____ TOTAL_TONS	_____
\$ _____ PER_TON	_____ TOTAL_TONS	_____
\$ _____ PER_TON	_____ TOTAL_TONS	_____
\$ _____ PER_TON	_____ TOTAL_TONS	_____
\$ _____ PER_TON	_____ TOTAL_TONS	_____
\$ _____ PER_TON	_____ TOTAL_TONS	_____
\$ _____ PER_TON	_____ TOTAL_TONS	_____
\$ _____ PER_TON	_____ TOTAL_TONS	_____
\$ _____ PER_TON	_____ TOTAL_TONS	_____

**WILD OR OTHER HAY – FOB AT THE RANCH - DO NOT INCLUDE SHIPPING COSTS.**

TYPE	\$ PRICE PER TON	ESTIMATED TONNAGE	COUNTY OF ORIGIN
_____	\$ _____	_____ TOTAL_TONS	_____
_____	\$ _____	_____ TOTAL_TONS	_____
_____	\$ _____	_____ TOTAL_TONS	_____
_____	\$ _____	_____ TOTAL_TONS	_____

**WATERED PASTURE RENTAL \$ PER A.U.M. NUMBER OF ANIMALS PRICE HOW LONG**

_____	_____	_____	_____
_____	_____	_____	_____

**GRAZING RENTAL \$ PER A.U.M. . NUMBER OF ANIMALS PRICE HOW LONG**

_____	_____	_____	_____
_____	_____	_____	_____

COMMENTS:

_____
_____
_____

«NUM»

«COUNTY»

## FEED REQUIREMENT CHART ANIMALS PER ACRE PER YEAR

	1 <sup>st</sup> Cult	2 <sup>nd</sup> Cult	3 <sup>rd</sup> Cult	4 <sup>th</sup> Cult	1 <sup>st</sup> Pasture Wild Hay	2 <sup>nd</sup> Pasture Wild Hay	3 <sup>rd</sup> Pasture	4 <sup>th</sup> Pasture	1 <sup>st</sup> Grazing	2 <sup>nd</sup> Grazing	3 <sup>rd</sup> Grazing	4 <sup>th</sup> Grazing
<b>BEEF CATTLE</b>												
Mature Cow and Calf	0.83	0.73	0.52	0.36	0.33	0.29	0.21	0.13	0.021	0.017	0.009	0.007
Mature Bull	0.64	0.56	0.40	0.28	0.26	0.22	0.16	0.10	0.016	0.013	0.007	0.005
Yearling	1.11	0.97	0.69	0.49	0.44	0.39	0.28	0.17	0.028	0.022	0.012	0.009
Calves	1.67	1.46	1.04	0.73	0.67	0.58	0.42	0.25	0.042	0.033	0.018	0.013
Steers	0.83	0.73	0.52	0.36	0.33	0.29	0.21	0.13	0.021	0.017	0.009	0.007
<b>DAIRY CATTLE</b>												
Mature Cow	0.69	0.61	0.43	0.30	0.28	0.24	0.17	0.10	0.017	0.014	0.008	0.006
Dairy Bull	0.64	0.56	0.40	0.28	0.26	0.22	0.16	0.10	0.016	0.013	0.007	0.005
Yearling	1.26	1.10	0.79	0.55	0.51	0.44	0.32	0.19	0.032	0.025	0.014	0.010
Calves	2.08	1.82	1.30	0.91	0.83	0.73	0.52	0.31	0.052	0.042	0.023	0.017
<b>SHEEP</b>												
Ewe and Lamb	4.17	3.65	2.60	1.82	1.67	1.46	1.04	0.63	0.104	0.083	0.046	0.033
Mature Buck	4.17	3.65	2.60	1.82	1.67	1.46	1.04	0.63	0.104	0.083	0.046	0.033
Lambs	5.56	4.86	3.47	2.43	2.22	1.94	1.39	0.83	0.139	0.111	0.061	0.044
<b>SWINE</b>												
Sow and Litter	1.67	1.46	1.04	0.73	0.67	0.58	0.42	0.25	0.042	0.033	0.018	0.013
Boar	1.67	1.46	1.04	0.73	0.67	0.58	0.42	0.25	0.042	0.033	0.018	0.013
Pig, (4 mos.)	3.33	2.92	2.08	1.46	1.33	1.17	0.83	0.50	0.083	0.067	0.037	0.027
Pig, (6 mos.)	2.08	1.82	1.30	0.91	0.83	0.73	0.52	0.31	0.052	0.042	0.023	0.017
<b>HORSES</b>												
Mature Adult	0.64	0.56	0.40	0.28	0.26	0.22	0.16	0.10	0.016	0.013	0.007	0.005
Yearling	0.83	0.73	0.52	0.36	0.33	0.29	0.21	0.13	0.011	0.017	0.009	0.007
Weanling	1.11	0.97	0.69	0.49	0.44	0.39	0.28	0.17	0.028	0.022	0.012	0.009

Land used in the feeding, breeding, management and sale of livestock, poultry or the produce thereof must be capable of providing more than one-half of the feed required during the year. This chart provides the total number of animals possible per acre per year. A qualified property must be of sufficient size and capacity to produce more than one-half of the feed required during that year.

Source: University of Nevada, Reno College of Agriculture and the U. S. Department of Agriculture Extension Service

## FEED REQUIREMENT CHART ACRES PER ANIMAL PER YEAR

	1 <sup>st</sup> Cult	2 <sup>nd</sup> Cult	3 <sup>rd</sup> Cult	4 <sup>th</sup> Cult	1 <sup>st</sup> Pasture Wild Hay	2 <sup>nd</sup> Pasture Wild Hay	3 <sup>rd</sup> Pasture	4 <sup>th</sup> Pasture	1 <sup>st</sup> Grazing	2 <sup>nd</sup> Grazing	3 <sup>rd</sup> Grazing	4 <sup>th</sup> Grazing
<b>BEEF CATTLE</b>												
Mature Cow and Calf	1.20	1.37	1.92	2.74	3.00	3.43	4.80	8.00	48.0	60.0	109.1	150.0
Mature Bull	1.56	1.78	2.50	3.57	3.90	4.46	6.24	10.40	62.4	78.0	141.8	195.0
Yearling	0.90	1.03	1.44	2.06	2.25	2.57	3.60	6.00	36.0	45.0	81.8	112.5
Calves	0.60	0.69	0.96	1.37	1.50	1.71	2.40	4.00	24.0	30.0	54.5	75.0
Steers	1.20	1.37	1.92	2.74	3.00	3.43	4.80	8.00	48.0	60.0	109.1	150.0
<b>DAIRY CATTLE</b>												
Mature Cow	1.44	1.65	2.30	3.29	3.60	4.11	5.76	9.60	57.6	72.0	130.9	180.0
Dairy Bull	1.56	1.78	2.50	3.57	3.90	4.46	6.24	10.40	62.4	78.0	141.8	195.0
Yearling	0.79	0.91	1.27	1.81	1.98	2.26	3.17	5.28	31.7	39.6	72.0	99.0
Calves	0.48	0.55	0.77	1.10	1.20	1.37	1.92	3.20	19.2	24.0	43.6	60.0
<b>SHEEP</b>												
Ewe and Lamb	0.24	0.27	0.38	0.55	0.60	0.69	0.96	1.59	9.6	12.0	21.8	30.0
Mature Buck	0.24	0.27	0.38	0.55	0.60	0.69	0.96	1.59	9.6	12.0	21.8	30.0
Lambs	0.18	0.21	0.29	0.41	0.45	0.51	0.72	1.20	7.2	9.0	16.4	22.5
<b>SWINE</b>												
Sow and Litter	0.60	0.69	0.96	1.37	1.50	1.71	2.40	4.00	24.0	30.0	54.5	75.0
Boar	0.60	0.69	0.96	1.37	1.50	1.71	2.40	4.00	24.0	30.0	54.5	75.0
Pig, (4 mos.)	0.30	0.34	0.48	0.69	0.75	0.86	1.20	2.00	12.0	15.0	27.3	37.5
Pig, (6 mos.)	0.48	0.55	0.77	1.10	1.20	1.37	1.92	3.20	19.2	24.0	43.6	60.0
<b>HORSES</b>												
Mature Adult	1.56	1.78	2.50	3.57	3.90	4.46	6.24	10.40	62.4	78.0	141.8	195.0
Yearling	1.20	1.37	1.92	2.74	3.00	3.43	4.80	8.00	48.0	60.0	109.1	150.0
Weanling	0.90	1.03	1.44	2.06	2.25	2.57	3.60	6.00	36.0	45.0	81.8	112.5

Land used in the feeding, breeding, management and sale of livestock, poultry and the produce thereof must be capable of providing more than one-half of the feed required during the year. This chart provides the total acreage needed to sustain the specified animal for one year. A qualified property must be of sufficient size and capacity to produce more than one-half of the feed required during that year.

Source: University of Nevada, Reno College of Agriculture and the U. S. Department of Agriculture Extension Service