

# Where do the FAA values come from?

## **Tax Commission Decision**

Each year the Utah State Tax Commission selects new values to be applied to qualifying parcels of land under the Farmland Assessment Act (FAA). The FAA values do not reflect real estate market values, but instead only the value the land has for agricultural production. As a result, FAA values are often significantly lower than for other competing uses such as residential or commercial. The values are published annually in Utah Administrative Code R884-24P-53.

## **Committee Recommendation**

The Tax Commission receives recommendations for FAA values from a committee with broad expertise and representation. The State Farmland Evaluation Advisory Committee is created by statute (Utah Code Section 59-2-514) and consists of one member appointed by each of the following organizations:

- Tax Commission (acts as chairman)
- Utah State University
- Utah Department of Agriculture and Food
- Utah Assessors' Association
- One member active in farming or ranching appointed by the other members of the committee.

Though not included in statute, a representative of the Utah Farm Bureau has traditionally been invited to participate as a non-voting member.

## **Utah State University Research**

The committee relies on research currently provided by the Applied Economics Department of Utah State University. A new report is furnished annually to the committee, along with a thorough presentation of current and past agricultural economic conditions.

## **Methods and Measures**

The university's report concludes with value recommendations for each individual class of land within each individual county. The values are supported by analysis of current and past trends in individual crop and livestock markets. They reflect any changes in supply and demand, prices, costs, crop yields, and crop mix. Partial budgeting of income and expense is used to determine net returns for each crop or land use. Then the individual county's climate, growing season, crop mix and land classes are factored into the final values.

It is important to note that a full year of data collected for Year 1 is analyzed and reported during Year 2, then adopted into law for assessment in Year 3. As a result, values reflect conditions that occurred 2 years prior to the actual assessment of FAA land. Therefore, assessed values could be up slightly in a year of drought or down slightly in a year of agricultural prosperity due to the two-year lag in implementation. In order to lessen the impact of this lag and the sometimes drastic economic changes from year to year, a five-year rolling average is used for both prices and crop yields.

For more information, please visit <http://propertytax.utah.gov/real-property/farmland-assessment>.