

2026 Nebraska Special Valuation of Agricultural Land Measurement Methodology

The policy of special valuation was developed following the Constitutional amendment which recognized that the conversion of agricultural land to other uses demanded action for two purposes: one, the systematic and planned growth and development near and around urban areas; and two, to provide a tax incentive to keep agricultural uses in place until the governing body was ready for the growth and development of the land.

Special value is both a land management tool and a tax incentive for compliance with the governing body's land management needs. As alternative, more intensive land uses put pressure for the conversion of underdeveloped land, economic pressures for higher and more intensive uses from non-agricultural development provide economic incentives to landowners to sell or convert their land. Governments, in order to provide for the orderly and efficient expansion of their duties, may place restrictions on landowners who convert land from one land use to a higher more intensive land use. Additionally, the existing landowners who may wish to continue their agricultural operations have an incentive to continue those practices until the governing body is ready for the conversion of their property to a more intensive use.

Without special valuation, existing agricultural landowners in these higher intensive use areas would be forced to convert their land for tax purposes, as the market value of the land could be far greater than its value for agricultural purposes and uses. The history of special valuation would indicate that the other purposes and uses are those not normally or readily known within the agricultural sector and are more intensive, such as residential, recreational, commercial or industrial development.

Two Special Value Distinctions in Nebraska and the Measurement of Both

There are two different special value distinctions in Nebraska. In the first special value distinction, the county, and the Property Assessment Division (Division) teammates have found that non-agricultural purposes and uses influence the actual value of some of the agricultural land in the county. As such, special valuation is applicable only in a defined area or for certain types of land in the county. To do this, the sales of similar land not influenced by non-agricultural purposes and uses are used by the county assessor to determine the valuation of agricultural land as well as the valuation of influenced land within the county. The Division teammates will measure the level of value of both agricultural land and special value.

To perform these measurements, a determination will be made to decide whether the land subject to special value is similar to agricultural land not subject to special value. Where there are two areas that are similar, the level of value for the uninfluenced area is considered representative of

the special value as well. If the land in the special value area is dissimilar to other agricultural land in the county so there is no comparability of areas, an analysis will be made to the valuations applicable for special value to determine if the values correlate with the valuations in other parts of the county or other counties, even though direct comparability may not exist.

In the second special value distinction, the county has found that non-agricultural purposes and uses are pervasive throughout the entire county, resulting in influence on the actual value of all of the agricultural land in the county. As such, special valuation is applicable to the county in its entirety. Upon the confirmation of the county assessor's determination, the Division teammate will measure the level of value of only the special value.

To measure this level of value, a sales-based measurement approach will be utilized. The sales from comparable counties where agricultural land sells for use as agricultural land act as "surrogate" sales for the subject county. A measurement of the assessed values developed by the influenced subject county against the sale prices of the "surrogate" sales provides an indication of the level of value for the influenced subject county. This method produces an equalized relationship of assessed values in agricultural areas and ensures that common uninfluenced agricultural land markets are recognized in special value assessments.

Study of Non-Agricultural Influence

To establish valid areas of the agricultural land market, an attempt is made to identify the outer boundaries of nonagricultural influences. Analysis of changes in sales prices in relation to those identified areas measures the degree of influence for land with similar agricultural features.

For 2026, Douglas, Lancaster, and Sarpy Counties are determined to be influenced county-wide. The influenced area boundary ends where the relatively similar range of sale prices per acre and median sale prices per acre as compared to uninfluenced neighboring counties with similar land features occurs. Sales outside of the boundary are included in the base of sales available to indicate the uninfluenced market value for agricultural land in counties fully influenced.

Areas of influence change with shifting market conditions, from 2019 to 2022, Lancaster County recognized portions of the county as being uninfluenced, however, with a significant uptick in the residential market over the past few years, all agricultural sales in the county are once again influenced by non-agricultural uses.

Conversely, Washington County was removed from the Division's list of fully influenced counties for 2024. After three-years of studying the market, in relation to the region, the Division identified only five GEO codes in the Washington County as having non-agricultural influences: 2371, 2373, 2381, 2383, and 2385. The influence in this area is primarily from demand for rural residential housing.

Comparable areas and “Surrogate” Sales

The process of determining comparable counties is the same, whether or not the subject county is fully influenced by non-agricultural influences. For purposes of determining comparable counties, data related to the crop production and cropping patterns produced by the *United States Department of Agriculture* (USDA) is considered, as well as general soil associations indicated by the Major Land Resource Areas determined by the USDA. Land use, topography, and proximity to the subject county are considered when determining the general areas of comparability. Also used is the cash rent data for agricultural land from the USDA, and University of Nebraska, Lincoln, in a document titled *Nebraska Farm Real Estate Market Highlights 2024-2025*.

Since the land in no two areas is identical, absolute comparability is not attainable. The goal is to identify areas reasonably comparable and in reasonable proximity to the county being measured until a sufficient sample of sales is created.

Once comparable counties are established, the method of bringing in “surrogate” sales to a county fully influenced by non-agricultural influences is similar to the process of bringing comparable sales into any county in Nebraska, which is a long-established practice; the most obvious difference being the complete lack of sales from the subject county itself. Being cognizant of the results of the annual influence analyses, sales from the geographically closest comparable county to the subject county are brought in. The search then expands outward from there until a representative sample of balanced sales is achieved.

Parcels that are extremely small, are often not typical of the agricultural market and can be influenced by non-agricultural influences. For that reason, sales with less than 40 acres have been excluded from the pool of surrogate sales utilized to measure the special valuation of agricultural land.

Assessment-to-Sales Ratio Study

A preliminary sales ratio analysis is done using the sales from the counties deemed to be most comparable. Arm’s-length unimproved sales and improved sales in which the improvement value is less than five percent of the sale amount are considered valid for use in the ratio study. The numerator in the ratio is calculated using the agricultural land schedule of special values multiplied by the number of acres in each land capability group for each sale. The denominator in the ratio is the adjusted sale price that represents the price paid for real property.

After the county assessor files the Abstract of Assessment, Form 45, and Assessed Value Update (AVU), the schedule of special values for the current assessment year are loaded into the ratio study to calculate new assessments for the “surrogate” sales.

The statutorily acceptable range is between 69% and 75% of special value. The level of value is determined by analyzing the measures of central tendency resulting from the sample. The weight

given to the statistical measures is determined after confirming the representativeness of the sample. Additionally, the statistics and information regarding the majority land use are also considered.

Agricultural parcels in school district that are subject to a 50% assessment level for taxes levied to pay the principal or interest of school bonds approved by a vote of the people on or after January 1, 2022 often will not have sufficient sales for measurement as the sale must come from a specific school district. County assessors reduce school bond values in their CAMA system using a factor adjustment so that school bond agricultural value divided by the total agricultural value equals 65-66%. The county assessor reports the value on the AVU as a school bond value. The level of value will be determined to be at the statutory level of 50% of market value after confirming that the county assessor appropriately reduced the value as described.