

Appendix A. Farm Example

Consider a 349-acre farm in **Prince Edward County** in **tax year 2020**. Assume the farm is composed of 113 acres of Class I land; 130 acres of Class II land, of which 82 acres have poor drainage; 5 acres of Class III land; and 1 acre of Class IV land with good drainage. It also has 100 acres of Class VI land with good drainage.

To understand all the details of this example requires knowledge of the procedures and methods employed in developing a county's use-value estimates. Some of the terms, for example, "Class I land" and "with risk" are explained in other sections of this document.

- **Option 1 – Income approach using separate land class estimates**

Using the abbreviated table B-1a (appendix B) as a reference to determine the per-acre use-value of the land with good drainage (without risk) and with poor drainage (with risk), the assessed value of the farm would be:

Class I land:.....	113 acres	×	\$450/acre	=	\$50,850
Class II land					
Good drainage:	48 acres	×	\$400/acre	=	\$19,200
Poor drainage:	82 acres	×	\$380/acre	=	\$31,160
Class III land:.....	5 acres	×	\$300/acre	=	\$1,500
Class IV land:	1 acre	×	\$240/acre	=	\$240
Class VI land:	100 acres	×	\$150/acre	=	\$15,000
Total use-value assessment:.....					\$117,950

- **Option 2 – Income approach using average land class estimates**

If the data on land class composition and drainage were not available, the average use-value estimates (average agricultural land, soil classes I-VII) could be used. For this farm, the assessed value would be:

Class I-VII land:	349 acres	×	\$310/acre	=	\$108,190
Total use-value assessment:.....					\$108,190

- **Option 3 – Rental rate approach**

Using the abbreviated table B-1a (appendix B) for rental rates as a reference to determine the per-acre use-value of the land, the assessed value of the farm would be:

Land (cropland):	249 acres	×	\$416/acre	=	\$103,584
Land (pastureland):	100 acres	×	\$320/acre	=	\$32,000
Total use-value assessment:.....					\$135,584

The tax paid by the owner (assuming that the owner meets all eligibility requirements for use-value assessment) of the 349 acres would be based on Prince Edward County's real property tax rate times the total use-value assessment (option 1, 2, or 3). If the land contained farm structures (e.g., a poultry house or grain bins), they would be taxed at their fair market value. Use-value assessment only applies to land.

In **Prince Edward County**, if the property tax rate for 2020 is \$0.51 per \$100 of assessed valuation of real estate, the assessed tax for each option would be:

• Option 1 – Income approach	\$117,950	×	0.0051	=	\$601.55
• Option 2 – Income approach	\$108,190	×	0.0051	=	\$551.77
• Option 3 – Rental rate approach	\$135,584	×	0.0051	=	\$691.48