**Fiscal Facts: Reassessing Use Value**

Under state law, Wisconsin farmland is supposed to be assessed for taxation based on the value of what it can produce. However, state administrative rules instead have resulted in these parcels being taxed at roughly one-quarter of the value of what they can produce through farming.

The concept of taxing farmland based on its productive value, “use-value assessment,” differs from the method typically used by assessors to value residential and commercial properties, which looks at what such parcels would fetch if sold. Compared to market rate values, use-value results in a lower assessed value and tax relief to farmers.

However, a little-known change implemented by state officials has further reduced the assessed value of farmland, lowering property taxes even more for those landowners and increasing them for other property owners. This gap has become particularly notable at a time when the values of Wisconsin property assessed at market rates have grown rapidly.

In 2023, an acre of Wisconsin cropland had a market value of $6,710, according to the U.S. Department of Agriculture. An acre of pasture was valued at $3,150. Meanwhile, the state Department of Revenue (DOR) calculated the average value of cropland at $933 an acre for 2023 based on the income that farmers earn from growing corn. That calculation would result in an average assessment that is 86.1% less than the market value, a substantial tax benefit already. Using the same method, DOR estimated the productive value of pasture land at $280 per acre, about 91.1% below market value.

Under the DOR’s final assessment method, however, an acre of cropland was valued at $242, 96.4% less than the market rate. Pasture land was valued at $73 per acre, or nearly 98% less.

Wisconsin law states that agricultural land shall be taxed based on the income that could be generated from renting the property. A formula for calculating such values is outlined in state administrative code. It is based on how much corn could be grown on an acre of cropland and the five-year average price for a bushel of corn, and also incorporates interest rates and local property taxes to arrive at an estimate of net income.

Yet the formula ultimately plays a limited role in assessing farmland in Wisconsin. That’s because of a 2006 adjustment to state rules that tied the annual change in farmland values to the change in statewide equalized values for all property except farmland and newly constructed buildings and structures.

This approach to valuing farmland amounts to a sort of double discount. It is notable, especially in the context of the current housing affordability challenges facing many Wisconsin communities, since it puts more of the cost of government services onto residential and commercial property owners. It may also distort to some extent both market values for agricultural land and state aid to school districts. At the same time, there are likely also some benefits from the current approach. By lowering property taxes on producers, for example, use-value assessment in Wisconsin and nationally may contribute to maintaining an affordable and dependable food supply.

Ultimately, however, the state has employed for years (and across several administrations) a method for valuing farmland that is difficult to understand and may not be consistent with state statutes. Policymakers may wish to consider whether this approach meets their goals and does so in transparent fashion.

*This information is a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education. Learn more at* [*wispolicyforum.org*](https://wispolicyforum.org/research/state-tax-burden-up-but-overall-burden-still-falling/)*.*