



South Dakota Land Value Appreciation Since 2002 and Implications for the Estate Tax

The strong appreciation of land values since 2002 changes the dynamic of the number of South Dakota farms affected by the Estate Tax exemption of \$5 million. Table 1 shows the appreciation of farm real estate (the total value of cropland, pasture and farm buildings) from USDA reports from August 2002 and August 2013. The value of cropland is reported separately as cropland has appreciated more than farm real estate. South Dakota farm real estate has appreciated \$1360 per acre since 2002, which is an increase of 350 percent (Table 1). Strong commodity prices have supported higher cropland appreciation rates. Cropland values have appreciated \$2,415 per acre since 2002, which is an increase of 400 percent (Table 1).

The next column indicates the number of acres needed to reach the \$1 million and \$5 million exemption levels for the Estate Tax. At 2013 farm real estate values, farms larger than 2,778 acres would exceed the \$5 million exemption level (Table 1). Crop producers would be particularly impacted by the lower exemption levels as farms larger than 1,656 acres of cropland, at 2013 values, would exceed the \$5 million exemption level (Table 1).

Table 1. Farm Real Estate and Cropland Values for 2002 and 2013

	August 2002	August 2013	Acres to Reach \$1,000,000		Acres to Reach \$5,000,000	
			2002	2013	2002	2013
Farm Real Estate (\$/acre)	\$440	\$1,800	2,273	556	11,364	2,778
Cropland (\$/acre)	\$605	\$3,020	1,653	331	8,264	1,656

Source: USDA: NASS Agricultural Land Values for 2002, 2013

Based on the 2002 and 2012 USDA Census of Agriculture, the percentage of South Dakota farms that exceed the \$5,000,000 exemption limit has increased 100 percent since 2002 (Table 2). For crop producers, the percentage of farms exceeding the \$5,000,000 tax exemption has grown nearly 433 percent (Table 2).

Table 2. Percentage of South Dakota Farms Exceeding Exemption Levels

	\$1,000,000		\$5,000,000	
	2002	2013	2002	2013
Farm Real Estate	12%	37%	6%	12%
Cropland	30%	63%	6%	32%

Table 3 summarizes the USDA Census of Agriculture's distribution of the number of farms in South Dakota for varying farm size for the 2002, 2007, and 2012 census. Similarly, Table 4 is a summary of the USDA Census of Agriculture distributions for the number of farms with harvested cropland in South Dakota for varying farm size for the 2002, 2007, and 2012 census. These tables are included to serve as reference material to communicate the estimated number of farms affected instead of reporting the percentage of farms affected by exemption levels.

Table 3. USDA Census of Agriculture Distribution of South Dakota Farms by Farm Size for 2002, 2007, and 2012.

<u>Acres</u>	<u>2002</u>	<u>% of Total</u>	<u>2007</u>	<u>% of Total</u>	<u>2012</u>	<u>% of Total</u>
1 to 99	6,773	21%	7,230	23%	9,179	29%
100 to 259	5,150	16%	5,308	17%	5,265	16%
260 to 499	4,249	13%	4,063	13%	3,604	11%
500 to 999	5,353	17%	4,714	15%	4,229	13%
1000 to 1999	4,758	15%	4,362	14%	4,075	13%
2000 to 4999	3,634	11%	3,550	11%	3,667	11%
5000 or more	1,819	6%	1,942	6%	1,970	6%
Total Number of Farms	31,736	100%	31,169	100%	31,989	100%

Source: USDA: Census of Agriculture for 2002, 2007, 2012

Table 4. USDA Census of Agriculture Distribution of South Dakota Cropland Farms by Farm Size for 2002, 2007, and 2012.

<u>Acres</u>	<u>2002</u>	<u>% of Total</u>	<u>2007</u>	<u>% of Total</u>	<u>2012</u>	<u>% of Total</u>
1 to 99	2,743	12%	3,161	14%	3,574	17%
100 to 259	3,219	14%	2,881	13%	2,950	14%
260 to 499	3,396	15%	2,950	13%	2,628	12%
500 to 999	4,777	21%	3,995	18%	3,664	17%
1000 to 1999	4,363	19%	3,975	18%	3,646	17%
2000 to 4999	3,137	14%	3,237	15%	3,241	15%
5000 or more	1,296	6%	1,703	8%	1,637	8%
Total Number of Farms	22,931	100%	21,902	100%	21,340	100%

Source: USDA: Census of Agriculture for 2002, 2007, 2012