FAQ: SGMA and Ag Property Values

As Valley farmers are aware, the implementation of the Sustainable Groundwater Management Act (SGMA) is impacting the use of ag land which is influencing property values. Quantifying the effect of these changes is an ongoing challenge. As the market for ag properties reacts to the requirements of SGMA, it is the responsibility of county assessors to reflect the changing market in their annual determination of fair and accurate assessments according to the requirements of the Revenue and Taxation Code.

The Tulare County Assessor’s Office is committed to working with local farmers as we observe how this unprecedented regulation affects property values.

Q: SGMA is restricting the amount of groundwater I can pump for irrigation, which is impacting my land value. Am I eligible for a reduction in my property taxes?

A: The answer depends on how the assessment of the property compares to its fair market value.

California’s property tax system under Prop. 13 limits annual tax increases to 2% per year. The intended result is for the market values of most properties to grow at a faster rate than their taxable values. This is especially true the longer a single entity owns the property. When recent sales of comparable properties indicate the market value of a property has declined below its current assessed value, tax relief is available.

If you believe the market value of your ag property is less than its taxable value on January 1, you can request a value review be performed by the Assessor’s Office. Our office welcomes any information and market data you are willing to share that can help us arrive at fair and accurate assessments.

Your gross taxable value can be found in the upper right corner of your tax bill. Please compare this value to your opinion of market value before deciding if you would like to request a value review by the Assessor. Also, please include with your Request for Value Review application information that supports your opinion of value, such as sales of comparable properties or MLS listings for sale.
Q: If I fallow my land because of SGMA, how will my assessment be impacted?
A: Determining the market value of fallowed land is an ongoing task as the agricultural real estate market reacts and adjusts to the unfolding requirements of SGMA. Accurate valuations will largely depend on sales of similar properties. The Assessor’s ag appraisers are closely examining these transactions as they occur. We encourage the farming community to share with our office information on ag property sales, especially when sale prices appear to be affected by SGMA requirements.

Q: If I can’t make money on my land because of SGMA, why am I still being taxed on it?
A: While an income producing property might seem worthless when it’s not producing income, its potential for producing future income is certainly not worthless to an interested buyer. Also, the California Constitution states that all property is taxable and shall be assessed in proportion to its value. Determining fair values of fallowed properties is an ongoing effort that we expect to come into focus as real estate markets adjust to the requirements of SGMA.

Q: What information can I send the Assessor to show my land value is being impacted by SGMA?
A: While the Assessor is closely monitoring recent sales of ag properties to measure SGMA’s effect on the local real estate market, we are seeking the input of local farmers to help our office accurately reflect the changing market. Recent sales of ag land as well as recently negotiated land rents would help us evaluate the impact of SGMA. Sales of fallowed land that have been purchased primarily for their water shares would be especially helpful. We are also seeking rent information and expenses as they relate to water shares or groundwater in various parts of the county.

Q: If I push my trees because I can’t water them, when will the value be removed from my bill?
A: The removal of trees and vines during the calendar year (January – December) takes effect on your tax bill the following assessment year (July – June). When growing improvements exist on January 1, they are taxable at the start of the assessment year. This does not apply to row crops since they are not subject to property taxation as an improvement to the land.

To request your growing improvement value be updated to reflect the removal of trees, please complete a Real Property Alterations form and submit it to the Assessor by April 1.

Q: My property has a Williamson Act contract. Will SGMA water restrictions impact my Williamson Act assessment?
A: As buyers, sellers and tenants of agricultural properties react to the water use restrictions of SGMA in ways that affect land sales and rents, our office will respond by using the data reported by landowners and lessees such as market land rents in the calculation of annual Williamson Act
assessments.

Owners of agricultural properties with Williamson Act contracts receive a significant tax incentive in exchange for automatically renewing nine-year agreements to voluntarily restrict their land to agricultural and compatible open space uses. Properties with Williamson Act contracts are taxed substantially less than properties that are not under contract. Nevertheless, if you believe your Williamson Act assessment exceeds your property’s market value, please contact our office and request a value review.

Q: How do I apply for a Williamson Act contract on my land?

A: The Tulare County Resource Management Agency (RMA) accepts applications for Williamson Act contracts between July 1 and August 31. The minimum acreage requirements are 10 for prime land and 40 for rangeland. Call RMA at 624-7000 to request an application.

If your application is approved by the Tulare County Board of Supervisors, the Assessor’s Office may require you to report data pertaining to your ag parcels by mailing you an Ag Preserve questionnaire.

If you have further questions or would like to share information with the Assessor, please contact the Assessor’s Office at (559) 636-5100 or Assessor@tularecounty.ca.gov.