

The Weekly Dirt on Iowa Land Auction Prices â€™ February 19-25, 2016

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Greetings! Land auctions in Iowa went down a little last week. There is still a very limited amount of land offered at auction. There were a total of 1,062 acres offered at auction. Of those acres, there were 774 tillable acres. I would describe last week's auctions results as "stable."

A couple highlights from last week: 235 acres of pasture/crop sold in the Loess Hills in Harrison County for \$2,700/acre, 155 acres sold in Adair County for \$4,400/acre with a CSR/CSR2 of 50/56, a 40-acre tract in Lyon County sold for \$11,900/acre with a CSR/CSR2 of 60/82, a 120-acre tract in Montgomery County sold for \$4,900/acre with a CSR/CSR2 of 54/65, and 299 acres in the Little Sioux River Bottom sold for \$3,000/acre in Clay/Buena Vista County. There were no "no sales" last week.

I have visited with several Realtors across the state of Iowa, and the message is pretty consistent and that is the land market is holding up remarkably well.

An issue that came to my attention, and I think is worth talking about, is the fact Iowa is not coupling with the federal government on the permanent increased Section 179 that was included in the tax bill passed in

December 2015. It appears the Iowa Senate will not allow a vote on coupling the Section 179 for 2015. I would like to share information on what this will cost Iowa farmers.

The Iowa Department of Revenue provides data on Section 179 taken on tax returns for 2012-2014. During these years, schedule F farmers took the following amounts of Section 179 deductions:

- 2012 – \$1,820,596,133
- 2013 – \$1,752,132,740
- 2014 – \$1,213,672,818

You can see a large drop off in 2014, due to lower crop prices and fact that most farmers had already upgraded their farm equipment. The data also breaks down the amount of Section 179, taken less than \$25,000, \$25,000-\$100,000, \$100-\$200,000 and \$200,000-\$500,000. For 2014, the amount of Section 179 taken by farmers that was less than \$25,000 was about \$161 million. Therefore, if current Iowa law (Section 179 at \$25,000) was in effect for 2014, about \$1.06 billion of Section 179 would not have been allowed.

Part of this amount would have been allowed as regular depreciation. In most cases, this is about 10 percent of Section 179 not allowed. Therefore, a conservative estimate is that Section 179 will cost Iowa farmers the following:

- Likely Section 179 not allowed for 2015 – using 75 percent of 2014 numbers not including amounts under \$25,000, to be conservative – \$789 million
- Less amount allowed as regular depreciation at 10 percent – Iowa does not allow bonus depreciation – \$79 million
- Net amount disallowed – \$710 million
- Times an average rate of 6 percent equals total cost to Iowa Farmers of about – \$43 million

Likely the actual amount will be even higher. Almost \$762 million of Section 179 was reported on partnership and S corporation tax returns in 2014. Since many of the Iowa farmers file as an S corporation or partnership, probably a substantial portion of this flow-through Section 179 will be disallowed too. We did not get the data on C corporations. Many farmers file as corporations, and that investment will be limited, too.

Therefore, we would estimate that not coupling with federal Section 179 will cost Iowa Farmers between \$40 and \$75 million in 2015. Since Iowa says this will be a permanent non-coupling, Iowa Farmers will face similar costs in the future – although it may get smaller each year due to increased depreciation deductions on amounts not allowed for Section 179.

This is a major issue and a costly one to Iowa farmers. The reason I am talking about this is because it will cost Iowa Farmers tens of thousands of dollars. And this could impact land values.

Please check back next week to see what I will be discussing. Please check out our [January auction results](#). Please make sure and hit the [“like” button on Facebook](#).

Talk to you soon!

Thanks.

[Jim Rothermich](#), The Land Talker
Certified General Appraiser
Peoples Company Appraisal Team