

exampled by this fraction. You take your comparable sales, you derive the value of the acre. You find your earnings and then you solve for X. X isn't over here. You've got your X, you've got the value of your acre of land according to your market sales. Over here you've got your earnings, and you decide what the capitalization rate or the cost of money is, if you will, or the discount factor, which is what it is meant to be, by solving for this side of the fraction. That is not the way you do the mathematics. That is not the way the mathematics is done. What you do is you find the value of the acre of land by finding your income stream and dividing it by the cost of your money. You tell me if the cost of money is 3 percent. That was the capitalization rate, in the '85 manual, for most land. Can't tell me that that is reality. If I understand, the notion of this amendment is that it is going to somehow create more rationality into the theory. You can't tell me that capitalization rate of three percent is a fair example of the cost of money in this state. The difficulty is by creating a market capitalization rate you are not keeping the market factor alive anyway. The Revenue Department is going to keep this market formula, it takes them \$200,000 to come up with it. That is going to give them the number to back into, making a capitalization rate. That \$200,000 is spent in assessing, if you will, the southeast corner of the state, the northwest corner of the state and then...

SENATOR BEUTLER: Thirty seconds.

SENATOR LANDIS: ...factoring, arbitrarily, between them. It also comes from very bad data. They don't have any contract sales in there. We have less than one-half of one percent of ag land sales or acreage rather being available for comparable sales data. Third, we don't know the terms of any sales that might be discounted because they are family members, and which maybe you sell somebody at less than market value because they are a family member. Those figures are in these figures. We don't control for liquidation sales, sales that are done not by willing buyers or sellers but because those sales are out there. It seems to me that that data base, which is terribly flawed, is being used at a cost of \$200,000 to create a figure that you will then use to put into a mathematical formula and work the formula backwards to get an irrational figure, a capitalization rate that bears no relationship to what a capitalization rate is supposed to be, and that is the cost