

To: Members of the Committee on Revenue

From: Kay Stilwell Bergquist  
Research Analyst for the Committee

Re: LR326 (Davis, Friesen, Hughes, Larson, Schilz, Schnoor)  
Examine practices of county assessors

Date: December 31, 2015

Legislative Resolution 326 (LR326) was introduced to examine the use of like-kind exchanges under section 1031 of the Internal Revenue Code and its potential impact on the taxable value of agricultural and horticultural land.<sup>1</sup> A like-kind exchange is an exchange that allows for the disposal of an asset and the acquisition of another similar asset without generating a tax liability from the sale of the first asset. This form of a like-kind exchange is also known as a 1031 exchange.

The Nebraska Association of County Officials (NACO) asked its member county assessors if like-kind transactions are used when determining the taxable value of agricultural and horticultural land. The member county assessors indicated they do not use like-kind transactions when determining the taxable value of agricultural and horticultural land because most these transactions are not an arm's length transaction<sup>2</sup> and the agreed-on price will differ from the actual fair market value of the property.

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<sup>1</sup> Legislative Resolution 326, 2015 Legislative Session, [http://nebraskalegislature.gov/bills/view\\_bill.php?DocumentID=27793](http://nebraskalegislature.gov/bills/view_bill.php?DocumentID=27793), Downloaded 12-23-15.

<sup>2</sup> An arm's length transaction is a transaction in which the buyer and seller act independently and have no relationship to each other.