

Officers:

President
Terry Leibel

President-Elect
Paul Sickler, AFM

Secretary
Paul Reisch, ARA

Treasurer
Adam Nelson

Past President
Craig Sommers

Directors:

Jeff Barker, ARA (2019)
Jim Dunlap, ARA-AFM (2020)
Brian Gatzke, ARA (2021)
Dave Koenigshof (2021)
Loy Matthes, ARA (2019)
Don Threadgold, AFM (2019)

YPN:

Barb Hegerfeld & Jordan Bauer

Committee Chairs:

Membership: Kim Larson

Social: Jeff Barker, ARA

East River Breakfast
Barb Hegerfeld

West River Breakfast
Norm Edwards, ARA

Fishing Social
Jeff Barker ARA &
Curtis Brooks

Education
Travis Shaykett & Jason Vaith

SDSU Relationships: Brian
Gatzke ARA & Allan Husby ARA
Career Fair – Barb Hegerfeld
Curriculum - Gatzke/McKnight
Network Event–Ryan McKnight
Scholarship – Keith Newman
Student Involvement
- Jordan Bauer

Assessors Conference
Ron Ensz, ARA

Education Foundation Auction
Ron Ensz, ARA

Government Relations
Terry Leibel

Appraisal Review & Ethics
Allan H, ARA

Mentor: Jim Dunlap, ARA

Kjerstad Member Scholarship
Terry Leibel

Nominating Committee
Craig Sommers

Communication
Paul Reisch, ARA
Newsletter – Amanda Leighton
Website – Adam Nelson



American Society of Farm Managers & Rural Appraisers

THE MOST TRUSTED RURAL
PROPERTY PROFESSIONALS

SOUTH DAKOTA CHAPTER www.asfmra-sd.com

3/2018

Enhancing Our Members' Ability to Succeed in Their Rural & Agriculturally Related Professions!

DATES TO REMEMBER!

May 10: West River Breakfast Meeting – Rapid City
May 18: East River Breakfast Meeting – Sioux Falls
June 6: SD ASFMRA Board Meeting - – Kimball / Chamberlain
June 6-7: SD ASFMRA Fishing Social – Kimball / Chamberlain
June 24 – 29: Education Week – Des Moines, IA
August 2-3: Chapter Leader Day - Denver
September 8 – SDSU Network Event - Brookings
September 10-14: Leadership Institute – Washington, D.C.
October 29 - November 2: 89th ASFMRA Annual Meeting – Chandler, AZ
January 23-24 – Winter Education & Joint Meeting W/PAASD - Chamberlain

CHAPTER MEMBER ANNIVERSARIES

Member	Join Date	Years
Shawn Weishaar	4-22-1994	24
Terry Leibel	4-12-2002	16
Larry Janssen	4-01-2009	9
Joshua Whetham	4-09-2014	4
Jordan Bauer	4-10-2015	3
J.W. Hammond	4-01-2015	3
Tamara Joerger	4-01-2017	1

Thank you for your support!!

CHAPTER MEMBERSHIP UPDATE

We welcome our newest member Melissa Maurer. Melissa is a Sales Specialist with Farm Credit Services of America in Sioux Falls.

Summary of Current 95 Members / 75 accredited / associate / academic:
1 ARA / AFM 11 ARA 8 AFM
52 Associate – 43 appraisers / 9 farm managers 3 Academic
9 Student 2 Affiliate 4 Retired 5 Partner

PRESIDENT'S MESSAGE

Greetings Fellow Members;

(History of Agriculture Continued)

The favorable markets of wartime enabled many farmers to recover from the Great Depression. Many farmers became debt free or were able to purchase land, if they were tenant farmers before. Directly after the war, there was a mild recession for a while in 1946-1947, however, the economy quickly recovered and began to expand. Because of the millions of starving people, primarily in the war-torn countries, there was a huge demand for American farm products. Farm prosperity reached a peak in 1947.

Many changes took place in South Dakota after the war. Throughout the 1930's and 40's the electric utility companies tended to ignore the farm market in the Dakotas. It all changed in 1935 with the establishment of the Rural Electrification Administration (REA). In 1936 congress passed the Rural Electrification Act and the REA became a permanent agency. This act established the REA as a lending agency and gave it the authority to lend the entire cost of constructing power lines in rural areas with low interest rates over a 20 year period. Although the existing power companies did not respond to this opportunity as was expected, rural electricity slowly made its way through the state by farmer-owned electric cooperatives.

In 1939, there were only five small electric cooperatives providing power to only 4% of the state's farms. The primary road block was the fact that there were no state laws giving cooperatives the authority to condemn land in order to build lines. The legislature rejected the power of condemnation in four consecutive sessions. Only after the cooperatives threatened to establish public power districts did the opposition end. In 1947, the South Dakota Electric Cooperative Act was signed into law. By 1950 electrical service was enjoyed by 60% of the farms in the state, and 90% of these farms were serviced by rural electric cooperatives. Power was generated by coal burning plants and by the main stem dams completed on the Missouri River through the Pick-Sloan Program.

Electric power changed life in country living. Life on the farm and ranch became much easier with the use of electric motors to pump water, grind feed and run milking machines. The farm wives now had refrigerators, washing machines, vacuum cleaners and electric irons. Homes were now well lit, families had radios to listen too, and after 1953 televisions soon became a fixture in farm homes.

It was also through REA loans for rural telephone systems that most farmers and ranchers gained access to telephone service. Prior to World War II most of the phones in South Dakota were connected to party lines. For anyone of you not of "mature" age, the party line meant that there was only one line and all the parties, probably ten or more, had to share it. This meant that if someone else was using it, you had to wait your turn. This also meant that anyone else on the same line could listen in on the conversations of others. To distinguish who an incoming call was for, the number and length of the rings were different for each party. Yeah, I am sure a little hard for you millennials to fathom. As a personal note, we had a party line on our farm in Gregory County until 1986---believe it or not! (Our ring was 2 shorts and 1 long)

(More Next Time)

There was good turnout for both of the Breakfast Networking Events. Amanda and Loy---thanks for the great write-ups.

A very big THANK YOU to those members who visited SDSU classes. Great job by Jordan getting it all lined up. And a thank you to Professors McKnight and Kosse for the invitations. Reaching out to 150 young people---now that's a potential (hopefully) for more NETWORKING with those of us in the appraisal profession!

Later;

Terry Leibel Email: midstateaprs@aol.com

WEST RIVER BREAKFAST NETWORKING

By Loy Matthes, ARA



Attendees (appearing from left to right) included: Ron Ensz, Russ & Betty Wyatt, Loy Matthes, Kent Rasmussen, John Widdoss, and Jay Widdoss.

ASFMRA members met for the West River Breakfast Meeting at Marlin's Restaurant in Rapid City on Thursday, March 8th.

John Widdoss, ARA, MAI, shared information on his new course "Property Rights; why haven't I heard this before?" This course was developed by Valuation Essentials and presented in Chamberlain at the winter meeting. (Valuation Essentials is AgWare's Education Arm.)

AgWare, Inc. is also in the process of revising 500+ forms within Clickforms. As part of the "forms" review and upgrade, AgWare is looking for 10-20

appraisers/reviewers to attend a new continuing education course. "Guided Peer-Discussion of AgWare Reports" is a one-day reading and discussion of five appraisal reports (2 unimproved, 2 improved, 1 permanent planting). That 1-day session will be in April with the exact dates not yet established. The course is currently pending CE approval from the state. (The complete course description can be found on page 4 of the newsletter.)

John shared that the cost for the course will be for the printed materials only, which should be in the \$50-\$100 range. John will be hosting this course at his ranch west of Spearfish at the Bear Ridge Academy. This is an opportunity to economically pick up 7-hours of continuing education (pending approval) with an insightful day-long discussion at the scenic edge the Black Hills. There are overnight facilities available and if enough participants wish to come the evening before, John indicated food and mixed beverages will be in their future. Contact AgWare, Inc. at (605) 787-7871 to express your interest in participating in this group session. John's final comments were, "if you write and review your own appraisals long enough, you'll truly believe what you've written".

Various other topics were discussed, including recent agricultural and upcoming auction sales, the rapid pace of changing technology in the appraisal industry and production agriculture, expenses producers in agriculture are facing, and the concern of low commodity prices and rising interest rates. The old standard of how many calves equate to the purchase of a new pickup was referenced.

All welcomed the recent moisture, and a sure sign that spring is here is seeing the newborn baby calves bouncing around the countryside now that many are calving. A great big THANKS to Ron Ensz, ARA, for buying breakfast for everyone. Ron had a good week the prior week with two ranch closings with his real estate brokerage work. Ron was questioned as to how he could win 3 of 10 drawings at the recent continuing education in Chamberlain?

If you get the opportunity, please take part in a future West River Breakfast Meeting at Marlin's Restaurant in the Windmill truck stop near I-90.

Guided Peer-Discussion of AgWare Reports
Presented by: Mark Elder
7 Hours CE (Pending)

This course involves reading several sample appraisal reports and discussing the pros and cons of their layout, content, explanations, and results. This is a peer discussion and *not* intended to be a course on how to review appraisals. We will consider multiple points of view including reviewers and other typical readers such as loan officers and property owners.

Course Description

In any profession evaluating another professional's work can help provide insight and clarity into your own work. Writers learn not only from writing but from reading other books, musicians from listening to other music, and architects from walking through other buildings. When was the last time, as an appraiser, that you read someone else's appraisal report?

During this course, you will read and discuss complete appraisal reports. Along the way we will consider the following questions:

1. How does a reader interpret this appraisal report? If a non-appraiser such as a landowner, accountant, or lawyer was reading the report would they be able to interpret it correctly?
 2. If a reviewer using a checklist is reading this report, will they easily be able to check off their items and approve the report? We will use the SARR review form and the ASFMRA Demo Gradesheet.
 3. What conclusions were made by the appraiser? Does the report contain data to support those conclusions? Which numbers were concluded by the appraiser vs. calculations.
 4. From a technical perspective did the appraiser follow best practices? For example, were the cost and sales comparison approach done independently? Where the sales allocated correctly? Was the opinion of value allocated in a way consistent with the conclusion?
-

The sample reports presented are not intended to be categorized as right or wrong. There are multiple ways to approach appraisal reports, and the sample reports are different in order to provide a launching point for class discussion. All the sample reports in this course were completed on the AgWare ClickForms software, but the class will be conducted utilizing printouts of reports. No access to or knowledge of the AgWare software is needed for course participants. Because the discussion topics focus on the content and readability of the reports, the course is applicable to appraisers producing narrative reports or using other appraisal software.

The following five Sample appraisals will be discussed over the course of the day:

- 1. **Vacant1-Case-Study:** A 71 acre vacant mixed Trans/Trans 1 tract.
- 2. **Vacant2-Case-Study:** A 212 acre vacant Cropland tract.
- 3. **Improved-Case-Study:** A 315 acre cropland tract with typical farm use buildings.
- 4. **Dairy-Case-Study:** A small 96 stall dairy on 350 acres in a restricted report format.
- 5. **PermPlant-Case-Study:** A 16 acre almond orchard with farm improvements.

In addition to the appraisal reports, two appraisal review checklists will be provided as printouts to the students. These review checklists will be used in their paper form as a checklist for one appraisal each.

- i. **SARR-Full-Template:** AgWare's full Standard Appraisal Review Report template. This will be used together with 3. *Improved-Case-Study*.
- ii. **ASFMRA-Demo-Gradesheet:** The grading sheet used by the ASFMRA for grading Accredited Rural Appraisers demo reports. This will be used together with 4. *Dairy-Case-Study*.

EAST RIVER BREAKFAST NETWORKING

By Amanda Leighton

The East River Breakfast meeting was held in Sioux Falls at Denny's Restaurant in the Flying J Travel Plaza on Friday, March 16.

Guest speaker, Marc Littlecott, CAP[®], CGPP, gave a presentation on charitable options for landowners that are hesitant to sell land because of potential income tax implications. Marc is the Director of Gift Planning at the South Dakota State University Foundation. His role is to help university supporters explore effective, and tax-efficient ways to make purposeful and impactful strategies in the areas of both estate planning and asset/business management, before and as they work with their advisors. He can be reached at 605-697-7475, ext. 1017.



Members in attendance included: Don Threadgold, Jack Davis, Paul Joerger, John McMahon, Mark Elder, Tamara Joerger, Barb Hegerfeld, Amanda Leighton, Rick Gullickson, and Jay Knappe.

Marc provided the following scenario to illustrate how integrating a charitable contribution with a sale can effectively eliminate capital gains tax and potentially offset other tax liability. Scenarios like this one may be a new source of appraisal assignments.

“Getting Appraisal Work Because of Charity?”

Mary was in her third year as an independent appraiser, and was already getting to know quite a few land owners in her region. One particular farmer, we'll call him Tom, had voiced his desire to “sell that displaced quarter”, as he called it. Inherited from his late uncle some 15 years ago, the property lies in the next county and is not contiguous to Tom's main property, a farm that had been in the family since his great grandparents came over from the old country. The problem was that the next county is in a high-tax state, and Tom had almost written-off the idea of ever selling the land because of “that double-barrel, capital gains-tax shotgun” as he called it; with one barrel being the Federal version of that tax, and the other being the state's.

Tom had really been kicking himself because he had almost sold the land the summer before, but hesitated because it meant biting the bullet on paying the two capital gains' taxes. Once tax reform passed, he learned from his tax preparer that the state capital gains' tax effectively increased because he could no longer write-off state taxes on his Federal 1040. Because he was not remotely interested in any kind of 1031 exchange, a common strategy to push-off the taxes on the sale of a property with a newly purchased property, Tom thought his hesitancy had really cost him dearly... until he talked to Mary.

B-I-C

*Mary had just recently learned about how integrating a certain charitable planning technique into the sale-conversation could effectively eliminate all taxes, netting Tom both a significant pile of cash to use as he liked, plus a life-income twice as high as the rents he was receiving on the land. She told Tom to think of the BIC pens he always carried in his shirt pocket. “You can use this technique to **B**ypass capital gains' taxes, **I**ncrease your net-income, and receive a hefty **C**haritable tax deduction,” she told him.*

“I'm sure my accountant would have told me about that already,” he smugly told Mary when she first broached the concept that capital gains' taxes are “voluntary.” Undaunted, Mary suggested that she could get an illustration for Tom to consider that would demonstrate this B-I-C concept. He could also run it by his accountant. Mary contacted the planned giving officer at Tom's alma mater, who then provided the illustration.

The Zero-Tax Sale (With an Appraisal)

The “displaced quarter” turned-out to be quite an expensive piece of farmland, worth almost \$1.1M. With a cost basis of \$556,000, the combined “double-barrel” taxes that Tom faced amounted to about \$155K - roughly 14% of the property’s overall value. Using the illustration/proposal from the planned giving officer (with the accountant’s endorsement), Tom and his attorney put a little over half of the land (\$650K) into a charitable remainder unitrust before listing it for sale. At the same time, Tom hired Mary to appraise the land in order to generate a nearly \$200,000 immediate charitable income-tax deduction. By law, the appraisal had to be completed within 60 days of the (portion of the) property being donated to the trust.

Tom wondered why he wasn’t allowed a full \$650K deduction, since the post-sale money in the charitable trust would eventually go to his church and alma mater. Tom’s CPA explained that because the two charities would have to wait about 35 years before seeing the money (Tom’s expected remaining life of 15 years plus 20 years of 6% annual payments to his children), the IRS discounted the tax deduction.

This \$200K tax deduction was calculated to offset the capital gains’ taxes on the other part of the property (\$450K) being sold for cash, with a little left over deduction for other tax purposes. The portion donated to the charitable trust (\$650K) sold completely tax-free, as the trust is legally a charitable entity. When a buyer eventually came along, the purchaser wrote two checks – one to the charitable trust for \$650K and the other for \$450K directly to Tom. Tom had to declare the cash portion held outside the trust (\$450K) as taxable, but again, the initial charitable income-tax deduction completely wiped the taxes away, leaving every penny of his late uncle’s land to go to work for Tom, and eventually his kids.

Conclusion

Beginning next January, Tom will receive his first 6% payment from the charitable trust, which is now being managed by his favorite bank. This amounts to almost double what Tom was receiving in cash rents from the now-sold land. Mary was paid her fee for the appraisal, which Tom didn’t balk at since she saved him so much in taxes, (in addition to helping him find a way to pocket \$450K cash).

In approximately 35 years (after Tom and his children have received their incomes from the trust), Tom’s church will have a major influx of cash for its maintenance fund, which is something Tom feels passionate about. His college will also have two endowed scholarships for future farmers named as tributes to Tom’s late father and late uncle. Tom is proud to say that, “Although Dad and his brother never got a diploma from State, their names will be forever in the minds of many of its graduates because of these new scholarships in their names.”

Besides her appraisal fee, Mary earned a lot of credibility with Tom and a few of his buddies by providing a solution to his common dilemma. Tom also has a bunch of stored grain and farm machinery to sell in the near future. He can use the same charitable trust mechanism to avoid taxes on the sale of those items.

Note: *To protect client/donor anonymity, this article is a fictionalized merging of real-life examples and should not be construed as tax or legal advice. Always consult a qualified tax professional and/or legal advisor before determining to create a charitable planned gift, like a charitable remainder unitrust.*

Marc also provided a sample of an illustration that he can create for appraisers or other real estate professionals that have specific scenarios they would like to consider. That PDF is not included in the newsletter itself, but is attached for reference.

Please participate in the Agricultural Land Value Survey 2018.

The SDSU Agricultural Land Value Survey has been ongoing since 1991. Your participation in this short survey by **April 20th** is greatly appreciated. The data collected from this survey is compiled and used by many industry professionals and producers alike. The 2018 Land Value Survey can be found at <https://sdsu2018aglandsurvey.questionpro.com>.

Questions can be directed to Shannon Sand (shannon.sand@sdstate.edu or 605-626-2870) or Jack Davis (jack.davis@sdstate.edu or 605-995-7378).

CHAPTER MEMBERS VISIT SDSU CLASSES

Jordan Bauer, Seth VanDuyn, and Kevin Johannsen spoke to Professor Elijah Kosse's Farm and Ranch Management Class and Professor Ryan McKnight's Small Business Management class at SDSU on March 21st and 22nd. Student Involvement Committee Chair Jordan Bauer lined up arrangements with Ryan McKnight and Elijah Kosse.

In each class, Professor McKnight and Professor Kosse introduced the chapter members and they gave a short introduction regarding their background and employment. Approximately 150 students were present between the two classes.



Jordan gave a quick overview of ASFMRA, the SD Chapter, memberships, and opportunities that ASFMRA provides. Students were encouraged to become student members (no cost) and start to network with industry professionals.

Jordan also talked about the opportunity to network at Summer Education Week 2018 in Des Moines, IA and shared his experience of attending this event 2 1/2 years ago. Jordan mentioned there will not be a career day however, there are still networking and education opportunities for the students to take advantage of.

Seth VanDuyn spoke about Farmers National and what it takes to be an Accredited Farm Manager. He gave them examples of his responsibilities and benefits of the career.

Jordan followed with some of the same format talking about Farm Credit Services of America and what it takes to become a Certified General Appraiser.

Jordan, Seth and Kevin strongly encouraged the students to be proactive and look for opportunities to network and make yourself known (student membership), and to not be just a name on a resume.

The students showed interest and asked questions of Seth, Jordan and Kevin.

SD CHAPTER - KJERSTAD MEMBER SCHOLARSHIP

The scholarship focus:

- A lasting memorial of Jerry's contribution to our chapter.
- A means to generate funds that can allow expansion of chapter support for members in accord with the chapter mission of *Enhancing Our Members' Ability to Succeed in Their Rural & Agriculturally Related Professions!*

Objectives:

1. Encourage potential members to join our chapter and help them with initial ASFMRA education.
2. Encourage members to attend and learn the benefits of the networking and education that take place at national events.
3. Broaden the experience of chapter members, which will in turn, strengthen our chapter member networking opportunities and develop future leadership for the chapter.
4. Encourage members to pursue accreditation and support them in this endeavor.
5. Recognize the member's achievement in gaining his accreditation.
6. Build member loyalty to the chapter.

Funding for this program is handled outside of the normal chapter operating / budgeting process. A separate money market account is dedicated for this program and the scholarships are paid from this account. Chapter fundraising projects and interest accrual on the account pay for the scholarships.

Scholarship opportunities for accredited, associate, and academic members under this program include:

- **Pay member registration fee for Leadership Institute attendance** -- Priority for the scholarship - Chapter President, board member, member who has never attended, member who has attended. Interest to be communicated to Chapter President by August 1st.
- **Pay member registration fee for first time national meeting attendance** - The member planning to attend their first national meeting would inform President and Treasurer.
- **Pay up to two member registration fees to attend National Meeting for members who have attended the National meeting in the past.** Scholarships are intended for members that are not reimbursed their costs by their employer. Priority for the two scholarships will go first to younger members that have already used the first time attendance scholarship; then to other members that have gone to national meeting multiple times. Those intending to attend a National Meeting would state their intent to do so and be considered for the scholarship to the President and the Treasurer. In the event more than two members apply, there will be a drawing for the scholarships – first among those in the younger member priority, then to other members who have gone to national meeting multiple times. The scholarship is limited to the same winners once every three years if several members apply and are entered into the drawing.
- **Pay member registration fee first ASFMRA education course that is a part of obtaining AFM accreditation or certified general appraiser license after becoming a new member.** - Member would inform President and Treasurer of intent to attend. Scholarship paid to member upon confirmation of course enrollment and adequate funds. If inadequate funding, will be reimbursed in future when adequate funding secured.
- **Pay member registration fee for accreditation education class for those committed to achieving accreditation.**
- Any member can provide written intent for the upcoming calendar year by December 1st to Chapter President. The written intent will convey the member's status regarding educational requirements and his / her personal timeline to achieve completion of educational requirements, demo report, and sitting for the exam. Scholarship approval will be communicated to a member by March 31 of the calendar fiscal year. The member can be paid member registration fee toward the cost of a class still needed within 3 years of scholarship approval.
- **Pay for cost of the accrediting exam** - Payable upon application as communicated by member to President and Treasurer. The cost of exam would be paid on a one time only basis.
- **Pay member registration fee when receiving accreditation at national meeting.** The member planning to attend would inform President and Treasurer.

Scholarships related to accreditation address only 1 accreditation per member. I.E. – Would not cover ARA, AFM, RPRA and / or AAC all for one member over time. The Kjerstad Member Scholarship Committee will administer the scholarship. Committee members are President, Past President, President-Elect, Secretary, and Treasurer.