Constructing a national, rural land transfer data base

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AND policy and planning depend on quality information. That dependency has long been recognized, and information gathering is a key step in the initial stages of problem definition, plan formulation, and policy analysis. Planners traditionally have focused on environmental, engineering, and economic data about land, such as soils, hydrological capacity, access to infrastructure, development costs, and constraints due to location (4, 7, 19).

But recently, some planners and researchers (1, 23, 24) have argued that land ownership information is a key to successful policy formulation and implementation. Information on who owns land, why they own it, and how ownership is structured has direct implications for design of land policy instruments (6, 11, 12) and resource management programs, such as soil conservation (9, 16, 17).

The importance of integrated land information systems for land policy and planning is gaining recognition in both developed and less developed countries (3, 21, 22). U.S. planners are developing computerized systems that bring together traditional resource, economic, and engineering data with ownership data. These experiments in upgrading land information data encompass all levels of government and are expected to continue into the future (8, 13, 15, 18).

Data about the composition and rate of land transfers can provide information on emerging land ownership trends, which can be used as input to policy formulation. Rather than providing a static view of ownership or a "snapshot" of how past transfers have resulted in the present ownership pattern, land transfer data could signal significant changes in ownership composition, such as increases in absentee ownership or increases in mortgage foreclosures among farm operators. Such information is a "window" through which data on ownership and land value (land economic information) can be gleaned (5).

As part of the growing interest in land information in general and land ownership data in particular, the U.S. Department of Agriculture conducted a national land ownership study in 1978 (18). This was the first such study since 1946, and the only study ever conducted that covered non-agricultural lands in rural areas. For a
number of reasons, data from this survey were problematic (20).

More recently, in assessing how to proceed in this area, USDA developed a set of seven interrelated studies on rural land ownership: rural land markets, foreign investment in U.S. agricultural land, farm tenure, small parcels, land leasing, land transfer, and absentee ownership. The rural land transfer study, the source of data presented here, sought to assess the feasibility and form of a national data collection system for rural land transfers. Such a system would report at the state level on the number, area, and value of transfer parcels; the type or manner of transfer, and the characteristics and motivations of parties involved in the transfer process (14).

A land transfer data base

Three issues are central to a national rural land transfer data base: the definition of rural land, the definition of land transfer, and the potential of building a national data base by using or modifying an existing system of land transfer data collection. For the first two issues, we recommended to USDA that rural land be identified institutionally and that land transfer be defined on an “arms-length-plus” basis (14).

Using the institutional definition of rural land, all land outside of political subdivisions of 2,500 or more inhabitants is classified as rural. The definition allows for broad coverage of the U.S. land base, covering 98 percent of the U.S. land area and 26 percent of the 1980 population (25). The definition also captures a wide range of rural lands and matches other national data bases, such as the U.S. Census of Population and Housing.

Use of the “arms-length-plus” definition of land transfer addresses the problem that nearly two-thirds of all land transfers at the local, state, and national levels are rejected from current analyses because they are deemed not representative of market value. The market-value, arms-length sale definition assumes two parties freely enter into negotiation about transfer with both having full information about the condition of the land to be transferred. In this ideal model, price is determined solely on market conditions.

In contrast, an arms-length-plus definition would include one-way transfers, such as gifts and devises; other types of two-way transfer, such as sales between related parties, families, and corporations; and involuntary transfers, such as foreclosure, adverse possession, eminent domain, and escheat (reversion of property to the state in default of legal heirs) (10). The recommended arms-length-plus definition included many but not all types of transfers. Because of the difficulty of obtaining data, the definition would not include information on transfers of partial interests in land, lease arrangements, and land contracts. The recommended arms-length-plus definition of land transfer included many, but not all, categories of transfers that other studies exclude.

The recommended arms-length-plus definition would provide acreage and value data on the total number of arms-length-plus transfers that occur outside places of 2,500 or more inhabitants in the United States. From this data base, a sample of grantors and grantees would be drawn for research on transfer motivations.

Can the data base recommended to USDA be implemented using existing data sets? There are multiple sources of land transfer data in the United States. The most pervasive is that collected by local and state governments as part of sales/ratio studies, which are used to compare the assessed value and actual market value of individual properties. Such studies are required by law or administrative rule in 35 states, and another 11 states conduct studies although not required by law (2, 26).

State data collection systems

In 35 states transfer documents or other forms of transfer data are collected by a state office (see table). We reviewed state laws and, when available, actual state transfer returns, certificates of value, statements of value, and affidavits to determine what data are collected through these transfer documents. Documents obtained from files at the Government’s Division of the U.S. Bureau of the Census were supplemented with legal research, telephone interviews, and collection and examination of additional primary data. The investigation focused on the 48 contiguous states. We posed the following questions about the land transfer process:

- Are transfer documents sent to a state office, so the total number of transfers for the state can be obtained?
- Are transfer documents required for arms-length-plus transfers as well as for arms-length transfers?
- Does the transfer document identify the location of the land transferred as urban or rural?
- Is the acreage of the land transferred noted?
- Is the value of the land transferred noted?
- Are the names and addresses of the grantor and grantee noted?

In common with other data collection, land transfer data collected by states varies greatly. Only 18 states collect data on arms-length and arms-length-plus transfers (columns 1 and 2 of table). Twelve of those 18 states collect data that meet the recommended guidelines for a national data base. These 12 states have the highest-quality data available on land transfer. In these states, in addition to collecting arms-length and arms-length-plus data, the location of the land transferred can be identified as urban or rural; the acreage is noted for all transfers; and, at least for arms-length transfers, the value is noted.

Some but not all of these data are available at the state level in 23 other states (columns 2 and 3 of table). For example, Maine, Massachusetts, New Hampshire, New Jersey, Arkansas, and Montana collect data on arms-length-plus transfers. None of these states, however, collect acreage data, and Arkansas does not collect specific location data. Pennsylvania, North Dakota, and Oregon collect only value data on arms-length sales.

Twelve states generally have no provision for consistently sending transfer and sales data to a state office. For example, in Louisiana local clerks of court record sales prices of all sales, but the state does not collect these data for use in a sales/ratio study. In Texas, sales values are collected only when they are available. However, availability rests with the individual seller/buyer because there is no law requiring disclosure of sales price and no transfer tax. Indiana, Missouri, Mississippi, Idaho, New Mexico, and Utah do not require transfer documents or impose transfer taxes (2).

Merging state systems

There are multiple problems with using these state data systems as the primary data source for a national rural land transfer data base. We have alluded to one set of problems: the variation in the types of data collected. Definitions of “transfer” and “rural” vary among states, and some states collect value and acreage data while others do not. Data availability is another problem. Data may be available at the state level or only at the local level, and in some states the data are confidential.

The major source of variation among state data systems is the definition of transfer. Almost half of the states that collect data exclude arms-length-plus transfers. Within the group of states that do collect
data on arms-length-plus transfers, the type of transfers recorded varies considerably. For example, Wisconsin does not require a state transfer document for land sales to the government, sales for delinquent taxes, transfers by will or descent, and land contracts. North Dakota does not require partners to file a transfer document for a wide array of arms-length-plus transfers, such as gifts, sales between relatives, and foreclosures. North Dakota also does not require filing a document for any sale in which the new owner indicates a change of use or any sale involving agricultural land of less than 80 acres.

Collection of location (urban/rural), value, and acreage data also varies by state. For example, Wisconsin classifies all parcels five acres or larger as rural. Virginia, in contrast, classifies all land over 20 acres as agriculture/undeveloped, a proxy for rural.

Collected data on the size of land transfers are comparable among states. But, not all states collect size data. And among those states that do, data quality is inconsistent. For example, Iowa collects acreage data for agricultural realty but not on industrial, resort, residential, or commercial transfers.

Property value data include data about land and about buildings and other personal property. In some instances such data may refer to land only or to land and buildings. For example, South Carolina's state office form provides for the deed consideration. In contrast, in Illinois grantees and grantors must detail: (a) the full actual consideration (sale price), (b) less the amount of personal property included in the purchase, (c) less the value of other real property, (d) less the value of other real property transferred to the seller as part of the full consideration, (e) less the amount of mortgage to which the transferred real estate remains subject, and (f) the net taxable consideration subject to transfer tax. States that use only a documentary stamp generally base the transfer taxes on the total value of real estate and personal property.

Confidentiality laws also restrict the availability of data. In Montana transfer documents are never public record. Local and state officials are required to maintain the confidentiality of the document. However, that confidentiality does not apply to compilations, summaries, and analyses of such data. Similarly in Wisconsin, individual transfer documents are privileged, but state revenue officials can and do provide summaries of arms-length transfers. The summaries do not identify the grantees and grantors. Arms-length-plus transfers are filed, but summaries of these data are not available. The same situation exists in Georgia.

A final problem with state land transfer data is the time period covered by current data sets. This is not a problem at the substate level because data usually are collected at the time of transfer. Most states receive transfer data from local offices soon after recordation. In preparing sales/ratio studies, states commonly use sales during the previous 12 months. However, a number of states use sales from the previous 18, 24, or even 36 months (2).

Conclusions

Clearly, it is impossible now to construct a national rural land transfer data base from existing U.S. state data systems. Not all the states collect land transfer data, either of a primary or secondary nature. Thirteen of the contiguous states have no state system. Data from three-fourths of the states do not meet our recommended guidelines for a national data set. Even among those states that do have some data, the classes of transfer information collected, the specifications accompanying such information, and the availability and time-consistency of data vary considerably. The quality of these existing sources of transfer data is inconsistent, making the data difficult to use for cross-state research and policy analysis purposes.

While state data systems cannot be used to construct a meaningful national rural land transfer data base at present, these systems remain the most accessible and logical source of transfer data. Improving state systems would facilitate constructing and maintaining a national system in the future—a system usable by a broad spectrum of groups and individuals. Improving state systems will likely be a slow and incremental process, but it seems the most sustainable route to a national data base.
Reforming the existing myriad of state systems and nonsystems to provide cross-state consistency would require that data be collected and aggregated for a broad range of arms-length-plus as well as arms-length transfers. For these transfers it would be necessary to identify the rural location and amount of land transferred and to collect sales values that indicate real estate value.

For those states that now monitor transfers, four actions would improve data quality. First, transfer documents should be required for all transfers, with no exceptions. Second, questions should be added to the transfer documents, or existing questions should be refined, regarding exemptions. Second, questions should be length transfers. For these transfers it be required for all transfers, with no exceptions. Third, local data systems and nonsystems to provide cross-estate value. For example, in agricultural land, who find, in times of rapidly falling land prices, that their land is overvalued for property tax purposes.

In soil conservation, conservationists could use the data set to design education, technical assistance, and incentive programs geared to changing land ownership clientele. Similarly, for effective urban fringe growth management, planners could use the data set to target programs to specific landowners and could determine when certain policies would not likely be successful because of a particular ownership mix.

Because of the importance of these and related land and environmental policy issues, we believe a national rural land and environmental issues at the national level. But work must continue in this area. Without a meaningful and institutionally sustainable national rural land transfer data set, effective national and regional land and environmental policy cannot be developed or implemented.

REFERENCES CITED