

HOUSE BILL NO. 593

INTRODUCED BY K. WAGONER

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE SITE-SPECIFIC INFORMATION THAT IS CONSIDERED IN THE CLASSIFICATION AND APPRAISAL OF AGRICULTURAL LAND OR FOREST LAND FOR PROPERTY TAXATION PURPOSES; REQUIRING THE AGRICULTURAL ADVISORY COMMITTEE TO PROVIDE METHODS FOR ADJUSTING PRODUCTIVITY VALUES; EXPANDING RULEMAKING AUTHORITY; AMENDING SECTIONS 15-7-103 AND 15-7-201, MCA; AND PROVIDING AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-7-103, MCA, is amended to read:

"15-7-103. Classification and appraisal -- general and uniform methods. (1) ~~It is the duty of the~~ The department of revenue ~~to shall~~ implement the provisions of 15-7-101, 15-7-102, and this section by providing:

(a) for a general and uniform method of classifying lands in the state for the purpose of securing an equitable and uniform basis of assessment of lands for taxation purposes;

(b) for a general and uniform method of appraising city and town lots;

(c) for a general and uniform method of appraising rural and urban improvements;

(d) for a general and uniform method of appraising timberlands.

(2) All lands must be classified according to their use or uses.

(3) Land classified as agricultural land or forest land must be subclassified according to soil type and productive capacity. In the classification work, use must be made of soil surveys and maps and all other site-specific and pertinent available information, including any information provided by the taxpayer such as:

(a) information detailing actual climate conditions;

(b) information from the United States department of agriculture, including but not limited to:

(i) natural resources conservation service rangeland inventory materials;

(ii) farm service agency materials; and

(iii) Montana agriculture statistics information; and

(c) any other documents or publicly available information that will assist in reaching a value that accurately approximates the productive capacity that the average Montana farmer or rancher could achieve.



1 (4) All lands must be classified by parcels or subdivisions not exceeding 1 section each, by the sections,
 2 fractional sections, or lots of all tracts of land that have been sectionized by the United States government, or by
 3 metes and bounds, whichever yields a true description of the land.

4 (5) All agricultural lands must be classified and appraised as agricultural lands without regard to the best
 5 and highest value use of adjacent or neighboring lands.

6 (6) In any periodic revaluation of taxable property completed under the provisions of 15-7-111, all
 7 property classified in 15-6-134 must be appraised on the taxable portion of its market value in the same year. The
 8 department shall publish a rule specifying the year used in the appraisal.

9 (7) All sewage disposal systems and domestic use water supply systems of all dwellings may not be
 10 appraised, assessed, and taxed separately from the land; or from the house; or other improvements in which they
 11 are located. ~~In no event may the~~ The sewage disposal or domestic water supply systems may not be included
 12 twice by including either of them in the valuation and assessing them separately."
 13

14 **Section 2.** Section 15-7-201, MCA, is amended to read:

15 **"15-7-201. Legislative intent -- value of agricultural property.** (1) Because the market value of many
 16 agricultural properties is based upon speculative purchases that do not reflect the productive capability of
 17 agricultural land, it is the legislative intent that bona fide agricultural properties be classified and assessed at a
 18 value that is exclusive of values attributed to urban influences or speculative purposes.

19 (2) Agricultural land must be classified according to its use, which classifications include but are not
 20 limited to irrigated use, nonirrigated use, and grazing use.

21 (3) Within each class, land must be subclassified by productive capacity. Productive capacity is
 22 determined based on yield.

23 (4) In computing the agricultural land valuation schedules to take effect on the date when each
 24 revaluation cycle takes effect pursuant to 15-7-111, the department of revenue shall determine the productive
 25 capacity value of all agricultural lands using the formula $V = I/R$ where:

26 (a) V is the per-acre productive capacity value of agricultural land in each subclass;

27 (b) I is the per-acre net income of agricultural land in each subclass and is to be determined as provided
 28 in subsection (5); and

29 (c) R is the capitalization rate and, unless the advisory committee recommends a different rate and the
 30 department adopts the recommended capitalization rate by rule, is equal to 6.4%. This capitalization rate must

1 remain in effect until the next revaluation cycle.

2 (5) (a) Net income must be determined separately for each subclass.

3 (b) Net income must be based on commodity price data, which may include grazing fees, crop and
4 livestock share arrangements, cost of production data, and water cost data for the base period using the best
5 available data.

6 (i) Commodity price data and cost of production data for the base period must be obtained from the
7 Montana Agricultural Statistics, the Montana crop and livestock reporting service, and other sources of publicly
8 available information if considered appropriate by the advisory committee.

9 (ii) Crop share and livestock share arrangements are based on typical agricultural business practices and
10 average landowner costs.

11 (iii) Allowable water costs consist only of the per-acre labor costs, energy costs of irrigation, and, unless
12 the advisory committee recommends otherwise and the department adopts the recommended cost by rule, a
13 base water cost of \$15 for each acre of irrigated land. Total allowable water costs may not exceed \$50 for each
14 acre of irrigated land. Labor and energy costs must be determined as follows:

15 (A) Labor costs are \$5 an acre for pivot sprinkler irrigation systems; \$10 an acre for tow lines, side roll,
16 and lateral sprinkler irrigation systems; and \$15 an acre for hand-moved and flood irrigation systems.

17 (B) Energy costs must be based on per-acre energy costs incurred in the energy cost base year, which
18 is the calendar year immediately preceding the year specified by the department in 15-7-103(6). By July 1 of the
19 year following the energy cost base year, an owner of irrigated land shall provide the department, on a form
20 prescribed by the department, with energy costs incurred in that energy cost base year. In the event that no
21 energy costs were incurred in the energy cost base year, the owner of irrigated land shall provide the department
22 with energy costs from the most recent year available. The department shall adjust the most recent year's energy
23 costs to reflect costs in the energy cost base year.

24 (c) The base crop for valuation of irrigated land is alfalfa hay adjusted to 80% of the sales price, and the
25 base crop for valuation of nonirrigated land is spring wheat. The base unit for valuation of grazing lands is animal
26 unit months, defined as the average monthly requirement of pasture forage to support a 1,200-pound cow with
27 a calf or its equivalent.

28 (d) Unless the advisory committee recommends a different base period and the department adopts the
29 recommended base period by rule, the base period used to determine net income must be the most recent 7
30 years for which data is available prior to the date the revaluation cycle ends. Unless the advisory committee

1 recommends a different averaging method and the department adopts the recommended averaging method by
2 rule, data referred to in subsection (5)(b) must be averaged, but the average must exclude the lowest and highest
3 yearly data in the period.

4 (6) The department shall compile data and develop valuation manuals adopted by rule to implement the
5 valuation method established by subsections (4) and (5).

6 (7) The governor shall appoint an advisory committee of persons knowledgeable in agriculture and
7 agricultural economics. The advisory committee shall include one member of the Montana state
8 university-Bozeman, college of agriculture, staff. The advisory committee shall:

9 (a) compile and review data required by subsections (4) and (5);

10 (b) recommend to the department any adjustments to data or to landowners' share percentages if
11 required by changes in government agricultural programs, market conditions, or prevailing agricultural practices;

12 (c) recommend appropriate base periods and averaging methods to the department;

13 (d) evaluate the appropriateness of the capitalization rate and recommend a rate to the department;

14 (e) verify for each class and subclass of land that the income determined in subsection (5) reasonably
15 approximates that which the average Montana farmer or rancher could have attained; ~~and~~

16 (f) recommend agricultural land valuation schedules to the department. With respect to irrigated land,
17 the recommended value of irrigated land may not be below the value that the land would have if it were not
18 irrigated.

19 (g) provide methods for adjusting rangeland productivity values when more site-specific data is available
20 and pertinent."

21
22 **NEW SECTION. Section 3. Applicability.** [This act] applies to property tax years beginning after
23 December 31, 2013.

24 - END -