

1 *HOUSE* BILL NO. *137*
 2 INTRODUCED BY *Hamm*
 3 BY REQUEST OF THE DEPARTMENT OF REVENUE

4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT CONFORMING THE
 6 VALUATION AND TAXATION OF AGRICULTURAL LAND TO THE EXTENSION
 7 OF THE CURRENT REVALUATION CYCLE ENACTED BY CHAPTER 13, LAWS
 8 OF 1989; AMENDING SECTION 15-7-201, MCA; SECTION 10, CHAPTER
 9 681, LAWS OF 1985; AND SECTION 3, CHAPTER 705, LAWS OF 1985;
 10 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE
 11 APPLICABILITY DATE."

12
 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14 **Section 1.** Section 15-7-201, MCA, is amended to read:
 15 "15-7-201. (Applicable to 1991 1993 land valuation
 16 schedules) Legislative intent -- value of agricultural
 17 property. (1) Since the market value of many agricultural
 18 properties is based upon speculative purchases which do not
 19 reflect the productive capability of agricultural land, it
 20 is the legislative intent that bona fide agricultural
 21 properties shall be classified and assessed at a value that
 22 is exclusive of values attributed to urban influences or
 23 speculative purposes.
 24 (2) Agricultural land shall be classified according to
 25 its use, which classifications shall include but not be

1 limited to irrigated use, nonirrigated use, and grazing use.
 2 (3) Within each class, land shall be assessed at a
 3 value that is fairly based on its productive capacity.
 4 (4) In computing the agricultural land valuation
 5 schedules to take effect on January 1, 1991 1993, or on the
 6 date that the revaluation cycle commencing January 2, 1986,
 7 takes effect pursuant to 15-7-111, the department of revenue
 8 shall determine the productive capacity value of all
 9 agricultural lands using the formula $V = I/R$ where:
 10 (a) V is the per-acre productive capacity value of
 11 agricultural land in each land use and production category;
 12 (b) I is the per-acre net income of agricultural land
 13 in each land use and production category and is to be
 14 determined by the department using the formula $I = (P - C) U$
 15 where:
 16 (i) I is the per-acre net income;
 17 (ii) P is the per-unit price of the commodity being
 18 produced;
 19 (iii) C is the per-unit production cost of the commodity
 20 being produced; and
 21 (iv) U is the yield in units per acre; and
 22 (c) R is the capitalization rate to be determined by
 23 the department as provided in subsection (9).
 24 (5) Net income shall be:
 25 (a) calculated for each year of a base period, which is



1 the most recent 3-year period for which data are available,
2 prior to a revaluation of property as provided in 15-7-111;
3 and

4 (b) based on commodity price and production cost data
5 for the base period from such sources as may be considered
6 appropriate by the department, which sources shall include
7 Montana state university.

8 (6) To the degree available, the department shall
9 compile:

10 (a) commodity price data reflecting the average prices
11 received per unit of measure by Montana farmers and
12 ranchers. Such data may be obtained from all geographical
13 areas of the state. Commodity prices may include wheat,
14 barley, alfalfa hay, grass hay, corn for grain, corn for
15 silage, sugar beets, dry beans, potatoes, cattle, and sheep.
16 Government payments may be considered. Typical rental
17 arrangements may be considered.

18 (b) production cost data reflecting average costs per
19 unit of measure paid by Montana farmers and ranchers. Such
20 data may be obtained from all geographical areas of the
21 state. Such production costs may include costs relating to
22 irrigation, fertilization, fuel, seed, weed control, hired
23 labor, management, insurance, repairs and maintenance, and
24 miscellaneous items. Variations in specific production cost
25 data, when affected by different levels of production, and

1 typical rental arrangements may be considered.

2 (7) The department shall appoint an advisory committee
3 of persons knowledgeable in agriculture and agricultural
4 economics to review the data prepared by Montana state
5 university and advise the department on the implementation
6 of subsections (2) through (6). The advisory committee shall
7 include one member of the Montana state university staff.

8 (8) Net income shall be determined separately for lands
9 in irrigated use, nonirrigated use, and grazing use and
10 shall be calculated for each use and production level
11 according to the provisions of subsections (4) through (7).

12 (9) The capitalization rate shall be calculated for
13 each year of the base period and is the annual average
14 interest rate on agricultural loans as reported by the
15 federal land bank association of Spokane, Washington, plus
16 the effective tax rate in Montana.

17 (10) The effective tax rate shall be calculated by the
18 department for each year of the base period by dividing the
19 total estimated tax due on agricultural land in the state by
20 the total productive capacity value of agricultural land in
21 the state."

22 **Section 2.** Section 10, Chapter 681, Laws of 1985, is
23 amended to read:

24 "Section 10. Effective date -- termination date. (1)
25 This act is effective January 1, 1986, and, except for

1 section sections 1 and 3, terminates January 1, 1991.

2 (2) Section 1 terminates January 1, 1993."

3 **Section 3.** Section 3, Chapter 705, Laws of 1985, is
4 amended to read:

5 "Section 3. Effective date -- applicability date. This
6 act is effective January 1, 1986, and applies to any
7 revaluation of property as provided in 15-7-111 ~~after~~
8 January-17-1986 to take effect January 1, 1993."

9 NEW SECTION. **Section 4.** Effective date. [This act] is
10 effective on passage and approval.

11 NEW SECTION. **Section 5.** Retroactive applicability.
12 [Sections 1 through 3] apply retroactively, within the
13 meaning of 1-2-109, to tax years beginning after December
14 31, 1990.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0137, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act conforming the valuation and taxation of agricultural land to the extension of the current revaluation cycle enacted by Chapter 13, Laws of 1989; and providing an immediate effective date and a retroactive applicability date.

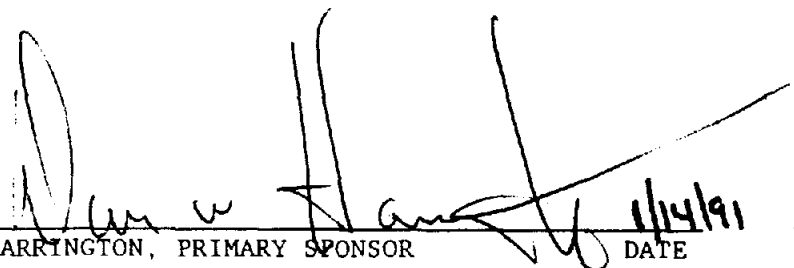
FISCAL IMPACT:

HB0053, passed during the 1989 legislative session, extended the current property reappraisal cycle an additional two years to December 31, 1992 (reference 15-7-133, MCA). However, the bill did not provide language clarifying that the extension was applicable to the valuation of agricultural property as well. This bill changes the reference dates pertaining to agricultural land to bring that property into conformance with current reappraisal cycle termination dates.

These is no impact on department revenues or administrative expense.



ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning 1-12-91



DAN W. HARRINGTON, PRIMARY SPONSOR DATE
Fiscal Note for HB0137, as introduced 1/14/91
HB 137

APPROVED BY COMMITTEE
ON TAXATION

1 HOUSE BILL NO. 137
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20 is the legislative intent that bona fide agricultural
21 properties shall be classified and assessed at a value that
22 is exclusive of values attributed to urban influences or
23 speculative purposes.

24 (2) Agricultural land shall be classified according to
25 its use, which classifications shall include but not be

1 limited to irrigated use, nonirrigated use, and grazing use.

2 (3) Within each class, land shall be assessed at a
3 value that is fairly based on its productive capacity.

4 (4) In computing the agricultural land valuation
5 schedules to take effect on January 1, 1991 1993, or on the
6 date that the revaluation cycle commencing January 2, 1986,
7 takes effect pursuant to 15-7-111, the department of revenue
8 shall determine the productive capacity value of all
9 agricultural lands using the formula $V = I/R$ where:

10 (a) V is the per-acre productive capacity value of
11 agricultural land in each land use and production category;

12 (b) I is the per-acre net income of agricultural land
13 in each land use and production category and is to be
14 determined by the department using the formula $I = (P - C) U$
15 where:

16 (i) I is the per-acre net income;

17 (ii) P is the per-unit price of the commodity being
18 produced;

19 (iii) C is the per-unit production cost of the commodity
20 being produced; and

21 (iv) U is the yield in units per acre; and

22 (c) R is the capitalization rate to be determined by
23 the department as provided in subsection (9).

24 (5) Net income shall be:

25 (a) calculated for each year of a base period, which is



1 the most recent 3-year period for which data are available,
2 prior to a revaluation of property as provided in 15-7-111;
3 and

4 (b) based on commodity price and production cost data
5 for the base period from such sources as may be considered
6 appropriate by the department, which sources shall include
7 Montana state university.

8 (6) To the degree available, the department shall
9 compile:

10 (a) commodity price data reflecting the average prices
11 received per unit of measure by Montana farmers and
12 ranchers. Such data may be obtained from all geographical
13 areas of the state. Commodity prices may include wheat,
14 barley, alfalfa hay, grass hay, corn for grain, corn for
15 silage, sugar beets, dry beans, potatoes, cattle, and sheep.
16 Government payments may be considered. Typical rental
17 arrangements may be considered.

18 (b) production cost data reflecting average costs per
19 unit of measure paid by Montana farmers and ranchers. Such
20 data may be obtained from all geographical areas of the
21 state. Such production costs may include costs relating to
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23 labor, management, insurance, repairs and maintenance, and
24 miscellaneous items. Variations in specific production cost
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2 (7) The department shall appoint an advisory committee
3 of persons knowledgeable in agriculture and agricultural
4 economics to review the data prepared by Montana state
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6 of subsections (2) through (6). The advisory committee shall
7 include one member of the Montana state university staff.

8 (8) Net income shall be determined separately for lands
9 in irrigated use, nonirrigated use, and grazing use and
10 shall be calculated for each use and production level
11 according to the provisions of subsections (4) through (7).

12 (9) The capitalization rate shall be calculated for
13 each year of the base period and is the annual average
14 interest rate on agricultural loans as reported by the
15 federal land bank association of Spokane, Washington, plus
16 the effective tax rate in Montana.

17 (10) The effective tax rate shall be calculated by the
18 department for each year of the base period by dividing the
19 total estimated tax due on agricultural land in the state by
20 the total productive capacity value of agricultural land in
21 the state."

22 **Section 2.** Section 10, Chapter 681, Laws of 1985, is
23 amended to read:

24 "Section 10. Effective date -- termination date. (1)
25 This act is effective January 1, 1986, and, except for

1 section sections 1 and 3, terminates January 1, 1991.

2 (2) Section 1 terminates January 1, 1993."

3 **Section 3.** Section 3, Chapter 705, Laws of 1985, is
4 amended to read:

5 "Section 3. **Effective date -- applicability date.** This
6 act is effective January 1, 1986, and applies to any
7 revaluation of property as provided in 15-7-111 **after**
8 January 1, 1986 to take effect January 1, 1993."

9 NEW SECTION. **Section 4.** **Effective date.** [This act] is
10 effective on passage and approval.

11 NEW SECTION. **Section 5.** **Retroactive applicability.**
12 [Sections 1 through 3] apply retroactively, within the
13 meaning of 1-2-109, to tax years beginning after December
14 31, 1990.

-End-

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HOUSE BILL NO. *137*

INTRODUCED BY *Hamm*
BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT CONFORMING THE VALUATION AND TAXATION OF AGRICULTURAL LAND TO THE EXTENSION OF THE CURRENT REVALUATION CYCLE ENACTED BY CHAPTER 13, LAWS OF 1989; AMENDING SECTION 15-7-201, MCA; SECTION 10, CHAPTER 681, LAWS OF 1985; AND SECTION 3, CHAPTER 705, LAWS OF 1985; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

Section 1. Section 15-7-201, MCA, is amended to read:

"15-7-201. (Applicable to ~~1991~~ 1993 land valuation schedules) Legislative intent -- value of agricultural property. (1) Since the market value of many agricultural properties is based upon speculative purchases which do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shall be classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.

(2) Agricultural land shall be classified according to its use, which classifications shall include but not be

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limited to irrigated use, nonirrigated use, and grazing use.

(3) Within each class, land shall be assessed at a value that is fairly based on its productive capacity.

(4) In computing the agricultural land valuation schedules to take effect on January 1, ~~1991~~ 1993, or on the date that the revaluation cycle commencing January 2, 1986, takes effect pursuant to 15-7-111, the department of revenue shall determine the productive capacity value of all agricultural lands using the formula $V = I/R$ where:

(a) V is the per-acre productive capacity value of agricultural land in each land use and production category;

(b) I is the per-acre net income of agricultural land in each land use and production category and is to be determined by the department using the formula $I = (P - C) U$ where:

(i) I is the per-acre net income;

(ii) P is the per-unit price of the commodity being produced;

(iii) C is the per-unit production cost of the commodity being produced; and

(iv) U is the yield in units per acre; and

(c) R is the capitalization rate to be determined by the department as provided in subsection (9).

(5) Net income shall be:

(a) calculated for each year of a base period, which is

THIRD READING

HB 137



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2 prior to a revaluation of property as provided in 15-7-111;
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