

HOUSE BILL 826

Introduced by M. Hanson, et al.

2/13	Introduced
2/13	Referred to Taxation
2/14	First Reading
2/14	Fiscal Note Requested
2/20	Fiscal Note Received
	Died in Committee

1 *House* BILL NO. *826*  
 2 INTRODUCED BY *M. Hanson, T. B. ... Ellison, Jeff Inyegord*  
 3 *Book*

4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE VALUATION  
 5 OF AGRICULTURAL PROPERTY BY ESTABLISHING 6.5 PERCENT AS THE  
 6 CAPITALIZATION RATE; PROVIDING THAT BASE DATA COVER A 7-YEAR  
 7 PERIOD, WITH DATA FROM THE HIGHEST AND LOWEST YEARS  
 8 EXCLUDED; AMENDING SECTION 15-7-201, MCA; AND PROVIDING AN  
 9 IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY  
 10 DATE."

11  
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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

23 (2) Agricultural land shall be classified according to  
 24 its use, which classifications shall include but not be  
 25 limited to irrigated use, nonirrigated use, and grazing use.

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

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

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

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

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

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

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

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

21 (c) R is the capitalization rate ~~to be determined by~~  
 22 ~~the department as provided in subsection (9)~~ that is 6.5%.

23 (5) Net income shall be:

24 (a) calculated for each year of a base period, which is  
 25 the most recent ~~3-year~~ 7-year period for which data are



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1 available, excluding data from the highest and lowest years,  
 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, excluding data from the highest and  
 6 lowest years, from such sources as may be considered  
 7 appropriate by the department, which sources shall include  
 8 Montana state university.

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

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

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

1 data, when affected by different levels of production, and  
 2 typical rental arrangements may be considered.

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

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

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

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

23 NEW SECTION. Section 2. Effective date -- retroactive  
 24 applicability. [This act] is effective on passage and  
 25 approval and applies retroactively, within the meaning of

LC 1854/01

1 1-2-109, to taxable years beginning after December 31, 1990.

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