

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - REGULAR SESSION**

CONFERENCE COMMITTEE ON HOUSE BILL 643

Call to Order: By **CHAIRMAN STEVE DOHERTY**, on April 20, at 9:00 a.m.

ROLL CALL

House Members Present:

Sen. Steve Doherty, Senate Chairman (D)
Sen. Dorothy Eck (D)
Sen. Lorents Grosfield (R)

Senate Members Present:

Rep. Mike Foster, House Chairman (R)
Rep. Bob Gilbert (R)
Rep. Emily Swanson (D)

Members Excused: None

Members Absent: None

Staff Present: Lee Heiman, Legislative Council
Jeff Martin, Legislative Council
Jill Rohyans, Conference Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased.

CONSIDERATION OF HOUSE BILL 643

Motion: REP. GILBERT MOVED TO STRIKE ALL THE SENATE AMENDMENTS FROM THE BILL.

Discussion:

SEN. GROSFIELD said if the Senate amendments are stripped and nothing else is done to the bill, the bill reverts to the definition of agricultural products in 15-1-101, MCA. The term "agricultural" refers to the production of food, feed, fiber, and fiber commodities and other related agricultural products. Food, feed, and fiber includes many things, but one of the things it includes is grass. Therefore, the land can be used primarily for raising grass. It does not refer to marketing or income

production. He said this would include practically every parcel of land except parking lots. He said something else needs to be done to the bill if the Senate amendments are stripped or the Department of Revenue (DOR) will have no guidelines at all.

REP. GILBERT asked for a definition of agricultural product from the Department.

Randy Wilke, Property Assessment Division, DOR, said it is important for DOR to have fairly specific criteria for determination of agricultural status. In the absence of that specific direction, DOR would have to adopt administrative rules and go through the public hearing process. He said they have had cases where people have had land that is primarily grass with no animals grazing on it that have qualified as agricultural.

SEN. ECK said the problem is the great disparity between the taxes on the land parcels just under 20 acres and those over 20 acres. She said she prefers to impose a flat \$1500 agricultural definition for all agricultural land, whether it is contiguous or not, but operated by one owner.

REP. FOSTER said he does not understand the Department's problem with the 15-1-101, MCA definition of agriculture. It has been used for years and in 101 a.i. it lists the "commodities that are raised, grown, or produced for commercial purposes". He said it seems clear that grass would also have to be raised for commercial purposes to qualify.

Referring to the \$1500 blanket qualification, **REP. FOSTER** said the land differences would create great problems. He said there are 160 acre parcels that can easily produce \$1500 in revenue and other 160 acre parcels where it would be a real struggle to produce \$1500 worth of product of any sort.

He said everyone recognizes the situation is difficult, but it appears that either the Senate amendments will be stripped or nothing is going to happen with the bill.

SEN. GROSFIELD said his interpretation of the definition was that the "commercial purposes" language applied only to sod, ornamental, nursery, and horticultural crops.

CHAIRMAN DOHERTY asked the representatives from DOR to respond to that interpretation.

REP. GILBERT said the House Taxation Committee wrestled with the \$1500 production test and decided against it because of the disparity in land production in the state. He said it is much better to have land deemed agricultural by definition. That

designation can then follow the land with periodic inspections to maintain the designation. The \$1500 means test would require an annual accounting report and approval process each year for each parcel of land no matter how small or large.

REP. SWANSON asked **Mr. Morrison, DOR**, if there is anything that can be done to the bill to make it a more objective and less costly process to administer.

Mr. Morrison replied an acreage or means test is easier to administer. If judgements are made without clear guidance from the Legislature those judgements will have to be made in all 56 counties. Consistency will be a problem and there will undoubtedly be a large number of appeals filed.

REP. GILBERT said the evaluation formula process that has been amended into the bill would be a legal nightmare when applied to a 20,000 acre ranch.

The Committee members discussed options such as applying the means test to any parcel up to 160 acres with all parcels above 160 being automatically deemed agricultural, means tests based on market value, determinations made by inspection of property, and a formula based on acreage and income. There was a great deal of concern about the large ranches being stripped of all livestock and equipment and turned into vast "open space" playgrounds. There is a potential conflict between tax rates for irrigated land and formerly irrigated land that is taxed at seven times the average grazing rate.

REP. GILBERT said a method must be devised that helps the people, not the state. There has to be a way to help the counties stabilize their tax base and to address the problem area which is the small operator in the 20-160 acre range. He said the large ranch or farm owned by out-of-staters is another complicated issue that must be addressed separately and in another session.

SEN. ECK asked if a decision had been reached on the definition of "commercial" in 15-1-101.

Mr. Martin said the definition applies just to sod, ornamental, nursery, and horticultural crops.

SEN. ECK asked if the commercial designation could be expanded to cover all the products in that section.

Mr. Martin replied it would be no problem.

SEN. GROSFIELD said he thinks everyone is fairly satisfied with the seven times grazing fees in Class 3 tax basis and he does not intend to change that provision. He said the definition should be adjusted to reflect "raising and marketing products". He suggested striking all the new language on page 5, line 12, through line 23 on page 6 and inserting the commercial reference to raising and marketing products. He asked the DOR representatives if that would give them enough direction.

Mr. Morrison said it would be helpful, but he did not know if it would work without a means test.

REP. SWANSON felt strongly that the bill should include a means test.

SEN. GROSFIELD asked if a statement of intent would help clarify the issue.

CHAIRMAN DOHERTY said adding a statement of intent would require a Free Conference Committee.

REP. GILBERT said he had no problem with **SEN. GROSFIELD's** suggestion, but he wanted the provision capped at 160 acres.

CHAIRMAN DOHERTY asked if it would help DOR if the Senate amendments were taken out of the bill and the criteria put into a statement of intent.

Mr. Morrison said he would appreciate it. He said they would like as much direction and authority as possible.

CHAIRMAN DOHERTY said he would prefer to see those provisions in the bill as opposed to a statement of intent.

Mr. Heiman said the bill, as it stands, contains no authority to administer a means test. The language "primarily" would dictate a ratio.

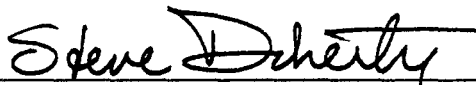
CHAIRMAN DOHERTY said he would like to dissolve the Conference Committee and convene a Free Conference Committee to recede from all the Senate amendments and adopt a statement of intent that addresses a means test, CRP land, grazing and crop rotation, and the 160 acre cap.

REP. GILBERT said he wants a 160 acre cap and the value set at seven times the average grazing fee. He agreed with **SEN. GROSFIELD's** suggestions regarding "marketing" on pages 5 and 6. He said those components would retain the integrity of the bill as it was introduced. He said if there is agreement on those points, he is willing to go to a Free Conference Committee, otherwise, the bill is dead.

SEN. DOHERTY said he felt the Conference Committee had reached a reasonable compromise on the pertinent issues.

SEN. DOHERTY and REP. FOSTER will move to dissolve the Conference Committee and appoint a Free Conference Committee on the floor of the Senate and House during session. The Free Conference Committee will meet at the call of the chair on April 21.

Adjournment: The meeting adjourned at 10:10 a.m.



SEN. STEVE DOHERTY, SENATE CHAIRMAN



REP. MIKE FOSTER, HOUSE CHAIRMAN



JILL ROHYANS, SECRETARY

SD,MF/jdr