

SENATE BILL NO. 361

Introduced: 02/04/83

Referred to Committee on Taxation: 02/04/83

Hearing: 2/18/83

Report: 03/03/83, Do Pass, As Amended

2nd Reading: 03/04/83, As Amended

On Motion, 3/4/83, That The Rules Be Temporarily Suspended  
In Order That The Bill Be Considered On 3rd Reading This  
Date. Motion Passed Unanimously.

3rd Reading: 03/04/83

Transmitted to House: 3/4/83

Referred to Committee on Taxation: 03/07/83

Hearing: 3/22/83

Died in House Committee.

*Senate* BILL NO. 361

INTRODUCED BY Turnage Norman

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE CRITERIA  
UNDER WHICH LAND IS CLASSIFIED AS AGRICULTURAL FOR TAX  
PURPOSES; TO ESTABLISH A NEW CLASS OF PROPERTY FOR CERTAIN  
LAND; AMENDING SECTIONS 15-7-202 AND 15-8-111, MCA."

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

Section 1. Section 15-7-202, MCA, is amended to read:  
"15-7-202. Eligibility of land for valuation as  
agricultural. (1) Land which is presumed to be actively  
devoted to agricultural use and shall be eligible for  
valuation, assessment and taxation as herein provided each  
year if it meets any of the following qualifications:

(a) the area of such land is not less than 5  
contiguous acres when measured in accordance with provisions  
of 15-7-206 and it has been actively devoted to agriculture  
during the last growing season, and it continues to be  
actively devoted to agricultural use, which means  
it is used to produce field crops including but  
not limited to grain, feed crops, fruit, vegetables or  
it is used for grazing or  
it is used for growing timber or  
it is in a cropland retirement program or

(b) it produces for sale or home  
consumption the equivalent of 15% or more of the owner's  
annual gross income regardless of the number of contiguous  
acres in the ownership or  
it is used to raise animals in confined areas for  
the production of food or fiber, including but not limited  
to livestock, feed lots, dairy, fish hatcheries and  
poultry farms  
(c) land shall not be classified or valued as  
agricultural if it is subdivided with stated restrictions  
prohibiting its use for agricultural purposes  
(d) the grazing on land by a horse or other animals  
kept as a hobby and not as part of a bona fide  
agricultural enterprise shall not be considered a bona fide  
agricultural operation valued as such unless  
covenants applicable to the land prevent  
agricultural use  
(e) the land is used as a commercial or industrial  
site  
(f) the land consists of one or more parcels which  
taken together are less than 20 contiguous acres and the  
owner cannot provide proof of:  
(g) growing timber, which means productive  
commercial use of the land as evidenced by active use of a  
timber management plan

1       (iii) "field crop production", which means production  
 2 by the land of 520 bushels of wheat or its equivalent or 15  
 3 tons of alfalfa or its equivalent;

4       (iv) "grazing utility", which means the land supports  
 5 40 animal unit months or the equivalent;

6       (v) "gross income", which means production from the  
 7 land of at least \$1,500, adjusted for inflation; or  
 8       (vi) a crop failure due to natural causes.

9       (2) The department may require that proof of criteria  
 10 specified in subsection (1)(c) be filed with the department.  
 11 Such filing shall be on a form provided by the department at  
 12 no cost to the taxpayer.

13       (3) The term "adjusted for inflation", as used in this  
 14 sections means \$1,500 times a number which is determined for  
 15 each taxable year by dividing the consumer price index for  
 16 June of the taxable year by the consumer price index for  
 17 June 1982."

18       NEW SECTION: Section 2. Class twelve property --  
 19 description -- taxable percentage. (1) Class twelve property  
 20 includes all land defined as "tract" land.

21       (2) As used in this section, "tract land" means a land  
 22 parcel greater than 1 acre but less than 20 acres that does  
 23 not meet the requirements of agricultural land in 15-7-202.  
 24 The term includes contiguous land parcels that in  
 25 combination are greater than 1 acre but less than 20 acres

1       if the parcels are in common ownership.

2       (3) Class twelve property is taxed at 4.275% of its  
 3 market value.

4       Section 3. Section 15-8-111, MCA, is amended to read:  
 5       "15-8-111. Assessment -- market value standard --  
 6 exceptions. (1) All taxable property must be assessed at  
 7 100% of its market value except as provided in subsection  
 8 (5) of this section and in 15-7-111 through 15-7-114.

9       (2) (a) Market value is the value at which property  
 10 would change hands between a willing buyer and a willing  
 11 seller, neither being under any compulsion to buy or to sell  
 12 and both having reasonable knowledge of relevant facts.

13       (b) The market value of all motor trucks; agricultural  
 14 tools, implements, and machinery; and vehicles of all kinds,  
 15 including but not limited to motorcycles, aircraft, and  
 16 boats and all watercraft, is the average wholesale value  
 17 shown in national appraisal guides and manuals or the value  
 18 of the vehicle before reconditioning and profit margin. The  
 19 department of revenue shall prepare valuation schedules  
 20 showing the average wholesale value when no national  
 21 appraisal guide exists.

22       (3) The department of revenue or its agents may not  
 23 adopt a lower or different standard of value from market  
 24 value in making the official assessment and appraisal of the  
 25 value of property in subsection (1)(a) of 15-6-131a and

1 15-6-134 through 15-6-140, and [section 2]. For purposes of  
 2 taxation, assessed value is the same as appraised value.

3 (4) The taxable value for all property in subsection  
 4 (1)(a) of 15-6-131 and classes four through eleven twelve is  
 5 the percentage of market value established for each class of  
 6 property in subsection (2)(a) of 15-6-131, and 15-6-134  
 7 through 15-6-141, and [section 2].

8 (5) The assessed value of properties in subsection  
 9 (1)(b) of 15-6-131, 15-6-132, and 15-6-133 is as follows:

10 (a) Properties in subsection (1)(b) of 15-6-131, under  
 11 class one, are assessed at 100% of the annual net proceeds  
 12 after deducting the expenses specified and allowed by  
 13 15-23-503.

14 (b) Properties in 15-6-132 under class two are  
 15 assessed at 100% of the annual gross proceeds.

16 (c) Properties in 15-6-133, under class three, are  
 17 assessed at 100% of the productive capacity of the lands  
 18 when valued for agricultural purposes. All lands that meet  
 19 the qualifications of 15-7-202 are valued as agricultural  
 20 lands for tax purposes.

21 (6) Land and the improvements thereon are separately  
 22 assessed when any of the following conditions occur:

23 (a) ownership of the improvements is different from  
 24 ownership of the land;

25 (b) the taxpayer makes a written request; or

1 (c) the land is outside an incorporated city or town.  
 2 (7) The taxable value of all property in subsection  
 3 (1)(b) of 15-6-131 and classes two and three is the  
 4 percentage of assessed value established in 15-6-131(2)(b),  
 5 15-6-132, and 15-6-133 for each class of property."

-End-

STATE OF MONTANA

REQUEST NO. 342-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 7, 1983, there is hereby submitted a Fiscal Note for Senate Bill 361 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 361 revises the criteria under which land is classified as agricultural for tax purposes; and establishes a new class of property for certain land.

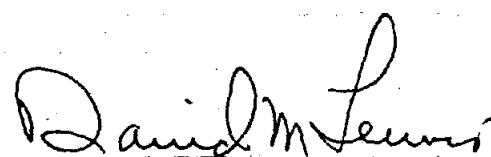
FISCAL IMPACT:

Data is not readily available to determine the net impact of the proposal.

COMMENT:

The bill will have some affect on the taxable values of the counties and therefore property tax collections. Generally, tract lands are appraised as nonagricultural. The reduced tax rate will decrease the taxable value of this land. However, some County Tax Appeal Boards have developed liberal criteria for what constitutes an agricultural use. The taxable value of tract lands currently classified as agricultural will increase as a result of the proposal.

FISCAL NOTE 12:0/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-11-83

Approved by committee  
on Taxation

1                   SENATE BILL NO. 361  
2                   INTRODUCED BY TURNAGE, NORMAN

3  
4     A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE CRITERIA  
5     UNDER WHICH LAND IS CLASSIFIED AS AGRICULTURAL FOR TAX  
6     PURPOSES; to-establish-a-new-class-of-property--for--certain  
7     land AMENDING SECTIONS SECTION 15-7-202 ANB-25-8-322, MCA."

8  
9     BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10       Section 1. Section 15-7-202, MCA, is amended to read:  
11       "15-7-202. Eligibility of land for valuation as  
12     agricultural. (1) Land which is presumed to be actively  
13     devoted to agricultural use and shall be eligible--for  
14     valuation--assessment--and taxation--as herein provided--each  
15     year--it-meets-any-of-the-following-qualifications:  
16        *(1)*--the--area--of--such--land--is--not--less--than--5  
17     contiguous-acres--when--measured-in--accordance-with--provisions  
18     of--15-7-206--and--it--has--been--actively--devoted--to--agriculture  
19     during--the--last--growing--season--and--it--continues--to--be  
20     actively--devoted--to--agricultural--use--which--means--  
21        *(2)*--it--is--used--to--produce--field--crops--including--but  
22     not--limited--to--grains--feed--crops--fruits--vegetables--or  
23        *(3)*--it--is--used--for--grazing--or  
24        *(4)*--it--is--used--for--growing--timber--or  
25        *(5)*--it--is--in--a--crop-and-retirement--program--or

1        *(b)*--it--produces--for--sale--or--home  
2     consumption--the--equivalent--of--15%--or--more--of--the--owner's  
3     annual--gross--income--regardless--of--the--number--of--contiguous  
4     acres--in--the--ownership--or  
5        *(c)*--it--is--used--to--raise--animals--in--confined--areas--for  
6     the--production--of--food--or--fiber--including--but--not--limited  
7     to--livestock--feedlot--dairies--fish--hatcheries--and  
8     poultry--farms--  
9        *(2)*--land--shall--not--be--classified--or--valued--as  
10     agricultural--if--it--is--subdivided--with--stated--restrictions  
11     prohibiting--its--use--for--agricultural--purposes--  
12        *(3)*--The--grazing--on--land--by--a--horse--or--other--animals  
13     kept--as--a--hobby--and--not--as--a--part--of--a--bona--fide  
14     agricultural--enterprise--shall--not--be--considered--a--bona--fide  
15     agricultural--operations--valued--as--such--unless--  
16        *(a)*--covenants--applicable--to--the--land--prevent  
17     agricultural--use--  
18        *(b)*--the--land--is--used--as--a--commercial--or--industrial  
19     site--  
20        *(c)*--the--land--consists--of--one--or--more--parcels--THAT MAY  
21     BE SEPARATED BY A ROAD, STREET, OR ALLEY BUT WHICH, TAKEN  
22     TOGETHER, ARE LESS THAN 20 5 CONTIGUOUS ACRES AND THE OWNER  
23     CANNOT PROVIDE PROOF OF--  
24        *(d)*--growing--timber--which--means--productive  
25     commercial--use--of--the--land--as--evidenced--by--active--use--of--a

1 timber management plan; OR  
 2       (iii) "field crop production", which means ANNUAL  
 3 production by the land of 520 100 bushels of wheat or its  
 4 equivalent or to 5 tons of alfalfa or its equivalent; OR  
 5       (iv) "grazing utility", which means the land supports  
 6 to 10 animal unit months or the equivalent; OR  
 7       (v) "gross income", which means ANNUAL production from  
 8 the land of at least \$1,500x adjusted for inflation \$500; or  
 9       (vi) a crop failure due to natural causes.  
 10      (f) The department may require that proof of criteria  
 11 specified in subsection (1)(c) be filed with the department.  
 12 Such filing shall be on a form provided by the department at  
 13 no cost to the taxpayer.  
 14      (f)(1) The term "adjusted for inflation" is used in this  
 15 section as a six times a number which is determined for  
 16 each taxable year by dividing the consumer price index for  
 17 June of the taxable year by the consumer price index for  
 18 June 1982.  
 19      NEW SECTION--Section 2--Class twelve--property----  
 20 description-----taxable--percentage---(f) Class twelve  
 21 property includes all land defined as "tract" land.  
 22      (f) As used in this section "tract land" means a land  
 23 parcel greater than 1 acre but less than 20 acres that does  
 24 not meet the requirements of agricultural land in 15-7-202.  
 25 The term includes contiguous land parcels that in

1 combination are greater than 1 acre but less than 20 acres  
 2 if the parcels are in common ownership.  
 3      (f)(2) Class twelve property is taxed at 4.275% of its  
 4 market value.  
 5      Section 3--Section 15-8-111-H6Av is amended to read:  
 6      "15-8-111--Assessment-----market--value--standard--  
 7 exceptions---(f) All taxable property must be assessed at  
 8 100% of its market value except as provided in subsection  
 9 (5) of this section and in 15-7-111 through 15-7-114.  
 10      (f)(1) Market--value--is--the--value--at--which--property  
 11 would--change--hands--between--a--willing--buyer--and--a--willing  
 12 seller--neither--being--under--any--compulsion--to--buy--or--to--sell  
 13 and both having reasonable knowledge of relevant facts.  
 14      (f)(2) The market--value--of--all--motor--trucks--agricultural  
 15 tools--implements--and--machinery--and--vehicles--of--all--kinds--  
 16 including but not limited to motorcycles, aircraft, and  
 17 boats--and--all--watercraft--is--the--average--wholesale--value  
 18 shown--in--national--appraisal--guides--and--manuals--or--the--value  
 19 of--the--vehicle--before--reconditioning--and--profit--margin--The  
 20 department--of--revenue--shall--prepare--valuation--schedules  
 21 showing--the--average--wholesale--value--when--no--national  
 22 appraisal--guide--exists.  
 23      (f)(3) The department--of--revenue--or--its--agents--may--not  
 24 adopt a lower or different standard of value from market  
 25 value in making the official assessment and appraisal of the

1       value--of--property--in--subsection--{(t)fa}--of--15-6-131z and  
 2       15-6-134-through-15-6-140z--and--[section-23]--for--purposes--of  
 3       taxation--assessed--value--is--the--same--as--appraised--values  
 4       {(t)}--The--taxable--value--for--all--property--in--subsection  
 5       {t}fb--of--15-6-131--and--classes--four--through--eleven--is  
 6       the--percentage--of--market--value--established--for--each--class--of  
 7       property--in--subsection--{(t)fb}--of--15-6-131z and--15-6-134  
 8       through--15-6-141z--and--[section-23]  
 9       {(t)}--The--assessed--value--of--properties--in--subsection  
 10      {t}fb--of--15-6-131y,--15-6-132,--and--15-6-133--is--as--follows:  
 11      {(t)}--Properties--in--subsection--{(t)fb}--of--15-6-131y--under  
 12      class--one--are--assessed--at--100%--of--the--annual--net--proceeds  
 13      after--deducting--the--expenses--specified--and--allowed--by  
 14      15-23-503a  
 15      {(t)}--Properties--in--15-6-132--under--class--two--are  
 16      assessed--at--100%--of--the--annual--gross--proceeds:  
 17      {(t)}--Properties--in--15-6-133y--under--class--threey--are  
 18      assessed--at--100%--of--the--productive--capacity--of--the--lands  
 19      when--valued--for--agricultural--purposes--All--lands--that--meet  
 20      the--qualifications--of--15-7-202--are--valued--as--agricultural  
 21      lands--for--tax--purposes:  
 22      {(t)}--land--and--the--improvements--thereon--are--separately  
 23      assessed--when--any--of--the--following--conditions--occur:  
 24      {(t)}--ownership--of--the--improvements--is--different--from  
 25      ownership--of--the--lands

1       {(t)}--the--taxpayer--makes--a--written--request--or  
 2       {(t)}--the--land--is--outside--an--incorporated--city--or--town--  
 3       {(t)}--The--taxable--value--of--all--property--in--subsection  
 4       {t}fb--of--15-6-131--and--classes--two--and--three--is--the  
 5       percentage--of--assessed--value--established--in--15-6-131fb;  
 6       15-6-132y--and--15-6-133--for--each--class--of--property;"

-End-

1                   SENATE BILL NO. 361  
2                   INTRODUCED BY TURNAGE, NORMAN

3  
4     A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE CRITERIA  
5     UNDER WHICH LAND IS CLASSIFIED AS AGRICULTURAL FOR TAX  
6     PURPOSES; TO ESTABLISH A NEW CLASS OF PROPERTY--FOR--CERTAIN  
7     LAND; AMENDING SECTIONS SECTION 15-7-202 AND 15-8-122, MCA."

8  
9     BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10       Section 1. Section 15-7-202, MCA, is amended to read:  
11  
12       "15-7-202. Eligibility of land for valuation as  
13     agricultural. (1) Land which is presumed to be actively  
14     devoted to agricultural use and shall be eligible--for  
15     valuation--assessment--and-taxation-as herein-provided--each  
16     year--it-meets--any-of-the-following-qualifications:  
17  
18       (a) the area of such land is not less than 5  
19     contiguous acres when measured in accordance with provisions  
20     of 15-7-206; and it has been actively devoted to agriculture  
21     during the last growing season--and--it continues to be  
22     actively devoted to agricultural uses--which means  
23  
24       (i) it is used to produce field crops--including--but  
25     not limited to grains or feed crops, fruits, vegetables or  
     (ii) it is used for grazing or  
     (iii) it is used for growing timber, or  
     (iv) it is in a cropland retirement program or

1       (b) it produces--for sale--or--home  
2     consumption--the equivalent of 15k or more--of--the--owner's  
3     annual--gross--income--regardless--of--the--number--of--contiguous  
4     acres--in--the--ownership--or  
5       (c) it is used to raise animals in confined areas--for  
6     the--production--of--food--or--fiber--including--but--not--limited  
7     to--livestock--feedlotry--dairying--fish--hatcheries--and  
8     poultry--farms  
9  
10       (d) shall--not--be--classified--or--valued--as  
11     agricultural--if--it--is--subdivided--with--stated--restrictions  
12     prohibiting--its--use--for--agricultural--purposes  
13  
14       (e) the grazing--on--land--by--a--horse--or--other--animals  
15     kept--as--a--hobby--and--not--as--a--part--of--a--bona--fide  
16     agriculture--enterprise--shall--not--be--considered--a--bona--fide  
17     agriculture--operation--valued--as--such--unless  
18  
19       (f) covenants--applicable--to--the--land--prevent  
20     agricultural--use;  
21  
22       (g) the land is used as a commercial or industrial  
23     site;  
24  
25       (h) the land consists of one or more parcels THAT MAY  
     BE SEPARATED BY A ROAD, STREET, OR ALLEY, BUT which taken  
     together are less than 20 5 contiguous acres and the owner  
     cannot provide proof of  
     (i) "growing timber" which means productive  
     commercial use of the land as evidenced by active use of a

1 timber management plani OR

2       (iii) "field crop production", which means ANNUAL  
 3 production by the land of 520 to 520 bushels of wheat or  
 4 its equivalent or 25 to 15 tons of alfalfa or its equivalent;  
 5 OR

6       (iv) "grazing utility", which means the land supports  
 7 40 to 10 animal unit months or the equivalent; OR

8       (vi) "gross income", which means ANNUAL production from  
 9 the land of at least \$15000 adjusted for inflation \$5000  
 10 \$1,000; or

11       (vi) a crop failure due to natural causes.

12       (f) The department may require that proof of criteria  
 13 specified in subsection (1)(c) be filed with the department.  
 14 Such filing shall be on a form provided by the department at  
 15 no cost to the taxpayer.

16       (f) The term "adjusted for inflation" is used in this  
 17 section as means \$1500 times a number which is determined for  
 18 each taxable year by dividing the consumer price index for  
 19 June of the taxable year by the consumer price index for  
 20 June 1982."

21       NEW SECTION--Section 2--Class--twelve--property----  
 22 description-----taxable percentage----(f)---Class--twelve  
 23 property--includes all land defined as "tract" land--

24       (f) As used in this section "tract" land means a land  
 25 parcel greater than 1 acre but less than 20 acres that does

1       not meet the requirements of agricultural land in 15-7-202\*  
 2 The term includes contiguous land parcels that in  
 3 combination are greater than 1 acre but less than 20 acres  
 4 if the parcels are in common ownership.

5       (f) Class--twelve--property is taxed at 4 1/2% of its  
 6 market value.

7       Section 3--Section 15-8-111--MCA is amended to read  
 8 "15-8-111--Assessment-----market--value--standard-----  
 9 exceptions----(f) All taxable property must be assessed at  
 10 100% of its market value except as provided in subsection  
 11 (5) of this section and in 15-7-111 through 15-7-114\*

12       (f) Market value is the value at which property  
 13 would change hands between a willing buyer and a willing  
 14 seller, neither being under any compulsion to buy or to sell  
 15 and both having reasonable knowledge of relevant facts.

16       (f) The market value of all motor trucks, agricultural  
 17 tools, implements, and machinery and vehicles of all kinds,  
 18 including but not limited to motorcycles, aircraft, and  
 19 boats and all watercraft, is the average wholesale value  
 20 shown in national appraisal guides and manuals or the value  
 21 of the vehicle before reconditioning and profit margin. The  
 22 department of revenue shall prepare valuation schedules  
 23 showing the average wholesale value when no national  
 24 appraisal guide exists.

25       (f) The department of revenue or its agents may not

1 adopt--a--lower--or--different--standard--of--value--from--market  
 2 value--in--making--the--official--assessment--and--appraisal--of--the  
 3 value--of--property--in--subsection--(1)(a)--of--§--6--131x and  
 4 §--6--134--through--§--6--140x and--section--23v--For--purposes--of  
 5 taxation--assessed--value--is--the--same--as--appraised--value  
 6 {6}--The--taxable--value--for--all--property--in--subsection  
 7 (1)(b)--of--§--6--131 and--classes--four--through--eleven twelve is  
 8 the--percentage--of--market--value--established--for--each--class--of  
 9 property--in--subsection--(2)(a)--of--§--6--131x and--§--6--134  
 10 through--§--6--140x and--section--23v  
 11 {5}--The--assessed--value--of--properties--in--subsection  
 12 (1)(b)--of--§--6--131x--§--6--132v--and--§--6--133 is--as--follows  
 13 (a)--Properties--in--subsection--(1)(b)--of--§--6--131x under  
 14 class--one--are--assessed--at--100%--of--the--annual--net--proceeds  
 15 after--deducting--the--expenses--specified--and--allowed--by  
 16 §--23--503v  
 17 {b)--Properties--in--§--6--132--under--class--two--are  
 18 assessed--at--100%--of--the--annual--gross--proceeds  
 19 {c)--Properties--in--§--6--133v--under--class--three--are  
 20 assessed--at--100%--of--the--productive--capacity--of--the--lands  
 21 when--valued--for--agricultural--purposes--All--lands--that--meet  
 22 the--qualifications--of--§--7--202 are--valued--as--agricultural  
 23 lands--for--tax--purposes  
 24 {d)--land--and--the--improvements--thereon--are--separately  
 25 assessed--when--any--of--the--following--conditions--occur

1 tot--ownership--of--the--improvements--is--different--from  
 2 ownership--of--the--land  
 3 (b)--the--taxpayer--makes--a--written--request--or  
 4 (c)--the--land--is--outside--an--incorporated--city--or--town  
 5 (f)--the--taxable--value--of--all--property--in--subsection  
 6 (1)(b)--of--§--6--131x--and--classes--two--and--three--is--the  
 7 percentage--of--assessed--value--established--in--§--6--131f2;fb7v  
 8 §--6--132v--and--§--6--133 for--each--class--of--property"  
 -End-