

SENATE BILL NO. 33

INTRODUCED BY SEVERSON, SWITZER, HIRSCH, FARRELL, MCCALLUM,
AKLESTAD, LANE, BOYLAN, TVEIT, E. SMITH, GAGE, HAGER,
LYBECK, ANDERSON, KEATING, CONOVER, MOHAR, STIMATZ, H. HAMMOND,
KOLSTAD, GALT, NORMAN, DANIELS, SHAW, LYNCH, GOODOVER,
STEPHENS, CRIPPEN, FULLER, B. BROWN, STORY, HIMSL, THAYER,
HAFFEY, B. WILLIAMS, HALLIGAN, YELLOWTAIL, ECK, MANNING,
BENGTSON, HARDING, MAZUREK, PINSONEAULT,
VAN VALKENBURG, CHRISTIAENS

BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

IN THE SENATE

January 7, 1985	Introduced and referred to Committee on Taxation.
January 9, 1985	On motion by Chief Sponsor, Senators Hirsch, Farrell, McCallum, Aklestad, Lane, Boylan, Tveit, E. Smith, Gage, Hager, Lybeck, Anderson, Keating, Conover, Mohar, Stimatz, H. Hammond, Kolstad, Galt, Norman, Daniels, Shaw, Lynch, Goodover, Stephens, Crippen, Fuller, B. Brown, Story, Himsl, Thayer, Haffey, B. Williams, Halligan, Yellowtail, Eck, Manning, Bengtson, Harding, Mazurek, Pinsoneault, Van Valkenburg, and Christiaens added as sponsors. Fiscal Note requested.
January 14, 1985	Fiscal Note returned.
January 23, 1985	Committee recommend bill do pass as amended. Report adopted.
January 24, 1985	Bill printed and placed on members' desks.

January 25, 1985 On motion, taken from second reading and rereferred to Committee on Taxation. Motion adopted.

February 6, 1985 On motion, taken from Committee on Taxation and placed on second reading. Motion adopted.

February 8, 1985 Second reading, do pass.

February 9, 1985 Considered correctly engrossed.

February 11, 1985 Third reading, passed.
Ayes, 48; Noes, 1.

Transmitted to House.

IN THE HOUSE

February 27, 1985 Introduced and referred to Committee on Taxation.

March 30, 1985 Committee recommend bill be concurred in as amended. Report adopted.

April 1, 1985 Second reading, concurred in.

Third reading, concurred in.

Returned to Senate with amendments.

IN THE SENATE

April 1, 1985 Received from House.

April 4, 1985 On motion, passed for the day. Motion adopted.

1 SENATE BILL NO. 33
 2 INTRODUCED BY SEVERSON, SWITZER
 3 BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE
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 5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR
 6 ESTABLISHMENT OF AGRICULTURAL LAND VALUES FOR THE
 7 REVALUATION CYCLE BEGINNING JANUARY 1, 1986; AMENDING
 8 SECTION 15-7-201, MCA; AND PROVIDING A DELAYED EFFECTIVE
 9 DATE."
 10
 11 WHEREAS, House Bill 851 (Ch. 510, L. 1983) enacted by
 12 the 48th Legislature recognized the difficult economic
 13 circumstances of farmers and ranchers by placing a temporary
 14 moratorium on the effective date of any Department of
 15 Revenue rules revising agricultural land valuations; and
 16 WHEREAS, House Bill 637 (Ch. 644, L. 1983) enacted by
 17 the 48th Legislature expanded upon the intent of the
 18 Legislature regarding the valuation of agricultural land;
 19 and
 20 WHEREAS, House Joint Resolution 35 was adopted in the
 21 1983 Legislative Session, calling for a study of
 22 agricultural land taxation; and
 23 WHEREAS, the legislative interim Joint Subcommittee on
 24 Agricultural Land Taxation has studied taxes on agricultural
 25 land; and

1 WHEREAS, the Joint Subcommittee on Agricultural Land
 2 Taxation found that the productive value of agricultural
 3 lands actually decreased since the last revaluation of
 4 agricultural land; and
 5 WHEREAS, the Joint Subcommittee on Agricultural Land
 6 Taxation, with a policy of fairness and fiscal
 7 responsibility, recommended that assessed valuations
 8 currently in effect for agricultural land, except irrigated
 9 land, be continued for the revaluation cycle beginning
 10 January 1, 1986; and
 11 WHEREAS, it is the intent of the Legislature to
 12 implement the recommendation of the Joint Subcommittee on
 13 Agricultural Land Taxation.
 14 THEREFORE, it is the purpose of this bill to reflect
 15 that recommendation by amending section 15-7-201, MCA, and
 16 clarifying the legislative intent with respect to the
 17 valuation of agricultural lands.
 18
 19 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 20 Section 1. Section 15-7-201, MCA, is amended to read:
 21 "15-7-201. (Effective January 1, 1986) Legislative
 22 intent -- value of agricultural property. (1) Since the
 23 market value of many agricultural properties is based upon
 24 speculative purchases which do not reflect the productive
 25 capability of agricultural land, it is the legislative

1 intent that bona fide agricultural properties shall be
 2 classified and assessed at a value that is exclusive of
 3 values attributed to urban influences or speculative
 4 purposes.

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

8 {3} Within each class of agricultural land, such land
 9 shall be assessed at a value that is fairly based on its
 10 ability to produce; ~~taking into consideration the~~
 11 ~~classification system in existence on January 17, 1986;~~
 12 ~~provided, however, the department may consolidate tillable~~
 13 ~~irrigated land classes. With relation to irrigated land,~~
 14 ~~water costs shall be taken into consideration, except at no~~
 15 ~~time may the resulting value of irrigated land be reduced~~
 16 ~~below the value such land would have if it were not~~
 17 irrigated.

18 {4}{3} Capital costs such as improved water
 19 distribution, fertilizer, and land shaping that increase
 20 productivity shall not be used in determining assessed
 21 values.

22 (4) (a) Except as provided in subsections (4)(b) and
 23 (4)(c), the department of revenue shall continue to use the
 24 agricultural land valuation schedules in effect on January
 25 12, 1984, for the revaluation cycle beginning January 1,

1 1986.

2 (b) Irrigated land values shall be revised, taking
 3 water costs into consideration. However, at no time may the
 4 value of irrigated land be below the value such land would
 5 have if it were not irrigated.

6 (c) The provisions of subsection (4)(a) do not apply
 7 to agricultural land used for growing timber."

8 NEW SECTION. Section 2. Effective date. This act is
 9 effective January 1, 1986.

-End-

STATE OF MONTANA
FISCAL NOTE

REQUEST NO. FNN038-85

Form BD-15

In compliance with a written request received January 9, 19 85, there is hereby submitted a Fiscal Note for S.B. 33 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

An act providing for establishment of agricultural land values for the revaluation of agricultural land values for the revaluation cycle beginning January 1, 1986 and providing a delayed effective date.

ASSUMPTIONS

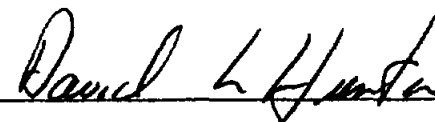
1. The Legislature intends to adjust the tax rates for property subject to reappraisal in order to maintain current taxable values.
2. The tax rate for agricultural land is not changed.

FISCAL IMPACT

The proposal will have no fiscal impact.

TECHNICAL OR MECHANICAL DEFECTS

This bill does not separate agricultural and timber lands into different classes. Failure to make this separation may result in a constitutional problem.



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: JAN 14 1985

APPROVED BY COMMITTEE
ON TAXATION

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20 the 48th Legislature recognized the difficult economic
21 circumstances of farmers and ranchers by placing a temporary
22 moratorium on the effective date of any Department of
23 Revenue rules revising agricultural land valuations; and

24 WHEREAS, House Bill 637 (Ch. 644, L. 1983) enacted by
25 the 48th Legislature expanded upon the intent of the

1 Legislature regarding the valuation of agricultural land;
2 and

3 WHEREAS, House Joint Resolution 35 was adopted in the
4 1983 Legislative Session, calling for a study of
5 agricultural land taxation; and

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7 Agricultural Land Taxation has studied taxes on agricultural
8 land; and

9 WHEREAS, the Joint Subcommittee on Agricultural Land
10 Taxation found that the productive value of agricultural
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12 agricultural land; and

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15 responsibility, recommended that assessed valuations
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17 land, be continued for the revaluation cycle beginning
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20 implement the recommendation of the Joint Subcommittee on
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7 speculative purchases which do not reflect the productive
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9 intent that bona fide agricultural properties shall be
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14 its use, which classifications shall include but not be
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16 ~~{3}--Within EXCEPT AS PROVIDED IN SUBSECTIONS (3) AND~~
17 ~~(4), WITHIN each class of agricultural land, such land shall~~
18 ~~be assessed at a value that is fairly based on its ability~~
19 ~~to produce, taking into consideration the classification~~
20 ~~system in existence on January 1, 1986, provided, however,~~
21 ~~the department may consolidate tillable irrigated land~~
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6 ~~(4)(c), the department of revenue shall continue to use the~~
7 ~~agricultural land valuation schedules in effect on January~~
8 ~~12, 1984, for the revaluation cycle beginning January 1,~~
9 ~~1986.~~

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13 ~~the value such land would have if it were not irrigated.~~

14 ~~(c) The provisions of subsection (4)(a) do not apply~~
15 ~~to agricultural land used for growing timber. THE PROVISIONS~~
16 ~~OF SUBSECTION (4){A} DO APPLY TO AGRICULTURAL LAND USED FOR~~
17 ~~GROWING CHRISTMAS TREES FOR COMMERCIAL PURPOSES."~~

18 NEW SECTION. Section 2. Effective date. This act is
19 effective January 1, 1986.

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1 Legislature regarding the valuation of agricultural land;
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3 WHEREAS, House Joint Resolution 35 was adopted in the
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2 ~~distribution, fertilizer, and land shaping that increase~~
3 ~~productivity shall not be used in determining assessed~~
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17 ~~GROWING CHRISTMAS TREES FOR COMMERCIAL PURPOSES."~~

18 ~~NEW SECTION. Section 2. Effective date. This act is~~
19 ~~effective January 1, 1986.~~

-End-

HOUSE

STANDING COMMITTEE REPORT

Page 1 of 3

March 29, 1985

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration SENATE Bill No. 33

third reading copy (blue color)

AN ACT PROVIDING FOR ESTABLISHMENT OF AGRICULTURAL LAND VALUES FOR THE REVALUATION CYCLE BEGINNING JANUARY 1, 1986;

Respectfully report as follows: That SENATE Bill No. 33

be amended as follows:

- 1. Title, line 14. Following: "LAND" Insert: "AND TIMBERLAND"
2. Title, line 16. Following: "MCA;" Insert: "REPEALING SECTIONS 42.20.113 THROUGH 42.20.116 OF THE ADMINISTRATIVE RULES OF MONTANA; REQUIRING THE ADOPTION OF NEW RULES"
3. Title, line 16. Following: "PROVIDING" Strike: "A DELAYED" Insert: "AN IMMEDIATE"

99-RS-5

(continued)

Chairman

Page 2 of 3. SB 33

March 29, 1985

- 4. Title, line 17. Following: "DATE" Insert: "AND AN APPLICABILITY DATE"
5. Page 4, lines 5 and 6. Following: "(4)" on line 5 for the first time Strike: "(a) Except as provided in subsections (4)(b) and (4)(c)," Insert: "For the revaluation beginning January 1, 1986,"
6. Page 4, line 6. Following: "shall" Insert: "; (a)"
7. Page 4, lines 8 and 9. Following: "1984," on line 8 Strike: "for the revaluation cycle beginning January 1, 1986." (b) Irrigated" on line 10. Insert: "except that irrigated"
8. Page 4, line 11. Following: line 10 Strike: "TAKE" Insert: "be revised, taking"
9. Page 4. Strike: lines 14 through 17 in their entirety Following: line 17 Insert: "(b) for the appraisal of timberlands, adopt new rules which must contain the same provisions as were contained in sections 42.20.111, 42.20.112, and 42.20.121 through 42.20.132, ARM, as those sections read on May 12, 1983.
NEW SECTION. Section 2. Repealer. Rules 42.20.113 through 42.20.116, Administrative Rules of Montana, are repealed." Renumber: subsequent section

(continued)

Chairman

March 29, 1985

10. Page 4, line 18.
Following: "date"
Insert: "-- applicability date"

11. Page 4, line 19.
Following: "effective"
Insert: "on passage and approval and applies to taxable
years beginning on or after"

AND AS AMENDED
BE CONCURRED IN

Gerry Devlin
GERY DEVLIN, Chairman.

MC
5-3/80

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 21 WHEREAS, House Bill 851 (Ch. 510, L. 1983) enacted by
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20 be assessed at a value that is fairly based on its ability
21 to produce, taking into consideration the classification
22 system in existence on January 1, 1986; provided, however,
23 the department may consolidate tillable irrigated land
24 classes. With relation to irrigated land, water costs shall
25 be taken into consideration, except at no time may the

1 ~~resulting value of irrigated land be reduced below the value~~
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4 distribution, fertilizer, and land shaping that increase
5 productivity shall not be used in determining assessed
6 values.

7 ~~(4) (a) Except as provided in subsections (4)(b) and~~
8 ~~(4)(c);~~ FOR THE REVALUATION BEGINNING JANUARY 1, 1986, the
9 department of revenue shall:

10 (A) continue to use the agricultural land valuation
11 schedules in effect on January 12, 1984, for the revaluation
12 cycle beginning January 1, 1986;

13 ~~(b) irrigated~~ EXCEPT THAT IRRIGATED land values shall
14 be revised, taking TAKE BE REVISED, TAKING NONCAPITAL water
15 DISTRIBUTION costs into consideration. However, at no time
16 may the value of irrigated land be below the value such land
17 would have if it were not irrigated.

18 ~~(c) The provisions of subsection (4)(a) do not apply~~
19 ~~to agricultural land used for growing timber; THE PROVISIONS~~
20 ~~OF SUBSECTION (4)(A) DO APPLY TO AGRICULTURAL LAND USED FOR~~
21 ~~GROWING CHRISTMAS TREES FOR COMMERCIAL PURPOSES;~~

22 (B) FOR THE APPRAISAL OF TIMBERLANDS, ADOPT NEW RULES
23 WHICH MUST CONTAIN THE SAME PROVISIONS AS WERE CONTAINED IN
24 SECTIONS 42.20.111, 42.20.112, AND 42.20.121 THROUGH
25 42.20.132, ARM, AS THOSE SECTIONS READ ON MAY 12, 1983."

1 NEW SECTION. SECTION 2. REPEALER. RULES 42.20.113
2 THROUGH 42.20.116, ADMINISTRATIVE RULES OF MONTANA, ARE
3 REPEALED.
4 NEW SECTION. Section 3. Effective date --
5 APPLICABILITY DATE. This act is effective ON PASSAGE AND
6 APPROVAL AND APPLIES TO TAXABLE YEARS BEGINNING ON OR AFTER
7 January 1, 1986.

-End-

APR 20, 1985

(b) B shall be rounded downward to the nearest 0.0001%.
(6) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a valuation has been made as provided in 15-7-111."

Section 3. Section 15-6-101, MCA, is amended to read:

"15-6-101. Property subject to taxation -- classification. (1) All property in this state is subject to taxation, except as provided otherwise.

(2) For the purpose of taxation, the taxable property in the state shall be classified in accordance with ~~15-6-131 through 15-6-141~~ this part."

Section 4. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Land which is actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year 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:

(i) it is used to produce field crops including but not limited to grains, feed crops, fruits, vegetables; or
(ii) it is used for grazing; or

~~it is used for growing timber; or~~

~~it is in a cropland retirement program; or~~

(b) it agriculturally produces for sale or home consumption the equivalent of 15% or more of the owners' annual gross income regardless of the number of contiguous acres in the ownership; or

(c) it is used to raise animals in confined areas for the production of food or fiber, including but not limited to livestock, feedlots, dairies, fish hatcheries, and poultry farms.

(2) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

(3) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation.

(4) For the purposes of this part, growing timber is not an agricultural use."

(CONTINUED)

Chairman.

APR 20, 85

Section 5. Section 15-7-307, MCA, is amended to read:

"15-7-307. Certificate -- exceptions. The certificate imposed by this part shall not apply to:

(1) an instrument recorded prior to July 1, 1975;
(2) the sale of agricultural land when the land is used for agricultural purposes;

~~(3) the sale of timberland when the land is used for producing timber;~~

~~(4) (4)~~ the United States of America, this state, or any instrumentality, agency, or subdivision thereof;

~~(5) (5)~~ an instrument which (without added consideration) confirms, corrects, modifies, or supplements a previously recorded instrument;

~~(6) (6)~~ a transfer pursuant to court decree;

~~(7) (7)~~ a transfer pursuant to mergers, consolidations, or reorganizations of corporations, partnerships, or other business entities;

~~(8) (8)~~ a transfer by a subsidiary corporation to its parent corporation without actual consideration or in sole consideration of the cancellation or surrender of subsidiary stock;

~~(9) (9)~~ a transfer of decedents' estates;

~~(10) (10)~~ a transfer of a gift;

~~(11) (11)~~ a transfer between husband and wife or parent and child with only nominal actual consideration therefor;

~~(12) (12)~~ an instrument the effect of which is to transfer the property to the same party or parties;

~~(13) (13)~~ a sale for delinquent taxes or assessments, sheriff sale, bankruptcy action, or mortgage foreclosure;

~~(14) (14)~~ a transfer made in contemplation of death."

Section 6. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

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

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

(CONTINUED)

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(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140. For purposes of taxation, assessed value is the same as appraised value.

(4) The taxable value for all property in classes four through eleven is the percentage of market value established for each class of property in 15-6-134 through 15-6-141.

(5) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

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

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

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

(d) Properties in [section 2], under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

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

- (a) ownership of the improvements is different from ownership of the land;
- (b) the taxpayer makes a written request; or
- (c) the land is outside an incorporated city or town.

(7) The taxable value of all property in 15-6-131 and classes two, and three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, and 15-6-133, and [section 2] for each class of property."

NEW SECTION. Section 7. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 8. Codification instruction. Section 2 is intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15 apply to section 2.

(CONTINUED)

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NEW SECTION. Section 9. Coordination instruction. In the event that House Bill No.240, including those sections separating agricultural land and timberland, or any other similar bill passes which separates agricultural land and timberland into separate classes, the provisions of this act as they apply to timberland shall be void. In the event that Senate Bill No.431 passes, the definition of timberland in section 2 must be consistent with the definition embodied in Senate Bill No.431."

Renumber: subsequent sections

9. Page 5, lines 1 through 3.
Strike: section 2 in its entirety

10. Page 5, line 5.
Strike: "APPLICABILITY"
Insert: "termination"

11. Page 5, lines 5 and 6.
Following: "effective" on line 5
Strike: remainder of line 5 through line 6

12. Page 5, line 7.
Following: "1986,"
Insert: "and, except for section 3, terminates January 1, 1991"

13. ATTACH THE FOLLOWING STATEMENT OF INTENT:

STATEMENT OF INTENT

"It is the intent of the legislature that the department of revenue use the administrative rules for timberland currently in place on the effective date of this act.

Furthermore, it is the intent of the legislature that the changes embodied in Senate Bill No.33 would ensure that the taxable value of timber, as a class, will not increase in 1986 as a result of being placed in a separate class and having the tax rate calculated as described in Senate Bill No.33.

Finally, it is the intent of the legislature that the department of revenue may not subsequently change the valuation method for timber until 1991 or the completion of the next reappraisal cycle as required by 15-7-111, MCA."


(CONTINUED)

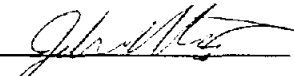
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And that this Conference Committee report be adopted.

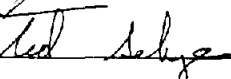
FOR THE SENATE

FOR THE HOUSE

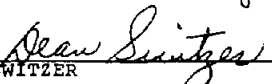

HALLIGAN, CHM


HARP

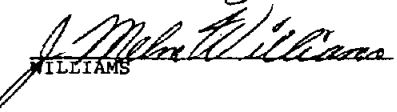

TOWE


SCHYE


McCALLUM


SWITZER

ADOPT REJECT


WILLIAMS

FCCSB33

(Statement of Intent Included)

388

1 STATEMENT OF INTENT

2 SENATE BILL 33

3

4 It is the intent of the legislature that the department
5 of revenue use the administrative rules for timberland
6 currently in place on the effective date of this act.

7 Furthermore, it is the intent of the legislature that
8 the changes embodied in Senate Bill No. 33 would ensure that
9 the taxable value of timber, as a class, will not increase
10 in 1986 as a result of being placed in a separate class and
11 having the tax rate calculated as described in Senate Bill
12 No. 33.

13 Finally, it is the intent of the legislature that the
14 department of revenue may not subsequently change the
15 valuation method for timber until 1991 or the completion of
16 the next reappraisal cycle as required by 15-7-111.

REFERENCE BILL: Includes Free
Conference Committee Report
Dated 4-20-85

SB 33



1 SENATE BILL NO. 33
 2 INTRODUCED BY SEVERSON, SWITZER, HIRSCH, FARRELL,
 3 MCCALLUM, AKLESTAD, LANE, BOYLAN, TVEIT, E. SMITH,
 4 GAGE, HAGER, LYBECK, ANDERSON, KEATING, CONOVER,
 5 MOHAR, STIMATZ, H. HAMMOND, KOLSTAD, GALT, NORMAN,
 6 DANIELS, SHAW, LYNCH, GOODOVER, STEPHENS, CRIPPEN,
 7 FULLER, B. BROWN, STORY, HIMSL, THAYER, HAFPEY,
 8 B. WILLIAMS, HALLIGAN, YELLOWTAIL, ECK, MANNING,
 9 BENGTSON, HARDING, MAZUREK, PINSONEAULT,
 10 VAN VALKENBURG, CHRISTIAENS
 11 BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE
 12
 13 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR
 14 ESTABLISHMENT OF AGRICULTURAL LAND AND TIMBERLAND VALUES FOR
 15 THE REVALUATION CYCLE BEGINNING JANUARY 1, 1986; CREATING
 16 CLASS THIRTEEN PROPERTY FOR TIMBERLANDS; REMOVING
 17 TIMBERLANDS FROM CLASS THREE PROPERTY; CONTINUING THE
 18 EXEMPTION FROM THE PROVISIONS OF THE REALTY TRANSFER ACT FOR
 19 TIMBERLANDS; AMENDING SECTION SECTIONS 15-6-101, 15-7-201,
 20 15-7-202, 15-7-307, AND 15-8-111, MCA; REPEALING SECTIONS
 21 42-20-113 THROUGH 42-20-116 OF THE ADMINISTRATIVE RULES OF
 22 MONTANA; --REQUIRING THE ADOPTION OF NEW RULES; AND PROVIDING
 23 A DELAYED AN IMMEDIATE A DELAYED EFFECTIVE DATE AND AN
 24 APPLICABILITY A TERMINATION DATE."
 25

1 WHEREAS, House Bill 851 (Ch. 510, L. 1983) enacted by
 2 the 48th Legislature recognized the difficult economic
 3 circumstances of farmers and ranchers by placing a temporary
 4 moratorium on the effective date of any Department of
 5 Revenue rules revising agricultural land valuations; and
 6 WHEREAS, House Bill 637 (Ch. 644, L. 1983) enacted by
 7 the 48th Legislature expanded upon the intent of the
 8 Legislature regarding the valuation of agricultural land;
 9 and
 10 WHEREAS, House Joint Resolution 35 was adopted in the
 11 1983 Legislative Session, calling for a study of
 12 agricultural land taxation; and
 13 WHEREAS, the legislative interim Joint Subcommittee on
 14 Agricultural Land Taxation has studied taxes on agricultural
 15 land; and
 16 WHEREAS, the Joint Subcommittee on Agricultural Land
 17 Taxation found that the productive value of agricultural
 18 lands actually decreased since the last revaluation of
 19 agricultural land; and
 20 WHEREAS, the Joint Subcommittee on Agricultural Land
 21 Taxation, with a policy of fairness and fiscal
 22 responsibility, recommended that assessed valuations
 23 currently in effect for agricultural land, except irrigated
 24 land, be continued for the revaluation cycle beginning
 25 January 1, 1986; and

1 WHEREAS, it is the intent of the Legislature to
2 implement the recommendation of the Joint Subcommittee on
3 Agricultural Land Taxation.

4 THEREFORE, it is the purpose of this bill to reflect
5 that recommendation by amending section 15-7-201, MCA, and
6 clarifying the legislative intent with respect to the
7 valuation of agricultural lands.

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

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

11 "15-7-201. (Effective January 1, 1986) Legislative
12 intent -- value of agricultural property. (1) Since the
13 market value of many agricultural properties is based upon
14 speculative purchases which do not reflect the productive
15 capability of agricultural land, it is the legislative
16 intent that bona fide agricultural properties shall be
17 classified and assessed at a value that is exclusive of
18 values attributed to urban influences or speculative
19 purposes.

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

23 ~~(3)--Within~~ EXCEPT AS PROVIDED IN SUBSECTIONS (3) AND
24 (4), WITHIN each class of agricultural land, such land shall
25 be assessed at a value that is fairly based on its ability

1 to produce, ~~taking into consideration the classification~~
2 ~~system in existence on January 1, 1986, provided, however,~~
3 ~~the department may consolidate tillable irrigated land~~
4 ~~classes. With relation to irrigated land, water costs shall~~
5 ~~be taken into consideration, except at no time may the~~
6 ~~resulting value of irrigated land be reduced below the value~~
7 ~~such land would have if it were not irrigated.~~

8 ~~(4)(3)~~ Capital costs such as improved water
9 distribution, fertilizer, and land shaping that increase
10 productivity shall not be used in determining assessed
11 values.

12 ~~(4) (a) Except as provided in subsections (4)(b) and~~
13 ~~(4)(c), FOR THE REVALUATION BEGINNING JANUARY 1, 1986, the~~
14 ~~department of revenue shall:~~

15 ~~(A) continue to use the agricultural land valuation~~
16 ~~schedules in effect on January 12, 1984, for the revaluation~~
17 ~~cycle beginning January 1, 1986.~~

18 ~~(b) Irrigated EXCEPT THAT IRRIGATED land values shall~~
19 ~~be revised, taking TAKE BE REVISED, TAKING NONCAPITAL water~~
20 ~~DISTRIBUTION costs into consideration. However, at no time~~
21 ~~may the value of irrigated land be below the value such land~~
22 ~~would have if it were not irrigated.~~

23 ~~(c) The provisions of subsection (4)(a) do not apply~~
24 ~~to agricultural land used for growing timber. THE PROVISIONS~~
25 ~~OF SUBSECTION (4)(A) DO APPLY TO AGRICULTURAL LAND USED FOR~~

GROWING CHRISTMAS TREES FOR COMMERCIAL PURPOSES:

(B) -- FOR -- THE APPRAISAL OF TIMBERLANDS, ADOPT NEW RULES WHICH MUST CONTAIN THE SAME PROVISIONS AS WERE CONTAINED IN SECTIONS 42-20-111, 42-20-112, AND 42-20-121 THROUGH 42-20-132, ARM, AS THOSE SECTIONS READ ON MAY 12, 1983.

NEW SECTION. SECTION 2. CLASS THIRTEEN PROPERTY -- DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS THIRTEEN PROPERTY INCLUDES ALL TIMBERLAND.

(2) TIMBERLAND IS CONTIGUOUS LAND EXCEEDING 15 ACRES IN ONE OWNERSHIP THAT IS CAPABLE OF PRODUCING TIMBER THAT CAN BE HARVESTED IN COMMERCIAL QUANTITY.

(3) CLASS THIRTEEN PROPERTY IS TAXED AT THE PERCENTAGE RATE "P" OF THE COMBINED APPRAISED VALUE OF THE STANDING TIMBER AND GRAZING PRODUCTIVITY OF THE PROPERTY.

(4) FOR TAXABLE YEARS BEGINNING JANUARY 1, 1986, AND THEREAFTER, THE TAXABLE PERCENTAGE RATE "P" APPLICABLE TO CLASS THIRTEEN PROPERTY IS $30\%/B$, WHERE B IS THE CERTIFIED STATEWIDE PERCENTAGE INCREASE TO BE DETERMINED BY THE DEPARTMENT OF REVENUE AS PROVIDED IN SUBSECTION (5). THE TAXABLE PERCENTAGE RATE "P" SHALL BE ROUNDED DOWNWARD TO THE NEAREST 0.01% AND SHALL BE CALCULATED BY THE DEPARTMENT BEFORE JULY 1, 1986.

(5) (A) PRIOR TO JULY 1, 1986, THE DEPARTMENT SHALL DETERMINE THE CERTIFIED STATEWIDE PERCENTAGE INCREASE FOR CLASS THIRTEEN PROPERTY USING THE FORMULA $B = X/Y$, WHERE:

(I) X IS THE APPRAISED VALUE, AS OF JANUARY 1, 1986, OF ALL PROPERTY IN THE STATE, EXCLUDING USE CHANGES OCCURRING DURING THE PRECEDING YEAR, CLASSIFIED UNDER CLASS THIRTEEN AS CLASS THIRTEEN IS DESCRIBED IN THIS SECTION; AND

(II) Y IS THE APPRAISED VALUE, AS OF JANUARY 1, 1985, OF ALL PROPERTY IN THE STATE THAT, AS OF JANUARY 1, 1986, WOULD BE CLASSIFIED UNDER CLASS THIRTEEN AS CLASS THIRTEEN IS DESCRIBED IN THIS SECTION.

(B) B SHALL BE ROUNDED DOWNWARD TO THE NEAREST 0.0001%.

(6) AFTER JULY 1, 1986, NO ADJUSTMENT MAY BE MADE BY THE DEPARTMENT TO THE TAXABLE PERCENTAGE RATE "P" UNTIL A VALUATION HAS BEEN MADE AS PROVIDED IN 15-7-111.

SECTION 3. SECTION 15-6-101, MCA, IS AMENDED TO READ:

"15-6-101. Property subject to taxation -- classification. (1) All property in this state is subject to taxation, except as provided otherwise.

(2) For the purpose of taxation, the taxable property in the state shall be classified in accordance with 15-6-131 through 15-6-141 this part."

SECTION 4. SECTION 15-7-202, MCA, IS AMENDED TO READ:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Land which is actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year it

1 meets any of the following qualifications:

2 (a) the area of such land is not less than 5
3 contiguous acres when measured in accordance with provisions
4 of 15-7-206, and it has been actively devoted to agriculture
5 during the last growing season, and it continues to be
6 actively devoted to agricultural use, which means:

7 (i) it is used to produce field crops including but
8 not limited to grains, feed crops, fruits, vegetables; or

9 (ii) it is used for grazing; or

10 ~~(iii) it is used for growing timber; or~~

11 ~~(iv)~~(iii) it is in a cropland retirement program; or

12 (b) it agriculturally produces for sale or home
13 consumption the equivalent of 15% or more of the owners'
14 annual gross income regardless of the number of contiguous
15 acres in the ownership; or

16 (c) it is used to raise animals in confined areas for
17 the production of food or fiber, including but not limited
18 to livestock, feedlots, dairies, fish hatcheries, and
19 poultry farms.

20 (2) Land shall not be classified or valued as
21 agricultural if it is subdivided with stated restrictions
22 prohibiting its use for agricultural purposes.

23 (3) The grazing on land by a horse or other animals
24 kept as a hobby and not as a part of a bona fide
25 agricultural enterprise shall not be considered a bona fide

1 agricultural operation.

2 (4) For the purposes of this part, growing timber is
3 not an agricultural use."

4 SECTION 5. SECTION 15-7-307, MCA, IS AMENDED TO READ:

5 "15-7-307. Certificate -- exceptions. The certificate
6 imposed by this part shall not apply to:

7 (1) an instrument recorded prior to July 1, 1975;

8 (2) the sale of agricultural land when the land is
9 used for agricultural purposes;

10 (3) the sale of timberland when the land is used for
11 producing timber;

12 ~~(4)~~(4) the United States of America, this state, or
13 any instrumentality, agency, or subdivision thereof;

14 ~~(5)~~(5) an instrument which (without added
15 consideration) confirms, corrects, modifies, or supplements
16 a previously recorded instrument;

17 ~~(6)~~(6) a transfer pursuant to court decree;

18 ~~(7)~~(7) a transfer pursuant to mergers, consolidations,
19 or reorganizations of corporations, partnerships, or other
20 business entities;

21 ~~(8)~~(8) a transfer by a subsidiary corporation to its
22 parent corporation without actual consideration or in sole
23 consideration of the cancellation or surrender of subsidiary
24 stock;

25 ~~(9)~~(9) a transfer of decedents' estates;

1 ~~(9)~~(10) a transfer of a gift;

2 ~~(10)~~(11) a transfer between husband and wife or parent

3 and child with only nominal actual consideration therefor;

4 ~~(11)~~(12) an instrument the effect of which is to

5 transfer the property to the same party or parties;

6 ~~(12)~~(13) a sale for delinquent taxes or assessments,

7 sheriff sale, bankruptcy action, or mortgage foreclosure;

8 ~~(13)~~(14) a transfer made in contemplation of death."

9 SECTION 6. SECTION 15-8-111, MCA, IS AMENDED TO READ:

10 "15-8-111. Assessment -- market value standard --

11 exceptions. (1) All taxable property must be assessed at

12 100% of its market value except as provided in subsection

13 (5) of this section and in 15-7-111 through 15-7-114.

14 (2) (a) Market value is the value at which property

15 would change hands between a willing buyer and a willing

16 seller, neither being under any compulsion to buy or to sell

17 and both having reasonable knowledge of relevant facts.

18 (b) The market value of all motor trucks; agricultural

19 tools, implements, and machinery; and vehicles of all kinds,

20 including but not limited to motorcycles, aircraft, and

21 boats and all watercraft, is the average wholesale value

22 shown in national appraisal guides and manuals or the value

23 of the vehicle before reconditioning and profit margin. The

24 department of revenue shall prepare valuation schedules

25 showing the average wholesale value when no national

1 appraisal guide exists.

2 (3) The department of revenue or its agents may not

3 adopt a lower or different standard of value from market

4 value in making the official assessment and appraisal of the

5 value of property in 15-6-134 through 15-6-140. For

6 purposes of taxation, assessed value is the same as

7 appraised value.

8 (4) The taxable value for all property in classes four

9 through eleven is the percentage of market value established

10 for each class of property in 15-6-134 through 15-6-141.

11 (5) The assessed value of properties in 15-6-131

12 through 15-6-133 is as follows:

13 (a) Properties in 15-6-131, under class one, are

14 assessed at 100% of the annual net proceeds after deducting

15 the expenses specified and allowed by 15-23-503.

16 (b) Properties in 15-6-132 under class two are

17 assessed at 100% of the annual gross proceeds.

18 (c) Properties in 15-6-133, under class three, are

19 assessed at 100% of the productive capacity of the lands

20 when valued for agricultural purposes. All lands that meet

21 the qualifications of 15-7-202 are valued as agricultural

22 lands for tax purposes.

23 (d) Properties in [section 2], under class thirteen,

24 are assessed at 100% of the combined appraised value of the

25 standing timber and grazing productivity of the land when

1 valued as timberland.
 2 (6) Land and the improvements thereon are separately
 3 assessed when any of the following conditions occur:
 4 (a) ownership of the improvements is different from
 5 ownership of the land;
 6 (b) the taxpayer makes a written request; or
 7 (c) the land is outside an incorporated city or town.
 8 (7) The taxable value of all property in 15-6-131 and
 9 classes two, and three, and thirteen is the percentage of
 10 assessed value established in 15-6-131(2), 15-6-132, and
 11 15-6-133, and [section 2] for each class of property."

12 NEW SECTION. SECTION 7. EXTENSION OF AUTHORITY. ANY
 13 EXISTING AUTHORITY OF THE DEPARTMENT OF REVENUE TO MAKE
 14 RULES ON THE SUBJECT OF THE PROVISIONS OF THIS ACT IS
 15 EXTENDED TO THE PROVISIONS OF THIS ACT.

16 NEW SECTION. SECTION 8. CODIFICATION INSTRUCTION.
 17 SECTION 2 IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF
 18 TITLE 15, CHAPTER 6, PART 1, AND THE PROVISIONS OF TITLE 15
 19 APPLY TO SECTION 2.

20 NEW SECTION. SECTION 9. COORDINATION INSTRUCTION. IN
 21 THE EVENT THAT HOUSE BILL NO. 240, INCLUDING THOSE SECTIONS
 22 SEPARATING AGRICULTURAL LAND AND TIMBERLAND, OR ANY OTHER
 23 SIMILAR BILL PASSES WHICH SEPARATES AGRICULTURAL LAND AND
 24 TIMBERLAND INTO SEPARATE CLASSES, THE PROVISIONS OF THIS ACT
 25 AS THEY APPLY TO TIMBERLAND SHALL BE VOID. IN THE EVENT THAT

1 SENATE BILL NO. 431 PASSES, THE DEFINITION OF TIMBERLAND IN
 2 SECTION 2 MUST BE CONSISTENT WITH THE DEFINITION EMBODIED IN
 3 SENATE BILL NO. 431.

4 ~~NEW SECTION. SECTION 2. REPEALER. RULES 42.20.113~~
 5 ~~THROUGH 42.20.116, ADMINISTRATIVE RULES OF MONTANA, ARE~~
 6 ~~REPEALED.~~

7 NEW SECTION. Section 10. Effective date --
 8 APPLICABILITY TERMINATION DATE. This act is effective ON
 9 PASSAGE--AND-APPROVAL-AND-APPLIES-TO-TAXABLE-YEARS-BEGINNING
 10 ON-OR-APTER January 1, 1986, AND, EXCEPT FOR SECTION 3,
 11 TERMINATES JANUARY 1, 1991.

-End-