

SENATE BILL NO. 431

INTRODUCED BY ECK, SEVERSON, HAGER,
LYBECK, HIRSCH, MAZUREK, TOWE

BY REQUEST OF THE SENATE TAXATION COMMITTEE

IN THE SENATE

February 18, 1985	Introduced and referred to Committee on Taxation.
February 19, 1985	Fiscal Note requested.
February 22, 1985	Fiscal Note returned.
March 18, 1985	Committee recommend bill do pass as amended. Report adopted. Statement of Intent attached.
March 19, 1985	Bill printed and placed on members' desks.
March 20, 1985	Second reading, do pass as amended. On motion, rules suspended. Bill placed on calendar for third reading this day. Third reading, passed. Ayes, 38; Noes, 11. Transmitted to House.

IN THE HOUSE

March 22, 1985	Introduced and referred to Committee on Taxation.
March 30, 1985	Committee recommend bill be concurrent 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 8, 1985

Second reading, amendments not
concurred in. Ayes, 39;
Noes, 2.

April 16, 1985

On motion, Conference
Committee requested and
appointed.

April 22, 1985

Conference Committee
dissolved.

On motion, Free Conference
Committee requested and
appointed.

April 25, 1985

Free Conference Committee
reported.

Second reading, Free
Conference Committee report
adopted.

Third reading, Free Conference
Committee report adopted.

Free Conference Committee
report adopted by House.

Sent to enrolling.

Reported correctly enrolled.

Senate BILL NO. *431*

INTRODUCED BY *Eck Severson Mayor Lybeck Hirsch*
BY REQUEST OF THE SENATE TAXATION COMMITTEE *McQuinn*

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE GREENBELT APPRAISAL DEFINITION OF AGRICULTURAL LAND FOR REAL PROPERTY TAXATION PURPOSES; CLASSIFYING SEPARATELY RESIDENCES SITUATED ON AGRICULTURAL LAND AND TAXING THEM AT 80 PERCENT OF THE TAXABLE PERCENTAGE APPLICABLE TO CLASS FOUR PROPERTY; AMENDING SECTION 15-7-202, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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 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 15-7-2067 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~~
~~(iii) it is used for growing timber, or~~
~~(iv) it is in a cropland retirement program, or~~
~~(a) it produces not less than \$1,500 in annual gross income in 1984 dollars, adjusted annually for inflation, from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber;~~
~~(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;~~
~~(c) it produces not less than 300 bushels of grain, 15 tons of hay, or an equivalent measure or weight of any other field crop by comparison in the market for the year;~~
~~(d) it serves as grazing land supporting 24 or more animal unit months;~~
~~(e) it is leased or owned by a person who uses the land in conjunction with other land in meeting one of the qualifications set out in subsections (1)(a) through (1)(d);~~
~~or~~

INTRODUCED BILL
SB 431



1 (f) it would have met the qualifications set out in
 2 subsections (1)(a) through (1)(e) were it not for
 3 independent intervening causes of production failure beyond
 4 the control of the producer, in which case proof of
 5 qualification in a prior year will suffice.

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

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

13 NEW SECTION. Section 2. Class thirteen property --
 14 description -- taxable percentage. (1) Class thirteen
 15 property includes a building, housetrailer, or mobile home
 16 situated as a permanent improvement or a leasehold
 17 improvement on agricultural land, as defined in 15-7-202,
 18 and used as a residence by a person whose agricultural
 19 endeavors on such land as owner or lessee, or as an employee
 20 of the owner or lessee, qualify it as agricultural. Class
 21 thirteen property includes 1 acre of real property upon
 22 which the residence is situated.

23 (2) Class thirteen property is taxed at 80% of the
 24 taxable percentage applicable to class four property.

25 NEW SECTION. Section 3. Extension of authority. Any

1 existing authority of the department of revenue to make
 2 rules on the subject of the provisions of this act is
 3 extended to the provisions of this act.

4 NEW SECTION. Section 4. Codification instruction.
 5 Section 2 is intended to be codified as an integral part of
 6 Title 15, chapter 6, part 1, and the provisions of Title 15
 7 apply to section 2.

8 NEW SECTION. Section 5. Effective date --
 9 applicability. This act is effective on passage and approval
 10 and is applicable to taxable years beginning after December
 11 31, 1985.

-End-

FISCAL NOTE

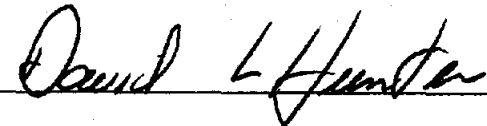
In compliance with a written request received February 19, 19 85, there is hereby submitted a Fiscal Note for S.B. 431 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the greenbelt appraisal definition of agricultural land for real property taxation purposes; classifying separately residences situated on agricultural land and taxing them at 80 percent of the taxable percentage applicable to class four property.

ASSUMPTIONS:

1. Total state taxable value is \$2,444,893,000 in FY 1987 (OBPP).
2. Under current law taxable value of agricultural lands is \$147,314,267, taxable value of agricultural improvements is \$67,151,146.
3. The University mill levy is 6 mills; the School Foundation Program mill levy is 45 mills; the weighted average effective mill levies for agricultural lands and agricultural improvements are 207.426 mills and 210.263 mills, respectively.
4. The proportion of total property tax required for all school funding is 60 percent.
5. The impact of assessing 1 acre of agricultural land at market value assumes there are 49,349 farmsteads and the value of land is \$287 per acre. The assumptions suggest an increase in assessed values of \$14,162,876 or a taxable value of \$969,740 (8.55%(14,162,876)). The taxable value of the land when assessed at agricultural land values would be \$129,539. The effect on taxable values therefore would be a net increase on taxable value of \$839,202 (969,740 - 129,539).
6. The impact of the farm-home discount assumes 9,300 of the 49,349 farmsteads are currently receiving the discount (40,049 farmsteads impacted). An average appraised value of \$15,000 per farmstead is assumed for a total appraised value of approximately \$600,735,000. The loss in taxable value is \$10,272,569 ((1-.8)(8.55(40,049X15,000))).
7. The proposed legislation is effective for taxable years after December 31, 1985. There will be no impact in FY 1986.



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 22, 1985

FISCAL IMPACT:

	<u>Current Law</u>	<u>FY 1987 Under Proposed Law</u>	<u>Difference</u>
University Mill Levy	\$ 14,669,358	\$ 14,370,491	\$ (298,867)
School Foundation Program Levy	<u>110,020,185</u>	<u>107,778,687</u>	<u>(2,241,498)</u>
TOTAL REVENUE	\$124,689,543	122,149,178	(2,540,365)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The total change in property tax stemming from the proposed legislation is an annual reduction of \$10,374,544. When the impacts to Universities and the School Foundation Program are removed the impact to local governments is \$7,834,179. The impact to all school funding is an annual reduction of \$6,224,726.

TECHNICAL NOTE:

There are three components to the fiscal impact of SB 431:

- 1) taxing agricultural improvements at 80% of the Class 4 property rate,
- 2) converting one acre of farm homestead to market value appraisal, and
- 3) redefining the definition of green belt, or agricultural, land. As the bill stands, the largest impact results from redefining agricultural land.

The following table shows the fiscal impacts that arise under various versions of green belt definition. Those versions are presented to afford the legislature the opportunity to gauge the fiscal impact of implementing whichever version it determines appropriate.

<u>VERSION 1</u>	<u>FY 87</u>
Assumptions:	(\$36,661,430)
- S.B. 431 language as currently proposed	
- Existing problem areas continue to exist (i.e. lease provision, income tests)	Decrease in taxable value
- Agricultural residences are afforded a 20% reduction in taxable value	

FY 87

VERSION 2

Assumptions:

- Strong construction of greenbelt law
- Increased income and production level tests
- Platted, filed subdivision not agricultural
- Commercial & industrial sites not agricultural
- No lease provision
- No reduction in value for agricultural improvements

\$ 52,000,000

Increase in
taxable value

VERSION 3

Assumptions:

- Clarifies contiguous and noncontiguous land classification problems
- No lease provision
- Reduction in taxable percentage for all agricultural improvements (residences and outbuildings)
- Specifies that one acre is at market value
- No increase over proposed income and production level tests

\$10,524,855

Increase in
taxable value

VERSION 4

Assumptions:

- Clarifies contiguous and noncontiguous land classification problems
- No lease provision
- Reduction in taxable percentage for all agricultural improvements (residences and outbuildings)
- Specifies that one acre is at market value
- Increases proposed income and production level tests

\$20,876,190

Increase in
taxable value

APPROVED BY COMMITTEE
ON TAXATION

1 STATEMENT OF INTENT
2 SENATE BILL 431
3 Senate Taxation Committee

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5 A statement of intent is attached to Senate Bill 431 to
6 provide guidelines to the department of revenue in adopting
7 rules under the extension of rulemaking authority granted by
8 section 3 of the bill in order to implement certain
9 provisions.

10 Section 1 amends 15-7-202 to restrict eligibility of
11 land for valuation as agricultural because of widespread
12 abuse of and difficulty in administering existing law. For
13 those reasons subsections (a) and (c) require that the land
14 produce and that the owner, or the owner's agent, employee,
15 or lessee market stated threshold measurements of
16 agricultural products or gross sales of products. It is the
17 intent of the legislature that the department adopt rules
18 that would provide for methods of determining whether these
19 thresholds are met in instances where the land is primarily
20 used to grow crops that are not marketed but consumed by
21 livestock, poultry, or other animals in an agricultural
22 operation.

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(a) ~~the area of such land is not less than five contiguous acres when measured in accordance with provisions of 15-7-2067 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:~~

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(iii) ~~it is used for growing timber, or~~
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(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

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 2 grain, 15 tons of hay, or an equivalent measure or weight of
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 4 year;

5 (d) it serves as grazing land supporting 24 or more
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11 (f)(E) it would have met the qualifications set out in
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 13 independent intervening causes of production failure beyond
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 15 ADVANTAGE, in which case proof of qualification in a prior
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17 (2) LAND SHALL NOT BE CLASSIFIED OR VALUED AS
 18 AGRICULTURAL IF IT IS PART OF A PLATTED SUBDIVISION THAT IS
 19 FILED WITH THE COUNTY CLERK AND RECORDER AFTER JANUARY 1,
 20 1986, IN COMPLIANCE WITH THE MONTANA SUBDIVISION AND
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 23 agricultural if it is subdivided with stated restrictions
 24 prohibiting its use for agricultural purposes.

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1 AGRICULTURAL IF IT IS A COMMERCIAL OR INDUSTRIAL SITE.

2 (5) The grazing on land by a horse or other animals
 3 kept as a hobby and not as a part of a bona fide
 4 agricultural enterprise shall not be considered a bona fide
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6 NEW SECTION. Section 2. Class thirteen property --
 7 description -- taxable percentage. (1) Class thirteen
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(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

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2 ~~(5)~~ The grazing on land by a horse or other animals
 3 kept as a hobby and not as a part of a bona fide
 4 agricultural enterprise shall not be considered a bona fide
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6 (6) BEFORE LAND MAY BE VALUED, ASSESSED, AND TAXED AS
 7 AGRICULTURAL LAND IN ANY YEAR, THE TAXPAYER SHALL PROVIDE
 8 PROOF OF ELIGIBILITY UNDER THIS SECTION TO THE DEPARTMENT."

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 10 description -- taxable percentage. (1) Class thirteen
 11 property includes ~~a building, house trailer, or mobile home~~
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 25 ~~prohibiting its use for agricultural purposes.~~

1 (4) LAND SHALL NOT BE CLASSIFIED OR VALUED AS
 2 AGRICULTURAL IF IT IS A COMMERCIAL OR INDUSTRIAL SITE.

3 ~~(3)(5) The grazing on land by a horse or other animals~~
 4 ~~kept as a hobby and not as a part of a bona fide~~
 5 ~~agricultural enterprise shall not be considered a bona fide~~
 6 ~~agricultural operation.~~

7 (6) BEFORE LAND MAY BE VALUED, ASSESSED, AND TAXED AS
 8 AGRICULTURAL LAND IN ANY YEAR, THE TAXPAYER SHALL PROVIDE
 9 PROOF OF ELIGIBILITY UNDER THIS SECTION TO THE DEPARTMENT."

10 NEW SECTION. Section 2. Class thirteen property --
 11 description -- taxable percentage. (1) Class thirteen
 12 property includes a building, housetrailer, or mobile home
 13 situated as a permanent improvement or a leasehold
 14 improvement on agricultural land, as defined in 15-7-202,
 15 and used as a residence by a person whose agricultural
 16 endeavors on such land as owner or lessee, or as an employee
 17 of the owner or lessee, qualify it as agricultural. Class
 18 thirteen property includes 1 acre of real property upon
 19 which the residence is situated. ALL IMPROVEMENTS ON
 20 AGRICULTURAL LAND, AS DEFINED IN 15-7-202. CLASS THIRTEEN
 21 PROPERTY INCLUDES 1 ACRE OF REAL PROPERTY BENEATH THE
 22 AGRICULTURAL IMPROVEMENTS. THE 1 ACRE SHALL BE VALUED AT
 23 MARKET VALUE.

24 (2) Class thirteen property is taxed at 80% of the
 25 taxable percentage applicable to class four property.

1 NEW SECTION. Section 3. Extension of authority. Any
2 ~~existing authority of~~ the department of revenue to make
3 rules on the subject of the provisions of this act is
4 extended to the provisions of this act.

5 NEW SECTION. Section 4. Codification instruction.
6 Section 2 is intended to be codified as an integral part of
7 Title 15, chapter 6, part 1, and the provisions of Title 15
8 apply to section 2.

9 NEW SECTION. SECTION 5. COORDINATION INSTRUCTION. IN
10 THE EVENT NEITHER SENATE BILL NO. 48 NOR HOUSE BILL NO. 240
11 NOR ANY OTHER BILL THAT SEPARATES TIMBERLAND FROM
12 AGRICULTURAL LAND IN CLASS 3, AS DESCRIBED IN 15-6-133, IS
13 PASSED AND APPROVED, MAKE THE FOLLOWING AMENDMENT:

14 SECTION 1.

15 FOLLOWING: SUBSECTION (1)(C)

16 INSERT: "(D) IT CONTAINS OVER 5 CONTIGUOUS ACRES AND
17 IS USED FOR GROWING TIMBER."

18 NEW SECTION. Section 6. Effective date --
19 applicability. This act is effective on passage and approval
20 and is applicable to taxable years beginning after December
21 31, 1985.

-End-

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration SENATE Bill No. 431

third reading copy (blue color)

AN ACT REVISING THE GREENBELT APPRAISAL DEFINITION OF AGRICULTURAL LAND FOR REAL PROPERTY TAXATION PURPOSES; CLASSIFYING SEPARATELY RESIDENCES SITUATED ON AGRICULTURAL LAND AND TAXING THEM AT 80 PERCENT OF THE TAXABLE PERCENTAGE APPLICABLE TO CLASS FOUR PROPERTY;

Respectfully report as follows: That SENATE Bill No. 431

be amended as follows:

1. Page 1, line 22.
Following: "use"
Insert: "or noncontiguous parcels of land under one ownership that are actively devoted to agricultural use"

2. Page 2, line 13.
Following: "income"
Strike: "SALES"
Insert: "income"

3. Page 3.
Following: line 4
Strike: lines 5 and 6 in their entirety
Re-number: subsequent subsection

RR:PASS

4. Page 4, line 7.
Following: "(6)"
Strike: "BEFORE"
Insert: "If"
Following: "LAND"
Strike: "MAY BE"
Insert: "has been"

5. Page 4, lines 8 and 9.
Following: "YEAR," on line 8
Strike: the remainder of line 8 and line 9 in its entirety
Insert: "it shall continue to be so valued, assessed, and taxed until the department reclassifies the property. A reclassification does not mean revaluation pursuant to 15-7-111."

6. Page 5, line 15.
Following: "SUBSECTION"
Strike: "(C)"
Insert: "(B)"

7. Page 5, line 16.
Strike: "(D)"
Insert: "(C)"
Following: "OVER"
Strike: "5"
Insert: "15"
Following: "ACRES"
Insert: "under one ownership"

8. Page 5, line 17.
Following: "IS"
Strike: "USED FOR GROWING TIMBER"
Insert: "capable of producing timber of commercial quality that can be economically harvested in commercial quantity"

RR

AND AS AMENDED
BE CONCURRED IN

For 3/30

(continued) Chairman

Gerry Devlin
GERRY DEVLIN, Chairman

1 STATEMENT OF INTENT

2 SENATE BILL 431

3 Senate Taxation Committee

4

5 A statement of intent is attached to Senate Bill 431 to
6 provide guidelines to the department of revenue in adopting
7 rules under the extension of rulemaking authority granted by
8 section 3 of the bill in order to implement certain
9 provisions.

10 Section 1 amends 15-7-202 to restrict eligibility of
11 land for valuation as agricultural because of widespread
12 abuse of and difficulty in administering existing law. For
13 those reasons subsections (a) and (c) require that the land
14 produce and that the owner, or the owner's agent, employee,
15 or lessee market stated threshold measurements of
16 agricultural products or gross sales of products. It is the
17 intent of the legislature that the department adopt rules
18 that would provide for methods of determining whether these
19 thresholds are met in instances where the land is primarily
20 used to grow crops that are not marketed but consumed by
21 livestock, poultry, or other animals in an agricultural
22 operation.

1 SENATE BILL NO. 431

2 INTRODUCED BY ECK, SEVERSON, HAGER,

3 LYBECK, HIRSCH, MAZUREK, TOWE

4 BY REQUEST OF THE SENATE TAXATION COMMITTEE

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE GREENBELT
7 APPRAISAL DEFINITION OF AGRICULTURAL LAND FOR REAL PROPERTY
8 TAXATION PURPOSES; ~~CLASSIFYING~~ ~~SEPARATELY~~ ~~RESIDENCES~~
9 SITUATED ON AGRICULTURAL LAND ALLOWING FOR THE REDUCED VALUE
10 OF AGRICULTURAL IMPROVEMENTS SITUATED ON AGRICULTURAL LAND
11 BY CLASSIFYING THEM SEPARATELY AND TAXING THEM AT 80 PERCENT
12 OF THE TAXABLE PERCENTAGE APPLICABLE TO CLASS FOUR PROPERTY;
13 AMENDING SECTION 15-7-202, MCA; AND PROVIDING AN IMMEDIATE
14 EFFECTIVE DATE AND AN APPLICABILITY DATE."

15
16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

17 Section 1. Section 15-7-202, MCA, is amended to read:

18 "15-7-202. Eligibility of land for valuation as
19 agricultural. (1) land which is CONTIGUOUS PARCELS OF LAND
20 UNDER ONE OWNERSHIP THAT ARE ACTIVELY DEVOTED TO
21 AGRICULTURAL USE OR NONCONTIGUOUS PARCELS OF LAND UNDER ONE
22 OWNERSHIP THAT ARE actively devoted to agricultural use OR
23 NONCONTIGUOUS PARCELS OF LAND UNDER ONE OWNERSHIP THAT ARE
24 ACTIVELY DEVOTED TO AGRICULTURAL USE shall be eligible for
25 valuation, assessment, and taxation as herein provided each

1 year it 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) ~~it is in a cropland retirement program, or~~

12 (a) it produces AND THE OWNER OR THE OWNER'S AGENT,
13 EMPLOYEE, OR LESSEE MARKETS not less than \$1,500 in annual
14 gross income SALES INCOME in 1984 dollars, adjusted annually
15 for inflation, from the raising of livestock, poultry, field
16 crops, fruit, and other animal and vegetable matter for food
17 or fiber;

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

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

1 ~~{c}~~--it--produces ~~AND--THE--OWNER--OR--THE--OWNER'S--AGENT,~~
 2 ~~EMPLOYEE,--OR--BESSEE--MARKETS~~ not--less--than--300--bushels--of
 3 ~~grain,15--tons--of--hay,or--an--equivalent--measure--or--weight--of~~
 4 ~~any--other--field--crop--by--comparison--in--the--market--for--the~~
 5 ~~year;~~

6 ~~{d}{B}~~--it--serves--as--grazing--land--supporting--24--or--more
 7 ~~animal--unit--months;~~

8 ~~{e}~~--it--is--leased--or--owned--by--a--person--who--uses--the
 9 ~~land--in--conjunction--with--other--land--in--meeting--one--of--the~~
 10 ~~qualifications--set--out--in--subsections--(1){a}--through--(1){d};~~
 11 ~~or~~

12 ~~{f}{E}{e}{B}~~ it would have met the ~~qualifications~~
 13 ~~QUALIFICATION~~ set out in ~~subsections~~ ~~SUBSECTION (1){a}~~
 14 ~~through {1}{e} {1}{B}~~ were it not for independent
 15 ~~intervening causes of production failure beyond the control~~
 16 ~~of the producer OR MARKETING DELAY FOR ECONOMIC ADVANTAGE,~~
 17 ~~in which case proof of qualification in a prior year will~~
 18 ~~suffice.~~

19 ~~{2}~~ LAND SHALL NOT BE CLASSIFIED OR VALUED AS
 20 ~~AGRICULTURAL IF IT IS PART OF A PLATTED SUBDIVISION THAT IS~~
 21 ~~FILED WITH THE COUNTY CLERK AND RECORDER AFTER JANUARY 1,~~
 22 ~~1986, IN COMPLIANCE WITH THE MONTANA SUBDIVISION AND~~
 23 ~~PLATTING ACT.~~

24 ~~{2}{3}~~ Land shall not be classified or valued as
 25 agricultural if it is subdivided with stated restrictions

1 prohibiting its use for agricultural purposes.

2 ~~(4)~~ LAND SHALL NOT BE CLASSIFIED OR VALUED AS
 3 ~~AGRICULTURAL IF IT IS A COMMERCIAL OR INDUSTRIAL SITE.~~

4 ~~{3}{5}~~ The grazing on land by a horse or other animals
 5 kept as a hobby and not as a part of a bona fide
 6 agricultural enterprise shall not be considered a bona fide
 7 agricultural operation.

8 ~~{6}~~ BEFORE IF LAND MAY BE HAS BEEN VALUED, ASSESSED,
 9 AND TAXED AS AGRICULTURAL LAND IN ANY YEAR, THE TAXPAYER
 10 ~~SHALL PROVIDE PROOF OF ELIGIBILITY UNDER THIS SECTION TO THE~~
 11 ~~DEPARTMENT. IT SHALL CONTINUE TO BE SO VALUED, ASSESSED, AND~~
 12 ~~TAXED UNTIL THE DEPARTMENT RECLASSIFIES THE PROPERTY. A~~
 13 ~~RECLASSIFICATION DOES NOT MEAN REVALUATION PURSUANT TO~~
 14 ~~15-7-111."~~

15 ~~NEW SECTION.~~ Section 2. Class thirteen property --
 16 description -- taxable percentage. (1) Class thirteen
 17 property includes ~~a--building,--house--trailer,--or--mobile--home~~
 18 ~~situated--as--a--permanent--improvement--or--a--leasehold~~
 19 ~~improvement--on--agricultural--land,--as--defined--in--15-7-202,~~
 20 ~~and--used--as--a--residence--by--a--person--whose--agricultural~~
 21 ~~endeavors--on--such--land--as--owner--or--lessee,--or--as--an--employee~~
 22 ~~of--the--owner--or--lessee,--qualify--it--as--agricultural;--Class~~
 23 ~~thirteen--property--includes--1--acre--of--real--property--upon~~
 24 ~~which--the--residence--is--situated. ALL IMPROVEMENTS ON~~
 25 ~~AGRICULTURAL LAND, AS DEFINED IN 15-7-202. CLASS THIRTEEN~~

1 PROPERTY INCLUDES 1 ACRE OF REAL PROPERTY BENEATH THE
 2 AGRICULTURAL IMPROVEMENTS. THE 1 ACRE SHALL BE VALUED AT
 3 MARKET VALUE.

4 (2) Class thirteen property is taxed at 80% of the
 5 taxable percentage applicable to class four property.

6 NEW SECTION. Section 3. Extension of authority. Any
 7 existing authority of the department of revenue to make
 8 rules on the subject of the provisions of this act is
 9 extended to the provisions of this act.

10 NEW SECTION. Section 4. Codification instruction.
 11 Section 2 is intended to be codified as an integral part of
 12 Title 15, chapter 6, part 1, and the provisions of Title 15
 13 apply to section 2.

14 NEW SECTION. SECTION 5. COORDINATION INSTRUCTION. IN
 15 THE EVENT NEITHER SENATE BILL NO. 48 NOR HOUSE BILL NO. 240
 16 NOR ANY OTHER BILL THAT SEPARATES TIMBERLAND FROM
 17 AGRICULTURAL LAND IN CLASS 3, AS DESCRIBED IN 15-6-133, IS
 18 PASSED AND APPROVED, MAKE THE FOLLOWING AMENDMENT:

19 SECTION 1.

20 FOLLOWING: SUBSECTION (1)(E)(B)

21 INSERT: "(B)(C) IT CONTAINS OVER 5 15 CONTIGUOUS
 22 ACRES UNDER ONE OWNERSHIP AND IS USED--FOR--GROWING--TIMBER
 23 CAPABLE OF PRODUCING TIMBER OF COMMERCIAL QUALITY THAT CAN
 24 BE ECONOMICALLY HARVESTED IN COMMERCIAL QUANTITY."

25 NEW SECTION. Section 6. Effective date --

1 applicability. This act is effective on passage and approval
 2 and is applicable to taxable years beginning after December
 3 31, 1985.

-End-

CONFERENCE COMMITTEE REPORT

Report No. 1

APR 24, 1985

MR. PRESIDENT

We, your _____ FREE _____ Conference Committee on

SENATE BILL NO.431, reference copy,

met and considered _____ SENATE BILL NO.431 in its entirety.

We recommend as follows:

- 1. Page 2, line 1.
Strike: "it meets"
Insert: "the parcels meet"
- 2. Page 2, line 12.
Strike: "it produces"
Insert: "the parcels produce"
- 3. Page 2, lines 14 and 15.
Following: "INCOME" on line 14
Strike: "in 1984 dollars, adjusted annually for inflation,"
- 4. Page 3, line 12.
Strike: "it"
Insert: "the parcels"
- 5. Page 3, line 19.
Strike: "LAND"
Insert: "Parcels that do not meet the qualifications set out in subsection (1)"

Page 1 of 2 (CONTINUED)

And that this Conference Committee report be adopted.

FOR THE SENATE

FOR THE HOUSE

Leo Hirsch

HIRSCH, CHM

Mazurek

MAZUREK

McCallum

McCALLUM

GOULD

Ramirez

RAMIREZ

Schye

SCHYE

Bob Dean

6. Page 3, line 20.
Following: "IF"
Strike: "IT IS"
Insert: "they are"

7. Page 3, lines 21 and 22.
Strike: "AFTER JANUARY 1, 1986,"

8. Page 4, lines 2 and 3.
Strike: subsection (4) in its entirety
Renumber: subsequent subsections

9. Page 5, line 21.
Following: "(C)"
Strike: "IT CONTAINS"
Insert: "the parcel contains"

STATEMENT OF INTENT BE AMENDED AS FOLLOWS:

1. Page 1, line 10.
Following: "to"
Strike: "restrict"
Insert: "define"

2. Page 1, lines 11 and 12.
Following: "of" on line 11
Strike: "widespread abuse of and"

3. Page 1, line 13.
Following: line 12
Strike: "those reasons subsections (a) and (c)"
Insert: "that reason section 1"
Following: "(c)"
Strike: "require"
Insert: "requires"

FCCSB431

1 STATEMENT OF INTENT
 2 SENATE BILL 431
 3 Senate Taxation Committee
 4

5 A statement of intent is attached to Senate Bill 431 to
 6 provide guidelines to the department of revenue in adopting
 7 rules under the extension of rulemaking authority granted by
 8 section 3 of the bill in order to implement certain
 9 provisions.

10 Section 1 amends 15-7-202 to restrict DEFINE
 11 eligibility of land for valuation as agricultural because of
 12 ~~widespread-abuse-of-and~~ difficulty in administering existing
 13 law. For ~~those-reasons-subsections-(a)-and-(c)~~ THAT REASON
 14 SUBSECTION (1) require REQUIRES that the land produce and
 15 that the owner, or the owner's agent, employee, or lessee
 16 market stated threshold measurements of agricultural
 17 products or gross sales of products. It is the intent of the
 18 legislature that the department adopt rules that would
 19 provide for methods of determining whether these thresholds
 20 are met in instances where the land is primarily used to
 21 grow crops that are not marketed but consumed by livestock,
 22 poultry, or other animals in an agricultural operation.



SB431
 REFERENCE BILL: Includes Free
 Conference Committee Report
 Dated 4-24-85

SENATE BILL NO. 431

INTRODUCED BY ECK, SEVERSON, HAGER,

LYBECK, HIRSCH, MAZUREK, TOWE

BY REQUEST OF THE SENATE TAXATION COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE GREENBELT APPRAISAL DEFINITION OF AGRICULTURAL LAND FOR REAL PROPERTY TAXATION PURPOSES; CLASSIFYING SEPARATELY RESIDENCES SITUATED ON AGRICULTURAL LAND ALLOWING FOR THE REDUCED VALUE OF AGRICULTURAL IMPROVEMENTS SITUATED ON AGRICULTURAL LAND BY CLASSIFYING THEM SEPARATELY AND TAXING THEM AT 80 PERCENT OF THE TAXABLE PERCENTAGE APPLICABLE TO CLASS FOUR PROPERTY; AMENDING SECTION 15-7-202, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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 CONTIGUOUS PARCELS OF LAND UNDER ONE OWNERSHIP THAT ARE ACTIVELY DEVOTED TO AGRICULTURAL USE OR NONCONTIGUOUS PARCELS OF LAND UNDER ONE OWNERSHIP THAT ARE actively devoted to agricultural use OR NONCONTIGUOUS PARCELS OF LAND UNDER ONE OWNERSHIP THAT ARE ACTIVELY DEVOTED TO AGRICULTURAL USE shall be eligible for valuation, assessment, and taxation as herein provided each

year it meets THE PARCELS MEET 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
(iii) it is used for growing timber, or
(iv) it is in a cropland retirement program, or

(a) it produces THE PARCELS PRODUCE AND THE OWNER OR THE OWNER'S AGENT, EMPLOYEE, OR LESSEE MARKETS not less than \$1,500 in annual gross income SALES INCOME in 1984 dollars, adjusted annually for inflation, from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber;

(b) it agriculturally 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

(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

1 poultry farms:

2 ~~(c) it produces AND THE OWNER OR THE OWNER'S AGENT,~~

3 ~~EMPLOYEE, OR LESSEE MARKETS not less than 300 bushels of~~

4 ~~grain, 15 tons of hay, or an equivalent measure or weight of~~

5 ~~any other field crop by comparison in the market for the~~

6 ~~year;~~

7 ~~(d)(B) it serves as grazing land supporting 24 or more~~

8 ~~animal unit months;~~

9 ~~(e) it is leased or owned by a person who uses the~~

10 ~~land in conjunction with other land in meeting one of the~~

11 ~~qualifications set out in subsections (1)(a) through (1)(d);~~

12 or

13 ~~(f)(E)(C)(B) if THE PARCELS would have met the~~

14 ~~qualifications QUALIFICATION set out in subsections~~

15 ~~SUBSECTION (1)(a) through (1)(e) (1)(B) were it not for~~

16 ~~independent intervening causes of production failure beyond~~

17 ~~the control of the producer OR MARKETING DELAY FOR ECONOMIC~~

18 ~~ADVANTAGE, in which case proof of qualification in a prior~~

19 ~~year will suffice.~~

20 ~~(2) LAND PARCELS THAT DO NOT MEET THE QUALIFICATIONS~~

21 ~~SET OUT IN SUBSECTION (1) SHALL NOT BE CLASSIFIED OR VALUED~~

22 ~~AS AGRICULTURAL IF IF IS THEY ARE PART OF A PLATTED~~

23 ~~SUBDIVISION THAT IS FILED WITH THE COUNTY CLERK AND RECORDER~~

24 ~~AFTER JANUARY 17, 1986, IN COMPLIANCE WITH THE MONTANA~~

25 ~~SUBDIVISION AND PLATTING ACT.~~

1 ~~(2)(3)~~ Land shall not be classified or valued as

2 agricultural if it is subdivided with stated restrictions

3 prohibiting its use for agricultural purposes.

4 ~~(4) LAND SHALL NOT BE CLASSIFIED OR VALUED AS~~

5 ~~AGRICULTURAL IF IT IS A COMMERCIAL OR INDUSTRIAL SITE.~~

6 ~~(3)(5)(4)~~ The grazing on land by a horse or other

7 animals kept as a hobby and not as a part of a bona fide

8 agricultural enterprise shall not be considered a bona fide

9 agricultural operation.

10 ~~(6)(5) BEFORE IF LAND MAY BE HAS BEEN VALUED,~~

11 ~~ASSESSED, AND TAXED AS AGRICULTURAL LAND IN ANY YEAR, THE~~

12 ~~TAXPAYER SHALL PROVIDE PROOF OF ELIGIBILITY UNDER THIS~~

13 ~~SECTION TO THE DEPARTMENT. IT SHALL CONTINUE TO BE SO~~

14 ~~VALUED, ASSESSED, AND TAXED UNTIL THE DEPARTMENT~~

15 ~~RECLASSIFIES THE PROPERTY. A RECLASSIFICATION DOES NOT MEAN~~

16 ~~REVALUATION PURSUANT TO 15-7-111."~~

17 ~~NEW SECTION.~~ Section 2. Class thirteen property --

18 description -- taxable percentage. (1) Class thirteen

19 property includes a building, house trailer, or mobile home

20 situated as a permanent improvement or a leasehold

21 improvement on agricultural land, as defined in 15-7-202,

22 and used as a residence by a person whose agricultural

23 endeavors on such land as owner or lessee, or as an employee

24 of the owner or lessee, qualify it as agricultural. Class

25 thirteen property includes 1 acre of real property upon

1 ~~which---the---residence---is---situated:~~ ALL IMPROVEMENTS ON
 2 AGRICULTURAL LAND, AS DEFINED IN 15-7-202. CLASS THIRTEEN
 3 PROPERTY INCLUDES 1 ACRE OF REAL PROPERTY BENEATH THE
 4 AGRICULTURAL IMPROVEMENTS. THE 1 ACRE SHALL BE VALUED AT
 5 MARKET VALUE.

6 (2) Class thirteen property is taxed at 80% of the
 7 taxable percentage applicable to class four property.

8 NEW SECTION. Section 3. Extension of authority. Any
 9 existing authority of the department of revenue to make
 10 rules on the subject of the provisions of this act is
 11 extended to the provisions of this act.

12 NEW SECTION. Section 4. Codification instruction.
 13 Section 2 is intended to be codified as an integral part of
 14 Title 15, chapter 6, part 1, and the provisions of Title 15
 15 apply to section 2.

16 NEW SECTION. SECTION 5. COORDINATION INSTRUCTION. IN
 17 THE EVENT NEITHER SENATE BILL NO. 48 NOR HOUSE BILL NO. 240
 18 NOR ANY OTHER BILL THAT SEPARATES TIMBERLAND FROM
 19 AGRICULTURAL LAND IN CLASS 3, AS DESCRIBED IN 15-6-133, IS
 20 PASSED AND APPROVED, MAKE THE FOLLOWING AMENDMENT:

21 SECTION 1.
 22 FOLLOWING: SUBSECTION (1)+e+(B)
 23 INSERT: "+D+(C) ~~IT-CONTAINS~~ THE PARCEL CONTAINS OVER
 24 5 15 CONTIGUOUS ACRES UNDER ONE OWNERSHIP AND IS ~~USED-FOR~~
 25 GRWING-TIMBER CAPABLE OF PRODUCING TIMBER OF COMMERCIAL

1 QUALITY THAT CAN BE ECONOMICALLY HARVESTED IN COMMERCIAL
 2 QUANTITY."

3 NEW SECTION. Section 6. Effective date --
 4 applicability. This act is effective on passage and approval
 5 and is applicable to taxable years beginning after December
 6 31, 1985.

-End-