

HOUSE BILL 334

Introduced by Ellis, et al.

1/23	Introduced
1/23	Referred to Taxation
1/23	Fiscal Note Requested
1/23	First Reading
1/30	Fiscal Note Received
2/02	Revised Fiscal Note Received
2/04	Fiscal Note Printed
2/12	Hearing
2/12	Revised Fiscal Note Printed
3/18	Tabled in Committee

House BILL NO. 334

INTRODUCED BY

FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE
GREENBELT APPRAISAL DEFINITION OF AGRICULTURAL LAND FOR REAL

PROPERTY TAXATION PURPOSES; TAXING CERTAIN LAND FORMERLY
ELIGIBLE FOR TAXATION AS AGRICULTURAL LAND AT A REDUCED RATE
UNDER CLASS FOUR PROPERTY; TAXING IMPROVEMENTS AND 1 ACRE OF
LAND ELIGIBLE FOR THE REDUCED RATE UNDER CLASS FOUR PROPERTY
AT THE FULL RATE FOR CLASS FOUR PROPERTY; AMENDING SECTIONS
15-6-134 AND 15-7-202, MCA; AND PROVIDING AN APPLICABILITY
DATE."

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

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description --
taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in
another class;

(b) all improvements, including trailers or mobile
homes used as a residence, except those specifically
included in another class;

(c) the first \$80,000 or less of the market value of
any improvement on real property, including trailers or
mobile homes, and appurtenant land not exceeding 5 acres

owned or under contract for deed and actually occupied for
at least 10 months a year as the primary residential
dwelling of any person whose total income from all sources,
including net business income or loss and otherwise
tax-exempt income of all types but not including social
security income paid directly to a nursing home, is not more
than \$10,000 for a single person or \$12,000 for a married
couple or a head of household, as adjusted according to
subsection (2)(b)(ii);

(d) all golf courses, including land and improvements
actually and necessarily used for that purpose, that consist
of at least 9 holes and not less than 3,000 lineal yards;

(e) all improvements on 1 acre of land described in
subsection (1)(f) and 1 acre of land beneath the
improvements;

(f) all land equal to or greater than 20 acres but less
than 160 acres under one ownership that is not eligible for
valuation, assessment, and taxation as agricultural land
under 15-7-202(2). The land may not be devoted to a
commercial or industrial use.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501,
property described in subsections (1)(a), and (1)(b), and
(1)(e) is taxed at 3.86% of its market value.

(b) (i) Property described in subsection (1)(c) is

1 taxed at 3.86% of its market value multiplied by a
2 percentage figure based on income and determined from the
3 following table:

Income	Income	Percentage
Single Person	Married Couple	Multiplier
	Head of Household	
4 \$ 0 - \$ 1,000	\$ 0 - \$ 1,200	0%
5 1,001 - 2,000	1,201 - 2,400	10%
6 2,001 - 3,000	2,401 - 3,600	20%
7 3,001 - 4,000	3,601 - 4,800	30%
8 4,001 - 5,000	4,801 - 6,000	40%
9 5,001 - 6,000	6,001 - 7,200	50%
10 6,001 - 7,000	7,201 - 8,400	60%
11 7,001 - 8,000	8,401 - 9,600	70%
12 8,001 - 9,000	9,601 - 10,800	80%
13 9,001 - 10,000	10,801 - 12,000	90%

14 (ii) The income levels contained in the table in
15 subsection (2)(b)(i) must be adjusted for inflation annually
16 by the department of revenue. The adjustment to the income
17 levels is determined by:

18 (A) multiplying the appropriate dollar amount from the
19 table in subsection (2)(b)(i) by the ratio of the PCE for
20 the second quarter of the year prior to the year of
21 application to the PCE for the second quarter of 1986; and

22 (B) rounding the product thus obtained to the nearest

1 whole dollar amount.

2 (iii) "PCE" means the implicit price deflator for
3 personal consumption expenditures as published quarterly in
4 the Survey of Current Business by the bureau of economic
5 analysis of the U.S. department of commerce.

6 (c) Property described in subsection subsections (1)(d)
7 and (1)(f) is taxed at one-half the taxable percentage rate
8 established in subsection (2)(a).

9 (3) After July 1, 1986, no an adjustment may not be
10 made by the department to the taxable percentage rate for
11 class four property until a revaluation has been made as
12 provided in 15-7-111.

13 (4) Within the meaning of comparable property as
14 defined in 15-1-101, property assessed as commercial
15 property is comparable only to other property assessed as
16 commercial property, and property assessed as other than
17 commercial property is comparable only to other property
18 assessed as other than commercial property."

19 **Section 2.** Section 15-7-202, MCA, is amended to read:

20 "15-7-202. Eligibility of land for valuation as
21 agricultural. (1) (a) Contiguous Except as provided in
22 subsection (1)(b), contiguous parcels of land totaling ~~20~~
23 160 acres or more under one ownership ~~shall be~~ are eligible
24 for valuation, assessment, and taxation as agricultural land
25 each year that none of the parcels is devoted to a

commercial or industrial use.

(b) Noncontiguous parcels of land totaling less than 160 acres are eligible for valuation, assessment, and taxation as agricultural land under subsection (1)(a) if:

(i) the land is in the same ownership as land eligible under subsection (1)(a);

(ii) the land is an integral part of the agricultural use of land eligible under subsection (1)(a); and

(iii) the land is not devoted to a residential, commercial, or industrial use.

(2) Except as provided in subsection (8), contiguous or noncontiguous parcels of land totaling less than ~~20~~ 160 acres under one ownership that are actively devoted to agricultural use ~~shall--be~~ are eligible for valuation, assessment, and taxation as herein provided in this section each year the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than \$~~17,500~~ \$2,500 in annual gross income from the raising of agricultural products as defined in 15-1-101; or

(b) the parcels would have met the qualification set out in subsection (2)(a) were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay for economic advantage,

in which case proof of qualification in a prior year will suffice.

(3) Parcels that do not meet the qualifications set out in subsections (1) and (2) ~~shall~~ may not be classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in compliance with the Montana Subdivision and Platting Act.

(4) Land may not be classified or valued as agricultural if it is subdivided land with stated restrictions effectively prohibiting its use for agricultural purposes. For the purposes of this subsection only, "subdivided land" includes parcels of land larger than ~~20~~ 160 acres that have been subdivided for commercial or residential purposes.

(5) 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~~ may not be considered a bona fide agricultural operation.

(6) If land has been valued, assessed, and taxed as agricultural land in any year, it ~~shall~~ must continue to be ~~so~~ valued, assessed, and taxed as agricultural land until the department reclassifies the property. A reclassification does not mean revaluation pursuant to 15-7-111.

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

1 (8) Subject to the provisions of subsections (2)(a) and
2 (2)(b), property upon which sod, ornamental, nursery, or
3 horticultural crops are raised, grown, or produced must
4 consist of at least 10 acres before the property is eligible
5 to be classified as agricultural land. Improvements devoted
6 to crop production described in this subsection may not be
7 included in class eleven property."

8 NEW SECTION. **Section 3. Applicability.** (This act]
9 applies to tax years beginning after December 31, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0334, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act generally revising the greenbelt appraisal definition of agricultural land for real property taxation purposes; taxing certain land formerly eligible for taxation as agricultural land at a reduced rate under class four property; taxing improvements and 1 acre of land eligible for the reduced rate under class four property at the full rate for class four property; and providing an applicability date.

ASSUMPTIONS:


1. Tax year 1992 total taxable value of class eleven property (farmsteads) is \$60,258,864. For the purposes of this note it is assumed that 40% of the class eleven property would be reclassified as class four property under the proposal. This results in an increase in taxable value of \$6,025,888.
2. Average mill levies for class eleven property are 6.00 mills for universities, 95.00 mills for the school foundation program, 78.62 mills for counties, and 116.71 mills for local schools.
3. It is estimated that there are 100,529 parcels of land currently classified as class 3 (agricultural land) that are greater than 20 but less than 160 acres. For the purpose of this note it is estimated that the number of owners of these parcels is 75,397, and that 50% of the parcels would be reclassified as class 4 tract land.
4. The increase in total Class 4 taxable valuation due to the reclassification of property from class 3 to class 4 is estimated to be \$43,542,733.
5. Average mill levies for the reclassified class four property are 6.00 mills for universities, 95.00 mills for the school foundation program, 76.07 mills for counties, and 119.71 mills for local schools.

FISCAL IMPACT:Revenues:

(Revenue impacts for the reclassification of ag land to class four are based on the average taxable value per acre of ag land and of residential tract land in each county. The incremental increases in taxable value is then multiplied by the number of impacted acres in the county.)

Reclassifying current class eleven property as class four increases property tax revenues an estimated \$36,000 for universities and \$572,000 for SFP. It is estimated that reclassifying some current agricultural land as class four land (taxable rate of 1.93%) results in increased property tax revenues of \$209,000 for universities and \$3,309,000 for SFP.

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 2-2-93

DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 2/7/93

ALVIN ELLIS, PRIMARY SPONSOR DATE

Fiscal Note for HB0334, as introduced

HB 334

FISCAL IMPACT: (Continued)

Increase in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Universities	\$ 0	\$ 245,000
School Foundation	0	<u>3,881,000</u>
Total	\$ 0	\$ 4,126,000

Expenditures: (Department of Revenue)

Implementation of this proposal would require additional total administrative expenses of \$222,377 in FY94, and \$177,565 in FY95.

Property Valuation

	<u>FY '94</u>			<u>FY '95</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
FTE	398.66	405.66	7.00	398.66	405.66	7.00
Personal Services	\$ 11,885,655	\$ 12,065,559	\$ 179,904	\$ 11,913,545	\$ 12,073,709	\$ 160,164
Operating Expenses	2,180,406	2,222,879	42,473	2,192,109	2,209,510	17,401
Equipment	222,278	222,278	0	205,648	205,648	0
Debt Service	<u>269,800</u>	<u>269,800</u>	<u>0</u>	<u>269,800</u>	<u>269,800</u>	<u>0</u>
Total	\$ 14,558,139	\$ 14,780,516	\$ 222,377	\$ 14,581,102	\$ 14,758,667	\$ 177,565
General Fund	\$ 14,558,139	\$ 14,780,516	\$ 222,377	\$ 14,581,102	\$ 14,758,667	\$ 177,565

EFFECT ON LOCAL REVENUES:

Reclassifying current class eleven property as class four increases property tax revenues an estimated \$474,000 for counties and \$703,000 for local schools. It is estimated that reclassifying some current agricultural land as class four land (taxable rate of 1.93%) results in increased property tax revenues of \$2,650,000 for counties and \$4,175,000 for local schools.

Increase in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Counties	\$ 0	\$ 3,124,000
Local Schools	0	<u>4,878,000</u>
Total	\$ 0	\$ 8,002,000

HB 334

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Revised Fiscal Note for HB0334, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act generally revising the greenbelt appraisal definition of agricultural land for real property taxation purposes; taxing certain land formerly eligible for taxation as agricultural land at a reduced rate under class four property; taxing improvements and 1 acre of land eligible for the reduced rate under class four property at the full rate for class four property; and providing an applicability date.

ASSUMPTIONS:

1. Tax year 1992 total taxable value of class eleven property (farmsteads) is \$60,258,864. For the purposes of this note it is assumed that 30% of the class eleven property would be reclassified as class four property under the proposal. This results in an increase in taxable value of \$4,519,415.
2. Average mill levies for class eleven property are 6.00 mills for universities, 95.00 mills for the school foundation program, 78.26 mills for counties, and 116.71 mills for local schools.
3. It is estimated that there are 34,519 parcels of land currently classified as class 3 (agricultural land) that are greater than 5 but less than 160 acres. For the purpose of this note it is ^{assumed} that 50% of the parcels would be reclassified as class 4 tract land.
4. The increase in total Class 4 taxable valuation due to the reclassification of property from class 3 to class 4 is estimated to be \$20,650,298.
5. Average mill levies for the reclassified class four property are 6.00 mills for universities, 95.00 mills for the school foundation program, 75.61 mills for counties, and 123.87 mills for local schools.

FISCAL IMPACT:

Revenues:

(Revenue impacts for the reclassification of ag land to class four are based on the average taxable value per acre of ag land and of residential tract land in each county. The incremental increases in taxable value is then multiplied by the number of impacted acres in the county.)

Reclassifying current class eleven property as class four increases property tax revenues an estimated \$27,000 for universities and \$429,000 for SFP. It is estimated that reclassifying some current agricultural land as class four land (taxable rate of 1.93%) results in increased property tax revenues of \$124,000 for universities and \$1,962,000 for SFP.

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*With reservation shared
Committee*

David Lewis 2-11-93
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Alvin Ellis 2/12/93
ALVIN ELLIS, PRIMARY SPONSOR DATE

Revised Fiscal Note for HB0334, as introduced

HB 334-#2

FISCAL IMPACT: (Continued)

Increase in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Universities	\$ 0	\$ 151,000
School Foundation	0	2,391,000
Total	\$ 0	\$ 2,542,000

Expenditures: (Department of Revenue)

Implementation of this proposal would require additional total administrative expenses of \$95,603 FY94, and \$73,459 in FY95.

Property Valuation

	<u>FY '94</u>			<u>FY '95</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
FTE	398.66	401.66	3.00	398.66	401.66	3.00
Personal Services	\$ 11,885,655	\$ 11,961,559	\$ 75,904	\$ 11,913,545	\$ 11,980,989	\$ 67,444
Operating Expenses	2,180,406	2,200,105	19,699	2,192,109	2,198,124	6,015
Equipment	222,278	222,278	0	205,648	205,648	0
Debt Service	269,800	269,800	0	269,800	269,800	0
Total	\$ 14,558,139	\$ 14,653,742	\$ 95,603	\$ 14,581,102	\$ 14,654,561	\$ 73,459
General Fund	\$ 14,558,139	\$ 14,653,742	\$ 95,603	\$ 14,581,10	\$ 14,654,561	\$ 73,459

EFFECT ON LOCAL REVENUES:

Reclassifying current class eleven property as class four increases property tax revenues an estimated \$354,000 for counties and \$527,000 for local schools. It is estimated that reclassifying some current agricultural land as class four land (taxable rate of 1.93%) results in increased property tax revenues of \$1,561,000 for counties and \$2,558,000 for local schools.

Increase in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Counties	\$ 0	\$ 1,915,000
Local Schools	0	3,085,000
Total	\$ 0	\$ 5,000,000