# INTRODUCED BY BECK, M. HANSON, GRINDE, KELLER, GRADY, HIBBARD, DEBRUYCKER, HARP, CRIPPEN, MESAROS, LYNCH BY REQUEST OF THE DEPARTMENT OF REVENUE 

JANUARY 16, 1993

FEBRUARY 4, 1993

FEBRUARY 5, 1993

FEBRUARY 6, 1993

FEBRUARY 8, 1993

MARCH 10, 1993

MARCH 13, 1993
MARCH 16, 1993

MARCH 17, 1993

IN THE SENATE

INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.

FIRST READING.
COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.

PRINTING REPORT.
SECOND READING, DO PASS.
ENGROSSING REPORT.
THIRD READING, PASSED. AYES, 45; NOES, 5.

TRANSMITTED TO HOUSE.

IN THE HOUSE
INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.

FIRST READING.
COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.

SECOND READING, CONCURRED IN.
THIRD READING, CONCURRED IN. AYES, 88; NOES, 12.

RETURNED TO SENATE.
IN THE SENATE

RECEIVED FROM HOUSE.
SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.
 Pellen by request of the department of revenue Smady－ $\because \because$（ Depmuphen HABP 7isc．er Arnck
A BILL FOR AN ACT ENTITLED：＂AN ACT REVISING THE METHOD OF VALUING agricultural Lands in class three property for PROPERTY taX PURPOSES；HOLDING CONSTANT the STATEWIDE TOTAL taxable value of class three property between reappraisal cycles；phasing in over two reappraisal cycles the change in the productive capacity value of agricultural lands；taxing Class three property at the rate applicable to class four PROPERTY；ESTABLISHING AN ADVISORY COMMITTEE TO REVIEW WATER Costs in determining the productive capacity of irrigated LANDS；AMENDING SECTIONS 15－6－133，15－7－201，AND 15－8－111， mCA；and providing an immediate effective date，an applicability date，and a termination date．＂
be it enacted by the legislature of the state of montana：
Section 1．Section 15－6－133，MCA，is amended to read：
＂15－6－133．Class three property－－description－ taxable percentage．（1）class three property includes：
（a）agricultural land as defined in 15－7－202；
（b）nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on
the property．For the purposes of this subsection（1）（b）， the following provisions apply：
（i）The claim may not include any property that is used for residential purposes，recreational purposes as described in 70－16－301，or commercial purposes as defined in 15－1－101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for such other purposes．
（ii）Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title，including that portion of the land upon which sueh the improvements are located and that is reasonably required for the use of the improvements．
（iii）Nonproductive patented mining claim property must be valued as if the land were devoted to agricultural grazing use．
（2）Class three property is taxed at the taxable percentage rate＂pn－of－its－productive－eapaeity applicable to class four property，as provided in 15－6－134（2）（a）．
 for－ctass－three－property－is－Э日\％＝

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$$

shati－determine－the－taxabte－pereentage－rate－－upu－－appiteabte to－－etass－three－property－for－the－revatuation－eycłe－beginning danuary－士т－ま9日6；－as－fottows：

INTRODUCED BILL
tat--The-director-of-the--department--of--revenue--shati eertify--to-the-governor-before-jaty- $\ddagger 7- \pm 986$--the-pereentage by-which-the-appraised-vatue-of-ati-property--in--the--state etassified--under--cłass--three--as--of-danuary-łt~ま986;-has increased-due-to-the-revatuation-condueted--ander--i5-7-itif This---figure---is---the---"certified--statewide--pereentage increase".
fbt--The-taxabte-vatue-of-property--in--etass--three--is determined---as---a--function--of--the--certified--statewide percentage-inerease--in--aceordance--with--the--tabte--shown bezow-
tet--This-tabłe-timits-the-statewide-inerease-in-taxabłe vatuation--resułting--from-reappraisat-to-0\%--五n-cazeutating the-pereentage-inereasef-the--department--may--not--consider agricuteuraz-use-changes-during-eatendar-year- $\ddagger 985=$
tdt--The---taxabłe--perecitage--must--be--eateułated--by interpotation-to-coineide--with--the--nearest--whote--number certified--statewide--percentage-inerease-from-the-fotłowing tabze:

Certificd-Btatewide
Percentage-Inerease
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Z5: $0 \theta$
$z 3-\theta B$
taken into consideration, except at no time may the resulting value of irrigated land be reduced below the value such that the land would have if it were not irrigated.
(3) Capital costs, such as improved water distribution, fertilizer, and land shaping that increase productivity, shati may not be used in determining assessed values.

15-7-201. (Applicable to $\pm 993 \quad 1994$ and later land valuation schedules) Legislative intent -- value of agricultural property. (1) Sinee Because the market value of many agricultural properties is based upon speculative purchases which that do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shał̇ be classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.
(2) Agricultural land shatz must be classified according to its use, which classifications shatz include but are not be limited to irrigated use, nonirrigated use, and grazing use.
(3) Within each class, land shemt-be-assessed-at-a vafue-that-is-fairiy-based-on-its-productive--eapacity must be subclassified by production categories. Production categories are determined from the productive capacity of the land based on yield.
(4) In computing the agricultural land valuation schedules to take effect on the-dete--thet--the--revatuation eyete--commencing--danuary-zt-t986;-takes-effeet-pursuant-to ł5-7-ł¥ January 1,1994 , and, thereafter, on the effective date when each revaluation cycle takes effect pursuant to 15-7-111, the department of revenue shall determine the productive capacity value of all agricultural lands using the formula $V=I / R$ where:
(a) $V$ is the per-acre productive capacity value of agricultural land in each land use and production category;
(b) I is the per-acre net income of agricultural land in each land use and production category and is to be determined by-the-department-asing-the-formuta-ま-a-tP---et- $\boldsymbol{H}$ where:
tit--i-is-the-per-acre-net-ineome;
tiff-p--is--the--per-unit--priee--of-the-commodity-being produced;
tifif-e-is-the-per-unit-production-cost-of-the-commodity being-produced;-and
fivf-b-is-the-yietd-in-units-per--acre as provided in subsection (5): and
(c) $R$ is the capitalization rate eo-be-determined-by the-department-as-provided-in-subsection-t9t and is equal to 6.48. This capitalization rate must remain in effect until new agricultural land valuation schedules are computed as

## required by law.

t5t--Net-income-shatz-be:
tet--cateutated-for-each-year-of-a-base-periodi-whieh-is the-mest-reeent-З-year-period-for-which-data-are--avaitabłer prior--to-a-revatuation-of-property-es-provided-in-i5-7-まit; and
fbt--based-on-commedity-price-and-production--cost--data for--the--base-period-from-such-sources-as-may-be-considered appropriate-by-the-departmento-which-sources--shati--inctude Montana-state-university
(5) (a) Net income must be determined separately in each land use based on production categories.
(b) Net income must be based on commodity price data, grazing fees, crop share arrangements, and production cost data for the base period. Commodity price data, grazing fees, and production cost data for the base period must be obtained from the Montana Agricultural Statistics and from the Montana crop and livestock reporting service.
(c) The base crop for valuation of irrigated land is alfalfa, and the base crop for valuation of nonirrigated land is wheat. The base unit for valuation of grazing lands is the average grazing fee for a 1,000 -pound animal.
(d) The base period used to determine net income must be the most recent 7 years for which data is available prior to the date the revaluation cycle ends. Commodity price
data, grazing fees, and production cost data referred to in subsection (5)(b) must be averaged for the 7 -year period, but the average must exclude the lowest and highest commodity prices or grazing fees and the lowest and highest production costs in the period.
+6t--So--the--degree--avaitabief--the--department--shazt compite:-
tat--commodity-price-data-reftecting-the-average--prifees received---per--unit--af--measure--by--Montana--farmers--and ranchers--Sueh-deta-may-be-obtained--from--ati--geographifeaf areas--of--the--stater--Commodity--prifes-may-inetude-wheat $\bar{f}$ barłeyf-affałfa-hayj-grass-hayf-corn--for--grainf--corn--for sitagef-sugar-beetsi-dry-beans;-potatoesj-cattief-and-sheep-Government---payments--may--be--considered---Typicat--rentat arrangements-may-be-considered-
tbt--production-cost-data-refteeting-average--costs--per unit--of--measure-paid-by-Montana-farmers-and-ranchersi-Sueh data-may-be-obtained-from--atz--geographieat--areas--of--the stater--Sueh--production-costs-may-inełude-eosts-retating-to ifrigationf-fertitization;-fuezf-seed;-weed--controłt-hifed łabort--managementy--insuraneet-repairs-and-maintenance;-and miscełtaneous-items--Variations-in-speeifie-production--cost datar--when--affected-by-different-tevets-of-productiont-and typicaz-rentat-arrangements-may-be-considered-
(6) The department shall compile data and develop
valuation manuals adopted by rule to implement the valuation method established by subsections (4) and (5).
(7) The department shall appoint an advisory committee of persons knowledgeable in agriculture and agricultural economics to compile and review the data prepared-by-Montana state--university--and--advise---the---department---on---the implementetion--of--subsections--tzf-through-t6t required by subsections (4) and (5). The advisory committee shall include one member of the Montana state university, college of agriculture, staff. The advisory committee shall recommend agricultural land valuation schedules to the department.
t8t-Net-income-shałt-be-determined-separatety-for-łands in-irrigated-usef-noniryigated--user--and--grazing--use--and shatz--be--eateutated--for--each--use--and--production-tevet according-to-the-provisions-of-subsections-t4t-through-t7t7
f9f--9he-eapitatization-rate--shati--be--cateutated--for each--year--of--the--base--period--and-is-the-annuaz-average interest-rate-on--agricutturaz--toans--as--reported--by--the federat--tand--bank-association-of-Spokanet-Washingtont-płes the-effective-tax-rate-in-Montana-
tま日t-The-effective-tax-rate-shait-be-cateutated--by--the department--for-each-year-of-the-base-period-by-dividing-the totat-estimated-tax-dae-on-agrieuteurat-tand-in-the-state-by the-totat-productive-capacity-vatue-of-agricutturaz-tand--in
the-state:"
NEW SECTION. Section 3. Phasein of agricultural land values. The increase or decrease in productive capacity values of agricultural land determined in 15-7-201 must be phased in over two reappraisal cycles, as follows:
(1) For the revaluation cycle beginning January 1 , 1994, and ending December 31, 1996, the assessed value of agricultural land in each land use and production category must increase or decrease by $50 \%$ of the difference between the productive capacity value of agricultural land determined in 15-7-201 for 1994 land valuation schedules and the assessed value of agricultural land as of December 31, 1993.
(2) Beginning January 1, 1997, the assessed value of agricultural land in each land use and production category must be $100 \%$ of the productive capacity value of agricultural land determined in 15-7-201. of water costs. The department of revenue shall appoint an advisory committee knowledgeable in irrigated agricultural operations to review water costs associated with irrigated lands and to recommend to the department how water costs should be considered for determining the irrigated land valuation schedules that take effect January 1, 1997. The committee shall present its recommendations to the

## NEW SECTION. Section 4. Advisory comittee -- review



department by January 1, 1995.
Section 5. 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 otherwise provided.
(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) If the department uses construction cost as one approximation of market value, the department shall fully consider reduction in value caused by depreciation, whether through physical depreciation, functional obsolescence, or economic obsolescence.
(c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to 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.
(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, except:
(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the official Guide, Tractor and Farm Equipment, pubiished by the national farm and power equipment dealers association, St. Louis, Missouri;
(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide; and
(c) as otherwise authorized in Title 15 and Title 61.
(4) For purposes of taxation, assessed value is the same as appraised value.
(5) The taxable value for all property is the percentage of market or assessed value established for each class of property.
(6) 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 or, if applicable, as provided in 15-23-515 or 15-23-516.
(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, as provided in [section 3], when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purpases.
(d) Beginning January 1, 1990, and ending December 31, 1993, properties in 15-6-143, under class ten, are assessed at $100 \%$ of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.
(e) Beginning January 1, 1994, properties in 15-6-143; under class ten, are assessed at $100 \%$ of the forest productivity value of the land when valued as forest land.
(7) 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. (Subsection (6)(d) terminates January 1, 1994--sec. 19, Ch. 783, L. 1991.)"

NEW SECTION. Section 6. Codification instruction. [Sections 3 and 4] are intended to be codified as an integral part of Title 15 , chapter 7 , part 2 , and the provisions of Title 15 , chapter 7 , part 2 , apply to

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[sections 3 and 4].
            NEW SECTION. Section 7. Severability. If a part of
[this act] is invalid, all valid parts that are severable
from the invalid part remain in effect. If a part of [this
act] is invalid in one or more of its applications, the part
remains in effect in all valid applications that are
severable from the invalid applications.
    NEW SECTION. Section 8. Termination. [Section 4]
terminates January 1, 1997.
NEW SECTION. Section 9. Effective date --
applicability. [This act] is effective on passage and
approval and applies to tax years beginning on or after
January 1, 1994.
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-End-

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STATE OF MONTANA - FISCAL NOTE
    Form BD-15
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In compliance with a written request, there is hereby submitted a fiscal Note for sBolg8, as introduced.

## DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the method of valuing agricultural lands in class three property for property tax purposes; holding constant the statewide total taxable value of class three property between reappraisal cycles; phasing in over two reappraisal cycles the change in the productive capacity value of agricultural lands; taxing class three property at the rate applicable to class four property; establishing an advisory committee to review water costs in determining the productive capacity of irrigated lands; and providing an immediate effective date, an applicability date, and a termination date.

## ASSUMPTIONS :

As a point of reference, this fiscal note measures the impact of this proposal by comparing current valuations (tax year 1992) with estimated valuations under the proposal. This reference point is consistent with HJR2, which assumed the agricultural land tax rate would be reduced to a revenue neutral level in face of the revaluation. The revenue neutrality assumption in HJR2 reduces FY95 income to the school foundation program by about $\$ 34.5$ million, to the university levy by $\mathbf{\$ 2 . 2}$ million and to local governments (including school districts) by $\mathbf{\$ 6 7 . 2}$ million relative to current law.

1. Current total assessed value of class three property (agricultural land) is $\$ 470,016,133$. The current tax rate for class three property is 30\%. The current total taxable value is $\$ 141,004,840$.
2. Estimated taxes paid by class three property (fiscal year 93) is $\$ 40,469,228$ (based on average state, county, and school mill levies for tax year 1992)
3. All estimates of the impact of this proposal are based on land schedule parameters and changes to land schedule formulas as recommended by the Agricultural Land Advisory Committee appointed by Governor Stephens (15-7-201(7), MCA). In summary, the recommendations incorporated into this fiscal note are:
a) The assessed value of agricultural land is determined by capitalizing the rental value of the land.
b) Rental value is determined as $1 / 4$ cropshare on all cropland.
c) Prices and grazing fees are based on a seven-year Olympic historical average
d) Water costs due to energy and labor are deducted from the rental value prior to determining assessed value on irrigated land.
e) The water cost categories are modified to account for higher costs. (The estimates in this fiscal note are based on a water cost of $\$ 12.50$. It is not expected for these estimates to differ much from the eventual valuations.)
f) The capitalization rate is 6.4 \%
g) The taxable rate is reduced from $30 \%$ to $3.86 \%$.
h) The valuation change due to the proposal is phased in, with $50 \%$ of the incremental change (from current values) occurring on Jan. 1, 1994, and the remaining 50 of the incremental value occurring on Jan. 1 , 1997

## (Continued)




Fiscal Note for SB0168, as introduced
4. Based on assumption 3 and current statewide ag land distribution, the total assessed value under the proposal for Jan. 1,1994 is estimated to be $\$ 3,673,903,367$. The total taxable value under the proposal for Jan. 1 , 1994 is estimated to be $\$ 141,812,670$.
5. Estimated taxes paid by class three property under the proposal for fiscal year 95 is $\$ 40,647,207$ (based on average state, county, and school mill levies for tax year 1992).
6. Based on assumption 3 and current statewide ag land distribution, the total assessed value under the proposal for Jan 1,1997 is estimated to be $\$ 3,694,831,606$. The total taxable value under the proposal for Jan. 1 , 1997 is estimated to be $\$ 142,620,500$.
7. Estimated taxes paid by class three property under the proposal for fiscal year 97 is $\$ 40,825,185$ (based on average state, county, and school mill levies for tax year 1992).
8. If new agricultural land schedules are calculated under existing law (15-7-201, MCA), the result will be an increase in the taxable value of class three by 258 \% over current law producing increased property tax revenues of $\$ 103.9$ million. This increase would be effective Jan. 1, 1993.

## FISCAL IMPACT:

## Revenues:

The impact of the proposal begins with the phase in values replacing current values Jan. 1,1994 (fiscal year 95 property tax revenues)

[^0]Fiscal Note Request, SB0168, as introduced
Form BD-15 page 3
(continued)

## Expenditures:

Implementation of this proposal would require additional total administrative expenses of $\$ 266,400$ as detailed below:


## TABLE 1

## Change in Taxable Value --- PHASE IN Current vs. Proposal (SB 168)

| County | Impact to Class 3 Taxable Value |  |  | Impact to Total Taxable Value |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Current Taxable Value | Proposed Taxable Value | Percent Change | Current Taxable Value | Proposed Taxable Value | Percent Change |
| County | \$2,330,217 | \$2,708,231 |  | \$15,922,182 | \$16,300,196 | 2.4\% |
| Big Horn | \$3,441,632 | 3,541,764 | 2.9\% | 26,681,354 | 26,781,486 | 0.4\% |
| Blaine | \$3,889,266 | 4,057,871 | 4.3\% | 13,892,940 | 14,061,545 | 1.2\% |
| Broadwater | \$1,027,449 | 1,089,951 | 6.1\% | 14,226,141 | 14,288,643 | 0.4\% |
| Carbon | \$2,154,795 | 2,237,255 | 3.8\% | 17,903,295 | 17,985,755 | 0.5\% |
| Carter | \$1,714,560 | 1,883,117 | 9.8\% | 7,357,469 | 7,526,026 | 2.3\% |
| Cascade | \$4,937,046 | 4,733,926 | -4.1\% | 95,846,935 | 95,643,815 | -0.2\% |
| Chouteau | \$12,785,972 | 11,223,575 | - 12.2\% | 25,358,497 | 23,796,100 | -6.2\% |
| Custer | \$2,126,631 | 2,355,802 | 10.8\% | 14,584,111 | 14,813,282 | 1.6\% |
| Daniels | \$2,373,771 | 2,408,021 | 1.4\% | 6,294,803 | 6,329,053 | 0.5\% |
| Dawson | \$3,040,230 | 3,204,413 | 5.4\% | 18,257,665 | 18,421,848 | 0.9\% |
| Deer Lodge | \$231,178 | 278,995 | 20.7\% | 8,769,899 | 8,817,716 | 0.5\% |
| Fallon | \$1,285,985 | 1,387,081 | 7.9\% | 10,278,478 | 10,379,574 | 1.0\% |
| Fergus | \$6,002,715 | 5,819,662 | -3.0\% | 21,943,967 | 21,760,914 | -0.8\% |
| Flathead | \$1,517,960 | 1,603,835 | 5.7\% | 103,059,904 | 103,145,779 | 0.1\% |
| Gallatin | \$2,783,397 | 2,806,076 | 0.8\% | 80,995,369 | 81,018,048 | 0.0\% |
| Gartield | \$2,800,632 | 3,018,492 | 7.8\% | 5,393,469 | 5,611,329 | 4.0\% |
| Glacier | \$3,265,126 | 3,005,304 | -8.0\% | 19,630,260 | 19,370,438 | -1.3\% |
| Golden Valley | \$1,122,288 | 1,168,022 | 4.1\% | 5,153,869 | 5,199,603 | 0.9\% |
| Granite | \$506,173 | 565,194 | 11.7\% | 7,655,867 | 7,714,888 | 0.8\% |
| Hill | \$6,830,214 | 6,682,351 | -2.2\% | 29,941,411 | 29,793,548 | -0.5\% |
| Jefferson | \$549,496 | 614,878 | 11.9\% | 23,342,749 | 23,408,131 | 0.3\% |
| Judith Basin | \$3,177,281 | 3,106,967 | -2.2\% | 8,952,652 | 8,882,338 | -0.8\% |
| Lake | \$1,267,532 | 1,525,249 | 20.3\% | 31,437,674 | 31,695,391 | 0.8\% |
| Lewis And Clark | \$1,568,243 | 1,626,794 | 3.7\% | 69,016,382 | 69,074,933 | 0.1\% |
| Liberty | \$3,662,622 | 3,535,716 | -3.5\% | 9,568,354 | 9,441,448 | -1.3\% |
| Lincoln | \$112,666 | 130,535 | 15.9\% | 27,564,167 | 27,582,036 | 0.1\% |
| Madison | \$2,081,935 | 2,201,745 | 5.8\% | 20,791,628 | 20,911,438 | 0.6\% |
| McCone | \$3,452,851 | 3,508,512 | 1.6\% | 7,801,726 | 7,857,387 | 0.7\% |
| Meagher | \$1,382,720 | 1,481,667 | 7.2\% | 8,154,786 | 8,253,733 | 1.2\% |
| Mineral | \$63,507 | 69,516 | 9.5\% | 8,080,300 | 8,086,309 | 0.1\% |
| Missoula | \$457,022 | 507,354 | 11.0\% | 126,303,291 | 126,353,623 | 0.0\% |
| Musselshell | \$1,528,630 | 1,575,752 | 3.1\% | 6,878,626 | 6,925,748 | 0.7\% |
| Park | \$1,469,303 | 1,469,834 | 0.0\% | 24,316,869 | 24,317,400 | 0.0\% |
| Petroleum | \$834,373 | 899,119 | 7.8\% | 1,904,786 | 1,969,532 | 3.4\% |
| Phillips | \$3,577,845 | 3,670,136 | 2.6\% | 20,295,327 | 20,387,618 | 0.5\% |
| Pondera | \$4,946,152 | 4,603,312 | -6.9\% | 14,988,037 | 14,645,197 | -2.3\% |
| Powder River | \$1,793,774 | 1,893,608 | 5.6\% | 6,368,160 | 6,467,994 | 1.6\% |
| Powell | \$793,096 | 941.168 | 18.7\% | 12,458,281 | 12,606,353 | 1.2\% |
| Prairie | \$1.119,949 | 1,228,517 | 9.7\% | 4,358,142 | 4,466,710 | 2.5\% |
| Ravalli | \$1,074,381 | 1,164,928 | 8.4\% | 32,043,712 | 32,134,259 | 0.3\% |
| Richland | \$3,465,230 | 3,697,048 | 6.7\% | 21,745,758 | 21,977,576 | 1.1\% |
| Roosevelt | \$3,789,980 | 3,752,491 | -1.0\% | 24,801,194 | 24,763,705 | -0.2\% |
| Rosebud | \$2,834,829 | 3,044,785 | 7.4\% | 182,854,693 | 183,064,649 | 0.1\% |
| Sanders | \$356, 135 | 411,109 | 15.4\% | 24,882,163 | 24,937,137 | 0.2\% |
| Sheridan | \$3,539,815 | 3,521,735 | -0.5\% | 12,018,054 | 11,999,974 | -0.2\% |
| Silver Bow | \$193,162 | 213,722 | 10.6\% | 50,333,573 | 50,354,133 | 0.0\% |
| Stillwater | \$2,414,761 | 2,396,851 | -0.7\% | 19,753,669 | 19,735,759 | -0.1\% |
| Sweet Grass | \$1,335,250 | 1,387,870 | 3.9\% | 8,288,052 | 8,340,672 | 0.6\% |
| Teton | \$5,194,637 | 4,989,285 | -4.0\% | 15,427,359 | 15,222,007 | -1.3\% |
| Toole | \$5,107,754 | 4,809,669 | -5.8\% | 17,683,716 | 17,385,631 | -1.7\% |
| Treasure | \$754,598 | 868,702 | 15.1\% | 4,983,890 | 5,097,994 | 2.3\% |
| Valley | \$4,797,035 | 4,843,682 | 1.0\% | 25,737,184 | 25,783,831 | 0.2\% |
| Wheatland | \$1,319,804 | 1,387,115 | 5.1\% | 7,780,858 | 7,848,169 | 0.9\% |
| Wibaux | \$1,132,251 | 1,148,056 | 1.4\% | 4,073,266 | 4,089,071 | 0.4\% |
| Yellowstone | \$3,688,984 | 3,806,317 | 3.2\% | 198,486,026 | 198,603,359 | 0.1\% |
| Statewide | \$141,004,840 | \$141,812,670 | 0.6\% | 1,632,622,989 | \$1,633,430,819 | 0.05\% |

TABLE 2
Change in Estimated Taxes Paid *
---
PHASE IN
Current vs. Proposal (SB 168)

| County | Mills | Impact to Class 3 Est. Taxes Paid |  |  | Impact to Est.Total Taxes Paid |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Current Est. Taxes | Proposed Est. Taxes | Percent Change | Current Est. Taxes | Proposed Est. Taxes | Percent Change |
| Beaverhead | 318.99 | \$743,319 | \$863,901 | 16.2\% | \$5,079.035 | \$5,199,618 | 2.4\% |
| Big Horn | 211.29 | 727.199 | 748,357 | 2.9\% | 5,637,634 | 5,658,792 | 0.4\% |
| Blaine | 265.80 | 1,033,762 | 1,078,577 | 4.3\% | 3,692,726 | 3,737,541 | 1.2\% |
| Broadwater | 239.01 | 245,570 | 260,508 | 6.1\% | 3,400,181 | 3,415,119 | 0.4\% |
| Carbon | 303.71 | 654,443 | 679,487 | 3.8\% | 5,437,496 | 5,462,540 | 0.5\% |
| Carter | 279.03 | 478,411 | 525,443 | 9.8\% | 2,052,944 | 2,099,976 | 2.3\% |
| Cascade | 365.25 | 1,803,254 | 1,729,065 | -4.1\% | 35,008,059 | 34,933,869 | -0.2\% |
| Chouteau | 315.64 | 4,035,703 | 3,542,555 | -12.2\% | 8,004,034 | 7,510,887 | -6.2\% |
| Custer | 392.76 | 835,263 | 925,273 | 10.8\% | 5,728,105 | 5,818,115 | 1.6\% |
| Daniels | 362.59 | 860,716 | 873,135 | 1.4\% | 2,282,461 | 2,294,880 | 0.5\% |
| Dawson | 352.63 | 1,072,082 | 1,129,978 | 5.4\% | 6,438,234 | 6,496,130 | 0.9\% |
| Deer Lodge | 449.42 | 103,897 | 125,386 | 20.7\% | 3,941,393 | 3,962,883 | 0.5\% |
| Fallon | 177.81 | 228,657 | 246,632 | 7.9\% | 1,827,582 | 1,845,557 | 1.0\% |
| Fergus | 331.84 | 1,991,948 | 1,931,203 | -3.0\% | 7,281,912 | 7,221,167 | -0.8\% |
| Flathead | 354.08 | 537,480 | 567,887 | 5.7\% | 36,491,498 | 36,521,904 | 0.1\% |
| Gallatin | 318.57 | 886,696 | 893,920 | 0.8\% | 25,802,374 | 25,809,599 | 0.0\% |
| Garfield | 277.41 | 776,912 | 837,348 | 7.8\% | 1,496,181 | 1,556,616 | 4.0\% |
| Glacier | 241.97 | 790,050 | 727,181 | -8.0\% | 4,749,856 | 4,686,988 | -1.3\% |
| Golden Valley | 248.60 | 278,998 | 290,368 | 4.1\% | 1,281,240 | 1,292,609 | 0.9\% |
| Granite | 299.79 | 151,748 | 169,442 | 11.7\% | 2,295,187 | 2,312,881 | 0.8\% |
| Hill | 273.17 | 1,865,800 | 1,825,408 | -2.2\% | 8,179,053 | 8,138,661 | -0.5\% |
| Jefferson | 273.20 | 150,122 | 167,985 | 11.9\% | 6,377,245 | 6,395,108 | 0.3\% |
| Judith Basin | 289.16 | 918,728 | 898,397 | -2.2\% | 2,588,709 | 2,568,377 | -0.8\% |
| Lake | 288.39 | 365,544 | 439,867 | 20.3\% | 9,066,317 | 9,140,640 | 0.8\% |
| Lewis And Clark | 349.13 | 547,517 | 567,958 | 3.7\% | 24,095,509 | 24,115,951 | 0.1\% |
| Liberty | 289.08 | 1,058,777 | 1,022,092 | -3.5\% | 2,765,985 | 2,729,299 | -1.3\% |
| Lincoln | 282.50 | 31,828 | 36,875 | 15.9\% | 7,786,759 | 7,791,807 | 0.1\% |
| Madison | 244.95 | 509,968 | 539,316 | 5.8\% | 5,092,891 | 5,122,239 | 0.6\% |
| McCone | 313.36 | 1,081,991 | 1,099,433 | 1.6\% | 2,444,762 | 2,462,204 | 0.7\% |
| Meagher | 242.17 | 334,849 | 358,810 | 7.2\% | 1,974,818 | 1,998,779 | 1.2\% |
| Mineral | 347.86 | 22,092 | 24,182 | 9.5\% | 2,810,850 | 2,812,940 | 0.1\% |
| Missoula | 380.49 | 173,890 | 193,041 | 11.0\% | 48,056,636 | 48,075,787 | 0.0\% |
| Musselshell | 228.85 | 349,823 | 360,606 | 3.1\% | 1,574,154 | 1,584,937 | 0.7\% |
| Park | 272.59 | 400,520 | 400,664 | 0.0\% | 6,628,575 | 6,628,719 | 0.0\% |
| Patroleum | 304.96 | 254,450 | 274,195 | 7.8\% | 580,884 | 600,628 | 3.4\% |
| Phillips | 214.33 | 766,831 | 786,612 | 2.6\% | 4,349,850 | 4.369,630 | 0.5\% |
| Pondera | 301.10 | 1,489,265 | 1,386,037 | -6.9\% | 4,512,833 | 4,409,606 | -2.3\% |
| Powder River | 323.14 | 579,635 | 611,895 | 5.6\% | 2,057,789 | 2,090,049 | 1.6\% |
| Powell | 326.35 | 258,827 | 307.150 | 18.7\% | 4,065,760 | 4,114,083 | 1.2\% |
| Prairie | 269.96 | 302,341 | 331,650 | 9.7\% | 1,176,524 | 1,205,833 | 2.5\% |
| Ravalli | 301.16 | 323,562 | 350,831 | 8.4\% | 9,650,327 | 9,677,596 | 0.3\% |
| Richland | 233.33 \| | 808,552 | 862,643 | 6.7\% | 5,074,002 | 5.128,093 | 1.1\% |
| Roosevelt | 239.00 | 905,801 | 896,842 | -1.0\% | 5,927,461 | 5,918,501 | -0.2\% |
| Rosebud | 137.24 | 389,043 | 417,857 | 7.4\% | 25,094,404 | 25,123,218 | 0.1\% |
| Sanders | 261.14 | 93,000 | 107,356 | 15.4\% | 6,497,648 | 6,512,003 | 0.2\% |
| Sheridan | 232.97 | 824,679 | 820,467 | -0.5\% | 2,799,875 | 2,795,663 | -0.2\% |
| Silver Bow | 418.60 | 80,857 | 89,464 | 10.6\% | 21,069,599 | 21,078,205 | 0.0\% |
| Stillwater | 259.77 | 627,291 | 622,638 | -0.7\% | 5,131,479 | 5,126,826 | -0.1\% |
| Sweet Grass | 300.55 | 401,309 | 417,124 | 3.9\% | 2,490,970 | 2,506,785 | 0.6\% |
| Teton | 310.78 | 1,614,364 | 1,550,546 | -4.0\% | 4,794,439 | 4,730,621 | -1.3\% |
| Toole | 241.44 | 1,233,240 | 1,161,269 | -5.8\% | 4,269,639 | 4,197,668 | -1.7\% |
| Treasure | 267.57 | 201,908 | 232,439 | 15.1\% | 1,333,539 | 1,364,070 | 2.3\% |
| Valley | 319.46 | 1,532,441 | 1,547,343 | 1.0\% | 8,221,895 | 8,236,796 | 0.2\% |
| Wheatland | 285.10 | 376,277 | 395,467 | 5.1\% | 2,218,326 | 2,237,517 | 0.9\% |
| Wibaux | 202.40 | 229,168 | 232,367 | 1.4\% | 824,429 | 827,628 | 0.4\% |
| Yellowstone | 306.00 | 1,128,830 | 1,164,734 | 3.2\% | 60,736,784 | 60,772,687 | 0.1\% |
| Statewide |  | \$40,469,228 | 40,647,206 | 0.4\% | \$480,248,847 | \$480,426,826 | 0.04\% |

* NOTE: Estimated taxes are calculated using average state, county and school mill levies.


## TABLE 3

## Change in Taxable Value Per Acre - - - PHASE IN Current to Proposal (SB 168)

| Land Type | Acres | Taxable Value Per Acre |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Current | Proposed | Percent Change |
| Irrigated | 1,466,922 | \$9.17 | \$11.28 | 23.0\% |
| Grazing | 35,659,230 | \$1.06 | \$1.11 | 5.0\% |
| Continously Cropped Hay | 1,059,590 | \$5.22 | \$7.08 | 35.7\% |
| Non Irrigated Summer Fallow | 12,162,308 | \$6.83 | \$6.33 | -7.4\% |
| Non Irrigated Continously Cropped | 69,947 | \$16.67 | \$16.41 | -1.6\% |
| Statewide | 50,417,997 | \$2.80 | \$2.81 | 0.6\% |

## STATE OF MONTANA - FISCAL NOTE

Form BD-15
In compliance with a written request, there is hereby submitted a fiscal Note for sBol6g, second reading.

## DESCRIPTION OF PROPOSED LEGISLATION:

An act generally revising the taxation of agricultural land; revising the method of valuing agricultural lands in class three property for property tax purposes; providing for the determination of net income from agricultural land; holding constant the statewide total taxable value of class three property between reappraisal cycles; phasing in the change in the taxable value of agricultural lands; taxing class three property at the rate applicable to class four property; establishing an advisory committee to review all relevant costs, including water costs, in determining the productive capacity of irrigated lands; eliminating class eleven farmstead property by combining it with class four property; and providing an immediate effective date, an applicability date, and a termination date.

## ASSUMPTIONS:

As a point of reference, this fiscal note measures the impact of this proposal by comparing current valuations (tax year 1992) with estimated valuations under the proposal.

1. Current total assessed value of class three property (agricultural land) is $\$ 470,016,133$. The current tax rate for class three property is $30 \%$. The current total taxable value is $\$ 141,004,840$.
2. Estimated taxes paid by class three property (FY93) is $\$ 40,469,228$ (based on average state, county, and school mill levies for tax year 1992).
3. All estimates of the impact of this proposal are based on land schedule parameters and changes to land schedule formulas as recommended by the Agricultural Land Advisory Committee appointed by Governor Stephens (15-7-201(7), MCA). In summary, the recommendations incorporated into this fiscal note are:
a) The assessed value of agricultural land is determined by capitalizing the rental value of the land
b) Rental value is determined as $1 / 4$ cropshare on all cropland.
c) Prices and grazing fees are based on a seven-year Olympic historical average.
d) Water costs due to energy and labor are deducted from the rental value prior to determining assessed value on irrigated land.
e) The water cost categories are modified to account for higher costs. (The estimates in this fiscal note are based on a water cost of $\$ 12.50$. It is not expected for these estimates to differ much from the eventual valuations.)
f) The capitalization rate is $6.4 \%$.
g) The taxable rate is reduced from $30 \%$ to $3.86 \%$.
h) The taxable valuation change due to the proposal is phased in over four years beginning Jan. 1 , 1994.
4. Based on assumption 3 and current statewide ag land distribution, the total assessed value under the proposal for Jan. 1,1994 is estimated to be $\$ 3,663,439,249$. The total taxable value under the proposal for Jan. 1 , 1994 is estimated to be $\$ 141,408,755$.


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


 TOM BECK, PRIMARY SPONSOR DATE

Fiscal Note for SB0168, second reading
 and school mill levies for tax year 1992).
6. If new agricultural land schedules are calculated under existing law (15-7-201, MCA), the result will be an increase in the taxable value of class three by 258 t over current law. This increase would be effective Jan. 1, 1993.
7. Tax year 1992 taxable value of class eleven property (farmsteads) is $\$ 60,258,864$. Reclassifying this property as class four results in a taxable rate increase from 3.088\% to 3.86\%. This increases the total taxable value of chis property to $\$ 75,323,580$.
8. 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.

## FISCAL IMPACT:

Revenues:
The impact of the proposal begins with the phase in taxable values replacing current taxable values Jan. 1 , 1994 (FY95 property tax revenues).

Impact Due to Agricultural Land Reappraisal (First Year $25 \%$ Phase in) :

## Statewide

The proposal results in little change to statewide taxable value of class three property and estimated tares paid by class three property.

Ag Land Taxable Value Shift Between Counties (Tables 1 and 2)
Although the proposal is statewide revenue neutral with respect to ag land, there is shifting of ag land taxable valuation between counties. The impacts range from a maximum increase in class three taxable valuation of $10.3 \%$ (Deer Lodge County) to a maximum decrease in class three taxable valuation of $-6.1 \%$ (Chouteau County).

Likewise, the estimated property taxes paid by class three property range from a maximum increase of 10.3 (Deer Lodge County) to a maximum decrease of -6.1\% (Chouteau County).

Taxable Value Shift Between Ag Land Types (Table 3)
The proposal also shifts taxable between agricultural land types. Irrigated, grazing, and continuously cropped hay land will increase in taxable value per acre. Non-irrigated sumer fallow and non-irrigated continuously cropped agricultural land will decrease in taxable value per acre. results are summarized in the tables below:

## FISCAL IMPACT: (Contimued)

Increase to State Funds:

```
Universities (02)
School Foundation (02)
    Total
```



Increase to Local Governments:

|  | FY94 |  | FY95 |  |
| :---: | :---: | :---: | :---: | :---: |
| Counties | \$ | 0 | \$ | 1,184,000 |
| Local Schools |  | 0 |  | 1,758,000 |
| Total | \$ | 0 | \$ | 2,942,000 |

## Expenditures:



| Property Valuation | FY 94 |  |  |
| :---: | :---: | :---: | :---: |
|  | Current Law | Proposed Law | Difference |
| FTE | 398.66 | 408.16 | 9.50 |
| Personal Services | \$ 11,885,655 | \$ 12,113,340 | \$ 227,685 |
| Operating Expenses | 2,180,406 | 2,214,153 | 33,747 |
| Equipment | 222,278 | 0 | 0 |
| Debt Service | 269,800 | 0 | 0 |
| Total | \$ 14,558,139 | \$ 14,819,571 | \$ 261,432 |
| General Fund Impact | \$ 14,558,139 | \$ 14,819,571 | \$ 261,432 |


| FY .95 |  |  |  |
| :---: | :---: | :---: | :---: |
| Current Law | Proposed Law |  | rence |
| 398.66 | 398.6 |  | 0 |
| \$ 11,913,545 | \$ 11,913,545 | \$ | 0 |
| 2,192,109 | 2,197,077 |  | 4,968 |
| 205,648 | 0 |  | 0 |
| 269,800 | 0 |  | 0 |
| \$ 14,581,102 | \$ 14,586,070 | \$ | 4,968 |
| \$ 14,581,102 | \$ 14,586,070 | \$ | 4,968 |

SB168-142

## TABLE 1

## Change in Taxable Value --- 1st YEAR PHASE IN (25\%) Current vs. Proposal (SB 168, 2nd reading)

| County | Impact to County Total Ag Land Taxable Value |  |  |
| :---: | :---: | :---: | :---: |
|  | Current | Proposed (25\% Phase in) | Percent Change |
| Beaverhead | \$2,330,217 | \$2,519,224 | 8.1\% |
| Big Horn | \$3,441,632 | \$3,491,698 | 1.5\% |
| Blaine | \$3,889,266 | \$3,973,569 | 2.2\% |
| Broactwater | \$1,027,449 | \$1,058,700 | 3.0\% |
| Carbon | \$2,154,795 | \$2,196,025 | 1.9\% |
| Carter | \$1,714,560 | \$1,798,838 | 4.9\% |
| Cascade | \$4,937,046 | \$4,835,486 | -2.1\% |
| Chouteau | \$12,785,972 | \$12,004,774 | -6.1\% |
| Custer | \$2,126,631 | \$2,241,216 | 5.4\% |
| Daniels | \$2,373,771 | \$2,390,896 | 0.7\% |
| Dawson | \$3,040,230 | \$3,122,321 | 2.7\% |
| Deer Lodge | \$231,178 | \$255,086 | 10.3\% |
| Fallon | \$1,285,985 | \$1,336,533 | 3.9\% |
| Fergus | \$6,002,715 | \$5,911,188 | -1.5\% |
| Flathead | \$1,517,960 | \$1,560,898 | 2.8\% |
| Gallatin | \$2,783,397 | \$2,794,736 | 0.4\% |
| Garfield | \$2,800,632 | \$2,909,562 | 3.9\% |
| Glacier | \$3,265,126 | \$3,135,215 | -4.0\% |
| Golden Valley | \$1,122,288 | \$1,145,155 | 2.0\% |
| Granite | \$506,173 | \$535,684 | 5.8\% |
| Hill | \$6,830,214 | \$6,756,282 | -1.1\% |
| Jefferson | \$549,496 | \$582,187 | 5.9\% |
| Judith Basin | \$3,177,281 | \$3,142,124 | -1.1\% |
| Lake | \$1,267,532 | \$1,396,390 | 10.2\% |
| Lewis And Clark | \$1,568,243 | \$1,597,519 | 1.9\% |
| Liberty | \$3,662,622 | \$3,599,169 | -1.7\% |
| Lincoln | \$112,666 | \$121,600 | 7.9\% |
| Madison | \$2,081,935 | \$2,141,840 | 2.9\% |
| McCone | \$3,452,851 | \$3,480,682 | 0.8\% |
| Meagher | \$1,382,720 | \$1,432,193 | 3.6\% |
| Mineral | \$63,507 | \$66,511 | 4.7\% |
| Missoula | \$457,022 | \$482,188 | 5.5\% |
| Musselshell | \$1,528,630 | \$1,552,191 | 1.5\% |
| Park | \$1,469,303 | \$1,469,568 | 0.0\% |
| Petroleum | \$834,373 | \$866,746 | 3.9\% |
| Phillips | \$3,577,845 | \$3,623,990 | 1.3\% |
| Pondera | \$4,946,152 | \$4,774,732 | -3.5\% |
| Powder River | \$1,793,774 | \$1,843,691 | 2.8\% |
| Powell | \$793,096 | \$867,132 | 9.3\% |
| Prairie | \$1,119,949 | \$1,174,233 | 4.8\% |
| Ravalli | \$1,074,381 | \$1,119,655 | 4.2\% |
| Richland | \$3,465,230 | \$3,581,139 | 3.3\% |
| Roosevelt | \$3,789,980 | \$3,771,235 | -0.5\% |
| Rosebud | \$2,834,829 | \$2,939,807 | 3.7\% |
| Sanders | \$356, 135 | \$383,622 | 7.7\% |
| Sheridan | \$3,539,815 | \$3,530,775 | -0.3\% |
| Silver Bow | \$193,162 | \$203,442 | 5.3\% |
| Stillwater | \$2,414,761 | \$2,405,806 | -0.4\% |
| Sweet Grass | \$1,335,250 | \$1,361,560 | 2.0\% |
| Teton | \$5,194,637 | \$5,091,961 | -2.0\% |
| Toole | \$5,107,754 | \$4,958,712 | -2.9\% |
| Treasure | \$754,598 | \$811,650 | 7.6\% |
| Valley | \$4,797,035 | \$4,820,358 | 0.5\% |
| Wheatland | \$1,319,804 | \$1,353,460 | 2.6\% |
| Wibaux | \$1,132,251 | \$1,140,154 | 0.7\% |
| Yellowstone | \$3,688,984 | \$3,747,650 | 1.6\% |
| Statewide | \$141,004,840 | \$141,408,755 | 0.3\% |

TABLE 2

## Change in Estimated Taxes Paid --- 1st YEAR PHASE IN Current vs. Proposal (SB 168, 2nd reading)

| County | Impact to County Ag Land Estimated Taxes Paid |  |  |
| :---: | :---: | :---: | :---: |
|  | Current | Proposed (25\% Phase in) | Percent Change |
| Beaverhead | \$743,319 | \$803,610 | 8.1\% |
| Big Horn | 727,199 | \$737,778 | 1.5\% |
| Blaine | 1,033,762 | \$1,056,169 | 2.2\% |
| Broadwater | 245,570 | \$253,039 | 3.0\% |
| Carbon | 654,443 | \$666,965 | 1.9\% |
| Carter | 478,411 | \$501,927 | 4.9\% |
| Cascade | 1,803,254 | \$1,766,160 | -2.1\% |
| Chouteau | 4,035,703 | \$3,789,129 | -6.1\% |
| Custer | 835,263 | \$880,268 | 5.4\% |
| Daniels | 860,716 | \$866,926 | 0.7\% |
| Dawson | 1,072,082 | \$1,101,030 | 2.7\% |
| Deer Lodge | 103,897 | \$114,642 | 10.3\% |
| Fallon | 228,657 | \$237,644 | 3.9\% |
| Fergus | 1,991,948 | \$1,961,576 | -1.5\% |
| Flathead | 537,480 | \$552,683 | 2.8\% |
| Gallatin | 886,696 | \$890,308 | 0.4\% |
| Garfield | 776,912 | \$807,130 | 3.9\% |
| Glacier | 790,050 | \$758,615 | -4.0\% |
| Goiden Valley | 278,998 | \$284,683 | 2.0\% |
| Granite | 151,748 | \$160,595 | 5.8\% |
| Hill | 1,865,800 | \$1,845,604 | -1.1\% |
| Jefferson | 150,122 | \$159,054 | 5.9\% |
| Judith Basin | 918,728 | \$908,563 | -1.1\% |
| Lake | 365,544 | \$402,705 | 10.2\% |
| Lewis And Clark | 547,517 | \$557,737 | 1.9\% |
| Liberty | 1,058,777 | \$1,040,435 | -1.7\% |
| Lincoln | 31,828 | \$34,352 | 7.9\% |
| Madison | 509,968 | \$524,642 | 2.9\% |
| McCone | 1,081,991 | \$1,090,712 | 0.8\% |
| Meagher | 334,849 | \$346,830 | 3.6\% |
| Mineral | 22,092 | \$23,137 | 4.7\% |
| Missoula | 173,890 | \$183,466 | 5.5\% |
| Musselshell | 349,823 | \$355,214 | 1.5\% |
| Park | 400,520 | \$400,592 | 0.0\% |
| Petroleum | 254,450 | \$264,323 | 3.9\% |
| Phillips | 766,831 | \$776,721 | 1.3\% |
| Pondera | 1,489,265 | \$1,437,651 | -3.5\% |
| Powder River | 579,635 | \$595,765 | 2.8\% |
| Powell | 258,827 | \$282,988 | 9.3\% |
| Prairie | 302,341 | \$316,996 | 4.8\% |
| Ravalii | 323,562 | \$337,197 | 4.2\% |
| Richland | 808,552 | \$835,598 | 3.3\% |
| Roosevelt | 905,801 | \$901,322 | -0.5\% |
| Rosebud | 389,043 | \$403,450 | 3.7\% |
| Sanders | 93,000 | \$100,178 | 7.7\% |
| Sheridan | 824,679 | \$822,573 | -0.3\% |
| Silver Bow | 80,857 | \$85,161 | 5.3\% |
| Stillwater | 627,291 | \$624,965 | -0.4\% |
| Sweet Grass | 401,309 | \$409,216 | 2.0\% |
| Teton | 1,614,364 | \$1,582,455 | -2.0\% |
| Toole | 1,233,240 | \$1,197,255 | -2.9\% |
| Treasure | 201,908 | \$217,173 | 7.6\% |
| Valley | 1,532,441 | \$1,539,892 | 0.5\% |
| Wheatland | 376,277 | \$385,872 | 2.6\% |
| Wibaux | 229,168 | \$230,767 | 0.7\% |
| Yellowstone | 1,128,830 | \$1,146,782 | 1.6\% |
| Statewide | \$40,469,228 | \$40,558,217 | 0.2\% |

* NOTE: Estimated taxes are calculated using average state, county and school mill levies.

TABLE 3
Change in Taxable Value Per Acre - - 1 st YEAR PHASE IN (25\%) Current to Proposal (SB 168 2nd Reading)

| Land Type | Acres | Taxable Value Per Acre |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Current | Proposed (25\% Phase in) | Percent Change |
| Irrigated | 1,466,922 | \$9.17 | \$10.22 | 11.5\% |
| Grazing | 35,659,230 | \$1.06 | \$1.08 | 2.5\% |
| Continously Cropped Hay | 1,059,590 | \$5.22 | \$6.15 | 17.8\% |
| Non Irrigated Summer Fallow | 12,162,308 | \$6.83 | \$6.58 | -3.7\% |
| Non Irrigated Continously Cropped | 69,947 | \$16.67 | \$16.54 | -0.8\% |
| Statewide | 50,417,997 | \$2.80 | \$2.80 | 0.3\% |

$$
\begin{aligned}
& \text { APPROVED BY COMMITTEE } \\
& \text { ON TAXATION }
\end{aligned}
$$

INTRODUCED BY BECK，M．HANSON，GRINDE，KELLER， GRADY，HIBBARD，DEBRUYCKER，HARP，

CRIPPEN，MESAROS，LYNCH
BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED：＂AN ACT GENERALLY REVISING THE TAXATION OF AGRICULTURAL LAND；REVISING TEE METHOD OF VALUING AGRICULTURAL LANDS IN CLASS THREE PROPERTY FOR PROPERTY TAX PURPOSES；PROVIDING FOR THE DETERMINATION OF NET INCOME FROM AGRICULTURAL LAND；HOLDING CONSTANT THE STATEWIDE TOTAL TAXABLE VALUE OF CLASS THREE PROPERTY BETWEEN REAPPRAISAL CYCLES；PHASING IN OUER－qWӨ－－REAPPRAEBAB eyebes the change in the prebueqive－eapaełty taxable value OF AGRICULTURAL LANDS；TAXING CLASS THREE PROPERTY AT THE RATE APPLICABLE TO CLASS FOUR PROPERTY；ESTABLISHING AN ADVISORY COMMITTEE TO REVIEW ALL RELEVANT COSTS，INCLUDING WATER COSTS，IN DETERMINING TEE PRODUCTIVE CAPACITY OF IRRIGATED LANDS；ELIMINATING CLASS ELEVEN FARMSTEAD PROPERTY BY COMBINING IT WITH CLASS FOUR PROPERTY；AMENDING SECTIONS 7－13－2527，15－6－133，15－6－134，15－7－201，ANB－－45－8－ままます 15－10－402，AND 15－10－412，MCA；REPEALING SECTION 15－6－144， GCA；AND PROVIDING AN IMMEDIATE EFFECTIVE DATE，AN APPLICABILITY DATE，AND A TERMINATION DATE．＂

WHEREAS，THE MONTANA LEGISLATURE ADOPTED A PLAN IN 1975 FOR CYCLICAL REAPPRAISAL OF NONAGRICULTURAL LAND：AND

WHEREAS，NONAGRICULTURAL LAND HAS BEEN THROUGH THREE REAPPRAISAL CYCLES SINCE 1972，WITH THE VALUES OF TRE THIRD CYCLE BECOMING EFFECTIVE JANUARY 1，1993；AND

WHEREAS，AGRICULTURAL LAND HAS NOT BEEN REAPPRAISED SINCE 1963 AND THE MONTANA LEGISLATURE HAS DETERMINED THAT REAPPRAISAL OF AGRICULTURAL LAND IS NECESSARY FOR THE OVERALL IMPROVEMENT OF MONTANA＇S PROPERTY TAX SYSTEM；AND

WHEREAS，THE MONTANA LEGISLATURE HAS TRADITIONALLY KEPT THE TOTAL TAXABLE VALUE OF AN ENTIRE CLASS OF PROPERTY RELATIVELY CONSTANT BETWEEN REAPPRAISAL CYCLES BY ADJUSTING TAX RATES；AND

WHEREAS，THE MONTANA LEGISLATURE DESIRES TO KEEP THE TOTAL TAXABLE VALUE OF AGRICULTURAL LAND CONSTANT DESPITE REAPPRAISAL；AND

WHEREAS，THE NEW METHOD OF DETERMINING PRODUCTIVE CAPACITY OF VARIOUS SUBCLASSES OF AGRICULTURAL LAND RESULTS IN SIGNIFICANT INCREASES OR DECREASES IN INDIVIDUAL REAPPRAISED VALUES；AND

WHEREAS，THE MONTANA LEGISLATURE FINDS THAT IT IS EQUITABLE AND DESIRABLE FOR THE TAX SYSTEM AS A WHOLE THAT THE INCREASES AND DECREASES IN TAXABLE VALUE OF AGRICULTURAL LAND BE PHASED IN OVER THE APPRAISAL CYCLE：AND

WHEREAS，THE MONTANA LEGISLATURE CONSIDERS IT

[^1]（iii）Nonproductive patented mining claim property must be valued as if the land were devoted to agricultural grazing use．
（2）Class three property is taxed at the taxable percentage rate $\boldsymbol{u p}^{\mu}$－of－its－productive－capacity applicable to class four property，as provided in 15－6－134（2）（a）．
 for－etans－three－property－is－30t－
t4t－－Priar－－to－－Juty－－zt－i986t－the－department－of－revenue shatz－determine－the－taxabte－percentage－rate－－npu－－apptieabie to－－etass－three－property－for－the－revatuation－eyełe－beginning Jantary－̇ャーł9日6т－as－fotłowst
tat－－qhe－difector－of－the－－department－－of－－revenue－－shati certify－－to－the－governor－before－fuiy－it－ 4906 －the－percentage by－which－the－appraieed－vazue－of－atz－property－－in－－the－－atate ełassififed－－under－－ełass－－three－－as－－of－すanuary－まy－ł986t－hea increased－due－to－the－revałuation－conducted－－under－－75－7－¥ıif This－－－figure－－－ig－－－the－－－＂eertificd－－statewide－－percentage increasen ${ }^{\text {a }}$
tbt－－The－tarabie－vatue－of－property－－in－－etass－－three－－is determined－－－as－－－a－－function－－of－－the－－certifited－－statewide percentage－increase－－in－－aceordance－－with－－the－－tabte－－shown bełow－
tet－－This－tabte－timits－the－statewide－inerease－in－tarabłe vatuation－－reautting－－from－reappraiaaz－to－0日r－In－eatentating

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the-percentage-inereaset-the--department--may--not--consider
agricutturaz-use-changes-during-catendar-year-4905-
    tdt--\Psihe---taxabze--percentage--must--be--eazeumated--by
interpolation-to-coineide--with--the--nearest--whote--number
certified--statewide--percentage-increase-from-the-fotzowing
tabie:
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Certified-Statewide
Percentage-Inerease
$-\theta$
$\pm 0$
$2 \theta$
30
$4 \theta$
50
 the--department--te--the-taxabte-percentage-rate-Apa-untit-a revatuation-has-been-made-as-provided-in-i5-7-iti-"

Section 2. Section 15-7-201, MCA, is amended to read:
"15-7-201. (Temporary -- applicable to 1986 land valuation schedules) Legislative intent -- value of agricultural property. (1) Since Because the market value of many agricultural properties is based upon speculative purchases whieh that do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shatt be

## ełass-甲hree-Taxabłe

Percentage-npu
$3 \theta-\theta \theta$
27:27
Z5- $0 \boldsymbol{\theta}$
23-0日
zy-43
$2 \theta-\theta \theta$
classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.
(2) Agricultural land shałt must be classified according to its use, which classifications shatt include but are not be limited to irrigated use, nonirrigated use, and grazing use. Within each class, land shatit must be assessed at a value that is fairly based on its ability to produce, taking into consideration the classification system in existence on January 1, 1986, provided department may consolidate tillable irrigated land classes. With relation to irrigated land, water costs shati must be taken into consideration, except at no time may the resulting value of irrigated land be reduced below the value such that the land would have if it were not irrigated.
(3) Capital costs, such as improved water distribution, fertilizer, and land shaping that increase productivity, shaz may not be used in determining assessed valueg.

15-7-201. (Applicable to 49931994 and later land valuation schedules) Legisiative intent -- value of agricultural property. (1) since Because the market value of many agricultural properties is based upon speculative purchases which that do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shazt be
classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes．
（2）Agricultural land shałt must be classified according to its use，which classifications shałt include but are not be limited to irrigated use，nonirrigated use， and grazing use．
（3）Within each class，land shazz－be－assessed－at－a vatue－that－is－fairiy－based－on－its－productive－－eapaeity must be subclassified by production categories．Production categories are determined from the productive capacity of the land based on yield．
（4）In computing the agricultural land valuation schedules to take effect on the－date－－that－－the－revaiuation
 t5－7－$\ddagger \pm \pm$ January 1,1994 ，and，thereafter，on the effective date when each revaluation cycle takes effect pursuant to 15－7－111，the department of revenue shall determine the productive capacity value of all agricultural lands using the formula $V=I / R$ where：
（a）$V$ is the per－acre productive capacity value of agricultural land in each land use and production category；
（b）I is the per－acre net income of agricultural land in each land use and production category and is to be determined by－the－departanent－using－the－formuła－ま－e－fP－－－et－u
wheres
titー－玉－is－the－per－acre－net－incomer
tixt－P－－is－－the－－per－unit－－price－－of－the－comanodity－being produced：
tixit－e－is－the－per－unit－production－cost－of－the－commodity being－produced－－and
tivt－U－is－the－yiezd－in－unite－per－－aere as provided in gubsection（5）；and
（c）$R$ is the capitalization rate to－be－determined－by the－department－as－provided－in－subsection－t9t and is equal to 6．48．This capitalization rate must remain in effect until new agricultural land valuation schedules are computed as required by law．
t5i－Net－income－ahati－ber
fat－－caicuiated－for－each－year－of－a－base－periodi－whieh－is the－most－recent－3－year－period－for－which－data－are－－avaiłabłer prier－－to－a－revatuation－of－property－as－provided－in－i5－7－łitit and
tbt－－based－on－comodity－prife－and－production－－cost－－data for－－the－－base－period－from－such－sources－as－may－be－considered appropriate－by－the－departmentr－which－sources－－shati－－inetude Montana－state－university－

15）（a）Net income must be determined separately in each land use based on production categories．
（b）Net income must be based on commodity price data，
grazing fees, crop share arrangements, and produetion WATER cost data for the base period.
(I) Commodity price datat AND grazing feest---and production--eost--data for the base period must be obtained from the Montana Agricultural Statistics and from the Montana crop and livestock reporting service.
(II) CROP SHARE ARRANGEMENTS ARE BASED ON THE RENTAL VALUE OF THE LAND AND AVERAGE LANDOWNER COSTS.
(III) ALLOWABLE WATER COSTS CONSIST ONLY OF THE PER-ACRE LABOR COSTS AND ENERGY COSTS OF IRRIGATION.
(A) LABOR COSTS ARE ZERO FOR PIVOT SPRINKLER IRRIGATION SYSTEMS; S4.50 AN ACRE FOR TON LINES, SIDE ROLL, AND LATERAL SPRINKLER IRRIGATION SYSTEAS; AND S9 AN ACRE FOR HAND-MOVED AND FLOOD IRRIGATION SYSTEMS.
(B) ENERGY COSTS MUST BE BASED ON PER-ACRE ENERGY COSTS INCURRED IN 1992. BY JULY 1, 1993, AN OWNER OF IRRIGATED LAND SHALL PROVIDE THE DEPARTMENT, ON A FORM PRESCRIBED BY THE DEPARTMENT, WITH ENERGY COSTS INCURRED IN 1992. IN THE EVENT TEAT NO ENERGY COSTS WERE INCURRED IN 1992, THE OWNER OF IRRIGATED LAND SHALL PROVIDE THE DEPARTMENT WITH ENERGY COSTS FROM THE MOST RECENT YEAR AVAILABLE. THE DEPARTMENT SHALL ADJUST THE MOST RECENT YEAR'S ENERGY COSTS TO REFLECT COSTS IN 1992.
(c) The base crop for valuation of irrigated land is alfalfa Hay, ADJUSTED TO 80\% OF SALES PRICE, and the base
crop for valuation of nonirrigated land is wheat. The base unit for valuation of grazing lands is the average grazing fee for a 1,000 -pound animal.
(d) The base period used to determine net income must be the most recent 7 years for which data is available prior to the date the revaluation cycle ends. Commodity price datar AND grazing feest-and-production-cost-data referred to in subsection (5)(b) must be averaged for the 7-year period, but the average must exclude the lowest and highest commodity prices or grazing fees and-the-towest-and--highest prodnetion-costs in the period.
t6t--Te--the--degree--avatzabłet--the--department--shazt compize:
tat--commodity--price-data-reftecting-the-average-prices received--per--unit--of--meamure--by-Montana--farmers---and ranchers:--Bueh--daea--may-be-obtained-from-azt-geographicaz areas-of-the-state---Comodity--priees--may--inczude--wheaty barteyt--atfazfa--hayt--grass--hayp-corn-for-graint-corn-for sitaget-sugar-beetst-dry-beanst-potatoest-cattiet-and-sheep= Government--paymento--may--be--considered=--Фypieat---rentaz arrangemente-may-be-considered=
tby--production--eost--data-refteeting-average-costs-per unit-of-measure-paid-by-Montana-farmers-and--ranchers:--Sueh data--may--be--obtained--from--atz-geographicat-areas-of-the state--8uch-production-costo-may-inetude-costs--retating--to
irrigationt－－fertitigationt－－fuezt－aeedt－weed－controzt－hifred tabort－managementt－insurancet－repairs－and－－maintenancet－－and miscełłancous－－items－－Variations－in－specific－production－cost datap－when－affeeted－by－different－tevets－of－－prodactiont－－and typieat－rentai－arrangements－may－be－considered：
（6）The department shall compile data and develop valuation manuals adopted by rule to implement the valuation method established by subsections（4）and（5）．
（7）The department GOVERNOR shall appoint an advisory committee of persons knowledgeable in agriculture and agricultural economics to compile and review the data prepared－－－by－－－Montana－－state－－university－－and－－advise－－the department－on－the－impłementation－of－subsections－tzt－－through t6t required by subsections（4）and（5）．The advisory committee shall include one member of the Montana state university，college of agriculture，staff．The advisory committee shall recommend agricultural land valuation schedules to the department．WITH RESPECT TO IRRIGATED LAND， THE VALUE OF IRRIGATED LAND MAY NOT BE BELOW THE VALUE THAT THE LAND WOULD HAVE IF IT WERE NOT IRRIGATED．
f8t－－Net－income－shałz－be－determined－separateły－for－łanda in－itirigated－user－nonirfigated－－user－－and－－grazing－－use－－and shatz－－be－－cateułated－－for－－ench－－ase－－and－－production－zeveł aceording－to－the－provisions－of－aubsections－t4t－through－f7t\％
t9t－－The－capitałization－rate－－shałz－－be－－catcutated－－for
each－－year－－of－－the－－base－－period－－and－ig－the－annuat－average interest－rate－on－－agrieuzturaz－－toans－－as－－reported－by－－the federat－－łand－－bank－assocfation－of－Spokanet－Washingtont－płta the－effeetive－tax－rate－in－Montana＝
$t \pm \theta t-$ Phe－effective－tax－rate－shałt－be－cazeutated－－by－－the department－－for－each－year－of－the－base－period－by－dividing－the totaz－estimated－tax－due－on－agrieuteuraz－tand－in－the－state－by ehe－totaz－productive－eapacity－vatue－of－agrieuteuraz－zand－－in the－stater＂

NEW－GEeq干日N：－－Section－3．－－Fhasein－－of－－agrieuteuraz－tand－ vatuest－The－increase－－or－－decrease－－in－－productive－－eapacity vałues－－of－－agricutturaz－łand－determined－in－35－7－z日z－must－be phased－in－over－two－reappraisat－eyetest－as－fozzowas．
t土t－－Por－the－－revałuation－－eyete－－beginning－－danuary－－łt 4994t－－and－－ending－－Becember－3it－ $\mathbf{4 9 9 6 7 - t h e - a s s e s s e d - v a ł u e - o f ~}$ agrieuteuraz－łand－in－each－łand－use－and－－production－－category must－－increase－－or－decrease－by－50z－of－the－difference－between the－－productive－－capacity－－－vaiue－－－of－－－agrientturaz－－－łand deterained－in－i5－7－zet－for－i994－łand－vatuation－schedutes－and the－－assessed－－vałue－of－agrieutturat－łand－as－of－Becember－3tt 19937
tzt－－Beginning－よanuary－z7－ $\mathbf{i 9 9 7}$－the－－assessed－－vazue－－of agrieuteuraz－－łand－－in－eaeh－łand－use－and－production－category aust－－be－－ifti－－of－－the－－－productive－－－capacity－－－vatue－－－of agricuzturaz－łand－determined－in－ł5－7－2日it

NEW－sBeq的：－－Section－4：－Advisory－－eommitee－－－－－review－ of－water－costs：－The－department－of－revenue－shatu－appoint－an advisory－－commiteee－knowtedgeabłe－in－irfigated－agrieuteuraz operations－to－review－water－costs－associated－－with－－irfigated士ands－－and－－to－－recommend－to－the－department－how－water－costs should－be－consirdered－－for－－determining－－the－－irrigated－－tand vaiuation－－sehedutes－－that－－take－effeet－Jantary－ty－i997－－The committee－－shati－－present－－－its－－－recommendations－－－te－－－the department－by－danuary－łт－1995＝

Section－5－－Seetion－i5－8－i¥i7－MEAT－is－amended－to－zead：－－
4士5－8－ま亡t：－－Assessment－－－－－－－market－－vałue－－standard－－－－
 ze日f－of－its－market－vałue－except－as－otherwise－provided－
tzt－－tat－Market－－vatue－－is－－the－－vałue－at－which－property woutd－change－hands－between－a－wititing－buyer－－and－a－wititng setiert－neither－being－under－any－eomputsion－to－buy－or－to－seti and－both－having－reasonabłe－knowłedge－of－retevant－facts－
fbt－－玉f－－the－－department－－uses－－construction－cost－as－one approximation－of－market－vałuef－the－－department－－shałt－－fuizy conatder－－reduction－in－vałue－cansed－by－deprectationt－whether through－physicat－depreciationf－functionat－－obsoteacencer－or economie－obsotescencet
fet－Except－－as－－provided－－in－subsection－t3ty－the－market vatue－of－azi－motor－trueksi－agricutturaz－－tootsi－－impzementst and－－machineryt－and－vehicłes－of－atithindsp－inełuding－but－not
zinited－－to－－boats－－and－－aiz－－watereraftr－－iso－－the－－－average whotesate－－vazue－－shown－－in－－nationaz－－appraiaat－－guides－and manuats－or－the－vaiue－of－the－－vehiete－－before－－reconditioning and－－profit－－margin－－The－department－of－revenue－shati－prepare vatuation－schedutes－showing－the－average－whotesate－vatue－when no－nationet－appraisaz－guide－existat
†3才－THe－department－of－revenue－or－－its－－agents－－may－－not adopt－－a－－tower－－or－－different－standard－of－vatue－from－market vatue－in－making－the－officiaz－assessment－and－appraisaz－of－the vatue－of－propertyt－except：
tat－－the－whozesate－vazue－for－agrieutturat－imptements－and machinery－is－the－tean－vatue－as－shown－in－the－Өfficiaz－－Өuidet Tractor－－and－－Pafm－Equipmentr－pubłished－by－the－nationat－farm and－－power－－equipment－－deaters－－－assoeíationt－－－Sti－－－bouist Missourit
fbt－for－－－agrieutturat－－impzements－－and－－machinery－－not tisted－in－the－officiat－guidep－the－department－shati－prepare－a supptementat－－manuaz－－where－－the－－vałuea－－refteet－－the－－same depreciation－as－those－found－in－the－officiat－guider－and
tet－as－otherwise－authorized－in－9itze－t5－and－9itze－6t
t＋t－－Por－purposes－of－tanationt－－assessed－－vatue－－is－－the same－as－appratsed－vatue＝
t5t--甲he---tamabze---vatue---for--azt--property--is--the
percentage－of－market－or－assessed－vatue－estabisshed－for－－each etess－of－property：

> (6)--The---assessed--vałue--of--properties--in--35-6-t3i through-75-6-t33-is-as-fettows:
> tat--Properties--in-- $\mathbf{t 5 - 6 - 7 3 \ddagger \text { т--under--Cłass--onet--are }}$ assessed-at-t00f-of-the-annuat-net-proceeds-after-deducting
appticabłer－as－provided－in－ $15-73-5 \neq 5-$ or－$\ddagger 5-23-5 \pm 6=$
tbt－－Properties－－－in－－t5－6－7325－－under－－etass－－twof－－are
assessed－at－ま日娄－of－the－annuat－gross－proceeds：
tet－－Properties－in－－¥5－6－ł337－－under－－etass－threer－－are
assessed－at－$\ddagger \theta \theta$－of－the－productive－capacity－of－the－tandsi－as
provided－－in－－fsection－－3t7 when－－vatued－－for－－agrieuteurat
purposes．－Atz－tands－that－meet－the－quatifications－of－75－7－20z
are－vazued－as－agrieutturaz－tands－for－eax－purposes：
at－－i日8
timber－and－grazing－productivity－of－che－tand－when－－vatued－－as
timberłand：
under－－ełass－－tent－－are－－assessed－at－－ま日电－－of－－the－－forest
productivity－vałue－of－the－łand－when－vałued－as－forest－zand－
＋7サ－－band－and－the－improvements－－thereon－－are－－separateły
assessed－when－any－of－the－fotłowing－conditions－oceur：
tat－－ownership－－of－－the－－improvements－－is－different－from
ownership－of－the－tand；
tbt－－the－taxpayer－makes－a－written－requesti－or
tet－－the－łand－is－outside－an－incorporated－eity－－or－town－ tSubsection－－t6ttat－terminates－danuary－ty－t994－－sec＝－ł9r－eh．


NEW SECTION．SECTION 3．PHASEIN OF THE TAXABLE VALUE OF AGRICULTURAL LAND．THE INCREASE OR DECREASE IN TAXABLE VALUE OF AGRICULTUKAL LAND RESULTING FROM THE CHANGE IN THE METEOD OF DETERMINING PRODUCTIVE CAPACITY VALUE UNDER 15－7－201 MUST BE PHASED IN BEGINNING JANUARY 1，1994，AS FOLLOWS：
（1）FOR THE YEAR BEGINNING JANUARY 1，1994，AND ENDING DECEMBER 31，1994，THE TAXABLE VALUE OF AGRICULTURAL LAND IN EACE LAND USE AND PRODUCTION CATEGORY MUST INCREASE OR DECREASE FROM THE DECEMBER 31，1993，VALUE BY $25 \%$ OF THE DIFFERENCE BETWEEN THE PRODUCT OF THE PRODUCTIVE CAPACITY VALUE OF AGRICULTURAL LAND FOR 1994 DETERMINED UNDER 15－7－201 TIMES THE CLASS THREE TAX RATE AND THE TAXABLE VALUE OF AGRICULTURAL LAND AS OF DECEMBER $31,1993$.
（2）FOR THE YEAR BEGINNING JANUARY 1，1995，AND ENDING DECEMEER 31，1995，THE TAXABLE VALUE OF AGRICULTURAL LAND IN EACH LAND USE AND PRODUCTION CATEGORY MUST INCREASE OR DECREASE FROM THE DECEMBER 31，1993，VALUE BY $50 \%$ OF THE DIFFERENCE BETWEEN THE PRODUCT OF THE PRODUCTIVE CAPACITY VALUE OF AGRICULTURAL LAND FOR 1994 DETERMINED UNDER 15－7－201 TIMES TEE CLASS THREE TAX RATE AND THE TAXABLE

VALUE OF AGRICULTURAL LAND AS OF DECEMBER 31, 1993.
(3) FOR THE YEAR BEGINNING JANUARY 1, 1996, AND ENDING DECEMBER 31, 1996, THE TAXABLE VALUE OF AGRICULTURAL LAND IN EACH LAND USE AND PRODUCTION CATEGORY MUST INCREASE OR DECREASE FROM THE DECEMBER 31, 1993, VALUE BY $75 \%$ OF THE DIFEERENCE BETWEEN THE PRODUCT OF THE PRODUCTIVE CAPACITY VALUE OF AGRICULTURAL LAND FOR 1994 DETERMINED UNDER 15-7-201 TIMES THE CLASS THREE TAX RATE AND THE TAXABLE VALUE OF AGRICULTURAL LAND AS OF DECEMBER 31, 1993.
(4) BEGINNING JANUARY 1, 1997, THE TAXABLE VALUE OF AGRICULTURAL LAND IN EACH LAND USE AND PRODUCTION CATEGORY IS EQUAL TO 100\% OF THE PRODUCTIVE CAPACITY VALUE OF AGRICULTURAL LAND DETERMINED UNDER 15-7-201 TIMES THE CLASS THREE TAX RATE.

NEW SECTION. SECTION 4. ADVISORY COMMITTEE -- REVIEW OF WATER COSTS AND CROP SHARE ARRANGEMENTS. (1) THE GOVERNOR SHALL APPOINT AN ADVISORY COMHITTEE TO REVIEW WATER COSTSI CROP SHARE ARRANGEMENTS, AND OTHER ISSUES INVOLVING THE ASSESSMENT AND VALUATION OF AGRICULTURAL LAND. THE MEMBERSHIP OF THE COMMITTEE MUST INCLUDE:
(A) ONE MEMBER REPRESENTING URBAN INTERESTS;
(B) TWO MEMBERS REPRESENTING WATER USERS, ONE OF WHOM MUST BE AN INDIUIDUAL WATER USER AND ONE OF WHOM MUST BE A REPRESENTATIVE OF AN ORGANIZED IRRIGATION DISTRICTi
(C) ONE MEMBER REPRESENTING GRAZING INTERESTS;
(D) ONE MEMBER REPRESENTING NONIRRIGATED CROPLAND INTERESTS:
(E) ONE MEMBER REPRESENTING MULTIPLE-USE FARMERS AND RANCHERS:
(F) ONE MEMBER REPRESENTING FINANCIAL INSTITUTIONS;
(G) TWO MEMBERS OF THE LEGISLATURE, NOT OF THE SAME POLITICAL PARTY, ONE OF WHOM MUST BE A MEMBER OF THE SENATE AND ONE OF WHOM MUST BE A MEMBER OF THE HOUSE OF REPRESENTATIVES: AND
(H) ONE MEMBER REPRESENTING LOCAL GOVERNMENT.
(2) THE COMMITTEE SHALL REVIEW WATER COSTS AND CROP SHARE ARRANGEMENTS ASSOCIATED WITH IRRIGATED LANDS AND RECOMMEND TO THE DEPARTMENT OF REVENUE BY JULY 1 , 1994, HOW WATER COSTS AND CROP SHARE ARRANGEMENTS SHOULD BE CONSIDERED FOR THE VALUATION OF IRRIGATED LAND. THE COMMITTEE MAY RECOMMEND THE ADJUSTMENT IN THE VALUATION OF OTHER AGRICULTURAL LAND CLASSES IN ORDER TO PREVENT A REDUCTION IN THE LEVEL OF STATEWIDE TAXABLE VALUATION OF AGRICULTURAL LAND.

SECTION 5. SECTION 7-13-2527, MCA, IS AMENDED TO READ:
-7-13-2527. List of property owners. (1) A copy of the order creating the district shazt must be delivered to the county assessor of each county within the district.
(2) The assessor shall, on or before August 1 of any given each year, prepare and certify a list of all persons

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(D) ONE MEMBER REPRESENTING MONIRRIGATED CROPLAND
    |
NCHERS;
    (F) ONE MEMBER REPRESENTING FINANCIAL INSTITUTIONS;
POLITICAL PARTY, ONE OF WHOM MUST BE A MEMBER OF THE SENATE
```

owning class four or-etasseteven property within sueh the district and deliver a copy of such the list to the board of trustees of aaid the district."

SECTION 6. 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 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-i and
(e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(2). including 1 acre of real property beneath the agricultural improvements. The 1 acre must be valued at market value.
(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 (l)(c) is taxed at 3.86 of its market value multiplied by a percentage figure based on income and determined from the following table:

| Income |  |  | Income |  |  | Percentag |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Single Person |  |  | Married Couple |  |  | Multiplie |
|  |  |  | Head of |  | sehold |  |
| \$ 0 | - \$ | 1,000 | \$ 0 | - \$ | \$ 1,200 | 08 |
| 1,001 | - | 2,000 | 1,201 | - | 2,400 | $10 \%$ |
| 2,001 | - | 3,000 | 2.401 | - | 3,600 | $20 \%$ |
| 3.001 | - | 4,000 | 3,601 | - | 4,800 | $30 \%$ |
| 4,001 | - | 5,000 | 4,801 | - | 6,000 | 40 \% |
| 5,001 | - | 6,000 | 6,001 | - | 7,200 | 50\% |
| 6,001 | - | 7,000 | 7,201 | - | 8.400 | $60 \%$ |

 subsection (2)(b)(i) must be adjusted for inflation annually 6 by the department of revenue. The adjustment to the income subsection (2)(a).
(3) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate for class four property until a revaluation has been made as provided in
(4) Within the meaning of comparable property as
defined in 15-1-101, property assessed as commerial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than comercial property."

## SECTION 7. SECTION 15-10-402, MCA, IS AMENDED TO READ:

${ }^{-15-10-402}$. Property tax limited to 1986 levels. (1) Except as provided in subsections (2) and (3), the amount of taxes levied on property described in 15-6-133, 15-6-134, and 15-6-136,-end--45-6-744 may not, for any taxing jurisdiction, exceed the amount levied for taxable year 1986.
(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts. Title 7 , chapter 12, part 21: special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded indebtedness.
(3) New construction or improvements to or deletions from property described in subsection (1) are subject to taxation at 1986 levels.
(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to
inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill."

SECTION 8. SECTION 15-10-412, MCA, IS AMENDED TO READ:
${ }^{\prime \prime} 15-10-412$. Property tax limited to 1986 levels -clarification -- extension to all property classes. Section 15-10-402 is interpreted and clarified as follows:
(1) The limitation to 1986 levels is extended to apply to all classes of property described in Title 15 , chapter 6 , part 1.
(2) The limitation on the amount of taxes levied is interpreted to mean that, except as otherwise provided in this section, the actual tax liability for an individual property is capped at the dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which case the actual tax liability for an individual property is capped at the dollar amount due in that taxing unit for the 1985 tax year.
(3) The limitation on the amount of taxes levied does not mean-that-no prohibit a further increase may-be-made in
the total taxable valuation of a taxing unit as a result of
(a) annexation of real property and improvements into a taxing unit;
(b) construction, expansion, or remodeling of improvements;
(c) transfer of property into a taxing unit;
(d) subdivision of real property;
(e) reclassification of property;
(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
(g) transfer of property from tax-exempt to taxable status: or
(h) revaluations caused by:
(i) cyclical reappraisal; or
(ii) expansion, addition, replacement, or remodeling of improvements.
(4) The limitation on the amount of taxes levied does not mean-that-no prohibit a further increase may-be-made in the taxable valuation or in the actual tax liability on individual property in each class as a result of:
(a) a revaluation caused by:
(i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or
(ii) cyclical reappraisal;
(b) transfer of property into a taxing unit;
(c) reclassification of property;
(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
(e) annexation of the individual property into a new taxing unit: or
(f) conversion of the individual property from tax-exempt to taxable status.
(5) Property in etasses class four and-eteven is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1,1986 , is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:
(a) new construction;
(b) expanded, deleted, replaced, or remodeled improvements;
(c) annexed property; or
(d) property converted from tax-exempt to taxable status.
(6) Property described in subsections (5)(a) through (5)(d) that is not class four or-etass--eteven property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986
mills levied.
(7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:
(a) the taxing unit's taxable valuation decreases by $5 \%$ or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5 or more from the 1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but in-no-case-may the mills levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.
(b) a levy authorized under Title 20 raised less revenue in 1986 than was raised in either 1984 or 1985, in which case the taxing unit may, after approval by the voters
in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during 1984, 1985, and 1986;
(c) a levy authorized in 50-2-111 that was made in 1986 was for less than the number of mills levied in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during 1984, 1985, and 1986.
(8) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:
(a) rural improvement districts;
(b) special improvement districts;
(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;
(d) city street maintenance districts;
(e) tax increment financing districts;
(f) satisfaction of judgments against a taxing unit;
(g) street lighting assessments;
(h) revolving funds to support any categories specified in this subsection (8);
(i) levies for economic development authorized pursuant to 90-5-112(4);
(j) levies authorized under 7-6-502 for juvenile detention programs; and
(k) elementary and high school districts.
(9) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:
(a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;
(b) an explanation of the nature of the financial emergency;
(c) an estimate of the amount of funding shortfall expected by the taxing unit;
(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;
(e) a finding that there are no alternative sources of revenue;
(f) a summary of the alternatives that the governing body of the taxing unit has considered; and
(g) a statement of the need for the increased revenue and how it will be used.
(10) (a) The limitation on the amount of taxes levied
does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.
(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:
(i) a city-county board of health as provided in Title 50 , chapter 2 , if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.
(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2).
(11) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its 1986 revenue.
(12) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402."

NEW SECTION. SECTION 9. REPEALER. SECTION 15-6-144, MCA, IS REPEALED.

NEW SECTION. Section 10. Codification instruction.

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[Sections 3 and 4] are intended to be codified as an
integral part of Title 15, chapter 7, part 2, and the
provisions of Title 15, chapter 7, part 2, apply to
[sections 3 and 4].
NEW SECTION. Section 11. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this actl is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.
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NEW SECTION. Section 12. Termination. [Section ..... 4]

``` terminates January \(1, \pm 9971995\).
NEW SECTION. Section 13. Effective date -applicability. [This act] is effective on passage and approval and applies to tax years beginning on or after January 1, 1994.
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SEMATE BILL NO. 168 IMTRODUCED BY BECK, M. HAMBON. GRINDE, EELLER,

GRADY, HIBRARD, DEBRUYCKER, HARP,
CRIPPEN, MESAROS, LYNCE
BY REOUEST OF TEE DEPRARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT GMEPALLY REVIBING TETE TAXATION OF AGRICULTURAL LAND; REVISING TEF METEOD OF VALUING AGRICULTURAL LAMBS IN CLASS THRES PROPERTY FOR PROPERTY TAX PURPOSES ; PROVIDING FOR THE DEXERMIMATION OF NET INCOME FROM AGRICULYURAL LANDI BOLDING COASTANT THE gTATENIDE TOPAL TAXABLE VALUE OF CLASS TAREE PROPERTY

 OF AGRICULTURAL LANDS; TAXING CLASS TEREE PROPERTY AT TAE RATE APPLICABLE TO CLASS FOUR PROPERTY; ESTABLISHING AN ADVISORY COMNITTEE TO REVIEN ALL RELEVANT COBTS, IMCLUDING WATER COSTS $\perp$ IN DETERNINING TAE PRODUCTIVE CAPACITY OF IRRIGATED LANDS; ELIMIMATING CLASS RLEVEN PARNSTRAD PROPERTY BY COMBIEING IT WITR CLASS FOUR PBOPERTY; NMFIDING SECTIONS
 15-10-402, AND 15-10-412. MCA; REPEALIMG 8ECTIOA 15-6-144, MCA: AND PROVIDING AN IMNHDIATE EFFECTIVE DATE, AN APPLICABILITY DATE, AND A TERMIMATION DATE."
 FOR CYCLICAS RTAPPRAIEAL O mOMCRICULTURAL LAND; AND
 REAPPRAISAL CYCLEB EIMCS 1972, WITA TER VALUES OF THE TAIRD CYCLE BECONIMG EFPECTIVE JANTMYY 1. 1993; AND
maRAS, MGRICULTURAL LAD HAS HOT BEAEA RRAPPRAIEED
 RYAPPRAISAL OF AGRICULTURNL LAND IS MECFSBARY FOR TEE OVERALL IMPROVENEMT OF MONTAM'S PROPGRY TAX SYSTEM; AND

WHEREAS, THE MONTMNA LEGISLATURE RAS TRADITIONALLY EEPT TRE TOTAL TAXABLE VALUS OF AN GTIRE CLASS OP PROPERYY RELATIVELY CONSTANT BETNEEN REAPPRAISAL CYCLES BY ADJUBTIMG

## TAX RRTES; AND

WGEMEAS, THE MONTMA LEGISLATURE DESIRES TO* KEEP TEE TOTAL TAXABLE VALUE OF AGAICULTURAL LAND CONSTANT DESPITE REAPPRAISAL: AND

WHEREAS, TEE NEM METHOD OF DETERMINING PRODUCTIVE CAPACITY OF VARIOUS SUBCLASSES OF AGRICULTURAL LAAD RESULTB IN SIGNIFICANT INCREASES OR DECREASES IN INDIVIDUAL DRADPRATGEN VAIJIRS: AND

THERE ARE NO CHANGES IN THIS BILL AND WILL NOT BE REPRINTED. PLEASE REFER TO YELLOW COPY FOR COMPLETE TEXT.
SENATE BILL L MO. 168
1 25

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WHEREAS, THE MONTANA LEGISLATURE ADOPTED A PLAN IN 1975 FOR CYCLICAL REAPPRAISAL OF NONAGRICULTURAL LAND: AND
WHEREAS, NONAGRICULTURAL LAND HAS BEEN THROUGH THREE REAPPRAISAL CYCLES SIHCE 1972, WITH TEE VALUES OF TRE TEIRD CYCLE BECOMING EPFECTIVE JANUARY 1, 1993; AND
WHEREAS, AGRICULTURAL LAND HAS NOT BEEN REAPPRAISED SINCE 1963 AND THE MONTANA LEGISLATURE HAS DETERMINED THAT REAPPRAISAL OF AGRICULTURAL LAND IS NECESSARY FOR THE OVERALL IMPROVEMENT OF MONTANA'S PROPERTY TAX SYSTEM; AND
WHEREAS, THE MONTANA LEGISLATURE GAS TRADITIONALLY REPT THE TOTAL TAXABLE VALUE OF AN ENTIRE CLASS OF PROPERTY RELATIVELY CONSTANT BETWEEN REAPPRAISAL CYCLES BY ADJUSTING TAX RATES; AND
WHEREAS, THE MONTANA LEGISLATURE DESIRES TO KEEP THE
TOTAL TAXABLE VALUE OF AGRICULTURAL LAND CONSTANT DESPITE REAPPRAISAL: AND
WHEREAS, THE NEW METHOD OF DETERMINING PRODUCTIVE CAPACITY OP VARIOUS SUBCLASSES OF AGRICULTURAL LAND RESULTS IN SIGNIFICANT INCREASES OR DECREASES IN INDIVIDUAL REAPPRAISED VALUES; AND
WHEREAS, THE MONTANA LEGISLATURE FINDS THAT IT IS EQUITABLE AND DESIRABLE FOR THE TAX SYSTEM AS A WHOLE THAT TEE INCREASES AND DECREASES IN TAXABLE VALUE OF AGRICULTURAL LAND BE PHASED IN OVER THE APPRAISAL CYCLE; AND
WHEREAS, THE MONTANA LEGISLATURE CONSIDERS IT
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SB 168

## APPROPRIATE TO PROVIDE FOR THE REAPPRAISAL OP AGRICULTURAL LAND AND TO PROVIDE POR A PHASEIN OP THE CHANGES IN TAXABLE Values over the reappraisal cycle.

be it enacted by the legislature of tae state of montana:
Section 1. Section 15-6-133, MCA, is amended to read:
"15-6-133. Class three property -- description -taxable percentage. (1) Class three property includes:
(a) agricultural land as defined in 15-7-202;
(b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this subsection (l)(b), the fallowing provisions apply:
(i) The claim may not include any property that in used for residential purposes, recreational purposes as described in 70-16-301, or comerclal purposes as defined in 15-1-101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for weh other purposes.
(ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title, including that portion of the land upon which such the improvements are located and that is reasonably required for the use of the improvements.
(iii) Nonproductive patented mining claim property must be valued as if the land were devoted to agricultural grazing use.
(2) Class three property is taxed at the taxable percentage rate $\boldsymbol{m}^{\boldsymbol{n}}$-of-ita-productive-capaetty applicable to class four property, as provided in 15-6-134(2)(a).
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Section 2. Section 15-7-201, MCA, is amended to read:
"15-7-201. (Temporary -- applicable to 1986 land
valuation schedules) Legislative intent -- value of
agricultural property. (1) sinee Because the market value of
many agricultural properties is based upon speculative
purchases whien that do not reflect the productive
capability of agricultural land, it is the legialative
intent that bona fide agricultural properties shazt be
(5t--After-duty-zt- $\mathbf{7 9 8 6}$-no-adjustment-may--be--made--by the--department--to--the-taxabte-pereentage-rate-mpn-untit-a revatuation-has-been-made-as-provided-in-t5-7-74t="

Section 2. Section 15-7-201, MCA, is amended to read:
"15-7-201. (Temporary -- applicable to 1986 land valuation schedules) Legislative intent -- value of agricultural property. (1) Bince Because the market value of many agricultural properties is based upon speculative purchases whien that do not reflect the productive intent that bona fide agricultural properties mhazt be
classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.
(2) Agricultural land shazt nust be clagsified according to its use, which classifications shatz include but are not be limited to irrigated use, nonirrigated use, and grazing use. Within each class, land maty must be assessed at a value that is fairly based on its ability to produce, taking into consideration the classification system in exigtence on January 1, 1986, providedy-howevery that the department may consolidate tillable irrigated land classes. With relation to irrigated land, water costs shałz must be taken into consideration, except at no time may the resulting value of irrigated land be reduced below the value such that the land would have if it were not irrigated.
(3) Capital costs, such as improved water distribution, fertilizer, and land shaping that increase productivity, shati may not be used in determining assessed values.

15-7-201. (Applicable to $4993 \quad 1994$ and later land valuation schedules) Legislative intent -- value of agricultural property. (1) Binee Because the market value of many agricultural properties is based upon speculative purchases whieh that do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shat be
classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.
(2) Agricultural land shati must be classified according to its use, which classifications shazz include but are not be limited to irrigated use, nonirrigated use, and grazing use.
(3) Within each class, land shazt--be-assessed-at-a vatue-that-is-faifiy-based-on-its-productive--eapaeity must be subclassified by production categories. Production categories are determined from the productive capacity of the land based on yield.
(4) In computing the agricultural land valuation schedules to take effect on the-date--that--the--revatuation cycte--conmencing--danuary-z7-t986t-takes-effect-pursuant-to 25-7-7¥ January 1, 1994, and, thereafter, on the effective date when each revaluation cycle takes effect pursuant to 15-7-111, the department of revenue shall determine the productive capacity value of all agricultural lands using the formula $v=I / R$ where:
(a) $V$ is the per-acre productive capacity value of agricultural land in each land use and production category;
(b) I is the per-acre net income of agricultural land in each land use and production category and in to be determined by-the-department-using-the-formuan-i-n-tP---et-u
where:
tit--i-is-the-per-acre-net-income:
titit-p-ta--the--per-untt--prite--of-the-commodity-betng produced;
tíitt-e-is-ehe-per-unit-production-cont-of-the-comodity being-produced;-and
tivt-H-is-the-yietd-in-units-per--aere as provided in subsection (5); and
(c) $R$ is the capitalization rate to-be-deternined-by the-department-as-provided-in-subsection-t9t and is equal to 6.48. This capitalization rate must remain in effect until new agricultural land valuation schedules are computed as required by law.
t5t--Net-tneome-shazz-be:
tat--cateutated-for-each-year-of-a-base-periodr-whiteh-ts the-most-recent-3-year-period-for-which-data-are-avatiobter prior--to-a-revazation-of-property-as-provided-in-i5-7-itit; and
tbt-baaed-on-comodity-prife-and-produetion--coat--data for--the--base-perifod-from-auch-sources-as-may-be-conindered appropriate-by-the-departmenty-which-sources--ahazt--inetude Montana-atate-univerntey
(5) (a) Net incone must be determined separately in each land use based on production categories.
(b) Net income must be based on commodity price data,
grazing fees, crop ghare arrangements, and produetion WATER cost data for the base period.

1) Commodity price datal AND grazing feesy---end production--eost--date for the base period must be obtained from the Montana Agricultural Statistics and from the Montana crop and livestock reporting service.
(II) CROP SHARE ARRANGEMENTS ARE BASED ON TEE RENTAL VALUE OF THE LAND AND AVERAGE LANDOWNER COSTS.
(III) ALLOWABLE WATER COSTS CONSIST ONLY OF THE PER-ACRE LABOR COSTS AND ENERGY COSTS OF IRRIGATION.
(A) LABOR COSTS ARE ZERO FOR PIVOT SPRINKLER IRRIGATION SYSTEMS; $\$ 4.50$ AN ACRE FOR TOW LINES, SIDE ROLL, AND LATERAL SPRINKLER IRRIGATION SYSTEMS; AND S9 AN ACRE FOR HAND-MOVED AND FLOOD IRRIGATION SYSTEMS.
(B) ENERGY COSTS MUST BE BASED ON PER-ACRE ENERGY COSTS INCURRED IN 1992. BY JULY 1, 1993, AN OWNER OF IRRIGATED LAND SHALL PROVIDE THE DEPARTMENT, ON A FORM PRESCRIBED BY THE DEPARTMENT, WITH ENERGY COSTS INCURRED IN 1992. IN THE EVENT THAT NO ENERGY COSTS WERE INCURRED IN 1992 , THE OWNER OF IRRIGATED LAND SHALL PROVIDE THE DEPARTMENT WITH ENERGY COSTS PROA THE MOST RECENT YEAR AVAILABLE. THE DEPARTMENT SHALL ADJUST THE MOST RECENT YRAR'S ENERGY COSTS TO REFLECT COSTS IN 1992.
(c) The base crop for valuation of irrigated land is alfalfa $H A Y$, ADJUSTED TO $80 \%$ OF SALES PRICE, and the bage
crop for valuation of nonirrigated land is wheat. The base unit for valuation of grazing lands is the average grazing fee for a 1,000 -pound animal.
(d) The base period used to determine net income must be the most recent 7 yearg for which data ia available prior to the date the revaluation cycle ends. Commodity price datar AND grazing feesf-and-production-cost-data referred to in subsection (5)(b) must be averaged for the 7 -year periode but the average must exclude the lowest and highest commodity prices or grazing fees and-the-towese-and-highest produetion-costs in the period.
t6t--TO--the--degree--avaiłabłer--the--department-shazz eompize:
tat--comadity--price-data-reftecting-the-average-priees received--per--unite--of--measure--by--Montana--farmera---and ranchers:--Guch--data--may-be-obtained-from-ati-geographicaz areas-of-the-atater--Commodity--prices--may--inetude--wheaty barłeyt--atfeifa--hayt--grass--hayt-corn-for-graint-eorn-for sitaget-sugar-beetst-dry-beanst-potatoest-cattiey-and-sheept Government--payments--may--be--considered---Iypicat---rentat arrangements-may-be-considered-
tbt--production--cast--data-reftecting-average-costs-per unit-of-measure-paid-by-Montana-farmers-and--ranchersi--Guch data--may--be--obtained--from--ati-geographicat-areas-of-the stater- Guch-production-costs-may-inetade-casts--retating--to $^{\text {- }}$ the average must exclude the lowest and highest -10-

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（6）The department shall compile data and develop valuation manuals adopted by rule to implement the valuation method established by subsections（4）and（5）．
（7）The department GOVERNOR ahall appoint an advisory comittee of persons knowledgeable in agriculture and agricultural economics to compile and review the data prepared－－－by－－－Montana－－ttate－－university－－and－－advise－－the department－on－the－imptementation－of－subsectione－tzt－－through t6t required by subsections（4）and（5）．The advisory committee shall include one member of the Montana state university，college of agriculture，staff．The advisory comittee shall recomend agricultural land valuation schedules to the department．WITH RESPECT TO IRRIGATED LAND， THE VALUE OF IRRIGATED LAND MAY NOT BE BELOW THE VALUE THAT TEE LAND WOULD HAVE IF IT WERE NOT IRRIGATED．
f8t－－Net－income－shati－be－detaratned－aeparatety－for－zands in－ifrigated－user－nontrfigated－－umer－－mnd－－grazing－une－－and shati－－be－－cezcutated－－for－－ach－－uae－－and－－production－zevez aceording－to－the－provisions－of－mbsectiono－t4t－through－t7tr
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$t \pm \theta t-T h e-e f f e c t i v e-t a x-r a t e-s h a t i-b e-c a t e u t a t e d--b y--t h e ~$ department－－for－each－year－of－the－base－period－by－dividing－the totaz－estimated－tax－due－on－agricutturaz－łand－in－the－state－by the－totat－productive－capacity－vatue－of－agrieutturat－iand－in the－state：＂

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tZ†－－Beginning－January－k7－z9977－the－－assessed－－vatue－－of agricuiturat－－iand－－in－eaeh－tand－use－and－production－eategory Eut－－be－－t00t－－of－－the－－－productive－－－capacity－－－vatue－－－of egricutturat－iand－deternined－in－¥5－7－2日t
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tet－－Propertics－in－－ $\mathbf{1 5 - 6 - 7 3 3 y - - u n d e r - - c ł a s s - - t h r e e r - - a r e ~}$ assessed－at－i日安－of－the－productive－capacity－of－the－tandsf－as provided－－in－－fsection－－3t工 when－－vałued－－for－－agrieutenrat purposes－$-\mathrm{A} \ddagger \mathrm{t}-\mathrm{tands}-\mathrm{that-meet-the-quatifications-of-35-7-2} \mathrm{\theta z}$ are－vazued－as－agrieuzturat－tando－far－tax－purposes：
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NEW SECTION．SECTION 3．PHASEIN OF THE TAXABLE VALUE OF AGRICULTURAL LAND．THE INCREASE OR DECREASE IN TAXABLE VALUE OF AGRICULTURAL LAND RESULTING FROM THE CHANGE IN THE METHOD OF DETERMINING PRODUCTIVE CAPACITY VALUE UNDER 15－7－201 MUST BE PHASED IN BEGINNING JANUARY 1，1994，AS FOLLOWS：
（1）FOR THE YEAR BEGINNING JANUARY 1，1994，AND ENDING DECEMBER 31，1994，THE TAXABLE VALUE OF AGRICULTURAL LAND IN EACE LAND USE AND PRODUCTION CATEGORY MUST IACREASE OR DECREASE FROM THE DECEMBER 31，1993，VALUE BY 25：OF THE DIFFERENCE BETWEEN THE PRODUCT OF THE PRODUCTIVE CAPACITY VALUE OF AGRICULTURAL LAND FOR 1994 DETERMINED UNDER 15－7－201 TIMES THE CLASS THREE TAX RATE AND THE TAXABLE VALUE OF AGRICULTURAL LAND AS OF DECEMBER 31， 1993.

12）FOR THE YEAR BEGINNIMG JANUARY 1，1995，AND ENDING DECEMBER 31，1995，THE TAXABLE VALUE OF AGRICULTURAL LAND IN EACH LAND USE AND PRODUCTION CATEGORY MUST INCREASE OR DECREASE FROM THE DECEMBEA 31，1993，VALUE BY 50：OF TEE DIPPERENCE BETWEEN TEE PRODUCT OF THE PRODUCTIVE CAPACITY VALUE OF AGRICULTURAL LAND FOR 1994 DETERHINED UNDER 15－7－201 TIMES THE CLASS THAEE TAX RATE AND THE TAKABLE

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VALUE OF AGRICULTURAL LAND AS OF DECEMBER 31, 1993.
(3) FOR THE YEAR BEGINNING JANUARY 1, 1996, AND ENDING DECEMBER 31, 1996, THE TAXABLE VALUE OF AGRICULTURAL LAND IN EACH LAND USE AND PRODUCTION CATEGORY MUST INCREASE OR DECREASE FROM THE DECEMBER 31,1993 , VALUE BY 75 OF THE DIFFERENCE BETWEEN THE PRODUCT OF THE PRODUCTIVE CAPACITY VALUE OF AGRICULTURAL LAND FOR 1994 DETERMINED UNDER 15-7-201 times the class three tax rate and the taxable VALUE OF AGRICULTURAL LAND AS OF DECEMBER \(31,1993\).
(4) BEGINNING JANUARY 1,1997 , THE TAXABLE VALUE OF agricultural land in each land use and production category IS EQUAL TO 1008 OF THE PRODUCTIVE CAPACITY VALUE OP AGRICULTURAL LAND DETERMINED UNDER 15-7-201 TIMES THE CLASS three tax rate.
NEW SECTION. SECTION 4. ADVISORY COMITTEE - REVIEN OF WATER COSTS AND CROP SEARE ARRANGEMENTS. (1) TEE GOVERNOH GGALL APPOINT AN ADVISORY COMMITTEE TO REVIEW WATER COSTS, CROP SHARE ARRANGEMENTS, AND OTAER ISSUES INVOLVING TEE ASSESSNENT AND VALUATION OF AGRICULTURAL LAND. TGE MEMBERSHIP OF TBE COMNITTEE MUST INCLUDE:
(A) ONE MEMBER REPRESENTING UREAN INTERESTS \({ }_{\text {i }}\)
(B) TWO MEMBERS REPRESENTING WATER USERS, ONE OF WHOM MUST BE AN INDIVIDUAL WATER USER AND ONE OF WHOM MUST BE A REPRESENTATIVE OF AN ORGANIZED IRAIGATION DISTRICT;
(C) ONE MEHBER REPRESENTING GRAZING INTERESTS:
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(D) ONE MEMBER REPRESENTING NONIRRIGATED CROPLAND INTERESTS;
(E) ONE MEMBER REPRESENTING MULTIPLE-USE FARMERS AND RANCHERS;
(F) ONE HEMBER REPRESENTING FINANCIAL INSTITUTIONS;
(G) TWO MEMBERS OF THE LEGISLATURE, NOT OF THE SAME POLITICAL PARTY, ONE OF WHOM MUST EE A MEMBER OF THE SENATE AND ONE OF WHOM MUST BE A MEMBER OF THE HOUSE OF REPRESENTATIVES; AND
(H) ONE MEMBER REPRESENTING LOCAL GOVERNMENT.
(2) THE COMMITTEE SHALL REVIEH WATER COSTS AND CROP SHARE ARRANGEMENTS ASSOCIATED WITH IRRIGATED LANDS AND RECOMMEND TO THE DEPARTMENT OF REVENUE BY JULY 1, 1994, HOW WATER COSTS AND CROP SHARE ARRANGEMENTS SHOULD BE CONSIDERED POR THE VALUATION OF IRRIGATED LAND. THE COMMITTEE MAY RECOMMEND THE ADJUSTMENT IN THE VALUATION OF OTHER AGRICULTURAL LAND CLASSES IN ORDER TO PREVENT A REDUCTION IN THE LEVEL OF STATEWIDE TAXABLE VALUATION OF AGRICULTURAL LAND.

SECTION 5. SECTION 7-13-2527, MCA, IS AMENDED TO READ:
-7-13-2527. List of property owners. (1) A copy of the order creating the district shatz must be delivered to the county assessor of each county within the district.
(2) The assessor shall, on or before August 1 of any given each year, prepare and certify a list of all persona

owning class four or-ciass-ezeven property within such the trustees of said the district."

SECTION 6. SECTION 15-6-134, MCA, IS AMENDED TO READ:
(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 luded in another class;
(c) the first $\$ 80,000$ or less of the market value of any improvement on real property, including trailera or mobile homes, and appurtenant land not exceeding 5 acrea 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 yardser and
(e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(2), including 1 acre of real property beneath the agricultural improvements. The 1 acre must be valued at market value.
(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 taxed at 3.86t of its market value multiplied by a percentage figure based on income and deternined from the following table:


| $7,001-8,000$ | $8,401-9,600$ | 708 |
| ---: | ---: | ---: | ---: |
| $8,001-9,000$ | $9,601-10,800$ | $80 t$ |
| $9,001-10,000$ | $10,801-12,000$ | 908 |

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department of revenue. The adjustment to the income levels is determined by:
(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1986; and
(B) rounding the product thus obtained to the nearest whole dollar amount.
(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.
(c) Property described in subsection (l)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a).
(3) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate for class four property until a revaluation has been made as provided in 15-7-111.
(4) Within the meaning of comparable property as
defined in 15-1-101, property assessed as comercial property is comparable only to other property amesaed as comercial property, and property assessed as other than comercial property is comparable only to other property assessed as other than comercial property."

SECTION 7. SECTION 15-10-402, MCA, IS AMENDED TO READ:
"15-10-402. Property tax limited to 1986 levels. (1) Except as provided in subsections (2) and (3), the amount of taxes levied on property described in 15-6-133, 15-6-134, and 15-6-136r--and-- ${ }^{\text {and }}$-6-i44 may not, for any taxing jurisdiction, exceed the amount levied for taxable year 1986.
(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7 , chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded indebtedness.
(3) New construction or improvements to or deletions from property deacribed in subsection (1) are subject to taxation at 1986 levele.
(4) As used in this section, the "amount of tares levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to
inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to tarable value, changes in the number of mills levied, or increase or decrease in the value of a mill."
SECTION B. SECTION 15-10-412, MCA, IS AMENDED TO READ:
-15-10-412. Property tax limited to 1986 levels -clarification -- extension to all property classes. Section 15-10-402 is interpreted and clarified as follows:
(1) The limitation to 1986 levels is extended to apply to all classes of property described in Title 15 , chapter 6 , part 1.
(2) The limitation on the amount of taxes levied is interpreted to mean that, except as otherwise provided in this section, the actual tax liability for an individual property is capped at the dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which case the actual tax liability for an individual property is capped at the dollar anount due in that taxing unit for the 1985 tax year.
(3) The limitation on the amount of taxes levied does not mean-that-no prohibit a further increase may-be-aade in
the total taxable valuation of a taxing unit as a result of
(a) annexation of real property and improvements into a taxing unit;
(b) construction, expansion, or remodeling of improvements;
(c) transfer of property into a taxing unit;
(d) subdivision of real property;
(e) reclassification of property;
(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
(9) transfer of property from tax-exempt to taxable status: or
(t) revaluations caused by:
(i) cyclical reappraisal; or
(ii) expansion, addition, replacement, or remodeling of improvements.
(4) The limitation on the amount of taxes levied does not mean-that-no prohibit a further increage mar-be-made in the taxable valuation or in the actual tax liability on individual property in each class as a reault of:
(a) a revaluation caused by:
(i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or (ii) cyclical reappraisal:
(b) transfer of property into a taxing unit;
(c) reclassification of property;
(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
(e) annexation of the individual property into a new taxing unit; or
(f) conversion of the individual property from tax-exempt to taxable status.
(5) Property in etasses class four and-eteven is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1,1986 , is completed and new valuations are placed on the tay rolls and a new base year designated, if the property is:
(a) new construction;
(b) expanded, deleted, replaced, or remodeled impravements;
(c) annexed property; or
(d) property converted from tax-exempt to taxable status.
(6) Property described in subsections (5)(a) through (5)(d) that is not class four or-ezass--ezeven property is valued according to the procedures used in 1986 but is also aubject to the dollar cap in each taxing unit based on 1986
mills levied.
(7) The limitation on the amount of taxes, al clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 except for the use of taxable valuation in fixing tax levies. In fixing tar levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 25-10-402, while undergtanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:
(a) the taxing unit's taxable valuation decreases by 5 t or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5 f or more from the 1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but in-no-ease-may the mills levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.
(b) a levy authorized under Title 20 raised legs revenue in 1986 than was raised in either 1984 or 1985, in which case the taxing unit may, after approval by the voters
in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during 1984. 1985, and 1986;
(c) a levy authorized in 50-2-111 that was made in 1986 was for less than the number of mills levied in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during 1984, 1985, and 1986.
(8) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on comitments made before or after approval of 15-10-401 and 15-10-402:
(a) rural improvement districts;
(b) special improvement districts;
(c) levies pledged for the repayment of bonded indebtedness, including tax inctement bonds;
(d) city street maintenance diatricts;
(e) tax increment financing diatricts;
(f) satisfaction of judgeents against a taxing unit;
(g) street lighting assesaments;
(h) revolving funds to support any categories specified in this eubsection (8);
(i) leviee for econonic development authorized pursuant to 90-5-112(4);
(j) levies authorized under 7-6-502 for juvenile detention prograns; and
(k) elementary and high school districts.
(9) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:
(a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;
(b) an explanation of the nature of the financial eaergency:
(c) an estimate of the amount of funding shortfall expected by the taxing unit;
(d) atatement that applicable fund balances are or by the end of the fiscal year will be depleted;
(e) a finding that there are no alternative sources of revenue;
(f) a sumary of the alternatives that the governing body of the taxing unit has considered; and
(g) a gtatement of the need for the increased revenue and how it will be used.
(10) (a) The limitation on the amount of taxes levied
does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.
(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:
(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the s-mill limit established in 50-2-111.
(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2).
(11) The limitation on the amount of taxes levied by a caxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximus mill levy to produce revenue equal to its 1986 revenue.
(12) The limitation on the amount of taxes levied does not apply to levy increase to repay taxes paid under protest in accordance with 15-1-402."

NEW SECTION. SECTION 9. REPEALER. SECTION 15-6-144, MCA, IS REPEALED

NEW SECTION. Section 10. Codification instruction.
[Sections 3 and 4 ] are intended to be codified as an
integral part of Title 15 , chapter 7 , part 2, and the
provisions of Title 15 , chapter 7 , part 2 , apply to
[aections 3 and 4 ].

NEW SECTION. Section 11. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [thia actl is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. Section 12. Termination. [Section 4] terminates January 1, $\mathbf{4 9 9 7} 1995$.

NEW SECTION. Section 13. Effective date -applicability. [This act] is effective on passage and approval and applies to tax years beginning on or after January 1, 1994.


[^0]:    Statewide
    The proposal results in little change to statewide taxable value of class three property and estimated taxes paid by class three property.

    Taxable Value Shift Between Counties (Tables 1 and 2)
    Although the proposal is statewide revenue neutral, there is shifting of taxable valuation between counties. The impacts range from a maximum increase in class three taxable valuation of 20 . $7 \%$ (Deer Lodge County) to a maximum decrease in class three taxable valuation of -12.2\% (Chouteau County). The maximum increase in county total taxable value is 4.0 for Garfield county and the maximum decrease in county total taxable value is $-6.2 \%$ for Chouteau County.

    Likewise, the estimated property taxes paid by class three property range from a maximum increase of $20.7 \%$ (Deer Lodge County) to a maximum decrease of $-12.2 \%$ (Chouteau County). The maximum increase in county total estimated taxes paid by all property is $4.0 \%$ for Garfield County and the maximum decrease is $-6.2 \%$ for Chouteau County.

    Taxable Value Shift Between Ag Land Types (Table 3)
    The proposal also shifts taxable between agricultural land types. Irrigated, grazing, and continuously cropped agricultural land will increase in taxable value per acre. Non-irrigated summer fallow and non-irrigated continuously cropped agricultural land will decrease in taxable value per acre.

[^1]:    APPROPRIATE TO PROVIDE FOR THE REAPPRAISAL OF AGRICULTURAL LAND AND TO PROVIDE FOR A PHASEIN OF THE CHANGES IN TAXABLE VALUES OVER THE REAPPRAISAL CYCLE．
    be it enacted by the legislature of the state of montana：
    Section 1．Section 15－6－133，MCA，is amended to read：
    －15－6－133．Class three property－－description－－ taxable percentage．（1）class three property includes：
    （a）agricultural land as defined in 15－7－202；
    （b）nomproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property．For the purposes of this subsection（1）（b）， the following provisions apply：
    （i）The claim may not include any property that is used for residential purposes，recreational purposes as described in 70－16－301，or commercial purposes as defined in 15－1－101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for such other purposes．
    （ii）Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title，including that portion of the land upon which sueh the improvements are located and that is reasonably required for the use of the improvements．

