

SENATE BILL 433

Introduced by Aklestad, et al.

3/18	Introduced
3/18	Referred to Taxation
3/18	First Reading
3/22	Fiscal Note Requested
3/23	Fiscal Note Received
3/24	Hearing
3/24	Fiscal Note Printed
3/25	Tabled in Committee

1 Senate BILL NO. 433
 2 INTRODUCED BY AKLESTAD Don Brun Jerguson Griffith
 3 Section

4 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THAT PARCELS
 5 OF LAND TOTALING 20 ACRES OR MORE MUST PRODUCE AGRICULTURAL
 6 INCOME EQUAL TO AT LEAST 20 PERCENT OF ITS ASSESSED VALUE
 7 BASED UPON PRODUCTIVE CAPACITY IN ORDER TO BE CLASSIFIED AS
 8 AGRICULTURAL LAND FOR PROPERTY TAX PURPOSES; AMENDING
 9 SECTION 15-7-202, MCA; AND PROVIDING AN APPLICABILITY DATE."

10

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

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

13 "15-7-202. Eligibility of land for valuation as
 14 agricultural. (1) ~~Contiguous-parcels--of--land--totaling--20~~
 15 ~~acres--or--more--under--one--ownership--shall--be--eligible--for~~
 16 ~~valuation, assessment, and taxation as agricultural land~~
 17 ~~each--year--that--none--of--the--parcels--is--devoted--to--a~~
 18 ~~commercial--or--industrial--use.~~

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

1 (a) the parcels produce and the owner or the owner's
 2 agent, employee, or lessee markets not less than \$1,500, for
 3 land totaling less than 20 acres, or, for land totaling 20
 4 acres or more, an amount at least equal to 20% of the
 5 assessed value of the land based upon its productive
 6 capacity, as determined under 15-7-201, in annual gross
 7 income from:

8 (i) the raising of agricultural products as defined in
 9 15-1-101; and

10 (ii) land rental payments made under the federal
 11 conservation reserve program or a successor to that program;
 12 or

13 (b) the parcels would have met the qualification set
 14 out in subsection (2)(a) (1)(a) were it not for independent
 15 intervening causes of production failure beyond the control
 16 of the producer or marketing delay for economic advantage,
 17 in which case proof of qualification in a prior year will
 18 suffice; or

19 (c) the agricultural production on the parcels is done
 20 under a crop rotation program and the amount required under
 21 subsection (1)(a) is produced over the number of years in
 22 the crop cycle.

23 (3)(2) Parcels that do not meet the qualifications set
 24 out in subsections subsection (1) and (2) ~~shall~~ may not be
 25 classified or valued as agricultural if they are part of a

1 platted subdivision that is filed with the county clerk and
2 recorder in compliance with the Montana Subdivision and
3 Platting Act.

4 ~~†4†~~(3) Land may not be classified or valued as
5 agricultural if it is subdivided land with stated
6 restrictions effectively prohibiting its use for
7 agricultural purposes. For the purposes of this subsection
8 only, "subdivided land" includes parcels of land larger than
9 20 acres that have been subdivided for commercial or
10 residential purposes.

11 ~~†5†~~(4) The grazing on land by a horse or other animals
12 kept as a hobby and not as a part of a bona fide
13 agricultural enterprise ~~shall~~ may not be considered a bona
14 fide agricultural operation.

15 ~~†6†~~(5) If land has been valued, assessed, and taxed as
16 agricultural land in any year, it ~~shall~~ must continue to be
17 so valued, assessed, and taxed until the department
18 reclassifies the property. A reclassification does not mean
19 revaluation pursuant to 15-7-111.

20 ~~†7†~~(6) For the purposes of this part, growing timber is
21 not an agricultural use.

22 ~~†8†~~(7) Subject to the provisions of ~~subsections--†2††a†~~
23 ~~and---†2††b†~~ subsection (1), property upon which sod,
24 ornamental, nursery, or horticultural crops are raised,
25 grown, or produced must consist of at least 10 acres before

1 the property is eligible to be classified as agricultural
2 land. Improvements devoted to crop production described in
3 this subsection may not be included in class eleven
4 property."

5 NEW SECTION. **Section 2. Applicability -- rulemaking.**

6 (1) [This act] applies to tax years beginning after December
7 31, 1993.

8 (2) The department of revenue may institute rulemaking
9 under Title 2, chapter 4, to implement [this act] prior to
10 October 1, 1993, but the rules may not be effective prior to
11 October 1, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0433, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act requiring that parcels of land totaling 20 acres or more must produce agricultural income equal to at least 20 percent of its assessed value based upon productive capacity in order to be classified as agricultural land for property tax purposes; and providing an applicability date.

ASSUMPTIONS:

1. It is estimated that there are 57,439 parcels of land currently classified as class 3 (agricultural land) that are greater than 20 acres.
2. For the purpose of this fiscal note, it is assumed that parcels of ag land 160 acres or greater will not be impacted by this proposal.
3. Of the ag parcels greater than 20 acres, 24,524 are less than 160 acres. It is assumed that 50% of these are not working "agricultural" operations.
4. Given that the gross income criteria in the proposal can be as little as \$175 for a 30 acre parcel (for example, grade 1A1 or lower grazing land), for the purpose of this note it is assumed that 20% of the non-agricultural parcels would attain the necessary gross income to remain classified as class 3 ag land.
5. The increase in total Class 4 taxable valuation due to the reclassification of property from class 3 to class 4 is estimated to be \$30,868,000.
6. Average mill levies for the reclassified class four property are 6.00 mills for universities, 95.00 mills for the school foundation program, 75.28 mills for counties, and 121.84 mills for local schools.

FISCAL IMPACT:Revenues:

It is estimated that reclassifying some current agricultural land as class four land results in increased property tax revenues of \$185,000 for universities and \$2,932,000 for SFP.

Increase in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Universities	\$ 0	\$ 185,000
School Foundation	0	2,932,000
Total	\$ 0	\$ 3,117,000

(Over)

 3-23-93

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

GARY AKLESTAD, PRIMARY SPONSOR

DATE

Fiscal Note for SB0433, as introduced

3/24/93
SB 433

FISCAL IMPACT: (Continued)

Expenditures: (Department of Revenue)

Implementation of this proposal would require additional total administrative expenses of \$160,792 FY94, and \$128,571 in FY95.

<u>Property Valuation</u>	<u>FY '94</u>			<u>FY '95</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
FTE	398.66	401.66	3.00	398.66	401.66	3.00
Personal Services	\$ 11,885,655	\$ 12,012,235	\$ 126,580	\$ 11,913,545	\$ 12,028,845	\$ 115,300
Operating Expenses	2,180,406	2,214,618	34,212	2,192,109	2,205,380	13,271
Equipment	222,278	222,278	0	205,648	205,648	0
Debt Service	269,800	269,800	0	269,800	269,800	0
Total	\$ 14,558,139	\$ 14,718,931	\$ 160,792	\$ 14,581,102	\$ 14,709,673	\$ 128,571
General Fund	\$ 14,558,139	\$ 14,718,931	\$ 160,792	\$ 14,581,102	\$ 14,709,673	\$ 128,571

EFFECT ON LOCAL REVENUES:

It is estimated that reclassifying some current agricultural land as class four land results in increased property tax revenues of \$2,324,000 for counties and \$3,761,000 for local schools.

Increase in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Counties	\$ 0	\$ 2,324,000
Local Schools	0	3,761,000
Total	\$ 0	\$ 6,085,000