

SENATE BILL 435

Introduced by Grosfield, et al.

3/23	Introduced
3/23	Referred to Taxation
3/23	First Reading
3/23	Fiscal Note Requested
3/26	Hearing
3/26	Fiscal Note Received
3/27	Revised Fiscal Note Requested
3/27	Committee Report--Bill Passed as Amended
3/29	Revised Fiscal Note Received
3/29	Fiscal Note Printed
3/29	Revised Fiscal Note Printed
3/29	2nd Reading Passed as Amended
3/30	3rd Reading Passed
	Transmitted to House
3/31	Referred to Taxation
3/31	First Reading
4/02	Hearing
4/07	Tabled in Committee

1 *Senate* BILL NO. *435*  
 2 INTRODUCED BY *Grasfield Ellis Swanson*  
 3 *Doherty ARLESTAD*

4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE  
 5 GREENBELT APPRAISAL DEFINITION OF AGRICULTURAL LAND FOR  
 6 PROPERTY TAX PURPOSES; REQUIRING THAT LAND PRODUCE A CERTAIN  
 7 AMOUNT IN ANNUAL GROSS INCOME IN ORDER TO BE ELIGIBLE FOR  
 8 TAXATION AS AGRICULTURAL LAND AND REQUIRING ANNUAL  
 9 CERTIFICATION OF THAT AMOUNT; TAXING RURAL RESIDENTIAL  
 10 PROPERTY FORMERLY ELIGIBLE FOR TAXATION AS AGRICULTURAL LAND  
 11 AT REDUCED RATES UNDER CLASS FOUR PROPERTY UNTIL 1997;  
 12 TAXING RURAL NONAGRICULTURAL PROPERTY FORMERLY ELIGIBLE FOR  
 13 TAXATION AS AGRICULTURAL LAND AT 10 TIMES THE TAX RATE UNDER  
 14 CLASS THREE PROPERTY; REQUIRING THAT CERTAIN CONDITIONS BE  
 15 MET BEFORE LAND FORMERLY CLASSIFIED AS AGRICULTURAL LAND MAY  
 16 BE RECLASSIFIED AS FOREST LAND; AMENDING SECTIONS 15-1-101,  
 17 15-6-133, 15-6-134, 15-7-202, AND 15-44-102, MCA; AND  
 18 PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

19  
 20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

21 **Section 1.** Section 15-1-101, MCA, is amended to read:

22 "15-1-101. (Temporary) Definitions. (1) Except as  
 23 otherwise specifically provided, when terms mentioned in  
 24 this section are used in connection with taxation, they are  
 25 defined in the following manner:

- 1 (a) The term "agricultural" refers to:  
 2 (i) the production of food, feed, and fiber  
 3 commodities, livestock and poultry, bees, fruits and  
 4 vegetables, and sod, ornamental, nursery, and horticultural  
 5 crops that are raised, grown, or produced for commercial  
 6 purposes; and  
 7 (ii) the raising of domestic animals and wildlife in  
 8 domestication or a captive environment.  
 9 (b) The term "assessed value" means the value of  
 10 property as defined in 15-8-111.  
 11 (c) The term "average wholesale value" means the value  
 12 to a dealer prior to reconditioning and profit margin shown  
 13 in national appraisal guides and manuals or the valuation  
 14 schedules of the department of revenue.  
 15 (d) (i) The term "commercial", when used to describe  
 16 property, means any property used or owned by a business, a  
 17 trade, or a corporation as defined in 35-2-114 or used for  
 18 the production of income, except that property described in  
 19 subsection (ii).  
 20 (ii) The following types of property are not commercial:  
 21 (A) agricultural lands;  
 22 (B) timberlands and, beginning January 1, 1994, forest  
 23 lands;  
 24 (C) single-family residences and ancillary improvements  
 25 and improvements necessary to the function of a bona fide

1 farm, ranch, or stock operation;

2 (D) mobile homes used exclusively as a residence except  
3 when held by a distributor or dealer of trailers or mobile  
4 homes as his stock in trade;

5 (E) all property described in 15-6-135; and

6 (F) all property described in 15-6-136.

7 (e) The term "comparable property" means property that  
8 has similar use, function, and utility; that is influenced  
9 by the same set of economic trends and physical,  
10 governmental, and social factors; and that has the potential  
11 of a similar highest and best use.

12 (f) The term "credit" means solvent debts, secured or  
13 unsecured, owing to a person.

14 (g) The term "improvements" includes all buildings,  
15 structures, fences, and improvements situated upon, erected  
16 upon, or affixed to land. When the department of revenue or  
17 its agent determines that the permanency of location of a  
18 mobile home or housetrailer has been established, the mobile  
19 home or housetrailer is presumed to be an improvement to  
20 real property. A mobile home or housetrailer may be  
21 determined to be permanently located only when it is  
22 attached to a foundation which cannot feasibly be relocated  
23 and only when the wheels are removed.

24 (h) The term "leasehold improvements" means  
25 improvements to mobile homes and mobile homes located on

1 land owned by another person. This property is assessed  
2 under the appropriate classification and the taxes are due  
3 and payable in two payments as provided in 15-24-202.  
4 Delinquent taxes on such leasehold improvements are a lien  
5 only on such leasehold improvements.

6 (i) The term "livestock" means cattle, sheep, swine,  
7 goats, horses, mules, and asses.

8 (j) The term "mobile home" means forms of housing known  
9 as "trailers", "housetrailer", or "trailer coaches"  
10 exceeding 8 feet in width or 45 feet in length, designed to  
11 be moved from one place to another by an independent power  
12 connected to them, or any "trailer", "housetrailer", or  
13 "trailer coach" up to 8 feet in width or 45 feet in length  
14 used as a principal residence.

15 (k) The term "personal property" includes everything  
16 that is the subject of ownership but that is not included  
17 within the meaning of the terms "real estate" and  
18 "improvements".

19 (l) The term "poultry" includes all chickens, turkeys,  
20 geese, ducks, and other birds raised in domestication to  
21 produce food or feathers.

22 (m) The term "property" includes moneys, credits,  
23 bonds, stocks, franchises, and all other matters and things,  
24 real, personal, and mixed, capable of private ownership.  
25 This definition must not be construed to authorize the

1 taxation of the stocks of any company or corporation when  
2 the property of such company or corporation represented by  
3 the stocks is within the state and has been taxed.

4 (n) The term "real estate" includes:

5 (i) the possession of, claim to, ownership of, or right  
6 to the possession of land;

7 (ii) all mines, minerals, and quarries in and under the  
8 land subject to the provisions of 15-23-501 and Title 15,  
9 chapter 23, part 8; all timber belonging to individuals or  
10 corporations growing or being on the lands of the United  
11 States; and all rights and privileges appertaining thereto.

12 (o) "Research and development firm" means an entity  
13 incorporated under the laws of this state or a foreign  
14 corporation authorized to do business in this state whose  
15 principal purpose is to engage in theoretical analysis,  
16 exploration, and experimentation and the extension of  
17 investigative findings and theories of a scientific and  
18 technical nature into practical application for experimental  
19 and demonstration purposes, including the experimental  
20 production and testing of models, devices, equipment,  
21 materials, and processes.

22 (p) The term "taxable value" means the percentage of  
23 market or assessed value as provided for in Title 15,  
24 chapter 6, part 1.

25 (q) The term "weighted mean assessment ratio" means the

1 total of the assessed values divided by the total of the  
2 selling prices of all area sales in the stratum.

3 (2) The phrase "municipal corporation" or  
4 "municipality" or "taxing unit" shall be deemed to include a  
5 county, city, incorporated town, township, school district,  
6 irrigation district, drainage district, or any person,  
7 persons, or organized body authorized by law to establish  
8 tax levies for the purpose of raising public revenue.

9 (3) The term "state board" or "board" when used without  
10 other qualification shall mean the state tax appeal board.

11 15-1-101. (Effective July 1, 1993) Definitions. (1)  
12 Except as otherwise specifically provided, when terms  
13 mentioned in this section are used in connection with  
14 taxation, they are defined in the following manner:

15 (a) The term "agricultural" refers to:

16 (i) the production of food, feed, and fiber  
17 commodities, livestock and poultry, bees, fruits and  
18 vegetables, and sod, ornamental, nursery, and horticultural  
19 crops that are raised, grown, or produced for commercial  
20 purposes; and

21 (ii) the raising of domestic animals and wildlife in  
22 domestication or a captive environment.

23 (b) The term "assessed value" means the value of  
24 property as defined in 15-8-111.

25 (c) The term "average wholesale value" means the value

1 to a dealer prior to reconditioning and profit margin shown  
2 in national appraisal guides and manuals or the valuation  
3 schedules of the department of revenue.

4 (d) (i) The term "commercial", when used to describe  
5 property, means any property used or owned by a business, a  
6 trade, or a corporation as defined in 35-2-114 or used for  
7 the production of income, except that property described in  
8 subsection (ii).

9 (ii) The following types of property are not commercial:

10 (A) agricultural lands;

11 (B) timberlands and, beginning January 1, 1994, forest  
12 lands;

13 (C) single-family residences and ancillary improvements  
14 and improvements necessary to the function of a bona fide  
15 farm, ranch, or stock operation;

16 (D) mobile homes used exclusively as a residence except  
17 when held by a distributor or dealer of trailers or mobile  
18 homes as his stock in trade;

19 (E) all property described in 15-6-135; and

20 (F) all property described in 15-6-136.

21 (e) The term "comparable property" means property that  
22 has similar use, function, and utility; that is influenced  
23 by the same set of economic trends and physical,  
24 governmental, and social factors; and that has the potential  
25 of a similar highest and best use.

1 (f) The term "credit" means solvent debts, secured or  
2 unsecured, owing to a person.

3 (g) The term "improvements" includes all buildings,  
4 structures, fences, and improvements situated upon, erected  
5 upon, or affixed to land. When the department of revenue or  
6 its agent determines that the permanency of location of a  
7 mobile home or housetrailer has been established, the mobile  
8 home or housetrailer is presumed to be an improvement to  
9 real property. A mobile home or housetrailer may be  
10 determined to be permanently located only when it is  
11 attached to a foundation which cannot feasibly be relocated  
12 and only when the wheels are removed.

13 (h) The term "leasehold improvements" means  
14 improvements to mobile homes and mobile homes located on  
15 land owned by another person. This property is assessed  
16 under the appropriate classification and the taxes are due  
17 and payable in two payments as provided in 15-24-202.  
18 Delinquent taxes on such leasehold improvements are a lien  
19 only on such the leasehold improvements.

20 (i) The term "livestock" means cattle, sheep, swine,  
21 goats, horses, mules, and asses.

22 (j) The term "mobile home" means forms of housing known  
23 as "trailers", "housetrailer", or "trailer coaches"  
24 exceeding 8 feet in width or 45 feet in length, designed to  
25 be moved from one place to another by an independent power

connected to them, or any "trailer", "housetrailer", or "trailer coach" up to 8 feet in width or 45 feet in length used as a principal residence.

(k) The term "personal property" includes everything that is the subject of ownership but that is not included within the meaning of the terms "real estate" and "improvements".

(l) The term "poultry" includes all chickens, turkeys, geese, ducks, and other birds raised in domestication to produce food or feathers.

(m) The term "property" includes moneys money, credits, bonds, stocks, franchises, and all other matters and things; real, personal, and mixed, capable of private ownership. This definition must may not be construed to authorize the taxation of the stocks of any company or corporation when the property of such the company or corporation represented by the stocks is within the state and has been taxed.

(n) The term "real estate" includes:

(i) the possession of, claim to, ownership of, or right to the possession of land;

(ii) all mines, minerals, and quarries in and under the land subject to the provisions of 15-23-501 and Title 15, chapter 23, part 8; all timber belonging to individuals or corporations growing or being on the lands of the United States; and all rights and privileges appertaining thereto

to the land.

(o) "Research and development firm" means an entity incorporated under the laws of this state or a foreign corporation authorized to do business in this state whose principal purpose is to engage in theoretical analysis, exploration, and experimentation and the extension of investigative findings and theories of a scientific and technical nature into practical application for experimental and demonstration purposes, including the experimental production and testing of models, devices, equipment, materials, and processes.

(p) "Rural nonagricultural property" means land that:

(i) is located outside the limits of a city or town;

(ii) consists of more than 160 contiguous acres;

(iii) produces less than \$1,780 (and less than \$5 per acre for each acre in excess of 160 acres) in annual gross income from the raising of products that are agricultural, as defined in subsection (1)(a); and

(iv) is not devoted to a commercial or industrial use.

(q) (i) "Rural residential property" means land that:

(A) is located outside the limits of a city or town;

(B) consists of not less than 20 or more than 160 contiguous acres;

(C) produces less than \$1,500 (and less than \$2 per acre for each acre in excess of 20 acres) in annual gross

1 income from the raising of products that are agricultural,  
2 as defined in subsection (1)(a); and

3 (D) is used or intended to be used for residential  
4 purposes, including incidental business operations conducted  
5 by the occupant and members of the occupant's family.

6 (ii) Rural residential property does not include  
7 property on which there are improvements, including a mobile  
8 home or a housetrailer, used as a residence and 1 acre  
9 beneath the residential improvements.

10 (p)(r) The term "taxable value" means the percentage of  
11 market or assessed value as provided for in Title 15,  
12 chapter 6, part 1.

13 (2) The phrase "municipal corporation" or  
14 "municipality" or "taxing unit" ~~shall be deemed to include~~  
15 includes a county, city, incorporated town, township, school  
16 district, irrigation district, drainage district, or any  
17 person, persons, or organized body authorized by law to  
18 establish tax levies for the purpose of raising public  
19 revenue.

20 (3) The term "state board" or "board" when used without  
21 other qualification ~~shall--mean~~ means the state tax appeal  
22 board."

23 **Section 2.** Section 15-6-133, MCA, is amended to read:

24 "15-6-133. Class three property -- description --  
25 taxable percentage. (1) Class three property includes:

1 (a) agricultural land as defined in 15-7-202;

2 (b) nonproductive patented mining claims outside the  
3 limits of an incorporated city or town held by an owner for  
4 the ultimate purpose of developing the mineral interests on  
5 the property. For the purposes of this subsection (1)(b),  
6 the following provisions apply:

7 (i) The claim may not include any property that is used  
8 for residential purposes, recreational purposes as described  
9 in 70-16-301, or commercial purposes as defined in 15-1-101  
10 or any property the surface of which is being used for other  
11 than mining purposes or has a separate and independent value  
12 for such the other purposes.

13 (ii) Improvements to the property that would not  
14 disqualify the parcel are taxed as otherwise provided in  
15 this title, including that portion of the land upon which  
16 such the improvements are located and that is reasonably  
17 required for the use of the improvements.

18 (iii) Nonproductive patented mining claim property must  
19 be valued as if the land were devoted to agricultural  
20 grazing use.

21 (c) rural nonagricultural property as defined in  
22 15-1-101.

23 (2) Class three property is taxed at the taxable  
24 percentage rate "P" of its productive capacity.

25 (3) Until July 1, 1986, the taxable percentage rate "P"

for class three property is 30%.

(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class three property for the revaluation cycle beginning January 1, 1986, as follows:

(a) The director of the department of revenue shall certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class three as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the "certified statewide percentage increase".

(b) The Except as provided in subsection (6), the taxable value of property in class three is determined as a function of the certified statewide percentage increase in accordance with the table shown below.

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0%. In calculating the percentage increase, the department may not consider agricultural use changes during calendar year 1985.

(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

Certified Statewide	Class Three Taxable
---------------------	---------------------

Percentage Increase	Percentage "P"
0	30.00
10	27.27
20	25.00
30	23.08
40	21.43
50	20.00

(5) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111.

(6) Property described in subsection (1)(c) is valued at the productive capacity of the land as if it were valued as agricultural land, at production levels established by the department. The taxable value of rural nonagricultural property is computed by multiplying the value of the property by 10 times the taxable percentage for agricultural land."

**Section 3.** Section 15-6-134, MCA, is amended to read:

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

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

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



(c) the first \$80,000 or less of the market value of any improvement on real property, including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income or loss and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than \$10,000 for a single person or \$12,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii);

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

(e) rural residential property as defined in 15-1-101.

(2) Class four property is taxed as follows:

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

(b) (i) Property described in subsection (1)(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	Percentage
--------	--------	------------

Single Person	Married Couple	Multiplier
	Head of Household	
\$ 0 - \$ 1,000	\$ 0 - \$ 1,200	0%
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%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

(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 (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

(d) Property described in subsection (1)(e) is taxed as follows:

(i) For the tax year beginning January 1, 1994, and ending December 31, 1994, the property is taxed at 0.965% of its market value.

(ii) For the tax year beginning January 1, 1995, and ending December 31, 1995, the property is taxed at 1.93% of its market value.

(iii) For the tax year beginning January 1, 1996, and ending December 31, 1996, the property is taxed at 2.895% of its market value.

(iv) For tax years beginning after December 31, 1996, the property is taxed at 3.86% of its market value.

(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 commercial 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 commercial property."

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

"15-7-202. Eligibility of land for valuation as agricultural. (1)(a) Contiguous Except as provided in subsection (1)(b), contiguous parcels of land totaling that total 20 acres or more under one ownership shall be and that are used primarily for the production of products that are agricultural, as defined in 15-1-101, are eligible for valuation, assessment, and taxation as agricultural land each year that none of the parcels is devoted to a commercial or industrial use and each year that the parcels meet either of the following qualifications:

(i) the parcels produce and the owner or the owner's agent, employee, or lessee markets from the raising of agricultural products not less than:

(A) \$1,500 in annual gross income plus at least \$2 per acre for each acre in excess of 20 acres on parcels of land totaling at least 20 acres but not more than 160 acres; or

(B) \$1,780 in annual gross income plus \$5 per acre for each acre in excess of 160 acres on parcels of land totaling more than 160 acres; or

(ii) the parcels would have met the qualifications set out in subsection (1)(a)(i) if it were not for independent intervening causes of production failure beyond the control

1 of the producer or for marketing delay for economic  
2 advantage, in which case proof of qualification in a prior  
3 year will suffice.

4 (b) Notwithstanding the annual gross income  
5 requirements in subsection (1)(a), noncontiguous parcels of  
6 land are eligible for valuation, assessment, and taxation as  
7 agricultural land under subsection (1)(a) if:

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

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

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

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

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

25 (b) the parcels would have met the qualification set

1 out in subsection (2)(a) were it not for independent  
2 intervening causes of production failure beyond the control  
3 of the producer or marketing delay for economic advantage,  
4 in which case proof of qualification in a prior year will  
5 suffice.

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

11 (4) Land may not be classified or valued as  
12 agricultural if it is subdivided land with stated  
13 restrictions effectively prohibiting its use for  
14 agricultural purposes. For the purposes of this subsection  
15 only, "subdivided land" includes parcels of land larger than  
16 20 acres that have been subdivided for commercial or  
17 residential purposes.

18 (5) The grazing on land by a horse or other animals  
19 kept as a hobby and not as a part of a bona fide  
20 agricultural enterprise ~~shall~~ may not be considered a bona  
21 fide agricultural operation.

22 (6) (a) If land has been valued, assessed, and taxed as  
23 agricultural land in any year, it ~~shall~~ must continue to be  
24 so valued, assessed, and taxed until the department  
25 reclassifies the property. A reclassification does not mean

1 revaluation pursuant to 15-7-111.

2 (b) An owner of agricultural land shall certify  
3 annually, in a manner specified by the department, that the  
4 land qualifies as agricultural land under this section.

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

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

14 **Section 5.** Section 15-44-102, MCA, is amended to read:

15 "15-44-102. **Definitions.** For the purposes of this part,  
16 unless the context requires otherwise, the following  
17 definitions apply:

18 (1) "Culmination of mean annual increment" means the  
19 point of optimum net wood production on an acre of forest  
20 land.

21 (2) "Cultivated Christmas trees" means Christmas trees  
22 that are grown on land prepared by intensive cultivation and  
23 tilling, such as by plowing or turning over the soil, and on  
24 which all unwanted plant growth is controlled for the  
25 exclusive purpose of raising Christmas trees.

1 (3) "Department" means the department of revenue.

2 (4) "Forest" means forest land and the timber on the  
3 land.

4 (5) (a) "Forest land" means contiguous land of 15 acres  
5 or more in one ownership that is capable of producing timber  
6 that can be harvested in commercial quantity and is  
7 producing timber unless the trees have been removed by man  
8 through harvest, including clearcuts, or by natural  
9 disaster, including but not limited to fire. Forest land  
10 includes land:

11 ~~(a)~~(i) that has not been converted to another use; or

12 ~~(b)~~(ii) that has a dedicated use that is evidenced by a  
13 statement of intent by the owner for the eventual harvest of  
14 timber. A landowner of forest land shall certify annually,  
15 in a manner specified by the department, that the land  
16 qualifies as forest land under this subsection.

17 (b) Forest land does not include land formerly  
18 classified as agricultural land for tax purposes unless the  
19 land meets the requirements of subsection (5)(a) and is  
20 actively managed for the production of forest products.

21 (6) "Forest productivity value" means the value of  
22 forest land for assessment purposes, which value is  
23 determined only on the basis of its ability to produce  
24 timber, other forest products, and associated agricultural  
25 products through an income approach provided for in

1 15-44-103.

2 (7) "Harvest" means an activity related to the cutting  
3 or removal of timber for use or sale as a forest product.

4 (8) "Landowner" means an individual, corporation,  
5 association, company, firm, joint venture, syndicate, or  
6 trust.

7 (9) "Mean annual net wood production" means the average  
8 net usable volume of wood 1 acre of forest land will grow in  
9 1 year under average current and actual forest conditions  
10 and under current and reasonable management practices for  
11 each forest valuation zone established under 15-44-103.

12 (10) "Stumpage value" means the amount that timber would  
13 sell for under an arm's-length transaction made in the  
14 ordinary course of business, expressed in terms of dollars  
15 per unit of measure.

16 (11) "Timber" means all wood growth on privately owned  
17 land, mature or immature, alive or dead, standing or down,  
18 that is capable of furnishing raw material used in the  
19 manufacture of lumber or other forest products. The term  
20 does not include cultivated Christmas trees."

21 NEW SECTION. **Section 6.** Effective date --  
22 applicability. [This act] is effective July 1, 1993, and  
23 applies to tax years beginning after December 31, 1993.

-End-

## STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0435, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act generally revising the greenbelt appraisal definition of agricultural land for property tax purposes; requiring that land produce a certain amount in annual gross income in order to be eligible for taxation as agricultural land and requiring annual certification of that amount; taxing rural residential property formerly eligible for taxation as agricultural land at reduced rates under class four property until 1997; taxing rural nonagricultural property formerly eligible for taxation as agricultural land at 10 times the tax rate under class three property; requiring that certain conditions be met before land formerly classified as agricultural land may be reclassified as forest land; and providing an effective date and 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 and would be reclassified as rural residential.
4. For FY95, the increase in total class 4 taxable valuation due to the reclassification of property from class 3 to rural residential class 4 is estimated to be \$7,105,000.
5. Average mill levies for the reclassified class four property are 6.00 mills for universities, 95.00 mills for the school foundation program, 75.18 mills for counties, and 123.25 mills for local schools.

FISCAL IMPACT:Revenues:

It is estimated that reclassifying some current agricultural land as class four rural residential land results in increased property tax revenues of \$43,000 for universities and \$675,000 for SFP.

Increase in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Universities	\$ 0	\$ 43,000
School Foundation	0	675,000
Total	\$ 0	\$ 718,000

(Over)

David Lewis 3-26-93  
DAVID LEWIS, BUDGET DIRECTOR DATE  
Office of Budget and Program Planning

3/29/93  
LORENTS GROSFIELD, PRIMARY SPONSOR DATE

Fiscal Note for SB0435, as introduced

SB 435

FISCAL IMPACT: (Continued)

Expenditures: (Department of Revenue)

Implementation of this proposal would require additional total administrative expenses of \$299,824 in FY94, and \$232,830 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	405.66	7.00	398.66	405.66	7.00
Personal Services	\$ 11,885,655	\$ 12,104,550	\$ 218,895	\$ 11,913,545	\$ 12,112,700	\$ 199,155
Operating Expenses	2,180,406	2,261,335	80,929	2,192,109	2,225,784	33,675
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	\$ 14,857,963	\$ 299,824	\$ 14,581,102	\$ 14,813,932	\$ 232,830
General Fund	\$ 14,558,139	\$ 14,857,963	\$ 299,824	\$ 14,581,10	\$ 14,813,932	\$ 232,830

EFFECT ON LOCAL REVENUES:

It is estimated that reclassifying some current agricultural land as rural residential class four land results in increased property tax revenues of \$534,000 for counties and \$876,000 for local schools.

Increase in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Counties	\$ 0	\$ 534,000
Local Schools	0	761,000
Total	\$ 0	\$ 1,295,000

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Because the taxable rate for rural residential class 4 land is phased in over four years, property tax revenues increase in FY96, FY97, and finally reaching full impact in FY98. Estimated impact for each fiscal year is summarized in the table below.

Increase in Property Tax Revenues:

	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>
Universities	\$ 106,000	\$ 168,000	\$ 232,000
School Foundation	1,672,000	2,669,000	3,666,000
Counties	1,324,000	2,115,000	2,905,000
Local Schools	2,151,000	3,426,000	4,701,000
Total	\$ 5,253,000	\$ 8,378,000	\$ 11,504,000

SB 435

## STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0435, second reading.

DESCRIPTION OF PROPOSED LEGISLATION:

An act generally revising the greenbelt appraisal definition of agricultural land for property tax purposes; requiring that land produce a certain amount in annual gross income in order to be eligible for taxation as agricultural land and requiring annual certification of that amount; taxing rural residential property formerly eligible for taxation as agricultural land at reduced rates under class four property until 2003; taxing rural nonagricultural property formerly eligible for taxation as agricultural land at five times the tax rate under class three property; requiring that certain conditions be met before land formerly classified as agricultural land may be reclassified as forest land; and providing an effective date and an applicability date.

ASSUMPTIONS:

1. It is estimated that there are 84,888 parcels of land currently classified as class 3 (agricultural land greater than 20 acres) or class 10 (timber land). In the initial year, all of these parcels will be notified of the assessment changes by mail. Afterwards, only half that number will require processing.
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 and would be reclassified as rural residential.
5. For fiscal year 1995, rural residential property is taxed at 0.386% (10% of the taxable rate for class 4 property). The increase in total Class 4 taxable valuation due to the reclassification of property from class 3 to rural residential class 4 is estimated to be \$809,000.
6. Average mill levies for the reclassified class four property are 6.00 mills for universities, 95.00 mills for the school foundation program, 74.16 mills for counties, and 136.72 mills for local schools.

FISCAL IMPACT:Revenues:

It is estimated that reclassifying some current agricultural land as class four rural residential land results in increased property tax revenues of \$5,000 for universities and \$77,000 for school equalization.

Increase in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Universities	\$ 0	\$ 5,000
School Equalization	0	77,000
Total	\$ 0	\$ 83,000

David Lewis 3-29-93  
DAVID LEWIS, BUDGET DIRECTOR DATE  
Office of Budget and Program Planning

3/29/93  
LORENTS GROSFIELD, PRIMARY SPONSOR DATE  
Fiscal Note for SB0435, second reading

SB 435-#2



EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Revenues:

It is estimated that reclassifying some current agricultural land as rural residential class four land results in increased property tax revenues of \$60,000 for counties and \$111,000 for local schools.

Increase in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Counties	\$ 0	\$ 60,000
Local Schools	0	111,000
Total	\$ 0	\$ 171,000

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Because the taxable rate for rural residential class 4 land is phased at 10% increments over a ten year period, property tax revenues increase in each fiscal year of the phase-in period, reaching full impact in fiscal year 04. Estimated impact (measured from current law) for each year of the phase-in period is summarized in the table below:

<u>Phase in</u>	<u>Year</u>	<u>Estimated Increase in Property Tax Revenue</u>				
		<u>University</u>	<u>School Equalization</u>	<u>Counties</u>	<u>Local Schools</u>	<u>TOTAL</u>
10%	95	\$ 5,000	\$ 77,000	\$ 60,000	\$ 111,000	\$ 252,000
20%	96	30,000	476,000	376,000	621,000	1,502,000
30%	97	55,000	874,000	692,000	1,131,000	2,753,000
40%	98	80,000	1,273,000	1,008,000	1,641,000	4,003,000
50%	99	106,000	1,672,000	1,324,000	2,150,000	5,253,000
60%	00	131,000	2,071,000	1,640,000	2,661,000	6,503,000
70%	01	156,000	2,469,000	1,957,000	3,171,000	7,753,000
80%	02	181,000	2,868,000	2,273,000	3,681,000	9,003,000
90%	03	206,000	3,267,000	2,589,000	4,191,000	10,253,000
100%	04	232,000	3,666,000	2,905,000	4,701,000	11,503,000

Expenditures:

Implementation would require additional total administrative expenses of \$299,824 in FY 94, and \$232,830 in FY 95.

Property Valuation

	<u>FY '94</u>			<u>FY '95</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
FTE	398.66	405.66	7.00	398.66	405.66	7.00
Personal Services	\$ 11,885,655	\$ 12,104,550	\$ 218,895	\$ 11,913,545	\$ 12,112,700	\$ 199,155
Operating Expenses	2,180,406	2,261,335	80,929	2,192,109	2,225,784	33,675
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	\$ 14,857,963	\$ 299,824	\$ 14,581,102	\$ 14,813,932	\$ 232,830
General Fund	\$ 14,558,139	\$ 14,857,963	\$ 299,824	\$ 14,581,102	\$ 14,813,932	\$ 232,830

SB 435-#2

APPROVED BY COMMITTEE  
ON TAXATION

## SENATE BILL NO. 435

INTRODUCED BY GROSFIELD, ELLIS, SWANSON, DOHERTY, AKLESTAD

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE GREENBELT APPRAISAL DEFINITION OF AGRICULTURAL LAND FOR PROPERTY TAX PURPOSES; REQUIRING THAT LAND PRODUCE A CERTAIN AMOUNT IN ANNUAL GROSS INCOME IN ORDER TO BE ELIGIBLE FOR TAXATION AS AGRICULTURAL LAND AND REQUIRING ANNUAL CERTIFICATION OF THAT AMOUNT; TAXING RURAL RESIDENTIAL PROPERTY FORMERLY ELIGIBLE FOR TAXATION AS AGRICULTURAL LAND AT REDUCED RATES UNDER CLASS FOUR PROPERTY UNTIL 1997 2003; TAXING RURAL NONAGRICULTURAL PROPERTY FORMERLY ELIGIBLE FOR TAXATION AS AGRICULTURAL LAND AT ~~10~~ FIVE TIMES THE TAX RATE UNDER CLASS THREE PROPERTY; REQUIRING THAT CERTAIN CONDITIONS BE MET BEFORE LAND FORMERLY CLASSIFIED AS AGRICULTURAL LAND MAY BE RECLASSIFIED AS FOREST LAND; AMENDING SECTIONS 15-1-101, 15-6-133, 15-6-134, 15-7-202, AND 15-44-102, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

## STATEMENT OF INTENT

A STATEMENT OF INTENT IS REQUIRED FOR THIS BILL BECAUSE [SECTION 4], WHICH AMENDS 15-7-202, PROVIDES THAT THE DEPARTMENT OF REVENUE ADOPT RULES REGARDING THE ANNUAL CERTIFICATION BY OWNERS OF AGRICULTURAL LAND THAT THE LAND

QUALIFIES AS AGRICULTURAL LAND FOR PROPERTY TAX PURPOSES. BECAUSE [THIS ACT] IMPOSES AN ANNUAL GROSS INCOME REQUIREMENT ON PARCELS OF LAND THAT TOTAL 20 ACRES OR MORE, IT IS THE INTENT OF THE LEGISLATURE THAT THE DEPARTMENT OF REVENUE ESTABLISH PROCEDURES FOR DETERMINING WHETHER PARCELS OF LAND THAT TOTAL 20 ACRES OR MORE INITIALLY QUALIFY UNDER THE ANNUAL GROSS INCOME REQUIREMENT AS PROVIDED IN [THIS ACT]. IT IS FURTHER THE INTENT OF THE LEGISLATURE THAT THE PROCESS FOR SUBSEQUENT ANNUAL CERTIFICATION ENSURE EASE OF ADMINISTRATION AND COMPLIANCE. TO THAT END, THE DEPARTMENT SHOULD USE EXISTING FORMS ON WHICH A LANDOWNER MAY REPORT ANNUAL GROSS INCOME.

[SECTION 5], WHICH AMENDS 15-44-102, ALSO PROVIDES THAT THE DEPARTMENT OF REVENUE ADOPT RULES REGARDING THE ANNUAL CERTIFICATION BY OWNERS OF FOREST LAND THAT THE LAND QUALIFIES AS FOREST LAND FOR PROPERTY TAX PURPOSES. IT IS THE INTENT OF THE LEGISLATURE THAT THE DEPARTMENT ESTABLISH PROCEDURES FOR DETERMINING WHETHER THE LAND IS ACTIVELY MANAGED FOR THE PRODUCTION OF FOREST PRODUCTS. IT IS FURTHER THE INTENT OF THE LEGISLATURE THAT THE PROCESS FOR SUBSEQUENT ANNUAL CERTIFICATION ENSURE EASE OF ADMINISTRATION AND COMPLIANCE.

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

**Section 1.** Section 15-1-101, MCA, is amended to read:

1 "15-1-101. (Temporary) Definitions. (1) Except as  
2 otherwise specifically provided, when terms mentioned in  
3 this section are used in connection with taxation, they are  
4 defined in the following manner:

5 (a) The term "agricultural" refers to:

6 (i) the production of food, feed, and fiber  
7 commodities, livestock and poultry, bees, fruits and  
8 vegetables, and sod, ornamental, nursery, and horticultural  
9 crops that are raised, grown, or produced for commercial  
10 purposes; and

11 (ii) the raising of domestic animals and wildlife in  
12 domestication or a captive environment.

13 (b) The term "assessed value" means the value of  
14 property as defined in 15-8-111.

15 (c) The term "average wholesale value" means the value  
16 to a dealer prior to reconditioning and profit margin shown  
17 in national appraisal guides and manuals or the valuation  
18 schedules of the department of revenue.

19 (d) (i) The term "commercial", when used to describe  
20 property, means any property used or owned by a business, a  
21 trade, or a corporation as defined in 35-2-114 or used for  
22 the production of income, except that property described in  
23 subsection (ii).

24 (ii) The following types of property are not commercial:

25 (A) agricultural lands;

1 (B) timberlands and, beginning January 1, 1994, forest  
2 lands;

3 (C) single-family residences and ancillary improvements  
4 and improvements necessary to the function of a bona fide  
5 farm, ranch, or stock operation;

6 (D) mobile homes used exclusively as a residence except  
7 when held by a distributor or dealer of trailers or mobile  
8 homes as his stock in trade;

9 (E) all property described in 15-6-135; and

10 (F) all property described in 15-6-136.

11 (e) The term "comparable property" means property that  
12 has similar use, function, and utility; that is influenced  
13 by the same set of economic trends and physical,  
14 governmental, and social factors; and that has the potential  
15 of a similar highest and best use.

16 (f) The term "credit" means solvent debts, secured or  
17 unsecured, owing to a person.

18 (g) The term "improvements" includes all buildings,  
19 structures, fences, and improvements situated upon, erected  
20 upon, or affixed to land. When the department of revenue or  
21 its agent determines that the permanency of location of a  
22 mobile home or housetrailer has been established, the mobile  
23 home or housetrailer is presumed to be an improvement to  
24 real property. A mobile home or housetrailer may be  
25 determined to be permanently located only when it is

1 attached to a foundation which cannot feasibly be relocated  
2 and only when the wheels are removed.

3 (h) The term "leasehold improvements" means  
4 improvements to mobile homes and mobile homes located on  
5 land owned by another person. This property is assessed  
6 under the appropriate classification and the taxes are due  
7 and payable in two payments as provided in 15-24-202.  
8 Delinquent taxes on such leasehold improvements are a lien  
9 only on such leasehold improvements.

10 (i) The term "livestock" means cattle, sheep, swine,  
11 goats, horses, mules, and asses.

12 (j) The term "mobile home" means forms of housing known  
13 as "trailers", "housetrailers", or "trailer coaches"  
14 exceeding 8 feet in width or 45 feet in length, designed to  
15 be moved from one place to another by an independent power  
16 connected to them, or any "trailer", "housetrailer", or  
17 "trailer coach" up to 8 feet in width or 45 feet in length  
18 used as a principal residence.

19 (k) The term "personal property" includes everything  
20 that is the subject of ownership but that is not included  
21 within the meaning of the terms "real estate" and  
22 "improvements".

23 (l) The term "poultry" includes all chickens, turkeys,  
24 geese, ducks, and other birds raised in domestication to  
25 produce food or feathers.

1 (m) The term "property" includes moneys, credits,  
2 bonds, stocks, franchises, and all other matters and things,  
3 real, personal, and mixed, capable of private ownership.  
4 This definition must not be construed to authorize the  
5 taxation of the stocks of any company or corporation when  
6 the property of such company or corporation represented by  
7 the stocks is within the state and has been taxed.

8 (n) The term "real estate" includes:

9 (i) the possession of, claim to, ownership of, or right  
10 to the possession of land;

11 (ii) all mines, minerals, and quarries in and under the  
12 land subject to the provisions of 15-23-501 and Title 15,  
13 chapter 23, part 8; all timber belonging to individuals or  
14 corporations growing or being on the lands of the United  
15 States; and all rights and privileges appertaining thereto.

16 (o) "Research and development firm" means an entity  
17 incorporated under the laws of this state or a foreign  
18 corporation authorized to do business in this state whose  
19 principal purpose is to engage in theoretical analysis,  
20 exploration, and experimentation and the extension of  
21 investigative findings and theories of a scientific and  
22 technical nature into practical application for experimental  
23 and demonstration purposes, including the experimental  
24 production and testing of models, devices, equipment,  
25 materials, and processes.

(p) The term "taxable value" means the percentage of market or assessed value as provided for in Title 15, chapter 6, part 1.

(q) The term "weighted mean assessment ratio" means the total of the assessed values divided by the total of the selling prices of all area sales in the stratum.

(2) The phrase "municipal corporation" or "municipality" or "taxing unit" shall be deemed to include a county, city, incorporated town, township, school district, irrigation district, drainage district, or any person, persons, or organized body authorized by law to establish tax levies for the purpose of raising public revenue.

(3) The term "state board" or "board" when used without other qualification shall mean the state tax appeal board.

15-1-101. (Effective July 1, 1993) Definitions. (1) Except as otherwise specifically provided, when terms mentioned in this section are used in connection with taxation, they are defined in the following manner:

(a) The term "agricultural" refers to:

(i) the production of food, feed, and fiber commodities, livestock and poultry, bees, fruits and vegetables, and sod, ornamental, nursery, and horticultural crops that are raised, grown, or produced for commercial purposes; and

(ii) the raising of domestic animals and wildlife in

domestication or a captive environment.

(b) The term "assessed value" means the value of property as defined in 15-8-111.

(c) The term "average wholesale value" means the value to a dealer prior to reconditioning and profit margin shown in national appraisal guides and manuals or the valuation schedules of the department of revenue.

(d) (i) The term "commercial", when used to describe property, means any property used or owned by a business, a trade, or a corporation as defined in 35-2-114 or used for the production of income, except that property described in subsection (ii).

(ii) The following types of property are not commercial:

(A) agricultural lands;

(B) timberlands and, beginning January 1, 1994, forest lands;

(C) single-family residences and ancillary improvements and improvements necessary to the function of a bona fide farm, ranch, or stock operation;

(D) mobile homes used exclusively as a residence except when held by a distributor or dealer of trailers or mobile homes as his stock in trade;

(E) all property described in 15-6-135; and

(F) all property described in 15-6-136.

(e) The term "comparable property" means property that

1 has similar use, function, and utility; that is influenced  
2 by the same set of economic trends and physical,  
3 governmental, and social factors; and that has the potential  
4 of a similar highest and best use.

5 (f) The term "credit" means solvent debts, secured or  
6 unsecured, owing to a person.

7 (g) The term "improvements" includes all buildings,  
8 structures, fences, and improvements situated upon, erected  
9 upon, or affixed to land. When the department of revenue or  
10 its agent determines that the permanency of location of a  
11 mobile home or housetrailer has been established, the mobile  
12 home or housetrailer is presumed to be an improvement to  
13 real property. A mobile home or housetrailer may be  
14 determined to be permanently located only when it is  
15 attached to a foundation which cannot feasibly be relocated  
16 and only when the wheels are removed.

17 (h) The term "leasehold improvements" means  
18 improvements to mobile homes and mobile homes located on  
19 land owned by another person. This property is assessed  
20 under the appropriate classification and the taxes are due  
21 and payable in two payments as provided in 15-24-202.  
22 Delinquent taxes on such leasehold improvements are a lien  
23 only on such the leasehold improvements.

24 (i) The term "livestock" means cattle, sheep, swine,  
25 goats, horses, mules, and asses.

1 (j) The term "mobile home" means forms of housing known  
2 as "trailers", "housetrainers", or "trailer coaches"  
3 exceeding 8 feet in width or 45 feet in length, designed to  
4 be moved from one place to another by an independent power  
5 connected to them, or any "trailer", "housetrailer", or  
6 "trailer coach" up to 8 feet in width or 45 feet in length  
7 used as a principal residence.

8 (k) The term "personal property" includes everything  
9 that is the subject of ownership but that is not included  
10 within the meaning of the terms "real estate" and  
11 "improvements".

12 (l) The term "poultry" includes all chickens, turkeys,  
13 geese, ducks, and other birds raised in domestication to  
14 produce food or feathers.

15 (m) The term "property" includes ~~moneys~~ money, credits,  
16 bonds, stocks, franchises, and all other matters and things,  
17 real, personal, and mixed, capable of private ownership.  
18 This definition ~~must~~ may not be construed to authorize the  
19 taxation of the stocks of any company or corporation when  
20 the property of such the company or corporation represented  
21 by the stocks is within the state and has been taxed.

22 (n) The term "real estate" includes:

23 (i) the possession of, claim to, ownership of, or right  
24 to the possession of land;

25 (ii) all mines, minerals, and quarries in and under the

1 land subject to the provisions of 15-23-501 and Title 15,  
2 chapter 23, part 8; all timber belonging to individuals or  
3 corporations growing or being on the lands of the United  
4 States; and all rights and privileges appertaining thereto  
5 to the land.

6 (o) "Research and development firm" means an entity  
7 incorporated under the laws of this state or a foreign  
8 corporation authorized to do business in this state whose  
9 principal purpose is to engage in theoretical analysis,  
10 exploration, and experimentation and the extension of  
11 investigative findings and theories of a scientific and  
12 technical nature into practical application for experimental  
13 and demonstration purposes, including the experimental  
14 production and testing of models, devices, equipment,  
15 materials, and processes.

16 (p) "Rural nonagricultural property" means land that:

17 (i) is located outside the limits of a city or town;

18 (ii) consists of more than 160 contiguous acres;

19 (iii) produces less than \$1,780 (and less than \$5 per  
20 acre for each acre in excess of 160 acres) in annual gross  
21 income from the raising of products that are agricultural,  
22 as defined in subsection (1)(a); and

23 (iv) is not devoted to a commercial or industrial use.

24 (q) (i) "Rural residential property" means land that:

25 (A) is located outside the limits of a city or town;

1 (B) consists of not less than 20 or more than 160  
2 contiguous acres;

3 (C) produces less than \$1,500 (and less than \$2 per  
4 acre for each acre in excess of 20 acres) in annual gross  
5 income from the raising of products that are agricultural,  
6 as defined in subsection (1)(a); and

7 (D) is used or intended to be used for residential  
8 purposes, including incidental business operations conducted  
9 by the occupant and members of the occupant's family.

10 (ii) Rural residential property does not include  
11 property on which there are improvements, including a mobile  
12 home or a housetrailer, used as a residence and 1 acre  
13 beneath the residential improvements.

14 (p)(r) The term "taxable value" means the percentage of  
15 market or assessed value as provided for in Title 15,  
16 chapter 6, part 1.

17 (2) The phrase "municipal corporation" or  
18 "municipality" or "taxing unit" ~~shall-be-deemed-to-include~~  
19 includes a county, city, incorporated town, township, school  
20 district, irrigation district, drainage district, or any  
21 person, persons, or organized body authorized by law to  
22 establish tax levies for the purpose of raising public  
23 revenue.

24 (3) The term "state board" or "board" when used without  
25 other qualification ~~shall-mean~~ means the state tax appeal

board."

**Section 2.** 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 the 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.

(c) rural nonagricultural property as defined in

15-1-101.

(2) Class three property is taxed at the taxable percentage rate "P" of its productive capacity.

(3) Until July 1, 1986, the taxable percentage rate "P" for class three property is 30%.

(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class three property for the revaluation cycle beginning January 1, 1986, as follows:

(a) The director of the department of revenue shall certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class three as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the "certified statewide percentage increase".

(b) The Except as provided in subsection (6), the taxable value of property in class three is determined as a function of the certified statewide percentage increase in accordance with the table shown below.

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0%. In calculating the percentage increase, the department may not consider agricultural use changes during calendar year 1985.

(d) The taxable percentage must be calculated by



interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

Certified Statewide Percentage Increase	Class Three Taxable Percentage "P"
0	30.00
10	27.27
20	25.00
30	23.08
40	21.43
50	20.00

(5) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111.

(6) Property described in subsection (1)(c) is valued at the productive capacity of the land as if it were valued as agricultural land, at production levels established by the department. The taxable value of rural nonagricultural property is computed by multiplying the value of the property by ~~10~~ FIVE times the taxable percentage for agricultural land."

**Section 3.** Section 15-6-134, MCA, is amended to read:

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

(a) all land except that specifically included in

another class;

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

(c) the first \$80,000 or less of the market value of any improvement on real property, including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income or loss and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than \$10,000 for a single person or \$12,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii);

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

(e) rural residential property as defined in 15-1-101.

(2) Class four property is taxed as follows:

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

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

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

Income	Income	Percentage
Single Person	Married Couple	Multiplier
	Head of Household	
\$ 0 - \$ 1,000	\$ 0 - \$ 1,200	0%
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%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

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

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

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

1 whole dollar amount.

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

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

9 (d) Property described in subsection (1)(e) is taxed as  
10 follows:

11 (i) For the tax year beginning January 1, 1994, and  
12 ending December 31, 1994, the property is taxed at 0.965% of  
13 its--market--value 10% OF THE TAXABLE PERCENTAGE RATE  
14 ESTABLISHED IN SUBSECTION (2)(A).

15 (ii) For the tax year beginning January 1, 1995, and  
16 ending December 31, 1995, the property is taxed at 1.93% of  
17 its--market--value 20% OF THE TAXABLE PERCENTAGE RATE  
18 ESTABLISHED IN SUBSECTION (2)(A).

19 (iii) For the tax year beginning January 1, 1996, and  
20 ending December 31, 1996, the property is taxed at 2.895% of  
21 its--market--value 30% OF THE TAXABLE PERCENTAGE RATE  
22 ESTABLISHED IN SUBSECTION (2)(A).

23 (IV) FOR THE TAX YEAR BEGINNING JANUARY 1, 1997, AND  
24 ENDING DECEMBER 31, 1997, THE PROPERTY IS TAXED AT 40% OF  
25 THE TAXABLE PERCENTAGE RATE ESTABLISHED IN SUBSECTION

1 (2)(A).

2 (V) FOR THE TAX YEAR BEGINNING JANUARY 1, 1998, AND  
 3 ENDING DECEMBER 31, 1998, THE PROPERTY IS TAXED AT 50% OF  
 4 THE TAXABLE PERCENTAGE RATE ESTABLISHED IN SUBSECTION  
 5 (2)(A).

6 (VI) FOR THE TAX YEAR BEGINNING JANUARY 1, 1999, AND  
 7 ENDING DECEMBER 31, 1999, THE PROPERTY IS TAXED AT 60% OF  
 8 THE TAXABLE PERCENTAGE RATE ESTABLISHED IN SUBSECTION  
 9 (2)(A).

10 (VII) FOR THE TAX YEAR BEGINNING JANUARY 1, 2000, AND  
 11 ENDING DECEMBER 31, 2000, THE PROPERTY IS TAXED AT 70% OF  
 12 THE TAXABLE PERCENTAGE RATE ESTABLISHED IN SUBSECTION  
 13 (2)(A).

14 (VIII) FOR THE TAX YEAR BEGINNING JANUARY 1, 2001, AND  
 15 ENDING DECEMBER 31, 2001, THE PROPERTY IS TAXED AT 80% OF  
 16 THE TAXABLE PERCENTAGE RATE ESTABLISHED IN SUBSECTION  
 17 (2)(A).

18 (IX) FOR THE TAX YEAR BEGINNING JANUARY 1, 2002, AND  
 19 ENDING DECEMBER 31, 2002, THE PROPERTY IS TAXED AT 90% OF  
 20 THE TAXABLE PERCENTAGE RATE ESTABLISHED IN SUBSECTION  
 21 (2)(A).

22 ~~(iv)~~(X) For tax years beginning after December 31, 1996  
 23 2002, the property is taxed at ~~3-86%~~ of its market value  
 24 100% OF THE TAXABLE PERCENTAGE RATE ESTABLISHED IN  
 25 SUBSECTION (2)(A).

1 (3) After July 1, 1986, no adjustment may be made by  
 2 the department to the taxable percentage rate for class four  
 3 property until a revaluation has been made as provided in  
 4 15-7-111.

5 (4) Within the meaning of comparable property as  
 6 defined in 15-1-101, property assessed as commercial  
 7 property is comparable only to other property assessed as  
 8 commercial property, and property assessed as other than  
 9 commercial property is comparable only to other property  
 10 assessed as other than commercial property."

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

12 "15-7-202. Eligibility of land for valuation as  
 13 agricultural. (1)(a) Contiguous Except as provided in  
 14 subsection ~~(1)(b)~~ (1)(C), contiguous parcels of land  
 15 totaling that total 20 acres or more under one ownership  
 16 shall be and that are used primarily for the production of  
 17 products that are agricultural, as defined in 15-1-101, are  
 18 eligible for valuation, assessment, and taxation as  
 19 agricultural land each year that none of the parcels is  
 20 devoted to a commercial or industrial use and each year that  
 21 the parcels meet either of the following qualifications:

22 (i) the parcels produce and the owner or the owner's  
 23 agent, employee, or lessee markets from the raising of  
 24 agricultural products not less than:

25 (A) \$1,500 in annual gross income plus at least \$2 per

acre for each acre in excess of 20 acres on parcels of land totaling at least 20 acres but not more than 160 acres; or

(B) \$1,780 in annual gross income plus \$5 per acre for each acre in excess of 160 acres on parcels of land totaling more than 160 acres; or

(ii) the parcels would have met the qualifications set out in subsection (1)(a)(i) if it were not for independent intervening causes of production failure beyond the control of the producer or for marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

(B) THE ANNUAL GROSS INCOME REQUIREMENTS IN SUBSECTION (1)(A) MAY INCLUDE LAND RENTAL PAYMENTS MADE UNDER THE FEDERAL CONSERVATION RESERVE PROGRAM OR A SUCCESSOR TO THAT PROGRAM.

{b}(C) Notwithstanding the annual gross income requirements in subsection (1)(a), noncontiguous parcels of land are eligible for valuation, assessment, and taxation as agricultural land under subsection (1)(a) if:

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

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

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

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

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

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

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

(4) Land may not be classified or valued as agricultural if it is subdivided land with stated restrictions effectively prohibiting its use for

1 agricultural purposes. For the purposes of this subsection  
2 only, "subdivided land" includes parcels of land larger than  
3 20 acres that have been subdivided for commercial or  
4 residential purposes.

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

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

14 (b) An owner of agricultural land shall certify  
15 annually, in--a-manner-specified UNDER RULES ADOPTED by the  
16 department, that the land qualifies as agricultural land  
17 under this section.

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

20 (8) Subject to the provisions of subsections (2)(a) and  
21 (2)(b), property upon which sod, ornamental, nursery, or  
22 horticultural crops are raised, grown, or produced must  
23 consist of at least 10 acres before the property is eligible  
24 to be classified as agricultural land. Improvements devoted  
25 to crop production described in this subsection may not be

1 included in class eleven property."

2 **Section 5.** Section 15-44-102, MCA, is amended to read:

3 **"15-44-102. Definitions.** For the purposes of this part,  
4 unless the context requires otherwise, the following  
5 definitions apply:

6 (1) "Culmination of mean annual increment" means the  
7 point of optimum net wood production on an acre of forest  
8 land.

9 (2) "Cultivated Christmas trees" means Christmas trees  
10 that are grown on land prepared by intensive cultivation and  
11 tilling, such as by plowing or turning over the soil, and on  
12 which all unwanted plant growth is controlled for the  
13 exclusive purpose of raising Christmas trees.

14 (3) "Department" means the department of revenue.

15 (4) "Forest" means forest land and the timber on the  
16 land.

17 (5) (a) "Forest land" means contiguous land of 15 acres  
18 or more in one ownership that is capable of producing timber  
19 that can be harvested in commercial quantity and is  
20 producing timber unless the trees have been removed by man  
21 through harvest, including clearcuts, or by natural  
22 disaster, including but not limited to fire. Forest land  
23 includes land:

24 ~~(a)~~ (i) that has not been converted to another use; or

25 ~~(b)~~ (ii) that has a dedicated use that is evidenced by a

1 statement of intent by the owner for the eventual harvest of  
 2 timber. A landowner of forest land shall certify annually,  
 3 in-a-manner-specified UNDER RULES ADOPTED by the department,  
 4 that the land qualifies as forest land under this  
 5 subsection.

6 (b) Forest land does not include land formerly  
 7 classified as agricultural land for tax purposes unless the  
 8 land meets the requirements of subsection (5)(a) and is  
 9 actively managed for the production of forest products.

10 (6) "Forest productivity value" means the value of  
 11 forest land for assessment purposes, which value is  
 12 determined only on the basis of its ability to produce  
 13 timber, other forest products, and associated agricultural  
 14 products through an income approach provided for in  
 15 15-44-103.

16 (7) "Harvest" means an activity related to the cutting  
 17 or removal of timber for use or sale as a forest product.

18 (8) "Landowner" means an individual, corporation,  
 19 association, company, firm, joint venture, syndicate, or  
 20 trust.

21 (9) "Mean annual net wood production" means the average  
 22 net usable volume of wood 1 acre of forest land will grow in  
 23 1 year under average current and actual forest conditions  
 24 and under current and reasonable management practices for  
 25 each forest valuation zone established under 15-44-103.

1 (10) "Stumpage value" means the amount that timber would  
 2 sell for under an arm's-length transaction made in the  
 3 ordinary course of business, expressed in terms of dollars  
 4 per unit of measure.

5 (11) "Timber" means all wood growth on privately owned  
 6 land, mature or immature, alive or dead, standing or down,  
 7 that is capable of furnishing raw material used in the  
 8 manufacture of lumber or other forest products. The term  
 9 does not include cultivated Christmas trees."

10 NEW SECTION. Section 6. Effective date --  
 11 applicability. [This act] is effective July 1, 1993, and  
 12 applies to tax years beginning after December 31, 1993.

-End-

## SENATE BILL NO. 435

INTRODUCED BY GROSFIELD, ELLIS, SWANSON, DOHERTY, AKLESTAD

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE GREENBELT APPRAISAL DEFINITION OF AGRICULTURAL LAND FOR PROPERTY TAX PURPOSES; REQUIRING THAT LAND PRODUCE A CERTAIN AMOUNT IN ANNUAL GROSS INCOME IN ORDER TO BE ELIGIBLE FOR TAXATION AS AGRICULTURAL LAND AND REQUIRING ANNUAL CERTIFICATION OF THAT AMOUNT; TAXING RURAL RESIDENTIAL PROPERTY FORMERLY ELIGIBLE FOR TAXATION AS AGRICULTURAL LAND AT REDUCED RATES UNDER CLASS FOUR PROPERTY UNTIL 1997 2003; TAXING RURAL NONAGRICULTURAL PROPERTY FORMERLY ELIGIBLE FOR TAXATION AS AGRICULTURAL LAND AT 10 FIVE TIMES THE TAX RATE UNDER CLASS THREE PROPERTY; REQUIRING THAT CERTAIN CONDITIONS BE MET BEFORE LAND FORMERLY CLASSIFIED AS AGRICULTURAL LAND MAY BE RECLASSIFIED AS FOREST LAND; AMENDING SECTIONS 15-1-101, 15-6-133, 15-6-134, 15-7-202, AND 15-44-102, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

STATEMENT OF INTENT

A STATEMENT OF INTENT IS REQUIRED FOR THIS BILL BECAUSE [SECTION 4], WHICH AMENDS 15-7-202, PROVIDES THAT THE DEPARTMENT OF REVENUE ADOPT RULES REGARDING THE ANNUAL CERTIFICATION BY OWNERS OF AGRICULTURAL LAND THAT THE LAND

QUALIFIES AS AGRICULTURAL LAND FOR PROPERTY TAX PURPOSES. BECAUSE [THIS ACT] IMPOSES AN ANNUAL GROSS INCOME REQUIREMENT ON PARCELS OF LAND THAT TOTAL 20 ACRES OR MORE, IT IS THE INTENT OF THE LEGISLATURE THAT THE DEPARTMENT OF REVENUE ESTABLISH PROCEDURES FOR DETERMINING WHETHER PARCELS OF LAND THAT TOTAL 20 ACRES OR MORE INITIALLY QUALIFY UNDER THE ANNUAL GROSS INCOME REQUIREMENT AS PROVIDED IN [THIS ACT]. IT IS FURTHER THE INTENT OF THE LEGISLATURE THAT THE PROCESS FOR SUBSEQUENT ANNUAL CERTIFICATION ENSURE EASE OF ADMINISTRATION AND COMPLIANCE. TO THAT END, THE DEPARTMENT SHOULD USE EXISTING FORMS ON WHICH A LANDOWNER MAY REPORT ANNUAL GROSS INCOME.

[SECTION 5], WHICH AMENDS 15-44-102, ALSO PROVIDES THAT THE DEPARTMENT OF REVENUE ADOPT RULES REGARDING THE ANNUAL CERTIFICATION BY OWNERS OF FOREST LAND THAT THE LAND QUALIFIES AS FOREST LAND FOR PROPERTY TAX PURPOSES. IT IS THE INTENT OF THE LEGISLATURE THAT THE DEPARTMENT ESTABLISH PROCEDURES FOR DETERMINING WHETHER THE LAND IS ACTIVELY MANAGED FOR THE PRODUCTION OF FOREST PRODUCTS. IT IS FURTHER THE INTENT OF THE LEGISLATURE THAT THE PROCESS FOR SUBSEQUENT ANNUAL CERTIFICATION ENSURE EASE OF ADMINISTRATION AND COMPLIANCE.

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

**Section 1.** Section 15-1-101, MCA, is amended to read:

1 "15-1-101. (Temporary) Definitions. (1) Except as  
2 otherwise specifically provided, when terms mentioned in  
3 this section are used in connection with taxation, they are  
4 defined in the following manner:

5 (a) The term "agricultural" refers to:

6 (i) the production of food, feed, and fiber  
7 commodities, livestock and poultry, bees, fruits and  
8 vegetables, and sod, ornamental, nursery, and horticultural  
9 crops that are raised, grown, or produced for commercial  
10 purposes; and

11 (ii) the raising of domestic animals and wildlife in  
12 domestication or a captive environment.

13 (b) The term "assessed value" means the value of  
14 property as defined in 15-8-111.

15 (c) The term "average wholesale value" means the value  
16 to a dealer prior to reconditioning and profit margin shown  
17 in national appraisal guides and manuals or the valuation  
18 schedules of the department of revenue.

19 (d) (i) The term "commercial", when used to describe  
20 property, means any property used or owned by a business, a  
21 trade, or a corporation as defined in 35-2-114 or used for  
22 the production of income, except that property described in  
23 subsection (ii).

24 (ii) The following types of property are not commercial:

25 (A) agricultural lands;

1 (B) timberlands and, beginning January 1, 1994, forest  
2 lands;

3 (C) single-family residences and ancillary improvements  
4 and improvements necessary to the function of a bona fide  
5 farm, ranch, or stock operation;

6 (D) mobile homes used exclusively as a residence except  
7 when held by a distributor or dealer of trailers or mobile  
8 homes as his stock in trade;

9 (E) all property described in 15-6-135; and

10 (F) all property described in 15-6-136.

11 (e) The term "comparable property" means property that  
12 has similar use, function, and utility; that is influenced  
13 by the same set of economic trends and physical,  
14 governmental, and social factors; and that has the potential  
15 of a similar highest and best use.

16 (f) The term "credit" means solvent debts, secured or  
17 unsecured, owing to a person.

18 (g) The term "improvements" includes all buildings,  
19 structures, fences, and improvements situated upon, erected  
20 upon, or affixed to land. When the department of revenue or  
21 its agent determines that the permanency of location of a  
22 mobile home or housetrailer has been established, the mobile  
23 home or housetrailer is presumed to be an improvement to  
24 real property. A mobile home or housetrailer may be  
25 determined to be permanently located only when it is



has similar use, function, and utility; that is influenced by the same set of economic trends and physical, governmental, and social factors; and that has the potential of a similar highest and best use.

(f) The term "credit" means solvent debts, secured or unsecured, owing to a person.

(g) The term "improvements" includes all buildings, structures, fences, and improvements situated upon, erected upon, or affixed to land. When the department of revenue or its agent determines that the permanency of location of a mobile home or housetrailer has been established, the mobile home or housetrailer is presumed to be an improvement to real property. A mobile home or housetrailer may be determined to be permanently located only when it is attached to a foundation which cannot feasibly be relocated and only when the wheels are removed.

(h) The term "leasehold improvements" means improvements to mobile homes and mobile homes located on land owned by another person. This property is assessed under the appropriate classification and the taxes are due and payable in two payments as provided in 15-24-202. Delinquent taxes on such leasehold improvements are a lien only on such the leasehold improvements.

(i) The term "livestock" means cattle, sheep, swine, goats, horses, mules, and asses.

(j) The term "mobile home" means forms of housing known as "trailers", "housetrainers", or "trailer coaches" exceeding 8 feet in width or 45 feet in length, designed to be moved from one place to another by an independent power connected to them, or any "trailer", "housetrailer", or "trailer coach" up to 8 feet in width or 45 feet in length used as a principal residence.

(k) The term "personal property" includes everything that is the subject of ownership but that is not included within the meaning of the terms "real estate" and "improvements".

(l) The term "poultry" includes all chickens, turkeys, geese, ducks, and other birds raised in domestication to produce food or feathers.

(m) The term "property" includes moneys money, credits, bonds, stocks, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership. This definition must may not be construed to authorize the taxation of the stocks of any company or corporation when the property of such the company or corporation represented by the stocks is within the state and has been taxed.

(n) The term "real estate" includes:

(i) the possession of, claim to, ownership of, or right to the possession of land;

(ii) all mines, minerals, and quarries in and under the

land subject to the provisions of 15-23-501 and Title 15, chapter 23, part 8; all timber belonging to individuals or corporations growing or being on the lands of the United States; and all rights and privileges appertaining thereto to the land.

(c) "Research and development firm" means an entity incorporated under the laws of this state or a foreign corporation authorized to do business in this state whose principal purpose is to engage in theoretical analysis, exploration, and experimentation and the extension of investigative findings and theories of a scientific and technical nature into practical application for experimental and demonstration purposes, including the experimental production and testing of models, devices, equipment, materials, and processes.

(p) "Rural nonagricultural property" means land that:

(i) is located outside the limits of a city or town;

(ii) consists of more than 160 contiguous acres;

(iii) produces less than \$1,780 (and less than \$5 per acre for each acre in excess of 160 acres) in annual gross income from the raising of products that are agricultural, as defined in subsection (1)(a); and

(iv) is not devoted to a commercial or industrial use.

(q) (i) "Rural residential property" means land that:

(A) is located outside the limits of a city or town;

(B) consists of not less than 20 or more than 160 contiguous acres;

(C) produces less than \$1,500 (and less than \$2 per acre for each acre in excess of 20 acres) in annual gross income from the raising of products that are agricultural, as defined in subsection (1)(a); and

(D) is used or intended to be used for residential purposes, including incidental business operations conducted by the occupant and members of the occupant's family.

(ii) Rural residential property does not include property on which there are improvements, including a mobile home or a housetrailer, used as a residence and 1 acre beneath the residential improvements.

(r) The term "taxable value" means the percentage of market or assessed value as provided for in Title 15, chapter 6, part 1.

(2) The phrase "municipal corporation" or "municipality" or "taxing unit" shall-be-deemed-to-include includes a county, city, incorporated town, township, school district, irrigation district, drainage district, or any person, persons, or organized body authorized by law to establish tax levies for the purpose of raising public revenue.

(3) The term "state board" or "board" when used without other qualification shall--mean means the state tax appeal.

board."

**Section 2.** 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 the 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.

(c) rural nonagricultural property as defined in

15-1-101.

(2) Class three property is taxed at the taxable percentage rate "P" of its productive capacity.

(3) Until July 1, 1986, the taxable percentage rate "P" for class three property is 30%.

(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class three property for the revaluation cycle beginning January 1, 1986, as follows:

(a) The director of the department of revenue shall certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class three as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the "certified statewide percentage increase".

(b) The Except as provided in subsection (6), the taxable value of property in class three is determined as a function of the certified statewide percentage increase in accordance with the table shown below.

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0%. In calculating the percentage increase, the department may not consider agricultural use changes during calendar year 1985.

(d) The taxable percentage must be calculated by

1 interpolation to coincide with the nearest whole number  
2 certified statewide percentage increase from the following  
3 table:

4 Certified Statewide	Class Three Taxable
5 Percentage Increase	Percentage "P"
6 0	30.00
7 10	27.27
8 20	25.00
9 30	23.08
10 40	21.43
11 50	20.00

12 (5) After July 1, 1986, no adjustment may be made by  
13 the department to the taxable percentage rate "P" until a  
14 revaluation has been made as provided in 15-7-111.

15 (6) Property described in subsection (1)(c) is valued  
16 at the productive capacity of the land as if it were valued  
17 as agricultural land, at production levels established by  
18 the department. The taxable value of rural nonagricultural  
19 property is computed by multiplying the value of the  
20 property by ± FIVE times the taxable percentage for  
21 agricultural land."

22 **Section 3.** Section 15-6-134, MCA, is amended to read:

23 "15-6-134. Class four property -- description --  
24 taxable percentage. (1) Class four property includes:

25 (a) all land except that specifically included in

1 another class;

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

5 (c) the first \$80,000 or less of the market value of  
6 any improvement on real property, including trailers or  
7 mobile homes, and appurtenant land not exceeding 5 acres  
8 owned or under contract for deed and actually occupied for  
9 at least 10 months a year as the primary residential  
10 dwelling of any person whose total income from all sources,  
11 including net business income or loss and otherwise  
12 tax-exempt income of all types but not including social  
13 security income paid directly to a nursing home, is not more  
14 than \$10,000 for a single person or \$12,000 for a married  
15 couple or a head of household, as adjusted according to  
16 subsection (2)(b)(ii);

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

20 (e) rural residential property as defined in 15-1-101.

21 (2) Class four property is taxed as follows:

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

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

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

Income	Income	Percentage
Single Person	Married Couple	Multiplier
	Head of Household	
\$ 0 - \$ 1,000	\$ 0 - \$ 1,200	0%
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%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

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

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

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

1 whole dollar amount.

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

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

9 (d) Property described in subsection (1)(e) is taxed as  
10 follows:

11 (i) For the tax year beginning January 1, 1994, and  
12 ending December 31, 1994, the property is taxed at ~~0.965%~~ of  
13 ~~its--market--value~~ 10% OF THE TAXABLE PERCENTAGE RATE  
14 ESTABLISHED IN SUBSECTION (2)(A).

15 (ii) For the tax year beginning January 1, 1995, and  
16 ending December 31, 1995, the property is taxed at ~~1.93%~~ of  
17 ~~its--market--value~~ 20% OF THE TAXABLE PERCENTAGE RATE  
18 ESTABLISHED IN SUBSECTION (2)(A).

19 (iii) For the tax year beginning January 1, 1996, and  
20 ending December 31, 1996, the property is taxed at ~~2.895%~~ of  
21 ~~its--market--value~~ 30% OF THE TAXABLE PERCENTAGE RATE  
22 ESTABLISHED IN SUBSECTION (2)(A).

23 (IV) FOR THE TAX YEAR BEGINNING JANUARY 1, 1997, AND  
24 ENDING DECEMBER 31, 1997, THE PROPERTY IS TAXED AT 40% OF  
25 THE TAXABLE PERCENTAGE RATE ESTABLISHED IN SUBSECTION

1 (2)(A).

2 (V) FOR THE TAX YEAR BEGINNING JANUARY 1, 1998, AND  
 3 ENDING DECEMBER 31, 1998, THE PROPERTY IS TAXED AT 50% OF  
 4 THE TAXABLE PERCENTAGE RATE ESTABLISHED IN SUBSECTION

5 (2)(A).

6 (VI) FOR THE TAX YEAR BEGINNING JANUARY 1, 1999, AND  
 7 ENDING DECEMBER 31, 1999, THE PROPERTY IS TAXED AT 60% OF  
 8 THE TAXABLE PERCENTAGE RATE ESTABLISHED IN SUBSECTION

9 (2)(A).

10 (VII) FOR THE TAX YEAR BEGINNING JANUARY 1, 2000, AND  
 11 ENDING DECEMBER 31, 2000, THE PROPERTY IS TAXED AT 70% OF  
 12 THE TAXABLE PERCENTAGE RATE ESTABLISHED IN SUBSECTION

13 (2)(A).

14 (VIII) FOR THE TAX YEAR BEGINNING JANUARY 1, 2001, AND  
 15 ENDING DECEMBER 31, 2001, THE PROPERTY IS TAXED AT 80% OF  
 16 THE TAXABLE PERCENTAGE RATE ESTABLISHED IN SUBSECTION

17 (2)(A).

18 (IX) FOR THE TAX YEAR BEGINNING JANUARY 1, 2002, AND  
 19 ENDING DECEMBER 31, 2002, THE PROPERTY IS TAXED AT 90% OF  
 20 THE TAXABLE PERCENTAGE RATE ESTABLISHED IN SUBSECTION

21 (2)(A).

22 (iv)(X) For tax years beginning after December 31, 1996  
 23 2002, the property is taxed at 9.86% of its market value  
 24 100% OF THE TAXABLE PERCENTAGE RATE ESTABLISHED IN  
 25 SUBSECTION (2)(A).

1 (3) After July 1, 1986, no adjustment may be made by  
 2 the department to the taxable percentage rate for class four  
 3 property until a revaluation has been made as provided in  
 4 15-7-111.

5 (4) Within the meaning of comparable property as  
 6 defined in 15-1-101, property assessed as commercial  
 7 property is comparable only to other property assessed as  
 8 commercial property, and property assessed as other than  
 9 commercial property is comparable only to other property  
 10 assessed as other than commercial property."

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

12 "15-7-202. Eligibility of land for valuation as  
 13 agricultural. (1)(a) Contiguous Except as provided in  
 14 subsection (i)(b) (1)(C), contiguous parcels of land  
 15 totaling that total 20 acres or more under one ownership  
 16 shall be and that are used primarily for the production of  
 17 products that are agricultural, as defined in 15-1-101, are  
 18 eligible for valuation, assessment, and taxation as  
 19 agricultural land each year that none of the parcels is  
 20 devoted to a commercial or industrial use and each year that  
 21 the parcels meet either of the following qualifications:

22 (i) the parcels produce and the owner or the owner's  
 23 agent, employee, or lessee markets from the raising of  
 24 agricultural products not less than:

25 (A) \$1,500 in annual gross income plus at least \$2 per

1 acre for each acre in excess of 20 acres on parcels of land  
 2 totaling at least 20 acres but not more than 160 acres; or  
 3 (B) \$1,780 in annual gross income plus \$5 per acre for  
 4 each acre in excess of 160 acres on parcels of land totaling  
 5 more than 160 acres; or  
 6 (ii) the parcels would have met the qualifications set  
 7 out in subsection (1)(a)(i) if it were not for independent  
 8 intervening causes of production failure beyond the control  
 9 of the producer or for marketing delay for economic  
 10 advantage, in which case proof of qualification in a prior  
 11 year will suffice.

12 (B) THE ANNUAL GROSS INCOME REQUIREMENTS IN SUBSECTION  
 13 (1)(A) MAY INCLUDE LAND RENTAL PAYMENTS MADE UNDER THE  
 14 FEDERAL CONSERVATION RESERVE PROGRAM OR A SUCCESSOR TO THAT  
 15 PROGRAM.

16 (b)(C) Notwithstanding the annual gross income  
 17 requirements in subsection (1)(a), noncontiguous parcels of  
 18 land are eligible for valuation, assessment, and taxation as  
 19 agricultural land under subsection (1)(a) if:  
 20 (i) the land is under the same ownership as land  
 21 eligible under subsection (1)(a);  
 22 (i)(I) the land is an integral part of the  
 23 agricultural use of land eligible under subsection (1)(a);  
 24 and  
 25 (i)(II) the land is not devoted to a residential,

1 commercial, or industrial use.

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

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

13 (b) the parcels would have met the qualification set  
 14 out in subsection (2)(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.

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

24 (4) Land may not be classified or valued as  
 25 agricultural if it is subdivided land with stated

1 restrictions effectively prohibiting its use for  
2 agricultural purposes. For the purposes of this subsection  
3 only, "subdivided land" includes parcels of land larger than  
4 20 acres that have been subdivided for commercial or  
5 residential purposes.

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

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

15 (b) An owner of agricultural land shall certify  
16 annually, in-a-manner-specified UNDER RULES ADOPTED by the  
17 department, that the land qualifies as agricultural land  
18 under this section.

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

21 (8) Subject to the provisions of subsections (2)(a) and  
22 (2)(b), property upon which sod, ornamental, nursery, or  
23 horticultural crops are raised, grown, or produced must  
24 consist of at least 10 acres before the property is eligible  
25 to be classified as agricultural land. Improvements devoted

1 to crop production described in this subsection may not be  
2 included in class eleven property."

3 **Section 5.** Section 15-44-102, MCA, is amended to read:

4 "15-44-102. Definitions. For the purposes of this part,  
5 unless the context requires otherwise, the following  
6 definitions apply:

7 (1) "Culmination of mean annual increment" means the  
8 point of optimum net wood production on an acre of forest  
9 land.

10 (2) "Cultivated Christmas trees" means Christmas trees  
11 that are grown on land prepared by intensive cultivation and  
12 tilling, such as by plowing or turning over the soil, and on  
13 which all unwanted plant growth is controlled for the  
14 exclusive purpose of raising Christmas trees.

15 (3) "Department" means the department of revenue.

16 (4) "Forest" means forest land and the timber on the  
17 land.

18 (5) (a) "Forest land" means contiguous land of 15 acres  
19 or more in one ownership that is capable of producing timber  
20 that can be harvested in commercial quantity and is  
21 producing timber unless the trees have been removed by man  
22 through harvest, including clearcuts, or by natural  
23 disaster, including but not limited to fire. Forest land  
24 includes land:

25 ~~(a)~~ (i) that has not been converted to another use; or



1        ~~(b)(ii)~~ that has a dedicated use that is evidenced by a  
 2        statement of intent by the owner for the eventual harvest of  
 3        timber. A landowner of forest land shall certify annually,  
 4        in-a-manner-specified UNDER RULES ADOPTED by the department,  
 5        that the land qualifies as forest land under this  
 6        subsection.

7        (b) Forest land does not include land formerly  
 8        classified as agricultural land for tax purposes unless the  
 9        land meets the requirements of subsection (5)(a) and is  
 10       actively managed for the production of forest products.

11       (6) "Forest productivity value" means the value of  
 12       forest land for assessment purposes, which value is  
 13       determined only on the basis of its ability to produce  
 14       timber, other forest products, and associated agricultural  
 15       products through an income approach provided for in  
 16       15-44-103.

17       (7) "Harvest" means an activity related to the cutting  
 18       or removal of timber for use or sale as a forest product.

19       (8) "Landowner" means an individual, corporation,  
 20       association, company, firm, joint venture, syndicate, or  
 21       trust.

22       (9) "Mean annual net wood production" means the average  
 23       net usable volume of wood 1 acre of forest land will grow in  
 24       1 year under average current and actual forest conditions  
 25       and under current and reasonable management practices for

1       each forest valuation zone established under 15-44-103.

2       (10) "Stumpage value" means the amount that timber would  
 3       sell for under an arm's-length transaction made in the  
 4       ordinary course of business, expressed in terms of dollars  
 5       per unit of measure.

6       (11) "Timber" means all wood growth on privately owned  
 7       land, mature or immature, alive or dead, standing or down,  
 8       that is capable of furnishing raw material used in the  
 9       manufacture of lumber or other forest products. The term  
 10       does not include cultivated Christmas trees."

11       NEW SECTION. **Section 6.** Effective        date        --  
 12       applicability. [This act] is effective July 1, 1993, and  
 13       applies to tax years beginning after December 31, 1993.

-End-