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As of: March 12, 2009 (7:51am)

Exhibit No. _____
Date _____
Bill No. LC2322

**** Bill No. ****

Introduced By *****

By Request of the Senate Joint Select Committee on Reappraisal

A Bill for an Act entitled: "An Act establishing a forest lands taxation advisory committee to advise the department of revenue in its determination of the value of forest lands; providing for the appointment and terms of the members of the committee; amending section 15-44-103, MCA."

Be it enacted by the Legislature of the State of Montana:

Section 1. Section 15-44-103, MCA, is amended to read:

"15-44-103. Legislative intent -- value of forest lands -- valuation zones. (1) In order to encourage landowners of private forest lands to retain and improve their holdings of forest lands, to promote better forest practices, and to encourage the investment of capital in reforestation, forest lands must be classified and assessed under the provisions of this section.

(2) The forest productivity value of forest land must be determined by:

(a) capitalizing the value of the mean annual net wood production at the culmination of mean annual increment plus other agriculture-related income, if any; less

(b) annualized expenses, including but not limited to the establishment, protection, maintenance, improvement, and management of the crop over the rotation period.

(3) To determine the forest productivity value of forest lands, the department shall:

(a) divide the state into appropriate forest valuation zones, with each zone designated so as to recognize the uniqueness of marketing areas, timber types, growth rates, access, operability, and other pertinent factors of that zone; and

(b) establish a uniform system of forest land classification that takes into consideration the productive capacity of the site to grow forest products and furnish other associated agricultural uses.

(4) In computing the forest land valuation schedules for each forest valuation zone to take effect on January 1, 1994, the department shall determine the productive capacity value of all forest lands in each forest valuation zone using the formula $V = I/R$, where:

(a) V is the per-acre forest productivity value of the forest land;

(b) I is the per-acre net income of forest lands in each valuation zone and is determined by the department using the formula $I = (M \times SV) + AI - C$, where:

- (i) I is the per-acre net income;
- (ii) M is the mean annual net wood production;
- (iii) SV is the stumpage value;
- (iv) AI is the per-acre agriculture-related income; and
- (v) C is the per-unit cost of the forest product and agricultural product produced, if any; and

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(c) R is the capitalization rate determined by the department as provided in subsection (6).

(5) Net income must:

(a) be calculated for each year of a base period, which is the most recent 5-year period for which data is available;

(b) be based on a rolling average of stumpage value of timber harvested within the forest valuation zone and on the associated production cost data for the base period from sources considered appropriate by the department; and

(c) include agriculture-related net income for the same time period as the period used to determine average stumpage values.

(6) The capitalization rate must be calculated for each year of the base period and is the annual average interest rate on agricultural loans as reported by the Northwest farm credit services, agricultural credit association of Spokane, Washington, plus the effective tax rate.

(7) The effective tax rate must be calculated for each year of the base period by dividing the total estimated tax due on forest lands subject to the provisions of this section by the total forest value of those lands.

(8) For the purposes of this section, if forest service sales are used in the determination of stumpage values, the department shall take into account purchaser road credits.

(9) In determining the forest productivity value of forest lands and in computing the forest land valuation schedules, the department shall use information and data provided by the

university of Montana-Missoula.

(10) (a) There is a forest lands taxation advisory committee. The members of the forest lands advisory committee consists of:

(i) four members with expertise in forest matters, one appointed by the majority leader of the senate, one by the minority leader of the senate, one by the majority leader of the house of representatives, and one appointed by the minority leader of the house of representatives; and

(ii) three members appointed by the governor, one who is an industrial forest landowner, one who is a non-industrial forest landowner; and one who is a county commissioner.

(b) The terms of the members expire on December 31 of each even-numbered year.

(c) The advisory committee shall:

(i) review data required by subsections (2), (3), (4), (8) and (9), including data on productivity value, stumpage value, wood production, net income, and agriculture-related income;

(ii) recommend to the department any adjustments to data if required by changes in government forest land programs, market conditions, or prevailing forest lands practices;

(iii) recommend appropriate base periods and averaging methods to the department;

(iv) verify for each forest valuation zone and forest land classification under subsection (3) that the income determined in subsection (4) reasonably approximates that which the average Montana forest landowner could have attained; and

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(v) recommend forest land valuation schedules to the
department."

{ Internal References to 15-44-103:
15-44-102 15-44-102 77-1-224 }

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