

EXHIBIT 2
DATE 1/13/11
HB 132



F.H. STOLTZE LAND & LUMBER COMPANY

Lumber Manufacturers
Box 1429 Columbia Falls, MT 59912
Phone (406) 892-7005 Fax (406) 892-1612
www.stoltzelumber.com

January 12, 2011

Chairman and Members
House Taxation Committee



Re: HB 132, Act to Modify Agricultural and Forestland Taxation Statutes

Dear Mr. Chairman and Committee Members,

Please accept the following comments of concern on HB 132 on behalf of F.H. Stoltze Land & Lumber Company. Stoltze is the oldest family owned sawmill and timberland company in Montana. We own and sustainably manage 38,000 acres of forestland in northwestern Montana.



Our concern is not necessarily specific to the proposed language changes in this bill, but rather with how the proposed changes relate to the formation of and consultation with the Forest Lands Taxation Advisory Committee that was established by HB658 in the 2009 session. The intent of that committee was to review and provide input into the administration, interpretation, modification and implementation of the statutes governing the forestland reappraisal process.

One defect in the HB658 language that has become apparent in the two years since its passage is the lack of a specific date for appointment of members and convening the committee. Secondly, the term of the membership of the committee is poorly defined in the original statute. The Department of Revenue has made the unilateral decision and interpretation that the committee is not needed until late in the re-appraisal process and we have been told that they do not intend to convene the committee until sometime in 2013. We respectfully disagree, this was not the original intent of the legislative action and submit the fact that both the House and Senate submitted candidates for the committee in 2009 as evidence that the intention was for immediate formation of the committee.



There is a very real need for the immediate formation and convention of this committee as is demonstrated by the potential impact of a seemingly minor wording change

contained in HB132. For example: MCA 15-44-102 Definitions Sec(5) (b) proposes to change the net wood production threshold from 25 cubic feet per acre to 100 board feet per acre. While this seems like a minor "administrative" change, the implications on the valuation process when considered in the larger picture could be dramatic. This change calls into question technical issues such as conversion factors, saw log vs. non-saw log products, measurement and valuation of "other forest products", definitions of income and cost etc. These are technical issues that are best dealt with under the input and advisement of the committee made of members whom are familiar with these issues and have technical expertise in these matters.

Therefore, we are asking you to consider the following revisions to sub section 10 of MCA 77-44-103:

(10) (b) The terms of the members shall be for a five year period concurrent with the reappraisal cycle.

(i) The terms of the members shall expire on June 30 of the first year of each reappraisal cycle. The initial terms of members shall begin upon appointment and expire on June 30, 2014.

(ii) The initial committee members shall be appointed and hold the first organizational meeting no later than July 1, 2011.

Given the indications of potentially significant revisions to the agricultural land and forest land valuation process, it is extremely important to convene and consult immediately with the two advisory committees (Agriculture and Forestland advisory committees) provided for in statute.

Thank you for the opportunity to comment and we look forward to your deliberation of this issue.

Sincerely,



Paul R. McKenzie C.F.
Lands & Resource Manager