SENATE NATURAL RESOURCES
EXHIBIT NO. 19
DATE 2-22-13
BILL NO. SB 339

Analysis of Agricultural and Forest Property Owned by Nonprofit Organizations Concerned With Preservation for the Senate Joint Resolution No. 23 Study

Prepared for the Revenue and Transportation Interim Committee
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November 2011

This briefing paper provides information on agricultural and forest property owned by nonprofit organizations concerned with preservation. The analysis includes discussion of whether taxes are paid on such property and whether the property is eligible for exemption from the property tax.

Identifying Organizations for Analysis

Senate Joint Resolution No. 23 requests study of "the nonprofit corporations or organizations that own farmland or ranchland for purposes of preserving unique historical, archaeological, or environmental resources." This language appears to be taken from a North Dakota statute.[1] Staff developed a list of organizations for which to request data from the Department of Revenue by consulting with stakeholder organizations, querying property tax exemption data, and reviewing property tax data.[2]

The organizations included in this analysis tend to be nonprofit organizations concerned with conserving land in general or with protecting wildlife habitats. No organizations devoted to historical or archaeological preservation were found to own agricultural land. See the appendix for the mission statements of the organizations included in this analysis.

Analysis of the Data

The data show 12 nonprofit organizations concerned with preserving environmental resources that own agricultural or forest land in Montana.[3] These 12 organizations owned real agricultural and forest property valued at a total of nearly $73.3 million in 2011 and real improvements valued at $3.1 million.

These 12 organizations all paid property taxes on their agricultural and forest property at the same rates as other taxpayers in the taxing jurisdiction with comparable land classes. None of the agricultural or forest property owned by these 12 organizations was exempt from the property tax. This means that there has been no shifting of taxes from nonprofits concerned with preservation of environmental resources to other taxpayers.

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[1] See Megan Moore, "Background Report on Income and Property Tax Exemptions For the Senate Joint Resolution No. 23 Study," September 2011, p. 30.

[2] Organizations for which staff requested data from the Department of Revenue or searched for using the Montana Cadastral Web site but which returned no ownership of agricultural or forest property include: Bitterroot Land Trust, Clark Fork-Pend Oreille Conservancy, Keystone Conservation, Flathead Land Trust, Historic St. Mary's Mission, Historical Land Preservation, Historical Land Society of Montana, Historical Society of Powder River County, Montana Association of Land Trusts, Montana Audubon Conservation Education Center, Trout Unlimited, The Trust for Public Land, The Vital Ground Foundation, and Wildlife Conservation Society.

[3] Research did not yield any information about Corvallis Conservation Farm LTD. The organization is not listed on the GuideStar Web site, a directory of nonprofit information, which may indicate that the organization is not a nonprofit.

Compiling data on the exact tax bill paid by each organization for each parcel was not possible for this analysis.[4] However, the table below summarizes how much each organization paid in state property taxes that go to the General Fund. The table also includes an estimate of the amount of property taxes paid by each organization for their agricultural and forest property and improvements. Using the 540.84 statewide average mills, these organizations paid an estimated $229,264 in property taxes for their agricultural and forest property.

Summary of Agricultural Property Value and Estimated Taxes Paid by Nonprofit Organizations Concerned With Preservation, 2011

Organization	Real Land Value	Real Improvement Value	State Taxes (101 mills)	Taxes Assuming Statewide Average Mills (540.84)
Nature Conservancy	$69,760,694	$1,831,483	$30,313	$162,323
American Prairie Foundation	$2,237,862	$922,399	$8,682	$46,490
Conservation Fund	$534,180	$135,506	$1,840	$9,852
Corvallis Conservation Farm LTD	$145,379	$254,321	$1,098	$5,880
Gallatin Valley Land Trust	$101,798	$0	$280	$1,498
Five Valleys Land Trust	$236,789	$0	$219	$1,171
Wetlands America Trust (Ducks Unlimited)	$43,348	$0	$119	$638
Prickly Pear Land Trust	$4,777	$0	$92	$492
Montana Land Reliance	$30,975	$0	$85	$456
Conservation Endowment Fund	$72,292	$0	$44	$238
Rocky Mountain Elk Foundation	$131,641	$0	$43	$228
Grand Total	**$73,299,735**	**$3,143,709**	**$42,814**	**$229,264**

The 12 nonprofit organizations that own land for the purpose of preserving environmental resources own agricultural and forest land in 18 of Montana's 56 counties: Beaverhead, Blaine, Broadwater, Cascade, Deer Lodge, Flathead, Gallatin, Jefferson, Lake, Lewis & Clark, Lincoln, Mineral, Missoula, Phillips, Pondera, Powell, Ravalli, and Teton counties.

The five counties with the largest amount of estimated taxes are: Missoula County, $90,878; Phillips County, $46,580; Teton County, $23,799; Lake County, $22,323; and Powell County, $18,824. The following table shows the real land value, real improvement value, state taxes, and estimated total taxes sorted by county and by organization for agricultural and forest land owned by the 12 organizations.

[4] Gathering specific data on property taxes paid would require contacting each county, collecting paper copies of the tax bills for each parcel, and inputting the information from the paper to create an electronic database.

Summary of Agricultural and Forest Property Value and Estimated Taxes Paid by Nonprofit Organizations Concerned With Preservation by County, 2011

County	Real Land Value	Real Improvement Value	State Taxes (101 mills)	Taxes Assuming Statewide Average Mills (540.84)
Missoula	**$50,917,424**	**$0**	**$16,971**	**$90,878**
Five Valleys Land Trust	$3,751	$0	$72	$386
Nature Conservancy	$50,782,032	$0	$16,856	$90,264
Rocky Mountain Elk Foundation	$131,641	$0	$43	$228
Phillips	**$2,243,984**	**$922,399**	**$8,699**	**$46,580**
American Prairie Foundation	$2,190,580	$922,399	$8,552	$45,795
Conservation Fund	$10,056	$0	$28	$148
Wetlands America Trust (Ducks Unlimited)	$43,348	$0	$119	$638
Teton	**$842,630**	**$907,590**	**$4,444**	**$23,799**
Nature Conservancy	$842,630	$907,590	$4,444	$23,799
Lake	**$12,863,569**	**$0**	**$4,169**	**$22,323**
Nature Conservancy	$12,863,569	$0	$4,169	$22,323
Powell	**$4,921,330**	**$630,758**	**$3,515**	**$18,824**
Nature Conservancy	$4,921,330	$630,758	$3,515	$18,824
Pondera	**$443,068**	**$135,506**	**$1,589**	**$8,511**
Conservation Fund	$443,068	$135,506	$1,589	$8,511
Ravalli	**$145,379**	**$254,321**	**$1,098**	**$5,880**
Corvallis Conservation Farm LTD	$145,379	$254,321	$1,098	$5,880
Flathead	**$269,927**	**$278,049**	**$1,065**	**$5,701**
Montana Land Reliance	$30,975	$0	$85	$456
Nature Conservancy	$238,952	$278,049	$979	$5,245
Gallatin	**$102,382**	**$0**	**$291**	**$1,558**
Gallatin Valley Land Trust	$101,798	$0	$280	$1,498
Nature Conservancy	$584	$0	$11	$60
Beaverhead	**$146,878**	**$15,086**	**$291**	**$1,557**
Conservation Endowment Fund	$72,292	$0	$44	$238
Nature Conservancy	$74,586	$15,086	$246	$1,319
Broadwater	**$81,056**	**$0**	**$223**	**$1,192**
Conservation Fund	$81,056	$0	$223	$1,192
Mineral	**$233,038**	**$0**	**$147**	**$785**
Five Valleys Land Trust	$233,038	$0	$147	$785
Blaine	**$47,282**	**$0**	**$130**	**$696**
American Prairie Foundation	$47,282	$0	$130	$696
Jefferson	**$3,327**	**$0**	**$64**	**$343**
Prickly Pear Land Trust	$3,327	$0	$64	$343
Cascade	**$20,808**	**$0**	**$57**	**$306**
Nature Conservancy	$20,808	$0	$57	$306
Lewis & Clark	**$1,450**	**$0**	**$28**	**$149**
Prickly Pear Land Trust	$1,450	$0	$28	$149
Deer Lodge	**$10,784**	**$0**	**$19**	**$103**
Nature Conservancy	$10,784	$0	$19	$103
Lincoln	**$5,419**	**$0**	**$15**	**$80**
Nature Conservancy	$5,419	$0	$15	$80
Grand Total	**$73,299,735**	**$3,143,709**	**$42,814**	**$229,264**

The following table summarizes the production categories of land owned by each of the 12 organizations. Much of the land owned by these organizations falls into two classes: forestland, valued at $69 million; and grazing land, valued at $2.56 million. Improvements on agricultural land and improvements on rural land account for $1.59 million and $1.2 million, respectively. As can be expected, these four production categories are also generate the highest amounts of property taxes. It is important to note, however, that different land classes have different taxable market values. For example, the taxable market value of forestland is 0.32% for 2011 while the taxable market value for grazing land is 2.72%.

Summary of Agricultural and Forest Property Value and Estimated Taxes Paid by Property Type by Nonprofit Organizations Concerned With Preservation, 2011

Production Category	Taxable Percentage	Real Land Value	Real Improvement Value	State Taxes (101 mills)	Taxes Assuming Statewide Average Mills (540.84)
Forestland	**0.32%**	**$69,033,147**	**$0**	**$22,312**	**$119,475**
Five Valleys Land Trust		$203,656	$0	$66	$352
Nature Conservancy		$68,697,850	$0	$22,203	$118,895
Rocky Mountain Elk Foundation		$131,641	$0	$43	$228
Grazing Land	**2.72%**	**$2,559,781**	**$0**	**$7,032**	**$37,657**
American Prairie Foundation		$1,494,436	$0	$4,106	$21,984
Conservation Fund		$419,368	$0	$1,152	$6,169
Nature Conservancy		$645,977	$0	$1,775	$9,503
Improvements on Ag Land	**2.72%**	**$0**	**$1,590,528**	**$4,369**	**$23,398**
American Prairie Foundation		$0	$911,739	$2,505	$13,412
Conservation Fund		$0	$135,506	$372	$1,993
Nature Conservancy		$0	$543,283	$1,493	$7,992
Improvements on Rural Land	**2.72%**	**$0**	**$1,206,538**	**$3,315**	**$17,749**
Corvallis Conservation Farm LTD		$0	$254,321	$699	$3,741
Nature Conservancy		$0	$952,217	$2,616	$14,008
Wild Hay Land	**2.72%**	**$782,611**	**$0**	**$2,150**	**$11,513**
American Prairie Foundation		$546,782	$0	$1,502	$8,044
Conservation Fund		$98,198	$0	$270	$1,445
Nature Conservancy		$137,631	$0	$378	$2,025
Tract Land	**2.72%**	**$444,754**	**$0**	**$1,222**	**$6,543**
Corvallis Conservation Farm LTD		$145,379	$0	$399	$2,139
Five Valleys Land Trust		$29,382	$0	$81	$432
Gallatin Valley Land Trust		$101,798	$0	$280	$1,498
Montana Land Reliance		$30,975	$0	$85	$456
Nature Conservancy		$137,220	$0	$377	$2,019
Improvements on Commercial Tract Land	**2.72%**	**$0**	**$335,983**	**$923**	**$4,943**
Nature Conservancy		$0	$335,983	$923	$4,943
Tillable Non-Irrigated Land/Summer/Fallow	**2.72%**	**$258,047**	**$0**	**$709**	**$3,796**
American Prairie Foundation		$178,164	$0	$489	$2,621
Nature Conservancy		$36,535	$0	$100	$537
Wetlands America Trust (Ducks Unlimited)		$43,348	$0	$119	$638

Production Category	Taxable Percentage	Real Land Value	Real Improvement Value	State Taxes (101 mills)	Taxes Assuming Statewide Average Mills (540.84)
Five Valleys Land Trust		$3,751	$0	$72	$386
Nature Conservancy		$9,630	$0	$185	$992
Prickly Pear Land Trust		$4,777	$0	$92	$492
1 Acre Bldg. Site - Forest	**2.72%**	**$54,400**	**$0**	**$149**	**$800**
Nature Conservancy		$54,400	$0	$149	$800
Tillable Irrigated Land	**2.72%**	**$53,208**	**$0**	**$146**	**$783**
American Prairie Foundation		$1,811	$0	$5	$27
Conservation Fund		$14,947	$0	$41	$220
Nature Conservancy		$36,450	$0	$100	$536
1 Acre Farmstead - Ag	**2.72%**	**$23,337**	**$0**	**$64**	**$343**
American Prairie Foundation		$16,669	$0	$46	$245
Conservation Fund		$1,667	$0	$5	$25
Nature Conservancy		$5,001	$0	$14	$74
Improvements on Disparately Owned/Agricultural/Forestland	**2.72%**	**$0**	**$10,660**	**$29**	**$157**
American Prairie Foundation		$0	$10,660	$29	$157
Exempt Res./Sub. Land/1 Acre Farmstead	**0%**	**$69,980**	**$0**	**$0**	**$0**
Conservation Endowment Fund		$69,980	$0	$0	$0
Grand Total		**$73,299,735**	**$3,143,709**	**$42,814**	**$229,264**

Property Tax Exemption

As noted above, the nonprofit organizations analyzed in this briefing pay property taxes on their agricultural and forest land at the same rate as other taxpayers with property of the same production class. Data on property tax exemptions provided by the Department of Revenue (DOR), however, indicate that some of the organizations discussed in this briefing have received charitable property tax exemptions for personal property such as vehicles or office equipment. Because DOR has granted property tax exemptions for the personal property of at least some of these organizations, it follows that they may be eligible for property tax exemptions on their real property, including agricultural land and forestland, provided that DOR determines the property is being used directly for purely public charitable purposes.

Subsection (1)(i) of section 15-6-201 contains the exemption for purely public charitable purposes:

(i) subject to subsection (2), property that is owned or property that is leased from a federal, state, or local governmental entity by institutions of purely public charity if the property is directly used for purely public charitable purposes;

Subsections (2)(c)(i)(A) and (2)(c)(i)(B) include additional requirements for organizations qualifying as purely public charities.

(c) For the purposes of subsection (1)(i):

(i) the term "institutions of purely public charity" includes any organization that meets the following requirements:

(A) The organization offers its charitable goods or services to persons without regard to race, religion, creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.

(B) The organization accomplishes its activities through absolute gratuity or grants. However, the organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.

Subsection (2)(c)(ii) contains a restriction specific to purely public charitable organizations that own agricultural property. The subsection prohibits exemption for agricultural land used to produce unrelated business taxable income. A purely public charity that owns agricultural property is required to file a return with the Department of Revenue each year to indicate whether the organization generated any unrelated business taxable income.

(ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually with the department a copy of its federal tax return reporting any unrelated business taxable income received by the charity during the tax year, together with a statement indicating whether the exempt property was used to generate any unrelated business taxable income.

The final section that is relevant for whether a nonprofit organization engaged in the preservation of environmental resources could receive a property tax exemption is subsection (2)(c)(iv) of section 15-6-201. This subsection places a cap of 160 acres on property exempted by a purely public charity if the exemption was applied for after December 31, 2004. The 160 acre limit applies to all property owned and exempted by the purely public charity across the state.

(iv) not more than 160 acres may be exempted by a purely public charity under any exemption originally applied for after December 31, 2004. An application for exemption under this section must contain a legal description of the property for which the exemption is requested.

Appendix

The following are the mission statements taken from the Web sites of the identified organizations that own agricultural or forest land for the purposes of preserving unique historical, archaeological, or environmental resources.

American Prairie Foundation

The mission of American Prairie Foundation is to create and manage a prairie-based wildlife reserve that, when combined with public lands already devoted to wildlife, will protect a unique natural habitat, provide lasting economic benefits and improve public access to and enjoyment of the prairie landscape.

Conservation Endowment Fund

The AZA[5] Conservation Endowment Fund (CEF), established in 1984, supports the cooperative conservation-related scientific and educational initiatives of AZA and AZA-accredited zoos and aquariums and their collaborators.

The Conservation Fund

Across the country we work with our partners, to conserve land, train leaders and invest in conservation at home. From our headquarters in Arlington, Virginia, and our field offices across the country, we've saved land in all 50 states—nearly 7 million acres of wild havens, working lands, vibrant communities and more.

Corvallis Conservation Farm LTD

Research did not reveal any information about this organization but it is included in this analysis because of the word "conservation" in its name.

Five Valleys Land Trust

Five Valleys Land Trust is a non-profit, conservation organization founded in 1972 whose mission is to protect and preserve western Montana's natural legacy—our river corridors, wildlife habitat, agricultural lands, and scenic open spaces. Against a backdrop of dramatic social and economic change, the bond between people and this place is the foundation for the conservation work of Five Valleys.

Gallatin Valley Land Trust

Gallatin Valley Land Trust conserves southwest Montana's heritage of open landscapes, working farms and ranches, healthy rivers, and wildlife habitat; and creates trails to connect people, communities and the land.

[5] Association of Zoos and Aquariums

Montana Land Reliance

The mission of The Montana Land Reliance (MLR) is to partner with landowners to provide permanent protection for private lands that are significant for agricultural production, forest resources, fish and wildlife habitat, and open space.

The immediate accomplishments of MLR's conservation work are measured in miles of streambanks and acres of land and habitat protected. The lasting benefits of MLR's work are the perpetuation of a lifestyle and an economy that rely on responsibly managed private land and increasingly valuable Montana open spaces that will continue to nourish the spirit of future generations.

The Nature Conservancy

The mission of The Nature Conservancy is to preserve the plants, animals and natural communities that represent the diversity of life on Earth by protecting the lands and waters they need to survive.

How do we achieve this mission?

- Through the dedicated efforts of our diverse staff, including more than 550 scientists, located in all 50 U.S. states and 33 countries.
- With the help of our many partners, from individuals and governments to local nonprofits and corporations.
- By using a non-confrontational, collaborative approach and staying true to our five unique core values.

That's how The Nature Conservancy has done more than anyone else to advance conservation around the world since our founding in 1951.

Prickly Pear Land Trust

Protect the natural diversity and rural character of the Prickly Pear Valley and adjoining lands through voluntary and cooperative means. The Land Trust is dedicated to perpetuating the recreational, wildlife, scenic, agricultural and historic values of the land.

Rocky Mountain Elk Foundation

The Elk Foundation's mission is to ensure the future of elk, other wildlife and their habitat.

Wetlands America Trust (Ducks Unlimited)

Ducks Unlimited conserves, restores, and manages wetlands and associated habitats for North America's waterfowl. These habitats also benefit other wildlife and people.