



AN ACT GENERALLY REVISING CLASS 10 PROPERTY TAXATION OF FOREST LANDS; REVISING THE COMPOSITION AND DUTIES OF THE FOREST LANDS TAXATION ADVISORY COMMITTEE; PROVIDING FOR FULL REVIEW AND RECOMMENDATION OF CHANGES TO APPRAISAL METHODOLOGY AND VALUATIONS; AMENDING SECTION 15-44-103, MCA; AND PROVIDING AN EFFECTIVE DATE AND A TERMINATION DATE.

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 productivity valuation for each forest valuation zone, 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

(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 10-year period for which data is available prior to the date the revaluation cycle ends. Data referred to in subsection (4)(b) must be averaged.

(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 average capitalization rate determined by the department after consultation with the forest lands taxation advisory committee, plus the effective tax rate. The capitalization rate must be adopted by rule. However, the capitalization rate for each year of the base period ~~for tax years 2015 through 2020~~ may not be less than 8%.

(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, the department shall use information and data provided by the university of Montana-Missoula.

(10) (a) There is a forest lands taxation advisory committee consisting 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 by the minority leader of the house of representatives; and

(ii) ~~three~~ five members appointed by the governor, ~~one who is an~~ two who are industrial forest landowner ~~landowners~~, ~~one who is a~~ two who are nonindustrial forest landowner ~~landowners~~, and one who is a county commissioner.

(b) The committee must be appointed and convened no later than July 1 of the year that is 2 years prior to the first year of each reappraisal cycle. The terms of the members expire on June 30 of the first year of each reappraisal cycle.

(c) The advisory committee shall:

(i) review data required by subsections (2) through (6), (8), and (9), including data on productivity value, stumpage value, wood production, capitalization rate, 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 and subclassification under subsection (3) that the income determined in subsection (5) reasonably approximates that which the average Montana forest landowner could have attained; ~~and~~

(v) recommend forest land valuation techniques to the department; and

(vi) report biennially on committee activity, in accordance with 5-11-210, to the revenue interim committee provided for in 5-5-227.

(11) The members of the forest lands taxation advisory committee must be appointed and convened no later than July 15, 2021, for the specific purpose of reviewing appraisal methodology with the department.

For the period of July 1, 2021, through December 31, 2022, the committee shall work with the department to fulfill the requirements of the committee as outlined in subsection (10)(c) and bring forward updates to the revenue interim committee and any recommended changes to the 2023 legislature. If the committee does not meet, the department or the committee shall inform the revenue interim committee."

**Section 2. Effective date.** [This act] is effective July 1, 2021.

**Section 3. Termination.** [Section 1(11)] terminates June 30, 2023.

- END -

I hereby certify that the within bill,  
SB 262, originated in the Senate.

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Secretary of the Senate

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President of the Senate

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2021.

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Speaker of the House

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2021.

SENATE BILL NO. 262

INTRODUCED BY M. CUFFE

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