

## RTIC AG Lands Advisory Committee Presentation

- A) What is the Agricultural Lands Advisory Committee?
- a. It is statutorily authorized by MCA 15-7-201. As you can see on the handout, its purpose is to advise the Department of Revenue on matters related to valuation of agricultural land for property tax purposes.
  - b. The Governor appoints the Committee. As you can see on the handout, the members come from all over the State.
  - c. In April of this year, it was decided by the Department of Revenue, and agreed to by the Governor, to appoint 4 legislators as non-voting members to the Committee. Those 4 members are Senators Tutvedt and Jergenson and Representatives McNally and Miller. All 4 are members of their respective Taxation Committees. The driving force behind the appointments was to educate legislators so they were more familiar with the AG land valuation process during the next legislative session and a new appraisal cycle.
- B) May 29<sup>th</sup> meeting.
- a. Basically, AG land is valued on the income that a parcel of land would yield based on applicable ag practice (classification), what the soil type could produce (as determined by the NRCS survey of soils Statewide) if reasonable AG practices are followed, commodity yield and price data. It doesn't matter if you produce less than or more than what the NRCS survey says you could produce.
  - b. There are five classifications of Ag land:
    - Continuously cropped farmland
    - Summer fallow farmland
    - Continuously cropped hay land
    - Irrigated land
    - Grazing land
  - c. Crop yield data utilizes information from a twelve year period.
  - d. Commodity prices are based on a 7 year Olympic average, dropping the high and the low year of prices.
  - e. Lots of AG land had not been surveyed as to use for close to 40 years. (Note from Greg: This was the case prior to the valuations in the current reappraisal cycle. The NCRS soil survey was recently completed, like 6 years ago.)
- C) June 26<sup>th</sup> Phone Meeting
- a. Current valuations for "summer fallow farmland" include a yield adjustment for each county. To simplify things, rather than have individual counties with Countywide adjustments based on the NRCS soil survey to determine production values, The Dept is proposing 3 districts for the entire State. Based on the price of Spring Wheat yields.

- b. .86 adjustment west of the Divide, .77 east of the divide and .70 for 8 counties in north eastern Montana
- c. For dry land hay, use the total air dry herbage. Use the midpoint to determine tons/acre. This will result in a reduction in the AG value, but it is only 2.25% of total acreage and 6% of total AG land value so it shouldn't be a big hit tax revenue Statewide.

D) Future Advisory Committee work. Our next meeting will discuss whether there needs to be some change to the 7 year Olympic average for price. May require statutory change.

E) Questions from the Committee?