



HJ 22: ELIGIBILITY FOR AGRICULTURAL CLASSIFICATION IN SELECTED STATES

December 2017
Revenue and Transportation Interim Committee
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MONTANA STATE LEGISLATURE

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BACKGROUND

This report provides an overview of eligibility for agricultural property classification in surrounding states as part of the [House Joint Resolution No. 22](#) study of agricultural property valuation. Montana and its neighbors value agricultural property differently than other classes of property. The property value is based on the land's productivity value rather than on the land's market value, generally resulting in a lower property value and lower property taxes.

This report provides an overview of how Montana and neighboring states define “agricultural” for property classification purposes, whether eligibility for agricultural classification varies based on the size of the parcel, and whether there are income requirements for agricultural classification. The table below compares Montana's practices with those in surrounding states. Sections following the table offer additional details about each state.

MONTANA

Large parcels of property that are 160 acres or more, under one ownership, and not used for residential, commercial, or industrial purposes automatically qualify as agricultural property. Parcels of less than 160 acres are also eligible for agricultural classification, upon application, if the land is used primarily for raising and marketing agricultural products and markets \$1,500 or more in annual gross income.¹ “Agricultural” refers to the production of food, feed, and fiber commodities, livestock and poultry, bees, biological control insects, fruits and vegetables, and sod, ornamental, nursery, and horticultural crops that are raised, grown, or produced for commercial purposes and the raising of domestic animals and wildlife in domestication or a captive environment.²

In addition, Montana law provides for a category of land known as nonqualified agricultural property for parcels of 20 acres or more and less than 160 acres under one ownership that are not eligible for agricultural classification. The property may not be devoted to commercial or industrial purposes. The tax rate for the property is seven times the agricultural property tax rate, or 15.12%.³

¹ Section [15-7-201](#), Montana Code Annotated.

² Section [15-1-101](#), Montana Code Annotated.

³ Section [15-6-133](#), Montana Code Annotated.

Summary of Agricultural Classification Requirements for Montana and Surrounding States

State	Definition of “Agricultural”	Acreage Requirements	Income Requirements	Other
Montana	<p>The term “agricultural” refers to:</p> <ul style="list-style-type: none"> the production of food, feed, and fiber commodities, livestock and poultry, bees, biological control insects, fruits and vegetables, and sod, ornamental, nursery, and horticultural crops that are raised, grown, or produced for commercial purposes; and the raising of domestic animals and wildlife in domestication or a captive environment. 	<ul style="list-style-type: none"> 160 acres or more under one ownership and not used for residential, commercial, or industrial use (no application required) Less than 160 acres under one ownership actively devoted to agricultural use if the land is used primarily for raising and marketing agricultural products (requires application) 	<p>Owners of parcels less than 160 acres must market \$1,500 or more in annual gross income</p>	<p>Nonqualified agricultural property: 20-160 acres under one ownership that is not eligible for agricultural classification, not devoted to commercial or industrial purposes, taxed at 15.12% (seven times the agricultural rate)</p>
Idaho	<p>Land is “actively devoted to agriculture” if:</p> <ul style="list-style-type: none"> Used to produce field crops including, but not limited to, grains, feed crops, fruits and vegetables; Used to produce nursery stock Used by the owner for the grazing of livestock to be sold as part of a for-profit enterprise, or leased by the owner to a bona fide lessee for grazing purposes; or The land is in a cropland retirement or rotation program 	<ul style="list-style-type: none"> More than 5 contiguous acres; or 5 contiguous acres or less and has been actively devoted to agriculture during the last three growing seasons 	<p>5 acres or less must:</p> <ul style="list-style-type: none"> produce agriculturally for sale or home consumption the equivalent of 15% or more of the owner’s or lessee’s annual gross income; or produce agriculturally gross revenues in the preceding year of \$1,000 or more. 	<p>Land may not be classified as agricultural if it is part of a platted subdivision with prohibitions on use for agricultural purposes</p>

State	Definition of "Agricultural"	Acreage Requirements	Income Requirements	Other
North Dakota	<ul style="list-style-type: none"> Platted or unplatted lands used for raising agricultural crops or grazing farm animals until put to a use other than raising agricultural crops or grazing farm animals. Property platted on or after March 30, 1981, is not agricultural property if certain conditions exist (see detail). Includes land on which a greenhouse or other building is located if the land is used for a nursery or other purpose associated with the operation of the greenhouse. 	<p>For property platted on or after March 30, 1981, one factor that may affect agricultural classification is whether the parcel is less than 10 acres and not contiguous to agricultural property</p>	<p>None</p>	<p>Agricultural lands, whether within the corporate limits of a city or not, which were platted and assessed as agricultural property prior to March 30, 1981, must be assessed as agricultural property for ad valorem property tax purposes until put to another use.</p>
South Dakota	<ul style="list-style-type: none"> Land is agricultural land if it meets the income requirement or acreage requirement and: its principal use is devoted to the raising and harvesting of crops or timber or fruit trees, the rearing, feeding, and management of farm livestock, poultry, fish, or nursery stock, the production of bees and apiary products, or horticulture, all for intended profit; or it is woodland, wasteland, and pasture land, but only if the land is held and operated in conjunction with agricultural real estate as defined and it is under the same ownership; and 	<ul style="list-style-type: none"> Land consists of not less than 20 acres of unplatted land or is part of a management unit of not less than 80 acres of unplatted land. Same acreage requirements for platted land in an unincorporated area, except land platted as a subdivision. County commissioners may increase minimum acre requirement up to 160 acres. 	<ul style="list-style-type: none"> Gross income derived from the pursuit of agriculture from the land in three of the last five years is at least 10% of the taxable valuation of the bare land assessed as agricultural property excluding improvements; or At least \$2,500 of owner's annual gross income is derived from pursuit of agriculture 	

State	Definition of "Agricultural"	Acreage Requirements	Income Requirements	Other
Wyoming	<p>Land must be under one operation and be used and employed for an agricultural purpose. "Agricultural purpose" means the following land uses when conducted consistent with the land's capability to produce or when supporting the land's capability to produce:</p> <ul style="list-style-type: none"> • cultivation of the soil for production of crops; • production of timber products or grasses for forage; • rearing, feeding, grazing or management of livestock; or • land used for a farmstead structure. 	<p>May not be part of a platted subdivision, except for a parcel of 35 acres or more that otherwise qualifies as agricultural land.</p>	<ul style="list-style-type: none"> • If land is not leased, the owner of the land must have derived annual gross revenues of not less than \$500 from the marketing of agricultural products. • If the land is leased land the lessee must have derived annual gross revenues of not less than \$1,000 from the marketing of agricultural products. 	<p>The land must be used or employed primarily in an agricultural operation consistent with the land's size, location and capability to produce as defined by department rules and the mapping and agricultural manual published by the department.</p>

SURROUNDING STATES

The committee chose to focus the review of other states' agricultural classification practices on the states bordering Montana: Idaho, North Dakota, South Dakota, and Wyoming.

Idaho

In Idaho the number of acres below which agricultural classification requires additional criteria is 5 contiguous acres, significantly less than in Montana state law. Property less than 5 contiguous acres must have been actively devoted to agricultural during the last three growing seasons. South Dakota is the only other surrounding state with a requirement based on years in agricultural production. Idaho statute also requires property less than 5 contiguous acres to agriculturally produce:

- the equivalent of 15% or more of the owner's or lessee's annual gross income for sale or home consumption; or
- gross revenue in the preceding year of \$1,000 or more.⁴

Idaho is the only state of those researched that allows in statute agricultural classification for property in a cropland retirement or rotation program.

North Dakota

North Dakota's agricultural classification is unique among Montana's neighbors because the eligibility differs based on when the property was platted.

There is no minimum acreage requirement but acreage is one of seven factors considered for property platted after 1981. Agricultural land platted and assessed as agricultural property before March 31, 1981, must be assessed as agricultural property until put to another use.⁵ The definition of agricultural property, however, provides that property platted on or after March 30, 1981, is not agricultural property if any four of the following conditions are met:

- (1) The land is platted by the owner.
- (2) Public improvements, including sewer, water, or streets, are in place.
- (3) Topsoil is removed or topography is disturbed to the extent that the property cannot be used to raise crops or graze farm animals.
- (4) Property is zoned other than agricultural.
- (5) Property has assumed an urban atmosphere because of adjacent residential or commercial development on three or more sides.
- (6) The parcel is less than ten acres [4.05 hectares] and not contiguous to agricultural property.
- (7) The property sells for more than four times the county average true and full agricultural value.⁶

In addition, North Dakota is the only state among the five states that does not have an income requirement.



⁴ Section [63-604](#), Idaho Code.

⁵ Section [57-02-27](#), North Dakota Century Code.

⁶ Section [57-02-01](#), North Dakota Century Code.

South Dakota

For agricultural classification in South Dakota, property must meet either an acreage threshold or an income requirement.

To qualify for agricultural classification, unplatted land must consist of 20 acres or more or be part of a management unit⁷ that is 80 acres or more. The same acreage requirements apply for platted land in an unincorporated area, excluding land platted as a subdivision. However, county commissioners may increase the minimum acre requirement up to a maximum of 160 acres.



There are two different income requirements that allow for agricultural classification. The first includes a time test: gross income from three of the last five years must be at least 10% of the taxable valuation of the bare land assessed as agricultural property excluding improvements. The gross income from the land includes both the landlord's and the tenant's income if there is a crop share or cash rent agreement. Another way to meet the income requirement is by producing at least \$2,500 in annual gross income.⁸

Wyoming

To qualify for agricultural classification, land in Wyoming must be used or employed primarily in an agricultural operation consistent with the land's size, location and capability to produce as defined by department rules and the mapping and agricultural manual published by the department.⁹

Like in North Dakota, there is no general acreage requirement in Wyoming for land to be classified as agricultural property. However, if land is part of a platted subdivision, the parcel must be at least 35 acres and otherwise meet the definition of agricultural purpose.

The income requirement in Wyoming applies to parcels of any size and differs from other states because the amount of required revenue varies based on whether the land is leased. If land is not leased, the owner must have derived annual gross revenues of not less than \$500 from the marketing of agricultural products. If the land is leased, the lessee must have derived annual gross revenues of not less than \$1,000 from the marketing of agricultural products.

⁷ A management unit is any parcel of land, whether adjoining or not, under common ownership located within this state and managed and operated as a unit for one or more of the principal uses listed in this section. No parcel of land within a management unit may be more than 20 air miles from the nearest other parcel within the management unit.

⁸ Section [10-6-31.3](#), South Dakota Codified Laws.

⁹ Sections [39-13-101](#) and [39-13-103](#), Wyoming Statutes Annotated.