

1 SENATE BILL NO. 262

2 INTRODUCED BY M. CUFFE

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4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING CLASS 10 PROPERTY TAXATION OF
 5 FOREST LANDS; REVISING THE COMPOSITION AND DUTIES OF THE FOREST LANDS TAXATION
 6 ADVISORY COMMITTEE; PROVIDING FOR FULL REVIEW AND RECOMMENDATION OF CHANGES OF
 7 TO APPRAISAL METHODOLOGY AND VALUATIONS; PROVIDING RULEMAKING AUTHORITY;
 8 AMENDING SECTION 15-44-103, MCA; AND PROVIDING AN EFFECTIVE DATE AND A TERMINATION
 9 DATE."

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11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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13 **Section 1.** Section 15-44-103, MCA, is amended to read:

14 **"15-44-103. Legislative intent -- value of forest lands -- valuation zones -- rulemaking.** (1) In
 15 order to encourage landowners of private forest lands to retain and improve their holdings of forest lands, to
 16 promote better forest practices, and to encourage the investment of capital in reforestation, forest lands must
 17 be classified and assessed under the provisions of this section.

18 (2) The forest productivity value of forest land must be determined by:

19 (a) capitalizing the value of the mean annual net wood production at the culmination of mean annual
 20 increment plus other agriculture-related income, if any; less

21 (b) annualized expenses, including but not limited to the establishment, protection, maintenance,
 22 improvement, and management of the crop over the rotation period.

23 (3) To determine the forest productivity value of forest lands, the department shall:

24 (a) divide the state into appropriate forest valuation zones, with each zone designated so as to
 25 recognize the uniqueness of marketing areas, timber types, growth rates, access, operability, and other
 26 pertinent factors of that zone; and

27 (b) establish a uniform system of forest land classification that takes into consideration the productive
 28 capacity of the site to grow forest products and furnish other associated agricultural uses.

1 (4) In computing the forest land productivity valuation for each forest valuation zone, the department
2 shall determine the productive capacity value of all forest lands in each forest valuation zone using the formula
3 $V = I/R$, where:

4 (a) V is the per-acre forest productivity value of the forest land;

5 (b) I is the per-acre net income of forest lands in each valuation zone and is determined by the
6 department using the formula $I = (M \times SV) + AI - C$, where:

7 (i) I is the per-acre net income;

8 (ii) M is the mean annual net wood production;

9 (iii) SV is the stumpage value;

10 (iv) AI is the per-acre agriculture-related income; and

11 (v) C is the per-unit cost of the forest product and agricultural product produced, if any; and

12 (c) R is the capitalization rate determined by the department as provided in subsection (6).

13 (5) Net income must:

14 (a) be calculated for each year of a base period, which is the most recent 10-year period for which
15 data is available prior to the date the revaluation cycle ends. Data referred to in subsection (4)(b) must be
16 averaged.

17 (b) be based on a rolling average of stumpage value of timber harvested within the forest valuation
18 zone and on the associated production cost data for the base period from sources considered appropriate by
19 the department; and

20 (c) include agriculture-related net income for the same time period as the period used to determine
21 average stumpage values.

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

26 (7) The effective tax rate must be calculated for each year of the base period by dividing the total
27 estimated tax due on forest lands subject to the provisions of this section by the total forest value of those
28 lands.

1 (8) For the purposes of this section, if forest service sales are used in the determination of stumpage
2 values, the department shall take into account purchaser road credits.

3 (9) In determining the forest productivity value of forest lands and in computing the forest land
4 valuation, the department shall use information and data provided by the university of Montana-Missoula ~~or~~
5 other sources recommended by the forestlands taxation advisory committee.

6 (10) (a) There is a forest lands taxation advisory committee consisting of:

7 (i) four members with expertise in forest matters, one appointed by the majority leader of the senate,
8 one by the minority leader of the senate, one by the majority leader of the house of representatives, and one by
9 the minority leader of the house of representatives; and

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

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

16 (c) The advisory committee shall:

17 (i) review data required by subsections (2) through (6), (8), and (9), including data on productivity
18 value, stumpage value, wood production, capitalization rate, net income, and agriculture-related income;

19 (ii) recommend to the department any adjustments to data if required by changes in government forest
20 land programs, market conditions, or prevailing forest lands practices;

21 (iii) recommend appropriate base periods and averaging methods to the department;

22 (iv) verify for each forest valuation zone and forest land classification and subclassification under
23 subsection (3) that the income determined in subsection (5) reasonably approximates that which the average
24 Montana forest landowner could have attained; ~~and~~

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

26 (VI) REPORT BIENNIALY ON COMMITTEE ACTIVITY, IN ACCORDANCE WITH 5-11-210, TO THE REVENUE INTERIM
27 COMMITTEE PROVIDED FOR IN 5-5-227.

28 (11) The members of the forest lands taxation advisory committee must be appointed and convened

1 ~~no later than July 15, 2021, for the specific purpose of reviewing and establishing appraisal methodology with~~
 2 ~~the department. For the period of July 1, 2021, through December 31, 2022, the committee shall work with the~~
 3 ~~department to:~~ FULFILL THE REQUIREMENTS OF THE COMMITTEE AS OUTLINED IN SUBSECTION (10)(C) AND BRING
 4 FORWARD UPDATES TO THE REVENUE INTERIM COMMITTEE AND ANY RECOMMENDED CHANGES TO THE 2023
 5 LEGISLATURE. IF THE COMMITTEE DOES NOT MEET, THE DEPARTMENT OR THE COMMITTEE SHALL INFORM THE REVENUE
 6 INTERIM COMMITTEE.

7 ~~(a) review and develop appropriate productivity value, stumpage value, agricultural income, and~~
 8 ~~capitalization rate appraisal methodologies;~~

9 ~~(b) identify appropriate sources of data, existing or in need of development;~~

10 ~~(c) identify entities within the Montana university system, state agencies, or private entities qualified~~
 11 ~~and able to conduct forest land appraisal;~~

12 ~~(d) document agreed to appraisal methodologies in the Montana Forest Land Classification and~~
 13 ~~Valuation Manual; and~~

14 ~~(e) verify appraisal methodology through reappraisal of valuation years 2015 through 2020 and~~
 15 ~~complete a subsequent third-party review to ensure:~~

16 ~~(i) the correct methodology for each forest valuation zone and forest land classification and~~
 17 ~~subclassification under subsection (3); and~~

18 ~~(ii) that the income determined in subsection (5) reasonably approximates that which the average~~
 19 ~~Montana forest landowner could have attained.~~

20 ~~(12) The department shall adopt reappraisal values by rule as replacement values for use in the 10-~~
 21 ~~year rolling average calculations in consultation with the forest lands taxation advisory committee."~~

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23 NEW SECTION. Section 2. Effective date. [This act] is effective July 1, 2021.

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25 NEW SECTION. Section 3. Termination. [Section 1(11)] terminates June 30, 2023.

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