

September 2018

Revenue and Transportation Interim Committee
Megan Moore, Research Analyst

HJ 22: AGRICULTURAL BILLS OVERVIEW

This overview summarizes the bills requested by the Revenue and Transportation Interim Committee for the House Joint Resolution 22 study of agricultural property taxation and also includes an option to simplify section [15-7-202](#), MCA.

LCag01: Provisional Agricultural Classification

[This draft](#) provides for provisional agricultural classification for 5 years for fruit trees, vines, and Christmas trees. These crops take time to reach maturity and do not produce income for a number of years after planting. The new language, taken from a former Department of Revenue rule, requires at least 100 live fruit trees, 120 live vines, or 2,000 live Christmas trees, and requires use of accepted husbandry practices, such as fencing, watering systems, trellising, and pruning or shearing. After 5 years, the taxpayer must apply for agricultural classification and meet the \$1,500 gross revenue requirement otherwise provided in statute. (The [MAR notice](#) showing amendments to [ARM 42.20.683](#) is attached at the end of the packet for reference, as is the current version of the rule.)

LCag02: Irrigation Cost Deduction

The productive value of irrigated agricultural property includes a deduction for water costs. This water cost deduction is made up of a base water cost of \$15 an acre, labor costs of \$5, \$10, or \$15 depending on the type of irrigation system used, and energy costs reported each reappraisal cycle to the Department of Revenue. The total deduction for water costs may not exceed \$50.

[LCag02](#) would simplify the water cost deduction by allowing the maximum \$50 water cost deduction for all irrigated property. Taxpayers would no longer be required to report energy costs. Information provided by the Department of Revenue indicates that most taxpayers who report energy costs receive the maximum deduction and that this change would result in an annual revenue loss of about \$291,000 resulting from the application of the 101 mills to the value of the affected agricultural property.

LCag03: Require Agricultural Use

The 2015-2016 Revenue and Transportation Interim Committee considered [LCag03](#) but did not request it as a committee bill. The draft is provided to the current committee in response to Rep. Essmann's public comment encouraging the committee to require agricultural use for all property classified as agricultural. Under current law, contiguous parcels of 160 acres or more do not have to be used for agricultural purposes but the parcels may not be used for residential, commercial, or industrial purposes. LCag03 requires parcels of 160 acres or more to be used primarily for agricultural purposes while also allowing portions of the property to be idle for land management or conservation purposes.

LCag00: Simplification

This bill draft is intended to simplify and clarify section 15-7-202, MCA, without making any policy changes. The accompanying table summarizes the different parcel sizes and classification requirements included in the section. The committee could request LCag00 as a stand-alone bill or include the simplified language in LCag01 or LCag03 if either is requested as a committee bill.

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Subsection	New Sub.	Description of Land	Req. ag use	Not Res., Com, Ind.	One owner	\$1,500 ⁱ	Additional Information
(1)(a)	(1)	Contiguous parcels of > 160 acres		✓	✓		
(1)(b)(i)	(2)	Contiguous parcels of ≥ 20 acres and < 160	✓		✓	✓	“Actively devoted to agricultural use,” “land used primarily for raising and marketing” agricultural products
(1)(b)(ii)	(3)	Noncontiguous parcels ≥ 20 acres and < 160	✓	✓	✓	✓	<ul style="list-style-type: none"> Land must be “part of a bona fide agricultural operation”
(1)(b)(iii)	(4)(b)	Family farm of ≥ 20 acres and < 160					<ul style="list-style-type: none"> Family farm must be in agricultural production Parcel must be within 15 air miles of family farm Owner’s income from agriculture, taxes paid by family farm
(2)	(2),(3)	Contiguous or noncontiguous parcels of < 20 acres	✓		✓	✓	“Actively devoted to agricultural use”
(2)(c)	(4)(a)	Contiguous or noncontiguous parcels of < 20 acres that totaled > 20 acres in prior year but reduced for public use	✓		✓		Parcels cannot have been further divided
(3)	(6)	Grazing (≤ 160 acres)	✓		✓	✓	Capable of sustaining a minimum AUM equal to \$1,500
(5)	(8)	No application ≥ 20 acres and < 160			✓		Nonqualified agricultural, may not be devoted to commercial or industrial purpose

ⁱ The income requirement specifies the marketing of \$1,500 in annual gross income from the raising of agricultural products. For parcels specified in subsection (1), “marketing” includes rental or lease of the land if it is used for agricultural purposes and rental payments made under the federal Conservation Reserve Program.