



1 the formula  $V = I/R$ , where:

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

3 (b) I is the per-acre net income of forest lands in each valuation zone and is determined by the

4 department using the formula  $I = (M \times SV) + AI - C$ , where:

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

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

7 (iii) SV is the stumpage value;

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

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

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

11 (5) Net income must:

12 (a) be calculated for each year of a base period, which is the most recent 10-year period for which

13 data is available prior to the date the revaluation cycle ends. Data referred to in subsection (4)(b) must be

14 averaged.

15 (b) be based on a rolling average of stumpage value of timber harvested within the forest valuation

16 zone and on the associated production cost data for the base period from sources considered appropriate by

17 the department; and

18 (c) include agriculture-related net income for the same time period as the period used to determine

19 average stumpage values.

20 (6) The capitalization rate must be calculated for each year of the base period and is the average

21 capitalization rate determined by the department after consultation with the forest lands taxation advisory

22 committee, plus the effective tax rate. The capitalization rate must be adopted by rule. However, the

23 capitalization rate for each year of the base period may not be less than 8%.

24 (7) The effective tax rate must be calculated for each year of the base period by dividing the total

25 estimated tax due on forest lands subject to the provisions of this section by the total forest value of those

26 lands.

27 (8) For the purposes of this section, if forest service sales are used in the determination of

28 stumpage values, the department shall take into account purchaser road credits.

1 (9) In determining the forest productivity value of forest lands and in computing the forest land  
2 valuation, the department shall use information and data provided by the university of Montana-Missoula.

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

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

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

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

12 (c) The advisory committee shall:

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

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

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

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

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

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

24 **15-44-103. (Effective January 1, 2025) Legislative intent -- value of forest lands -- valuation**

25 **zones.** (1) In order to encourage landowners of private forest lands to retain and improve their holdings of  
26 forest lands, to promote better forest practices, and to encourage the investment of capital in reforestation,  
27 forest lands must be classified and assessed under the provisions of this section.

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

- 1 (a) capitalizing the value of the mean annual net wood production at the culmination of mean  
2 annual increment plus other agriculture-related income, if any; less
- 3 (b) annualized expenses, including but not limited to the establishment, protection, maintenance,  
4 improvement, and management of the crop over the rotation period.
- 5 (3) To determine the forest productivity value of forest lands, the department shall:
- 6 (a) divide the state into appropriate forest valuation zones, with each zone designated so as to  
7 recognize the uniqueness of marketing areas, timber types, growth rates, access, operability, and other  
8 pertinent factors of that zone; and
- 9 (b) establish a uniform system of forest land classification that takes into consideration the  
10 productive capacity of the site to grow forest products and furnish other associated agricultural uses.
- 11 (4) In computing the forest land productivity valuation for each forest valuation zone, the  
12 department shall determine the productive capacity value of all forest lands in each forest valuation zone using  
13 the formula  $V = I/R$ , where:
- 14 (a)  $V$  is the per-acre forest productivity value of the forest land;
- 15 (b)  $I$  is the per-acre net income of forest lands in each valuation zone and is determined by the  
16 department using the formula  $I = (M \times SV) + AI - C$ , where:
- 17 (i)  $I$  is the per-acre net income;
- 18 (ii)  $M$  is the mean annual net wood production;
- 19 (iii)  $SV$  is the stumpage value;
- 20 (iv)  $AI$  is the per-acre agriculture-related income; and
- 21 (v)  $C$  is the per-unit cost of the forest product and agricultural product produced, if any; and
- 22 (c)  $R$  is the capitalization rate determined by the department as provided in subsection (6).
- 23 (5) Net income must:
- 24 (a) be calculated for each year of a base period, which is the most recent 10-year period for which  
25 data is available prior to the date the revaluation cycle ends. Data referred to in subsection (4)(b) must be  
26 averaged.
- 27 (b) be based on the average stumpage value of timber harvested within the forest valuation zone,  
28 excluding the lowest and highest annual stumpage value in the period, and on the associated production cost

1 data for the base period from sources considered appropriate by the department; and

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

4 (6) The capitalization rate must be calculated for each year of the base period and is the average  
5 capitalization rate determined by the department after consultation with the forest lands taxation advisory  
6 committee, plus the effective tax rate. The capitalization rate must be adopted by rule. However, the  
7 capitalization rate for each year of the base period may not be less than 8%.

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

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

13 (9)(a) There is a forest lands taxation advisory committee consisting of:

14 (i) four members of the legislature with expertise in forest matters, one appointed by the majority  
15 leader of the senate, one by the minority leader of the senate, one by the majority leader of the house of  
16 representatives, and one by the minority leader of the house of representatives; and

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

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

22 ~~(b) Except as otherwise provided in this subsection (9)(b), each member must be appointed to a 4-~~  
23 ~~year term.~~

24 ~~(i) The legislature shall appoint members by July 1 of the year of a regular legislative session. The~~  
25 ~~initial terms must be for 2 years. If a member leaves the chamber in which the member served at the time of the~~  
26 ~~appointment prior to the completion of the term, the leader that appointed the member shall appoint a~~  
27 ~~successor.~~

28 ~~(ii) The governor shall appoint members by July 1 of each year. The initial membership must~~

1 consist of one member appointed for 1 year, one for 2 years, one for 3 years, and two for 4 years.

2 (c) The advisory committee shall:

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

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

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

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

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

12 (vi) meet in Montana at least once a year; and

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

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16 NEW SECTION. Section 2. {standard} Effective date. [This act] is effective on passage and  
17 approval.

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