

*Here is bullet-pointed, plain language synopsis of HB 27, recommended by the Revenue Interim Committee. Being a naïve sophomore legislator, I thought this bill made sense as a way to capture an appropriate property tax valuation and rate on large out of state landowners who have moved to our beautiful state, taken their land out of agricultural production, and set it up as their personal hunting, fishing, and entertainment playground. There have been amendments to keep the gross revenue required and the multiplier for Idle Land the same as previous law. We have also considered timberland issues and subsistence farmers with amendments.*

*Little did I realize that we would also be affecting Montanans who haven't paid an equitable property tax rate for 40 years and how upset they would be when we asked them to contribute their fair share.*

*I hope you will all do me the honor of reading the following description of HB27. I have heard it will be coming to the floor mid-week, maybe Wednesday or Thursday. Please do not hesitate to track me down, call, text, email me this week to discuss any further questions you may have.*

HB 27 is a result of several months of work by the Department of Revenue's Land Classification Working Group (LCWG). The members of the working group are named on the attached list. The group was tasked with establishing fair taxation of raw and undeveloped land. HB27 was studied and approved by the Revenue Interim Committee.

The LCWG felt that the clear legislative intent is to provide a preferential property classification for bona fide ag property. What became crystal clear to the LCWG is that current statute and ag classification eligibility is providing a preferential classification and value to properties that are not engaged in bona fide ag use. The definition of agricultural use can be found in MCA 15-1-101, which is attached.

### **What this bill does:**

- Establishes a new ag classification for property owners who have taken large parcels of Montana land out of agricultural production and are using it for their personal recreational playground. "IDLE" land will be the new classification for property holdings over 640 acres that are not actively engaged in agriculture. Idle land will be valued at the average productive capacity value of grazing land and taxed at 7 times the ag rate, currently 2.16%

- **Provides that large parcels taken out of active ag production will receive a realistic valuation of their property and an equitable property tax rate based on classification as IDLE land**
- Incentivizes property owners to put their land into active bona fide ag production, which is good for local communities, businesses, and workers
- Removes the tax shift that has been occurring because of the non-qualified exemption being used by taxpayers who have not been engaged in bona fide ag production
- Removes the non-qualified ag classification that has allowed parcels of land between 20 and 160 acres to automatically qualify for the favorable valuation and preferential ag property tax rate
- Allows any size property to receive the favorable valuation and preferential ag property tax rate if they can verify to the DOR that they produce at least \$1500 gross income from bona fide ag products if they are under 640 acres, and \$1500 plus \$6/acre of gross income from bona fide ag products if they are above 640 acres
- Requires all landowners to periodically apply for the favorable ag valuation and preferential ag property tax rate on their property
- Defines activities related to agriculture that are not considered ag use, such as equestrian activities, commercial activities, recreational use, etc. See Section 2(8) for a complete list of activities not considered ag use
- Equalizes property tax values and property tax rates of similar sized properties engaged in similar activities
- Allows timberland owners to receive the forest land tax rate for portions of their timberland that are non-productive timberland, such as wetlands, marshes, etc.
- Provides that contiguous parcels under 640 acres that are used for growing subsistence food products for the residents of the property can take advantage of the favorable ag valuation and the preferential ag property tax rate as long as they attest to the DOR that they produce the equivalent of \$500 in gross revenue from their products
- Allows for a two-year applicability rate to give all landowners time to either resume/start-up active bona fide ag production or to prepare for a new valuation and tax rate

- Gives a measure of positive tax shift and tax relief to every county that has non-qualified or non-productive ag land
- Has a positive financial impact on the collection of property tax from properties that will be properly classified and taxed

**What this bill does not do:**

- No longer automatically grants ag valuation and tax rates to any parcel between 20 and 160 acres
- Does not change the requirement to produce at least \$1500 of annual gross income from ag products, although the requirement will apply to all parcels under 640 acres
- Does not take away an ag valuation and tax rate if part of the land is used for a part time commercial use such as a pumpkin patch, corn maze, etc., if the parcel still produces at least \$1500 annual gross income from a bona fide form of ag production. The portion of income derived from part-time commercial use does not count toward the \$1500 income requirement.
- Does not change rules for family farms
- Does not change provisional ag classification for orchards, vineyards, Christmas tree farms
- Has no intention of penalizing those who are committed to bona fide agricultural use of their property

**And if HB 27 passes, Montana will be one step closer to property tax equity across our great state. Isn't that what we all want?**