

BEFORE THE DEPARTMENT OF REVENUE
OF THE STATE OF MONTANA

In the matter of the amendment of) NOTICE OF PUBLIC HEARING ON
ARM 42.20.660, 42.20.665,) PROPOSED AMENDMENT
42.20.670, 42.20.675, 42.20.680, and)
42.20.681 pertaining to agricultural)
land valuation)

TO: All Concerned Persons

1. On November 9, 2016, at 3 p.m., the Department of Revenue will hold a public hearing in the Third Floor East Conference Room of the Sam W. Mitchell Building, located at 125 North Roberts, Helena, Montana, to consider the proposed amendment of the above-stated rule. The hearing room is most readily accessed by entering through the east doors of the building facing Sanders Street.

2. The Department of Revenue will make reasonable accommodations for persons with disabilities who wish to participate in this public hearing or need an alternative accessible format of this notice. If you require an accommodation, contact the department no later than 5 p.m. on October 31, 2016, to advise us of the nature of the accommodation you need. Please contact Laurie Logan, Department of Revenue, Director's Office, P.O. Box 7701, Helena, Montana 59604-7701; telephone (406) 444-7905; fax (406) 444-3696; or e-mail lalogan@mt.gov.

3. The rules proposed to be amended provide as follows, new matter underlined, deleted matter interlined:

42.20.660 NONIRRIGATED SUMMER FALLOW FARM LAND

(1) Nonirrigated summer fallow farm land productivity values for each year of ~~the reappraisal cycle beginning January 1, 2015,~~ are:

(a) remains the same.

(b) ~~For the reappraisal cycle beginning January 1, 2015, the~~ The per acre nonirrigated summer fallow farm land value is calculated as follows:

(i) through (iii) remain the same.

AUTH: 15-1-201, MCA

IMP: 15-7-103, 15-7-201, MCA

REASON: The department proposes amending ARM 42.20.660 to strike language relating to specific reappraisal cycles, because the various processes contained in this rule do not change from cycle to cycle. Removing this language and the calendar years will eliminate the need to amend this rule for each new reappraisal cycle in the future.

42.20.665 NONIRRIGATED, CONTINUOUSLY CROPPED FARM LAND

(1) Nonirrigated continuously cropped fallow farm land productivity values for each year of the reappraisal cycle beginning January 1, 2015, are:

(a) remains the same.

(b) For the reappraisal cycle beginning January 1, 2015, the The per acre nonirrigated continuously cropped farm land value is calculated as follows:

(i) through (iii) remain the same.

AUTH: 15-1-201, MCA

IMP: 15-7-103, 15-7-201, MCA

REASON: The department proposes amending ARM 42.20.665 to strike language relating to specific reappraisal cycles, because the various processes contained in this rule do not change from cycle to cycle. Removing this language and the calendar years will eliminate the need to amend this rule for each new reappraisal cycle in the future.

42.20.670 NONIRRIGATED CONTINUOUSLY CROPPED HAY LAND

(1) Nonirrigated continuously cropped hay land productivity values for each year of the reappraisal cycle beginning January 1, 2015, are:

(a) remains the same.

(b) For the reappraisal cycle beginning January 1, 2015, the The per acre nonirrigated continuously cropped hay land value is calculated as follows:

(i) through (iii) remain the same.

AUTH: 15-1-201, MCA

IMP: 15-7-103, 15-7-201, MCA

REASON: The department proposes amending ARM 42.20.670 to strike language relating to specific reappraisal cycles, because the various processes contained in this rule do not change from cycle to cycle. Removing this language and the calendar years will eliminate the need to amend this rule for each new reappraisal cycle in the future.

42.20.675 IRRIGATED FARM LAND (1) Irrigated farm land values for each year of the reappraisal cycle beginning January 1, 2015, are:

(a) remains the same.

(b) For the reappraisal cycle beginning January 1, 2015, the The per acre irrigated farm land value is calculated as follows:

(i) through (9) remain the same.

AUTH: 15-1-201, MCA

IMP: 15-7-103, 15-7-201, MCA

REASON: The department proposes amending ARM 42.20.675 to strike language relating to specific reappraisal cycles, because the various processes contained in this rule do not change from cycle to cycle. Removing this language

and the calendar years will eliminate the need to amend this rule for each new reappraisal cycle in the future.

42.20.680 GRAZING LAND (1) Grazing land productivity values for each year of the reappraisal cycle beginning January 1, 2015, are:

(a) remains the same.

(b) For the reappraisal cycle beginning January 1, 2015, the The per acre grazing land value is calculated by:

(i) through (iv) remain the same.

AUTH: 15-1-201, MCA

IMP: 15-7-103, 15-7-201, MCA

REASON: The department proposes amending ARM 42.20.680 to strike language relating to specific reappraisal cycles, because the various processes contained in this rule do not change from cycle to cycle. Removing this language and the calendar years will eliminate the need to amend this rule for each new reappraisal cycle in the future.

42.20.681 AGRICULTURAL COMMODITY PRICES AND VALUES

(1) Commodity prices for the ~~2015~~ 2017 appraisal cycle used for the determination of income are calculated using a 10-year Olympic average of prices from Montana Agricultural Statistics for the years ~~2004-2013~~ 2006-2015. An Olympic average throws out the high and low years and averages the remaining ~~8~~ eight years. The prices used for valuing agricultural land for the ~~2015~~ 2017 appraisal cycle are as follows:

(a) Spring wheat price used in the valuation of nonirrigated summer fallow and nonirrigated continuous cropped farm lands = ~~\$6.36~~ \$6.67 per bushel.

(b) Alfalfa hay price, reduced by 20 percent as required by 15-7-201, MCA, used in the valuation of irrigated and nonirrigated hay lands = ~~\$76.50~~ \$86.20 per ton.

(c) Private grazing fees used in the valuation of grazing lands = ~~\$18.08~~ \$19.53 per Animal Unit Month (AUM).

(2) The minimum value of irrigated land as determined by the methodology detailed in ARM 42.20.675 = ~~\$571.41~~ \$599.26 per acre.

(3) remains the same.

(4) For the ~~2015~~ 2017 appraisal cycle the capitalization rate for Class 3 agricultural land, which is used to convert an ongoing income stream into an estimate of value = 6.4 percent.

(5) For the ~~2015~~ 2017 appraisal cycle the highest productivity of nonirrigated continuously cropped farmland is ~~55~~ 60 bushels per acre, and is used in calculating the values of specialty crop land.

(6) For the 2017 appraisal cycle, the value of the one acre beneath a residence on agricultural land is \$2,302.

(7) For the 2017 appraisal cycle, the minimum carrying capacity for grazing land to be eligible for agricultural classification is 31 AUMs as determined by the Montana State University College of Agriculture in accordance with ARM 42.20.620.

AUTH: 15-1-201, MCA

IMP: 15-6-133, 15-7-201, 15-7-202, 15-7-203, 15-7-206, 15-7-207, 15-7-208, 15-7-209, 15-7-210, 15-7-212, MCA

REASON: The department proposes amending ARM 42.20.681 to update the years, prices, and values for the upcoming reappraisal cycle that begins in 2017.

The department proposes amending ARM 42.20.681(1)(a) through (c) to update the rule with the current commodity price and production data for the base period, as published by and obtained from the Montana Agricultural Statistics and to be used for valuing agricultural lands in the upcoming reappraisal cycle. The department's use of the Montana Agricultural Statistics as its data source is required by 15-7-201, MCA.

The department further proposes amending (2), to update the minimum value of irrigated land for the upcoming reappraisal cycle based on the new commodity price, as provided by Montana Agricultural Statistics in accordance with 15-7-201, MCA, and proposes amending (5) to update the productivity of nonirrigated continuously cropped farmland that the department will use for valuing specialty crops in the upcoming reappraisal cycle, from 55 bushels to 60 bushels per acre, in accordance with 15-7-201, MCA.

Section 15-7-206, MCA, requires the department to value the one acre beneath a residence on agricultural land at the class with the highest productive value and production capacity. The department proposes adding new (6) to include all prices for agricultural land in one rule for transparency and convenience for taxpayers.

Section 15-7-202, MCA, requires the department to use a minimum carrying capacity of animal unit month (AUM) for grazing land to qualify as agricultural land. Therefore, the department proposes adding new (7) to provide the AUM that will be used for the upcoming reappraisal cycle in the rule for transparency and convenience for taxpayers.

4. Concerned persons may submit their data, views, or arguments, either orally or in writing, at the hearing. Written data, views, or arguments may also be submitted to: Laurie Logan, Department of Revenue, Director's Office, P.O. Box 7701, Helena, Montana 59604-7701; telephone (406) 444-7905; fax (406) 444-3696; or e-mail lalogan@mt.gov and must be received no later than November 21, 2016.

5. Laurie Logan, Department of Revenue, Director's Office, has been designated to preside over and conduct this hearing.

6. The Department of Revenue maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request that includes the name and e-mail or mailing address of the person to receive notices and specifies that the person wishes to receive notice regarding a particular subject matter or matters. Notices will be sent by e-mail unless a mailing preference is noted in the request. A written request may be mailed or delivered to the person in 4

above or faxed to the office at (406) 444-3696, or may be made by completing a request form at any rules hearing held by the Department of Revenue.

7. An electronic copy of this notice is available on the department's web site at revenue.mt.gov/rules. The department strives to make the electronic copy of this notice conform to the official version of the notice, as printed in the Montana Administrative Register, but advises all concerned persons that in the event of a discrepancy between the official printed text of the notice and the electronic version of the notice, only the official printed text will be considered. While the department also strives to keep its web site accessible at all times, in some instances it may be temporarily unavailable due to system maintenance or technical problems.

8. The bill sponsor contact requirements of 2-4-302, MCA, do not apply.

9. With regard to the requirements of 2-4-111, MCA, the department has determined that the amendment of the above-referenced rules will not significantly and directly impact small businesses. Documentation of the department's determination is available at revenue.mt.gov/rules or upon request from the person in 4.

/s/ Laurie Logan
Laurie Logan
Rule Reviewer

/s/ Mike Kadas
Mike Kadas
Director of Revenue

Certified to the Secretary of State October 3, 2016.