



# Application for Agricultural Classification of Lands

MONTANA  
AB-3  
Rev. 3-06

See additional instructions printed on back of parts I and II.

This application must be submitted to the local Department of Revenue office by the first Monday in June or within 30 days after receiving a notice of assessment from the Department of Revenue, whichever is later.

**Owner's complete name and mailing address:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Phone No. (      ) \_\_\_\_\_  Owner    Agent  
(Check one)

Geocode(s):  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Assessment Code(s):  
\_\_\_\_\_  
\_\_\_\_\_

This application is made on the following described property. Please list the complete legal description of the parcel(s) for which this application is being made. Include the township(s), range(s) and section number(s) in your legal description. (Attach additional pages if needed.) (Instructions for completing this application are on the backs of Part I and Part II.)

## Legal Description of Parcel(s)

### Instructions for Completing this Application

#### Part I

Please complete this part of the application if you are applying for agricultural classification and valuation of the above described parcel of land, based on the land's ability to meet the \$1,500 annual gross income requirement from products produced by the parcel.

#### Part II

Please complete this part of the application if you are applying for agricultural classification and valuation of the above described parcel of land, based on a relationship to a family-operated agricultural entity. This part provides an option for some taxpayers to achieve agricultural classification and valuation of their parcels when their parcels are not capable of meeting the \$1,500 annual gross income requirement described in Part I.

**IMPORTANT-** All income information will be held confidential by the Department. The decision of the Department regarding this application is subject to appeal as set forth in 15-7-102 and 15-15-102, MCA.

Owner's/Agent's signature: \_\_\_\_\_ Date: \_\_\_\_\_

#### FOR DEPARTMENT OF REVENUE OFFICE USE ONLY

Reason for Decision: \_\_\_\_\_  
Class 3 (Agricultural Land)  Approved  Disapproved  
*If the application is disapproved, the land will be classified and valued as: (see the following checked box)*  
Class 3 (Nonqualified Agricultural Land)   
Class 4 (Residential, Commercial, or Industrial)   
Class 10 (Forest Land)   
Date application received: \_\_\_\_\_ Date reviewed \_\_\_\_\_  
Reviewer's signature: \_\_\_\_\_ Date results mailed to applicant: \_\_\_\_\_

Part I

(Based on Ability to Meet the \$1,500 Annual Gross Income Requirement)

Owner's Name \_\_\_\_\_ Date \_\_\_\_\_

Please answer all of the following questions. (Instructions for each Part I question are found on the back of this page.)

IMPORTANT- All income information will be held confidential by the Department. The decision of the Department regarding this application is subject to appeal as set forth in 15-7-102 and 15-15-102, MCA. All sections of this form must be legibly completed.

- 1. Yes No Do you have a Farm and Ranch Reporting Form...
2. Yes No N/A If the application is for multiple parcels of land...
3. Yes No Did the land produce food, feed, fiber commodities...
4. Yes No If you did not market any of the agricultural products...
5. Yes No Was the land subject to this application actively devoted to livestock use...
6. Yes No Do you lease land from a different ownership as a part of your agricultural operation...
7. Yes No Are the lands described in this application leased to a different party?
8. Yes No Is your source of income on this property from crop production?
9. Yes No Are you claiming "production failure" on the land?
10. Yes No Do you intend to delay marketing of the products to gain an economic advantage?
11. Yes No Are there covenants or other legal restrictions...
12. Yes No Is there a conventionally constructed home, mobile home, manufactured home, seasonal home or cabin on this land?
13. Yes No Is any portion of the acreage used for a commercial or industrial site?
14. Yes No If the land was actively devoted to agriculture during the past year, how many acres were used for: grazing, dryland farm, wild (dryland) hay, forest land, irrigated crops, cultivated Christmas tree farming, fruit orchard

# Part I

## Instructions for Application for Agricultural Classification of Lands (All sections of this form must be completed and legible)

**Owner's Name:** List the name of the property owner. Only the property owner of record or their agent is allowed to make application for agricultural classification of lands. Complete separate applications for any land parcels in a **separate** ownership.

**Date:** List the date when the application is completed. (This date should match the date the application is signed on the first page of this application)

**Question 1:** All agricultural land must have a farm and ranch reporting form on file with the local DOR office. If you do not have a farm and ranch reporting form (PPB-3) on file with the local DOR office, your land is not eligible for agricultural classification. This form lists personal property used in the agricultural business. Even if the property has less than \$20,000 in personal property, a new farm and ranch reporting form must be filed whenever the land changes ownership. There is no personal property tax on livestock, however, livestock is reported on the reporting form for the purpose of calculating the per capita tax.

**Question 2:** Answer "yes" to this question if the application is for more than one parcel of land. "Same ownership" means one party owns two or more parcels of land when the title is solely in the party's name or names; the party has received title to the parcels by a transferring instrument such as a deed, contract for deed, or judgment; and the party has the present right to possess and use the parcels. An example of the same ownership is: John Doe owns parcel A and John Doe also owns parcel B. Examples of different ownerships are: John Doe owns parcel A and his wife Mary Doe owns parcel B or John Doe owns parcel A and John and Mary Doe own parcel B or John Doe owns parcel A and the John Doe Farm and Ranch Company owns parcel B.

**Question 3:** Answer "yes" to this question if the parcel(s) produced any of the items listed during the past year. You must provide proof of agricultural income. Acceptable proof includes sales receipts, canceled checks, a copy of your income tax statement, or other bona fide written evidence of sales transactions. Parcels totaling 20 to 160 acres may also include lease or rental income or income from the Federal Conservation Reserve Program (or its successor program) payments.

**Question 4:** Answer "yes" to Question 4 if people or livestock consume the agricultural product(s) produced from the land. For example, if you possess hay that is consumed by livestock, you would not produce marketing receipts for the hay production. However, the value of the hay consumed by the livestock is considered agricultural income. Indicate the type of crop, animal or animal product consumed and the quantity that is consumed. Acceptable proof includes a written estimate of the weight or quantity of food or animal fiber produced by the land, an affidavit from the county brand inspector or meat packing plant (animal fiber) or a visual affirmation by the local Department of Revenue Appraiser.

**Question 5:** If the answer to Question 5 is "yes", you must provide an accurate estimate of how many animal unit months (AUM's) of livestock carrying capacity that the land supports. Carrying capacity is the amount of grazing that a pasture will sustain without injuring vegetative growth, due to the qualities of the soil and the environment where it occurs. An animal unit is equivalent to a cow/calf pair. Any animal can be converted to a cow/calf pair equivalent. An animal unit month means one animal unit grazing for one month. In other words, one animal unit represents the amount of forage needed to properly nourish one animal unit (cow/calf pair equivalent) for one month without injuring the vegetation on the land. The carrying capacity may be based on the United States Natural Resource Conservation Service (NRCS) soil survey. If a soil survey does not exist, the carrying capacity may be based on an estimate by the County Agricultural Extension Agent. Overgrazing or severe weed problems may reduce your current carrying capacity below estimates provided by the NRCS. The following example demonstrates how to calculate the total number of AUM's of carrying capacity of your grazing land. Assume that the grazing land on your property is 20 acres in size and the per-acre carrying capacity is rated at 0.67 AUM's per acre. The land can support 13.4 AUM's (20 acres multiplied by 0.67 AUM's per acre = 13.4 AUM's). Attach a NRCS affidavit or a detailed explanation of your land's total AUM carrying capacity to this application.

**Question 6:** Agricultural eligibility is based on ownership. Crop income or livestock carrying capacity acquired from leased land in a different ownership should not be included in this application.

**Question 7:** Crop income is based on the crop production from the land described in this application. The value of the crops produced by the lessee (person leasing the land) is usually higher than the lease payment to the lessor (landowner). Use the lessee's actual crop production from the land on this application if that value is higher than the lease payment to the landowner.

**Question 8:** Answer "yes" to Question 8 if your source of income on the parcel(s) is from crop production. Crops grown in the ground have unrestricted root systems that are directly nourished by soil on the property. Containerized crops are plants that have their root systems nourished or supported in containerized units. Examples of containerized crops are tomatoes grown in greenhouse flats and nursery stock grown in plastic containers or maintained in burlap bundles.

**Question 9:** The circumstances that require a production failure claim must be made in writing. Provide income or production data that occurred in the year prior to the loss. Overgrazing and other poor agricultural and horticultural management practices will not be considered sufficient intervening causes of production failure. Attach a detailed explanation to this application.

**Question 10:** A marketing delay for economic advantage may not exceed 12 months from the initial date of application for agricultural classification. The applicant must still provide proof of production.

**Question 11:** If the answer to Question 11 is "yes", please include a copy of the covenants, deed restrictions or conservation easements that address the specific restrictions to the land.

**Question 12:** A residence includes all conventionally constructed homes, mobile homes, manufactured homes; and seasonal homes and cabins that are used for recreational purposes.

**Question 13:** There are situations where commercial or industrial operations are located on agricultural parcels of land. Examples include dude ranches, riding arenas, beet dumps, gravel pits and feed mills. The acreage reasonably necessary for the convenient use of the commercial or industrial operation should be indicated if the response to Question 13 is "yes".

**Question 14:** Provide the total acreage in each agricultural use category. Your total acreage for all agricultural use categories should equal the entire acreage for the parcel(s) under review, less any residential or commercial building sites.

## Part II

### (Based on Relationship to Family-Operated Agricultural Entity)

Owner's Name \_\_\_\_\_ Date \_\_\_\_\_

Please answer all of the following questions. (Instructions for each Part II question are found on the back of this page.)

**IMPORTANT-** All income information will be held confidential by the Department. The decision of the Department regarding this application is subject to appeal as set forth in 15-7-102 and 15-15-102, MCA. All sections of this form must be legibly completed.

1.  Yes  No Are you requesting that the parcel(s) of land be classified, assessed and taxed as agricultural land? If the answer is "yes", go on to question 2; if the answer is "no", there is no need to proceed further.
2.  Yes  No Is/are the parcel(s) farmed/ranched as part of a family-operated agricultural entity. If "yes", please list the ownership name of the family-operated agricultural entity. \_\_\_\_\_, **and**
3.  Yes  No Is/are the parcel(s) of land comprised of at least 20 acres, but not more than 159.9 acres? If "yes" it contains \_\_\_\_\_ total acres, **and**
4.  Yes  No Is/are the parcel(s) within 15 air miles of the family-operated agricultural entity, of which this/these parcel(s) is/are a part. If "yes", how many air miles is/are the parcel(s) from the family-operated agricultural entity? \_\_\_\_\_ miles, **and**

### **Option 1**

5.  Yes  No Are the property taxes on the parcel(s) paid by a family corporation, family partnership, sole proprietorship, or family trust involved in Montana agricultural production? If the answer is "no" skip to question #8. If "yes", please answer the following question.

What is the name of the family agricultural entity that paid the property taxes on the parcel(s)?  
\_\_\_\_\_

6.  Yes  No Does/do the parcel(s) produce at least 51% of the owner's Montana annual gross income from the sale of agricultural products produced from the parcel(s). If the answer is "yes", what % of the owner's Montana annual gross income is produced by the parcel(s)? \_\_\_\_\_%, **and (Complete copies of the owner's Montana Income Tax and Federal Income Tax Returns, including all schedules, must be submitted with this application.)**
7.  Yes  No Does at least 51% of the family-operated agricultural entity's annual gross income (the entity paying the property taxes on the parcel(s) in question) come from Montana agricultural production? If "yes", what is that %? \_\_\_\_\_%. **(Complete copies of the family operated agricultural entity's Montana Income Tax and Federal Income Tax Returns, including all schedules, must be submitted with this application.)**

**OR**

### **Option 2**

8.  Yes  No Are you a shareholder, partner, owner or member of the family corporation, family partnership, sole proprietorship, or family trust which owns the family-operated agricultural entity of which the parcel(s) is/are an integral part? If the answer is "yes", please list the type of relationship you have with the family-operated agricultural entity. \_\_\_\_\_, **and**
  9.  Yes  No Does at least 51% of the annual gross income of the family-operated agricultural entity specified in question #8 come from Montana agricultural production? If "yes", what is gross income percentage obtained from Montana agricultural production? \_\_\_\_\_%, **(Complete copies of the family operated agricultural entity's Montana Income Tax and Federal income Tax Returns, including all schedules, must be submitted with this application.)**
- OR**
10.  Yes  No Does/do the parcel(s) produce at least 51% of the owner's Montana annual gross income from the sale of agricultural products produced from the parcel(s)? \_\_\_\_\_%. **(Complete copies of the owner's Montana Income Tax and Federal Income Tax Returns, including all schedules, must be submitted with this application.)**

## Part II

### Instructions for Application for Agricultural Classification of Lands (All sections of this form must be completed and legible)

**Owner's Name:** List the name of the property owner. Only the property owner of record or their agent is allowed to make application for agricultural classification of lands. Complete separate applications for any land parcels that are in a separate (different) ownership.

**Date:** List the date when the application is completed. (This date should match the date the application is signed on the first page of this application.)

**Question 1:** Mark the "yes" box if you are requesting that one or more parcels of land in the same ownership be classified, assessed and taxed as agricultural land on the basis of the owner's relationship to a qualifying family-operated agricultural entity as addressed in questions 2 through 10. If the answer is "no" to this question, you need not proceed any further with this application.

**Question 2:** If the parcel(s) in question is/are farmed or ranched as part of a family-operated agricultural entity (i.e. family corporation, family partnership, sole proprietorship, or family trust) involved in Montana agricultural production, mark the "yes" box and list the ownership name of the entity. If the answer is "no" to this question, the applicant need not proceed any further with this application.

**Question 3:** If the parcel(s) is/are at least 20 acres in size, but not more than 159.9 acres, mark the "yes" box, and list the total number of acres within the parcel(s). If the parcel(s) is/are less than 20 acres in size or greater than 159.9 acres in size, mark the "no" box. If the answer is "no" to this question, you need not proceed any further with this application.

**Question 4:** If the parcel(s) is/are 15 air miles or less from the closest boundary of the family-operated agricultural entity, mark the "yes" box, and list the number of air miles of distance between the parcel(s) in question and the family-operated agricultural entity. If the parcel(s) is/are more than 15 air miles from the closest boundary of the family-operated agricultural entity, mark the "no" box, and list the number of air miles of distance between the parcel(s) in question and the family-operated agricultural entity. If the answer is "no" to this question, you need not proceed any further with this application. The number of air miles can be determined from aerial photography or from maps which show the legal boundaries of the parcel(s) in question and those of the family-operated agricultural entity.

**Question 5:** If the property taxes on the parcel(s) in question is/are paid by one of the family-operated agricultural entities listed, mark the "yes" box, and list the name of the family agricultural entity that paid the property taxes on the parcel(s). **Please attach a copy of a cancelled check to this application as proof of payment of taxes by the family-operated agricultural entity.** If the property taxes are not paid by a family-operated agricultural entity, mark the "no" box, and go to question #8.

**Question 6:** If the answer to this question is "yes", please list the % of the owner's Montana annual gross income which was produced by the parcel(s) during the previous calendar year, and go on to question #7. If the answer to this question is "no", go to question #8.

**Question 7:** If the answer to this question is "yes", please list the % of the family-operated agricultural entity's annual gross income that came from Montana agricultural production from the parcel(s) during the previous calendar year. If the answer to this question is "no", go to question #8.

**Question 8:** If the answer to this question is "yes", please list the relationship of the parcel(s) owner to the family-operated agricultural entity (i.e. member of corporation, partner, or trustee for family trust). **Please attach a copy of the document(s) that establish a legal relationship between the owner and the family-operated agricultural entity, such as the document(s) on file with the Secretary of State.** If the answer to this question is "no", you need not proceed any further with this application.

**Question 9:** If the answer to this question is "yes", please list the % of the family-operated agricultural entity's annual gross income that came from Montana agricultural production from the parcel(s) during the previous calendar year. If the answer to this question is "no", go to question #10.

**Question 10:** If the answer to this question is "yes", please list the % of the owner's Montana annual gross income which was produced by the parcel(s) during the previous calendar year. If the answer to this question is "no", the parcel(s) cannot qualify for classification as agricultural land.



## Agricultural Production Record

1. This form must be filled out completely, signed and attached to the completed Agricultural Classification of Lands application. An incomplete or missing form may result in denial of the application.
2. Please attach proof of transactions, such as sales receipts, canceled checks, copies of income tax statements, or other written documentation.
3. Please attach documentation of products that were consumed by people or livestock. For example, hay that was grown and fed to livestock.
4. For properties 20 acres or more, please attach any documentation of rental income and/or income from government agricultural programs, if applicable.

Mark the box to indicate the type of product produced from the land.	Provide the total amount produced (bushels/tons/pounds/other).	Indicate whether the product was sold, consumed, or is currently in storage.	Provide the actual or estimated dollar amount of raw product produced.
<input type="checkbox"/> <b>Grain</b>			
Spring wheat			
Winter wheat			
Durum wheat			
Barley			
Oats			
Sorghum			
Other			
<input type="checkbox"/> <b>Row Crops</b>			
Sugar beets			
Corn			
Potatoes			
Other			
<input type="checkbox"/> <b>Hay</b>			
Alfalfa			
Grass/alfalfa mix			
Grass			
Legume			
Grain			
Other			
<input type="checkbox"/> <b>Specialty Crops</b>			
Fruits [e.g. apples]			
Vegetables [e.g. lettuce]			
Ornamental Flowers [e.g. tulips]			
Christmas Trees			
Other			
<input type="checkbox"/> <b>Livestock</b>	The basis for agricultural classification of grazing land is the <i>carrying capacity</i> of the land, which is generally determined by using the NRCS soils report. Documentation of transactions or other livestock use is recommended, and may be used to confirm agricultural use of the property.		

The information supplied in this form is correct to the best of my knowledge and may be verified by the department.

Signature of Owner/Agent \_\_\_\_\_