



---

# Montana Association of Counties

*Serving Montana Counties Since 1909*

2715 SKYWAY DRIVE, SUITE A, HELENA, MT 59602

(406) 449-4360 Fax (406) 442-5238

www.mtcounties.org

DATE: December 23, 2015  
FROM: Harold Blattie, Executive Director  
*H. Harold Blattie*  
TO: Revenue and Transportation Interim  
Committee

At the December Revenue and Transportation Interim Committee I was asked to poll the MACo Board of Directors to inquire if there would be support for two "concepts". I decided to expand the list to all county commissioners because I thought I would get a better cross section of responses.

I sent out the following message on December 2, 2015

*Commissioners,*

*The Revenue and Transportation Interim Committee is looking at revenue generating capacity for local governments. To that end, two panels of local government officials made presentations to the committee yesterday about the funding capacity in their jurisdictions. As a result of those presentations and the interactive discussions with committee members, panelists and people providing public testimony, I was asked to reach out to counties with two specific questions which I will outline below.*

**Question #1 - Would you support the concept of having agricultural land that is taken out of production agriculture being taxed at market value, rather than productive value as agricultural land currently is taxed?**

*Underlying scenario - Farm or ranch land is purchased by someone who takes it out of production and essentially lets the land go unused, in essence reverting to a somewhat natural state providing habitat for wildlife because cattle or sheep are no longer being produced on the land. Should that land be taxed at the same rate as land that is being used for production that creates economic benefits?*

**Question #2 - Would you support raising the current \$1,500 gross income threshold of production for small tracts to be taxed as agricultural land, or eliminating the ag exemption for all 20 acre parcels unless it is part of a**

## ***larger ag operation?***

*Underlying scenario - Currently parcels of property between 20 and 160 acres in size are taxed as agricultural land if it is part of a larger ag operation or it is demonstrated that the land is capable of producing at least \$1500 in revenue, or in the case of a parcel 20 acres or less, it can be taxed at ag land if the owner markets not less that \$1500 in annual gross income from the parcel. Given the current value of agricultural commodities and livestock, it is relatively easy to demonstrate \$1,500 of ag production from a parcel.*

*Please respond to me with your responses to these two questions and feel free to add any comments you may have.*

*Thank you,*

*Harold*

I received the following responses which demonstrate there is no consensus or even general agreement among MACo members.

### **Park County**

I would support both proposals.

### **Liberty County**

1. We feel the land should be taxed at market value, it would lend it self more a recreational land than ag land.
2. Yes we would be willing to raise the current rate to \$2000, with a sliding scale based on each 20 acres. That would be a 1000 dollars pre 10 acres parcel. Land that is purchased for recreational land should be taxed as recreational land.

### **Fergus County #1**

I am in support of Question 1. I am curious if this could be tied to non-resident landowners in some way also. With the influx of land investors I believe we need to protect the generations of agriculture people that are being pressured form this investment.

Question 2 is a little more complicated and I believe many of the responses your receive will be self-serving. I am inclined to support increasing the threshold as subdivisions are impacting total productive agricultural land available to potential new producers. Elimination of the exemption on all 20 acre parcels will really cause an outcry but I would refer back to the original intent of the ag exemption and where we have evolved since then.

### **Fergus County #2**

At first glance I would say Yes on question 1 and No on question 2.

Reasoning

- 1) I don't like land being taken out of production as it hurts the overall economy. They are not buying ag related products from our businesses, i.e. tractors, feed, etc.

- 2) If someone is generating income from a parcel they are still probably supporting our ag based businesses. 20 acres or less people are paying tract land prices. We have individuals who own 12 acres that are paying \$990 on just the land itself. People owning 20 to 160 acres who cannot prove the \$1500 income are classified as non-qualified ag and are still paying 15% more than ag. I would guess most parcels under 40 would fit in this range. There is quite an up roar right now with the new appraisals that come out for this tax season. I believe if we mess with the gross income threshold we would really see our protested taxes go up and we as commissioners are on the front line.
- 3) My opinion only and not a commission decision

### **Custer County**

No. 1, I feel that if any property is classed as Ag., it should be a producing property. If this land is not used **primarily for Ag. production**, it should not get the Ag. classification, regardless of size. **Primarily** being the keyword in my opinion. It would seem if the land isn't classified Ag. the vehicles should not be allowed the Ag. GVW either.

No. 2 I own 20 acres, *irrigated*, and pasture and raise hay on approx. 16. This easily generates \$4,000.00 annually even on a rotation program. Dryland will surely produce less revenue, but I don't feel \$1500 is enough to claim Ag. classification. In Eastern Montana you can't even raise a horse on 15 acres.

### **Hill County**

I would approve adoption on both questions. However saying that there are always pros and cons and arguments from both sides and I understand there will be opposition also.

On question #1 I would agree that the land should be valued and taxed on market value. To often we see absentee landowners that do not need to generate revenues from land purchased in our area and thus the Counties lose revenue that the land could be taxed for.

On #2 what was the proposed amount that was discussed over the \$1500 threshold set currently?

In both cases if these proposals are accepted the revenue generated needs to go to the County and not earmarked for some other state pet project.

### **Musselshell County #1**

We have talked about this just recently I think it should be looked into. I'm sure we would have some mad out of state land-owners!

### **Musselshell County #2**

I would support at land that is being taken out of production being taxed at market value, and I would not support either options of question #2. The reason being is that I feel small hobby farmers are growing in my area, and I think they should be encouraged and not discouraged. Also in re: to #1--we have had lately where large generational ranches have sold and are out of production, and used as hunting/vacation property.

### **Teton County**

No. 1 I understand what they are trying to do changing from production to market value, and I think that those farms or ranches doing that should not qualify for a reduced taxable value. But, I am concerned that they (DOR) would then also assess non-productive land, roads and irrigation ditches for instance, at the higher rate. When a farmer or rancher buys land he might be getting some non-

productive land in the process, but he is only considering the productive land and it's income capability as a basis for value when that is all there is to service the debt. We are concerned that opening up this issue might cause more problems.

No. 2 Farm and ranch commodity prices are dropping pretty fast right now, so the \$1500 threshold will probably still be good.

### **Sheridan County**

After visiting with our DOR staff about these two questions, I have decided I would not support either question.

### **Roosevelt County**

Question #1 Yes, too much of Montana's agricultural land is being purchased and converted to private hunting camps so they should be taxed at a higher rate.

Question #2 No, in fact I think \$1,500. Is too high. In Roosevelt County we have small parcels of land that children have inherited that are land locked. These owners are at the mercy of the neighboring land owner and if that person doesn't want to buy it, and why would they when they can either use it for nothing or lease it very cheap. This makes it impossible for the owner of that small tract to show a \$1,500. Income. Because of this the land owner has to pay a higher tax rate when in reality the land is in production.

### **Madison County**

I would support #1 as proposed---taxing ag land taken out of production at commercial rates,,, However on # 2. I would say leave it as is.. \$1500.00 threshold works and seems to be accepted by land owners.

### **Rosebud County**

Question #1 We are not in favor of this concept. If part of the land is taken out of production for say wildlife habitat and then a drought hits, the producer might need to graze this land to survive the drought. This will be a nightmare to track.

Question #2 The gross income should be raised.

### **Gallatin County**

Thanks Harold for sending the request. We discussed the questions this morning and we all agree that the present method be left in place. One consideration is that by raising taxes on bare land would remove the incentive to leave it bare and available for ag use.

### **Glacier County**

Question #1: There are federal conservation programs & federal easement programs, as well as funding from conservation organizations that are paying the participants to do just that, remove livestock grazing for the sake of wildlife or avian habitat. Some of these programs are paying landowners a minimum of the value of the property to participate in such programs. In my estimation, the land remains grazing land whether it is grazed by a cow, sheep, goat, llama, deer, elk or buffalo. Forage is removed in support of an animal.

Question #2: Why is there a threshold income level? If a 20 acre or less parcel is used to graze little Suzie's Shetland pony is it not ag land thus should be taxed as such.

### **Judith Basin County**

Question #1. No I would not support the concept of production agriculture being taxed at market value.

Question #2. No, but I do think the gross income threshold should be increased to \$5,000.00.

### **Sanders County**

I prefer leaving it at agricultural value whether it is in production or not. More incentive not to destroy productive farm ground. Undecided on the \$1500 level. Thanks

**Cascade County**

On question #1: We would not support ag land that is taken out of production being taxed at market value. The reasoning is that ag land taken out of production still has the ability of going back into ag production, if the land owner so chooses. The value of the land is still there and should be taxed as such. On question #2: We support eliminating the ag exemption for all parcels 20 acres or less, unless they are part of a larger ag operation.

If elimination of the ag exemption cannot be supported, then we recommend raising the gross income threshold to a minimum of \$6000 on properties of 20 acres or less.

**Valley County**

Yes to both. We have large holders now in Valley Co That have gotten large wetland payments and now use that land for private hunting only. In Valley Co 20 acres is not farming.

**Carter County**

There should not be an exemption for small partials as ag land. Under the tax code. Not at all.