



Montana Department of
REVENUE

Overview of Agricultural Property Eligibility and Non-qualified Agricultural Property Valuation

*Revenue and Transportation Interim Committee
March 10, 2016*

Classification of Agricultural & Nonqualified Agricultural Land

- **160+ acres**

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- **1<160 acres**
 - Must file an application and be approved to be classified as agricultural land, and prove at least \$1,500 in agricultural income, or if it is grazing land it must be able to support at least 31 animal unit months
 - **20<160 acres**
 - Default classification is nonqualified ag land unless an ag application has been filed and approved
 - Nonqualified ag land does not need to be used in an agricultural manner, however it cannot be used for commercial or residential purposes
 - **1<20 acres**
 - Default classification is tract land (market value) unless an ag application has been filed and approved

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- **Farmsites**
 - One acre of a farm or ranch for residence or agricultural buildings

Valuation of Agricultural & Nonqualified Agricultural Land

- Agricultural land is valued on its productive capacity (15-7-201, MCA)
 - Example
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 - Tax rate = 2.16%
 - Taxable Value = \$6.20/acre

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- Nonqualified agricultural land is valued at the statewide average grazing productivity of .21 AUMs/acre (15-6-133, MCA)
 - .21 AUMs/acre = \$45/acre value
 - Tax rate = 7 times the agricultural tax rate, or 15.12%
 - Taxable Value = \$6.80/acre

\$1,500 Gross Income Requirement (15-7-202(2) MCA)

- To be classified as agricultural land, land consisting of 1<160 contiguous acres must prove annual gross income of \$1,500 from the raising of agricultural products produced by the land
- \$1,500 income requirement has been in Montana Statute since 1986
- Adjusted for inflation by using the Bureau of Labor Statistics Consumer Price Index Calculator found at http://www.bls.gov/data/inflation_calculator.htm
- \$1,500 in 1986 has the same purchasing power as **\$3,243** in 2016

Farmstead--1 Acre for Residence (15-7-206(2) MCA)

- The one acre beneath a residence on **agricultural land** is valued at the highest **productive value** of agricultural land
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 - The range of the one acre value = \$1,562- \$105,591 MV
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- The one acre beneath a residence on **forest land** is valued at **market value**, based on sales prices in the area
 - The range of the one acre value = \$1,700- \$1,233,700 MV
 - Tax Rate of 1.35%=\$22.95-\$16,654.95 TV
 - Tax @ 500 mills = \$11.74 to \$8327.48

Lakefront Property in Lake County



**Ag Parcel with Fruit Orchard
and 1 acre farmsite
Approximately 2.2 acres
LAND TAXES approximately
\$24**

**Non-ag Parcel
Approximately 2 acres
LAND TAXES approximately
\$3,720**

4 parcels located north of Bozeman

Gallatin county



Questions?