

HJ 22: CH. 543, L. 2005 CLASSIFICATION CHANGES

BACKGROUND

During the presentation of a [history](#) of laws providing for agricultural classification and valuation, a committee member posed a question about Ch. 543, L. 2005 (Senate Bill No. 296). That legislation amended section [15-7-202](#) to allow for agricultural classification and valuation for parcels of 20 to 160 acres that do not meet the \$1,500 income requirement independently but are part of a family-operated farming entity.

During the hearing on [Senate Bill No. 296](#), the bill sponsor discussed the reason for the bill in his opening statement. In some cases, ownership of a portion of agricultural property was transferred to a family member planning to build a new house in order to obtain financing. However, the property did not produce sufficient income to meet the \$1,500 statutory requirement to maintain eligibility for agricultural classification. The legislation allows such property to qualify for agricultural classification upon application to the Department of Revenue if the parcels are 20 to 160 acres and located within 15 air miles of the family-operated farming entity and:

- the owner submits proof that 51% or more of the owner's Montana annual gross income is derived from agricultural production and property taxes for the property are paid by a family corporation, family partnership, sole proprietorship, or family trust that is involved in Montana agricultural production and 51% of the entity's Montana annual gross income is derived from agricultural production; or
- the owner is a shareholder, partner, owner, or member of the family corporation, family partnership, sole proprietorship, or family trust that is involved in Montana agricultural production and 51% of the person's or entity's Montana annual gross income is derived from agricultural production.

15 AIR MILES

The specific question asked about the legislation was the reason for including the requirement that the parcels be within 15 air miles of the family-operated farming entity to be eligible for agricultural classification. The House Taxation Committee amended SB 296 to insert the 15 air miles requirement.

During the hearing on the bill, a committee member asked whether property located far from the family farm would qualify for agricultural classification under the proposed bill. An informational witness representing the Department of Revenue answered in the affirmative and cited that as a possible "loophole". Discussion of the 15 air mile amendment indicated its purpose was to address this issue and the amendment passed unanimously.

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