

SENATE BILL NO. 4

INTRODUCED BY B. BEARD

BY REQUEST OF THE REVENUE INTERIM COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TAXATION OF A HOMESITE ON CERTAIN AGRICULTURAL PROPERTY; PROVIDING THAT A 1-ACRE HOMESITE ON AGRICULTURAL LAND IS VALUED AT MARKET VALUE SUBJECT TO AN EXEMPTION; AMENDING SECTIONS 15-6-134, 15-6-229, 15-6-240, 15-7-202, AND 15-7-206, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

- (a) subject to subsection ~~(1)(e)~~ (1)(g), all land, except that specifically included in another class;
- (b) subject to subsection ~~(1)(e)~~ (1)(g):
- (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;
- (ii) appurtenant improvements to the residences, including the parcels of land upon which the residences are located and any leasehold improvements;
- (iii) vacant residential lots; and
- (iv) rental multifamily dwelling units.
- (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, ~~including 1 acre of real property beneath~~ and improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.
- (d) 1 acre of real property beneath an improvement used as a residence on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202. The 1 acre must be valued at market

value subject to an exemption equal to the statewide average value of a 1-acre homesite on agricultural property eligible for valuation, assessment, and taxation as agricultural land under 15-7-202.

(e) 1 acre of real property beneath an improvement used as a residence on land that is eligible for classification as nonqualified agricultural land under 15-6-133(1)(c). The 1 acre must be valued at market value.

~~(d)(f)~~ 1 acre of real property beneath an improvement used as a residence on land eligible for valuation, assessment, and taxation as forest land under 15-6-143. The 1 acre must be valued at market value.

~~(e)(g)~~ all commercial and industrial property, as defined in 15-1-101, and including:

(i) all commercial and industrial property that is used or owned by an individual, a business, a trade, a corporation, a limited liability company, or a partnership and that is used primarily for the production of income;

(ii) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 700 lineal yards;

(iii) commercial buildings and parcels of land upon which the buildings are situated; and

(iv) vacant commercial lots.

(2) If a property includes both residential and commercial uses, the property is classified and appraised as follows:

(a) the land use with the highest percentage of total value is the use that is assigned to the property; and

(b) the improvements are apportioned according to the use of the improvements.

(3) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and subsection (3)(b), class four residential property described in subsections (1)(a) through ~~(1)(d)~~ (1)(f) of this section is taxed at 1.35% of market value.

(b) The tax rate for the portion of the market value of a single-family residential dwelling in excess of \$1.5 million is the residential property tax rate in subsection (3)(a) multiplied by 1.4.

(c) The tax rate for commercial property is the residential property tax rate in subsection (3)(a) multiplied by 1.4.

(4) Property described in subsection ~~(1)(e)(ii)~~ (1)(g)(ii) is taxed at one-half the tax rate established in subsection (3)(c)."

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2 **Section 2.** Section 15-6-229, MCA, is amended to read:3 **"15-6-229. Exemption for land adjacent to transmission line right-of-way easement --**4 **application -- limitations.** (1) Subject to the conditions of this section, ~~for tax years beginning after December~~
5 ~~31, 2007,~~ there is allowed an exemption from property taxes for land that is within 660 feet on either side of the
6 midpoint of a transmission line right-of-way or easement.7 (2) (a) An owner or operator of a transmission line shall apply to the department for an exemption
8 under this section on a form provided by the department. The application must include a legal description and a
9 digitized certificate of survey of the property in the county for which the exemption is sought prepared by a
10 surveyor registered with the board of professional engineers and professional land surveyors provided for in 2-
11 ~~15-1763 of the property in the county for which the exemption is sought~~ and other information required by the
12 department. A separate application must be made for each county in which an exemption is sought.13 (b) An application for an exemption that would be in effect for the tax year and subsequent tax
14 years must be filed with the department by March 1 in the tax year that the exemption is sought.15 (3) (a) The owner or operator of a transmission line shall inform the department of any change in
16 ownership of the land or other circumstances that may affect the eligibility of the land for the exemption. The
17 department shall determine whether any changes have occurred that affect the eligibility of the land for the
18 exemption.

19 (b) The exemption allowed under this section does not apply to:

20 (i) the boundaries of an incorporated or unincorporated city or town;

21 (ii) a platted and filed subdivision;

22 (iii) tracts of land used for residential, commercial, or industrial purposes; or

23 (iv) the 1 acre of land beneath improvements on land described in 15-6-133(1)(c) and ~~15-7-206(2)~~
24 15-6-134(1)(d).25 (4) For the purposes of this section, "transmission line" means an electric line with a design
26 capacity of 30 megavoltamperes or greater that is constructed after January 1, 2007."
2728 **Section 3.** Section 15-6-240, MCA, is amended to read:

"15-6-240. Intangible land value property exemption -- application procedure. (1) There is an

intangible land value assistance program that provides graduated levels of property tax exemptions to assist owners of primary residences with land values that are disproportionate to the value of a primary residence and improvements. To be eligible for the exemption, applicants must meet the requirements of this section.

(2) If the total appraised value of the land is equal to or less than 150% of the appraised value of the primary residence and improvements situated on the land, then the land exemption provided in this section does not apply.

(3) Subject to subsection (6), if the total appraised value of the land is greater than 150% of the appraised value of the primary residence and improvements situated on the land, then the land is valued at 150% of the appraised value of the primary residence and improvements situated on the land, subject to the minimum equalization of value requirement in subsection (4), and the remainder of the land value is exempt from taxation.

(4) If the calculation in subsection (3) creates a land value that is less than the statewide average value of land, then the value of the land may not be reduced in an amount that is less than the statewide average value of land multiplied by the acreage of land for the subject property.

(5) This section does not provide an exemption for the primary residence and improvements situated on the land.

(6) (a) A claim for assistance must be filed on a form provided by the department within 30 days from the date on the classification and appraisal notice, as provided for in 15-7-102, for the exemption to be considered for both years of the 2-year valuation cycle provided for in 15-7-111. An application made more than 30 days from the date of the classification and appraisal notice will be applicable only for the second year of the 2-year valuation cycle. After an exemption is approved, the applicant remains eligible for the exemption for the remainder of the 2-year valuation cycle as long as the property is continually used as a primary residence by the applicant. An applicant who does not apply for assistance during the first year of the valuation cycle may apply no later than March 1 of the second year of the cycle.

(b) The application form must contain:

(i) an affirmation that the applicant owns and maintains the land and improvements as the primary residence;

- 1 (ii) an affirmation that the land has been owned by the applicant or a family member of the
2 applicant within the third degree of consanguinity for at least 30 consecutive years; and
- 3 (iii) any other information required by the department that is relevant to the applicant's eligibility.
- 4 (c) When providing information to the department for qualification under this section, applicants are
5 subject to the false swearing penalties established in 45-7-202.
- 6 (d) The department may investigate the information provided in an application and an applicant's
7 continued eligibility.
- 8 (e) The department may request applicant verification of the primary residence.
- 9 (7) As used in this section the following definitions apply:
- 10 (a) "Land" means:
- 11 (i) parcels of land or lots of not more than 5 acres under single ownership that support the primary
12 residential improvements. The term does not include parcels of land or lots that do not support the primary
13 residential improvements, regardless of whether those parcels or lots are contiguous with or adjacent to the
14 primary residential property.
- 15 (ii) subject to the limitations in subsection (7)(a)(i), separately assessed land on which a mobile or
16 manufactured home is located, but only if the mobile or manufactured home and the land are both owned by
17 the applicant.
- 18 (b) "Primary residence" means a single-family dwelling:
- 19 (i) in which an applicant can demonstrate the applicant lived for at least 7 months of the year for
20 which benefits are claimed;
- 21 (ii) that is the only residence for which the land exemption claimed in this section is claimed by the
22 applicant; and
- 23 (iii) that is owned or under contract for deed by the applicant.
- 24 (c) "Single-family dwelling" means a residential dwelling, manufactured home, trailer, or mobile
25 home. The term does not include a condominium unit or a unit of a multiple-unit dwelling.
- 26 (d) "Statewide average value of land" is a value calculated by the department that is equal to the
27 statewide average market value of 1 acre of class four real property described in 15-6-134(1)(a) through ~~(4)(d)~~
28 ~~(1)(f)~~."

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2 **Section 4.** Section 15-7-202, MCA, is amended to read:

3 **"15-7-202. Eligibility of land for valuation as agricultural.** (1) (a) Contiguous parcels of land

4 totaling 160 acres or more under one ownership are eligible for valuation, assessment, and taxation as
5 agricultural land each year that none of the parcels is devoted to a residential, commercial, or industrial use.

6 (b) (i) Contiguous parcels of land of 20 acres or more but less than 160 acres under one ownership
7 that are actively devoted to agricultural use are eligible for valuation, assessment, and taxation as agricultural
8 land if:

9 (A) the land is used primarily for raising and marketing, as defined in subsection (1)(c), products
10 that meet the definition of agricultural in 15-1-101 and if, except as provided in subsection (3), the owner or the
11 owner's immediate family members, agent, employee, or lessee markets not less than \$1,500 in annual gross
12 income from the raising of agricultural products produced by the land; or

13 (B) the parcels would have met the qualification set out in subsection (1)(b)(i)(A) were it not for
14 independent, intervening causes of production failure beyond the control of the producer or a marketing delay
15 for economic advantage, in which case proof of qualification in a prior year will suffice.

16 (ii) Noncontiguous parcels of land that meet the income requirement of subsection (1)(b)(i) are
17 eligible for valuation, assessment, and taxation as agricultural land under subsection (1)(b)(i) if:

18 (A) the land is an integral part of a bona fide agricultural operation undertaken by the persons set
19 forth in subsection (1)(b)(i) as defined in this section; and

20 (B) the land is not devoted to a residential, commercial, or industrial use.

21 (iii) Parcels of land that are part of a family-operated farm, family corporation, family partnership,
22 sole proprietorship, or family trust that is involved in Montana agricultural production consisting of 20 acres or
23 more but less than 160 acres that do not meet the income requirement of subsection (1)(b)(i) may also be
24 valued, assessed, and taxed as agricultural land if the owner:

25 (A) applies to the department requesting classification of the parcel as agricultural;

26 (B) verifies that the parcel of land is greater than 20 acres but less than 160 acres and that the
27 parcel is located within 15 air miles of the family-operated farming entity referred to in subsection (1)(b)(iii)(C);
28 and

1 (C) verifies that:

2 (I) the owner of the parcel is involved in agricultural production by submitting proof that 51% or
3 more of the owner's Montana annual gross income is derived from agricultural production; and

4 (II) property taxes on the property are paid by a family corporation, family partnership, sole
5 proprietorship, or family trust that is involved in Montana agricultural production and 51% of the entity's
6 Montana annual gross income is derived from agricultural production; or

7 (III) the owner is a shareholder, partner, owner, or member of the family corporation, family
8 partnership, sole proprietorship, or family trust that is involved in Montana agricultural production and 51% of
9 the person's or entity's Montana annual gross income is derived from agricultural production.

10 (c) For the purposes of this subsection (1):

11 (i) "marketing" means the selling of agricultural products produced by the land and includes but is
12 not limited to:

13 (A) rental or lease of the land as long as the land is actively used for grazing livestock or for other
14 agricultural purposes; and

15 (B) rental payments made under the federal conservation reserve program or a successor to that
16 program;

17 (ii) land that is ~~devoted to residential use or that is~~ used for agricultural buildings and is included in
18 or is contiguous to land under the same ownership that is classified as agricultural land, other than nonqualified
19 agricultural land described in 15-6-133(1)(c), must be classified as agricultural land, ~~and the land must be~~
20 ~~valued as provided in 15-7-206.~~

21 (2) Contiguous or noncontiguous parcels of land totaling less than 20 acres under one ownership
22 that are actively devoted to agricultural use are eligible for valuation, assessment, and taxation as agricultural
23 each year that the parcels meet any of the following qualifications:

24 (a) except as provided in subsection (3), the parcels produce and the owner or the owner's agent,
25 employee, or lessee markets not less than \$1,500 in annual gross income from the raising of agricultural
26 products as defined in 15-1-101;

27 (b) the parcels would have met the qualification set out in subsection (2)(a) were it not for
28 independent, intervening causes of production failure beyond the control of the producer or marketing delay for

1 economic advantage, in which case proof of qualification in a prior year will suffice; or

2 (c) in a prior year, the parcels totaled 20 acres or more and qualified as agricultural land under this
3 section, but the number of acres was reduced to less than 20 acres for a public use described in 70-30-102 by
4 the federal government, the state, a county, or a municipality, and since that reduction in acres, the parcels
5 have not been further divided.

6 (3) For grazing land to be eligible for classification as agricultural land under subsections (1)(b)
7 and (2), the land must be capable of sustaining a minimum number of animal unit months of carrying capacity.
8 The minimum number of animal unit months of carrying capacity must equate to \$1,500 in annual gross income
9 as determined by the Montana state university-Bozeman college of agriculture.

10 (4) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona
11 fide agricultural enterprise is not considered a bona fide agricultural operation.

12 (5) (a) Upon application by the property owner, the following parcels of land are eligible for
13 provisional agricultural classification for 5 years to allow crops to reach salable maturity:

14 (i) a fruit orchard consisting of a minimum of 100 live fruit trees maintained using accepted fruit
15 tree husbandry practices, including pest and disease management, fencing, and a watering system;

16 (ii) a vineyard containing a minimum of 120 live vines maintained using accepted husbandry
17 practices, including weed and grass maintenance, pest and disease management, pruning, and trellising and
18 staking; and

19 (iii) property containing a minimum of 2,000 live Christmas trees cultivated according to accepted
20 husbandry practices, including regular shearing.

21 (b) Following the 5th year of provisional agricultural classification, the property owner shall submit
22 an application for agricultural classification. The application must include documentation proving that the
23 property continues to meet the requirements of subsection (5)(a) and that the income requirements of
24 subsection (2)(a) have been met.

25 (6) The department may not classify land less than 160 acres as agricultural unless the owner has
26 applied to have land classified as agricultural land. Land of 20 acres or more but less than 160 acres for which
27 no application for agricultural classification has been made is valued as provided in 15-6-133(1)(c) and is taxed
28 as provided in 15-6-133(3). If land has been valued, assessed, and taxed as agricultural land in any year, it

1 must continue to be valued, assessed, and taxed as agricultural until the department reclassifies the property. A
2 reclassification does not mean revaluation pursuant to 15-7-111.

3 (7) For the purposes of this part, growing timber is not an agricultural use."
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5 **Section 5.** Section 15-7-206, MCA, is amended to read:

6 **"15-7-206. Improvements on agricultural land Land under agricultural improvements.** (1) In
7 determining the total area of land actively devoted to agricultural use, there is included the area of all land
8 under barns, sheds, silos, cribs, greenhouses, and like structures, lakes, dams, ponds, streams, irrigation
9 ditches, and like facilities.

10 (2) ~~One acre of land beneath residential improvements on agricultural land, as described in 15-7-~~
11 ~~202 (1)(c)(ii), is valued at the class with the highest productive value and production capacity of agricultural~~
12 ~~land."~~

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14 NEW SECTION. **Section 6. Effective date.** [This act] is effective January 1, 2027.

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16 NEW SECTION. **Section 7. Applicability.** [This act] applies to property tax years beginning after
17 December 31, 2026.

18 - END -