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HOUSE BILL NO. 17
INTRODUCED BY M. THANE
BY REQUEST OF THE REVENUE INTERIM COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TERMS FOR MEMBERS OF THE FOREST LANDS TAXATION ADVISORY COMMITTEE; AMENDING SECTION 15-44-103, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 15-44-103, MCA, is amended to read:

"15-44-103. Legislative intent -- value of forest lands -- valuation zones. (1) In order to encourage landowners of private forest lands to retain and improve their holdings of forest lands, to promote better forest practices, and to encourage the investment of capital in reforestation, forest lands must be classified and assessed under the provisions of this section.

(2) The forest productivity value of forest land must be determined by:

- (a) capitalizing the value of the mean annual net wood production at the culmination of mean annual increment plus other agriculture-related income, if any; less
- (b) annualized expenses, including but not limited to the establishment, protection, maintenance, improvement, and management of the crop over the rotation period.

(3) To determine the forest productivity value of forest lands, the department shall:

- (a) divide the state into appropriate forest valuation zones, with each zone designated so as to recognize the uniqueness of marketing areas, timber types, growth rates, access, operability, and other pertinent factors of that zone; and
- (b) establish a uniform system of forest land classification that takes into consideration the productive capacity of the site to grow forest products and furnish other associated agricultural uses.

(4) In computing the forest land productivity valuation for each forest valuation zone, the department shall determine the productive capacity value of all forest lands in each forest valuation zone using

1 the formula $V = I/R$, where:

2 (a) V is the per-acre forest productivity value of the forest land;

3 (b) I is the per-acre net income of forest lands in each valuation zone and is determined by the

4 department using the formula $I = (M \times SV) + AI - C$, where:

5 (i) I is the per-acre net income;

6 (ii) M is the mean annual net wood production;

7 (iii) SV is the stumpage value;

8 (iv) AI is the per-acre agriculture-related income; and

9 (v) C is the per-unit cost of the forest product and agricultural product produced, if any; and

10 (c) R is the capitalization rate determined by the department as provided in subsection (6).

11 (5) Net income must:

12 (a) be calculated for each year of a base period, which is the most recent 10-year period for which

13 data is available prior to the date the revaluation cycle ends. Data referred to in subsection (4)(b) must be

14 averaged.

15 (b) be based on the average stumpage value of timber harvested within the forest valuation zone,

16 excluding the lowest and highest annual stumpage value in the period, and on the associated production cost

17 data for the base period from sources considered appropriate by the department; and

18 (c) include agriculture-related net income for the same time period as the period used to determine

19 average stumpage values.

20 (6) The capitalization rate must be calculated for each year of the base period and is the average

21 capitalization rate determined by the department after consultation with the forest lands taxation advisory

22 committee, plus the effective tax rate. The capitalization rate must be adopted by rule. However, the

23 capitalization rate for each year of the base period may not be less than 8%.

24 (7) The effective tax rate must be calculated for each year of the base period by dividing the total

25 estimated tax due on forest lands subject to the provisions of this section by the total forest value of those

26 lands.

27 (8) For the purposes of this section, if forest service sales are used in the determination of

28 stumpage values, the department shall take into account purchaser road credits.

1 (9) (a) There is a forest lands taxation advisory committee consisting of:

2 (i) four members with expertise in forest matters, one appointed by the majority leader of the
3 senate, one by the minority leader of the senate, one by the majority leader of the house of representatives,
4 and one by the minority leader of the house of representatives; and

5 (ii) five members appointed by the governor, two who are industrial forest landowners, two who
6 are nonindustrial forest landowners, and one who is a county commissioner.

7 ~~(b) The committee must be appointed and convened no later than July 1 of the year that is 2 years prior~~
8 ~~to the first year of each reappraisal cycle. The terms of the members expire on June 30 of the first year of each~~
9 ~~reappraisal cycle.~~

10 ~~(b) (i) Except as otherwise provided in this subsection (9)(b), each member must be appointed to a~~
11 ~~4-year term.~~

12 ~~(ii) Legislative leaders shall appoint members by July 1 of the year of a regular legislative session.~~
13 ~~The initial terms must be for 2 years. If a leader appoints a member of the legislature and the legislator leaves~~
14 ~~the chamber in which the legislator served at the time of the appointment prior to the completion of the term, the~~
15 ~~leader that appointed the legislator shall appoint a successor.~~

16 ~~(iii) The governor shall appoint members by July 1 of each year. The initial membership must~~
17 ~~consist of one member appointed for 1 year, one member appointed for 2 years, one member appointed for 3~~
18 ~~years, and two members appointed for 4 years.~~

19 (c) The advisory committee shall:

20 (i) review data required by subsections (2) through (6) and (8), including data on productivity value,
21 stumpage value, wood production, capitalization rate, net income, and agriculture-related income;

22 (ii) recommend to the department any adjustments to data if required by changes in government
23 forest land programs, market conditions, or prevailing forest lands practices;

24 (iii) recommend appropriate base periods and averaging methods to the department;

25 (iv) verify for each forest valuation zone and forest land classification and subclassification under
26 subsection (3) that the income determined in subsection (5) reasonably approximates that which the average
27 Montana forest landowner could have attained;

28 (v) recommend forest land valuation techniques to the department;

- 1 (vi) meet in Montana at least once a year; and
- 2 (vii) report biennially on committee activity, in accordance with 5-11-210, to the revenue interim
- 3 committee provided for in 5-5-227."

4

5 NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

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