

Agricultural Land Valuation Advisory Committee Meeting Minutes 04/22/2022

<p><u>Committee Members Present:</u> Chair Eric Moore Jerry Neilson Todd Olson Gina Stevens John Schutter Daniel Bigelow Mike Jopek * Keith Kelly * Dennis McDonald * *Absent</p>	<p><u>Department of Revenue Staff:</u> Kory Hofland- Administrator, PAD Robin Rude-Deputy Administrator, PAD Kristina Warren-Legal, PAD Bryce Kaatz-Unit Manager, PAD Bonnie Hamilton-PAD Jennifer Sullivan-PAD Bill Billman-PAD</p>
<p><u>Public/Guests:</u> Jay Bodner Mike Murphy</p>	<p><u>Presenters:</u> Bonnie Hamilton (DOR)</p>

I. Convene, Introductions and Agenda Review:

Chairman Eric Moore called the meeting to order at 9:00 a.m. with roll call and introductions.

II. Review of Committee Responsibilities

Kristina Warren with Legal Services reviewed the committee’s responsibilities by reading 15-7-201, MCA.

III. Review of Agricultural Land Valuation Methods

Bonnie Hamilton welcomed everyone in attendance and reviewed the past committee meetings and maintenance.

Bonnie presented an overview of class 3 property and went over each property type including details of how a property classification is determined. Next Bonnie went over the components of the valuation formula found in 15-7-201, MCA, commodities used, adjustments made and walked the committee members through valuation examples of the different agricultural classifications.

Gina Stevens asked if the minimum animal unit month (aum) requirement was the same state-wide, due to the wide variety of carrying capacities across the state. Bonnie answered, yes, the requirement is the same state-wide.

John Schutter brought up a discussion about lower yields and higher prices of alfalfa hay in 2021 due to the drought and high temperatures and wondered how those factors are

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considered. He spoke with a producer in his area and the producer said the price per ton of alfalfa was up, but his yield was down 30% - 40%. Bonnie stated that is a subject that can be considered by this committee. There is nothing in statute to give any kind of provision to agricultural valuation based on a natural disaster, such as a drought. Forest land has a reduction in value due to natural disasters, but no other land types have a provision for an adjustment.

Jerry Neilson asked Bonnie how much irrigated land defaults to the minimum value? Bonnie said she doesn't have the actual numbers, but it includes the majority of irrigated land in the state, 70%-80% of the parcels.

Chair Moore moved forward after no further questions from the committee and no comment from the public.

IV. Administrative Rules of Montana Changes

Bonnie went over changes to Administrative Rules of Montana (ARM) next. She explained that the commodity price rule, ARM 42.20.681 needs updated every reappraisal cycle. Bonnie went over the department's decision to condense the rules, all non-irrigated valuation rules were combined etc. Bonnie discussed the legislative change to the irrigated land water cost variable found in ARM 42.20.675, going from being calculated to all irrigated land receiving the maximum \$50 deduction. Bonnie explained that the Montana Agricultural Land Classification and Valuation Manual is adopted into rule by statute and is updated at the beginning of each reappraisal cycle.

Chair Moore moved forward after there were no questions from the committee or the public.

V. Committee Discussion and Motions (Chairman Eric Moore)

Chair Moore asked Bonnie to review what is statutorily required of this committee to recommend to the department at this time. Bonnie said the main thing is to review the information given; Is the data coming from appropriate sources? Is the data being calculated in the correct manner? Are the adjustments made to the data good? Is the capitalization rate correct? This committee is to verify that the income determined in the subsection reasonably approximates what the average Montana farmer or rancher could have attained?

John Schutter voiced concerns regarding the need to look at changing the alfalfa reduction from 80% to 75%. He feels that the Idaho dairy farmers are paying a premium for alfalfa hay grown in Montana, and the drought is inflating the price as well. Bonnie defaulted to Kristina as the percentage is in statute. Kristina stated it is in statute, 15-7-201, MCA, and would need to go to the legislature for a change, this committee cannot adjust that without going through the legislature. John asked Kristina if the committee

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could recommend the change in statute or that the committee would be in favor of a legislative change to the alfalfa percentage? Kristina said the committee could make the recommendation, but the Director couldn't make the change without it going through the legislative process. Kory Hofland stated 15-7-201(7)(c) allows the committee to recommend appropriate base periods and averaging methods to the department. The committee could recommend the department use a 15-year Olympic average as opposed to a 10-year Olympic average here, rather than taking a statutory change forward that's going to take some time to get through. Chair Moore stated if you change to a 15-year Olympic average it could affect the spring wheat price causing an increase for those producers. Jerry added with a majority of irrigated land defaulting to the irrigated minimum, it is being valued with spring wheat in the continuously cropped formula and not alfalfa hay.

Chair Moore moved the conversation to the cap rate next. He asked the members if they felt the cap rate was good at the 6.4%? Chair Moore stated in three years it may be low but right now he feels it's reasonable.

Jerry made the motion to keep cap rate at 6.4%. There was no opposition and the motion carried.

VI. Adjourn

Meeting was adjourned at 10:59 a.m.