I. **CALLED TO ORDER:** Chairman Jopek called the meeting to order at 9:20 am.

II. **Review of Committee Responsibilities**
Bill Billman read the portion of 15-7-201, MCA, describing the objectives and responsibilities of the committee.

III. **Agricultural Valuation Methods**
Bonnie presented an overview of class 3 property including:
- Statistics of agricultural land, non-productive patented mining claims and non-qualified Agricultural Land.
- Agricultural Eligibility 15-1-101, MCA
- Specialty Crops Valuation
- Class 3 acres by use including grazing land at 75%, irrigated at 2%, non-irrigated hay land at 2%, non-qualified ag land at 2% and summer fallow at 19%.
Statewide commodity price history and estimated price adjustments for 2019-2020 cycle

Adjustments are as follows:
- **Spring Wheat** – 3% decrease to $6.50
- **Alfalfa Hay** - 14% increase to $98.20
- **Private grazing fee**- 7% increase to $20.93
- **Minimum value of irrigated**- 3% decrease to $583.98
- **Non-qualified Agricultural land and non-productive patented mining claims**- 7% increase to $51.51
- **Specialty Crops**- 3% decrease in the value of 1 acre to $1523.44 at 60 bushels/acre
- **Value of 1-acre farm site** – 7% decrease to $2,144.00

**Commodity 15-7-201 (4) (B) (c) MCA**
- Base crop for irrigated land is alfalfa hay adjusted to 80% of sales price
- Non-irrigated land is spring wheat
- Base unit for grazing land is animal unit months – average monthly requirement of pasture forage to support 1,200 lb. cow with a calf or its equivalent.

**Productivity**
- **Spring Wheat adjustments**
  - Region 1 adjustment is .86
  - Region 2 adjustment is .77
  - Region 3 adjustment is .70
- **Irrigated land** is measured in tons of alfalfa per acre with one adjustment per county
- **Crop Share or Expenses**
  - Continuous crop, non-irrigated hay land and irrigated land it is assumed the landowner receives 25% of crop and renter keeps remaining 75% produced.
  - **Summer Fallow crop share is 12.5%**
  - **Grazing assumes the landowner contributes 25% of rent received for expenses, fence upkeep and water development.**

2021 Estimated Commodity prices based on Olympic averages are as follows:
- **Spring Wheat average**- $6.16 (5.31% decrease since 2019)
- **Alfalfa @ 80% average** - $106.00 (7.94% increase since 2019)
- **Private grazing fee average** - $22.49 (7.44% increase since 2019)

**Valuation formula:** \[ I/R = V \]
- Bonnie gave an example of valuation calculation on summer fallow and irrigated land

**Capitalization Rate 15-7-201-(4)(c), MCA**
- Set at 6.4%
- Effective interest rate + Effective tax rate = Capitalization Rate

**Committee Member Question:**
- Jo Shipman asked, where in the State of Montana can you get a 60 bushel on continuous crop farmland. Bonnie explained that most of the continuously cropped is in the northwestern part of the state.

**Public Comment:**
- No Comment
IV. Administrative Changes
Bonnie Hamilton explained that two bills passed on agricultural valuation and classification including:

- HB 24 - Irrigated land valuation; specifically, water costs for 2021 cycle
  - Base cost will always be $50.00
  - Bonnie gave an example of the valuation calculation for irrigated land that included average price for alfalfa hay, productivity, water costs and capitalization rate.
  - Committee member, Anton Beckerman, asked if there was a sense of how many producers in the State of Montana use a pivot versus flood irrigation. Bonnie replied that in the system, pivot is available and the other two categories, sprinklers and flood, include more than we’d think of as flood irrigation. Flood irrigation includes anything that’s labor intensive such as gated pipes, dams, etc. Sprinklers would include wheel lines, big guns, etc. depending on how much labor is used.
  - Anton also asked if there was a sense of why this bill was passed, if there were any complaints, objections or other rationales for making it equal across all producers even though labor and energy costs may be different. Bonnie explained that since this cycle the department has switched to online reporting only, a lot of people hadn’t reported energy costs and it was a very onerous job to get those reported. The bill simplifies the process for all irrigated landowners.

- Senate Bill 69 – Specialty Crops
  - Bonnie explained that in the past there was a rule with the department that gave provisional agricultural classification during the startup period and that rule was repealed. The goal of this bill is to put the requirements and provisional status back in so that the department would use them and have it in statute.
  - The bill gives 5 years to get provisional ag status from the time they meet the requirements which are, planting a certain number of trees or vines and doing all the husbandry requirements for that crop.
  - Only eligible for fruit tree orchards, vineyards and Christmas trees farms.
  - Producers must re-apply after 5 years to show an income of $1,500.00 in 1 year.

- Review of Administrative Rules
  - Combined the four different rules of the value of non-irrigated ag land into 1 rule.
    ARM 42.20.676

- Committee member questions:
  - Jo Shipman asked if Bonnie could repeat the third component for eligible specialty crops and Bonnie replied vineyards.
  - Anton mentioned that in the past Bonnie has shared a sense of how many producers are responding to the decisions made by this committee such as complaints and appeals on taxes. His question is, how it’s been during this last cycle. Bonnie replied that in 2019, there was 3 filed and 2 were withdrawn, leaving 1 moving forward.
  - Chairman Mike Jopek mentioned that he had feedback regarding the specialty crop process. Annually, there’s a post card sent out as a reminder to fill out the application for valuation as well as supply a Schedule F. After submitting the paperwork, appraisers still come out annually to verify they’re growing what they say they are as well as making sure fences are up, etc. His question was, moving forward, if the
annual paperwork could be simplified or if there could be more google map verification. Bonnie explained that specialty crops are different from the other types, once put into land use type, they do check periodically to ensure it’s being used for agricultural production and meeting husbandry requirements. Land that’s in the northwestern part of the state are reviewed more frequently and it does take feet on the ground checking to see what’s growing because our maps are not always up to date. Mike said that he’s had multiple assessors coming out in the month of March when there’s not a lot growing out of the ground and they end up disagreeing about certain things. Second question is, somewhere during this process as rules evolve, would it be possible to get access to this information. Bonnie replied that in this point in time, we don’t have access, so it’s up to the producers to provide it.

- Mike also asked for clarification on how low-income houses in the field used for land production qualify for ag valuation, but high-hoop houses used for weather mitigation with the crop growing in the ground do not qualify. Bonnie explained, that’s not something I’m involved in, I’m just giving you the statewide side of it.
- Gordon Conn, the Administrator for PAD commented that we’re in the process of hiring pilots to use more imagery in our operation. Since we don’t have control of when google is updated, we can get flights taken that meet specific requirements so we can utilize it in different appraisal practices. It’s something we’re looking into long term because of its costs.
- Mike recommended that the department look into MT DOA production of specialty crop producers submitting bi-annually. Gene Walborn, the Director for the Department of Revenue commented, that’s a good recommendation the department will take a look and see if there’s anything we can do such as a joint application with the Department of Agriculture or add information to their report to get what we need.
- Kory Hofland the Deputy Administrator for PAD added that 9.8% of the appeals statewide were for ag/timber properties including requests for information, county tax appeals and state tax appeals.
- Jo Shipman asked where the department got the figures on spring wheat and why they were so high since spring wheat in her area hasn’t been over $5.50 for at least 3 months. Bonnie replied that the $6.16 is based on a 10-year Olympic average and spring wheat has not been over $6.00 for the last 2 years.

V. Committee Discussion and Motions (Chairman Mike Jopek)
- Capitalization Rate
  - The capitalization rate is set at 6.4% unless there’s any committee recommendations for a different rate and the department adopts it by rule.
  - Bonnie explained that she doesn’t have anything else to add about the capitalization rate. She also mentioned that before being sent to work from home there was something, they were working on that she doesn’t have access to at this time but if there’s any questions or concerns to let her know.
• Mike commented that it’s a rocky time to make changes for producers, therefore he agrees that 6.4% is appropriate.
• Anton mentioned that he has no problem with the capitalization rate, things have been stagnant and flat in the agricultural markets for the last couple years so during this time keeping what we've used in the past is reasonable.
• Anton asked Bonnie if she could please explain what she was working on in the office regarding the capitalization rate. If there were intentions on changing it or updating the formulation. Bonnie explained that they were just doing a review and some research on the current interest rates from the federal land bank, etc. There was no large change of any sort, she wasn't asking for any change but wanted to supply some data.
• Jo said she has no feedback.
  o Public Comment:
    • Robert Story with the Montana Association of Counties commented that the rate was right where it should be at 6.4%
  o Other Issues
    • No comment
  o Public Comment
    • No comments

VI. Committee Schedule:
   No further meetings scheduled unless there’s a lot of feedback from the committee members.

VII. Chairman Jopek adjourned the meeting

VIII. Committee Members not present:
   • Jane DeBruycker
   • Jerry Nielsen
   • James Johnson
   • John Schutter
   • Keith Kelly
   • Dennis McDonald