

Information Request



Memorandum

To: Land Classification Working Group

From: Jared Isom, Tax Policy and Research

Date: 2/5/2024

Subject: Definitions of Agricultural Land

Question:

How do other states define and classify agricultural land for property taxation purposes?

Answer:

Summary

Montana is the only state with an automatic agricultural classification based on acreage. All other states require the land to be used for agriculture (Wyoming, Washington, and Colorado allow land participating in certain conservation programs to qualify, too) and almost all require an application. Additionally, no other state has a sub-classification similar to Montana's non-qualified agricultural land. If a property in another state does not meet the criteria to receive agricultural qualification, it is assessed at market value.

Washington and Wyoming (and, for certain land, Idaho and Oregon) have income requirements, which vary according to acreage and lease status. The income requirements range from \$100 to \$1,500. South Dakota requires either 20-160 acres (varies by county) devoted to agriculture production OR \$2,500 of agriculture revenue. Some states include forest land in their agricultural classification, and some require forest land to be used for commercial purposes to qualify for special classification.

Definitions of agricultural production are broadly similar to Montana's with some slight variations. The definitions contained in this memo are a summary of each state's statutes on agricultural land classification. Statutes offer broad guidelines that often require the creation of administrative rules by an executive agency (usually the Department of Revenue) to define exactly what constitutes bone fide agricultural production. These rules can be quite complex

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and difficult to find but are likely similar to Montana's, which are based on the land's current use and productivity.

How to Obtain Agricultural Classification

All states except Oregon require an application to receive agricultural land classification. The applications require the same general information as Montana's, such as the property owner's name(s), location, acreage, irrigation status, crop or product, and, for some states, production and income. Oregon exclusive farm use (EFU) land (determined by the county) automatically receives agricultural land classification. Farms not in an EFU zone must apply.

Colorado

Land must meet one of four criteria:

1. Land must have been utilized for agriculture in the past two years and current year or under CRM. Farm or ranch property is defined as land used to produce agricultural products or graze livestock for the purpose of obtaining a profit.
2. 40 acres of forestland that is actively managed.
3. 80+ acres (or under 80 with no residential structures) and is under perpetual conservation easement.
4. The water on the property is being used for something other than residential use such as to irrigate or water livestock.

Idaho

Land that is more than five acres and is used to produce field crops, is in a crop rotation, or raises/grazes livestock OR

Land that is less than five acres and is used in a manner listed above AND

Produces or consumes 15% or more of the owner's or lessee's annual gross income or produced \$1,000 of gross revenue.

Iowa

Agricultural land classification is based on four principles:

1. Present Use – there must be current and active agricultural production taking place.
2. Principle Use – agricultural production includes land and buildings used primarily for:
 - The raising and harvesting of crops, forest trees, fruit trees.
 - The rearing, feeding, and management of livestock.
 - Horticulture

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- Wood, waste, pasture, and CRP lands may also be considered primarily agricultural, but only if that land is held or operated directly in conjunction with other “primarily” agricultural production real estate. (ie: non-ag-production land)
- 3. “Good faith” use – the “honesty of intention” of the ag production activity is for the purposes of actual and true ‘farming’ and not just for personal use, hobby purposes, to lower property taxes, or for any other reason than being a continuous and profitable farming operation.
- 4. Intended for profit.

Montana

Parcels 160 acres and greater automatically qualify for agricultural land classification.

Parcels up to 160 acres must apply for agricultural classification and meet the following requirements:

- One ownership;
- Agricultural production of:
 - food, feed, and fiber commodities;
 - livestock, poultry, bees, and biological control insects;
 - fruits and vegetables;
 - sod;
 - ornamental, nursery, or horticultural crops that are raised, grown, or produced for commercial purposes; and
 - domestic animals and wildlife raised in domestication or a captive environment.
- The land must produce \$1,500 annual gross income or the grazing equivalent if the land is used to raise livestock or domestic wildlife. The land must be capable of sustaining 25 animal unit months (aum) annually.

North Dakota

Agricultural property means lands used for raising agricultural crops or grazing farm animals and shall continue to be assessed as agricultural property until put to a use other than raising agricultural crops or grazing farm animals. Agricultural property includes land on which a greenhouse or other building is located if the land is used for a nursery or other purpose associated with the operation of the greenhouse.

Property platted on or after March 30, 1981, is not agricultural property when any four of the following conditions exist:

- (1) The land is platted by the owner.
- (2) Public improvements, including sewer, water, or streets, are in place.

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- (3) Topsoil is removed or topography is disturbed to the extent that the property cannot be used to raise crops or graze farm animals.
- (4) Property is zoned other than agricultural.
- (5) Property has assumed an urban atmosphere because of adjacent residential or commercial development on three or more sides.
- (6) The parcel is less than ten acres [4.05 hectares] and not contiguous to agricultural property.
- (7) The property sells for more than four times the county average true and full agricultural value.

Oregon

Counties designate exclusive farm use (EFU) zones if the current employment of land is for the primary purpose of obtaining a profit in money by:

- Raising and harvesting crops OR
- Breeding, managing, and selling livestock, poultry, fur-bearing animals, or honeybees OR
- Dairying and selling dairy products OR
- Stabling or training equines OR
- Several other specific/niche conditions.

Properties not included in an EFU zone must meet the above criteria AND an income requirement based on acreage:

- Less than 6.5 acres: \$650
- 6.5 acres to 30 acres: \$100 per acre
- More than 30 acres: \$3,000

South Dakota

Land is agricultural land if the land's principal use is devoted to the raising and harvesting of crops or timber or fruit trees, the rearing, feeding, and management of farm livestock, poultry, fish, or nursery stock, the production of bees and apiary products, or horticulture, all for intended profit. In addition, to be classified as agricultural land for tax purposes, the land must meet one of the following criteria:

- In three of the previous five years, an annual gross income of at least two thousand five hundred dollars is derived from the pursuit of agriculture from the land
- The land consists of at least twenty acres or is a part of a management unit of not less than eighty acres. The board of county commissioners may increase the minimum acre requirements of this subdivision to up to one hundred sixty acres.

Utah

Land is classified as agricultural if the land:

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- Is five acres or greater and;
- is actively devoted to agricultural use; and
- has been actively devoted to agricultural use for at least two successive years immediately preceding the tax year for which the land is being assessed under this part.

Land less than five acres qualifies if:

- the land is devoted to agricultural use in conjunction with other eligible acreage; and
- the land and the other eligible acreage have identical legal ownership; or
- appeal by the owner; and
- submission of proof that 80% or more of the owner's, purchaser's, or lessee's income is derived from agricultural products produced on the property in question.

In determining whether land is actively devoted to agricultural use, production per acre for a given county or area and a given type of land shall be determined by using the first applicable of the following:

- production levels reported in the current publication of the Utah Agricultural Statistics;
- current crop budgets developed and published by Utah State University; and
- other acceptable standards of agricultural production designated by the commission by rule.

Washington

Farm and agricultural land means:

20+ acre parcels that are:

- Primarily used to produce agricultural products for commercial agricultural purposes;
- Enrolled in the federal conservation reserve program or its successor administered by the United States Department of Agriculture; or
- Primarily used for other commercial agricultural purposes as established by rule.

5-20 acre parcels that are primarily used for commercial agricultural purposes, and produce a gross income equal to:

- \$100 or more in cash per acre per year for three of the five past calendar years when the application was made prior to January 1, 1993; or
- \$200 or more in cash per acre per year for three of the five past calendar years when the application is made on or after January 1, 1993.
- For the purposes of meeting the minimum gross income requirements for leased classified farm and agricultural land, the owner may use either the cash income received from leasing his or her classified farm and agricultural land, or the cash income received by the lessee for the production of the agricultural product on the owner's classified farm and agricultural land.

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5-20 acre parcels that are primarily used for commercial agricultural purposes and that have:

- Standing crops with an expectation of harvest within seven years and a demonstrable investment in the production of those crops equivalent to \$100 or more per acre in the current or previous calendar year; or
- Standing crops of short rotation hardwoods with an expectation of harvest within 15 years and a demonstrable investment in the production of those crops equivalent to \$100 or more per acre in the current or previous calendar year.
- For the purposes of meeting the minimum investment requirements, the owner may use either the cash income received from leasing his or her classified farm and agricultural land, or the cash income invested by the lessee in the production of the standing crop on the owner's classified farm and agricultural land.

Parcels less than 5 acres in size are primarily used for commercial agricultural purposes, and produce a gross income equal to:

- \$1,000 or more in cash per year for three of the five calendar years preceding the date of application for classification when the application was made prior to January 1, 1993; or
- \$1,500 or more in cash per year for three of the five calendar years preceding the date of application for classification when the application is made on or after January 1, 1993.
- For the purposes of meeting the minimum gross income requirements, the owner may use either the cash income received from leasing his or her classified farm and agricultural land, or the cash income received by the lessee for the production of the agricultural product on the owner's classified farm and agricultural land.

Several alternative land uses involving structures or noncontiguous land that are integral to the production of agriculture, equestrian activities, horticulture purposes, can also qualify land as agricultural.

Wyoming

Land must be utilized for:

Cultivation of the soil for production of crops OR

Production of timber products or grasses for grazing OR

Grazing of livestock AND

If land is leased, \$1,000 of revenue is required; if land is not leased, \$500 of revenue is required AND

Land is not part of a platted subdivision OR

Land participates in a conservation program.

If you have any additional questions, please don't hesitate to give me a call at (406) 444-7925.