Forest Land Classification and Appraisal Manual

MONTANA DEPARTMENT OF REVENUE
PROPERTY ASSESSMENT DIVISION

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DEPARTMENT OF REVENUE
FOREST LAND CLASSIFICATION AND APPRAISAL MANUAL
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STATE OF MONTANA

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The Department of Revenue prepared the Forest Land Classification and Appraisal Manual pursuant to ARM. 42.20.735 (4) **Forest Land Eligibility – General Principles**. The manual is available to the general public at a local department office or on the department's website, www.discoveringmontana.com/revenue.

Questions pertaining to this document should be directed to the Agricultural Valuation Specialist working for the Department's Property Assessment Division at 841-2599 or the Department's Public Information Officer at 444-6700.

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Overview

Introduction

Taxing jurisdictions throughout the United States have historically used numerous methods to generate tax revenues from standing timber or the land on which these trees grow. On the pacific west coast and in the intermountain region, five states assess forest land or the timber harvested from those lands. They are:

- California
- Idaho
- Montana
- Oregon
- Washington

There are four distinct forest taxes utilized in these states. They are:

- Yield Tax
- Severance Tax
- Site Value
- Productivity Tax

Yield Tax

The yield tax is a tax on the value of harvested timber.
A specific tax rate is applied to the harvested value.
The tax is not collected until the timber is harvested.
Factors that influence tax revenues are:

- Volume of timber harvested
- Value of timber harvested
- Yield tax rate on the value

Severance Tax

The severance tax is a flat tax on a specific unit of volume harvested, such as board feet, cubic feet or tonnage. A tax rate is applied to the harvested volume. The tax is not collected until the timber is harvested. Factors that influence tax revenues for this tax are:

- Volume of timber harvested
- Severance tax rate on the volume

Site Value Tax

The site value tax is an annual tax on the bare land under the timber. The tax ensures a steady, but generally small stream of revenues to local governments that rely on yield and severance taxes (harvest taxes).

The land value is made without consideration of the standing timber value. In many respects, the site value tax is similar to the productivity tax. The land is classified into site classes according to soil productivity. A value is then assigned to each site class. In this region of the country, politics and the court systems have mandated valuation procedures that have no correlation to present net worth principles.

Factors that influence tax revenues are:

- Appraised value
- Property class taxable percentage (if applicable)
- Local taxing jurisdiction mill levy

Productivity Tax

The productivity tax is a tax on the land's capability to produce timber. The tax is calculated using an income capitalization formula. This system produces an annual tax that places a heavier tax burden on more productive forest sites. Factors that influence tax revenues are:

- Appraised value
- Property class taxable percentage (if applicable)
- Local taxing jurisdiction mill levy

Yield and site-value taxes are used in all pacific coast and intermountain states, except Montana. The severance tax is also common, however, the tax is regressive and states generally limit the revenues to a minor tax status[1]. In Montana, the Department of Natural Resources and Conservation administers the timber severance tax through their slash disposal program. The revenues are distributed to the state's forestry extension program, located at the University of Montana School of Forestry.

Montana and Idaho use a similar productivity tax system. In fact, Montana adopted Idaho's valuation formula when Montana switched to the productivity tax system. Idaho, unlike Montana, offers certain landowners the option to choose between the productivity tax and the yield tax.

All states in the Pacific and Intermountain Northwest have eliminated ad valorem taxes on forest land or standing timber occupying a forest site. In the western United States, only Arizona has an ad valorem tax on forest land. [2]

[1] The tax is regressive because it is based on volume rather than value.
[2] Ueltschi, Frank. 2000. Survey of Forest land Taxation for Non-industrial Private Owners in the United States. LSU School of Forestry, Wildlife, and Fisheries.

History of Forest Land Taxation in Montana

Approximately 14.6 million acres are classified as commercial forest land in Montana.[3] Of this total, about 4.1 million acres are classified as private forest land, with the remaining 10.5 million acres in public ownership.

In 1957, the legislature passed a law directing the State Board of Equalization to provide for a "general and uniform method of appraising timberlands." Prior to then, forest land assessment was inconsistent throughout the state. In 1959, the legislature provided funding for the Board of Equalization to develop a standing inventory tax system. Under this appraisal system, most of the private forest lands were classified and assessed in the early 1960's. Elected assessors had the choice of classifying the standing timber in their county or contracting the work to the state Division of Forestry. In 1972, the new Montana state constitution created the Property Assessment Division of the Department of Revenue and eliminated the Board of Equalization. The department then took over responsibility for maintaining the standing inventory system and creating cyclical valuation schedules.

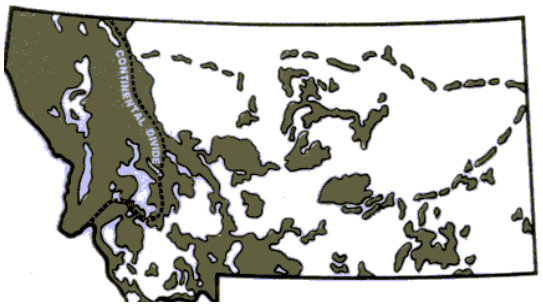
The 1991 Legislature passed the "Forest Lands Tax Act." This bill eliminated the standing inventory tax system and replaced it with the forest land productivity tax. The department was granted three years to develop and implement the new system. On January 1, 1994, the forest land productivity tax became effective. In 1997, the legislature made several minor revisions to the law at the request of the department.

Since 1972, the legislature has placed forest lands in several different property tax classes.

From 1963 to 1982	Property tax Class 03
From 1982 to 1994	Property tax Class 13
From 1994 to present	Property tax Class 10

The legislature has also periodically adjusted the taxable percentage rate. The most recent change occurred in 1999, when legislation phased the taxable percentage down annually over the remainder of the 1997 reappraisal cycle. Although the taxable percentage rate has ranged from less than one percent to 30 percent, the average statewide taxable value per acre has remained stable since 1972.

Under current law, forest land reappraisal cycles are six years in duration. The reappraisal values are phased in at equal increments over the duration of the appraisal cycle.



This information was received from the Montana Department of Commerce, and it is subject to change.

Forest Land Tax Act

In 1991, the 52nd Legislature passed the Forest Lands Tax Act. Many physical and economic conditions for the classification system are defined, as well as the valuation formula and each component in the formula. The law also provides for forest valuation zones, with each zone designated to recognize the uniqueness of marketing areas, timber types, growth rates, access, operability and other factors important to the valuation of forest land in that geographic area. The technical design for the productivity classification was delegated to the Department of Revenue and the University of Montana School of Forestry.

The bill is codified in 15-44-101 through 15-44-105, Montana Codes Annotated (MCA). In 1993, the department adopted administrative rules to administer this law. These rules are described in ARM. 42.20.701 through 42.20.750. In 1997, the Department added the forest valuation schedules to Administrative Rules Manual (ARM) 42.20.750. These rules have since been periodically revised and updated.

Important forest land definitions are found in ARM 42.20.701. Perhaps the most important definitions are found in ARM 42.20.705(1). This section defines forest land as:

- Contiguous forest land of 15 acres or more in one ownership
- Capable of producing timber that can be harvested in commercial quantity
- Producing timber unless the trees have been removed by man through harvest, including clear-cuts or by natural disaster
- Land that produces at least 25 cubic feet per acre, per year at the culmination of mean annual increment
- Land that has not been converted to another use

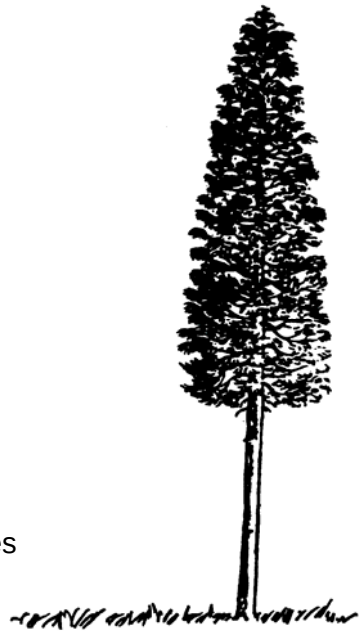
Standing timber is exempt from property taxation [15-6-201(1)(u), MCA]. Only the bare land under the timber is eligible for assessment. If a landowner deeds his timber to another party, the landowner, not the timber owner, is responsible for the forest land property tax.

The law also allows for a 50 percent reduction in the appraised value for 20 years if standing timber is destroyed by natural disasters (15-44-104, MCA). A complete discussion of the natural disaster provision is found in Chapter 8, "***Forest Valuation Due to Natural Reductions***."

Key Statutes and Administrative Rules

Statutes	Short Title
15-6-143	Class ten property – Calculation of the taxable percentage
15-6-201(1)(u)	Property tax exemption of timber
15-7-103	General and uniform classification and appraisal
15-8-201	General assessment day
15-44-101	Forest Lands Tax Act – short title
15-44-102	Key definitions pertaining to the forest lands tax act
15-44-103	Legislative intent pertaining to the valuation formula: income, expense and capitalization components
15-44-104	Reduction in values for forest land: trees destroyed by natural disasters such as fires, disease, insect infestation or other natural disasters

Administrative Rules	Short Title
42.20.156	Agricultural And Forest Land Use Change Criteria
42.20.171	Land Classification Determination Date For Class Three, Four, And Ten Property
42.20.701	Forest Land Definitions
42.20.705	Forest Land Assessment
42.20.710	Exceptions To Forest Land Assessment
42.20.715	Forest Site Productivity Classes
42.20.720	Forest Land Valuation Zones
42.20.725	Forest Land Valuation Formula
42.20.730	Forest Costs
42.20.735	Forest Land Eligibility – General Principles
42.20.740	Natural Disaster Reduction – General Principles
42.20.745	Forest Land
42.20.750	Valuation Of One-Acre Beneath Improvements On Forest Land



Forest Productivity

Potential productivity is the basis for forest land classification in Montana. Potential means the maximum average annual growth of wood that could be expected from a natural stand of coniferous trees over a long period.[4] This growth is expressed in cubic feet of wood per acre per year (cf/ac/yr). A cubic foot is the volume of wood in a block 12 inches long, by 12 inches wide, by 12 inches high. Volume is measured by multiplying the tree's average cross-sectional area (basal area) by the tree's length.

The classification system measures potential, not actual, productivity. They are not synonymous. Potential productivity is constant, regardless of the standing inventory growing on the land. Insects and disease, overstocking, forest fires or logging activities do not influence potential productivity. Actual productivity is the actual growth that has occurred or is occurring, and is influenced by the above-mentioned activities. Actual productivity is dynamic and constantly changes.

To illustrate the difference between potential and actual productivity, look at the following examples. One stand of trees is diseased with dead and dying timber. An adjacent stand supports young, healthy trees. Their actual growth rates are quite different, but the underlying potential productivity of the land is the same. The same comparison can be made between a clear-cut and an old growth stand. Both sites can have the same underlying potential productivity, although the clear-cut does not contain standing timber and has no actual timber production.

The things that make a forest productive are long growing seasons, plenty of sunlight, rainfall and fertile soils. This potential is inherent to the land, even when trees have recently been harvested. Generally, direct measurement of potential productivity is not possible. The forestry profession deals with this problem by finding things that can be easily measured, which also is strongly related to potential productivity. Forestry researchers have collected data, then applied statistics and mathematical models to estimate potential productivity.

In conclusion, actual productivity will be equal to potential productivity, only under rare conditions. As climate, soils and topography change from place to place, so does the potential productivity.[5] This "potential" is the basis for the Montana forest land tax system.

[4] The maximum average annual growth is reduced by average annual mortality as reflected in normal yield tables.
[5] Milner, Kelsey S. 1995. Forest Productivity Maps For Montana Forest Land. A primer on the development of the productivity maps used in the Montana Forest Land Tax System. University of Montana. School of forestry. 15 pp.

Potential Productivity Classification System

Introduction

The classification of potential productivity on the Montana forest landscape is an integration of several technologies that represent state-of-the art capabilities in natural resource management. While it is true no one physically visited each forest property, it was visited electronically through a computer and a geographic information system (GIS). The GIS contains data on the climate, soil depth and topography for most of the state.

Productivity is predicted by using computer models to grow trees on each acre of forest land in the state, including clear-cuts. Satellite imagery and aerial photography is used to delineate forest land from nonforest land.

Ecosystem process models calculate the carbon, water and nitrogen that cycle through a forest ecosystem.[4] Estimates are made on hypothetical stands occurring on all possible combinations of predefined classes of slope, aspect, elevation, soil moisture holding capacity, leaf area and climate in Montana. Productivity estimates for these hypothetical stands are then attached to real acres through linkage with the GIS. This process is possible because the GIS contain topographic, edaphic (soils) and climatological information for each acre of land in the project.

Climate and photosynthesis models generate estimates of potential timber productivity for fully stocked even-aged stands. In the modeling process, Douglas-fir is considered the dominant tree species in western Montana and ponderosa pine is considered the dominant species in eastern Montana. Potential productivity estimates reflect only tree stem growth. In other words, the volume contained in understory vegetation, leaves, branches and stumps are removed from the growth estimate. Productivity is also modified on low elevation sites that have problems attaining full stocking due to poor precipitation. Further modifications are made to differences in aspect.

Potential productivity is estimated in cubic feet per acre per year at the culmination of mean annual increment (CMAI). Just as individual tree volumes are estimated by measuring specific points on a tree (Example: diameter at breast height (dbh)), growth and yield estimates must be measured at specific growth points and time intervals. This allows valid and consistent comparisons between forest sites. The CMAI indicates the age at which mean annual growth increment of an even-age stand is greatest. The CMAI is regarded as the ideal harvest or rotation age in terms of most efficient volume production.

The accuracy of the productivity estimates depends upon two critical factors: the resolution of the GIS databases and the sensitivity of changes to model variables. The data represents averages, and any location may differ from average conditions. Forest sites have large biological diversity. For example, a forest locale may have several different soils. However, the GIS soil data layer reflects large areas with uniform soils. If this difference is large, the productivity estimate may be in error.

[4] Wall, Ken., Dr. Kelsey Milner, Dr. Steve Running, Dr. Hans Zurring, Dr. Hong Tu, and Dean Coble. 1991. Implementing a Large Scale GIS on a Statewide Project. The Forest Productivity Based Taxation System. University of Montana, School of Forestry. 8pp.

Based on the database resolutions and model outputs, the university researchers determined that the department's classification system is statistically valid for a productivity range of approximately 20 cu.ft./ac./yr. @ CMAI, or larger. The use of a wide productivity range reduces the chances of improperly classifying productivity on any given land parcel. For example, if the true potential productivity on a parcel is 55 cu.ft./ac./yr. @ CMAI, the productivity model may be in error by as much as 20 percent, and still place the parcel in the correct productivity class.

State law stipulates that the minimum potential productivity for commercial forest land is 25-cu.ft./ac./yr @ CMAI[5]. If a forested site doesn't meet this standard, the land is not classified as Class 10 - forest land for property taxation.

The upper end of estimated potential productivity range in Montana is approximately 100 cu.ft./ac./yr. @ CMAI. This productivity range of approximately 75 cu.ft./ac./yr. @ CMAI produces four productivity classes.

Class I (excellent productivity):	**85+**	**cuft/acre/year@ CMAI**
Class II (good productivity):	**65-84.99**	**cuft/acre/year@ CMAI**
Class III (fair productivity):	**45-64.99**	**cuft/acre/year@ CMAI**
Class IV (poor productivity):	**25-44.99**	**cuft/acre/year@ CMAI**
Noncommercial:	**<25**	**cuft/acre/year@ CMAI**

Advances in technology have allowed Montana to predict potential productivity not used before. Typically, other state and federal agencies estimate potential productivity with the aid of site index and normal yield tables.[6] Foresters have developed site indexes that are a relative measure of productivity on a forest site. Site index tables use tree height and age to determine an index figure. These tables are tree species dependent and indigenous to a specific region of the country. A site index number is applied to yield curves in a yield table to estimate potential yield for a given site. Unfortunately, most yield and site index tables were developed from data outside of Montana.

The department's productivity estimates are generally more conservative than estimates used by the Montana State Division of Forestry, United States Natural Resource & Conservation Service (formerly the Soil Conservation Service), United States Forest Service and Bureau of Land Management.

[5] This is in contrast to the federal government or the Montana Division of Forestry that designates 20 cubic feet per acre per year at CMAI, as the minimum potential productivity level for commercial forest land. From the standpoint of property taxation, if a forested site cannot meet the "25 cubic feet" growth requirement, the land is classified as nonforest land.

[6] Normal yield tables and productivity models are a comparative approach, which use indirect methods of estimating growth.

Forest Land Eligibility Requirements

To receive forest land classification, land must meet the following criteria:

- Forested land must produce at least 25 cu.ft./ac./yr. @ CMAI.
- Forested land must be at least 15 contiguous acres or larger and at least 120 feet in width.
- Multiple parcels must be contiguous and in the same ownership.
- The land cannot be dedicated to another use such as agricultural, residential, commercial or industrial.
- The land must be stocked with at least 10 percent commercial "*softwood"* tree species unless the trees have been removed by man through harvest, including clear-cuts, or by natural disaster.
- The land cannot be removed from timber utilization because of deed restrictions, covenants or governmental operations of law.
- The land cannot be incapable of producing commercial wood products because of adverse site conditions or physical inaccessibility.

Nonforest Land and Noncommercial Forest Land

Nonforest land and noncommercial forest land fail to meet all forest land eligibility requirements. Noncommercial forest land is classified and treated as nonforest land. Nonforest land may fall into property class three (agricultural or nonqualified agricultural land) or property tax class four (residential, commercial or industrial land).

Noncommercial forest land may be productive or nonproductive land. Productive noncommercial forest land is land that meets the minimum productivity requirement of 25 cu.ft./ac./yr. @ CMAI. An example is a stand of fast-growing Douglas-fir, in a subdivision that does not allow commercial timber harvest.

Nonproductive, noncommercial forest land is land that cannot meet the minimum productivity requirements. Examples include juniper, limber pine and ponderosa pine. They stand on adverse sites that produce less than 25 cu. ft./ac./yr. @ CMAI.

Minimum Stocking Rate

Stocking rate is a measure of degree that an area is effectively occupied with standing trees. Stocking rate can be described as either the number of stems per acre or the amount of crown closure per acre. Montana's tax system uses both definitions.

When classifying existing forest land, the land must cover a minimum of 10 percent crown closure of commercial tree species. The amount of crown closure can be estimated by extending an imaginary circle around the edge of the tree's crown to the ground. The area covered by tree crowns is then compared to the area not covered by tree crowns.

There is an exception to the minimum-stocking rate (crown closure). Existing forest land that has had trees removed through timber harvest or natural disasters is still classified as forest land.

However, if forest land does not regenerate commercial tree species within 10 years after harvest operations or from natural disasters, the land may be reclassified to nonforest land.

A landowner may wish to convert nonforest land to forest land. This typically occurs on small ownerships, where the landowner wants to meet the 15-acre forest land requirement. The landowner must plant a minimum of 300 commercial tree seedlings per acre to convert nonforest land to forest land. The 300 seedlings per acre are approximately equivalent to a spacing of 12 feet by 12 feet. Landowners should be encouraged to plant more seedlings than the minimum amount. Mortality, particularly in the first few growing seasons, will reduce the stocking level. If landowners do not plant an adequate number of seedlings to cover mortality losses, they risk the possibility of not meeting the minimum-stocking requirement for forest land classification.

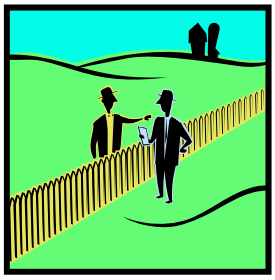
Area Requirements

Forest land must contain at least 15 acres of contiguous commercial timber, comprising at least 10 percent stocking, unless the trees have been harvested or destroyed by natural disaster. The forested area must be in the same ownership, and at least 120 feet in width. Forested land that does not meet the area requirements is classified as nonforest land. An example of nonforest land is a 14-acre stand of Douglas-fir.

Nonforest land is land that is at least five acres in size and 120 feet in width. Nonforest area requirements *are not* tied to ownership. If nonforest is less than five acres in size or 120 feet in width and surrounded by forest land, the nonforest area is absorbed into forest land classification. If adjacent forest land contains two productivity grades that touch the nonforest land, the lower productivity grade is used. An example is a road in the same ownership that is 60 feet wide and surrounded by forest land. The road is classified as forest land and is graded the same as surrounding land.

Ownership

The definition of an ownership is important when multiple parcels of land are involved in forest land eligibility decisions. The definition of an ownership doesn't change as the size of the ownership changes.



An owner means that the applicant and owner of record are the same individual, corporation, or partnership. An owner is the person or persons who have possessory right to land and the right to dispose of the property.

A single ownership exists in two or more parcels of land when all three of the following conditions are met[7].

- The parcels are owned by the same party(ies) and titled identically in their name or names.
- The parties have received title in the parcels by a transferring instrument such as a deed, contract for deed or judgment.
- The parties have the present right to possess and use the parcels.

Examples of a single ownership:

John Doe owns parcel A
John Doe owns parcel B

John Doe owns parcel A
William Smith, in-care-of John Doe, owns parcel B

Contiguous Parcels of Land

Multiple parcels of land in the same ownership are considered contiguous if[8]:

- The parcels are physically touching or they share a common boundary.
- The parcels would have touched or shared a common boundary if natural or man-made features had not separated them. These physical features are primarily rivers and streams, roads, utility lines and railroads.
- The parcels would have touched or shared a common boundary if they had not been separated by land leased by the landowner from the federal or state government.

Contiguous Forest Land

Contiguous forest land is forested land that:

- Physically touches or shares a common boundary
- Is not separated by nonforest land
- Is not separated by another ownership

[7] ARM 42.20.701
[8] ARM 42.20.701

Contiguous Forest Land versus Contiguous Parcels of Land

A clear distinction must be made in the discussion of contiguous lands. Different criteria are used to decide whether parcels in the same ownership are contiguous and whether the ownership has contiguous forest land. Natural and man-made features that have no bearing on the determination of contiguous parcels may or may not have a bearing on the determination of contiguous forest land.

Forested land in the same ownership that is separated by nonforest land is not considered contiguous to each other. Multiple forested areas, separated by nonforest lands, different ownerships or individually that do not total 15 acres or more in size are classified as nonforest land.

The distance that separates two parcels of land in the same ownership, because of physical features such as rivers and streams, roads, utility lines and railroads, has no bearing on the determination of contiguous parcels. It is irrelevant whether a river is 30 feet wide or one mile wide. The parcels are contiguous lands if they shared or touched a common boundary, had it not been for the river. The parcels are contiguous even if the river is in a different (public) ownership. This allows a landowner with multiple parcels, more favorable property tax classifications that are possible from owning larger areas of contiguous land.

By themselves, rivers and streams, roads, utility lines and railroads, do not create noncontiguous forested land. Forested land that contains these physical features is not automatically disqualified from forest land classification. Nonforest land must be at least 120 feet in width and five acres or more in size. If physical features create nonforest land that meets these size requirements, then surrounding forest land is not contiguous to each other.

For example, if a 30-foot wide road passes through forest land, then the forest land on each side of the road is contiguous if the road and forest land are in the same ownership. The road is classified as forest land and is graded the same as the surrounding land. However, if the road is in a different ownership, the forest land on each side of the road is noncontiguous and the road is classified as nonforest land.

Regardless of ownership, if the road creates a 120-foot width of nonforest land though forested land, the forested land on either side of the highway is noncontiguous. In this situation, the forested area on each side of the highway must be in the same ownership and be at least 15 acres in size to be classified as forest land.

Forest Land Use Versus Other Agricultural Uses

Livestock grazing is a multiple use practice on private forest land. The land is producing timber and livestock forage. Forest land classification supersedes grazing land classification when this multiple use occurs on the same ground. If livestock grazing occurs on forest land, the land is classified as forest land, including any clear-cut areas.

Forest land is often converted to other uses. If the timber is clear-cut and the stumps are removed, the clear intent of the landowner is to exclude future regeneration of trees. If this situation occurs, the land is reclassified to the appropriate use. For example, if the landowner's

intent is to convert forest land to pasture or farmland, the land is reclassified to the appropriate agricultural use classification. The land is then graded on its productive capacity to grow the agricultural crop produced on the land.

Forest Land Use Versus Residential, Commercial and Industrial Uses

Vacant land is eligible for consideration as forest land unless it has been converted to residential, commercial or industrial use. Vacant land becomes a residential, commercial or industrial use when certain man-made improvements are constructed on or under the property. Administrative rule **42.20.156 (1)(d)** defines when vacant land in a subdivision is converted to a Property Tax Class 4 use.

42.20.156 AGRICULTURAL AND FOREST LAND USE CHANGE CRITERIA (1) The department shall change the classification and valuation of land from class three, as defined in 15-6-133, MCA, or class ten, as defined in 15-6-143, MCA, to class four, as defined in 15-6-134, MCA, when any of the following criteria in subsection (1)(d) are met. 42.20.156(1)(d) states the following:

> *(d) the land is part of a platted and filed subdivision, and the land contains three or more of the following physical site improvements:*
> *(i) a city or community sewer system;*
> *(ii) a city or community water system;*
> *(iii) street curbs and gutters;*
> *(iv) a paved or all-weather gravel road that meets county standards;*
> *(v) a storm sewer system;*
> *(vi) underground or aboveground utilities that may include gas, electricity, telephone, or cable television;*
> *(vii) streetlights;*
> *(viii) a fire hydrant;*
> *(ix) landscaping developed for the aesthetic benefit or security of all the landowners*;

When three of the nine physical site improvements listed in rule are made to a subdivision, no land in that subdivision may be eligible for consideration as forest land. Most subdivisions have two of the nine physical site improvements listed in the administrative rule: roads and utilities. However, only a few rural subdivisions have any of the other remaining site improvements. Generally speaking, if a subdivision has a community water or sewer system, all land in the subdivision will be placed in Property Tax Class 4. This includes all common areas and private roads within the subdivision. This does not include undeveloped phases of a subdivision that have yet to receive at least three of the nine site improvements listed in rule. Lots in a subdivision that contain individual wells and septic systems are not considered community systems. This includes wells and septic systems that are shared by two adjoining lots.

Conservation Easements, Covenants & Other Restrictions to Commercial Logging

Vacant land is eligible for consideration as forest land unless certain restrictions have been placed on the land that precludes commercial harvesting of the timber on that land. The restrictions that preclude timber harvest must be relatively absolute. An example of productive forest land that is classified as nonforest lands because of a governmental decree is private

land holdings in Glacier Park. The federal government will not allow logging trucks in the Park. Therefore, harvesting private timber in Glacier Park is considered unfeasible.

Not all commercial harvesting restrictions preclude land for consideration as forest land. Administrative rule **42.20.156** defines which instruments of law may preclude land from consideration as forest land.

42.20.156 AGRICULTURAL AND FOREST LAND USE CHANGE CRITERIA (1) The department shall change the classification and valuation of land from class three, as defined in 15-6-133, MCA, or class ten, as defined in 15-6-143, MCA, to class four, as defined in 15-6-134, MCA, when any of the following criteria are met:

> *(a) the land contains covenants or other restrictions that prohibit agricultural use or the cutting of timber, other than that required as part of a timber management plan or a conservation easement;*
> *(b) the agricultural land does not meet the eligibility requirements in 15-7-202, MCA;*
> *(c) the forest land does not meet the eligibility requirements in 15-44-102, MCA, and subsequently does not meet the requirements of 15-7-202, MCA;*

Covenants, deed restrictions and governmental decrees are operations of law that preclude land from consideration for Property Class 10 tax treatment. If forested land is restricted from timber harvest under these instruments of law, the land cannot be placed in Property Tax Class 10.

A subdivision may have a covenant that disallows commercial logging, but allows timber cutting for personal use, such as for firewood or disease control. In such situations, forest land classification is granted. If covenants preclude all commercial logging, except to clear a home-site and a road to the home, then the restriction against timber harvesting is absolute and forest land classification is denied. Covenants that stipulate that cutting any standing timber requires approval from a committee composed of subdivision landowners would be considered an absolute restriction.

Conservation easements are legal instruments that do not preclude land from consideration for Property Class 10 tax treatment [42.20.156(1)(a)].

> *"the land contains covenants or other restrictions that prohibit agricultural use or the cutting of timber,* ***other than that required as part of a timber management plan or a conservation easement"***

The Conservation Easement Act disallows landowners from using a conservation easement to lower their property tax assessment through a change in use. A change in use is defined as a change in property tax class. For example, the conservation easement does not allow land to be reclassified from Property Tax Class 4 to Property Tax Class 3 or 10 just because the landowners creates an easement precluding residential, commercial or industrial use[9].

Most forest land would revert to an agricultural grazing classification if conservation easements precluded Property Tax Class 10 eligibility. This use change would be a reduction in tax assessment that is forbidden in the Conservation Easement Act[10]. The Montana Wood Products Association, Montana Tree Farmer's Association and the Forest Industry advocate that conservation easements precluding timber harvest should not impact forest land classification for property taxation.

[9] The taxpayer may be entitled to a lower appraisal within Property Tax Class 4 because certain bundle of rights have been eliminated that might influence the market value of the property.
[10] Agricultural grazing taxes are generally lower than forest land taxes.

Conservation easements that preclude commercial timber harvesting are rare. The conservation easement is typically used to preclude certain types of development. However, some environmental and wildlife organizations will purchase conservation easements that preclude commercial timber harvesting to protect scenic areas or wildlife habitat.

Commercial Tree Species

Tree species are divided into two taxonomic categories called Gymnosperms and Angiosperms. Conifers are the most important Gymnosperms. In the Pacific Northwest, conifers have historically played a major economic role in a state's development. Examples of conifers found in Montana are ponderosa pine, Douglas-fir, lodgepole pine, alpine fir and engelmann spruce. The layman term for conifers is softwood.

Angiosperms are the most common and complex plants in the world. Angiosperms are commonly distinguished from conifers by their broad leaves. A generic term for these trees is hardwoods (deciduous species). In taxonomic nomenclature, softwoods and hardwoods should not be confused with the hardness of the wood. Many conifers have wood that is harder than hardwoods. Examples of hardwoods found in Montana are cottonwood, aspen, alder and birch. Hardwood species such as oaks and hickories are not native to Montana. The only native deciduous tree is Rocky Mountain Maple.

In Montana, the economic impact hardwoods contribute to the lumber industry is minor. Hardwoods in Montana generally do not grow in quantities and of a quality to support the manufacture of commercial wood products, although some cottonwood is sporadically manufactured into wood pallets. Because hardwood inventories are declining in the state, have limited commercial use and have produced concerns over logging in riparian areas, deciduous trees are not considered commercial species for property taxation.

All hardwoods are classified as noncommercial forest land and treated as nonforest. Conifers are the only commercial species recognized for property tax purposes. Yet, even some conifers are considered noncommercial tree species. Rocky Mountain juniper, limber pine, and whitebark pine are the principal conifer species treated as noncommercial trees. Low site productivity and poor lumber utility are major factors that make these conifer species noncommercial forest products.

Physically Inaccessible Forest Land

Land is not classified as forest land if it is incapable of yielding wood products because of adverse site conditions or physical inaccessibility. [11] This rule is used in very narrow terms. Most forest land can be harvested with logging equipment that is available today. Logging does not have to be profitable to classify a parcel as commercial forest land. Land is classified as nonforest if constructing a road to a forested area is virtually impossible. If helicopter logging is the only option to harvesting an area, then the property is classified as nonforest land. Examples are forested land that sits above or beyond physical obstacles that are impossible to bypass.

[11] ARM. 42.20.710 (1)(a)

If a landowner is landlocked and denied access to the property, then the property is classified as nonforest. If the property is landlocked, but the landowner is allowed access by adjoining neighbors, then forested land remains in forest land classification. Under no circumstances are the productivity grades lowered because of access problems.

Cultivated Christmas Tree Plantations, Ornamental Trees and Windbreaks

Cultivated Christmas tree plantations, ornamental trees and windbreaks *are not* eligible for classification as forest land. Cultivated Christmas, ornamental and nursery tree plantations are agricultural operations that must meet agricultural eligibility requirements. Natural growing trees on forested land that are sheared and harvested as Christmas trees *are* eligible for forest land classification. Wild Christmas trees are naturally growing native trees located in non-cultivated, mountainous regions. The trees are typically Douglas-fir and are periodically sheared and tapered.

Plantation Christmas trees are planted from rootstock and are usually spaced approximately six-foot by six-foot intervals on relatively level ground. The soils are cultivated to control weeds and promote good growing conditions. The most common plantation trees in Montana are scotch pine, spruce and grand fir. Virtually all Christmas tree plantations are found in Northwestern Montana.

Forest Land Valuation

The valuation formula for commercial forest land is found in 15-44-103, MCA, **Legislative intent-value of forest lands-valuation zones**. The income approach to value is used to calculate the forest land valuation schedules. Net forest and other agricultural income are capitalized. The formula is V=I/R, where:

V = per acre forest and other agricultural productivity value
I = per acre net income of forest lands
R = capitalization formula

The forest productivity formula can be further defined as:

$$V=\frac{(((M \times SV) + AI) - C)}{R}$$

Where:

M = mean annual net wood production
SV = stumpage value
AI = per acre agricultural-related income
C = per unit cost of the forest product and the agricultural product

The valuation approach assumes an all-aged forest. This method assumes in any given year, some stands are harvested, some are planted and some are thinned. Each productivity value represents a range of productivity, income, costs and interest rates.

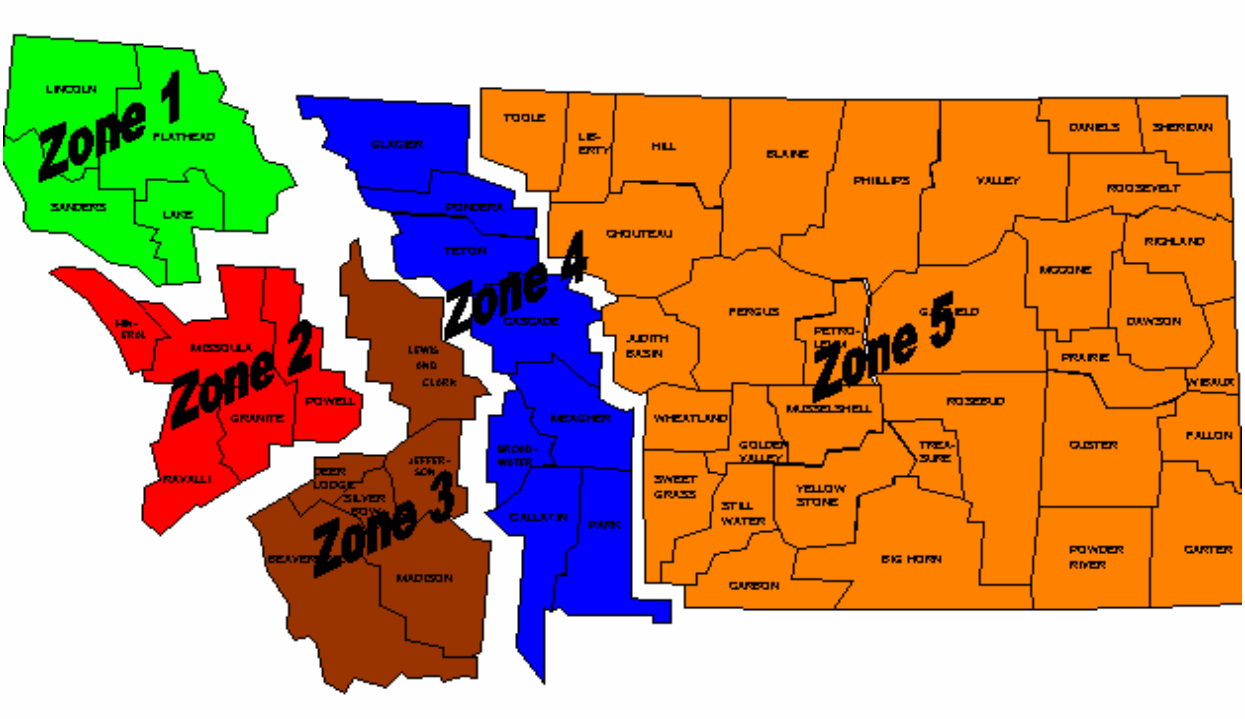
Income and expense data represents averages for each forest valuation zone for a five-year base period. The base period is the most current period in which data is available before a new reappraisal cycle.

The income and expense data is adjusted to constant dollars using the gross domestic product (GDP) price index. These figures are then brought forward to represent the last fiscal quarter before the appraisal date for the new appraisal cycle.[12]

Forest Valuation Zones

Montana has five forest land valuation zones. A valuation zone is designed to recognize the uniqueness of marketing areas, timber types, growth rates, access, operability and other pertinent factors of that zone. These zones are determined by looking at the major independent variables from state timber sales and analyzing their relationship to stumpage price. Log flows to manufacturing centers and sale population in a regression analysis are major variables considered in this process.

[12] Implicit price inflators and deflators represent a fiscal quarter and cannot be used to adjust figures to a specific day in time.



Forest Income

Forest income is calculated using the average stumpage value for each zone. The average stumpage value represents the price a willing buyer would purchase stumpage from a willing seller. No government agency or private organization compiles information on private timber stumpage in Montana. Therefore, average stumpage values are derived from state timber sales using multiple regression models.

Forest Costs

No government agency or private organization collects forest costs on private forest lands. Forest costs on federal land are not indicative of forest costs on private land. Therefore, the department uses costs incurred by the Montana Division of Forestry, Department of Natural Resources and Conservation. The Division of Forestry (DOF) costs are highly dependent on the timber sale activity and budget considerations of the legislature. Forest costs include fire assessment fees, severance tax, slash disposal, forest management, timber sales, forest practices and administration.

Other Agricultural Income

Livestock grazing is the primary agricultural activity occurring on forest lands. Net grazing income on forest land is low because the carrying capacity under most forest canopies is poor. In fact, timber stands with crown closures of 70 percent or greater generally have very little livestock carrying capacity. The available animal units on commercial forest land are taken from the 1977 State and Private Forest Inventory conducted by the Montana State Division of Forestry and the United States Forest Service. The grazing rents on private land are obtained from the Montana Agricultural Statistic Service in Helena.[13]

Other Agricultural Expenses

Agricultural expenses are set at 25 percent of the grazing rental fee. The procedure is identical to the approach taken by the Montana Agricultural Advisory Committee concerning grazing expenses.

Capitalization Rate

The capitalization rate for land is composed of a discount rate plus an effective tax rate. Each valuation zone has a unique capitalization rate.

A single, statewide discount rate is calculated for forest land. The discount rate represents a 5-year average interest rate. The annual rate is calculated by the Northwest Farm Credit Services in Spokane, which in turn, is used by the Internal Revenue Service to determine agricultural property values for inheritance tax purposes.

An effective tax rate is calculated for each forest valuation zone. The effective tax rate represents the average forest land tax liability to appraised value in each valuation zone.

Forest Valuation Schedules

Each valuation zone has a valuation schedule containing four values, one for each productivity grade. The four productivity grades and five valuation schedules produce 20 productivity values in the state. Valuation schedules are updated at the beginning of each appraisal cycle.

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[13] Agricultural rents are based on the number of animal units that can be supported for one month (AUM's).

Value Before Reappraisal (VBR) Calculation

Introduction

Class 10 property (Forest land) utilizes the same reappraisal cycle as Class 4 (residential, commercial & industrial) and Class 3 property (agricultural, nonqualified agricultural & non-productive patented mining claims). For all three property tax classes, the full reappraisal value is phased-in incrementally over the length of the reappraisal cycle for any assessed value that increases from one cycle to the next. Any full reappraisal value that decreases from one cycle to the next is fully implemented the first year of the reappraisal cycle.

In specific situations, the value before reappraisal (VBR) must be recalculated so that the correct phase-in value can be determined. To determine the assessed value for each year of the reappraisal cycle, the following terminology must be understood.

"**Value Before Reappraisal**" is the full reappraisal value from the reappraisal cycle immediately preceding the current reappraisal cycle.

"**Full Reappraisal Value**" is the full reappraisal value from the current reappraisal cycle

"**Phase-in Value**" is the current year assessed value. The phase-in value increases incrementally each year of the reappraisal cycle. The phase-in value will equal the Full Reappraisal Value (VBR) in the last year of the current reappraisal cycle.

"**Phased-down Value**" is any full reappraisal value that decreased from the previous reappraisal cycle. Phased-down values are fully implemented the first year of the reappraisal cycle and do not change for the remainder of the reappraisal cycle unless there is a change in use.

"**Reappraisal**" is a term that has a slightly different connotation when used for agricultural - Class 3 property versus Class 4 property. Unlike Class 4, Class 3 property does not include physical improvements to the land. Class 3 reappraisal means a change in the agricultural production grade.

"**New Construction**" is a term that has a slightly different connotation when used for agricultural - Class 3 property versus tax Class 4 property. Unlike Class 4, Class 3 property does not include physical improvements to the land. Class 3 new construction means a change in the agricultural or land use.

"**Destruction**" is a change in value due to loss (manmade or natural disasters). Destruction is not a term generally associated with land. However, this situation can occur with standing timber in Class 10 and physical improvements in Class 4. Destruction does not occur to land in Class 3.

Phase-in formula:

Change in Value = Full Reappraisal Value - Value Before Reappraisal
Phase-in Value (Year 1) = Value Before Reappraisal + (Change in Value * .1667[14])
Phase-in Value (Year 2) = Value Before Reappraisal + (Change in Value * .3334)
Phase-in Value (Year 3) = Value Before Reappraisal + (Change in Value * .5001)
Phase-in Value (Year 4) = Value Before Reappraisal + (Change in Value * .6668)
Phase-in Value (Year 5) = Value Before Reappraisal + (Change in Value * .8335)
Phase-in Value (Year 6) = Value Before Reappraisal + (Change in Value * 1.000)

Reappraisal occurs when changes to the land grading are made within the current use classifications. For example, if 40 acres of Grade 3 forest land productivity is reclassified to 40 acres of Grade 4 forest land productivity, the change is a reappraisal activity. A new forest land VBR **is not** recalculated for reappraisal changes.

"New construction" occurs when changes are made to land classifications. Any adjustment to forest land acreage is "new construction". For example, if 40 acres of forest land classification is changed to 20 acres of forest land and 20 acres of non-qualified agricultural land, the change is a "new construction" activity. The most common example of "new construction" in terms of land activity is a parcel that is subdivided. . For example, if a 40- acre forest land parcel is split into two, 20-acre parcels, the change is a "new construction" activity. A new forest land VBR **is** recalculated for "new construction" changes.

The following example demonstrates how a new VBR is calculated for new construction changes.

Assume:

- A use change occurs for tax year 2003
- 2002 classification: 40 acres of Grade 3 forest land (forest land - zone 1)
- 2003 classification: 20 acres Grade 3 forest land and 20 acres of grazing (G3)

Calculation:

Use the 1997 agricultural valuation schedules (previous reappraisal schedule) to recalculate the VBR. The VBR for each land use must be calculated separately.

Old VBR =	40 acres (forest land –grade3) =	$742.30/acre
	40 acres X $742.30/acre =	$2,9692
New VBR =	20 acres (grazing land – grade 3) =	$39.84/acre
	20 acres (forest land –grade3) =	$742.30/acre
	(20 acres X 39.84/acre)+(20 acres + $742.30/acre) =	$15,643

A new VBR calculation for Tax Class 3 property must be manually calculated and physically inserted in the override field 939 located in **PA S5**.

[14] Current reappraisal cycles are six years in length. Therefore, 100% / 6 years = 16.67% change each year.

CAMAS Data Entry Steps

Go to CAMAS:

1. Go to screen 060 (RES S1).
   a. Update line 461 – appraisal inspection. date, time, appraiser ID and reason code. Use reason code 0 (ag/forest review) or code 5 (AB-26 review) if appropriate.
   b. Update line 462 – clerical update of appraisal information. date, time, clerical ID and reason code. Use reason code 0 (ag/forest land data) or date, time, appraiser ID and reason code. Use reason code 0 (ag/forest review) or code1 (property splits) if appropriate.
   c. Update line 468 – review date and reason code. Use one or more of the following reason codes: code 0 (no review needed), code 17 (natural disaster review), code 18 (timber classification review), code 21 (AB-26 review) or code 22 (other) if appropriate.

2. Go to land screen 321 (RES-S4).
   a. Update the land data on this screen.
   b. Enter 991 to re-cost the parcel.
   c. Enter 999 to save the changes.
   d. Enter "*no*" to building new construction and "*yes*" to the land use change on the pop-up menu that says:

Building/New Construction	**Y or N**
or	
Land Use Change	**Y or N**

Go to Property Administration:

1. Go to screen 901 (PA S1).
   a. Update line 905. Use one or more of the following reason codes: code 2 (splits), code 5 (AB-26), or code U (data update).

2. Go to screen 839 (PA S5).
   a. Update the "before reappraisal" field for each land use class code with the manually calculated VBR (see example in VBR Introduction section).
   b. Update the existing system-generated reason code with code 95 (2002 value adjusted for new construction/land use change) and code LR (land reclassification change).
   c. Enter 839 in the "next field" and examine the recalculated phase-in value.

3. Go to screen 985 (PA APPL). Update AB-26 information on this screen if necessary.
   a. If the phase-in value is correct, enter 999 in the "next field" and save the changes.

The PA and CAMAS screens are displayed in Chapter 8, Natural Disaster Relief.

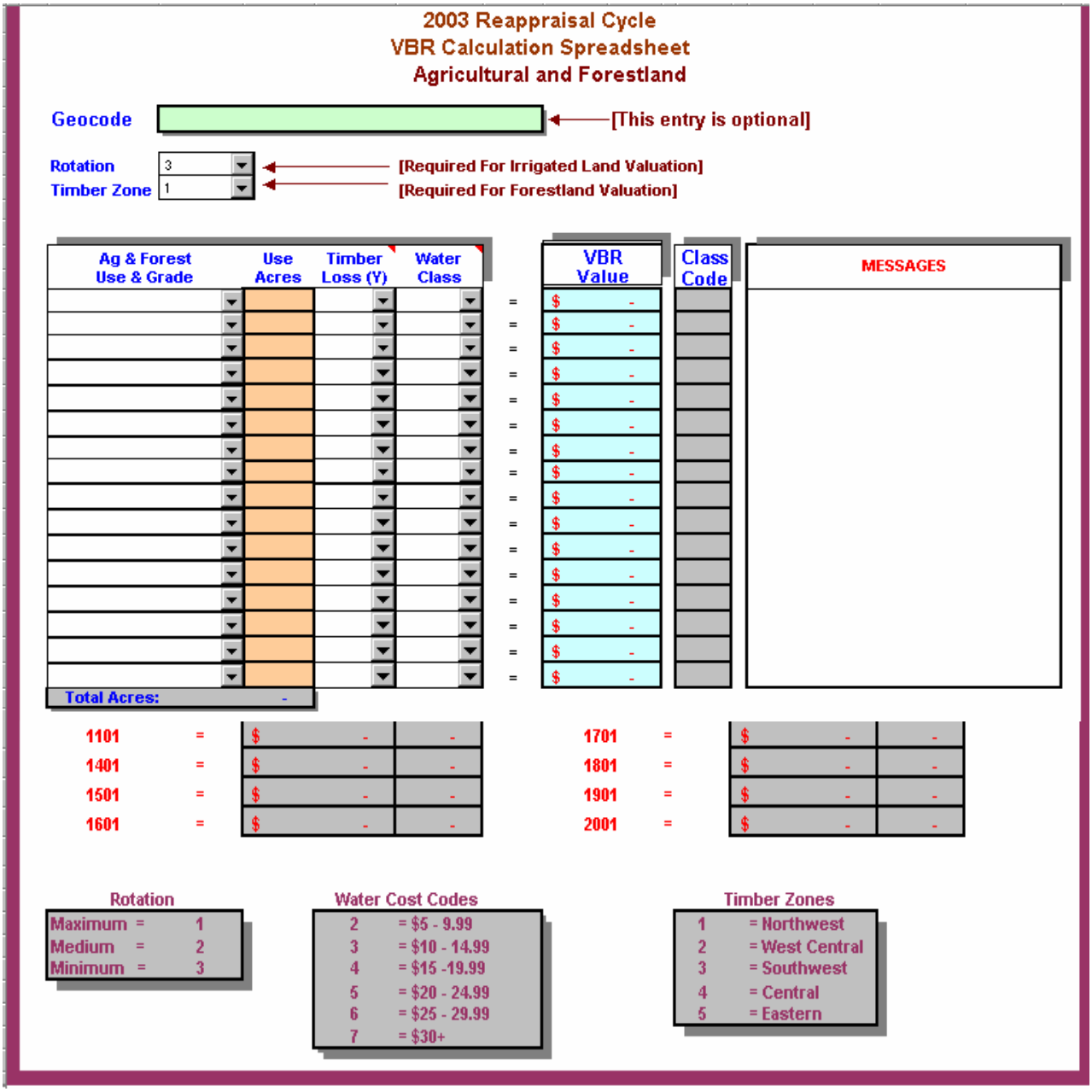
VBR Template

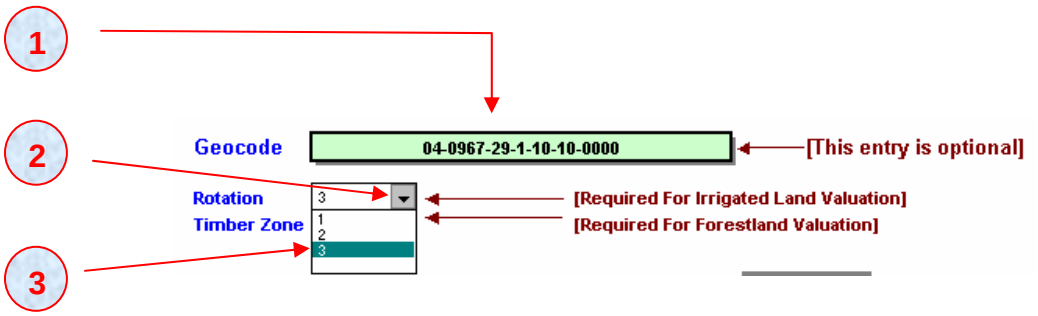
The agricultural and forest land VBR template is an Excel spreadsheet that recalculates new VBR's when there is a land use change, a land realty split or a forest land natural disaster. The template calculates the VBR for each class code and the total acres in each class code. That information is then entered into the Property Administration Screen **PA839.** The template is available to staff in each field office.

The template allows the user to enter agricultural land, forest land, and agricultural building sites. The template cannot recalculate market values for land under residences on nonqualified agricultural or forest land. The data on the template should match the data on the landowner's CAMAS land screen[15]. The user must enter the correct forest valuation zone.

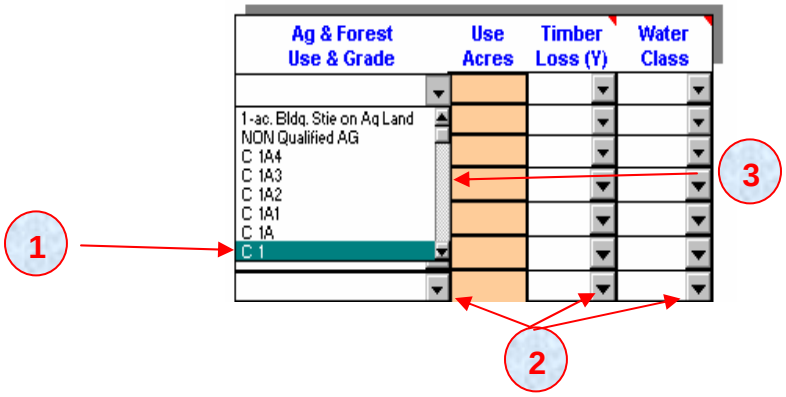
Drop-down menus restrict the entry types that the user can enter in template. A blank field in each drop-down menu allows the user to delete information in that field. The delete keys do not work in protected fields. The user is allowed to enter unrestricted data in just two fields - the geo-code and acreage fields[16]. The geo-code field is an optional field for users who wish to print a hard copy. A message screen displays error messages when the user does not enter data. It is the user's responsibility to enter the correct acreage for each use type.

[15] The exceptions are irrigation rotations, water class codes and 1-acre building sites on nonqualified agricultural and forest land.
[16] The delete key works in these fields.

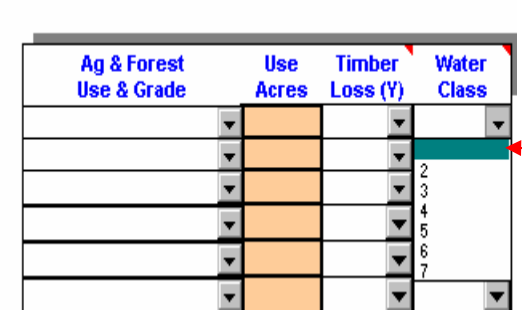

2003 Reappraisal Cycle
VBR Calculation Spreadsheet
Agricultural and Forestland
Geocode
[This entry is optional]
Rotation
3
[Required For Irrigated Land Valuation]
Timber Zone
1
[Required For Forestland Valuation]
Ag & Forest Use & Grade
Use Acres
Timber Loss (Y)
Water Class
VBR Value
Class Code
MESSAGES
Total Acres:
1101
1401
1501
1601
1701
1801
1901
2001
Rotation
Maximum = 1
Medium = 2
Minimum = 3
Water Cost Codes
2 = $5 - 9.99
3 = $10 - 14.99
4 = $15 -19.99
5 = $20 - 24.99
6 = $25 - 29.99
7 = $30+
Timber Zones
1 = Northwest
2 = West Central
3 = Southwest
4 = Central
5 = Eastern



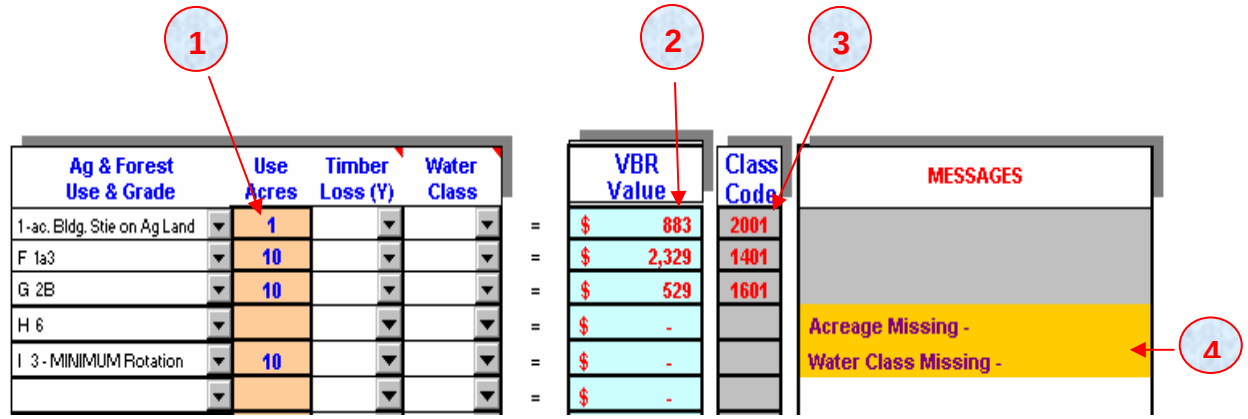
1. Geo-code field – unprotected field - optional entry
2. Click the drop-down button to initiate the drop-down menu
3. Highlight the desired entry with the highlight bar using your mouse



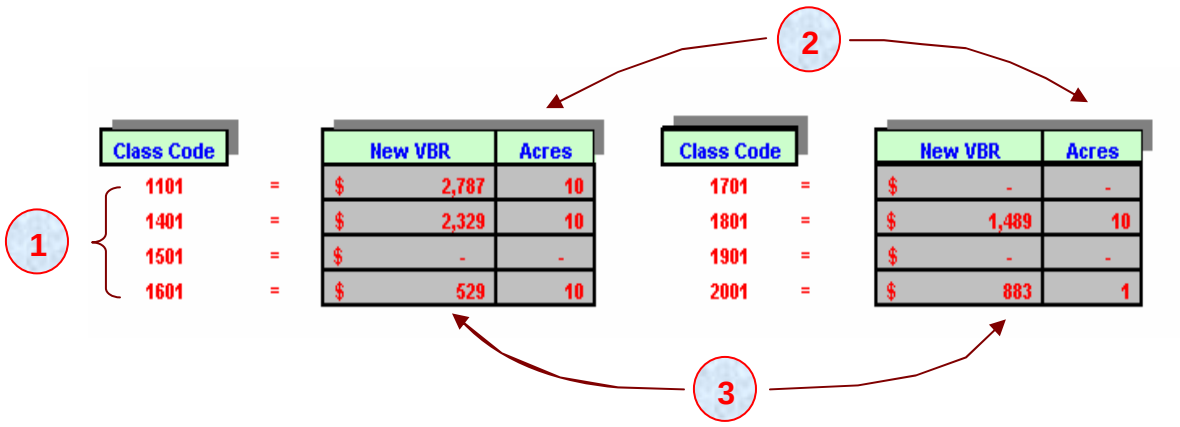
1. Highlight the desired classification/grade with the highlight bar using your mouse
2. Click the drop-down buttons to initiate the desired drop-down menu
3. The drop-down menu slide bar can be used to rapidly scroll to the desired classification/grade



The blank field option on each drop-down menu functions as a delete key to erase data left from a previous data entry. The keyboard's delete key will not work on protected fields.



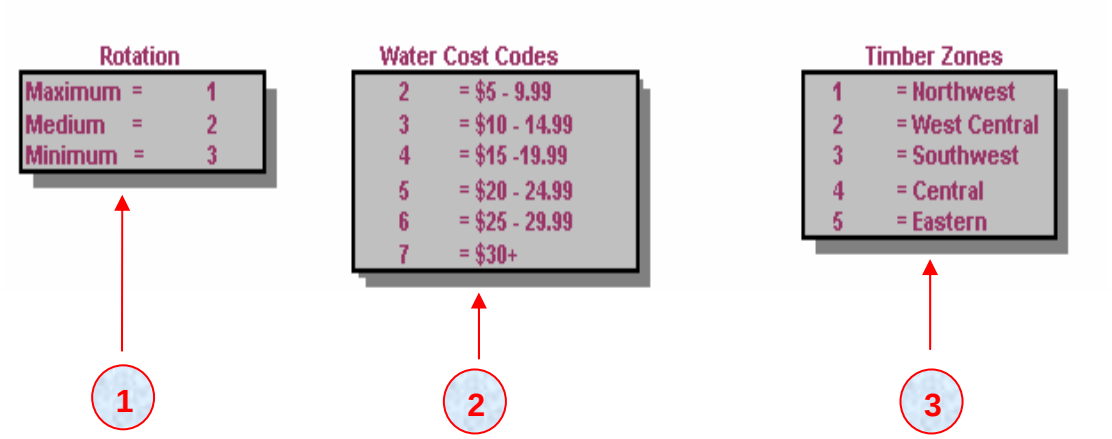
1. Acres for each classification/grade must be manually entered in the acre field
2. The VBR is calculated for each line containing a classification/grade
3. The property class code is automatically displayed for each line entry
4. Error messages are displayed in the message field



1 Property tax class codes

2 VBR recapitulation for each land use classification

3 Acre recapitulation by property tax class code



1 Irrigated rotation codes for the 1996 – 2002 reappraisal cycle

2 Irrigation water class codes for the 1996 – 2002 reappraisal

3 Forest land valuation zones for the 1996 – 2002 reappraisal[17]

[17] The forest land valuation zones for the current reappraisal cycle are identical to the zones in the previous reappraisal cycle.

Forest Valuation Due to Natural Disasters

Introduction

The Forest Lands Tax Act makes it possible for landowners to receive a reduction in forest land assessment when their standing timber is destroyed by natural disasters. Fire is the most common natural disaster. However, high winds, insects and disease may also cause significant destruction to standing timber.

Eligible forest land owners receive a 50 percent reduction in assessed value for 20 years from the date of the natural disaster. No modification is made to the forest classification or the forest productivity grade. Unless the standing timber is destroyed by natural disasters, forest land **values** are never modified due to situations existing on individual properties. To receive a natural disaster reduction, the following criteria must be met.

- The natural disaster occurred after December 31, 1993.
- The applicant files a timely request for valuation review (AB-26).
- The land impacted by the natural disaster must be classified as Class 10 - commercial forest land for the tax year the natural disaster relief is granted by the Department.
- The impacted area must be at least 15 acres or larger.
- The impacted forest land must have had at least 10 percent stocking *before* the natural disaster occurred (i.e. clearcuts are not eligible for natural disaster reductions).
- The surviving trees on the impacted forest land cannot occupy more than a 10 percent stocking rate *after* the occurrence of the natural disaster (i.e. most of the live trees must have been destroyed).

Natural Disaster Map Procedures

Currently, the forest land tax system does not function in an active GIS. All assessment work is manually conducted on the mylar forest land classification maps and CAMAS. Until the forest land tax system is GIS automated, the instructions in this section will apply.

The following steps must be performed when processing a natural disaster reduction.

1. The taxpayer or his/her agent must file an AB-26 requesting a review of the forest land value due to a natural disaster loss.

The timber loss must be identified on aerial photography. The best solution is to use photography flown after the loss. Typically, the state or federal government will do this on major fires. If other government photography is used as a reference, the boundaries of the destroyed timber should be delineated on the department's 4 inches to 1 mile, photographic scale. If no current photography is available, a field inspection is necessary. A china marker should be used to designate the boundary on the aerial photography [18].

2. Transfer the boundaries from the photography to the forest land classification map(s). This is accomplished by placing the mylar classification maps over the aerial photo. Major cartographic and topographic features should be aligned between the map and photograph. Use a colored pencil to designate the boundary on the classification map. Placing hash marks facing inward from the boundary lines can identify the impacted area. A fire name designation and the year of the loss can also be placed in the impacted area (example: 2000 - Ryan Creek Fire).

3. The parcel boundary and geo-code should be delineated on the classification map. Use a dot grid or planimeter to determine the acreage for each productivity grade that was impacted on each parcel. If the parcel also contains forest land that was not affected by the natural disaster, the unaffected acreage for each productivity grade must be calculated separately from land that had timber destruction.

Natural Disaster CAMAS Data Entry

The natural disaster reduction is due to destruction of the timber. *Therefore, a new value before reappraisal (VBR) must be manually calculated.* In order for CAMAS to properly calculate the phase-in value, a new VBR must be recalculated as if the loss had occurred prior to current VBR. The new VBR calculation is performed using the valuation schedule from the previous reappraisal cycle. The following example illustrates this procedure.

VBR Calculation

Assume:

- Forest Valuation Zone 1
- 40 acres Productivity Grade 2 Forest Land Timber Destroyed
- 20 acres Productivity Grade 2 Forest Land Timber *not* Destroyed
- 1994 *full* Reappraisal Value for Grade 2 = $501.26
- 1994 *50%* Reappraisal Value for Grade 2 = $250.63
- 100 acres Productivity Grade 3 forest land Timber Destroyed
- 1994 *50%* Reappraisal Value for Grade 3 = $178.67
- Assessment For Tax Year 2001

[18] Also known as a grease pencil.

Procedure:

(40 ac.)($250.63)	= $10,025.20
(20 ac.)($501.26)	= $10,025.20
(100 ac.)($178.67)	= $17,867.00
Total VBR	**= $37,917.40**

Data Entry Steps

Go to CAMAS:

1. Go to screen 060 (RES S1).
   a. Update line 461 – appraisal inspection. Date, time, appraiser ID and reason code. Use reason code 0 (ag/forest review) and code 5 (AB-26 review) if appropriate.
   b. Update line 462 – clerical update of appraisal information. Date, time, clerical ID and reason code. Use reason code 0 (ag/forest land data) and code 4 (edit review and correction).
   b. Update line 468 – review date and reason code. Use reason code 17 (natural disaster review).

2. Go to screen 170 (RES S2).
   a. Update line 481 – property notes. Use code CR (continued review) in the code column. Enter the explanation on the description line. Example: 2000 Ryan Creek Fire.

3. Go to land screen 321 (RES-S4).
   a. Update the forest productivity grades and acres on the land screen for the impacted land. If some timber was destroyed and some timber wasn't burned, separate the loss on different lines by productivity grades. *If all timber in the parcel was destroyed, skip this step.*
   b. Enter an influence code E in the influence column for the impacted land. *Do not* insert the number 50 into this field.
   c. Enter the year of the natural disaster reduction is terminated in field 341. The natural disaster reduction lasts for a 20-year period. *Do not* use the application date filed with the department if the filing date is different from the year of the fire. Example: for a fire in year 2000, enter 2020. This field notifies the department to remove the natural disaster reduction in 20 years.
   d. Enter 991 to recost the parcel.
   e. Enter 999 to save the changes.
   f. Enter "*no*" to building new construction and "*yes*" to the land use change on the pop-up menu that says: [19]

Building/New Construction	**Y or N**
or	
Land Use Change	**Y or N**

[19] Enter "yes" if a portion of the building improvements were also destroyed.

Go to Property Administration:

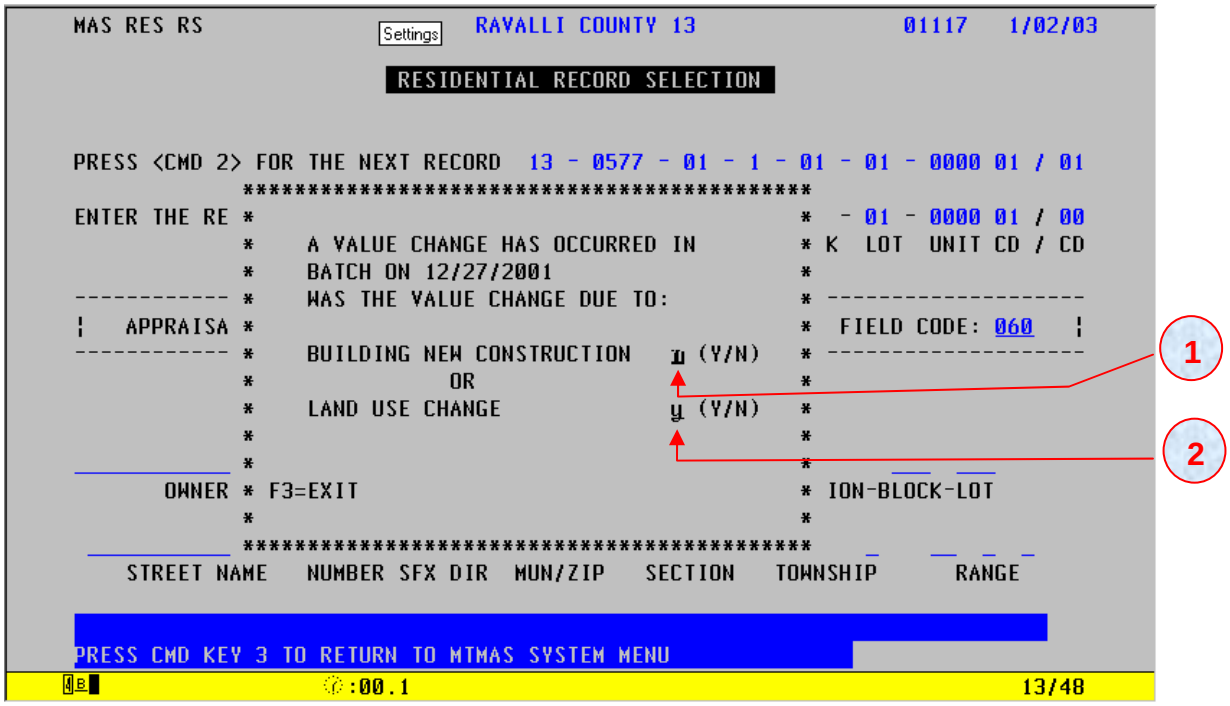
1. Go to screen 901.
   a. Update line 905 and enter reason code 5 (AB-26).

2. Go to screen 839 (S5).
   a. Update the “before reappraisal” field for 1901 with the hand calculated VBR (see example above – use Excel VBR template).
   b. Update the existing VBR reason code with reason code DX.
   c. Enter 839 in the “next field” and examine the recalculated phase-in value.

3. Go to screen 985 – AB26. Update AB-26 information on this screen.
   a. If the phase-in value is correct, enter 999 in the “next field” and save the changes.

CAMAS and PA Screens

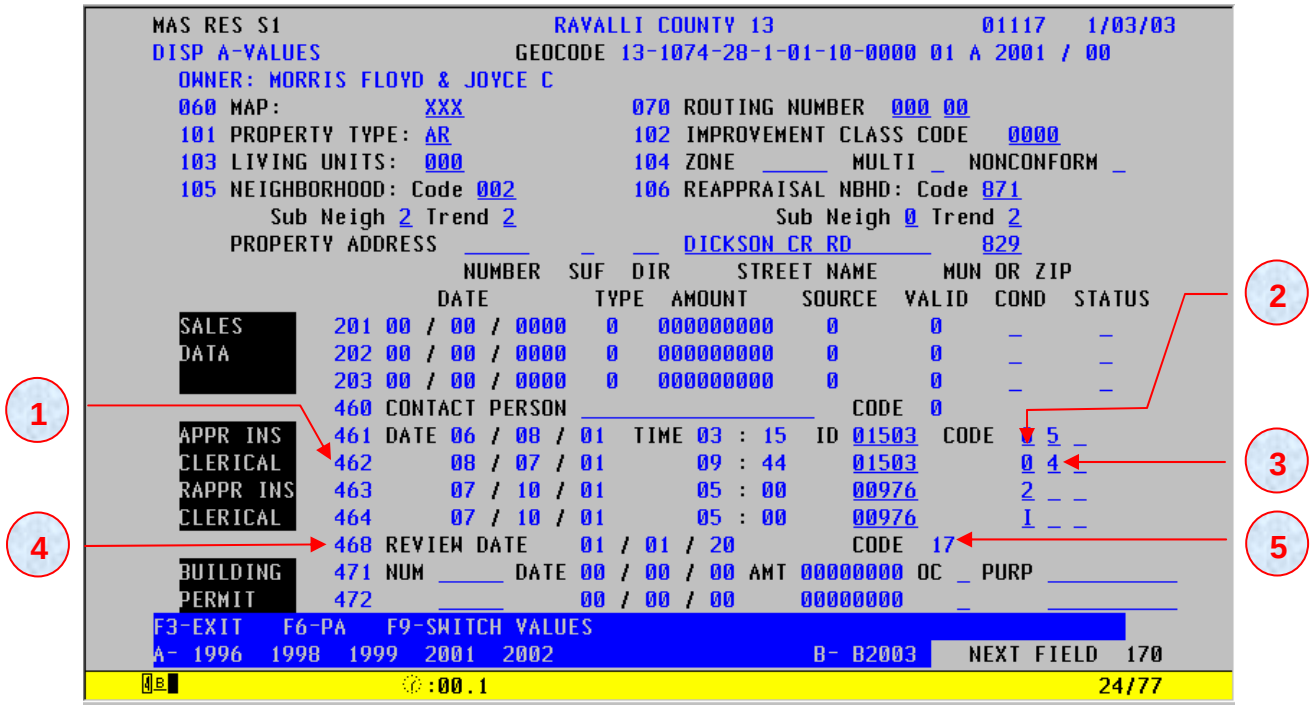
Screen RES RS



1 Enter “N” to Building New Construction

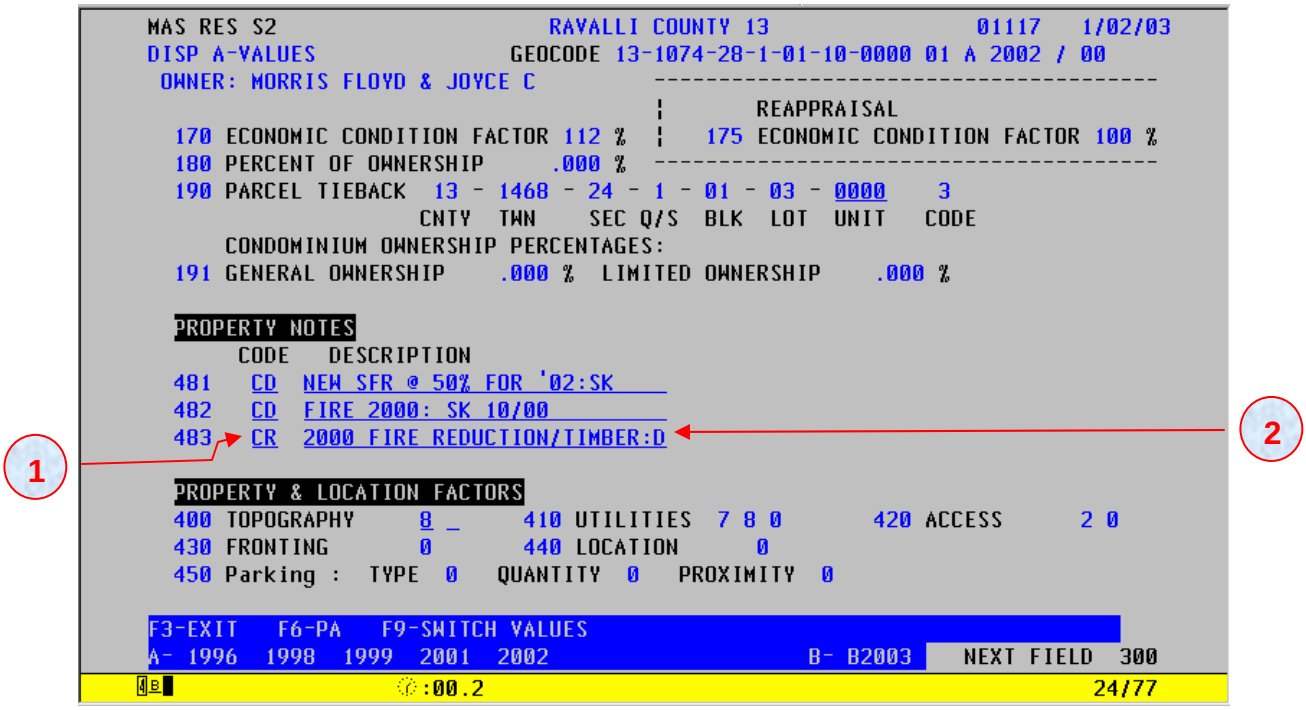
2 Enter “Y” to Land Use Change

RES S1



1. Enter clerical update of appraisal information on lines 461 through 462
2. Enter Use Reason Code “0” (ag/forest land review)
3. Enter Use Reason Code “4” (edit review and correction)
4. Enter appraiser update of appraisal information on line 468
5. Enter Use Reason Code “17” (natural disaster review)

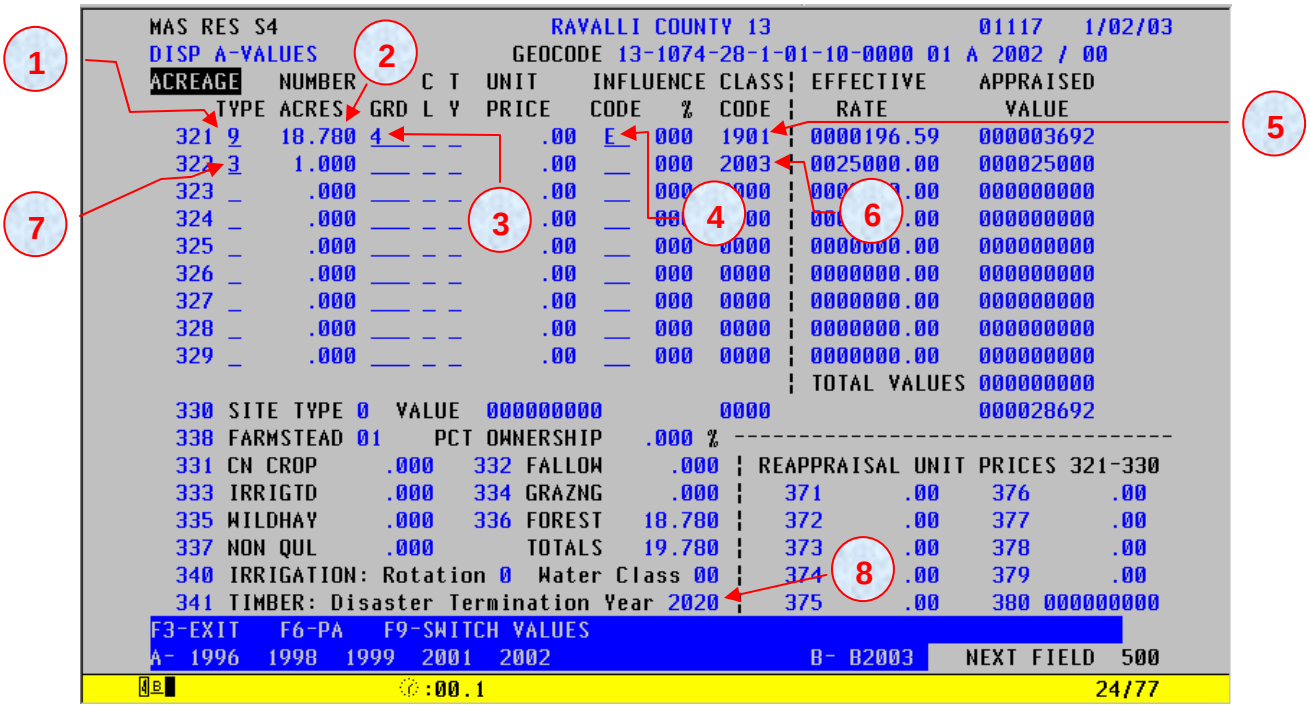
RES S2



1 Enter code “CR” (continued review) in property notes fields 481 through 483

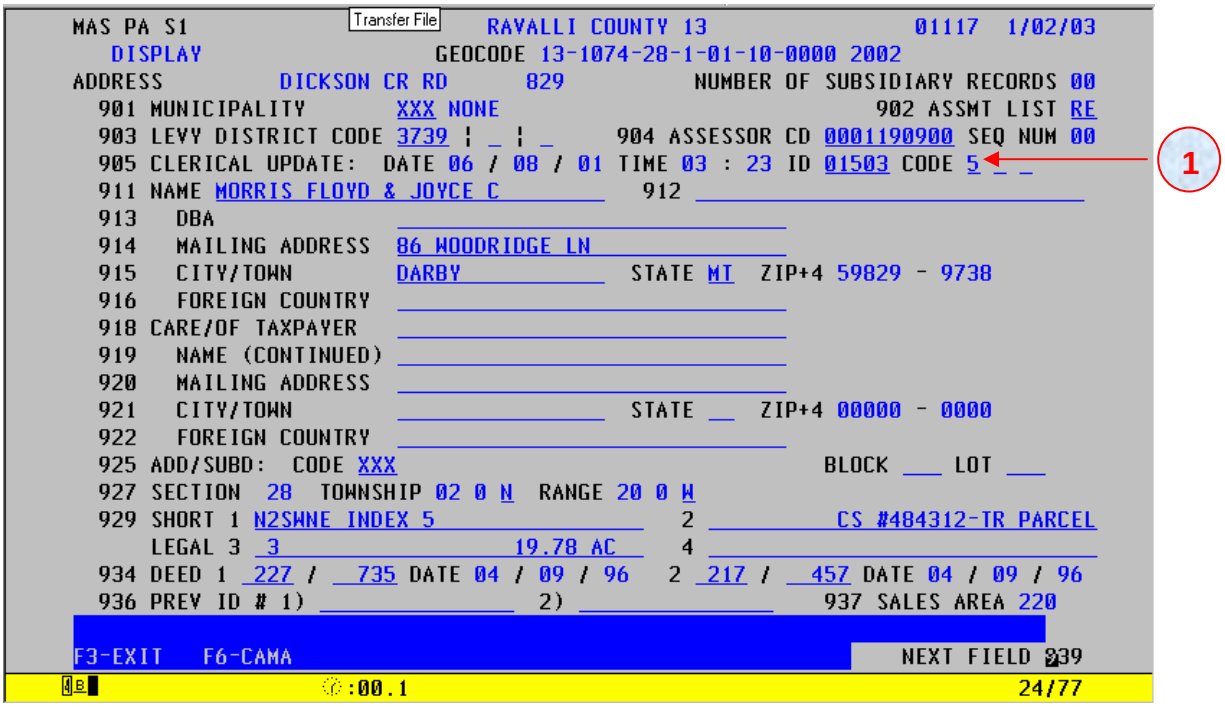
2 Enter explanation of future review in property notes fields 481 through 483

RES S4



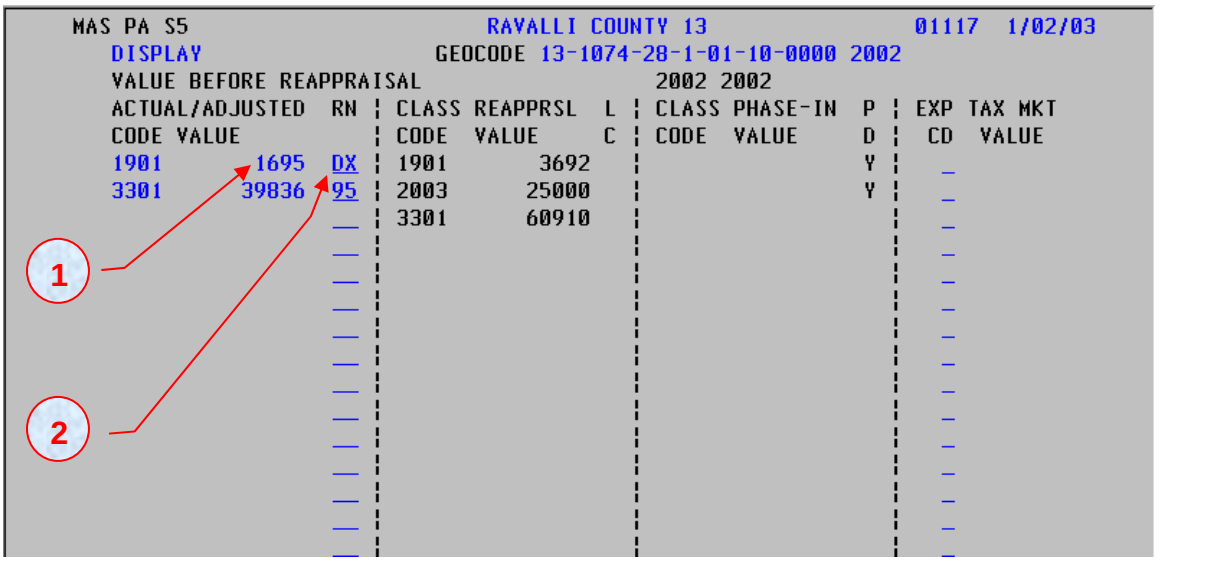
1. Enter acre type code “9” for forest land
2. Enter the forest land acres for each productivity grade
3. Enter each forest land productivity grade found in the parcel
4. Enter influence code “E’” in the right-hand influence code field
5. Class code “1901” for forest land is automatically inserted based on acre type “9”
6. Enter acre type “3” for 1-acre building sites on forest land
7. Enter class code “2003” for 1-acre building sites on forest land
8. Enter the natural disaster termination year in field 341

PA S1



1 Enter reason code “5” (AB-26) on line 905

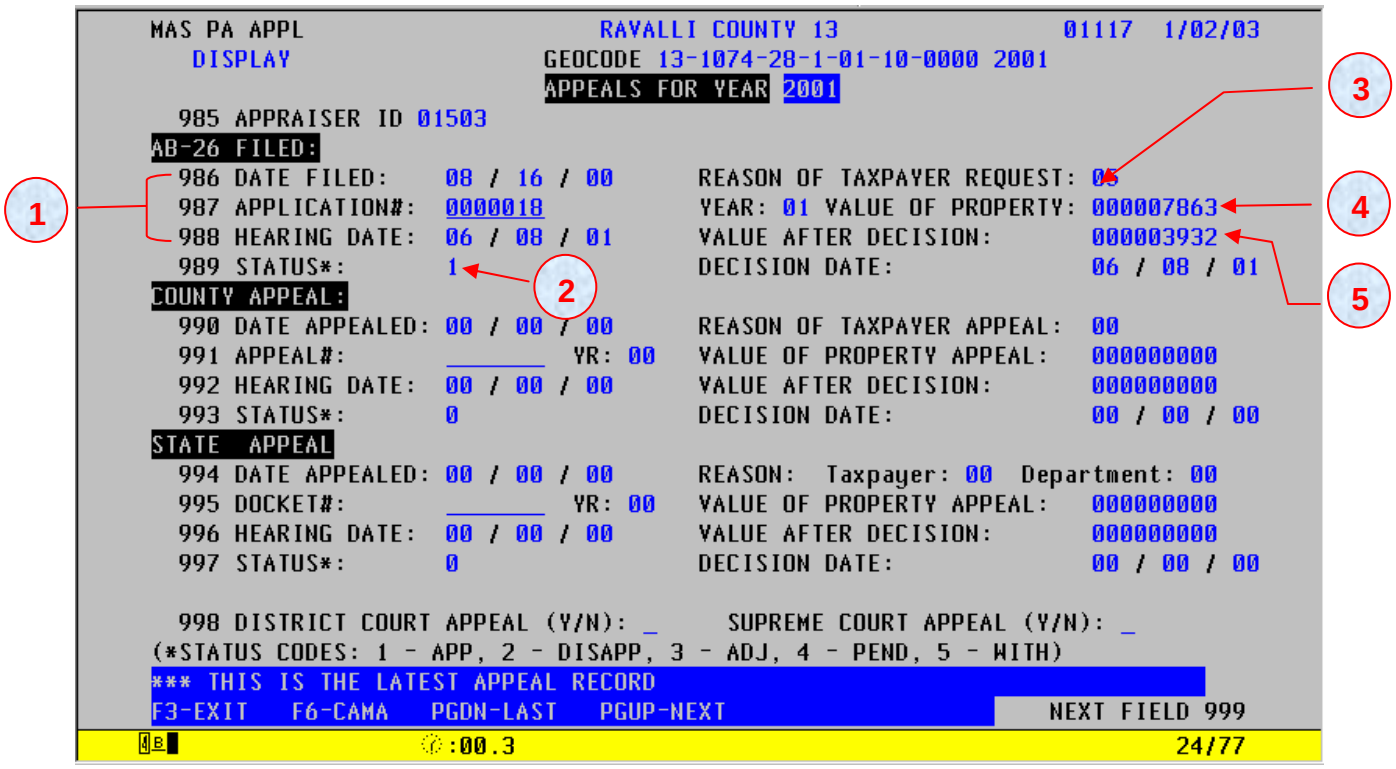
PA S5



1 Manually override the previous VBR for loss due to natural disasters (destruction) in field 939

2 Enter the VBR reason code “DX” (Destruction of Property)

PA APPL



1. Enter AB-26 data

2. Enter status code “1” (AB-26 adjustment granted)

3. Enter Taxpayer reason code “02” (land value too high)

4. Value of forest land ***before*** natural disaster reduction

5. Value of forest land ***after*** natural disaster reduction

Forest Productivity Maps

When the forest land productivity tax system was developed, the project lacked funding, time and a statewide cadastral database. For those reasons, the department decided not to link a GIS to CAMAS. The alternative was to produce physical classification maps.

The department received one mylar map for each township in each county with forest land. If a county boundary bisects a township and both counties contain forest land, the department received two maps for that township (one for each county). Forest classification maps were produced for all regions of the state where private forest land occurs. Townships that were totally government owned or did not contain forest land were not plotted.[20]

The maps are plotted as a reverse image on Mylar. The color toner is applied to the back of each map. This allows work to be conducted on the front of the map without damaging the colors or cartographic information. The cartographic features shown on maps are:

- forest/nonforest boundaries
- transportation systems
- hydrography
- public land survey system
- governmental boundaries

The map was plotted at a scale of 4 inches to the mile (1:15,840). However, the source data incorporated into the final map product was acquired at varying map scales. The topological and soil information used in the growth model is 1:250,000 map scale. The transportation system, power lines, and hydrography are 1:100,000 map scale. The forest/nonforest boundaries, governmental boundaries, and the public lands survey system are1:24,000 map scale.

The forest/nonforest boundaries were mapped using satellite imagery. The department's aerial photography was used to verify and adjust the computer's interpretation of forest land delineations. Satellite imagery uses a raster format to identify locations on the ground. The ground resolution for the satellite imagery is approximately one acre in size (60 x 60 meters). To the computer, this 1-acre ground resolution is called a pixel. This creates a boundary that is blocky in appearance. A line smoothing technique called splining was used to lessen this blocky appearance.

The maps in each county are sequentially numbered in the upper left-hand corner. Township and range legal descriptions are found at the top center of the map. The geo-code for county and township/range is found directly under the township and range description. The township, range, and county are found in smaller print in the upper right-hand corner.

The section number is in the approximate center of each section. Solid red lines delineate section lines. A color-coded legend is at the bottom of the map that reflects different land classifications. The county's location within the state is reflected inside the state map in the lower left-hand corner. Adjacent to the state map is a county map depicting the township location within the county.

[20] Fish and Game parcels are mapped if they contain forested land.

The maps identify nonforest lands as NF and are color-coded light gray. Dark gray areas are forested areas that are classified as nonforest land because they do not meet the 15-acre minimum forest land requirement. Noncommercial forest lands are identified as NC and are color-coded reddish-brown.

Each productivity class is color-coded with a different shade of green and designated with the Roman numerals I, II, III or IV. Class I is the most productive land, while Class IV is the least productive land.

Hydrography is identified on the maps in blue. One GIS layer contains data on lakes and larger rivers mapped by a thematic mapper (satellite imagery). These features were plotted in solid blue. Another GIS layer contains water bodies digitized from U.S.G.S. maps. These delineations are identified on the map as solid blue lines. The Government Land Office survey (GLO) of the high water mark on navigable rivers and lakes is identified on the map as a dark blue dashed line[21].

The thematic mapper displays data in a raster format. The U.S.G.S. data is displayed in digital line format. Because both data layers contain data on the same ground feature, the same water body is plotted twice on the map. The different water body delineations do not overlay each other perfectly on the map. Occasionally, the water bodies plotted by the thematic mapper touch or slightly overlay a road or another cartographic feature shown on the map. This can happen when cartographic elements are captured at different map scales; and using different methods of digitizing are plotted on the same map.

[21] The low water demarcation on these maps does not meet federal map accuracy standards.

Assessment Procedures

All forest land assessment work is manually conducted on the mylar classification maps. When the state's cadastral project is completed and the forest land database is updated, many manual assessment procedures will be eliminated.

The first step in assessing a forest land parcel is delineating the property boundaries on the mylar maps. Plat maps or certificate of surveys should be used to transfer property boundaries onto the classification maps. Rectangular survey descriptions can be drawn on the maps with the aid of a ruler.

Metes and bounds descriptions are difficult to delineate accurately on the maps. Plat maps are usually displayed at a larger scale than the forest classification maps. The plat scale can be reduced to a 1:15,840 map scale by using a photocopier. Most photocopiers have a reduction/enlarger option. This procedure requires some experimenting with the degree of plat map reduction to get the desired match. Once the plat map is reduced to a 1:15,840 scale, trace the property boundaries onto the mylar classification map.

Write the geocodes for each parcel on the map. Property boundaries are typically delineated on the map with a purple pencil. Geo-codes are typically written with a black pencil. Do not write property owner names on the maps. New property boundaries should be manually drawn on the map when a parcel is subdivided. Update the geo-codes, acreage figures and land grades when the parcel is subdivided. Use a dot grid or a planimeter to calculate the acreage of each land classification and grade for each parcel. The acreage for each grade on the property can be written on the map.

The GIS did not plot agricultural classifications and grades on the forest land maps. To avoid classification errors when assessing agricultural and forest land, agricultural classifications and grades should be transferred to the forest land maps. Use the agricultural classification maps to conduct this work. All agricultural classifications are done in the nonforest areas shown in gray.

Extreme care must be exercised when doing this task. Agricultural and forest land classifications <u>should never</u> overlap. The agricultural boundaries and other cartographic features on the agricultural maps do not match the boundaries and cartographic features found on the forest land maps. Methodology, technology, mapping sources and time differences in map-making, combine to produce significant differences between the agricultural and forest land maps.

When agricultural classifications and grades are transferred to the forest land maps, aerial photography must be used to facilitate this procedure. *Do not* place the agricultural map under the forest land map and align them by section corners. This may result in agricultural delineations in the wrong location or overlapping forest land classifications. Agricultural classifications must be manually adjusted to fit within the confines of the nonforest boundaries on the forest classification map.

Data Entry

Forest land schedules are stored in the computer-assisted land pricing (CALP) table of CAMAS. All five valuation schedules are stored in county 99 and are inaccessible to most department staff. Internal system identifiers direct each county to the appropriate forest valuation schedule.

Data entry steps in CAMAS and PA are similar to those procedures discussed in Chapter 8 *Natural Disaster - Data Entry*. Appraisal and clerical data are updated in screen RES S1, lines 461 and 462. If continued review is necessary, update line 468. Property notes are entered on screen (RES S2), lines 481 through 483. Refer to the Montana Appraisal Manual for the appropriate reason codes and to Chapter 8 in this manual -*Natural Disaster – VBR Calculation,* for PA and CAMAS screen prints.

Land data is entered on screen (RES S4) beginning on line 321. Enter the acre type (9), forest land grade(s), acres per grade, nonforest classification and the nonforest grade(s). The system will automatically enter the forest land property tax class code 1901, based on the acre type code 9. Appraisal codes are listed in the common data section of the Montana Appraisal Manual.

Enter 991 to re-cost a parcel. Enter 999 to save the file. A new VBR is manually calculated if land use is reclassified or a natural disaster occurs (destruction). Reclassification work includes changing forest land to nonforest land or visa versa. A new VBR *is not* recalculated if agricultural or forest land grades are changed. See chapter 8 *Natural Disaster – VBR Calculation* for the procedure to recalculate the VBR.

Go to the PA screen 901 and update line 905. If the VBR is manually recalculated, go to screen 839 and enter the “before value” and the appropriate reason code. Then go to screen 985 and update the AB26 information. Once you determine that the VBR, reappraisal value and the phase-in value are correct, enter 999 in the “next Field” and save the changes.

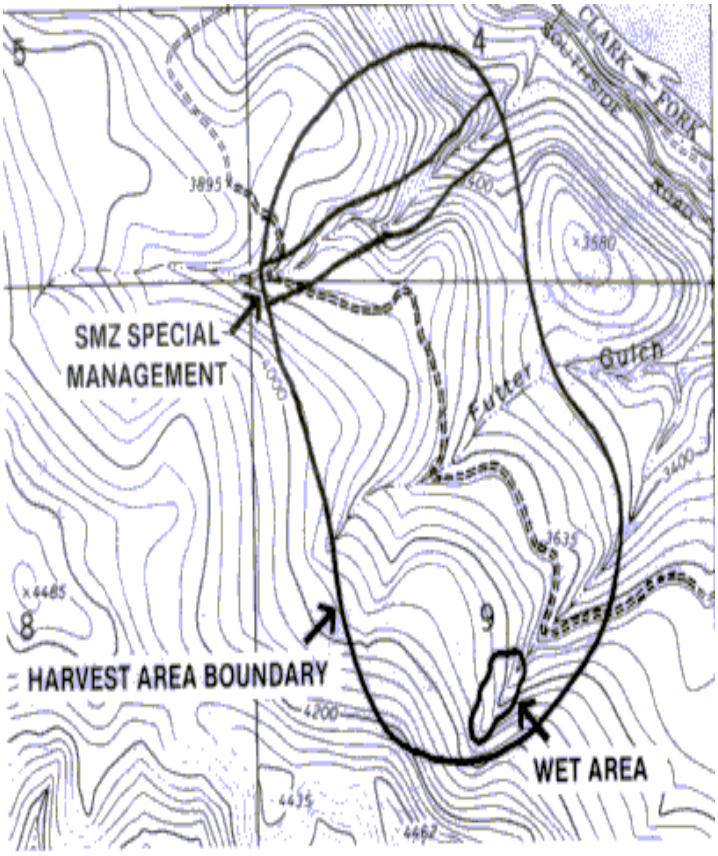
Forest Map Maintenance

If changes are made to the original map features, then the toner must be removed from the back of the map. The color toner is sprayed with a special sealer and a solvent such as acetone is used to remove the sealer and toner. When the toner is removed, the affected area on the map is milky white in color.

Once the toner is removed, manually draw new delineations on the front of the map. This work is generally done with the aid of aerial photography. The most common adjustments to the map features are forest/nonforest boundaries and water delineations. Black colored pencils are used for boundary delineations. Green pencils are used to designate forest land. Blue pencils are used to designate water bodies.

Care should be taken when transferring mapping boundaries between aerial photographs and forest land maps with different map scales. Map scale is the relationship between the map size and the ground distance. For instance, a map scale of 1:15,840 means each unit of measurement on the map equals 15,840 units on the ground. The department's aerial photography and the forest productivity maps are the same map scale; 4 inches equal 1 mile (1:15,840). Aerial photography used by other government agencies is usually different.

The semi-transparent mylar map can be laid over the top of an aerial photo. Photo features are then viewed through the mylar. Trace the corrections onto the mylar map. Never align section corners located on an aerial photo with the section corners on the map to make corrections to the map. The aerial photograph may contain substantial ground distortion. In addition, the section corners may be incorrectly located on the photo.



Cartographic features such as roads and streams are aligned with the same features on the photograph. This is done in the immediate vicinity of the corrections that are made to the map. The map is constantly realigned with the photograph as the correction area gets larger. Only when the map is properly aligned to the ground features on the photo, should information be traced from the photo to the map. Contact trained personnel in the central office for assistance when adjustments are warranted to forest land map features.

Tax Classification Steps

Introduction

A parcel may have single or multiple land uses. To insure that land is classified and appraised correctly, the following steps are followed to determine the correct property tax designation and property tax class.

Step 1. Determine if the parcel meets the forest land eligibility requirements pursuant to ARM 42.20.705, ARM 42.20.710 and ARM 42.20.735.

a. **If yes**, classify only the forested area that meets the criteria as commercial forest land. If there is a residence(s) improvement surrounded by the forest land, refer to ARM 42.20.750 for the classification and appraisal of the land under the residential improvements. If the improvements are commercial or industrial, classify the land used for those uses as Class 4 property.

b. Non-commercial forest land is classified as nonforest land. Non-commercial forest land is land that contains timber not meeting forest land eligibility requirements. An example would be forested land on a poor growing site that fails to meet the minimum productivity requirement. Nonforest land is classified as Class 3 or Class 4 property.

c. If the parcel contains forest land *and* nonforest land *or* if the parcel does not meet forest land eligibility requirements, **go to step 2.**

Step 2. Determine if the land meets agricultural eligibility requirements pursuant to ARM 42.20.620, ARM 42.20.625, ARM 42.20.640 and ARM 42.20.156.

a. **If yes**, classify and grade the nonforest land according to its agricultural use and productive capacity. Land under barns, sheds, silos, cribs, green houses, and like structures, lakes, dams, ponds, streams, irrigation ditches, privately owned roads, and like facilities, are classified as agricultural land provided it is not used for a commercial or industrial purpose. If there is a residence(s) surrounded by the agricultural land, refer to ARM 42.20.655 for the proper classification and appraisal of the land under residential improvements. If the improvements are commercial or industrial, classify the land used for those uses as Class 4 property.

b. If the land does not meet the agricultural eligibility requirements, **go to step 3**.

Step 3. Determine if the parcel meets the nonqualified agricultural eligibility requirements pursuant to ARM 42.20.650 and ARM 42.20.156.

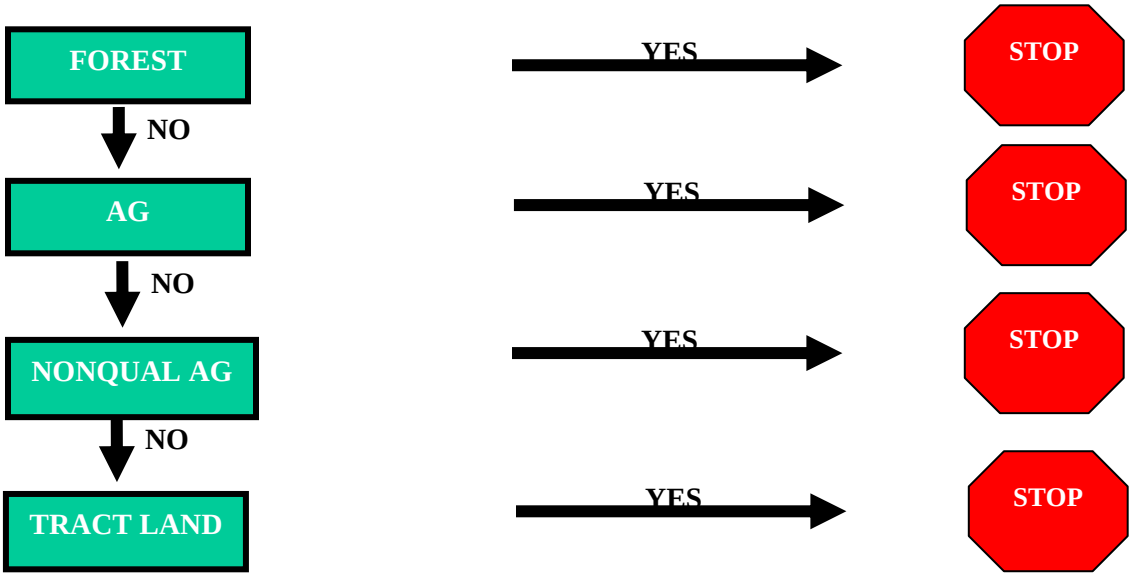
a. **If yes**, classify the nonforest land as nonqualified agricultural land. If there is a residence(s) surrounded by nonqualified agricultural land, refer to ARM

42.20.655 for the proper classification and appraisal of the land under residential improvements. If the improvements are commercial or industrial, classify the land used for those uses as Class 4 property.

b. If the land does not meet the eligibility requirements pursuant to nonqualified agricultural land, **go to step 4**.

Step 4. Land that does not meet the eligibility requirements found in steps 1 through 3 is classified as Class 4 property and valued at market.

a Commercial and industrial operations can occur on parcels that contain agricultural, nonqualified agricultural and forest land. Land is valued at market under commercial or industrial improvements and is commensurate with the area occupied by the improvements and their associated commercial or industrial operation.



Land Eligibility Review Dates for Tax Class 3 and Tax Class 10 Property

Introduction

The department must annually review land for Class 3 or Class 10 eligibility and address changes to use classifications and productive land grades. The department, pursuant to ARM 42.20.171 shall use January 1 of each year as the review date to ascertain the correct land classification for each parcel subject to taxation. The eligibility of land for Class 3 or Class 10 tax assessment is based on the land's use the preceding year.

The following statutes and administrative rules govern the department's notice to the taxpayer, notice deadlines and appeal dates.

15-7-102 (1)(a) MCA, Notice of classification and appraisal to owners-appeals, states that:

> *(a) The department shall mail to each owner or purchaser under contract for deed a notice of the classification of the land owned or being purchased and the appraisal of the improvements on the land only if one or more of the following changes pertaining to the land or improvements have been made since the last notice:*
> *(i) change in ownership;*
> *(ii) change in classification;*
> *(iii) except as provided in subsection (1)(b), change in valuation, or*
> *(iv) addition or subtraction of personal property*

15-8-201 MCA, General assessment day, in part states that:

> *(1) The department shall, between January 1 and the second Monday of July in each year, ascertain the names of all taxable inhabitants and assess all property subject to taxation in each county.*
> *(2) The department shall assess property to:*
> *(a) the person by whom it was owned or claimed or in whose possession or control it was at midnight of the preceding January 1; or*
> *(b) except in the case of land splits, the new owner if the provisions of 15-7-304 have been met and the transfer certificate has been received and processed prior to determining the taxes that are due as provided in 15-10-305(2).*

Montana Codes Annotated 15-15-102, Application for reduction in valuation, states in part that:

> *"… an application for a reduction in value must be submitted on or before the first Monday in June or 30 days after receiving either a notice of classification and appraisal or determination after review under 15-7-102(3) from the department, whichever is later."*

Classification Eligibility Review Dates

Pursuant to ARM 42.20.171 - Land Classification Review Date for Tax Class 3, 4 and 10 Property, the department shall determine land classification based on type of use, agricultural income (if applicable) and property size as of January 1 of the year the determination is made. If on January 1, land within a parcel meets eligibility requirements for one or more property tax classifications, the department shall assign the land to the correct property tax class and land designation. The owner or the owner's agent must file a request for review by the first Monday in June or 30 days from the receipt of an assessment notice which ever is later.

Example 1.

A landowner owns a vacant 10-acre parcel of land that is assessed as residential land and valued at market on January 1 of the current year. He purchases a contiguous, vacant 5-acre parcel in February that is also assessed as Class 4 - residential land. The following month, he files a Property Review Form (AB-26) requesting both parcels be classified and assessed as Class 10 - forest land for the current year.

a. The taxpayer met the deadline for the current year to file the property review form pursuant to **15-7-102(3) MCA, Application for reduction in valuation**.

b. The taxpayer owned a single, 10-acre parcel on January 1 of the year the AB-26 is filed. The adjacent 5-acre parcel was in a different ownership on January 1. The property does not meet minimum forest land acreage requirements pursuant to 15-44-102(5), MCA for the current year.

c. The taxpayer's request for a change in property classification is denied and both parcels are assessed and valued as Class 4 property.

d. Both parcels will be eligible for *consideration* as Class 10 - forest land the following tax year because the taxpayer owns two contiguous parcels totaling 15 acres in size on January 1 of the following year.

Example 2.

A landowner owns a 40-acre parcel that is classified and assessed as forest land on January 1 of the current year. In February, he purchases a contiguous 10-acre parcel of land that is assessed as non-qualified agricultural land. In March, he files a Property Review Form (AB-26) requesting the newly acquired parcel also be assessed and valued as forest land.

a. The taxpayer met the deadline for the current year to file the property review form pursuant to **15-7-102(3) MCA,** - **Application for Reduction in Valuation**.

b. The taxpayer owns a single 40-acre parcel on January 1, of the year the AB-26 is filed. The adjacent 20-acre parcel is in a different ownership on January 1 of the current year.

c. The 40-acre parcel owned by the taxpayer on January 1 is classified and assessed as Class 10 – forest land for the current year. The 20-acre parcel is classified and assessed as Class 3 - nonqualified agricultural land for the current year.

d. The 20-acre parcel will be eligible for *consideration* as Class 10 - forest land the following tax year because the taxpayer owns 60 contiguous acres on January 1 of the following year.

Example 3.

A landowner owns a 30-acre parcel that is assessed and valued as forest land on January 1 of the current year. In December of the same year, he purchases a contiguous 10-acre parcel of forested land. In March of the **following** year he files a Property Review Form (AB-26) requesting that the 10-acre parcel be assessed and valued as forest land.

a The taxpayer met the deadline for the current year to file the property review form pursuant to **15-7-102(3) MCA, Application for reduction in valuation**.

b On January 1, of the year the AB-26 is filed, the taxpayer owns two contiguous parcels that total 40 acres in size.

c. Both parcels are assessed and valued as Class 10 - Forest land for the year the AB-26 is filed if the parcels meet all eligibility requirements pursuant to 15-44-202, MCA.

Land Use and Land Grading

Pursuant to ARM 42.20.171 - Land Classification Review Date for Tax Class 3, 4 and 10 Property, the department shall assign the proper grade or grades based on the land's use or uses that were present on January 1 of the current year. The owner(s) of record that receives the tax assessment, or their agent, may request a review of the property's use classification and land grading. The owner or the owner's agent must file a request for review by the first Monday in June or 30 days from the receipt of an assessment notice which ever is later.

Example 1.

A landowner purchases a 40-acre tract in February of the current year. The property was assessed as forest land on January 1 of the current year. The landowner files a property review form (AB-26) in March of the current year. The landowner states that the productivity grade is too high for his newly acquired forest land. The landowner requests that the productivity grades be adjusted downward.

a. The landowner met the deadline to file the property review form pursuant to **15-7-102(3), MCA, Application for reduction in valuation**.

b. The inherent capability of that land to produce at a given level was the same the previous year as it is during the current year. Land productivity does not change with a change in ownership.

c. Although the landowner purchased the property after January 1 of the year he files an AB-26, the department must consider the merits of the landowner's concerns about over-graded land productivity for the current year. If the land grade was incorrect under the previous owner, the department cannot ignore the error simply because the new owner did not own the land on January 1. The land grade is adjusted for the current year if a change is appropriate.

Example 2:

A landowner purchases a 20-acre tract in February that was assessed as nonqualified agricultural land under the previous ownership. The new landowner decides to convert the property into forest land that spring by planting the prerequisite number of tree seedlings. The new landowner receives a property tax assessment on June 1 that informs him that the property is classified and assessed as Class 3 – nonqualified agricultural land for the current year. The landowner files a forest land application (AB-3T) in September of the same year. The landowner claims that the property is now adequately stocked trees and he requests forest land classification and assessment for the current year. The landowner states that he waited to file the application until he knew the trees would survive through the summer months.

a. The landowner did not meet the deadline to file the property review form pursuant to **15-7-102, MCA - Application for Reduction in Valuation**, for the current year.

b. The property was classified and assessed as Class 3 - nonqualified agricultural land on January 1 of the year the agricultural application was filed.

c. The land does not meet minimum forest land acreage requirements for the year the landowner filed a forest land application (AB-3T). The seedlings were not in the ground on January 1 of the current year.

d. The forest land application is denied for the current year and the property is classified and assessed as Class 3 - nonqualified agricultural land.

e. The property is eligible for consideration as forest land classification and assessment the following year.

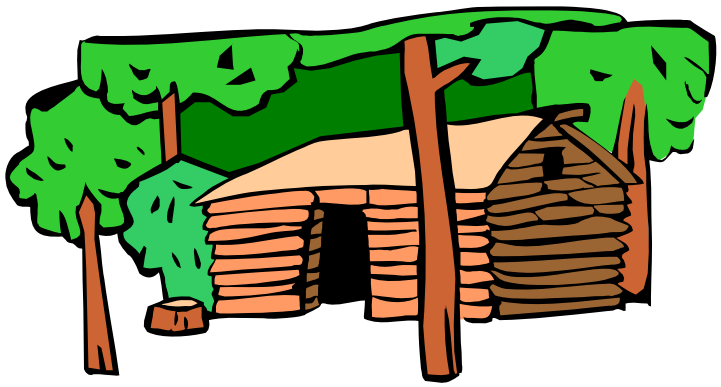
Residential Improvements

The term “improvements” found in 15-6-134(1)(e), MCA, and 15-7-206(2), MCA, refers to residential improvements. Land under a residential improvement receives a one-acre use designation on all Class 3 and Class 10 property. Legislation found in 15-7-202(1)(c) and 15-7-206 MCA, stipulate that land under other types of man-made improvements such as farm buildings and irrigation ditches must be classified as agricultural land (if the surrounding property is classified as agricultural land). The department promulgated ARM 42.20.655 to address the valuation of land under a residence on agricultural land. The department promulgated ARM 42.20.750 to address the valuation of land under a residence on forest land.

A residential improvement is any fixed dwelling that is constructed and used for human habitation. The structure must, at a minimum, contain sleeping facilities. Any building that is used entirely for storage is not considered a residence. Unless a residential improvement exists, outbuildings, garages and agricultural structures do not receive a one-acre building site designation to the land under the improvements.

A fixed dwelling does not have to contain water and sewer/septic amenities. Many summer homes and cabins do not have a septic system and/or well. These buildings are appraised as a residential structure and the land under the improvement is assigned a one-acre building site designation.

Wells and septic systems are exempt from property valuation. Any site that contains just a well and septic system is not assigned a one-acre building site designation. A one-acre building site classification will be assigned to land that contains a well, septic system and a mobile home. If the mobile home is removed from the site, leaving the land without a residential improvement, then the one-acre building site designation will be removed from the assessment. A mobile home or trailer, that is not permanently attached to a foundation, and does not contain water and/or septic improvements, is not assigned a one-acre building site designation.



Classification and Valuation of Land Under Residential, Commercial and Industrial Improvements

The treatment of one acre under residential improvements on forest land is described in ARM 42.20.750. The one-acre under residential improvements on Property Tax Class 10 – Forest land, is valued at its market value. Exactly one acre is assigned to land under residential improvements in Class 10, even if the residential improvement physically occupies more or less than one acre. If a parcel is less than one acre in size and contains a residence, the entire parcel is designated as a building site if it meets agricultural eligibility requirements.[22]

If two or more residential improvements are located on the same acre, then a single one-acre designation is assigned to the parcel. For example, if the primary residence has a guesthouse adjacent to it, the parcel is assigned one "one-acre building site" even though the parcel contains two residences.

For each residential improvement that is not located on the same acre, a separate one-acre building site designation is assigned to the parcel. For example, if a parcel has several residential homes that are not located on the same acre, land under each residential improvement is assigned a one-acre building site.

Land under commercial and industrial improvements on Class 3 and Class 10 property is not assigned a one-acre designation. Department staff must determine the actual amount of land under the commercial or industrial improvements and place that land in property Tax Class 4. An example of a commercial improvement on a parcel containing agricultural land is a riding arena that is used to produce nonagricultural income. An example of an industrial improvement on a parcel containing forest land is a wood products plant.

When a one-acre building site under residential improvements is assigned to parcels in Class 3 or Class 10, the following valuation method applies for each land type.

Agricultural land*:* One acre of land under the residential improvement surrounded by agricultural land is valued at the agricultural class with the highest productive value and production capacity of agricultural land (**I-1A**).

Nonqualified agricultural land: One acre of land under the residential improvement surrounded by nonqualified agricultural land is valued at market.

[22] In this example, the ownership has multiple parcels that are contiguous to each other.

Forest land: One acre of land under the residential improvement surrounded by forest land is valued at market.

A parcel may contain multiple land use classifications (i.e. agricultural/forest land, nonqualified agricultural land/forest land, agricultural land/Class 4 land, etcetera), however a parcel can never receive agricultural and nonqualified agricultural land classification.

If a parcel contains multiple land uses, determine which type of land use surrounds the residential improvements. Utilize aerial photographs, notations on property record cards, or pictures of the residential improvement to identify the type of land use that surrounds the improvements. If you are unable to make this determination in the office, a field inspection is necessary. It is extremely important to determine the correct land use surrounding residential site on parcels containing agricultural and forest land. If the land under residential improvements is surrounded by forest land, the building site is appraised at its market value. If the land under residential improvements is surrounded by agricultural land, the residential site is appraised at an agricultural value.

In rare instances, an ownership may be less than 20 acres in size and contain at least 15 acres of forest land and several acres of nonforest land. Unless the nonforest land meets agricultural eligibility requirements, the land is valued at market. If the residential improvements on these parcels are surrounded by nonagricultural land, the parcel is not assigned a one-acre building site and the land under the improvements is valued at its market value.

On-Site Inspections

When necessary, the department must conduct an on-site analysis to estimate forest productivity or determine forest land eligibility. The measurement of a site index and potential volume yield should be conducted by trained foresters. Technical questions concerning forest productivity should be referred to a tax specialist in Helena.

Site index curves used by Region One of the United States Forest Service for tree species found in Montana are found in Tables I through IV. In western Montana, the site index figures are applied to the Yield Table found in Table V. No published yield table will provide reliable estimates for central and eastern Montana.

To make valid field measurements, the site must be relatively undisturbed by man or other natural causes. Measurements are made on "site trees" and these measurements are then referenced in a site index table. Site trees should be dominant or co-dominant in respect to their height position in the stand. The trees must be relatively uncrowded and unaffected by insects and disease. Tree rings should not show inhibited growth from any factor for more than 20 straight years. Site trees should be between 20 and 80 years in age.

Occasionally, an office review cannot determine if an ownership meets the 15-acre forest land eligibility requirement. All landowners with properties less than 20 acres in size that contain forest land should be asked to apply for forest land classification. The forest land classification maps do not accurately delineate forest/nonforest boundaries to within a few acres. The margin for error, when determining forest land acreage from the maps on small properties is significant. Therefore, small ownerships should have an approved *AB-3T* on file in the local DOR office. A forest land application forces the department to conduct a thorough review of the property.

In some cases, an area traverse is conducted on the nonforest area to determine how much forest land is contained on the remainder of the property. Distances and bearings are first determined for the nonforest land. The data is then entered into an acreage calculation program to determine area. The nonforest area is then deducted from the total area of the ownership to determine the forested acreage.[23]

[23] A GPS unit can automatically calculate acreage by walking the boundary of the forest or nonforest area.

42.20.701 DEFINITIONS The following definitions apply to this sub-chapter:

(1) "Capable of producing timber that can be harvested in commercial quantity" means:

(a) forest land that can produce 25 cubic feet or more of stem-wood per acre per year in live softwood trees, 1.0 inch in diameter at breast height, at the culmination of the mean annual increment (the point of maximum wood production) for fully stocked, natural stands; and

(b) is at least 10% stocked with softwood timber of any size on an area at least 120 feet in width; or

(c) has been converted from another use and exhibits a minimum stocking rate of 300 seedlings and/or saplings per acre (12-foot average spacing); or

(d) meets the stocking requirement specified in (1)(b) and (c), but has had the trees removed by man through timber harvest or by fires and other natural disasters, and has been, or will be, naturally or artificially regenerated within 10 years.

(2) "Contiguous parcels of land" means separately described parcels of land under one ownership that physically touch one another or would have touched one another were the acreages not separated by deeded roads and highways, navigable rivers and streams, railroad lines, or federal or state land that is leased from the federal or state government by the taxpayer whose land is physically touching the federal or state land.

(3) "Diameter at breast height (dbh)" means the average stem diameter, outside bark, at a point 4.5 feet above the ground.

(4) "Forest site productivity class" means the range of site quality which expresses the timber production potential of a site in terms of cubic-foot volume growth per acre at culmination of mean annual increment (the point of maximum wood production) in fully stocked natural stands.

(5) "Fully stocked" means the highest degree in which a stand could fully utilize the site's capacity to grow trees.

(6) "Land use" means land placed into a certain type of service or utilization.

(7) "Mean annual increment" is a measure of the average yearly increase in volume produced on one acre. This increment can be calculated by dividing total stand volume by the total age. Mean annual growth increases as the stand matures, attains a maximum growth increment at a later age, then decreases as the growth rate decreases. Volume is expressed in cubic feet.

(8) "Natural stands" means fully stocked, even-aged softwood stands which are naturally regenerated.

(9) "Noncontiguous parcels of land" means parcels of land under one ownership that are physically separated from one another by land in a different ownership other than deeded roads and highways, navigable rivers and streams, railroad lines, or federal or state land that is leased from the federal or state government by the taxpayer whose land is physically touching the federal or state land.

(10) "Nonforest land" means land that is at least 120 feet in width and at least five acres in size which does not meet the requirements of ARM 42.20.702. Nonforest land can include rivers and streams, roads, highways, power lines, and railroads.

(11) "Ornamental trees" means trees grown commercially to ornament and decorate or for use as shade trees or windbreaks.

(12) "Owner" means that the applicant and owner of record are the same individual, corporation, or partnership.

(13) "Parcel" means a tract or plot of land distinguishable by ownership boundaries.

(14) "Producing timber" is defined as including trees removed through harvest, clear-cut or by natural disaster, such as fire.

(15) "Residence" means all conventionally constructed homes, as well as all mobile homes and manufactured housing, that may serve as living quarters for one or more individuals or a family. The occupancy of the residence shall be irrelevant.

(16) "Site" means the capacity of at least 15 contiguous acres to grow timber.

(17) "Stem-wood" means the bole or trunk of the tree, excluding the roots, branches, and needles.

(18) "Stocked" means a measure of the degree to which an area is effectively covered with living trees.

(19) "Under one ownership" means one party owns two or more parcels of land when the title is in the party's name or names; the party has received title in the parcels by a transferring instrument such as a deed, contract for deed, or judgment; and the party has the present right to possess and use the parcels.

(20) "Uninterrupted forest land" means forest land that meets the requirements of ARM 42.20.702 and is unbroken by nonforest land. (History: Sec. 15-44-105, MCA; IMP: Sec. 15-1-101, 15-44-101, 15-44-102, and 15-44-103, MCA; NEW, 2003 MAR p. 1888, Eff. 8/29/03.)

42.20.705 FOREST LAND ASSESSMENT (1) The department shall assess land as forest lands according to the following basic determinations.

(a) Forest lands are:

(i) contiguous land of 15 acres or more in the same ownership that is capable of producing timber that can be harvested in commercial quantity;

(ii) land that is producing timber or land in which the trees have been removed by man through harvest, including clear-cuts, or by natural disaster, including, but not limited to fire;

(iii) land that is not classified as nonforest land. Nonforest land is used for agricultural, nonqualifying agricultural, industrial, commercial, or residential purposes. (History: Sec. 15-44-105, MCA; IMP, Sec. 15-44-101, 15-44-102, and 15-44-103, MCA; NEW, 1992 MAR p. 2650, Eff. 12/11/92; AMD, 1998 MAR p. 2505, Eff. 9/11/98; TRANS from ARM 42.20.160 and AMD, 2003 MAR p. 1888, Eff. 8/29/03.)

42.20.710 EXCEPTIONS TO FOREST LAND ASSESSMENT (1) The following land shall not be classified and assessed as forest land:

(a) land that is incapable of yielding wood products because of adverse site conditions or physical inaccessibility;

(b) land withdrawn from timber utilization by statute, ordinance, covenant, court order, or administrative order;

(c) land used in the production of cultivated Christmas tree plantations which produce commercially marketable Christmas trees; or

(d) land used in the production of fruit trees, ornamental trees and trees grown for the sole purpose as shade trees and windbreaks. (History: Sec. 15-44-105, MCA; IMP, Sec. 15-44-101, 15-44-102, and 15-44-103, MCA; NEW, 1992 MAR p. 2650, Eff. 12/11/92; AMD, 1998 MAR p. 2505, Eff. 9/11/98; TRANS from ARM 42.20.162 and AMD, 2003 MAR p. 1888, Eff. 8/29/03.)

42.20.715 FOREST SITE PRODUCTIVITY CLASSES (1) The department shall assign all forest land to one of the following forest site productivity class designations:

(a) forest site productivity class IV (25 through 44.9 cubic feet of wood per acre per year);

(b) forest site productivity class III (45 through 64.9 cubic feet of wood per acre per year);

(c) forest site productivity class II (65 through 84.9 cubic feet of wood per acre per year);

(d) forest site productivity class I (85 and over cubic feet of wood per acre per year). (History: Sec. 15-44-105, MCA; IMP, Sec. 15-44-101 and 15-44-102, MCA; NEW, 1992 MAR p. 2650, Eff. 12/11/92; AMD, 1993 MAR p. 2970, Eff. 12/10/93; TRANS from ARM 42.20.164 and AMD, 2003 MAR p. 1888, Eff. 8/29/03.)

42.20.720 FOREST LAND VALUATION ZONES (1) The department shall divide the state into forest valuation zones, with each zone designated to recognize the uniqueness of marketing areas, timber types, growth rates, access, and other pertinent factors that affect value. The designated forest valuation zones and the counties contained within each zone are:

(a) Zone 1 - Northwest: Flathead, Lake, Lincoln and Sanders counties;

(b) Zone 2 - West Central: Granite, Mineral, Missoula, Powell and Ravalli counties;

(c) Zone 3 - South Central: Beaverhead, Deer Lodge, Jefferson, Lewis and Clark, Madison and Silver Bow counties;

(d) Zone 4 - Central: Broadwater, Cascade, Gallatin, Glacier, Meagher, Park, Pondera, and Teton counties; and

(e) Zone 5 - Eastern: Blaine, Big Horn, Carbon, Carter, Chouteau, Custer, Daniels, Dawson, Fallon, Fergus, Garfield, Golden Valley, Hill, Judith Basin, Liberty, McCone, Musselshell, Petroleum, Phillips, Powder River, Prairie, Richland, Roosevelt, Rosebud, Sheridan, Sweet Grass, Stillwater, Toole, Treasure, Valley, Wheatland, Wibaux, and Yellowstone counties. (History: Sec. 15-1-201 and 15-44-105, MCA; IMP, Sec. 15-44-101, 15-44-102, 15-44-103, and 15-44-104, MCA; NEW, 1993 MAR p. 2970, Eff. 12/10/93; AMD, 1997 MAR p. 507, Eff. 3/11/97; TRANS from ARM 42.20.166 and AMD, 2003 MAR p. 1888, Eff. 8/29/03.)

42.20.725 FOREST LAND VALUATION FORMULA (1) Non-commercial forest land and nonforest land shall not be eligible for valuation as forest land. Standing and down timber on forest land shall not be separately valued and assessed.

(2) The valuation of forest land shall be as provided in 15-44-101 through 15-44-105, MCA.

(3) The valuation of forest land shall be based on a five-year average of income, expense, and capitalization rate for the most recent five-year period ending in the calendar year immediately preceding the year published by the department in ARM 42.18.124.

(4) The department shall determine the forest productivity value for each forest valuation zone using the formula V=I/R, where:

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

(b) I is the per-acre net income of forest lands in each valuation zone and is determined by the department using the formula, I = (M x SV) + NAI - C, where:

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

(ii) M is the per-acre mean annual net wood production;

(iii) SV is the per-acre stumpage value;

(iv) NAI is the per-acre agricultural related income; and

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

(c) R is the capitalization rate.

(5) Net income (I) shall include stumpage value derived from the harvest of timber on state timber sales.

(6) The mean annual net wood production (M) shall be determined by using the following formula M=RA x MAI where:

(a) RA is the cubic foot to board foot ratio which converts cubic feet to board feet; one cubic foot will equal 4.1 board feet; and

(5) Net income (I) shall include stumpage value derived from the harvest of timber on state timber sales.

(6) The mean annual net wood production (M) shall be determined by using the following formula M=RA x MAI where:

(a) RA is the cubic foot to board foot ratio which converts cubic feet to board feet; one cubic foot will equal 4.1 board feet; and

(b) MAI is the arithmetic midpoint of each forest productivity site class in each forest valuation zone.

(7) Agricultural related income is the average net income for grazing livestock on forest lands in each forest valuation zone. Agricultural related income shall be determined by using the formula AI = GF x AUM x GC where:

(a) AI is the per-acre agricultural related income;

(b) GF is the average per-acre grazing fee on private land;

(c) AUM is the average per-acre animal unit months on forest land; and

(d) GC is the percentage reflecting grazing costs used by the department to value agricultural grazing land.

(8) The capitalization rate is the 15-year annual average interest rate on agricultural loans as reported by the northwest farm credit services, agricultural credit association of Spokane, Washington, or its successor, plus the effective tax rate.

(9) The effective tax rate shall be calculated by dividing the total estimated tax due on private forest lands by the total forest value of those lands. (History: Sec. 15-1-201 and 15-44-105, MCA; IMP, Sec. 15-44-101, 15-44-102, 15-44-103, and 15-44-104, MCA; NEW, 1993 MAR p. 2970, Eff. 12/10/93; AMD, 1998 MAR p. 2505, Eff. 9/11/98; TRANS from ARM 42.20.167 and AMD, 2003 MAR p. 1888, Eff. 8/29/03.)

42.20.730 FOREST COSTS (1) The determination of forest costs in ARM 42.20.725 represent the average costs for reforestation, fire assessment, slash disposal, timber stand improvement, timber harvest, forest practices, administration and the severance tax over the base period specified in ARM 42.20.725. Forest costs, with the exception of the fire assessment fee and the severance tax, are calculated from the actual expenditures for those activities conducted by the department of natural resource and conservation, forestry division (DNRC). The average forest cost in each forest valuation zone is derived from DNRC land management areas. The fire assessment fee will be the average fee the DNRC charges landowners over the base period. The severance tax is the average severance tax that is paid by landowners who harvest timber over the base period in each land management area. Forest costs shall be deducted from the per acre gross timber income. (History: Sec. 15-1-201 and 15-44-105, MCA; IMP, Sec. 15-44-101, 15-44-102, 15-44-103, and 15-44-104, MCA; NEW, 1993 MAR p. 2970, Eff. 12/10/93; AMD, 1998 MAR p. 2505, Eff. 9/11/98; TRANS from ARM 42.20.168 and AMD, 2003 MAR p. 1888, Eff. 8/29/03.)

42.20.735 FOREST LAND ELIGIBILITY - GENERAL PRINCIPLES

(1) All parcels under one ownership that are 15 contiguous acres or greater that meet the requirements of ARM 42.20.705 shall be assessed and taxed as forest land.

(2) A party who owns two or more contiguous parcels with title in non-identical names may file an affidavit with the local department office to prove single ownership in the parcels.

(a) Examples of a party with title to multiple parcels of land in non-identical names that may file an affidavit to prove single ownership include, but are not limited to:

(i) John Doe is the same person as John G. Doe; and

(ii) James Cole Smith is the same person as James C. Smith.

(b) Examples of a party with title to multiple parcels of land in non-identical names that are not "under one ownership" and may not file an affidavit to prove single ownership include, but are not limited to:

(i) John Doe has title to one ownership and John and Mary Doe have title to a different ownership;

(ii) John Doe has title to one ownership and John Doe corporation has title to a different ownership; and

(iii) John Doe has title to one ownership and John Doe trust has title to a different ownership.

(3) The property owner of record or the owner's agent must provide proof of eligibility on an application form prescribed by the department.

(a) Forest land application forms shall be available at the local department office. Applications must be submitted to the local department office in the county in which the property is located prior to the first Monday in June of the year for which the reclassification is being sought, or within 30 days after receiving the notice of classification and appraisal from the department, whichever is later.

(b) An annual application is not required. The owner or owner's agent need reapply only under the following conditions:

(i) the landowner believes they meet eligibility requirements and wants the department to consider the classification of the land as forest land;

(ii) the department has reclassified the property because of a change in the eligibility of the property, a change in property use or a change in ownership.

(c) The department shall review the application and may conduct a field evaluation. The department will approve or deny the application and return a copy of the form with the written decision to the property owner or the owner's agent.

(d) An applicant for forest land classification who is dissatisfied with the department's determination may appeal to the appropriate county tax appeal board pursuant to 15-15-101, MCA.

(4) All terms and classification procedures pertaining to forest lands are in ARM 42.20.701, 42.20.705, 42.20.710, 42.20.715, 42.20.720, 42.20.725, 42.20.730, 42.20.735, 42.20.740, and 42.20.745, and the "Forest Land Classification and Appraisal Manual" as compiled by the department and available at a local department office or on the department's website, www.discoveringmontana.com/revenue. (History: Sec. 15-1-201 and 15-44-105, MCA; IMP, Sec. 15-44-101, 15-44-102, 15-44-103, and 15-44-104, MCA; NEW, 1993 MAR p. 2970, Eff. 12/10/93; AMD, 1998 MAR p. 2505, Eff. 9/11/98; TRANS from ARM 42.20.165 and AMD, 2003 MAR p. 1888, Eff. 8/29/03.)

42.20.740 NATURAL DISASTER REDUCTION - GENERAL PRINCIPLES

(1) Forest lands upon which, after December 31, 1993, trees are destroyed by fire, disease, insect infestation, or other natural disaster shall be eligible for a 50% reduction in assessed value for 20 tax years beginning the first full tax year following the natural disaster.

(2) The property owner of record as of January 1 of the first full tax year for which the reduction in value is sought or that owner's agent must complete an application with the local department office in which the property is located. The application prescribed by the department will be the property adjustment form (AB-26). The application must be made by the first Monday in June or within 30 days of receipt of the assessment notice for the first full year for which the reduction in value is requested.

(3) The department shall review the property adjustment form and may conduct a field evaluation. The department will issue a written determination to the applicant.

(4) The applicant shall include on the property adjustment form:

(a) applicant's name, current mailing address and phone number;

(b) date of application;

(c) legal description of the property where the natural disaster occurred;

(d) type of natural disaster;

(e) approximate size of forest land affected by the natural disaster;

(f) date the natural disaster occurred; and

(g) description of the damage to the timber stocking on the forest land affected by the natural disaster.

(5) Forest land shall be eligible for a 50% reduction in assessed value provided:

(a) the forest land affected is 15 contiguous acres or larger in size and under one ownership;

(b) the forest land affected contained at least 10% stocking of live trees prior to the natural disaster;

(c) the forest land affected contains 10% stocking or less of live trees after the occurrence of the natural disaster; and

(d) the applicant has timely filed the request for valuation review, as required in (2), and the natural disaster occurred after December 31, 1993. (History: Sec. 15-1-201 and 15-44-105, MCA; IMP, Sec. 15-44-101, 15-44-102, 15-44-103, and 15-44-104, MCA; NEW, 1993 MAR p. 2970, Eff. 12/10/93; TRANS from ARM 42.20.169 and AMD, 2003 MAR p. 1888, Eff. 8/29/03.)

42.20.745 FOREST LAND (1) The following is the schedule for forest land productive capacity values for each year of the reappraisal cycle beginning January 1, 2003:

(a) Productive capacity values are calculated by using the formula defined in 15-44-103, MCA.

(b) The department will apply a phase-in percentage as defined in 15-7-111, MCA, and ARM 42.20.503 to the full reappraisal productive capacity values for forest land for the reappraisal cycle beginning January 1, 2003.

(c) The department will not apply a phase-in percentage calculation to the full reappraisal productive capacity values for forest land values for the reappraisal cycle beginning January 1, 2003, if the values are lower than the base values in effect for tax year 2002. If the full reappraisal productive capacity values for forest land are lower than the base values in effect for tax year 2002, the full reappraisal productive capacity values for forest land will be fully implemented on January 1, 2003, and remain in effect for each year of the reappraisal cycle.

(i) 2003 forest valuation zone phase-in schedule:

Grade	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
1	1259.05	1145.39	799.49	1006.84	530.98
2	969.92	882.57	623.64	787.05	416.01
3	680.79	619.74	447.78	567.26	301.04
4	391.66	356.92	271.92	347.48	186.08

(ii) 2004 forest valuation zone phase-in schedule:

Grade	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
1	1259.05	1145.39	836.04	1039.26	547.07
2	969.92	882.57	651.91	812.64	428.07
3	680.79	619.74	467.79	586.03	309.06
4	391.66	356.92	283.66	359.41	190.06

(iii) 2005 forest valuation zone phase-in schedule:

Grade	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
1	1259.05	1145.39	872.59	1071.68	563.17
2	969.92	882.57	680.19	838.24	440.13
3	680.79	619.74	487.80	604.79	317.08
4	391.66	356.92	295.40	371.34	194.04

(iv) 2006 forest valuation zone phase-in schedule:

Grade	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
1	1259.05	1145.39	909.13	1104.11	579.27
2	969.92	882.57	708.47	863.83	452.18
3	680.79	619.74	507.81	623.55	325.10
4	391.66	356.92	307.15	383.27	198.02

(v) 2007 forest valuation zone phase-in schedule:

Grade	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
1	1259.05	1145.39	945.68	1136.53	595.36
2	969.92	882.57	736.75	889.40	464.24
3	680.79	619.74	527.82	642.32	333.12
4	391.66	356.92	318.89	395.21	202.00

(vi) 2008 forest valuation zone phase-in schedule:

Grade	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
1	1259.05	1145.39	982.23	1168.96	611.46
2	969.92	882.57	765.03	915.02	476.30
3	680.79	619.74	547.83	661.08	341.14
4	391.66	356.92	330.63	407.14	205.98

42.20.750 VALUATION OF ONE ACRE BENEATH IMPROVEMENTS ON FOREST LAND (1) A market valuation will be made for each one-acre area beneath each residence(s) which is located on forest land as provided in ARM 42.20.160 (42.20.705).

(a) Occupancy of the residential improvement for the purpose of applying this rule shall be irrelevant.

(b) A single one-acre market value determination will be made when multiple residences are located on the same one-acre area.

(c) Each one-acre area beneath a residential improvement on forest land as defined in ARM 42.20.160 (42.20.705) shall be appraised according to market value consistent with that of comparable land.

(d) If the one acre of land is located on forest land that is many miles from a suburban area, the market value assigned to the one-acre area will be consistent with the market value of comparable land. In no case will the market value be lower than the lowest market value assigned to improved tracts within the county.

(e) If the one acre of land is located on forest land that is near a suburban area, the market value assigned to the one-acre area will be consistent with the market value of surrounding suburban land.

(f) To avoid double taxation, the productive capacity value for the one-acre area beneath the residence(s) on forest land must be subtracted from the productive capacity value for the entire property ownership.

(2) No specific site improvement values for water systems and septic systems will be added to the one-acre land values determined in (1)(a) and (b). (History: Sec. 15-44-105, MCA; IMP; Sec. 15-6-134, 15-7-103, 15-7-201, 15-7-202, and 15-8-111, MCA; NEW, 2003 MAR p. 1888, Eff. 8/29/03.)

42.20.171 LAND CLASSIFICATION DETERMINATION DATE FOR CLASS THREE, FOUR, AND TEN PROPERTY (1) On January 1 of each year, the department shall ascertain the correct land classification for each parcel of land subject to taxation.

(2) Land classifications are:

(a) class four land that is valued at market;

(b) class three patented nonproductive mining claims;

(c) class three nonqualified agricultural land;

(d) class three agricultural land; and

(e) class ten forest land.

(3) The appropriate land classification will be determined for the purpose of tax assessment based on the land's use as of January 1 of the current year. The following examples are intended to demonstrate how the correct land classifications are established for the current year:

(a) Example 1 - A taxpayer with a contiguous ownership less than 160 acres in size files an application for agricultural land classification on May 1. The department's decision is based on the property's agricultural income for the preceding year and the property's ability to meet the agricultural eligibility rules pursuant to ARM 42.20.620 or ARM 42.20.625;

(b) Example 2 - A taxpayer files an application for forest land classification on May 1. The department's decision is based on the property's use on January 1 of the current year and the property's ability to meet the forest land eligibility rules pursuant to ARM 42.20.705, 42.20.710, and 42.20.735;

(c) Example 3 - A taxpayer owns a 10-acre parcel on January 1 of the current year that is valued at market and placed in class four property. The taxpayer has purchased a contiguous 10-acre parcel on May 1 of the current year, which is also appraised at market and placed in class four property. Both parcels were in different ownerships on January 1 and the department considers the land to be class four property for the current year and appraised at market value. If the land is not residential, commercial, or industrial land, the parcels are considered a 20-acre contiguous ownership by the department and appraised as either class three or class ten land for the following year;

(d) Example 4 - A taxpayer purchases a parcel of land on May 1 of the current year. The parcel was classified as forest land on January 1 of the current year. The taxpayer files an AB-26 within 30 days of receipt of the assessment notice requesting that the department review the forest land productivity grade for the property. If the department determines that a change in productivity grading is appropriate, the change is effective for the current year because the basis for the property's productivity existed on January 1 of the current year; and

(e) Example 5 - A taxpayer purchases a property on December 31 of the previous year. The property was classified as agricultural land under the previous owner. The new taxpayer files a timely application for agricultural land classification with the local department office. The new taxpayer states that the property will continue to be managed as an agricultural operation for the current year. The property met the agricultural eligibility requirements on January 1 of the current year for the previous owner. The property is classified and assessed as agricultural land by the department for the current year, even though the current taxpayer has not owned the property long enough to market agricultural products or consume agricultural products produced by the property. The department may ask the new taxpayer to file another application for agricultural land classification the following year to demonstrate that the property continues to meet the agricultural land eligibility requirements pursuant to ARM 42.20.620 or 42.20.625.

Figure I

Height Growth Curves For Ponderosa Pine

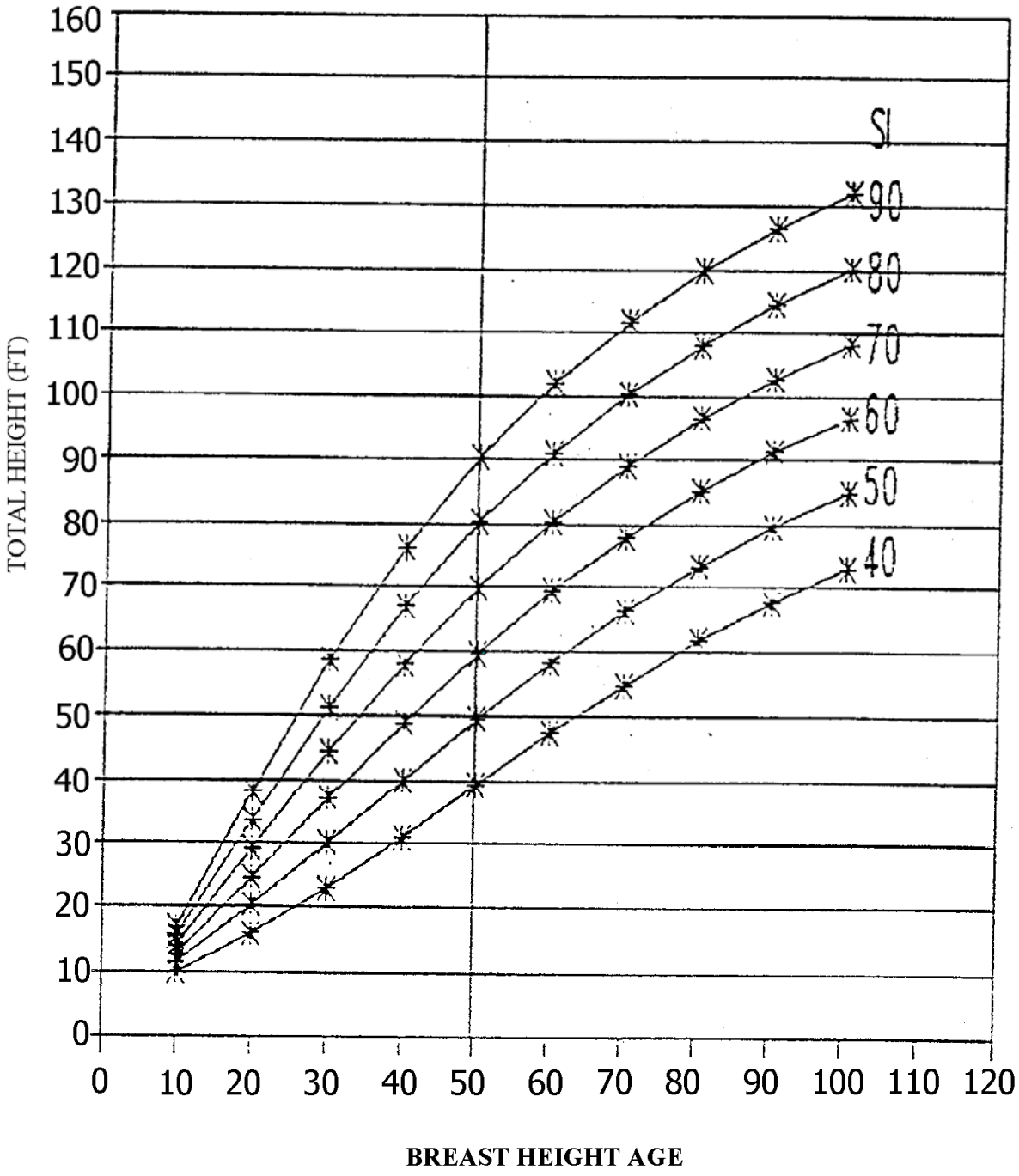


Figure II
Height Growth Curves For Douglas-fir

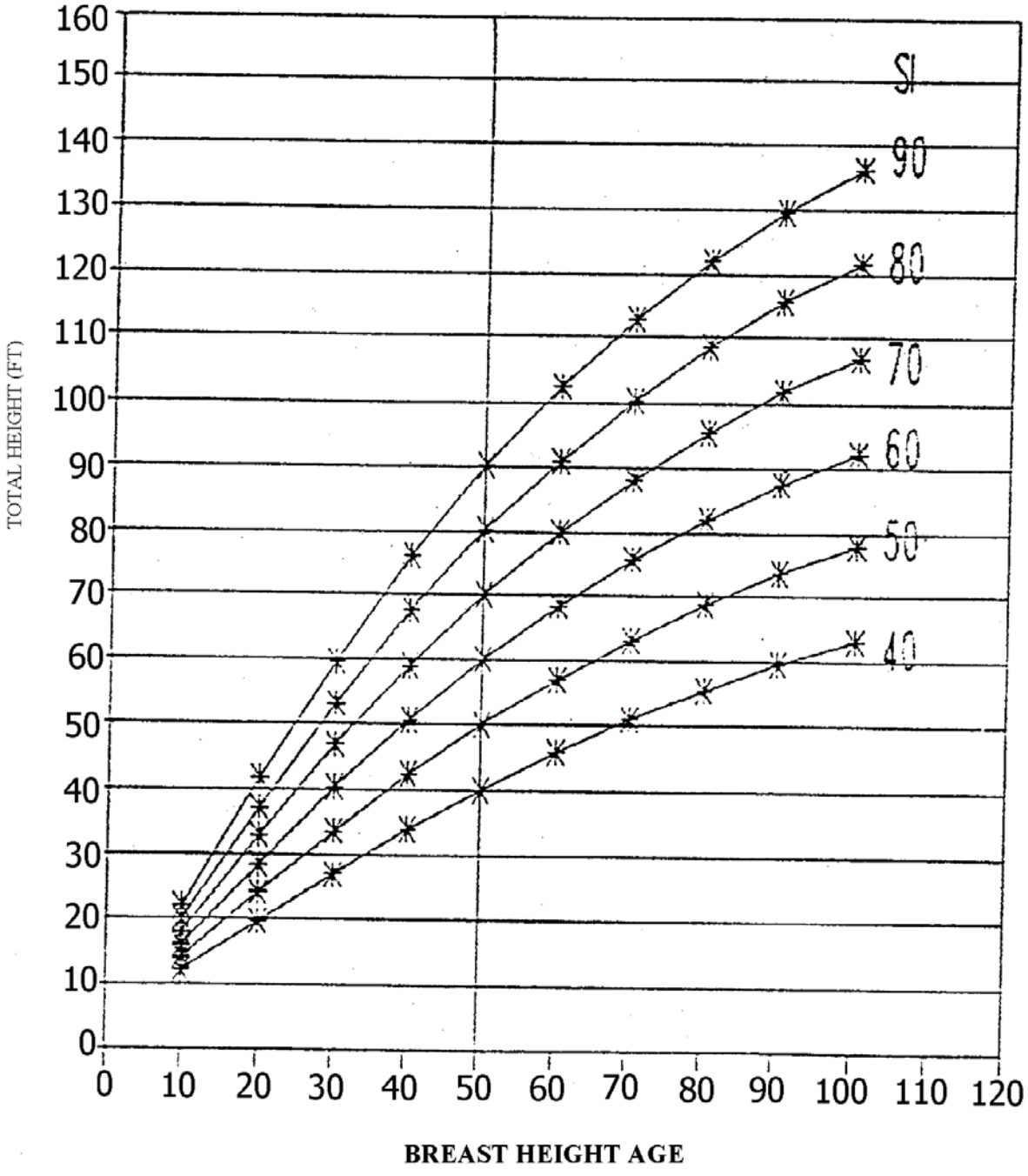


Figure III

Height Growth Curves For Western Larch

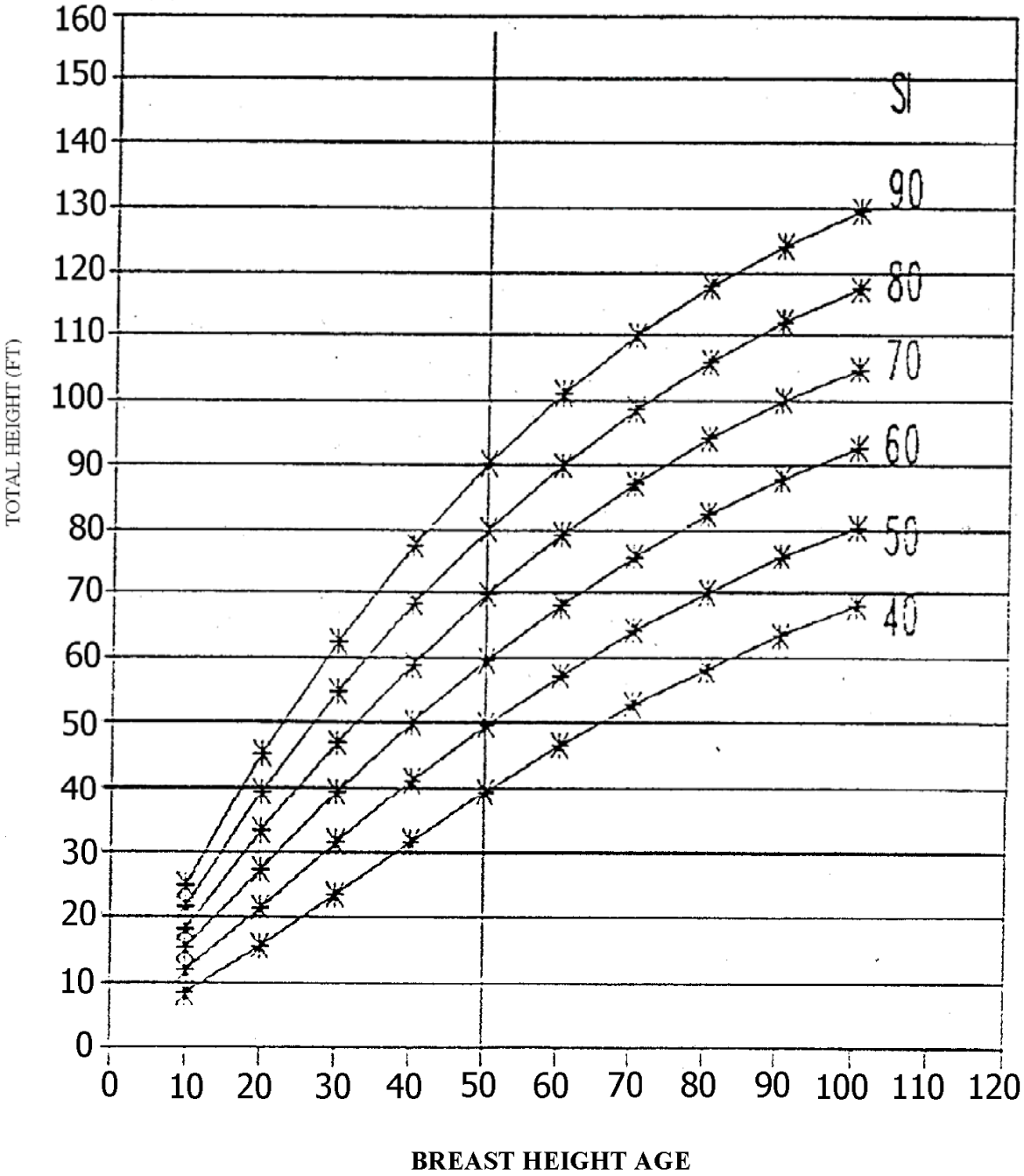


Figure IV

Height Growth Curves For Lodgepole Pine

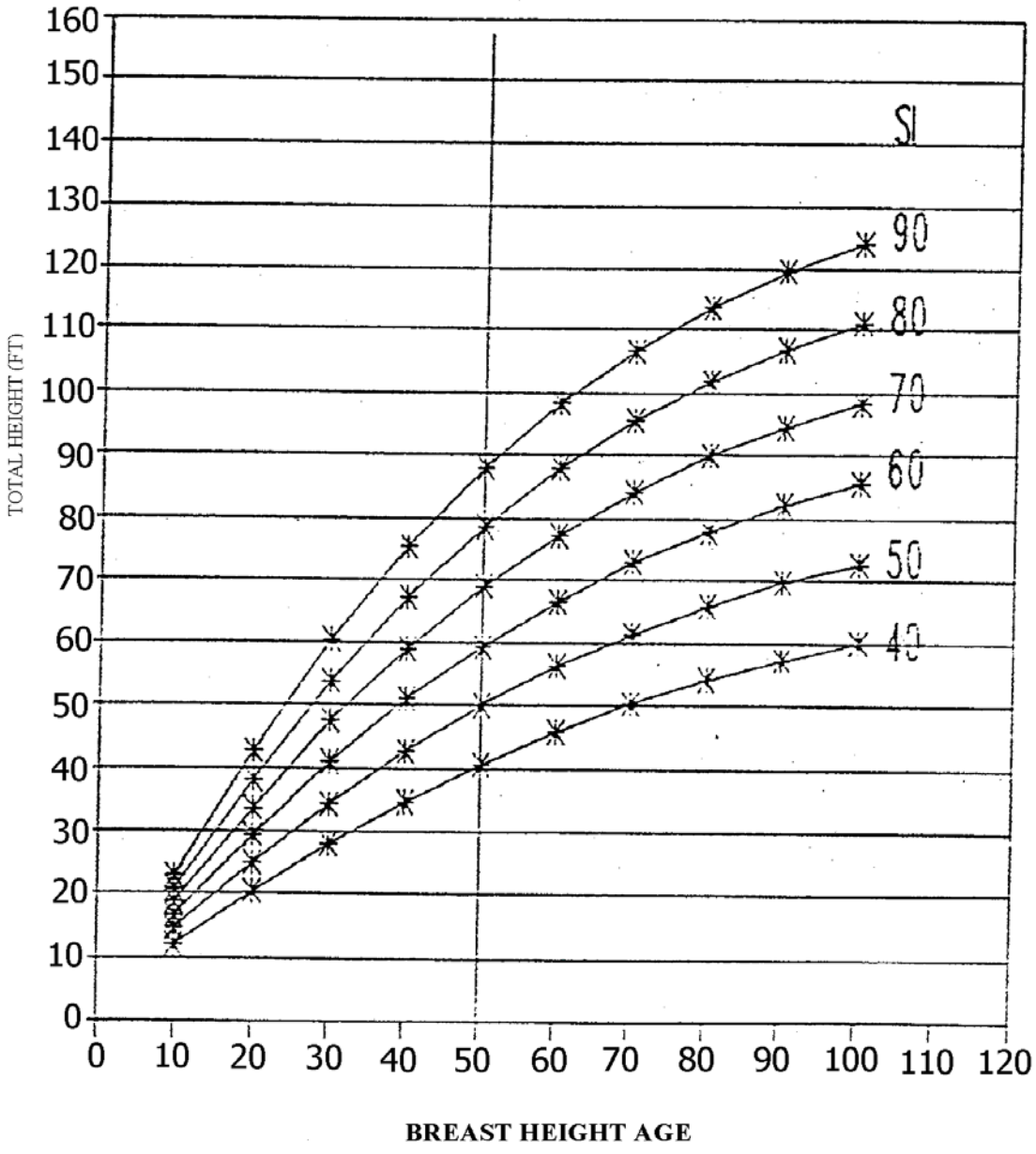


Figure V

Western Montana Yield Table

Site Index	Cubic Volume @ CMAI[24]
44	23
45	24
46	26
47	27
48	29
49	31
50	34
51	35
52	35
53	36
54	37
55	37
56	38
57	39
58	40
59	41
60	42
61	44
62	47
63	50
64	53
65	56
66	59
67	62
68	65
69	67
70	70
71	73
72	76
73	79
74	82
75	85
76	88

[24] Yield figures calculated by Randy Piearson by culminating yield data found in Selected Yield Tables for Plantations and Natural Stand in Inland Northwest Forests. Stage, Albert R., David L. Renner, Roger C. Chapman. USDA Forest Service Intermountain Research Station, Res. Pap. INT-394. Nov. 1988. Pg.3.