

BEFORE THE DEPARTMENT OF REVENUE  
OF THE STATE OF MONTANA

In the matter of the amendment of ) NOTICE OF AMENDMENT  
ARM 42.20.681 pertaining to )  
agricultural commodity prices and )  
values )

TO: All Concerned Persons

1. On November 4, 2022, the Department of Revenue published MAR Notice No. 42-1063 pertaining to the public hearing on the proposed amendment of the above-stated rule at page 2179 of the 2022 Montana Administrative Register, Issue Number 21.

2. On November 28, 2022, the department held a public hearing to consider the proposed amendment. The only attendee at the hearing was Robert Story, Executive Director of the Montana Taxpayers Association (Montax), who provided oral comments.

3. The department has amended ARM 42.20.681 as proposed.

4. The department has thoroughly considered the comments and testimony received. A summary of the comments received and the department's responses are as follows:

COMMENT 1: Mr. Story questioned the consistency of the prices and values in the rule because grazing fees in (1)(c) increased nearly \$1.00, the productivity average in (3) decreased, albeit slightly, and the carrying capacity for eligible grazing land in (7) increased - not decreased - from 23 to 25 AUMs. Mr. Story contends that as productivity values increase, carrying capacity should decrease.

RESPONSE 1: The department appreciates Mr. Story's comments and responds that each of the three values in the valuation or classification of agricultural land--commodity prices, average productivity, and carrying capacity ratings--are developed from nonrelated data and are not dependent or interrelated in their use by the department. While all pertain to the livestock industry, one is based on the fees to graze the livestock, one on the acres classified as grazing land, and the last on livestock sales. Given this lack of relationship or interdependency of the sources and uses of these values, which are explained below, relational conclusions are not supported.

Grazing fees are used in the valuation of agricultural grazing land; the productivity average is used in the valuation of nonqualified agricultural land and nonproductive patented mining claims. The carrying capacity for agricultural eligibility is a requirement for meeting classification and not used for valuation.

The commodity price used for valuing grazing land is the ten-year Olympic average of private grazing fees from the USDA Montana Agricultural Statistics

Service for years 2012 to 2021 as determined by 15-7-201(5)(d), MCA. These increased from the Olympic average for the previous ten-year data set from the same source.

The average productivity of grazing land in the state decreased slightly due to a change of acreage in the grazing classification. This productivity is used in the valuation of nonqualified agricultural land and nonproductive patented mining claims.

Grazing land is valued based on its specific productivity rating, not the average productivity, so the average does not affect the valuation of acres classified as grazing land.

The minimum number of animal unit months carrying capacity must equate to \$1500 in annual gross income as determined by the Montana State University-Bozeman College of Agriculture as required in 15-7-202(3), MCA. This calculation is based on the sales prices of cows and calves. Several different livestock operation scenarios are analyzed as described in the Montana State University AUM Report which can be found at [mtrevenue.gov](http://mtrevenue.gov) on the Agricultural Land Valuation Advisory Committee web page.

/s/ Todd Olson  
Todd Olson  
Rule Reviewer

/s/ Brendan Beatty  
Brendan Beatty  
Director of Revenue

Certified to the Secretary of State December 13, 2022.