

HOUSE BILL NO. 703
INTRODUCED BY RAMIREZ, CRIPPEN

IN THE HOUSE

FEBRUARY 14, 1989 INTRODUCED AND REFERRED TO COMMITTEE
 ON TAXATION.

FEBRUARY 15, 1989 FIRST READING.

MARCH 21, 1989 COMMITTEE RECOMMEND BILL
 DO PASS AS AMENDED. REPORT ADOPTED.

MARCH 22, 1989 PRINTING REPORT.

MARCH 29, 1989 SECOND READING, DO PASS.

MARCH 30, 1989 ENGROSSING REPORT.

 THIRD READING, PASSED.
 AYES, 99; NOES, 0.

 TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 31, 1989 INTRODUCED AND REFERRED TO COMMITTEE
 ON TAXATION.

 FIRST READING.

APRIL 11, 1989 COMMITTEE RECOMMEND BILL BE
 CONCURRED IN AS AMENDED. REPORT
 ADOPTED.

APRIL 12, 1989 SECOND READING, CONCURRED IN.

APRIL 13, 1989 THIRD READING, CONCURRED IN.
 AYES, 47; NOES, 0.

 RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 15, 1989 RECEIVED FROM SENATE.

APRIL 17, 1989

SECOND READING, AMENDMENTS
CONCURRED IN.

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 House BILL NO. 703
 2 INTRODUCED BY Ramirez Cuppen
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE SALES
 5 ASSESSMENT RATIO STUDY PROCEDURES FOR DETERMINING THE
 6 CORRECT ASSESSMENT LEVEL FOR SIMILAR PROPERTY LOCATED IN
 7 SPECIFIC AREAS OF THE STATE; AMENDING SECTIONS 15-7-102,
 8 15-7-111, AND 15-10-412, MCA; AND PROVIDING AN IMMEDIATE
 9 EFFECTIVE DATE AND AN APPLICABILITY DATE."

10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 **Section 1.** Section 15-7-102, MCA, is amended to read:

13 *15-7-102. Notice of classification and appraisal to
 14 owners -- appeals. (1) It shall be the duty of the
 15 department of revenue to cause to be mailed to each owner
 16 and purchaser under contract for deed a notice of the
 17 classification of the land owned or being purchased by him
 18 and the appraisal of the improvements ~~thereon~~ on the land
 19 only if one or more of the following changes pertaining to
 20 the land or improvements have been made since the last
 21 notice:

- 22 (a) change in ownership;
 23 (b) change in classification;
 24 (c) change in valuation; or
 25 (d) addition or subtraction of personal property

1 affixed to the land.

2 (2) The notice of classification and appraisal
 3 provided by the department under subsection (1) must be on
 4 a standardized form adopted by the department containing
 5 sufficient information in a comprehensible manner designed
 6 to fully inform the taxpayer as to the classification and
 7 appraisal of his property and of changes over the prior tax
 8 year.

9 (3) If the owner of any land and improvements is
 10 dissatisfied with the appraisal or classification of his
 11 land or improvements, he may submit his objection in writing
 12 to the department's agent. The department shall give
 13 reasonable notice to ~~such~~ the taxpayer of the time and place
 14 of hearing and hear any testimony or other evidence which
 15 the taxpayer may desire to produce at ~~such~~ that time and
 16 afford the opportunity to other interested persons to
 17 produce evidence at ~~such~~ the hearing. ~~Hereafter~~ After the
 18 hearing, the department shall determine the true and correct
 19 appraisal and classification of ~~such~~ the land or
 20 improvements and ~~forthwith~~ notify the taxpayer of its
 21 determination. In the notification, the department must
 22 state its reasons for revising the classification or
 23 appraisal. When ~~so~~ the proper appraisal and classification
 24 have been determined, the land shall be classified and the
 25 improvements appraised in the manner ordered by the

1 department.

2 (4) Whether a hearing as provided in subsection (3) is
3 held or not, the department or its agent may not adjust an
4 appraisal or classification upon taxpayer's objection
5 unless:

6 (a) the taxpayer has submitted his objection in
7 writing; and

8 (b) the department or its agent has stated its reason
9 in writing for making the adjustment.

10 (5) A taxpayer's written objection to a classification
11 or appraisal and the department's notification to the
12 taxpayer of its determination and the reason for that
13 determination are public records. Each county appraiser
14 shall make ~~such~~ the records available for inspection during
15 regular office hours.

16 (6) If any property owner ~~shall feel~~ feels aggrieved
17 at the classification and/or the appraisal ~~so~~ made by the
18 department, he shall have the right to appeal to the county
19 tax appeal board and then to the state tax appeal board,
20 whose findings shall be final subject to the right of review
21 in the ~~proper court or courts. While the~~ The property owner
22 may appeal the base year valuation, and the classification
23 determination, ~~the property owner may not appeal~~ the yearly
24 percentage adjustments that are specified in 15-7-111 and
25 that may be made as a result of the sales assessment ratio

1 ~~study. The property owner may not appeal,~~ and the stratum or
2 area designations as specified in 15-7-111."

3 **Section 2.** Section 15-7-111, MCA, is amended to read:

4 "15-7-111. Periodic revaluation of taxable property --
5 appeal of revaluations. (1) The department of revenue shall
6 administer and supervise a program for the revaluation of
7 all taxable property within the state at least every 5
8 years. A comprehensive written reappraisal plan shall be
9 promulgated by the department. The reappraisal plan ~~so~~
10 adopted shall provide that all property in each county shall
11 be revalued at least every 5 years or that no less than 20%
12 of the property in each county shall be revalued in each
13 year. The department shall furnish a copy of the plan and
14 all amendments ~~thereto~~ to the plan to the board of county
15 commissioners in each county.

16 (2) The new values determined during a revaluation
17 cycle must be provided to the taxpayers at the end of the
18 revaluation cycle but may not be placed on the tax rolls
19 until 1 year following the completion of the revaluation
20 cycle.

21 (3) A taxpayer shall appeal the new value in advance
22 of its placement on the tax rolls by filing an appeal
23 pursuant to 15-15-102 before the first Monday in June or 15
24 days after receiving notice of the new valuation amount,
25 whichever is later, or be barred from appealing for

1 untimeliness.

2 (4) For the taxable year beginning January 1, 1988,
3 and for every taxable year thereafter, the department shall
4 conduct a stratified sales assessment ratio study of all
5 residential real property and improvements, of all
6 commercial and industrial real property and improvements,
7 and of all other real property and improvements. The study
8 must include ~~such property as~~ vacant land, agricultural
9 improvements, and the 1-acre homesite beneath the
10 agricultural residence. Values based on each year's study
11 may not be implemented until the following year.

12 (5) The study required in subsection (4) must be based
13 on:

14 (a) the commonly accepted statistical standards and
15 methodology adopted by the international association of
16 assessing officers in their publication "Standard on
17 Assessment Ratio Studies";

18 ~~(b) assessments of the property described in~~
19 ~~subsection (4) as of January 1 of the year immediately~~
20 ~~preceding the taxable year for which the study is conducted;~~

21 ~~(c)(b) a statistically valid sample of sales, using~~
22 ~~data from realty transfer certificates filed for the up to 3~~
23 ~~taxable year years prior to the year the study is made,~~
24 ~~taking into account the dates of the included sales in the~~
25 ~~statistical analysis immediately following the assessment~~

1 ~~date identified in subsection (5)(b); and~~

2 ~~(d)(c) the assessments and sales for areas of the~~
3 ~~state that are economically, demographically, and~~
4 ~~geographically similar in order to determine the sales~~
5 ~~assessment ratio ratios for a specific area.~~

6 (6) For purposes of conducting the study required by
7 subsection (4), the department shall partition the state
8 into as many as 100 areas for residential property and as
9 many as 20 areas for commercial property. The areas must
10 contain comparable numbers of property and statistically
11 sufficient numbers of sales. The areas must be as
12 economically and demographically homogeneous as reasonably
13 practicable. sales assessment areas are as follows:

14 ~~(a) area-1:~~

15 ~~(i) Daniels County;~~

16 ~~(ii) Sheridan County;~~

17 ~~(iii) Roosevelt County;~~

18 ~~(iv) McCone County;~~

19 ~~(v) Valley County;~~

20 ~~(vi) Phillips County;~~

21 ~~(vii) Petroleum County;~~

22 ~~(viii) Garfield County; and~~

23 ~~(ix) Prairie County;~~

24 ~~(b) area-2:~~

25 ~~(i) Richland County;~~

1 (ii)-Dawson-County;
 2 (iii)-Wibaux-County;
 3 (iv)-Pallon-County;
 4 (v)--Carter-County;
 5 (vi)-Powder-River-County;
 6 (vii)-Rosebud-County;
 7 (viii)-Big-Horn-County;-and
 8 (ix)-Custer-County;
 9 (c)--area-3--city-of-Billings;
 10 (d)--area-4;
 11 (i)--Yellowstone---County---(excluding---the---city---of
 12 Billings);
 13 (ii)-Treasure-County;
 14 (iii)-Musselshell-County;
 15 (iv)-Carbon-County;-and
 16 (v)-Stillwater-County;
 17 (e)--area-5;
 18 (i)--Golden-Valley-County;
 19 (ii)-Wheatland-County;
 20 (iii)-Pergus-County;
 21 (iv)-Judith-Basin-County;
 22 (v)--Meagher-County;-and
 23 (vi)-Sweet-Grass-County;
 24 (f)--area-6;
 25 (i)-Park-County;

1 (ii)-Gallatin-County;
 2 (iii)-Broadwater-County;-and
 3 (iv)-Lewis-and-Clark-County;
 4 (g)--area-7--city-of-Great-Falls;
 5 (h)--area-8;
 6 (i)--Cascade--County--(excluding--the--city--of---Great
 7 Falls);
 8 (ii)-Chouteau-County;
 9 (iii)-Teton-County;
 10 (iv)-Hill-County;
 11 (v)-Liberty-County;
 12 (vi)-Pole-County;
 13 (vii)-Pondera-County;
 14 (viii)-Glacier-County;-and
 15 (ix)-Blaine-County;
 16 (i)--area-9;
 17 (i)-Madison-County;
 18 (ii)-Beaverhead-County;
 19 (iii)-Silver-Bow-County;
 20 (iv)-Jefferson-County;
 21 (v)--Beer-Egge-County;
 22 (vi)-Granite-County;-and
 23 (vii)-Powell-County;
 24 (j)--area-10--city-of-Missoula;
 25 (k)--area-11;

1 ~~(i)--Missoula--County--(excluding--the--city--of--Missoula);~~
 2 and
 3 ~~(ii)--Ravalli--County;~~
 4 ~~(i)--area--12;~~
 5 ~~(i)--Mineral--County;~~
 6 ~~(ii)--Sanders--County;--and~~
 7 ~~(iii)--Lincoln--County;~~
 8 ~~(m)--area--13;~~
 9 ~~(i)--Flathead--County;--and~~
 10 ~~(ii)--Lake--County;~~
 11 ~~(7)--The--department--shall--use--the--following--procedures~~
 12 ~~to--resolve--situations--in--similar--areas--of--the--state--that~~
 13 ~~have--inadequate---numbers---of---sales---to---conduct---the~~
 14 ~~statistically--valid--sample--in--a--specific--tax--year;~~
 15 ~~(a)--an--extension--of--the--time--period--from--which--sales~~
 16 ~~are--drawn--and--an--adjustment--of--the--sales---price---to~~
 17 ~~acknowledge--the--different--time--period;--At--a--minimum;--the~~
 18 ~~time--adjustment--must--coincide--with--the--consumer--price--index~~
 19 ~~for--that--same--time--period;~~
 20 ~~(b)--the--use--of--fee--appraisals--in--lieu--of--sales--prices;~~
 21 ~~The--fee--appraisal--must--be--conducted--by--a--certified--appraiser~~
 22 ~~who--is--not--an--employee--of--the--department;~~
 23 ~~(c)--the--input--of--assessment--ratio--statistics--developed~~
 24 ~~from--a--model--of--the--area;--The--information--to--be--input--into~~
 25 ~~the--study--must--be--statistically--valid--and--must--be--developed~~

1 by--a--certified--statistician--who--is--not--an--employee--of--the
 2 department;
 3 ~~(8)(7)~~ The department shall use the following
 4 procedure to validate sales information:
 5 (a) Department field staff who have no access to
 6 appraisal values and who did not participate in the
 7 determination of appraised values are required to manually
 8 review each the sales transaction transactions evidenced by
 9 a realty transfer certificate. The review must be conducted
 10 to determine whether each sale used in the study was a
 11 valid, arm's-length transaction. Only valid, arm's-length
 12 sales may be used in the sales assessment ratio study.
 13 (b) The valid sales information must be transmitted to
 14 the department. The department staff outside the property
 15 assessment division shall enter the sales information on the
 16 computer-assisted appraisal system in order to make the
 17 sales assessment ratio study. The sales information
 18 contained on the computer-assisted appraisal system is
 19 considered confidential, as provided in 15-7-308, but the
 20 results of the study must be made available to the public by
 21 request or by general disclosure.
 22 (c) The department shall exclude from the sales
 23 assessment ratio study any parcels in which the improvements
 24 have been remodeled, reconstructed, or expanded ~~or that are~~
 25 wholly--new--construction--after between the time of the

1 ~~assessment date identified in subsection (5)(b) and the time~~
2 ~~of the sales.~~

3 (d) The department shall exclude sales assessment
4 ratios of less than 50% or greater than 200%.

5 ~~(9)(8)~~ (a) The department shall have equalized
6 property values throughout the state and may not make
7 further adjustments to values under this section when the
8 following conditions are met:

9 (a) ~~the overall assessment~~ assessments level for each
10 stratum within each area identified in subsection (6) are
11 rescaled to bring all ratios to common value 1, is within an
12 interval of plus or minus 10% of the legal level of
13 assessment, given and an adequate sample size is used to
14 produce standard error of less than 5%;

15 (b) ~~coefficients of dispersion with respect to the~~
16 ~~weighted mean assessment ratio for residential properties~~
17 ~~located within each area identified in subsection (6) are~~
18 ~~equal to or less than 20%;~~

19 (b) Under the method described in subsection (8)(a),
20 taxable property in each area is considered revalued for
21 each tax year, based on the results of the sales assessment
22 ratio study and the adjustments required by that study.

23 (c) ~~coefficients of dispersion with respect to the~~
24 ~~weighted mean assessment ratio for income-producing~~
25 ~~properties located within each area identified in subsection~~

1 (6) ~~are equal to or less than 20%, and~~

2 (d) ~~coefficients of dispersion with respect to the~~
3 ~~weighted mean assessment ratio for other types of real~~
4 ~~property and improvements located within each area~~
5 ~~identified in subsection (6) are equal to or less than 20%.~~

6 (10) (a) ~~When the overall assessment level of each~~
7 ~~stratum exceeds 10% of the legal level of assessment and~~
8 ~~when the coefficients of dispersion with respect to the~~
9 ~~weighted mean for each stratum exceed 20%, the department~~
10 ~~shall make percentage adjustments to the valuations of all~~
11 ~~the properties in a specific area stratum. The percentage~~
12 ~~adjustments must create compliance with subsection (9). The~~
13 ~~percentage adjustments must account for unique factors that~~
14 ~~affect values in the various areas.~~

15 (b) ~~Under this method, all taxable property in each~~
16 ~~area is considered revalued for each tax year, based on the~~
17 ~~results of the sales assessment ratio study and any~~
18 ~~percentage adjustments required by that study."~~

19 **Section 3.** Section 15-10-412, MCA, is amended to read:

20 "15-10-412. (Temporary) Property tax limited to 1986
21 levels -- clarification -- extension to all property
22 classes. Section 15-10-402 is interpreted and clarified as
23 follows:

24 (1) The limitation to 1986 levels is extended to apply
25 to all classes of property described in Title 15, chapter 6,

1 part 1.

2 (2) The limitation on the amount of taxes levied is
3 interpreted to mean that, except as otherwise provided in
4 this section, the actual tax liability for an individual
5 property is capped at the dollar amount due in each taxing
6 unit for the 1986 tax year. In tax years thereafter, the
7 property must be taxed in each taxing unit at the 1986 cap
8 or the product of the taxable value and mills levied,
9 whichever is less for each taxing unit.

10 (3) The limitation on the amount of taxes levied does
11 not mean that no further increase may be made in the total
12 taxable valuation of a taxing unit as a result of:

13 (a) annexation of real property and improvements into
14 a taxing unit;

15 (b) construction, expansion, or remodeling of
16 improvements;

17 (c) transfer of property into a taxing unit;

18 (d) subdivision of real property;

19 (e) reclassification of property;

20 (f) increases in the amount of production or the value
21 of production for property described in 15-6-131 or
22 15-6-132;

23 (g) transfer of property from tax-exempt to taxable
24 status; or

25 (h) revaluations caused by:

1 (i) cyclical reappraisal; or

2 (ii) expansion, addition, replacement, or remodeling of
3 improvements; or

4 (i) increases in property valuation pursuant to
5 15-7-111(4) through (7) in order to equalize property values
6 annually.

7 (4) The limitation on the amount of taxes levied does
8 not mean that no further increase may be made in the taxable
9 valuation or in the actual tax liability on individual
10 property in each class as a result of:

11 (a) construction, expansion, replacement, or
12 remodeling of improvements that adds value to the property;

13 (b) transfer of property into a taxing unit;

14 (c) reclassification of property;

15 (d) increases in the amount of production or the value
16 of production for property described in 15-6-131 or
17 15-6-132;

18 (e) annexation of the individual property into a new
19 taxing unit; or

20 (f) conversion of the individual property from
21 tax-exempt to taxable status; or

22 (g) increases in property valuation pursuant to
23 15-7-111(4) through (7) in order to equalize property values
24 annually.

25 (5) Property in classes four, twelve, and fourteen is

1 valued according to the procedures used in 1986, including
2 the designation of 1982 as the base year, until the
3 reappraisal cycle beginning January 1, 1986, is completed
4 and new valuations are placed on the tax rolls and a new
5 base year designated, if the property is:

- 6 (a) new construction;
- 7 (b) expanded, deleted, replaced, or remodeled
- 8 improvements;
- 9 (c) annexed property; or
- 10 (d) property converted from tax-exempt to taxable
- 11 status.

12 (6) Property described in subsections (5)(a) through
13 (5)(d) that is not class four, class twelve, or class
14 fourteen property is valued according to the procedures used
15 in 1986 but is also subject to the dollar cap in each taxing
16 unit based on 1986 mills levied.

17 (7) The limitation on the amount of taxes, as
18 clarified in this section, is intended to leave the property
19 appraisal and valuation methodology of the department of
20 revenue intact. Determinations of county classifications,
21 salaries of local government officers, and all other matters
22 in which total taxable valuation is an integral component
23 are not affected by 15-10-401 and 15-10-402 except for the
24 use of taxable valuation in fixing tax levies. In fixing tax
25 levies, the taxing units of local government may anticipate

1 the deficiency in revenues resulting from the tax
2 limitations in 15-10-401 and 15-10-402, while understanding
3 that regardless of the amount of mills levied, a taxpayer's
4 liability may not exceed the dollar amount due in each
5 taxing unit for the 1986 tax year unless the taxing unit's
6 taxable valuation decreases by 5% or more from the previous
7 tax year. If a taxing unit's taxable valuation decreases by
8 5% or more from the previous tax year, it may levy
9 additional mills to compensate for the decreased taxable
10 valuation, but in no case may the mills levied exceed a
11 number calculated to equal the revenue from property taxes
12 for the 1986 tax year in that taxing unit.

13 (8) The limitation on the amount of taxes levied does
14 not apply to the following levy or special assessment
15 categories, whether or not they are based on commitments
16 made before or after approval of 15-10-401 and 15-10-402:

- 17 (a) rural improvement districts;
- 18 (b) special improvement districts;
- 19 (c) levies pledged for the repayment of bonded
- 20 indebtedness, including tax increment bonds;
- 21 (d) city street maintenance districts;
- 22 (e) tax increment financing districts;
- 23 (f) satisfaction of judgments against a taxing unit;
- 24 (g) electric company street lighting assessments; and
- 25 (h) revolving funds to support any categories

1 specified in this subsection (8).

2 (9) The limitation on the amount of taxes levied does
3 not apply in a taxing unit if the voters in the taxing unit
4 approve an increase in tax liability following a resolution
5 of the governing body of the taxing unit containing:

6 (a) a finding that there are insufficient funds to
7 adequately operate the taxing unit as a result of 15-10-401
8 and 15-10-402;

9 (b) an explanation of the nature of the financial
10 emergency;

11 (c) an estimate of the amount of funding shortfall
12 expected by the taxing unit;

13 (d) a statement that applicable fund balances are or
14 by the end of the fiscal year will be depleted;

15 (e) a finding that there are no alternative sources of
16 revenue;

17 (f) a summary of the alternatives that the governing
18 body of the taxing unit has considered; and

19 (g) a statement of the need for the increased revenue
20 and how it will be used.

21 (10) The limitation on the amount of taxes levied does
22 not apply to levies required to address the funding of
23 relief of suffering of inhabitants caused by famine,
24 conflagration, or other public calamity. (Terminates
25 December 31, 1989--sec. 6, Ch. 654, L. 1987.)"

1 NEW SECTION. **Section 4. Extension of authority.** Any
2 existing authority to make rules on the subject of the
3 provisions of [this act] is extended to the provisions of
4 [this act].

5 NEW SECTION. **Section 5. Effective date --**
6 **applicability.** [This act] is effective on passage and
7 approval and applies to taxable years beginning after
8 December 31, 1989.

-End-

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 703
INTRODUCED BY RAMIREZ, CRIPPEN

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE SALES
ASSESSMENT RATIO STUDY PROCEDURES FOR DETERMINING THE
CORRECT ASSESSMENT LEVEL FOR SIMILAR PROPERTY LOCATED IN
SPECIFIC AREAS OF THE STATE; REQUIRING THE DEPARTMENT OF
REVENUE TO ANNUALLY PUBLISH THE RESULTS OF SALES ASSESSMENT
RATIO STUDIES; AMENDING SECTIONS 15-7-102, 15-7-111, AND
15-10-412, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE
AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-7-102, MCA, is amended to read:

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and purchaser under contract for deed a notice of the
classification of the land owned or being purchased by him
and the appraisal of the improvements thereon 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:

- (a) change in ownership;
- (b) change in classification;

- (c) change in valuation; or
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affixed to the land.

(2) The notice of classification and appraisal
provided by the department under subsection (1) must be on
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sufficient information in a comprehensible manner designed
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dissatisfied with the appraisal or classification of his
land or improvements, he may submit his objection in writing
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reasonable notice to such the taxpayer of the time and place
of hearing and hear any testimony or other evidence which
the taxpayer may desire to produce at such that time and
afford the opportunity to other interested persons to
produce evidence at such the hearing. ~~Thereafter~~ After the
hearing, the department shall determine the true and correct
appraisal and classification of such the land or
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determination. In the notification, the department must
state its reasons for revising the classification or
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 23 in the ~~proper court or courts. While the~~ The property owner
 24 may appeal the base year valuation, and the classification
 25 determination, ~~the property owner may not appeal~~ the yearly

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 13 provide that all property in each county shall be revalued
 14 at least every 5 years or that no less than 20% of the
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 20 Assessment-Ratio-Studies";

21 {b)--assessments---of---the---property---described---in
 22 subsection--{4)--as--of--January--1--of--the--year--immediately
 23 preceding--the--taxable--year--for--which--the--study--is--conducted;

24 {c)}(b) a statistically valid sample of sales, using
 25 data from realty transfer certificates filed for the up to 3

1 taxable year years prior to the year the study is made,
 2 taking into account the dates of the included sales in the
 3 statistical analysis immediately--following--the--assessment
 4 date--identified--in--subsection--{5){b}; and

5 {d)}(c) the assessments and sales for areas of the
 6 state that are economically, demographically, and
 7 geographically similar in order to determine the sales
 8 assessment ratio ratios for a specific area.

9 (6) For purposes of conducting the study required by
 10 subsection (4), the department shall partition the state
 11 into as many as 100 areas for residential property and as
 12 many as 20 areas for commercial property. The areas must
 13 contain comparable numbers of property SALES and
 14 statistically sufficient numbers of sales. The areas must be
 15 as economically and demographically homogeneous as
 16 reasonably practicable. sales---assessment---areas---are---as
 17 follows:

- 18 (a)--area-1:
- 19 (i)--Daniels-County;
- 20 (ii)--Sheridan-County;
- 21 (iii)--Roosevelt-County;
- 22 (iv)--McCone-County;
- 23 (v)--Valley-County;
- 24 (vi)--Phillips-County;
- 25 (vii)--Petroleum-County;

1 {viii}-Garfield-County;-and
 2 {ix}-Prairie-County;
 3 {b)--area-2:
 4 {i)--Richland-County;
 5 {ii}-Dawson-County;
 6 {iii}-Wibaux-County;
 7 {iv}-Pallon-County;
 8 {v)--Carter-County;
 9 {vi)-Powder-River-County;
 10 {vii)-Rosebud-County;
 11 {viii)-Big-Horn-County;-and
 12 {ix)-Custer-County;
 13 {c)--area-3:--city-of-Billings;
 14 {d)--area-4:
 15 {i)--Yellowstone-County---(excluding---the---city---of
 16 Billings);
 17 {ii)-Treasure-County;
 18 {iii)-Musselshell-County;
 19 {iv)-Carbon-County;-and
 20 {v)--Stillwater-County;
 21 {e)--area-5:
 22 {i)--Golden-Valley-County;
 23 {ii)-Wheatland-County;
 24 {iii)-Pergus-County;
 25 {iv)-Judith-Basin-County;

1 {v)--Meagher-County;-and
 2 {vi)-Sweet-Grass-County;
 3 {f)--area-6:
 4 {i)--Park-County;
 5 {ii)-Gallatin-County;
 6 {iii)-Broadwater-County;-and
 7 {iv)-Lewis-and-Clark-County;
 8 {g)--area-7:--city-of-Great-Falls;
 9 {h)--area-8:
 10 {i)--Cascade---County---(excluding---the---city---of---Great
 11 Falls);
 12 {ii)-Chouteau-County;
 13 {iii)-Teton-County;
 14 {iv)-Hill-County;
 15 {v)--Liberty-County;
 16 {vi)-Poole-County;
 17 {vii)-Pondera-County;
 18 {viii)-Glacier-County;-and
 19 {ix)-Blaine-County;
 20 {i)--area-9:
 21 {i)--Madison-County;
 22 {ii)-Beaverhead-County;
 23 {iii)-Silver-Bow-County;
 24 {iv)-Jefferson-County;
 25 {v)--Beer-Lodge-County;

1 ~~{vi}-Granite-County,-and~~
2 ~~{vii}-Powell-County;~~
3 ~~{j}-area-10;-city-of-Missoula;~~
4 ~~{k}-area-11;~~
5 ~~{i}-Missoula-County-(excluding-the-city-of-Missoula);~~
6 and
7 ~~{ii}-Ravalli-County;~~
8 ~~{l}-area-12;~~
9 ~~{i}-Mineral-County;~~
10 ~~{ii}-Sanders-County;-and~~
11 ~~{iii}-Lincoln-County;~~
12 ~~{m}-area-13;~~
13 ~~{i}-Flathead-County;-and~~
14 ~~{ii}-Lake-County;~~
15 ~~{7}-The--department-shall-use-the-following-procedures~~
16 ~~to-resolve-situations-in-similar-areas-of-the-state-that~~
17 ~~have--inadequate--numbers--of--sales--to--conduct--the~~
18 ~~statistically-valid-sample-in-a-specific-tax-year:~~
19 ~~{a}-an-extension-of-the-time-period-from-which--sales~~
20 ~~are--drawn--and--an--adjustment--of--the--sales--price--to~~
21 ~~acknowledge-the-different-time-period;-At-a-minimum,-the~~
22 ~~time--adjustment-must-coincide-with-the-consumer-price-index~~
23 ~~for-that-same-time-period;~~
24 ~~{b}-the-use-of-fee-appraisals-in-lieu-of-sales-prices-~~
25 ~~The-fee-appraisal-must-be-conducted-by-a-certified-appraiser~~

1 ~~who-is-not-an-employee-of-the-department;~~
2 ~~{c}-the-input-of-assessment-ratio-statistics-developed~~
3 ~~from-a-model-of-the-area-The-information-to-be-input-into~~
4 ~~the--study-must-be-statistically-valid-and-must-be-developed~~
5 ~~by-a-certified-statistician-who-is-not-an-employee-of-the~~
6 ~~department;~~
7 ~~{8}{7}~~ The department shall use the following
8 procedure to validate sales information:
9 (a) Department field staff who have no access to
10 appraisal values and who did not participate in the
11 determination of appraised values are required to manually
12 review each the sales transaction transactions evidenced by
13 a realty transfer certificate. The review must be conducted
14 to determine whether each sale used in the study was a
15 valid, arm's-length transaction. Only valid, arm's-length
16 sales may be used in the sales assessment ratio study.
17 (b) The valid sales information must be transmitted to
18 the department. The department staff outside the property
19 assessment division shall enter the sales information on the
20 computer-assisted appraisal system in order to make the
21 sales assessment ratio study. The sales information
22 contained on the computer-assisted appraisal system is
23 considered confidential, as provided in 15-7-306~~7~~-but.
24 HOWEVER, THE DEPARTMENT SHALL ANNUALLY PUBLISH A REPORT
25 CONTAINING THE RESULTS OF ALL SALES ASSESSMENT RATIO STUDIES

1 DONE IN EACH OF THE AREAS DESCRIBED IN SUBSECTION (6). THE
 2 REPORT CONTAINING THE RESULTS OF THE STUDY MUST BE MADE
 3 AVAILABLE TO THE PUBLIC BY REQUEST OR BY GENERAL DISCLOSURE.

4 (c) The department shall exclude from the sales
 5 assessment ratio study any parcels in which the improvements
 6 have been remodeled, reconstructed, or expanded ~~or that are~~
 7 ~~wholly new construction after~~ between the time of the
 8 assessment date identified in subsection (5)(b) and the time
 9 of the sales.

10 (d) The department shall exclude sales assessment
 11 ratios of less than 50% or greater than 200%.

12 ~~(9)(8)~~ (a) The department shall have equalized
 13 property values throughout the state and may not make
 14 further adjustments to values under this section when the
 15 following conditions are met:

16 (a) ~~the overall assessment~~ assessments level for each
 17 stratum within each area identified in subsection (6) are
 18 rescaled to bring all ratios to common value 1, is within an
 19 interval of plus or minus 10% of the legal level of
 20 assessment, given and an adequate sample size is used to
 21 produce standard error of less than 5%;

22 (b) ~~coefficients of dispersion with respect to the~~
 23 ~~weighted mean assessment ratio for residential properties~~
 24 ~~located within each area identified in subsection (6) are~~
 25 ~~equal to or less than 20%;~~

1 (b) Under the method described in subsection (8)(a),
 2 taxable property in each area is considered revalued for
 3 each tax year, based on the results of the sales assessment
 4 ratio study and the adjustments required by that study.

5 (c) ~~coefficients of dispersion with respect to the~~
 6 ~~weighted mean assessment ratio for income producing~~
 7 ~~properties located within each area identified in subsection~~
 8 ~~(6) are equal to or less than 20%; and~~

9 (d) ~~coefficients of dispersion with respect to the~~
 10 ~~weighted mean assessment ratio for other types of real~~
 11 ~~property and improvements located within each area~~
 12 ~~identified in subsection (6) are equal to or less than 20%;~~

13 (10) (a) ~~When the overall assessment level of each~~
 14 ~~stratum exceeds 10% of the legal level of assessment and~~
 15 ~~when the coefficients of dispersion with respect to the~~
 16 ~~weighted mean for each stratum exceed 20%, the department~~
 17 ~~shall make percentage adjustments to the valuations of all~~
 18 ~~the properties in a specific area stratum. The percentage~~
 19 ~~adjustments must create compliance with subsection (9). The~~
 20 ~~percentage adjustments must account for unique factors that~~
 21 ~~affect values in the various areas.~~

22 (b) ~~Under this method, all taxable property in each~~
 23 ~~area is considered revalued for each tax year, based on the~~
 24 ~~results of the sales assessment ratio study and any~~
 25 ~~percentage adjustments required by that study."~~

1 **Section 3.** Section 15-10-412, MCA, is amended to read:

2 ***15-10-412. (Temporary) Property tax limited to 1986**
 3 **levels -- clarification -- extension to all property**
 4 **classes.** Section 15-10-402 is interpreted and clarified as
 5 follows:

6 (1) The limitation to 1986 levels is extended to apply
 7 to all classes of property described in Title 15, chapter 6,
 8 part 1.

9 (2) The limitation on the amount of taxes levied is
 10 interpreted to mean that, except as otherwise provided in
 11 this section, the actual tax liability for an individual
 12 property is capped at the dollar amount due in each taxing
 13 unit for the 1986 tax year. In tax years thereafter, the
 14 property must be taxed in each taxing unit at the 1986 cap
 15 or the product of the taxable value and mills levied,
 16 whichever is less for each taxing unit.

17 (3) The limitation on the amount of taxes levied does
 18 not mean that no further increase may be made in the total
 19 taxable valuation of a taxing unit as a result of:

20 (a) annexation of real property and improvements into
 21 a taxing unit;

22 (b) construction, expansion, or remodeling of
 23 improvements;

24 (c) transfer of property into a taxing unit;

25 (d) subdivision of real property;

1 (e) reclassification of property;

2 (f) increases in the amount of production or the value
 3 of production for property described in 15-6-131 or
 4 15-6-132;

5 (g) transfer of property from tax-exempt to taxable
 6 status; or

7 (h) revaluations caused by:

8 (i) cyclical reappraisal; or

9 (ii) expansion, addition, replacement, or remodeling of
 10 improvements; or

11 (i) increases in property valuation pursuant to
 12 15-7-111(4) through (7) in order to equalize property values
 13 annually.

14 (4) The limitation on the amount of taxes levied does
 15 not mean that no further increase may be made in the taxable
 16 valuation or in the actual tax liability on individual
 17 property in each class as a result of:

18 (a) construction, expansion, replacement, or
 19 remodeling of improvements that adds value to the property;

20 (b) transfer of property into a taxing unit;

21 (c) reclassification of property;

22 (d) increases in the amount of production or the value
 23 of production for property described in 15-6-131 or
 24 15-6-132;

25 (e) annexation of the individual property into a new

1 taxing unit; or

2 (f) conversion of the individual property from
3 tax-exempt to taxable status; or

4 (g) increases in property valuation pursuant to
5 15-7-111(4) through (7) in order to equalize property values
6 annually.

7 (5) Property in classes four, twelve, and fourteen is
8 valued according to the procedures used in 1986, including
9 the designation of 1982 as the base year, until the
10 reappraisal cycle beginning January 1, 1986, is completed
11 and new valuations are placed on the tax rolls and a new
12 base year designated, if the property is:

13 (a) new construction;

14 (b) expanded, deleted, replaced, or remodeled
15 improvements;

16 (c) annexed property; or

17 (d) property converted from tax-exempt to taxable
18 status.

19 (6) Property described in subsections (5)(a) through
20 (5)(d) that is not class four, class twelve, or class
21 fourteen property is valued according to the procedures used
22 in 1986 but is also subject to the dollar cap in each taxing
23 unit based on 1986 mills levied.

24 (7) The limitation on the amount of taxes, as
25 clarified in this section, is intended to leave the property

1 appraisal and valuation methodology of the department of
2 revenue intact. Determinations of county classifications,
3 salaries of local government officers, and all other matters
4 in which total taxable valuation is an integral component
5 are not affected by 15-10-401 and 15-10-402 except for the
6 use of taxable valuation in fixing tax levies. In fixing tax
7 levies, the taxing units of local government may anticipate
8 the deficiency in revenues resulting from the tax
9 limitations in 15-10-401 and 15-10-402, while understanding
10 that regardless of the amount of mills levied, a taxpayer's
11 liability may not exceed the dollar amount due in each
12 taxing unit for the 1986 tax year unless the taxing unit's
13 taxable valuation decreases by 5% or more from the previous
14 tax year. If a taxing unit's taxable valuation decreases by
15 5% or more from the previous tax year, it may levy
16 additional mills to compensate for the decreased taxable
17 valuation, but in no case may the mills levied exceed a
18 number calculated to equal the revenue from property taxes
19 for the 1986 tax year in that taxing unit.

20 (8) The limitation on the amount of taxes levied does
21 not apply to the following levy or special assessment
22 categories, whether or not they are based on commitments
23 made before or after approval of 15-10-401 and 15-10-402:

24 (a) rural improvement districts;

25 (b) special improvement districts;

1 (c) levies pledged for the repayment of bonded
2 indebtedness, including tax increment bonds;

3 (d) city street maintenance districts;

4 (e) tax increment financing districts;

5 (f) satisfaction of judgments against a taxing unit;

6 (g) electric company street lighting assessments; and

7 (h) revolving funds to support any categories
8 specified in this subsection (8).

9 (9) The limitation on the amount of taxes levied does
10 not apply in a taxing unit if the voters in the taxing unit
11 approve an increase in tax liability following a resolution
12 of the governing body of the taxing unit containing:

13 (a) a finding that there are insufficient funds to
14 adequately operate the taxing unit as a result of 15-10-401
15 and 15-10-402;

16 (b) an explanation of the nature of the financial
17 emergency;

18 (c) an estimate of the amount of funding shortfall
19 expected by the taxing unit;

20 (d) a statement that applicable fund balances are or
21 by the end of the fiscal year will be depleted;

22 (e) a finding that there are no alternative sources of
23 revenue;

24 (f) a summary of the alternatives that the governing
25 body of the taxing unit has considered; and

1 (g) a statement of the need for the increased revenue
2 and how it will be used.

3 (10) The limitation on the amount of taxes levied does
4 not apply to levies required to address the funding of
5 relief of suffering of inhabitants caused by famine,
6 conflagration, or other public calamity. (Terminates
7 December 31, 1989--sec. 6, Ch. 654, L. 1987.)"

8 NEW SECTION. **Section 4.** Extension of authority. Any
9 existing authority to make rules on the subject of the
10 provisions of [this act] is extended to the provisions of
11 [this act].

12 NEW SECTION. **Section 5.** Effective date --
13 applicability. [This act] is effective on passage and
14 approval and applies to taxable years beginning after
15 December 31, 1989.

-End-

HOUSE BILL NO. 703

INTRODUCED BY RAMIREZ, CRIPPEN

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE SALES ASSESSMENT RATIO STUDY PROCEDURES FOR DETERMINING THE CORRECT ASSESSMENT LEVEL FOR SIMILAR PROPERTY LOCATED IN SPECIFIC AREAS OF THE STATE; REQUIRING THE DEPARTMENT OF REVENUE TO ANNUALLY PUBLISH THE RESULTS OF SALES ASSESSMENT RATIO STUDIES; AMENDING SECTIONS 15-7-102, 15-7-111, AND 15-10-412, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-7-102, MCA, is amended to read:

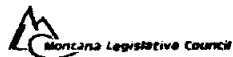
"15-7-102. Notice of classification and appraisal to owners -- appeals. (1) It shall be the duty of the department of revenue to cause to be mailed to each owner and purchaser under contract for deed a notice of the classification of the land owned or being purchased by him and the appraisal of the improvements thereon 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:

- (a) change in ownership;
(b) change in classification;

- (c) change in valuation; or
(d) addition or subtraction of personal property affixed to the land.

(2) The notice of classification and appraisal provided by the department under subsection (1) must be on a standardized form adopted by the department containing sufficient information in a comprehensible manner designed to fully inform the taxpayer as to the classification and appraisal of his property and of changes over the prior tax year.

(3) If the owner of any land and improvements is dissatisfied with the appraisal or classification of his land or improvements, he may submit his objection in writing to the department's agent. The department shall give reasonable notice to such the taxpayer of the time and place of hearing and hear any testimony or other evidence which the taxpayer may desire to produce at such that time and afford the opportunity to other interested persons to produce evidence at such the hearing. ~~Whereafter~~ After the hearing, the department shall determine the true and correct appraisal and classification of such the land or improvements and forthwith notify the taxpayer of its determination. In the notification, the department must state its reasons for revising the classification or appraisal. When ~~so~~ the proper appraisal and classification



1 have been determined, the land shall be classified and the
 2 improvements appraised in the manner ordered by the
 3 department.

4 (4) Whether a hearing as provided in subsection (3) is
 5 held or not, the department or its agent may not adjust an
 6 appraisal or classification upon taxpayer's objection
 7 unless:

8 (a) the taxpayer has submitted his objection in
 9 writing; and

10 (b) the department or its agent has stated its reason
 11 in writing for making the adjustment.

12 (5) A taxpayer's written objection to a classification
 13 or appraisal and the department's notification to the
 14 taxpayer of its determination and the reason for that
 15 determination are public records. Each county appraiser
 16 shall make such the records available for inspection during
 17 regular office hours.

18 (6) If any property owner ~~shall feel~~ feels aggrieved
 19 at the classification and/or the appraisal so made by the
 20 department, he shall have the right to appeal to the county
 21 tax appeal board and then to the state tax appeal board,
 22 whose findings shall be final subject to the right of review
 23 in the ~~proper-court-or~~ The courts. ~~While-the~~ The property owner
 24 may appeal the base year valuation, and the classification
 25 determination, ~~the-property-owner-may-not-appeal~~ the yearly

1 percentage adjustments that are specified in 15-7-111 and
 2 that may be made as a result of the sales assessment ratio
 3 study. ~~The-property-owner-may-not-appeal,~~ and the stratum or
 4 area designations as specified in 15-7-111."

5 **Section 2.** Section 15-7-111, MCA, is amended to read:

6 "15-7-111. Periodic revaluation of taxable property --
 7 PUBLICATION OF SALES ASSESSMENT RATIO STUDIES -- appeal of
 8 revaluations. (1) The department of revenue shall administer
 9 and supervise a program for the revaluation of all taxable
 10 property within the state at least every 5 years. A
 11 comprehensive written reappraisal plan shall be promulgated
 12 by the department. The reappraisal plan so adopted shall
 13 provide that all property in each county shall be revalued
 14 at least every 5 years or that no less than 20% of the
 15 property in each county shall be revalued in each year. The
 16 department shall furnish a copy of the plan and all
 17 amendments ~~thereto~~ to the plan to the board of county
 18 commissioners in each county.

19 (2) The new values determined during a revaluation
 20 cycle must be provided to the taxpayers at the end of the
 21 revaluation cycle but may not be placed on the tax rolls
 22 until 1 year following the completion of the revaluation
 23 cycle.

24 (3) A taxpayer shall appeal the new value in advance
 25 of its placement on the tax rolls by filing an appeal

1 pursuant to 15-15-102 before the first Monday in June or 15
 2 days after receiving notice of the new valuation amount,
 3 whichever is later, or be barred from appealing for
 4 untimeliness.

5 (4) For the taxable year beginning January 1, 1980
 6 1990, and for every taxable year thereafter, the department
 7 shall conduct a stratified sales assessment ratio study of
 8 all residential real property and improvements, of all
 9 commercial and industrial real property and improvements,
 10 and of all other real property and improvements. The study
 11 must include such--property--as vacant land, agricultural
 12 improvements, and the 1-acre homesite beneath the
 13 agricultural residence. Values based on each year's study
 14 may not be implemented until the following year.

15 (5) The study required in subsection (4) must be based
 16 on:

17 (a) the commonly accepted statistical standards and
 18 methodology adopted--by--the--international--association--of
 19 assessing---officers---in--their--publication--"Standard--on
 20 Assessment-Ratio-Studies";

21 (b)--assessments---of---the---property---described---in
 22 subsection--(4)--as--of--January--1--of--the--year--immediately
 23 preceding--the--taxable--year--for--which--the--study--is--conducted;

24 (c)(b) a statistically valid sample of sales, using
 25 data from realty transfer certificates filed for the up to 3

1 taxable year years prior to the year the study is made,
 2 taking into account the dates of the included sales in the
 3 statistical analysis immediately--following--the--assessment
 4 date--identified--in--subsection--(5)(b); and

5 (d)(c) the assessments and sales for areas of the
 6 state that are economically, demographically, and
 7 geographically similar in order to determine the sales
 8 assessment ratio ratios for a specific area.

9 (6) For purposes of conducting the study required by
 10 subsection (4), the department shall partition the state
 11 into as many as 100 areas for residential property and as
 12 many as 20 areas for commercial property. The areas must
 13 contain comparable numbers of property SALES and
 14 statistically sufficient numbers of sales. The areas must be
 15 as economically and demographically homogeneous as
 16 reasonably practicable. sales---assessment---areas--are--as
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- 20 (ii)--Sheridan-County;
- 21 (iii)--Roosevelt-County;
- 22 (iv)--McCone-County;
- 23 (v)--Valley-County;
- 24 (vi)--Phillips-County;
- 25 (vii)--Petroleum-County;

1 {viii}-Garfield-County;-and
 2 {ix}-Prairie-County;
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 4 {i)--Richland-County;
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 16 Billings);
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1 {v)--Meagher-County;-and
 2 {vi)-Sweet-Grass-County;
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 23 ~~for-that-same-time-period;~~
 24 ~~{b}-the-use-of-fee-appraisals-in-lieu-of-sales-prices-~~
 25 ~~The-fee-appraisal-must-be-conducted-by-a-certified-appraiser~~

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 2 ~~{c}-the-input-of-assessment-ratio-statistics-developed~~
 3 ~~from-a-model-of-the-area--The-information-to-be--input--into~~
 4 ~~the--study-must-be-statistically-valid-and-must-be-developed~~
 5 ~~by-a-certified-statistician-who-is-not-an-employee--of--the~~
 6 ~~department;~~
 7 ~~{8}{7}~~ The department shall use the following
 8 procedure to validate sales information:
 9 (a) Department field staff who have no access to
 10 appraisal values and who did not participate in the
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 13 a realty transfer certificate. The review must be conducted
 14 to determine whether each sale used in the study was a
 15 valid, arm's-length transaction. Only valid, arm's-length
 16 sales may be used in the sales assessment ratio study.
 17 (b) The valid sales information must be transmitted to
 18 the department. The department staff outside the property
 19 assessment division shall enter the sales information on the
 20 computer-assisted appraisal system in order to make the
 21 sales assessment ratio study. The sales information
 22 contained on the computer-assisted appraisal system is
 23 considered confidential, as provided in 15-7-308~~7~~--but.
 24 HOWEVER, THE DEPARTMENT SHALL ANNUALLY PUBLISH A REPORT
 25 CONTAINING THE RESULTS OF ALL SALES ASSESSMENT RATIO STUDIES

1 DONE IN EACH OF THE AREAS DESCRIBED IN SUBSECTION (6). THE
2 REPORT CONTAINING the results of the study must be made
3 available to the public by request or by general disclosure.

4 (c) The department shall exclude from the sales
5 assessment ratio study any parcels in which the improvements
6 have been remodeled, reconstructed, or expanded or that are
7 wholly new construction after between the time of the
8 assessment date identified in subsection (5)(b) and the time
9 of the sales.

10 (d) The department shall exclude sales assessment
11 ratios of less than 50% or greater than 200%.

12 (9)(8) (a) The department shall have equalized
13 property values throughout the state and may not make
14 further adjustments to values under this section when the
15 following conditions are met:

16 (a) the overall assessment assessments level for each
17 stratum within each area identified in subsection (6) are
18 rescaled to bring all ratios to common value 1, is within an
19 interval of plus or minus 10% of the legal level of
20 assessment, given and an adequate sample size is used to
21 produce standard error of less than 5%;

22 (b) coefficients of dispersion with respect to the
23 weighted mean assessment ratio for residential properties
24 located within each area identified in subsection (6) are
25 equal to or less than 20%;

1 (b) Under the method described in subsection (8)(a),
2 taxable property in each area is considered revalued for
3 each tax year, based on the results of the sales assessment
4 ratio study and the adjustments required by that study.

5 (c) coefficients of dispersion with respect to the
6 weighted mean assessment ratio for income producing
7 properties located within each area identified in subsection
8 (6) are equal to or less than 20%; and

9 (d) coefficients of dispersion with respect to the
10 weighted mean assessment ratio for other types of real
11 property and improvements located within each area
12 identified in subsection (6) are equal to or less than 20%.

13 (10) (a) When the overall assessment level of each
14 stratum exceeds 10% of the legal level of assessment and
15 when the coefficients of dispersion with respect to the
16 weighted mean for each stratum exceed 20%, the department
17 shall make percentage adjustments to the valuations of all
18 the properties in a specific area stratum. The percentage
19 adjustments must create compliance with subsection (9). The
20 percentage adjustments must account for unique factors that
21 affect values in the various areas.

22 (b) Under this method, all taxable property in each
23 area is considered revalued for each tax year, based on the
24 results of the sales assessment ratio study and any
25 percentage adjustments required by that study."

1 **Section 3.** Section 15-10-412, MCA, is amended to read:

2 "15-10-412. (Temporary) Property tax limited to 1986
3 levels -- clarification -- extension to all property
4 classes. Section 15-10-402 is interpreted and clarified as
5 follows:

6 (1) The limitation to 1986 levels is extended to apply
7 to all classes of property described in Title 15, chapter 6,
8 part 1.

9 (2) The limitation on the amount of taxes levied is
10 interpreted to mean that, except as otherwise provided in
11 this section, the actual tax liability for an individual
12 property is capped at the dollar amount due in each taxing
13 unit for the 1986 tax year. In tax years thereafter, the
14 property must be taxed in each taxing unit at the 1986 cap
15 or the product of the taxable value and mills levied,
16 whichever is less for each taxing unit.

17 (3) The limitation on the amount of taxes levied does
18 not mean that no further increase may be made in the total
19 taxable valuation of a taxing unit as a result of:

20 (a) annexation of real property and improvements into
21 a taxing unit;

22 (b) construction, expansion, or remodeling of
23 improvements;

24 (c) transfer of property into a taxing unit;

25 (d) subdivision of real property;

1 (e) reclassification of property;

2 (f) increases in the amount of production or the value
3 of production for property described in 15-6-131 or
4 15-6-132;

5 (g) transfer of property from tax-exempt to taxable
6 status; or

7 (h) revaluations caused by:

8 (i) cyclical reappraisal; or

9 (ii) expansion, addition, replacement, or remodeling of
10 improvements; or

11 (i) increases in property valuation pursuant to
12 15-7-111(4) through (7) in order to equalize property values
13 annually.

14 (4) The limitation on the amount of taxes levied does
15 not mean that no further increase may be made in the taxable
16 valuation or in the actual tax liability on individual
17 property in each class as a result of:

18 (a) construction, expansion, replacement, or
19 remodeling of improvements that adds value to the property;

20 (b) transfer of property into a taxing unit;

21 (c) reclassification of property;

22 (d) increases in the amount of production or the value
23 of production for property described in 15-6-131 or
24 15-6-132;

25 (e) annexation of the individual property into a new

1 taxing unit; or

2 (f) conversion of the individual property from
3 tax-exempt to taxable status; or

4 (g) increases in property valuation pursuant to
5 15-7-111(4) through (7) in order to equalize property values
6 annually.

7 (5) Property in classes four, twelve, and fourteen is
8 valued according to the procedures used in 1986, including
9 the designation of 1982 as the base year, until the
10 reappraisal cycle beginning January 1, 1986, is completed
11 and new valuations are placed on the tax rolls and a new
12 base year designated, if the property is:

13 (a) new construction;

14 (b) expanded, deleted, replaced, or remodeled
15 improvements;

16 (c) annexed property; or

17 (d) property converted from tax-exempt to taxable
18 status.

19 (6) Property described in subsections (5)(a) through
20 (5)(d) that is not class four, class twelve, or class
21 fourteen property is valued according to the procedures used
22 in 1986 but is also subject to the dollar cap in each taxing
23 unit based on 1986 mills levied.

24 (7) The limitation on the amount of taxes, as
25 clarified in this section, is intended to leave the property

1 appraisal and valuation methodology of the department of
2 revenue intact. Determinations of county classifications,
3 salaries of local government officers, and all other matters
4 in which total taxable valuation is an integral component
5 are not affected by 15-10-401 and 15-10-402 except for the
6 use of taxable valuation in fixing tax levies. In fixing tax
7 levies, the taxing units of local government may anticipate
8 the deficiency in revenues resulting from the tax
9 limitations in 15-10-401 and 15-10-402, while understanding
10 that regardless of the amount of mills levied, a taxpayer's
11 liability may not exceed the dollar amount due in each
12 taxing unit for the 1986 tax year unless the taxing unit's
13 taxable valuation decreases by 5% or more from the previous
14 tax year. If a taxing unit's taxable valuation decreases by
15 5% or more from the previous tax year, it may levy
16 additional mills to compensate for the decreased taxable
17 valuation, but in no case may the mills levied exceed a
18 number calculated to equal the revenue from property taxes
19 for the 1986 tax year in that taxing unit.

20 (8) The limitation on the amount of taxes levied does
21 not apply to the following levy or special assessment
22 categories, whether or not they are based on commitments
23 made before or after approval of 15-10-401 and 15-10-402:

24 (a) rural improvement districts;

25 (b) special improvement districts;

1 (c) levies pledged for the repayment of bonded
 2 indebtedness, including tax increment bonds;
 3 (d) city street maintenance districts;
 4 (e) tax increment financing districts;
 5 (f) satisfaction of judgments against a taxing unit;
 6 (g) electric company street lighting assessments; and
 7 (h) revolving funds to support any categories
 8 specified in this subsection (8).
 9 (9) The limitation on the amount of taxes levied does
 10 not apply in a taxing unit if the voters in the taxing unit
 11 approve an increase in tax liability following a resolution
 12 of the governing body of the taxing unit containing:
 13 (a) a finding that there are insufficient funds to
 14 adequately operate the taxing unit as a result of 15-10-401
 15 and 15-10-402;
 16 (b) an explanation of the nature of the financial
 17 emergency;
 18 (c) an estimate of the amount of funding shortfall
 19 expected by the taxing unit;
 20 (d) a statement that applicable fund balances are or
 21 by the end of the fiscal year will be depleted;
 22 (e) a finding that there are no alternative sources of
 23 revenue;
 24 (f) a summary of the alternatives that the governing
 25 body of the taxing unit has considered; and

1 (g) a statement of the need for the increased revenue
 2 and how it will be used.
 3 (10) The limitation on the amount of taxes levied does
 4 not apply to levies required to address the funding of
 5 relief of suffering of inhabitants caused by famine,
 6 conflagration, or other public calamity. (Terminates
 7 December 31, 1989--sec. 6, Ch. 654, L. 1987.)"
 8 NEW SECTION. **Section 4.** Extension of authority. Any
 9 existing authority to make rules on the subject of the
 10 provisions of [this act] is extended to the provisions of
 11 [this act].
 12 NEW SECTION. **Section 5.** Effective date --
 13 applicability. [This act] is effective on passage and
 14 approval and applies to taxable years beginning after
 15 December 31, 1989.

-End-

SENATE STANDING COMMITTEE REPORT

page 1 of 3
April 11, 1989

SENATE COMMITTEE ON TAXATION, HB 703
April 11, 1989
page 2 of 3

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration HB 703 (third reading copy -- blue), respectfully report that HB 703 be amended and as so amended be concurred in:

Sponsor: Ramirez (Crippen)

1. Title, line 9.
Following: "1"
Insert: "REVISING THE REAPPRAISAL PLAN REQUIREMENTS;"
2. Page 3, line 24.
Following: "valuation"
Strike: "1"
Insert: "and"
3. Page 3, line 25.
Following: "determination"
Strike: ", "
Insert: ". The property owner may not appeal"
4. Page 4, line 3.
Following: "1"
Strike: "and"
Following: "stratum"
Insert: ", "
5. Page 4, line 5.
Following: line 4
Insert: "(7) The percentage adjustments, stratum, and area designations must be adopted by administrative rule. An annual hearing must be held to accept testimony on the percentage adjustments, stratum, and area designations. The department shall present its findings and the proposed rules to the revenue oversight committee."
6. Page 4, lines 14 and 15.
Following: "years" on line 14
Strike: remainder of line 14 through "year" on line 15

7. Page 5, lines 8 through 14.
Following: "residential" on line 8
Strike: remainder of line 8 through "year" on line 14
Insert: "land and improvements, agricultural 1-acre homesites and improvements, and commercial land and improvements. The sales assessment ratio based on property sales finalized and recorded by no later than November 1 must be used to determine appraisals for the immediately succeeding tax year"

8. Page 6, line 13.
Strike: "comparable numbers of property SALES and"

9. Page 6, line 14.
Strike: ". The areas must"
Insert: "and"

10. Page 10, lines 9 and 10.
Following: "staff" on line 9
Strike: "who have no access to appraisal values and"

11. Page 10, lines 17 through 21.
Following: "(b)" on line 17
Strike: remainder of line 17 through "study." on line 21

12. Page 10, line 22.
Strike: "contained on"
Insert: "entered in"

13. Page 11, line 18.
Strike: "1"

14. Page 11, lines 20 and 21.
Following: "and" on line 20
Strike: "remainder of line 20 through "produce" on line 21
Insert: "when the sample size produces a"

SENATE COMMITTEE ON TAXATION, HB 703
April 11, 1989
page 3 of 3

15. Page 12, line 5.

Following: line 4

Insert: "(c) Assessments in an area are considered equalized under subsection (8)(a) if the ratio for the area is within plus or minus 5% of common value 1."

16. Page 14, line 12.

Following: "through"

Strike: "(7)"

Insert: "(8)"

17. Page 15, line 5.

Following: "through"

Strike: "(7)"

Insert: "(8)"

18. Page 18, line 12.

Following: line 11

Insert: "NEW SECTION. Section 5. Coordination instruction. If [this act] and Senate Bill No. 65 are passed and approved, the amendment to 15-10-412(3)(1) in Senate Bill No. 65 and the language in the amendment to Senate Bill No. 65 inserting 15-10-412(4)(a)(ii) that reads "or a sales assessment ratio study" are void."

Renumber: subsequent section

AND AS AMENDED BE CONCURRED IN

Signed: _____


Bob Brown, Chairman

1 HOUSE BILL NO. 703

2 INTRODUCED BY RAMIREZ, CRIPPEN

3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE SALES
 5 ASSESSMENT RATIO STUDY PROCEDURES FOR DETERMINING THE
 6 CORRECT ASSESSMENT LEVEL FOR SIMILAR PROPERTY LOCATED IN
 7 SPECIFIC AREAS OF THE STATE; REQUIRING THE DEPARTMENT OF
 8 REVENUE TO ANNUALLY PUBLISH THE RESULTS OF SALES ASSESSMENT
 9 RATIO STUDIES; REVISING THE REAPPRAISAL PLAN REQUIREMENTS;
 10 AMENDING SECTIONS 15-7-102, 15-7-111, AND 15-10-412, MCA;
 11 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN
 12 APPLICABILITY DATE."

13
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 Section 1. Section 15-7-102, MCA, is amended to read:

16 "15-7-102. Notice of classification and appraisal to
 17 owners -- appeals. (1) It shall be the duty of the
 18 department of revenue to cause to be mailed to each owner
 19 and purchaser under contract for deed a notice of the
 20 classification of the land owned or being purchased by him
 21 and the appraisal of the improvements thereon on the land
 22 only if one or more of the following changes pertaining to
 23 the land or improvements have been made since the last
 24 notice:

25 (a) change in ownership;

1 (b) change in classification;

2 (c) change in valuation; or

3 (d) addition or subtraction of personal property
 4 affixed to the land.

5 (2) The notice of classification and appraisal
 6 provided by the department under subsection (1) must be on
 7 a standardized form adopted by the department containing
 8 sufficient information in a comprehensible manner designed
 9 to fully inform the taxpayer as to the classification and
 10 appraisal of his property and of changes over the prior tax
 11 year.

12 (3) If the owner of any land and improvements is
 13 dissatisfied with the appraisal or classification of his
 14 land or improvements, he may submit his objection in writing
 15 to the department's agent. The department shall give
 16 reasonable notice to such the taxpayer of the time and place
 17 of hearing and hear any testimony or other evidence which
 18 the taxpayer may desire to produce at such that time and
 19 afford the opportunity to other interested persons to
 20 produce evidence at such the hearing. Thereafter After the
 21 hearing, the department shall determine the true and correct
 22 appraisal and classification of such the land or
 23 improvements and forthwith notify the taxpayer of its
 24 determination. In the notification, the department must
 25 state its reasons for revising the classification or

1 appraisal. When so the proper appraisal and classification
 2 have been determined, the land shall be classified and the
 3 improvements appraised in the manner ordered by the
 4 department.

5 (4) Whether a hearing as provided in subsection (3) is
 6 held or not, the department or its agent may not adjust an
 7 appraisal or classification upon taxpayer's objection
 8 unless:

9 (a) the taxpayer has submitted his objection in
 10 writing; and

11 (b) the department or its agent has stated its reason
 12 in writing for making the adjustment.

13 (5) A taxpayer's written objection to a classification
 14 or appraisal and the department's notification to the
 15 taxpayer of its determination and the reason for that
 16 determination are public records. Each county appraiser
 17 shall make such the records available for inspection during
 18 regular office hours.

19 (6) If any property owner ~~shall feel~~ feels aggrieved
 20 at the classification and/or the appraisal ~~so~~ made by the
 21 department, he shall have the right to appeal to the county
 22 tax appeal board and then to the state tax appeal board,
 23 whose findings shall be final subject to the right of review
 24 in the ~~proper court or courts. While the~~ The property owner
 25 may appeal the base year valuation and AND the

1 classification determination, ~~the property owner may not~~
 2 appeal. THE PROPERTY OWNER MAY NOT APPEAL the yearly
 3 percentage adjustments that are specified in 15-7-111 and
 4 that may be made as a result of the sales assessment ratio
 5 study. ~~The property owner may not appeal,~~ and the stratum,
 6 or area designations as specified in 15-7-111.

7 (7) THE PERCENTAGE ADJUSTMENTS, STRATUM, AND AREA
 8 DESIGNATIONS MUST BE ADOPTED BY ADMINISTRATIVE RULE. AN
 9 ANNUAL HEARING MUST BE HELD TO ACCEPT TESTIMONY ON THE
 10 PERCENTAGE ADJUSTMENTS, STRATUM, AND AREA DESIGNATIONS. THE
 11 DEPARTMENT SHALL PRESENT ITS FINDINGS AND THE PROPOSED RULES
 12 TO THE REVENUE OVERSIGHT COMMITTEE."

13 **Section 2.** Section 15-7-111, MCA, is amended to read:

14 "15-7-111. Periodic revaluation of taxable property --
 15 PUBLICATION OF SALES ASSESSMENT RATIO STUDIES -- appeal of
 16 revaluations. (1) The department of revenue shall administer
 17 and supervise a program for the revaluation of all taxable
 18 property within the state at least every 5 years. A
 19 comprehensive written reappraisal plan shall be promulgated
 20 by the department. The reappraisal plan ~~so~~ adopted shall
 21 provide that all property in each county shall be revalued
 22 at least every 5 years ~~or that no less than 20% of the~~
 23 ~~property in each county shall be revalued in each year.~~ The
 24 department shall furnish a copy of the plan and all
 25 amendments thereto to the plan to the board of county

1 commissioners in each county.

2 (2) The new values determined during a revaluation
3 cycle must be provided to the taxpayers at the end of the
4 revaluation cycle but may not be placed on the tax rolls
5 until 1 year following the completion of the revaluation
6 cycle.

7 (3) A taxpayer shall appeal the new value in advance
8 of its placement on the tax rolls by filing an appeal
9 pursuant to 15-15-102 before the first Monday in June or 15
10 days after receiving notice of the new valuation amount,
11 whichever is later, or be barred from appealing for
12 untimeliness.

13 (4) For the taxable year beginning January 1, 1988
14 1990, and for every taxable year thereafter, the department
15 shall conduct a stratified sales assessment ratio study of
16 all residential ~~real--property--and--improvements--of--all~~
17 ~~commercial--and--industrial--real-property-and-improvements,~~
18 ~~and-of-all-other-real-property-and-improvements--The--study~~
19 ~~must--include such--property--as vacant-land, agricultural~~
20 ~~improvements,--and--the--1-acre--homesite--beneath--the~~
21 ~~agricultural--residence. Values-based-on-each-year's-study~~
22 ~~may-not-be-implemented-until-the--following--year~~ LAND AND
23 IMPROVEMENTS, AGRICULTURAL 1-ACRE HOMESITES AND
24 IMPROVEMENTS, AND COMMERCIAL LAND AND IMPROVEMENTS. THE
25 SALES ASSESSMENT RATIO BASED ON PROPERTY SALES FINALIZED AND

1 RECORDED BY NO LATER THAN NOVEMBER 1 MUST BE USED TO
2 DETERMINE APPRAISALS FOR THE IMMEDIATELY SUCCEEDING TAX
3 YEAR.

4 (5) The study required in subsection (4) must be based
5 on:

6 (a) the commonly accepted statistical standards and
7 methodology adopted--by--the--international--association--of
8 assessing---officers---in--their--publication--"Standard--on
9 Assessment-Ratio-Studies";

10 (b) assessments---of---the---property---described---in
11 subsection--(4)--as--of--January--1--of--the--year--immediately
12 preceding--the--taxable--year--for--which--the--study--is--conducted;

13 (c) (b) a statistically valid sample of sales, using
14 data from realty transfer certificates filed for the up to 3
15 taxable year years prior to the year the study is made,
16 taking into account the dates of the included sales in the
17 statistical analysis immediately--following--the--assessment
18 date--identified--in--subsection--(5)(b); and

19 (d) (c) the assessments and sales for areas of the
20 state that are economically, demographically, and
21 geographically similar in order to determine the sales
22 assessment ratio ratios for a specific area.

23 (6) For purposes of conducting the study required by
24 subsection (4), the department shall partition the state
25 into as many as 100 areas for residential property and as

1 many as 20 areas for commercial property. The areas must
 2 contain comparable---numbers---of---property SALES and
 3 statistically sufficient numbers of sales---The---areas---must
 4 AND be as economically and demographically homogeneous as
 5 reasonably practicable. sales--assessment--areas--are---as
 6 follows:

- 7 (a)--area-1:
- 8 (i)--Daniels-County;
- 9 (ii)--Sheridan-County;
- 10 (iii)--Roosevelt-County;
- 11 (iv)--McCone-County;
- 12 (v)--Valley-County;
- 13 (vi)--Phillips-County;
- 14 (vii)--Petroleum-County;
- 15 (viii)--Garfield-County;-and
- 16 (ix)--Prairie-County;
- 17 (b)--area-2:
- 18 (i)--Richland-County;
- 19 (ii)--Dawson-County;
- 20 (iii)--Wibaux-County;
- 21 (iv)--Fallon-County;
- 22 (v)--Carter-County;
- 23 (vi)--Powder-River-County;
- 24 (vii)--Rosebud-County;
- 25 (viii)--Big-Horn-County;-and

- 1 (ix)--Euster-County;
- 2 (c)--area-3--city-of-Billings;
- 3 (d)--area-4:
- 4 (i)--Yellowstone---County---(excluding---the---city---of
- 5 Billings);
- 6 (ii)--Treasure-County;
- 7 (iii)--Musselshell-County;
- 8 (iv)--Carbon-County;-and
- 9 (v)--Stillwater-County;
- 10 (e)--area-5:
- 11 (i)--Golden-Valley-County;
- 12 (ii)--Wheatland-County;
- 13 (iii)--Pergus-County;
- 14 (iv)--Judith-Basin-County;
- 15 (v)--Meagher-County;-and
- 16 (vi)--Sweet-Grass-County;
- 17 (f)--area-6:
- 18 (i)--Park-County;
- 19 (ii)--Gallatin-County;
- 20 (iii)--Broadwater-County;-and
- 21 (iv)--Bewis-and-Clark-County;
- 22 (g)--area-7--city-of-Great-Falls;
- 23 (h)--area-8:
- 24 (i)--Cascade--County--(excluding--the city--of--Great
- 25 Falls);

1 ~~(ii)-Chouteau-County;~~
2 ~~(iii)-Feton-County;~~
3 ~~(iv)-Hill-County;~~
4 ~~(v)--Liberty-County;~~
5 ~~(vi)-Toole-County;~~
6 ~~(vii)-Pondera-County;~~
7 ~~(viii)-Glacier-County;-and~~
8 ~~(ix)-Blaine-County;~~
9 ~~(x)--area-9;~~
10 ~~(xi)--Madison-County;~~
11 ~~(xii)-Beaverhead-County;~~
12 ~~(xiii)-Silver-Bow-County;~~
13 ~~(xiv)-Jefferson-County;~~
14 ~~(v)--Beer-Lodge-County;~~
15 ~~(vi)-Granite-County;-and~~
16 ~~(vii)-Powell-County;~~
17 ~~(j)--area-10--city-of-Missoula;~~
18 ~~(k)--area-11;~~
19 ~~(i)--Missoula-County-(excluding-the-city-of-Missoula);~~
20 and
21 ~~(ii)-Ravalli-County;~~
22 ~~(l)--area-12;~~
23 ~~(i)--Mineral-County;~~
24 ~~(ii)-Sanders-County;-and~~
25 ~~(iii)-Lincoln-County;~~

1 ~~(m)--area-13;~~
2 ~~(i)--Flathead-County;-and~~
3 ~~(ii)-Lake-County;~~
4 ~~(7)--The-department-shall-use-the-following-procedures~~
5 ~~to-resolve-situations-in-similar-areas-of-the-state-that~~
6 ~~have-inadequate-numbers-of-sales-to-conduct-the~~
7 ~~statistically-valid-sample-in-a-specific-tax-year;~~
8 ~~(a)--an-extension-of-the-time-period-from-which-sales~~
9 ~~are-drawn-and-an-adjustment-of-the-sales-price-to~~
10 ~~acknowledge-the-different-time-period;-At-a-minimum-the~~
11 ~~time-adjustment-must-coincide-with-the-consumer-price-index~~
12 ~~for-that-same-time-period;~~
13 ~~(b)--the-use-of-fee-appraisals-in-lieu-of-sales-prices;~~
14 ~~The-fee-appraisal-must-be-conducted-by-a-certified-appraiser~~
15 ~~who-is-not-an-employee-of-the-department;~~
16 ~~(c)--the-input-of-assessment-ratio-statistics-developed~~
17 ~~from-a-model-of-the-area;-The-information-to-be-input-into~~
18 ~~the-study-must-be-statistically-valid-and-must-be-developed~~
19 ~~by-a-certified-statistician-who-is-not-an-employee-of-the~~
20 ~~department;~~
21 ~~(8)(7) The department shall use the following~~
22 ~~procedure to validate sales information;~~
23 ~~(a) Department field staff who have no access to~~
24 ~~appraisal values and who did not participate in the~~
25 ~~determination of appraised values are required to manually~~

1 review each the sales transaction transactions evidenced by
 2 a realty transfer certificate. The review must be conducted
 3 to determine whether each sale used in the study was a
 4 valid, arm's-length transaction. Only valid, arm's-length
 5 sales may be used in the sales assessment ratio study.

6 ~~(b) The valid sales information must be transmitted to~~
 7 ~~the department. The department staff outside the property~~
 8 ~~assessment division shall enter the sales information on the~~
 9 ~~computer-assisted appraisal system in order to make the~~
 10 ~~sales assessment ratio study. The sales information~~
 11 ~~contained on ENTERED IN the computer-assisted appraisal~~
 12 ~~system is considered confidential, as provided in 15-7-308,~~
 13 but, HOWEVER, THE DEPARTMENT SHALL ANNUALLY PUBLISH A REPORT
 14 CONTAINING THE RESULTS OF ALL SALES ASSESSMENT RATIO STUDIES
 15 DONE IN EACH OF THE AREAS DESCRIBED IN SUBSECTION (6). THE
 16 REPORT CONTAINING the results of the study must be made
 17 available to the public by request or by general disclosure.

18 (c) The department shall exclude from the sales
 19 assessment ratio study any parcels in which the improvements
 20 have been remodeled, reconstructed, or expanded ~~or that are~~
 21 ~~wholly new construction after~~ between the time of the
 22 assessment date identified in subsection (5)(b) and the time
 23 of the sales.

24 (d) The department shall exclude sales assessment
 25 ratios of less than 50% or greater than 200%.

1 ~~(9)(8) (a) The department shall have equalized~~
 2 ~~property values throughout the state and may not make~~
 3 ~~further adjustments to values under this section when the~~
 4 ~~following conditions are met:~~

5 ~~(a) the overall assessment assessments level for each~~
 6 ~~stratum within each area identified in subsection (6) are~~
 7 ~~rescaled to bring all ratios to common value 1, is within an~~
 8 ~~interval of plus or minus 10% of the legal level of~~
 9 ~~assessment, given and an adequate sample size is used to~~
 10 produce WHEN THE SAMPLE SIZE PRODUCES A standard error of
 11 less than 5%;

12 ~~(b) coefficients of dispersion with respect to the~~
 13 ~~weighted mean assessment ratio for residential properties~~
 14 ~~located within each area identified in subsection (6) are~~
 15 ~~equal to or less than 20%;~~

16 (b) Under the method described in subsection (8)(a),
 17 taxable property in each area is considered revalued for
 18 each tax year, based on the results of the sales assessment
 19 ratio study and the adjustments required by that study.

20 (C) ASSESSMENTS IN AN AREA ARE CONSIDERED EQUALIZED
 21 UNDER SUBSECTION (8)(A) IF THE RATIO FOR THE AREA IS WITHIN
 22 PLUS OR MINUS 5% OF COMMON VALUE 1.

23 ~~(c) coefficients of dispersion with respect to the~~
 24 ~~weighted mean assessment ratio for income-producing~~
 25 ~~properties located within each area identified in subsection~~

1 (6) are equal to or less than 20% and
 2 (d) coefficients of dispersion with respect to the
 3 weighted mean assessment ratio for other types of real
 4 property and improvements located within each area
 5 identified in subsection (6) are equal to or less than 20%.
 6 (10) (a) When the overall assessment level of each
 7 stratum exceeds 10% of the legal level of assessment and
 8 when the coefficients of dispersion with respect to the
 9 weighted mean for each stratum exceed 20%, the department
 10 shall make percentage adjustments to the valuations of all
 11 the properties in a specific area stratum. The percentage
 12 adjustments must create compliance with subsection (9). The
 13 percentage adjustments must account for unique factors that
 14 affect values in the various areas.
 15 (b) Under this method, all taxable property in each
 16 area is considered revalued for each tax year based on the
 17 results of the sales assessment ratio study and any
 18 percentage adjustments required by that study."

19 **Section 3.** Section 15-10-412, MCA, is amended to read:
 20 "15-10-412. (Temporary) Property tax limited to 1986
 21 levels -- clarification -- extension to all property
 22 classes. Section 15-10-402 is interpreted and clarified as
 23 follows:

24 (1) The limitation to 1986 levels is extended to apply
 25 to all classes of property described in Title 15, chapter 6,

1 part 1.

2 (2) The limitation on the amount of taxes levied is
 3 interpreted to mean that, except as otherwise provided in
 4 this section, the actual tax liability for an individual
 5 property is capped at the dollar amount due in each taxing
 6 unit for the 1986 tax year. In tax years thereafter, the
 7 property must be taxed in each taxing unit at the 1986 cap
 8 or the product of the taxable value and mills levied,
 9 whichever is less for each taxing unit.

10 (3) The limitation on the amount of taxes levied does
 11 not mean that no further increase may be made in the total
 12 taxable valuation of a taxing unit as a result of:

13 (a) annexation of real property and improvements into
 14 a taxing unit;

15 (b) construction, expansion, or remodeling of
 16 improvements;

17 (c) transfer of property into a taxing unit;

18 (d) subdivision of real property;

19 (e) reclassification of property;

20 (f) increases in the amount of production or the value
 21 of production for property described in 15-6-131 or
 22 15-6-132;

23 (g) transfer of property from tax-exempt to taxable
 24 status; or

25 (h) revaluations caused by:

1 (i) cyclical reappraisal; or
 2 (ii) expansion, addition, replacement, or remodeling of
 3 improvements; or
 4 (i) increases in property valuation pursuant to
 5 15-7-111(4) through ~~(7)~~ (8) in order to equalize property
 6 values annually.
 7 (4) The limitation on the amount of taxes levied does
 8 not mean that no further increase may be made in the taxable
 9 valuation or in the actual tax liability on individual
 10 property in each class as a result of:
 11 (a) construction, expansion, replacement, or
 12 remodeling of improvements that adds value to the property;
 13 (b) transfer of property into a taxing unit;
 14 (c) reclassification of property;
 15 (d) increases in the amount of production or the value
 16 of production for property described in 15-6-131 or
 17 15-6-132;
 18 (e) annexation of the individual property into a new
 19 taxing unit; or
 20 (f) conversion of the individual property from
 21 tax-exempt to taxable status; or
 22 (g) increases in property valuation pursuant to
 23 15-7-111(4) through ~~(7)~~ (8) in order to equalize property
 24 values annually.
 25 (5) Property in classes four, twelve, and fourteen is

1 valued according to the procedures used in 1986, including
 2 the designation of 1982 as the base year, until the
 3 reappraisal cycle beginning January 1, 1986, is completed
 4 and new valuations are placed on the tax rolls and a new
 5 base year designated, if the property is:
 6 (a) new construction;
 7 (b) expanded, deleted, replaced, or remodeled
 8 improvements;
 9 (c) annexed property; or
 10 (d) property converted from tax-exempt to taxable
 11 status.
 12 (6) Property described in subsections (5)(a) through
 13 (5)(d) that is not class four, class twelve, or class
 14 fourteen property is valued according to the procedures used
 15 in 1986 but is also subject to the dollar cap in each taxing
 16 unit based on 1986 mills levied.
 17 (7) The limitation on the amount of taxes, as
 18 clarified in this section, is intended to leave the property
 19 appraisal and valuation methodology of the department of
 20 revenue intact. Determinations of county classifications,
 21 salaries of local government officers, and all other matters
 22 in which total taxable valuation is an integral component
 23 are not affected by 15-10-401 and 15-10-402 except for the
 24 use of taxable valuation in fixing tax levies. In fixing tax
 25 levies, the taxing units of local government may anticipate

1 the deficiency in revenues resulting from the tax
 2 limitations in 15-10-401 and 15-10-402, while understanding
 3 that regardless of the amount of mills levied, a taxpayer's
 4 liability may not exceed the dollar amount due in each
 5 taxing unit for the 1986 tax year unless the taxing unit's
 6 taxable valuation decreases by 5% or more from the previous
 7 tax year. If a taxing unit's taxable valuation decreases by
 8 5% or more from the previous tax year, it may levy
 9 additional mills to compensate for the decreased taxable
 10 valuation, but in no case may the mills levied exceed a
 11 number calculated to equal the revenue from property taxes
 12 for the 1986 tax year in that taxing unit.

13 (8) The limitation on the amount of taxes levied does
 14 not apply to the following levy or special assessment
 15 categories, whether or not they are based on commitments
 16 made before or after approval of 15-10-401 and 15-10-402:

- 17 (a) rural improvement districts;
- 18 (b) special improvement districts;
- 19 (c) levies pledged for the repayment of bonded
 20 indebtedness, including tax increment bonds;
- 21 (d) city street maintenance districts;
- 22 (e) tax increment financing districts;
- 23 (f) satisfaction of judgments against a taxing unit;
- 24 (g) electric company street lighting assessments; and
- 25 (h) revolving funds to support any categories

1 specified in this subsection (8).

2 (9) The limitation on the amount of taxes levied does
 3 not apply in a taxing unit if the voters in the taxing unit
 4 approve an increase in tax liability following a resolution
 5 of the governing body of the taxing unit containing:

6 (a) a finding that there are insufficient funds to
 7 adequately operate the taxing unit as a result of 15-10-401
 8 and 15-10-402;

9 (b) an explanation of the nature of the financial
 10 emergency;

11 (c) an estimate of the amount of funding shortfall
 12 expected by the taxing unit;

13 (d) a statement that applicable fund balances are or
 14 by the end of the fiscal year will be depleted;

15 (e) a finding that there are no alternative sources of
 16 revenue;

17 (f) a summary of the alternatives that the governing
 18 body of the taxing unit has considered; and

19 (g) a statement of the need for the increased revenue
 20 and how it will be used.

21 (10) The limitation on the amount of taxes levied does
 22 not apply to levies required to address the funding of
 23 relief of suffering of inhabitants caused by famine,
 24 conflagration, or other public calamity. (Terminates
 25 December 31, 1989--sec. 6, Ch. 654, L. 1987.)"

1 NEW SECTION. Section 4. Extension of authority. Any
2 existing authority to make rules on the subject of the
3 provisions of [this act] is extended to the provisions of
4 [this act].

5 NEW SECTION. SECTION 5. COORDINATION INSTRUCTION. IF
6 [THIS ACT] AND SENATE BILL NO. 65 ARE PASSED AND APPROVED,
7 THE AMENDMENT TO 15-10-412(3)(I) IN SENATE BILL NO. 65 AND
8 THE LANGUAGE IN THE AMENDMENT TO SENATE BILL NO. 65
9 INSERTING 15-10-412(4)(A)(II) THAT READS "OR A SALES
10 ASSESSMENT RATIO STUDY" ARE VOID.

11 NEW SECTION. Section 6. Effective . date --
12 applicability. [This act] is effective on passage and
13 approval and applies to taxable years beginning after
14 December 31, 1989.

-End-