

HOUSE BILL 282

Introduced by L. Nelson, et al.

1/19	Introduced
1/19	Referred to Taxation
1/21	First Reading
1/21	Fiscal Note Requested
1/25	Hearing
1/28	Fiscal Note Received
1/29	Fiscal Note Printed
3/07	Committee Report--Bill Passed as Amended
3/09	2nd Reading Passed
3/09	Taken From Engrossing and Rereferred to Appropriations
3/22	Hearing
3/22	Tabled in Committee

HOUSE BILL NO. *282*

INTRODUCED BY *J. Nelson, Steve Hunsicker, Larry
 Linneman, Cody R. Cook, Tommie E. McElroy, Bill
 M. Hansen, Bradley J. Dickson, Gary R. Shifflett*
 A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE STATE TO
 MAKE PAYMENTS IN LIEU OF TAXES ON LAND IN EACH COUNTY IN
 WHICH THE STATE OWNS REAL PROPERTY IN EXCESS OF 6 PERCENT OF
 THE TOTAL LAND AREA OF THE COUNTY; AMENDING SECTION
 77-1-502, MCA; AND PROVIDING AN EFFECTIVE DATE."

WHEREAS, the United States granted land, equal to approximately 5.37% of the total land in Montana, to the state to hold in trust for the support of education and for the well-being of the people of the state; and

WHEREAS, because of the excessive holdings of state-owned land, the tax base in at least 18 counties that have over 6% of their total land area held in trust is materially reduced; and

WHEREAS, the property owners in counties with large holdings of state land are forced to carry a greater tax burden for maintenance of county government and operation of schools than are property owners in counties with less than the average portion of state-owned, tax-free land; and

WHEREAS, school trust lands should be appraised on the same basis and at the same value as privately owned lands.

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

Section 1. Section 77-1-502, MCA, is amended to read:

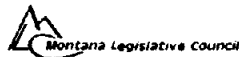
"77-1-502. Computation of state land equalization payment in lieu of taxes. (1) The department of revenue shall classify and compute the amount in lieu of taxes which that would be payable on the county assessments of said the property as if it were owned by and taxable to a taxpayer of such the county.

~~(2) If the land is not classified, the sum to be listed shall be determined by the average tax payment made on like property within the county where said land is situated, not to exceed 12 cents per grazing acre, 35 cents per agricultural acre, and 12 cents per forest acre. The average tax may be derived from the most recent biennial report of the department of revenue. The total figure arrived at by this method shall be called the gross assessment figure.~~

~~(3) The county exemption factor shall be determined by dividing the percentage the state-owned land bears to the total land area of the county into 6%. This quotient shall be multiplied by the gross assessment figure, and the product is called the state exemption figure.~~

~~(4) The state exemption figure shall be subtracted from the gross assessment to give the state land equalization payment.~~

(2) The amount of state land equalization payment in



LC 0704/01

1 lieu of taxes is determined by the number of mills levied
2 for the year, prior to the legislative session in which the
3 appropriation is made for the biennium, against the land
4 according to its classification. The payment in lieu of
5 taxes may not be in excess of the taxes that would result if
6 the real property, in excess of 6% of the county's land
7 area, were taxable."

8 NEW SECTION. Section 2. Effective date. [This act] is
9 effective July 1, 1991.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0282, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

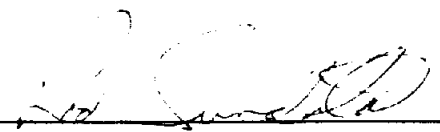
An act to require the state to make payments in lieu of taxes on land in each county in which the state owns real property in excess of 6 percent of the total land area of the county; and providing an effective date.

ASSUMPTIONS:

1. Total state land acreage is 5,192,531.
2. State land acreage in excess of 6% of total county acreage is 2,486,236.
3. The proposal requires the Department of Revenue to classify all state land acreage in excess of 6% of total county acreage. This valuation will be done in FY92. Administrative costs in FY92 would include 4.70 FTE and \$5,800 in operating expenses.
4. According to the Montana Association of Counties, \$356,478 is needed to fully fund the state land equalization payment at 100% of the tax levy on all lands in each county that has over and above the 6% normally allowed for school trust land.
5. The legislature will fully fund the equalization payment as determined in this bill. (see technical note)

FISCAL IMPACT:

see next page



ROD SUNDSTED BUDGET DIRECTOR
Office of Budget and Program Planning

DATE

Feb-91

LINDA J. NELSON, PRIMARY SPONSOR

DATE

Fiscal Note for HB0282, as introduced

HB 282

Fiscal Note Request, HBO282, as introduced

Form BD-15

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Expenditures:

Department of Revenue:

	FY 92			FY 93		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
F.T.E.	0	4.70	4.70	0	0	0
Personal Services	0	100,100	100,100	0	0	0
Operating Expenses	0	5,800	5,800	0	0	0
Total	0	105,900	105,900	0	0	0
<u>Funding:</u>						
General Fund	0	105,900	105,900	0	0	0

Department of State Lands:

Equalization Payment	265,000	356,478	91,478	265,000	356,478	91,478
<u>Funding</u>						
General Fund	265,000	356,478	91,478	265,000	356,478	91,478

TECHNICAL NOTES:

Historically the total amount paid to counties in state land equalization payments has been an amount set by the legislature through appropriation. This appropriated amount is not based on the actual value of the land in question. Nothing in current law or the proposal addresses this appropriation.

HB 282

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 282

INTRODUCED BY L. NELSON, HANSEN, SPRING, LARSON, CODY,
R. DEBRUYCKER, MCCAFFREE, BARNETT, M. HANSON, BRADLEY,
J. DEBRUYCKER, HARPER, O'KEEFE, J. RICE, WEEDING,
SQUIRES, NATHE, SCHYE

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE STATE TO
MAKE PAYMENTS IN LIEU OF TAXES ON LAND IN EACH COUNTY IN
WHICH THE STATE OWNS REAL PROPERTY IN EXCESS OF 6 PERCENT OF
THE TOTAL LAND AREA OF THE COUNTY; TO REVISE THE METHOD OF
COMPUTING THE STATE LAND EQUALIZATION PAYMENTS; TO PROVIDE
FOR REDUCTION IN PAYMENTS WHEN THE FUNDS APPROPRIATED ARE
NOT SUFFICIENT TO MAKE FULL EQUALIZATION PAYMENTS; AMENDING
SECTION SECTIONS 77-1-501, 77-1-502, AND 77-1-504, MCA;
REPEALING SECTION 77-1-503, MCA; AND PROVIDING AN EFFECTIVE
DATE AND AN APPLICABILITY DATE."

WHEREAS, the United States granted land, equal to
approximately 5.37% of the total land in Montana, to the
state to hold in trust for the support of education and for
the well-being of the people of the state; and

WHEREAS, because of the excessive holdings of
state-owned land, the tax base in at least 18 counties that
have over 6% of their total land area held in trust is
materially reduced; and

WHEREAS, the property owners in counties with large
holdings of state land are forced to carry a greater tax
burden for maintenance of county government and operation of
schools than are property owners in counties with less than
the average portion of state-owned, tax-free land; and

WHEREAS, school trust lands should be appraised on the
same basis and at the same value as privately owned lands.

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

SECTION 1. SECTION 77-1-501, MCA, IS AMENDED TO READ:

"77-1-501. List of state lands by county. The
department shall, before the first Monday of April of every
year, prepare ~~and transmit~~ a statement ~~to the department--of
revenue or its agent in~~ that identifies each county in which
the state has owns real property in excess of 6% of the
total land area of the county and from which the state
derives grazing, agricultural, or forest income. The
statement shall contain the total number of acres owned by
the state in that county and list the acres separately as
grazing, agricultural, or forest land."

Section 2. Section 77-1-502, MCA, is amended to read:

"77-1-502. Computation of state land equalization
payment in lieu of taxes. (1) (A) The department of revenue
shall ~~classify and~~ compute the amount in lieu of taxes which
~~that would be payable on the county assessments of said the~~



1 ~~property as if it were owned by and taxable to a taxpayer of~~
2 ~~such the county~~ DUE TO EACH COUNTY IN WHICH THE STATE-OWNED
3 ~~PROPERTY IN THAT COUNTY IS IN EXCESS OF 6% OF THE TOTAL LAND~~
4 ~~AREA FOR THE COUNTY.~~

5 (B) THE AMOUNT IN LIEU OF TAX PAYMENT FOR LAND OWNED BY
6 THE STATE MUST BE COMPUTED BASED UPON AN IMPUTED VALUE OF
7 STATE LAND, IN THE THREE CATEGORIES LISTED IN SUBSECTION
8 (1)(D), THAT EXCEEDS 6% OF THE TOTAL LAND AREA OF THE COUNTY
9 AS FOLLOWS:

10 (I) THE VALUE PER ACRE FOR EACH CATEGORY IS COMPUTED BY
11 MULTIPLYING THE TOTAL STATEWIDE TAXABLE VALUE OF THE
12 CATEGORY BY THE STATEWIDE AVERAGE MILL LEVY FOR STATE,
13 COUNTY, AND SCHOOL DISTRICT LEVIES FOR THE YEAR IN WHICH THE
14 PAYMENT IS TO BE MADE DIVIDED BY THE STATEWIDE QUANTITY OF
15 THAT CATEGORY OF LAND.

16 (II) THE AMOUNT OF THE PAYMENT IN LIEU OF TAXES IS
17 DETERMINED BY MULTIPLYING THE VALUE PER ACRE BY THE RATIO
18 THAT THE NUMBER OF STATE-OWNED ACRES OF LAND OF THAT
19 CATEGORY BEARS TO THE TOTAL AMOUNT OF STATE-OWNED LAND IN
20 THE COUNTY MULTIPLIED BY THE AMOUNT OF STATE-OWNED LAND IN
21 THE COUNTY IN EXCESS OF 6% OF THE TOTAL LAND AREAS OF THE
22 COUNTY.

23 (C) THE TOTAL STATEWIDE TAXABLE VALUE AND THE STATEWIDE
24 QUANTITY OF EACH CATEGORY OF LAND IS THE AMOUNT PUBLISHED IN
25 THE MOST RECENT BIENNIAL REPORT OF THE DEPARTMENT OF

1 REVENUE. FOR THE AGRICULTURAL CATEGORY, THE DEPARTMENT SHALL
2 USE THE VALUE AND QUANTITY OF IRRIGATED AND NONIRRIGATED
3 LAND.

4 (D) AS USED IN THIS SECTION, THE CATEGORIES OF LAND
5 ARE:

6 (I) GRAZING LAND;

7 (II) AGRICULTURAL LAND; AND

8 (III) TIMBERLAND.

9 ~~(2) If the land is not classified, the sum to be listed~~
10 ~~shall be determined by the average tax payment made on like~~
11 ~~property within the county where said land is situated, not~~
12 ~~to exceed 12 cents per grazing acre, 35 cents per~~
13 ~~agricultural acre, and 12 cents per forest acre. The average~~
14 ~~tax may be derived from the most recent biennial report of~~
15 ~~the department of revenue. The total figure arrived at by~~
16 ~~this method shall be called the gross assessment figure.~~

17 ~~(3) The county exemption factor shall be determined by~~
18 ~~dividing the percentage the state-owned land bears to the~~
19 ~~total land area of the county into 6%. This quotient shall~~
20 ~~be multiplied by the gross assessment figure, and the~~
21 ~~product is called the state exemption figure.~~

22 ~~(4) The state exemption figure shall be subtracted from~~
23 ~~the gross assessment to give the state land equalization~~
24 ~~payment.~~

25 (2) The amount of state land equalization payment in

1 ~~lieu-of-taxes-is-determined-by-the-number-of-mills-levied~~
 2 ~~for-the-year,-prior-to-the-legislative-session-in-which-the~~
 3 ~~appropriation-is-made-for-the-biennium,-against-the-land~~
 4 ~~according-to-its-classification.-The-payment-in-lieu-of~~
 5 ~~taxes-may-not-be-in-excess-of-the-taxes-that-would-result-if~~
 6 ~~the-real-property,-in-excess-of-6%-of-the-county's-land~~
 7 ~~area,-were-taxable: IF THE FUNDS APPROPRIATED FOR A FISCAL~~
 8 ~~YEAR ARE INSUFFICIENT TO PAY THE FULL AMOUNT IN LIEU OF TAX~~
 9 ~~PAYMENTS, AS CALCULATED IN SUBSECTION (1), THE DEPARTMENT~~
 10 ~~SHALL PRORATE THE PAYMENT TO COUNTIES."~~

11 **SECTION 3.** SECTION 77-1-504, MCA, IS AMENDED TO READ:

12 "77-1-504. Processing-of-county-statements Filing
 13 claims. The-department-shall-examine-the-statement-returned
 14 by-the-agent-of-the-department-of-revenue-for-accuracy,-and
 15 in-no-case-shall-the-state-land-equalization-payment-be
 16 approved-unless-the-state-exemption-figure-is-deducted-from
 17 the-gross-assessment-figure-in-the-statement: The department
 18 shall, before November 1 of each year, prepare and file a
 19 claim with the department of administration for all counties
 20 who are eligible for state land equalization payments, and
 21 this claim shall show the amount of money each eligible
 22 county will receive."

23 **NEW SECTION. SECTION 4. REPEALER.** SECTION 77-1-503,
 24 MCA, IS REPEALED.

25 **NEW SECTION. SECTION 5. APPLICABILITY.** [THIS ACT]

1 APPLIES TO TAX YEARS BEGINNING AFTER DECEMBER 31, 1991.

2 NEW SECTION. Section 6. Effective date. [This act] is
 3 effective July 1, 1991.

-End-