HOUSE BILL NO. 452

INTRODUCED BY LARSON, BERGSAGEL, BENEDICT, DOLEZAL, GOULD, CROMLEY, DAVIS, O'KEEFE, G. BECK, SCOTT, SCHYE, DAILY, LYNCH, TOOLE, WILLIAMS, SWIFT, PIPINICH

IN THE HOUSE

JANUARY 30, 1991	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
MARCH 27, 1991	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 28, 1991	PRINTING REPORT.
APRIL 3, 1991	SECOND READING, DO PASS.
	ON MOTION, RULES SUSPENDED. BILL PLACED ON THIRD READING THIS DAY.
	THIRD READING, PASSED. AYES, 96; NOES, 4.
APRIL 4, 1991	ENGROSSING REPORT.
	TRANSMITTED TO THE SENATE.

IN THE SENATE

APRIL 4, 1991	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
APRIL 12, 1991	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
APRIL 15, 1991	SECOND READING, CONCURRED IN.
APRIL 16, 1991	THIRD READING, CONCURRED IN. AYES, 49; NOES, 0.
	RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 16, 1991	RECEIVED FROM SENATE.

APRIL 18, 1991	SECOND READING, AMENDMENTS NOT CONCURRED IN.
APRIL 19, 1991	ON MOTION, FREE CONFERENCE COMMITTEE REQUESTED AND APPOINTED.
	IN THE SENATE
APRIL 20, 1991	ON MOTION, FREE CONFERENCE COMMITTEE REQUESTED AND APPOINTED.
	IN THE HOUSE
APRIL 22, 1991	FREE CONFERENCE COMMITTEE REPORTED.
	SECOND READING, FREE CONFERENCE COMMITTEE REPORT ADOPTED.
APRIL 23, 1991	THIRD READING, FREE CONFERENCE COMMITTEE REPORT ADOPTED.
	IN THE SENATE
APRIL 24, 1991	FREE CONFERENCE COMMITTEE REPORT ADOPTED.
	IN THE HOUSE
April 29, 1991	SENT TO ENROLLING.
	REPORTED CORRECTLY ENROLLED.

House BILL NO. 452

INTRODUCED BY [illegible signatures] Bob Pipinich

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A 5-YEAR PROPERTY TAX EXEMPTION FOR QUALIFYING PROPERTY OF NEW AND EXPANDING INDUSTRIES THAT PROCESS MONTANA RAW MATERIALS OR USE MONTANA SEMIFINISHED PRODUCTS IN MANUFACTURING; DEFINING QUALIFYING PROPERTY; PROVIDING FOR GOVERNING BODY APPROVAL; PROVIDING FOR THE RECAPTURE OF PROPERTY TAXES; AMENDING SECTION 15-6-134, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because the department of revenue is granted authority to adopt rules for the administration of this bill.

The legislature contemplates that rules adopted by the department should, at a minimum, provide the following:

(1) guidelines for information that must be contained in the application for property tax exemption;

(2) the forms to be used by a firm to apply for the property tax exemption and to report employment associated with the use of tax-exempt property;

(3) the procedures to ensure that a taxpayer receiving a tax exemption under this bill does not receive any other

property tax exemption or reduction for qualifying property;

(4) the procedures for determining when taxes on property receiving an exemption are subject to recapture;

(5) the method of assessing and collecting taxes subject to recapture;

(6) the definition of terms and establishment of procedures that are appropriate for the efficient administration of the property tax exemption.

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

NEW SECTION. **Section 1.** Purpose. The purpose of [sections 2 through 6] is to encourage value-added manufacturing in Montana by providing a 5-year property tax exemption for qualifying property of new and expanding industries that process Montana raw materials or use Montana semifinished products in manufacturing.

NEW SECTION. **Section 2.** Definitions. The following definitions apply to [sections 2 through 6] unless the context requires otherwise:

(1) "Direct labor" means labor applied directly to a product.

(2) "Expansion" means that the industry has after January 1, 1992, added qualifying improvements or modernized processes to its property within the same jurisdiction either in the first tax year in which the tax exemption

INTRODUCED BILL
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provided for in [section 3] is to be received or in the preceding tax year. Expansion does not include property that:

(a) has qualified for the tax reduction under 15-24-1402; or

(b) will create an adverse impact on existing state, county, or municipal services.

(3) "Industry" includes but is not limited to a firm that engages in the mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States office of management and budget and engages in the:

(a) processing of Montana raw materials such as minerals, ore, agricultural products, and forestry products; or

(b) processing of semifinished products produced in Montana that are used by the industry as a raw material in further manufacturing.

(4) "New industry" means that the industry is new to the jurisdiction and after January 1, 1992, has invested in qualifying improvements or modernized processes in the jurisdiction either in the first tax year in which the tax exemption provided for in [section 3] is to be received or in the preceding tax year. New industry does not include

property:

(a) treated as new industrial property under 15-6-135;

(b) that has qualified for the tax reduction under 15-24-1402; or

(c) that will create an adverse impact on existing state, county, or municipal services.

(5) "Qualifying improvement" means an improvement or modernized process that results in the hiring of five or more new employees used as direct labor for the manufacture or processing of products described in subsection (3).

NEW SECTION. **Section 3.** New or expanding industry exemption -- application -- approval -- reports. (1) After January 1, 1992, qualifying improvements or modernized processes that represent new industry or expansion of an existing industry are exempt from property taxation for 5 years if:

(a) the improvements or modernized processes result in the hiring of five or more new full-time employees for the entire period in which the tax exemption is in effect; and

(b) the industry actively operates the improvements or modernized processes in the jurisdiction for a period of 10 years following the date the tax exemption was granted.

(2) A person, firm, or other group seeking to qualify its property for the tax exemption under subsection (1) shall apply to the department of revenue on a form provided

by the department. The application must include:

(a) the description of the real property, other than land, personal property, and improvements that may qualify for the exemption;

(b) the date on which the qualifying property is intended to be operational;

(c) the number of new employees to be used in the operation of the qualifying property;

(d) a statement that the new employees are in addition to the existing workforce of the industry;

(e) a statement that the industry intends to operate for a period of 10 years following the date the tax exemption is granted; and

(f) a statement that all the applicant's taxes are paid in full.

(3) If the department of revenue makes an initial determination that the industry qualifies for the property tax exemption, it shall publish notice of and hold a public hearing to determine whether the property should be exempt from taxation.

(4) (a) For a taxpayer to receive the tax exemption described in subsection (1), the governing body of the affected county or the incorporated city or town, following the public hearing described in subsection (3), shall give due notice as defined in 76-15-103 and hold a public

hearing. The governing body must approve the tax exemption provided for in subsection (1) by a separate resolution for each project in its respective jurisdiction. The governing body may not grant approval for the project until all of the applicant's taxes have been paid in full. Taxes paid under protest do not preclude approval.

(b) The resolution provided for in subsection (4)(a) must include the application submitted to the department of revenue by the taxpayer seeking the exemption.

(c) Upon receipt of approval of the governing body of the affected taxing jurisdiction, the assessor shall make the assessment change for the tax exemption provided for in this section.

(5) The tax benefit described in subsection (1) applies to:

(a) the number of mills levied and assessed for local high school district and elementary school district purposes;

(b) the number of mills levied and assessed by the governing body approving the benefit over which the governing body has sole discretion; and

(c) statewide levies.

(6) The tax exemption described in subsection (1) applies to all of the mills levied and assessed in the jurisdiction in which the qualifying property is located.

(7) For each year that the tax exemption is in effect, the taxpayer shall report by June 1 of each year to the department of revenue on forms prescribed by the department the number of additional, new full-time employees used in the operation of the qualifying property for which the tax exemption was granted.

NEW SECTION. **Section 4. Exclusion from other property tax reductions or exemptions.** If a property tax exemption is taken pursuant to [sections 1 through 6], other property tax reductions or exemptions, including but not limited to 15-6-135, 15-24-1402, and 15-24-1501, are not allowed for the qualifying property.

NEW SECTION. **Section 5. Recapture of exempt taxes -- exception.** (1) Except as provided in subsection (2), if an industry that owns property receiving a tax exemption under [sections 1 through 6] fails, without cause, to comply with the requirement contained in [section 3(1)(a) or (1)(b)], the property receiving the exemption is subject to the recapture of all taxes that would have been levied on the qualifying property, plus penalty as provided in Title 15, chapter 16, part 1. The recapture is a lien on the property and is due and payable by the owner of the property at the time the industry fails to comply with the requirements in [section 3(1)(a) or (1)(b)].

(2) There is no recapture of exempt taxes on the

transfer of ownership of exempt property if the new owner complies with the requirements contained in [section 3(1)(a) and (1)(b)].

NEW SECTION. **Section 6. Rules.** The department of revenue shall prescribe rules necessary to carry out the purposes of [sections 1 through 6].

Section 7. Section 15-6-134, MCA, is amended to read:

"**15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in another class;

(c) the first $80,000 or less of the market value of any improvement on real property and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose total income from all sources including otherwise tax-exempt income of all types is not more than $10,000 for a single person or $12,000 for a married couple, as adjusted according to subsection (2)(b)(ii);

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least 9 holes and not less than 3,000 lineal yards.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 ~~or~~, 15-24-1501, or [section 3], property described in subsections (1)(a) and (1)(b) is taxed at 3.86% of its market value.

(b) (i) Property described in subsection (1)(c) is taxed at 3.86% of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple	Percentage Multiplier
$ 0 - $ 1,000	$ 0 - $ 1,200	0%
1,001 - 2,000	1,201 - 2,400	10%
2,001 - 3,000	2,401 - 3,600	20%
3,001 - 4,000	3,601 - 4,800	30%
4,001 - 5,000	4,801 - 6,000	40%
5,001 - 6,000	6,001 - 7,200	50%
6,001 - 7,000	7,201 - 8,400	60%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department of revenue. The adjustment to the income levels is determined by:

(A) multiplying the appropriate dollar amount from the

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table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1986; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

(3) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate for class four property until a revaluation has been made as provided in 15-7-111.

(4) Within the meaning of comparable property as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

NEW SECTION. **Section 8.** Codification instruction. [Sections 1 through 6] are intended to be codified as an integral part of Title 15, chapter 24, and the provisions of

Title 15, chapter 24, apply to [sections 1 through 6].

NEW SECTION. **Section 9.** Effective date. [This act] is effective January 1, 1992.

-End-

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 452

INTRODUCED BY LARSON, BERGSAGEL, BENEDICT, DOLEZAL, GOULD, CROMLEY, DAVIS, O'KEEFE, G. BECK, SCOTT, SCHYE, DAILY, LYNCH, TOOLE, WILLIAMS, SWIFT, PIPINICH

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A ~~5-YEAR PROPERTY--TAX--EXEMPTION~~ 7-YEAR TAXABLE VALUE DECREASE FOR QUALIFYING ~~PROPERTY~~ MACHINERY AND EQUIPMENT OF ~~NEW--AND~~ EXPANDING INDUSTRIES THAT PROCESS MONTANA RAW MATERIALS OR USE MONTANA SEMIFINISHED PRODUCTS IN MANUFACTURING; DEFINING QUALIFYING PROPERTY; PROVIDING FOR GOVERNING BODY APPROVAL; ~~PROVIDING--FOR--THE--RECAPTURE--OF--PROPERTY-TAXES;-AMENDING SECTION-15-6-134,-MCA;~~ AND PROVIDING ~~A-DELAYED~~ AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because the department of revenue is granted authority to adopt rules for the administration of this bill.

The legislature contemplates that rules adopted by the department should, at a minimum, provide the following:

~~(1)--guidelines-for-information-that-must--be--contained in-the-application-for-property-tax-exemption;~~

~~(2)--the--forms--to--be--used-by-a-firm-to-apply-for-the property-tax-exemption-and-to-report--employment--associated with-the-use-of-tax-exempt-property;~~

~~(3)--the--procedures-to-ensure-that-a-taxpayer-receiving a-tax-exemption-under-this-bill-does-not-receive--any--other property-tax-exemption-or-reduction-for-qualifying-property;~~

~~(4)--the---procedures--for--determining--when--taxes--on property-receiving-an-exemption-are-subject-to-recapture;~~

~~(5)--the--method--of--assessing--and--collecting---taxes subject-to-recapture;~~

~~(6)--the---definition--of--terms--and--establishment--of procedures--that---are---appropriate---for---the---efficient administration-of-the-property-tax-exemption.~~

(1) GUIDELINES FOR INFORMATION THAT MUST BE CONTAINED IN THE APPLICATION FOR TAXABLE VALUE DECREASE;

(2) THE FORMS TO BE USED BY A FIRM TO APPLY FOR THE TAXABLE VALUE DECREASE AND TO REPORT EMPLOYMENT ASSOCIATED WITH THE USE OF QUALIFYING PROPERTY;

(3) THE PROCEDURES TO ENSURE THAT A TAXPAYER RECEIVING A TAXABLE VALUE DECREASE UNDER THIS BILL DOES NOT RECEIVE ANY OTHER PROPERTY TAX REDUCTION FOR QUALIFYING PROPERTY;

(4) THE DEFINITION OF TERMS AND ESTABLISHMENT OF PROCEDURES THAT ARE APPROPRIATE FOR THE EFFICIENT ADMINISTRATION OF THE TAXABLE VALUE DECREASE;

(5) PROCEDURES FOR THE ANNUAL RECOMPUTATION OF NUMBERS OF EXISTING EMPLOYEES AND NUMBERS OF NEW EMPLOYEES;

(6) CRITERIA THE DEPARTMENT INTENDS TO USE TO SAFEGUARD

<u>THE FAITHFUL REPORTING OF EXISTING AND NEW EMPLOYEES TO DETER TAXPAYERS FROM USING TEMPORARY MEASURES OR OTHER ARTIFICES TO DEFLATE THE NUMBER OF EXISTING EMPLOYEES OR INFLATE THE NUMBER OF NEW EMPLOYEES CONTRARY TO THE SPIRIT OF THE PROGRAM; AND</u>

<u>(7) PROCEDURES FOR THE DEPARTMENT TO REVIEW THE SPECIFIC RESPONSIBILITIES OF EACH NEW EMPLOYEE TO ENSURE THAT THE EMPLOYEE IS A QUALIFYING EMPLOYEE.</u>

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

(Refer to Introduced Bill)

Strike everything after the enacting clause and insert:

<u>NEW SECTION.</u> Section 1. **Purpose.** The purpose of [sections 1 through 5] is to encourage value-added manufacturing in Montana by providing a taxable value decrease for a 7-year period for qualifying personal property of expanding industries that process Montana raw materials or use Montana semifinished products in manufacturing.

<u>NEW SECTION.</u> Section 2. **Definitions.** Unless the context requires otherwise, in [sections 1 through 5], the following definitions apply:

(1) "Expansion" means that after January 1, 1992, the industry has added qualifying property within the jurisdiction either in the first tax year in which the

taxable value decrease provided for in [section 3] is to be received or in the preceding tax year. Expansion does not include property that:

(a) has qualified for the tax exemption under 15-24-1402; or

(b) will create an adverse impact on existing state, county, or municipal services.

(2) "Industry" is a firm that engages in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States office of management and budget and that engages in the:

(a) processing of Montana raw materials such as minerals, ore, oil, gas, coal, agricultural products, and forestry products; or

(b) processing of semifinished products produced in Montana that are used by the industry as a raw material in further manufacturing.

(3) "Qualifying employee" means a person:

(a) whose job was created as a result of expansion; and

(b) whose position pays not less than three-quarters of the amount of the average wage as determined by the quarterly statistical report published by the department of labor and industry.

(4) "Qualifying property" means machinery and equipment that results in the hiring of qualifying employees used for the manufacture or processing of products described in subsection (2).

NEW SECTION. Section 3. **Expanding industry taxable value decrease -- application -- approval -- reports.** (1) After January 1, 1992, an existing industry with qualifying property that represents an expansion of the industry is entitled to receive a decrease in the tax rate for class eight property if the property results in the hiring of full-time qualifying employees for each year in which the taxable value decrease is in effect.

(2) A person, firm, or other group seeking to qualify its property for the taxable value decrease under subsection (1) shall apply to the department of revenue on a form provided by the department. The application must include:

(a) the description of the personal property that may qualify for the taxable value decrease;

(b) the date on which the qualifying property is intended to be operational;

(c) the rate of pay and number of existing employees and new employees to be used in the operation of the qualifying property;

(d) a statement that the new employees are in addition to the existing workforce of the industry and the specific

responsibilities of each new employee; and

(e) a statement that all the applicant's taxes are paid in full.

(3) The department shall make an initial determination as to whether the industry qualifies for the taxable value decrease.

(4) (a) If the department determines that the property qualifies for a taxable value decrease, the governing body of the affected county or the incorporated city or town shall give due notice as defined in 76-15-103 and hold a public hearing. The governing body may either approve or disapprove the grant of taxable value decrease. The governing body may not grant approval for the project until all of the applicant's taxes have been paid in full. Taxes paid under protest do not preclude approval.

(b) The resolution provided for in subsection (4)(a) must include the document that grants approval of the application that was submitted to the department by the taxpayer seeking the taxable value decrease.

(5) The tax reduction described in subsection (1) applies to:

(a) the number of mills levied and assessed for local high school district and elementary school district purposes;

(b) the number of mills levied and assessed by the governing body approving the benefit over which the governing body has sole discretion; and

(c) statewide levies.

(6) The number of new employees used by the department to calculate the taxable value decrease in subsection (7), must be determined by the wages paid to qualifying employees. A qualifying employee paid the amount of the average wage as determined by the quarterly statistical report published by the department of labor and industry is considered one new employee. Qualifying employees are considered equivalent new employees if they are paid three-quarters of the average wage or more. The qualifying employee is the equivalent of a new employee in the same fraction that his wages are to the average wage, but a qualifying employee may not be considered more than two new employees.

(7) (a) Qualifying property is entitled to a decrease in the taxable rate of class eight property based upon a percentage difference between a possible low rate of 3% and a high rate of the existing class eight property tax rate. The reduced taxable value rate is determined by calculating the inverse of the number of equivalent new employees divided by the number of existing employees and multiplying the product of that calculation by the decimal equivalent of the tax rate for class eight property.

(b) For each year that the taxable value decrease is in effect, the taxpayer shall report by March 1 to the department on forms prescribed by the department the wages of and the number of qualifying employees that are used in the operation of the qualifying property for which the taxable value decrease was granted.

NEW SECTION. Section 4. **Exclusion from other property tax reductions or exemptions.** If a taxable value decrease is taken pursuant to [sections 1 through 5], other property tax reductions or exemptions, including but not limited to those provided in 15-6-135, 15-24-1402, and 15-24-1501, are not allowed for the qualifying property.

NEW SECTION. Section 5. **Rules.** The department of revenue shall prescribe rules necessary to carry out the purposes of [sections 1 through 5].

NEW SECTION. Section 6. **Codification instruction.** [Sections 1 through 5] are intended to be codified as an integral part of Title 15, chapter 24, and the provisions of Title 15, chapter 24, apply to [sections 1 through 5].

NEW SECTION. Section 7. **Effective date -- applicability.** [This act] is effective on passage and approval and applies to tax years beginning after December 31, 1991.

-End-

HOUSE BILL NO. 452

INTRODUCED BY LARSON, BERGSAGEL, BENEDICT, DOLEZAL, GOULD, CROMLEY, DAVIS, O'KEEFE, G. BECK, SCOTT, SCHYE, DAILY, LYNCH, TOOLE, WILLIAMS, SWIFT, PIPINICH

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~~(1)--guidelines-for-information-that-must--be--contained in-the-application-for-property-tax-exemption;~~

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~~(3)--the--procedures-to-ensure-that-a-taxpayer-receiving a-tax-exemption-under-this-bill-does-not-receive--any--other property-tax-exemption-or-reduction-for-qualifying-property;~~

~~(4)--the---procedures--for--determining--when--taxes--on property-receiving-an-exemption-are-subject-to-recapture;~~

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(1) GUIDELINES FOR INFORMATION THAT MUST BE CONTAINED IN THE APPLICATION FOR TAXABLE VALUE DECREASE;

(2) THE FORMS TO BE USED BY A FIRM TO APPLY FOR THE TAXABLE VALUE DECREASE AND TO REPORT EMPLOYMENT ASSOCIATED WITH THE USE OF QUALIFYING PROPERTY;

(3) THE PROCEDURES TO ENSURE THAT A TAXPAYER RECEIVING A TAXABLE VALUE DECREASE UNDER THIS BILL DOES NOT RECEIVE ANY OTHER PROPERTY TAX REDUCTION FOR QUALIFYING PROPERTY;

(4) THE DEFINITION OF TERMS AND ESTABLISHMENT OF PROCEDURES THAT ARE APPROPRIATE FOR THE EFFICIENT ADMINISTRATION OF THE TAXABLE VALUE DECREASE;

(5) PROCEDURES FOR THE ANNUAL RECOMPUTATION OF NUMBERS OF EXISTING EMPLOYEES AND NUMBERS OF NEW EMPLOYEES;

(6) CRITERIA THE DEPARTMENT INTENDS TO USE TO SAFEGUARD

THIRD READING

THE FAITHFUL REPORTING OF EXISTING AND NEW EMPLOYEES TO DETER TAXPAYERS FROM USING TEMPORARY MEASURES OR OTHER ARTIFICES TO DEFLATE THE NUMBER OF EXISTING EMPLOYEES OR INFLATE THE NUMBER OF NEW EMPLOYEES CONTRARY TO THE SPIRIT OF THE PROGRAM; AND

(7) PROCEDURES FOR THE DEPARTMENT TO REVIEW THE SPECIFIC RESPONSIBILITIES OF EACH NEW EMPLOYEE TO ENSURE THAT THE EMPLOYEE IS A QUALIFYING EMPLOYEE.

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

(Refer to Introduced Bill)

Strike everything after the enacting clause and insert:

NEW SECTION. Section 1. **Purpose.** The purpose of [sections 1 through 5] is to encourage value-added manufacturing in Montana by providing a taxable value decrease for a 7-year period for qualifying personal property of expanding industries that process Montana raw materials or use Montana semifinished products in manufacturing.

NEW SECTION. Section 2. **Definitions.** Unless the context requires otherwise, in [sections 1 through 5], the following definitions apply:

(1) "Expansion" means that after January 1, 1992, the industry has added qualifying property within the jurisdiction either in the first tax year in which the

taxable value decrease provided for in [section 3] is to be received or in the preceding tax year. Expansion does not include property that:

(a) has qualified for the tax exemption under 15-24-1402; or

(b) will create an adverse impact on existing state, county, or municipal services.

(2) "Industry" is a firm that engages in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States office of management and budget and that engages in the:

(a) processing of Montana raw materials such as minerals, ore, oil, gas, coal, agricultural products, and forestry products; or

(b) processing of semifinished products produced in Montana that are used by the industry as a raw material in further manufacturing.

(3) "Qualifying employee" means a person:

(a) whose job was created as a result of expansion; and

(b) whose position pays not less than three-quarters of the amount of the average wage as determined by the quarterly statistical report published by the department of labor and industry.

(4) "Qualifying property" means machinery and equipment that results in the hiring of qualifying employees used for the manufacture or processing of products described in subsection (2).

NEW SECTION. Section 3. **Expanding industry taxable value decrease -- application -- approval -- reports.** (1) After January 1, 1992, an existing industry with qualifying property that represents an expansion of the industry is entitled to receive a decrease in the tax rate for class eight property if the property results in the hiring of full-time qualifying employees for each year in which the taxable value decrease is in effect.

(2) A person, firm, or other group seeking to qualify its property for the taxable value decrease under subsection (1) shall apply to the department of revenue on a form provided by the department. The application must include:

(a) the description of the personal property that may qualify for the taxable value decrease;

(b) the date on which the qualifying property is intended to be operational;

(c) the rate of pay and number of existing employees and new employees to be used in the operation of the qualifying property;

(d) a statement that the new employees are in addition to the existing workforce of the industry and the specific

responsibilities of each new employee; and

(e) a statement that all the applicant's taxes are paid in full.

(3) The department shall make an initial determination as to whether the industry qualifies for the taxable value decrease.

(4) (a) If the department determines that the property qualifies for a taxable value decrease, the governing body of the affected county or the incorporated city or town shall give due notice as defined in 76-15-103 and hold a public hearing. The governing body may either approve or disapprove the grant of taxable value decrease. The governing body may not grant approval for the project until all of the applicant's taxes have been paid in full. Taxes paid under protest do not preclude approval.

(b) The resolution provided for in subsection (4)(a) must include the document that grants approval of the application that was submitted to the department by the taxpayer seeking the taxable value decrease.

(5) The tax reduction described in subsection (1) applies to:

(a) the number of mills levied and assessed for local high school district and elementary school district purposes:

(b) the number of mills levied and assessed by the governing body approving the benefit over which the governing body has sole discretion; and

(c) statewide levies.

(6) The number of new employees used by the department to calculate the taxable value decrease in subsection (7), must be determined by the wages paid to qualifying employees. A qualifying employee paid the amount of the average wage as determined by the quarterly statistical report published by the department of labor and industry is considered one new employee. Qualifying employees are considered equivalent new employees if they are paid three-quarters of the average wage or more. The qualifying employee is the equivalent of a new employee in the same fraction that his wages are to the average wage, but a qualifying employee may not be considered more than two new employees.

(7) (a) Qualifying property is entitled to a decrease in the taxable rate of class eight property based upon a percentage difference between a possible low rate of 3% and a high rate of the existing class eight property tax rate. The reduced taxable value rate is determined by calculating the inverse of the number of equivalent new employees divided by the number of existing employees and multiplying the product of that calculation by the decimal equivalent of the tax rate for class eight property.

(b) For each year that the taxable value decrease is in effect, the taxpayer shall report by March 1 to the department on forms prescribed by the department the wages of and the number of qualifying employees that are used in the operation of the qualifying property for which the taxable value decrease was granted.

NEW SECTION. Section 4. **Exclusion from other property tax reductions or exemptions.** If a taxable value decrease is taken pursuant to [sections 1 through 5], other property tax reductions or exemptions, including but not limited to those provided in 15-6-135, 15-24-1402, and 15-24-1501, are not allowed for the qualifying property.

NEW SECTION. Section 5. **Rules.** The department of revenue shall prescribe rules necessary to carry out the purposes of [sections 1 through 5].

NEW SECTION. Section 6. **Codification instruction.** [Sections 1 through 5] are intended to be codified as an integral part of Title 15, chapter 24, and the provisions of Title 15, chapter 24, apply to [sections 1 through 5].

NEW SECTION. Section 7. **Effective date -- applicability.** [This act] is effective on passage and approval and applies to tax years beginning after December 31, 1991.

-End-

SENATE STANDING COMMITTEE REPORT

April 12, 1991

MR. PRESIDENT:
We, your committee on Taxation having had under consideration House Bill No. 452 (third reading copy -- blue), respectfully report that House Bill No. 452 be amended and as so amended be concurred in:

1. Page 3, line 23.
Strike: "January 1, 1992"
Insert: "December 31, 1991"

2. Page 6, line 9.
Strike: "or the"
Insert: ", consolidated government,"
Following: "town"
Insert: ", or school district"

3. Page 6, line 11.
Strike: "The"
Insert: "Each"

4. Page 6, line 12.
Strike: "The"
Insert: "A"

5. Page 6, lines 22 through 24.
Strike: subsection (a) in its entirety
Renumber: subsequent subsections

6. Page 6, line 25.
Following: "by"
Strike: "the"
Insert: "each"

7. Page 7, line 3.
Following: "levies"
Insert: "if the governing body approving the tax reduction is a county, consolidated government, or incorporated city or town"

Signed: Mike Halligan
Mike Halligan, ~~Chairman~~

LB 4/12/91
Amd. Coord.
SB 4/12 0:35
Sec. of Senate

SENATE

HB 452

781336SC.SLB

HOUSE BILL NO. 452

INTRODUCED BY LARSON, BERGSAGEL, BENEDICT, DOLEZAL, GOULD, CROMLEY, DAVIS, O'KEEFE, G. BECK, SCOTT, SCHYE, DAILY, LYNCH, TOOLE, WILLIAMS, SWIFT, PIPINICH

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A ~~5-YEAR PROPERTY--TAX--EXEMPTION~~ 7-YEAR TAXABLE VALUE DECREASE FOR QUALIFYING ~~PROPERTY~~ MACHINERY AND EQUIPMENT OF ~~NEW--AND~~ EXPANDING INDUSTRIES THAT PROCESS MONTANA RAW MATERIALS OR USE MONTANA SEMIFINISHED PRODUCTS IN MANUFACTURING; DEFINING QUALIFYING PROPERTY; PROVIDING FOR GOVERNING BODY APPROVAL; ~~PROVIDING--FOR--THE--RECAPTURE--OF--PROPERTY-TAXES;-AMENDING SECTION-15-6-134,-MCA;~~ AND PROVIDING ~~A-DELAYED~~ AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because the department of revenue is granted authority to adopt rules for the administration of this bill.

The legislature contemplates that rules adopted by the department should, at a minimum, provide the following:

~~(1)--guidelines-for-information-that-must--be--contained in-the-application-for-property-tax-exemption;~~

~~(2)--the--forms--to--be--used-by-a-firm-to-apply-for-the property-tax-exemption-and-to-report--employment--associated with-the-use-of-tax-exempt-property;~~

~~(3)--the--procedures-to-ensure-that-a-taxpayer-receiving a-tax-exemption-under-this-bill-does-not-receive--any--other property-tax-exemption-or-reduction-for-qualifying-property;~~

~~(4)--the---procedures--for--determining--when--taxes--on property-receiving-an-exemption-are-subject-to-recapture;~~

~~(5)--the--method--of--assessing--and--collecting---taxes subject-to-recapture;~~

~~(6)--the---definition--of--terms--and--establishment--of procedures--that---are---appropriate---for---the---efficient administration-of-the-property-tax-exemption;~~

(1) GUIDELINES FOR INFORMATION THAT MUST BE CONTAINED IN THE APPLICATION FOR TAXABLE VALUE DECREASE;

(2) THE FORMS TO BE USED BY A FIRM TO APPLY FOR THE TAXABLE VALUE DECREASE AND TO REPORT EMPLOYMENT ASSOCIATED WITH THE USE OF QUALIFYING PROPERTY;

(3) THE PROCEDURES TO ENSURE THAT A TAXPAYER RECEIVING A TAXABLE VALUE DECREASE UNDER THIS BILL DOES NOT RECEIVE ANY OTHER PROPERTY TAX REDUCTION FOR QUALIFYING PROPERTY;

(4) THE DEFINITION OF TERMS AND ESTABLISHMENT OF PROCEDURES THAT ARE APPROPRIATE FOR THE EFFICIENT ADMINISTRATION OF THE TAXABLE VALUE DECREASE;

(5) PROCEDURES FOR THE ANNUAL RECOMPUTATION OF NUMBERS OF EXISTING EMPLOYEES AND NUMBERS OF NEW EMPLOYEES;

(6) CRITERIA THE DEPARTMENT INTENDS TO USE TO SAFEGUARD

REFERENCE BILL

AS AMENDED

THE FAITHFUL REPORTING OF EXISTING AND NEW EMPLOYEES TO DETER TAXPAYERS FROM USING TEMPORARY MEASURES OR OTHER ARTIFICES TO DEFLATE THE NUMBER OF EXISTING EMPLOYEES OR INFLATE THE NUMBER OF NEW EMPLOYEES CONTRARY TO THE SPIRIT OF THE PROGRAM; AND

(7) PROCEDURES FOR THE DEPARTMENT TO REVIEW THE SPECIFIC RESPONSIBILITIES OF EACH NEW EMPLOYEE TO ENSURE THAT THE EMPLOYEE IS A QUALIFYING EMPLOYEE.

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

(Refer to Introduced Bill)

Strike everything after the enacting clause and insert:

NEW SECTION. **Section 1. Purpose.** The purpose of [sections 1 through 5] is to encourage value-added manufacturing in Montana by providing a taxable value decrease for a 7-year period for qualifying personal property of expanding industries that process Montana raw materials or use Montana semifinished products in manufacturing.

NEW SECTION. **Section 2. Definitions.** Unless the context requires otherwise, in [sections 1 through 5], the following definitions apply:

(1) "Expansion" means that after ~~January--1,---1992~~ DECEMBER 31, 1991, the industry has added qualifying property within the jurisdiction either in the first tax

year in which the taxable value decrease provided for in [section 3] is to be received or in the preceding tax year. Expansion does not include property that:

(a) has qualified for the tax exemption under 15-24-1402; or

(b) will create an adverse impact on existing state, county, or municipal services.

(2) "Industry" is a firm that engages in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States office of management and budget and that engages in the:

(a) processing of Montana raw materials such as minerals, ore, oil, gas, coal, agricultural products, and forestry products; or

(b) processing of semifinished products produced in Montana that are used by the industry as a raw material in further manufacturing.

(3) "Qualifying employee" means a person:

(a) whose job was created as a result of expansion; and

(b) whose position pays not less than three-quarters of the amount of the average wage as determined by the quarterly statistical report published by the department of labor and industry.

(4) "Qualifying property" means machinery and equipment that results in the hiring of qualifying employees used for the manufacture or processing of products described in subsection (2).

NEW SECTION. **Section 3. Expanding industry taxable value decrease -- application -- approval -- reports.** (1) After January 1, 1992, an existing industry with qualifying property that represents an expansion of the industry is entitled to receive a decrease in the tax rate for class eight property if the property results in the hiring of full-time qualifying employees for each year in which the taxable value decrease is in effect.

(2) A person, firm, or other group seeking to qualify its property for the taxable value decrease under subsection (1) shall apply to the department of revenue on a form provided by the department. The application must include:

(a) the description of the personal property that may qualify for the taxable value decrease;

(b) the date on which the qualifying property is intended to be operational;

(c) the rate of pay and number of existing employees and new employees to be used in the operation of the qualifying property;

(d) a statement that the new employees are in addition to the existing workforce of the industry and the specific

responsibilities of each new employee; and

(e) a statement that all the applicant's taxes are paid in full.

(3) The department shall make an initial determination as to whether the industry qualifies for the taxable value decrease.

(4) (a) If the department determines that the property qualifies for a taxable value decrease, the governing body of the affected county ~~or--the~~, CONSOLIDATED GOVERNMENT, incorporated city or town, OR SCHOOL DISTRICT shall give due notice as defined in 76-15-103 and hold a public hearing. ~~The~~ EACH governing body may either approve or disapprove the grant of taxable value decrease. ~~The~~ A governing body may not grant approval for the project until all of the applicant's taxes have been paid in full. Taxes paid under protest do not preclude approval.

(b) The resolution provided for in subsection (4)(a) must include the document that grants approval of the application that was submitted to the department by the taxpayer seeking the taxable value decrease.

(5) The tax reduction described in subsection (1) applies to:

~~(a)--the-number-of-mills-levied-and-assessed--for--local high---school---district---and--elementary--school--district purposes;~~

~~(b)~~(A) the number of mills levied and assessed by ~~the~~ EACH governing body approving the benefit over which the governing body has sole discretion; and

~~(c)~~(B) statewide levies IF THE GOVERNING BODY APPROVING THE TAX REDUCTION IS A COUNTY, CONSOLIDATED GOVERNMENT, OR INCORPORATED CITY OR TOWN.

(6) The number of new employees used by the department to calculate the taxable value decrease in subsection (7), must be determined by the wages paid to qualifying employees. A qualifying employee paid the amount of the average wage as determined by the quarterly statistical report published by the department of labor and industry is considered one new employee. Qualifying employees are considered equivalent new employees if they are paid three-quarters of the average wage or more. The qualifying employee is the equivalent of a new employee in the same fraction that his wages are to the average wage, but a qualifying employee may not be considered more than two new employees.

(7) (a) Qualifying property is entitled to a decrease in the taxable rate of class eight property based upon a percentage difference between a possible low rate of 3% and a high rate of the existing class eight property tax rate. The reduced taxable value rate is determined by calculating the inverse of the number of equivalent new employees

divided by the number of existing employees and multiplying the product of that calculation by the decimal equivalent of the tax rate for class eight property.

(b) For each year that the taxable value decrease is in effect, the taxpayer shall report by March 1 to the department on forms prescribed by the department the wages of and the number of qualifying employees that are used in the operation of the qualifying property for which the taxable value decrease was granted.

NEW SECTION. **Section 4. Exclusion from other property tax reductions or exemptions.** If a taxable value decrease is taken pursuant to [sections 1 through 5], other property tax reductions or exemptions, including but not limited to those provided in 15-6-135, 15-24-1402, and 15-24-1501, are not allowed for the qualifying property.

NEW SECTION. **Section 5. Rules.** The department of revenue shall prescribe rules necessary to carry out the purposes of [sections 1 through 5].

NEW SECTION. **Section 6. Codification instruction.** [Sections 1 through 5] are intended to be codified as an integral part of Title 15, chapter 24, and the provisions of Title 15, chapter 24, apply to [sections 1 through 5].

NEW SECTION. **Section 7. Effective date -- applicability.** [This act] is effective on passage and approval and applies to tax years beginning after December

31, 1991.

-End-

1:30 pm
4/22/91
vme

Free Conference Committee
on House Bill 452
Report No. 1, April 22, 1991

Mr. Speaker and Mr. President:

We, your Free Conference Committee met and considered House Bill 452 and recommend that House Bill 452 (reference copy -- salmon) be amended as follows:

1. Page 5, line 7.
Strike: "January 1, 1992"
Insert: "December 31, 1991"

And this Free Conference Committee report be adopted.

For the House:	For the Senate:
Don Larson	Dorothy Eck
Rep. Larson, Chair	Sen. Eck, Chair
Thomas E. Kilpatrick	Steve Doherty
Rep. Kilpatrick	Sen. Doherty
Hank Knox	
Rep. Knox	Sen. Harp

ADOPT

REJECT

FCC #1
HB 452

860845CC.HSF

HOUSE BILL NO. 452

INTRODUCED BY LARSON, BERGSAGEL, BENEDICT, DOLEZAL, GOULD, CROMLEY, DAVIS, O'KEEFE, G. BECK, SCOTT, SCHYE, DAILY, LYNCH, TOOLE, WILLIAMS, SWIFT, PIPINICH

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A 5-~~YEAR PROPERTY--TAX--EXEMPTION~~ 7-YEAR TAXABLE VALUE DECREASE FOR QUALIFYING ~~PROPERTY~~ MACHINERY AND EQUIPMENT OF ~~NEW--AND~~ EXPANDING INDUSTRIES THAT PROCESS MONTANA RAW MATERIALS OR USE MONTANA SEMIFINISHED PRODUCTS IN MANUFACTURING; DEFINING QUALIFYING PROPERTY; PROVIDING FOR GOVERNING BODY APPROVAL; ~~PROVIDING--FOR--THE--RECAPTURE--OF--PROPERTY-TAXES;-AMENDING SECTION-15-6-134,-MCA;~~ AND PROVIDING ~~A-DELAYED~~ AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because the department of revenue is granted authority to adopt rules for the administration of this bill.

The legislature contemplates that rules adopted by the department should, at a minimum, provide the following:

~~(1)--guidelines-for-information-that-must--be--contained in-the-application-for-property-tax-exemption;~~

~~(2)--the--forms--to--be--used-by-a-firm-to-apply-for-the property-tax-exemption-and-to-report--employment--associated with-the-use-of-tax-exempt-property;~~

~~(3)--the--procedures-to-ensure-that-a-taxpayer-receiving a-tax-exemption-under-this-bill-does-not-receive--any--other property-tax-exemption-or-reduction-for-qualifying-property;~~

~~(4)--the---procedures--for--determining--when--taxes--on property-receiving-an-exemption-are-subject-to-recapture;~~

~~(5)--the--method--of--assessing--and--collecting---taxes subject-to-recapture;~~

~~(6)--the---definition--of--terms--and--establishment--of procedures--that---are---appropriate---for---the---efficient administration-of-the-property-tax-exemption.~~

(1) GUIDELINES FOR INFORMATION THAT MUST BE CONTAINED IN THE APPLICATION FOR TAXABLE VALUE DECREASE;

(2) THE FORMS TO BE USED BY A FIRM TO APPLY FOR THE TAXABLE VALUE DECREASE AND TO REPORT EMPLOYMENT ASSOCIATED WITH THE USE OF QUALIFYING PROPERTY;

(3) THE PROCEDURES TO ENSURE THAT A TAXPAYER RECEIVING A TAXABLE VALUE DECREASE UNDER THIS BILL DOES NOT RECEIVE ANY OTHER PROPERTY TAX REDUCTION FOR QUALIFYING PROPERTY;

(4) THE DEFINITION OF TERMS AND ESTABLISHMENT OF PROCEDURES THAT ARE APPROPRIATE FOR THE EFFICIENT ADMINISTRATION OF THE TAXABLE VALUE DECREASE;

(5) PROCEDURES FOR THE ANNUAL RECOMPUTATION OF NUMBERS OF EXISTING EMPLOYEES AND NUMBERS OF NEW EMPLOYEES;

(6) CRITERIA THE DEPARTMENT INTENDS TO USE TO SAFEGUARD

REFERENCE BILL: Includes Free Conference Committee Report Dated 4-22-91

THE FAITHFUL REPORTING OF EXISTING AND NEW EMPLOYEES TO DETER TAXPAYERS FROM USING TEMPORARY MEASURES OR OTHER ARTIFICES TO DEFLATE THE NUMBER OF EXISTING EMPLOYEES OR INFLATE THE NUMBER OF NEW EMPLOYEES CONTRARY TO THE SPIRIT OF THE PROGRAM; AND

(7) PROCEDURES FOR THE DEPARTMENT TO REVIEW THE SPECIFIC RESPONSIBILITIES OF EACH NEW EMPLOYEE TO ENSURE THAT THE EMPLOYEE IS A QUALIFYING EMPLOYEE.

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

(Refer to Introduced Bill)

Strike everything after the enacting clause and insert:

NEW SECTION. **Section 1.** **Purpose.** The purpose of [sections 1 through 5] is to encourage value-added manufacturing in Montana by providing a taxable value decrease for a 7-year period for qualifying personal property of expanding industries that process Montana raw materials or use Montana semifinished products in manufacturing.

NEW SECTION. **Section 2.** **Definitions.** Unless the context requires otherwise, in [sections 1 through 5], the following definitions apply:

(1) "Expansion" means that after ~~January--1,---1992~~ DECEMBER 31, 1991, the industry has added qualifying property within the jurisdiction either in the first tax

HB 0452/04

year in which the taxable value decrease provided for in [section 3] is to be received or in the preceding tax year. Expansion does not include property that:

(a) has qualified for the tax exemption under 15-24-1402; or

(b) will create an adverse impact on existing state, county, or municipal services.

(2) "Industry" is a firm that engages in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States office of management and budget and that engages in the:

(a) processing of Montana raw materials such as minerals, ore, oil, gas, coal, agricultural products, and forestry products; or

(b) processing of semifinished products produced in Montana that are used by the industry as a raw material in further manufacturing.

(3) "Qualifying employee" means a person:

(a) whose job was created as a result of expansion; and

(b) whose position pays not less than three-quarters of the amount of the average wage as determined by the quarterly statistical report published by the department of labor and industry.

(4) "Qualifying property" means machinery and equipment that results in the hiring of qualifying employees used for the manufacture or processing of products described in subsection (2).

NEW SECTION. **Section 3.** **Expanding industry taxable value decrease -- application -- approval -- reports.** (1) After ~~January--1,--1992~~ DECEMBER 31, 1991, an existing industry with qualifying property that represents an expansion of the industry is entitled to receive a decrease in the tax rate for class eight property if the property results in the hiring of full-time qualifying employees for each year in which the taxable value decrease is in effect.

(2) A person, firm, or other group seeking to qualify its property for the taxable value decrease under subsection (1) shall apply to the department of revenue on a form provided by the department. The application must include:

(a) the description of the personal property that may qualify for the taxable value decrease;

(b) the date on which the qualifying property is intended to be operational;

(c) the rate of pay and number of existing employees and new employees to be used in the operation of the qualifying property;

(d) a statement that the new employees are in addition to the existing workforce of the industry and the specific

responsibilities of each new employee; and

(e) a statement that all the applicant's taxes are paid in full.

(3) The department shall make an initial determination as to whether the industry qualifies for the taxable value decrease.

(4) (a) If the department determines that the property qualifies for a taxable value decrease, the governing body of the affected county ~~or--the~~, CONSOLIDATED GOVERNMENT, incorporated city or town, OR SCHOOL DISTRICT shall give due notice as defined in 76-15-103 and hold a public hearing. ~~The~~ EACH governing body may either approve or disapprove the grant of taxable value decrease. ~~The~~ A governing body may not grant approval for the project until all of the applicant's taxes have been paid in full. Taxes paid under protest do not preclude approval.

(b) The resolution provided for in subsection (4)(a) must include the document that grants approval of the application that was submitted to the department by the taxpayer seeking the taxable value decrease.

(5) The tax reduction described in subsection (1) applies to:

~~(a)--the--number--of-mills-levied-and-assessed-for-local high--school--district--and---elementary---school---district purposes;~~

~~(b)~~(A) the number of mills levied and assessed by ~~the~~ EACH governing body approving the benefit over which the governing body has sole discretion; and

~~(c)~~(B) statewide levies IF THE GOVERNING BODY APPROVING THE TAX REDUCTION IS A COUNTY, CONSOLIDATED GOVERNMENT, OR INCORPORATED CITY OR TOWN.

(6) The number of new employees used by the department to calculate the taxable value decrease in subsection (7), must be determined by the wages paid to qualifying employees. A qualifying employee paid the amount of the average wage as determined by the quarterly statistical report published by the department of labor and industry is considered one new employee. Qualifying employees are considered equivalent new employees if they are paid three-quarters of the average wage or more. The qualifying employee is the equivalent of a new employee in the same fraction that his wages are to the average wage, but a qualifying employee may not be considered more than two new employees.

(7) (a) Qualifying property is entitled to a decrease in the taxable rate of class eight property based upon a percentage difference between a possible low rate of 3% and a high rate of the existing class eight property tax rate. The reduced taxable value rate is determined by calculating the inverse of the number of equivalent new employees

divided by the number of existing employees and multiplying the product of that calculation by the decimal equivalent of the tax rate for class eight property.

(b) For each year that the taxable value decrease is in effect, the taxpayer shall report by March 1 to the department on forms prescribed by the department the wages of and the number of qualifying employees that are used in the operation of the qualifying property for which the taxable value decrease was granted.

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NEW SECTION. **Section 6. Codification instruction.** [Sections 1 through 5] are intended to be codified as an integral part of Title 15, chapter 24, and the provisions of Title 15, chapter 24, apply to [sections 1 through 5].

NEW SECTION. **Section 7. Effective date -- applicability.** [This act] is effective on passage and approval and applies to tax years beginning after December

31, 1991.

-End-