

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.

1 HOUSE BILL NO. 152 *Comby*  
 2 INTRODUCED BY *Laura Bergman, Powell, DeLoach*  
 3 *Steve Kufe, Rep. of Dist. 3, Bob Reinick*  
 4 *William Smith, Bob Reinick, Steve Kufe*  
 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A 5-YEAR

5 PROPERTY TAX EXEMPTION FOR QUALIFYING PROPERTY OF NEW AND  
 6 EXPANDING INDUSTRIES THAT PROCESS MONTANA RAW MATERIALS OR  
 7 USE MONTANA SEMIFINISHED PRODUCTS IN MANUFACTURING; DEFINING  
 8 QUALIFYING PROPERTY; PROVIDING FOR GOVERNING BODY APPROVAL;  
 9 PROVIDING FOR THE RECAPTURE OF PROPERTY TAXES; AMENDING  
 10 SECTION 15-6-134, MCA; AND PROVIDING A DELAYED EFFECTIVE  
 11 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

- 1 property tax exemption or reduction for qualifying property;
- 2 (4) the procedures for determining when taxes on
- 3 property receiving an exemption are subject to recapture;
- 4 (5) the method of assessing and collecting taxes
- 5 subject to recapture;
- 6 (6) the definition of terms and establishment of
- 7 procedures that are appropriate for the efficient
- 8 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



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

4 (a) has qualified for the tax reduction under  
5 15-24-1402; or

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

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

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

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

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

1 property:

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

3 (b) that has qualified for the tax reduction under  
4 15-24-1402; or

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

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

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

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

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

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

1 by the department. The application must include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 (c) statewide levies.

23 (6) The tax exemption described in subsection (1)  
24 applies to all of the mills levied and assessed in the  
25 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.

1 (2) Class four property is taxed as follows:

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

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

9	Income	Income	Percentage
10	Single Person	Married Couple	Multiplier
11	\$ 0 - \$ 1,000	\$ 0 - \$ 1,200	0%
12	1,001 - 2,000	1,201 - 2,400	10%
13	2,001 - 3,000	2,401 - 3,600	20%
14	3,001 - 4,000	3,601 - 4,800	30%
15	4,001 - 5,000	4,801 - 6,000	40%
16	5,001 - 6,000	6,001 - 7,200	50%
17	6,001 - 7,000	7,201 - 8,400	60%
18	7,001 - 8,000	8,401 - 9,600	70%
19	8,001 - 9,000	9,601 - 10,800	80%
20	9,001 - 10,000	10,801 - 12,000	90%

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

25 (A) multiplying the appropriate dollar amount from the

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

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

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

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

13 (3) After July 1, 1986, no adjustment may be made by  
 14 the department to the taxable percentage rate for class four  
 15 property until a revaluation has been made as provided in  
 16 15-7-111.

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

23 NEW SECTION. Section 8. Codification instruction.

24 [Sections 1 through 6] are intended to be codified as an  
 25 integral part of Title 15, chapter 24, and the provisions of

LC 0529/01

- 1 Title 15, chapter 24, apply to [sections 1 through 6].
- 2 NEW SECTION. Section 9. Effective date. [This act] is
- 3 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-15-6-1347-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



1 THE FAITHFUL REPORTING OF EXISTING AND NEW EMPLOYEES TO  
 2 DETER TAXPAYERS FROM USING TEMPORARY MEASURES OR OTHER  
 3 ARTIFICES TO DEFLATE THE NUMBER OF EXISTING EMPLOYEES OR  
 4 INFLATE THE NUMBER OF NEW EMPLOYEES CONTRARY TO THE SPIRIT  
 5 OF THE PROGRAM; AND  
 6 (7) PROCEDURES FOR THE DEPARTMENT TO REVIEW THE  
 7 SPECIFIC RESPONSIBILITIES OF EACH NEW EMPLOYEE TO ENSURE  
 8 THAT THE EMPLOYEE IS A QUALIFYING EMPLOYEE.

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

11 (Refer to Introduced Bill)

12 Strike everything after the enacting clause and insert:

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

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

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

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

4 (a) has qualified for the tax exemption under  
 5 15-24-1402; or

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

8 (2) "Industry" is a firm that engages in the mechanical  
 9 or chemical transformation of materials or substances into  
 10 new products in the manner defined as manufacturing in the  
 11 1987 Standard Industrial Classification Manual prepared by  
 12 the United States office of management and budget and that  
 13 engages in the:

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

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

20 (3) "Qualifying employee" means a person:

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

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

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

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

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

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

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

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

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

1 responsibilities of each new employee; and

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

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

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

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

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

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

25 (b) the number of mills levied and assessed by the

1 governing body approving the benefit over which the  
 2 governing body has sole discretion; and

3 (c) statewide levies.

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

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

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

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

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

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

20 NEW SECTION. Section 7. Effective date --  
 21 applicability. [This act] is effective on passage and  
 22 approval and applies to tax years beginning after December  
 23 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

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



1 THE FAITHFUL REPORTING OF EXISTING AND NEW EMPLOYEES TO  
 2 DETER TAXPAYERS FROM USING TEMPORARY MEASURES OR OTHER  
 3 ARTIFICES TO DEFLATE THE NUMBER OF EXISTING EMPLOYEES OR  
 4 INFLATE THE NUMBER OF NEW EMPLOYEES CONTRARY TO THE SPIRIT  
 5 OF THE PROGRAM; AND  
 6 (7) PROCEDURES FOR THE DEPARTMENT TO REVIEW THE  
 7 SPECIFIC RESPONSIBILITIES OF EACH NEW EMPLOYEE TO ENSURE  
 8 THAT THE EMPLOYEE IS A QUALIFYING EMPLOYEE.

9  
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 (Refer to Introduced Bill)

12 Strike everything after the enacting clause and insert:

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

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

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

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

4 (a) has qualified for the tax exemption under  
 5 15-24-1402; or

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

8 (2) "Industry" is a firm that engages in the mechanical  
 9 or chemical transformation of materials or substances into  
 10 new products in the manner defined as manufacturing in the  
 11 1987 Standard Industrial Classification Manual prepared by  
 12 the United States office of management and budget and that  
 13 engages in the:

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

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

20 (3) "Qualifying employee" means a person:

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

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

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

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

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

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

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

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

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

1 responsibilities of each new employee; and

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

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

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

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

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

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

25 (b) the number of mills levied and assessed by the

1 governing body approving the benefit over which the  
2 governing body has sole discretion; and

3 (c) statewide levies.

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

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

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

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

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

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

20 NEW SECTION. Section 7. Effective date --  
21 applicability. [This act] is effective on passage and  
22 approval and applies to tax years beginning after December  
23 31, 1991.

-End-



SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
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

Re-number: 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, Chairman

LB 4/12/91  
And. Good.

SB 4/12 0:35  
Sec. of Senate

SENATE

HB 452

781336SC.SLB

## 1 HOUSE BILL NO. 452

2 INTRODUCED BY LARSON, BERGSAGEL, BENEDICT, DOLEZAL,

3 GOULD, CROMLEY, DAVIS, O'KEEFE, G. BECK, SCOTT,

4 SCHYE, DAILY, LYNCH, TOOLE, WILLIAMS, SWIFT, PIPINICH

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

## 16 STATEMENT OF INTENT

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

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

22 ~~{1}--guidelines-for-information-that-must-be--contained~~  
23 ~~in-the-application-for-property-tax-exemption;~~

24 ~~{2}--the--forms--to--be--used-by-a-firm-to-apply-for-the~~  
25 ~~property-tax-exemption-and-to-report--employment--associated~~

1 ~~with-the-use-of-tax-exempt-property;~~

2 ~~{3}--the--procedures-to-ensure-that-a-taxpayer-receiving~~  
3 ~~a-tax-exemption-under-this-bill-does-not-receive--any--other~~  
4 ~~property-tax-exemption-or-reduction-for-qualifying-property;~~

5 ~~{4}--the--procedures--for--determining--when--taxes--on~~  
6 ~~property-receiving-an-exemption-are-subject-to-recapture;~~

7 ~~{5}--the--method--of--assessing--and--collecting--taxes~~  
8 ~~subject-to-recapture;~~

9 ~~{6}--the--definition--of--terms--and--establishment--of~~  
10 ~~procedures--that--are--appropriate--for--the--efficient~~  
11 ~~administration-of-the-property-tax-exemption;~~

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

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

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

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

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

25 (6) CRITERIA THE DEPARTMENT INTENDS TO USE TO SAFEGUARD

1 THE FAITHFUL REPORTING OF EXISTING AND NEW EMPLOYEES TO  
 2 DETER TAXPAYERS FROM USING TEMPORARY MEASURES OR OTHER  
 3 ARTIFICES TO DEPLATE THE NUMBER OF EXISTING EMPLOYEES OR  
 4 INFLATE THE NUMBER OF NEW EMPLOYEES CONTRARY TO THE SPIRIT  
 5 OF THE PROGRAM; AND  
 6 (7) PROCEDURES FOR THE DEPARTMENT TO REVIEW THE  
 7 SPECIFIC RESPONSIBILITIES OF EACH NEW EMPLOYEE TO ENSURE  
 8 THAT THE EMPLOYEE IS A QUALIFYING EMPLOYEE.

9  
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 (Refer to Introduced Bill)

12 Strike everything after the enacting clause and insert:

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

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

23 (1) "Expansion" means that after ~~January--17---1992~~  
 24 DECEMBER 31, 1991, the industry has added qualifying  
 25 property within the jurisdiction either in the first tax

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

- 4 (a) has qualified for the tax exemption under
- 5 15-24-1402; or
- 6 (b) will create an adverse impact on existing state,
- 7 county, or municipal services.

8 (2) "Industry" is a firm that engages in the mechanical  
 9 or chemical transformation of materials or substances into  
 10 new products in the manner defined as manufacturing in the  
 11 1987 Standard Industrial Classification Manual prepared by  
 12 the United States office of management and budget and that  
 13 engages in the:

- 14 (a) processing of Montana raw materials such as
- 15 minerals, ore, oil, gas, coal, agricultural products, and
- 16 forestry products; or
- 17 (b) processing of semifinished products produced in
- 18 Montana that are used by the industry as a raw material in
- 19 further manufacturing.

20 (3) "Qualifying employee" means a person:  
 21 (a) whose job was created as a result of expansion; and  
 22 (b) whose position pays not less than three-quarters of  
 23 the amount of the average wage as determined by the  
 24 quarterly statistical report published by the department of  
 25 labor and industry.

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

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

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

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

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

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

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

1 responsibilities of each new employee; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HB 0452/03

1 31, 1991.

-End-

-9-

HB 452

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  
Rep. Larson, Chair

Donnelly Eck  
Sen. Eck, Chair

Thomas S. Kilpatrick  
Rep. Kilpatrick

Steve Doherty  
Sen. Doherty

Bob Knox  
Rep. Knox

John Harp  
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-MEA; 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





1 THE FAITHFUL REPORTING OF EXISTING AND NEW EMPLOYEES TO  
 2 DETER TAXPAYERS FROM USING TEMPORARY MEASURES OR OTHER  
 3 ARTIFICES TO DEFLATE THE NUMBER OF EXISTING EMPLOYEES OR  
 4 INFLATE THE NUMBER OF NEW EMPLOYEES CONTRARY TO THE SPIRIT  
 5 OF THE PROGRAM; AND  
 6 (7) PROCEDURES FOR THE DEPARTMENT TO REVIEW THE  
 7 SPECIFIC RESPONSIBILITIES OF EACH NEW EMPLOYEE TO ENSURE  
 8 THAT THE EMPLOYEE IS A QUALIFYING EMPLOYEE.

9  
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 (Refer to Introduced Bill)

12 Strike everything after the enacting clause and insert:

13 NEW SECTION. Section 1. Purpose. The purpose of  
 14 [sections 1 through 5] is to encourage value-added  
 15 manufacturing in Montana by providing a taxable value  
 16 decrease for a 7-year period for qualifying personal  
 17 property of expanding industries that process Montana raw  
 18 materials or use Montana semifinished products in  
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20 NEW SECTION. Section 2. Definitions. Unless the  
 21 context requires otherwise, in [sections 1 through 5], the  
 22 following definitions apply:

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 24 DECEMBER 31, 1991, the industry has added qualifying  
 25 property within the jurisdiction either in the first tax

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

- 4 (a) has qualified for the tax exemption under
- 5 15-24-1402; or
- 6 (b) will create an adverse impact on existing state,
- 7 county, or municipal services.

8 (2) "Industry" is a firm that engages in the mechanical  
 9 or chemical transformation of materials or substances into  
 10 new products in the manner defined as manufacturing in the  
 11 1987 Standard Industrial Classification Manual prepared by  
 12 the United States office of management and budget and that  
 13 engages in the:

- 14 (a) processing of Montana raw materials such as
- 15 minerals, ore, oil, gas, coal, agricultural products, and
- 16 forestry products; or
- 17 (b) processing of semifinished products produced in
- 18 Montana that are used by the industry as a raw material in
- 19 further manufacturing.

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 24 quarterly statistical report published by the department of  
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1 (4) "Qualifying property" means machinery and equipment  
2 that results in the hiring of qualifying employees used for  
3 the manufacture or processing of products described in  
4 subsection (2).

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

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

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

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

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

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

1 responsibilities of each new employee; and

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

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

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

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

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

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

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

4 (c)(B) statewide levies IF THE GOVERNING BODY APPROVING  
5 THE TAX REDUCTION IS A COUNTY, CONSOLIDATED GOVERNMENT, OR  
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7 (6) The number of new employees used by the department  
8 to calculate the taxable value decrease in subsection (7),  
9 must be determined by the wages paid to qualifying  
10 employees. A qualifying employee paid the amount of the  
11 average wage as determined by the quarterly statistical  
12 report published by the department of labor and industry is  
13 considered one new employee. Qualifying employees are  
14 considered equivalent new employees if they are paid  
15 three-quarters of the average wage or more. The qualifying  
16 employee is the equivalent of a new employee in the same  
17 fraction that his wages are to the average wage, but a  
18 qualifying employee may not be considered more than two new  
19 employees.

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

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

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

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

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

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

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

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1 31, 1991.

-End-