

HOUSE BILL 1011

Introduced by Cohen, et al.

3/27	Introduced
3/27	Referred to Taxation
3/27	First Reading
3/27	Fiscal Note Requested
4/03	Fiscal Note Received
	Died in Committee

1 Hayes BILL NO. 4011
 2 INTRODUCED BY Coleman Hayes
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
 5 TAXATION OF PROPERTY; PROVIDING THAT PROPERTY BE GENERALLY
 6 CLASSIFIED ACCORDING TO PRODUCTIVE OR NONPRODUCTIVE USE;
 7 PROVIDING THAT CERTAIN COUNTY AND MUNICIPAL SERVICE DISTRICT
 8 ASSESSMENTS BE APPORTIONED BASED UPON TAXABLE VALUE;
 9 REPEALING THE PROPERTY TAX LIMITATIONS ENACTED BY INITIATIVE
 10 MEASURE NO. 105; AMENDING SECTIONS 7-12-2202, 7-12-4322,
 11 7-12-4323, 7-12-4328, 7-12-4422, 7-12-4428, 7-12-4611,
 12 7-13-2527, 15-1-101, 15-1-111, 15-6-131, 15-6-132, 15-6-133,
 13 15-6-135, 15-6-152, 15-6-155, 15-6-201, 15-7-103, 15-7-202,
 14 15-8-111, 15-8-205, 15-16-611, 15-16-613, 15-23-202,
 15 15-24-301, 20-9-407, AND 67-3-204, MCA; REPEALING SECTIONS
 16 7-12-4324, 7-12-4421, 15-6-134, 15-6-136, 15-6-137,
 17 15-6-138, 15-6-141, 15-6-142, 15-6-144, 15-6-145, 15-6-147,
 18 15-6-148, 15-6-149, 15-6-150, 15-6-151, 15-6-153, 15-6-154,
 19 15-10-401, 15-10-402, 15-10-411, 15-10-412, AND 15-24-1501,
 20 MCA; AND PROVIDING A DELAYED EFFECTIVE DATE, AN
 21 APPLICABILITY DATE, AND A TERMINATION DATE."

22
 23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 24 **Section 1.** Section 7-12-2202, MCA, is amended to read:
 25 **"7-12-2202. Apportionment of costs of maintaining**

1 lighting system. (1) The cost of the maintenance and
 2 operating service to said rural improvement district may
 3 must be apportioned among the various tracts of land within
 4 said improvement district:

5 (a) in proportion to the assessed value of said lands
 6 within said improvement district, as determined by the board
 7 of county commissioners;

8 (b) ~~at the option of said board and as determined by~~
 9 ~~said board, in proportion to the linear front footage of~~
 10 ~~each tract, any part of which is in the district and abuts~~
 11 ~~the street or roadway along which the lighting system is to~~
 12 ~~be maintained, or~~

13 (c) ~~in proportion to the area, as determined by said~~
 14 ~~board, of that portion of each tract included in the~~
 15 ~~district.~~

16 (2) (a) Before the first Monday of September of each
 17 year, the board shall pass and finally adopt a resolution
 18 levying and assessing upon all the property within the
 19 district an amount equal to the whole cost of maintaining
 20 said lighting system. The same shall be proportioned against
 21 the several tracts of land in said district as provided in
 22 this part.

23 (b) Said resolution levying assessments to defray the
 24 cost of maintenance shall be prepared and certified to in
 25 the manner as near as may be to a resolution levying



1 assessments for making, constructing, and installing the
2 improvements in said special improvement districts."

3 **Section 2.** Section 7-12-4322, MCA, is amended to read:

4 "7-12-4322. Choice in manner of making assessments. The
5 city or town council, for the purpose of making the
6 assessment, shall adopt one of the methods method specified
7 in 7-12-4323 or ~~7-12-4324~~."

8 **Section 3.** Section 7-12-4323, MCA, is amended to read:

9 "7-12-4323. Assessment of costs -- ~~area~~ or taxable
10 valuation option. (1) The city council may assess the entire
11 cost of such improvement against the entire district, each
12 lot or parcel of land within such district to be assessed
13 for that part of the whole cost which its:

14 (a) ~~area bears to the area of the entire district,~~
15 ~~exclusive of streets, avenues, alleys, and public places, or~~

16 (b) taxable valuation, including improvements, bears to
17 the taxable valuation of the entire district.

18 (2) The council, in its discretion, shall have the
19 power to pay the whole or any part of the cost of any
20 street, avenue, or alley intersection out of any funds in
21 its hands available for that purpose or to include the whole
22 or any part of such costs within the amount of the
23 assessment to be paid by the property in the district.

24 (3) ~~in order to apportion the cost of any of the~~
25 ~~improvements provided in this part between the corner lot~~

1 ~~and the inside lots of any block, the council may, in the~~
2 ~~resolution creating any district, provide that whenever any~~
3 ~~of the improvements provided in this part shall be along any~~
4 ~~side street or bordering or abutting upon the side of any~~
5 ~~corner lot of any block, the amount of the assessment~~
6 ~~against the property in such district to defray the cost of~~
7 ~~such improvements shall be so assessed that each square foot~~
8 ~~of the land embraced within any such corner lot shall bear~~
9 ~~double the amount of the cost of such improvement that a~~
10 ~~square foot of any inside lot shall bear."~~

11 **Section 4.** Section 7-12-4328, MCA, is amended to read:

12 "7-12-4328. Resolution to provide for assessment of
13 costs of installation. (1) It shall be the duty of the city
14 or town council to ascertain the cost of installing such
15 lighting system and, on or before the first Monday in
16 October, to pass and finally adopt a resolution levying and
17 assessing all of the property embraced within said district
18 with all or any portion of the entire cost of installing the
19 same; each lot or parcel of land in said district to be
20 assessed in accordance with the method adopted by the city
21 council as provided in 7-12-4321 through ~~7-12-4324~~
22 7-12-4323.

23 (2) Any such resolution shall contain a list in which
24 shall be described each lot or parcel of land, ~~either the~~
25 ~~total number of square feet of property contained therein or~~

1 the total number of linear feet abutting the improvements as
 2 may be required to determine the total assessment in the
 3 district, with its assessed value and the amount levied
 4 against each lot or parcel of land set opposite.

5 (3) Such resolution, signed by the mayor and city
 6 clerk, shall be kept on file in the office of the city
 7 clerk."

8 **Section 5.** Section 7-12-4422, MCA, is amended to read:

9 "7-12-4422. Assessment of costs -- area, frontage, lot,
 10 and taxable valuation options. ~~(1) For the purposes of this~~
 11 ~~section, "assessable area" means the portion of a lot or~~
 12 ~~parcel of land that is benefited by the maintenance~~
 13 ~~district. The assessable area may be less than but may not~~
 14 ~~exceed the actual area of the lot or parcel.~~

15 (2) The city council shall assess the percentage of the
 16 cost of maintenance established in 7-12-4425 against the
 17 entire district, as follows:

18 (a) ~~each lot or parcel of land within such district may~~
 19 ~~be assessed for that part of the cost which its assessable~~
 20 ~~area bears to the assessable area of the entire district,~~
 21 ~~exclusive of streets, avenues, alleys, and public places;~~

22 (b) ~~each lot or parcel of land within such district~~
 23 ~~abutting upon a street upon which maintenance is done may be~~
 24 ~~assessed for that part of the cost which its street frontage~~
 25 ~~bears to the street frontage of the entire district;~~

1 (c) ~~if the city council determines that the benefits~~
 2 ~~derived from the maintenance by each lot or parcel are~~
 3 ~~substantially equivalent, the cost may be assessed equally~~
 4 ~~to each lot or parcel located within the district without~~
 5 ~~regard to the assessable area of the lot or parcel;~~

6 (d) ~~each~~ Each lot or parcel of land, including the
 7 improvements thereon, may must be assessed for that part of
 8 the cost of the district which its taxable valuation bears
 9 to the total taxable valuation of the property of the
 10 district, or.

11 (e) ~~any combination of the assessment options provided~~
 12 ~~in subsections (2)(a) through (2)(d) may be used for the~~
 13 ~~district as a whole or for any lot or parcel within the~~
 14 ~~district."~~

15 **Section 6.** Section 7-12-4428, MCA, is amended to read:

16 "7-12-4428. Assessment of costs of improvements and
 17 maintenance of improvements. Cities and towns are authorized
 18 to assess the cost of the work, improvements, and
 19 maintenance authorized by 7-12-4405 against the property in
 20 maintenance districts in the manner and as provided in
 21 7-12-4421 and 7-12-4422 to meet the payments required to be
 22 made each year."

23 **Section 7.** Section 7-12-4611, MCA, is amended to read:

24 "7-12-4611. Resolution for assessment ---assessment
 25 options. The city or town council shall estimate, as nearly

1 as practicable, the entire cost of installing and
 2 maintaining fire hydrants each year and the portion thereof
 3 to be assessed against the property within the district.
 4 Before the first Monday in October, the council must pass
 5 and finally adopt a resolution levying and assessing the
 6 property within the district. The city or town council, for
 7 the purpose of making the assessment, shall adopt one of the
 8 following methods:

9 (1) ~~The council may assess the cost of fire hydrant~~
 10 ~~installation and maintenance against the entire district,~~
 11 ~~each lot or parcel of land within the district to be~~
 12 ~~assessed for that part of the whole cost which its area~~
 13 ~~bears to the area of the entire district, exclusive of~~
 14 ~~streets, avenues, alleys, and public places.~~

15 (2) ~~The council may assess the cost of fire hydrant~~
 16 ~~installation and maintenance against the entire district,~~
 17 ~~each lot or parcel of land within the district bordering or~~
 18 ~~abutting on the streets where fire hydrants are located to~~
 19 ~~be assessed in its lineal proportion to the total lineal~~
 20 ~~feet bordering or abutting on such streets.~~

21 (3) ~~If the city council determines that the area,~~
 22 ~~frontage, or combination options are inequitable, it may~~
 23 ~~assess the cost of fire hydrant installation and~~
 24 ~~maintenance:~~

25 (a) ~~against the entire district, provide that each lot~~

1 or parcel of land within such district to be assessed for
 2 that part of the whole cost that its taxable valuation,
 3 including improvements, bears to the taxable valuation of
 4 the entire district, or,

5 (b) ~~against the entire district, each lot or parcel of~~
 6 ~~land receiving service within the district to be assessed by~~
 7 ~~apportioning the whole cost according to a ratio between the~~
 8 ~~water meter size servicing each lot or parcel and the whole~~
 9 ~~cost."~~

10 **Section 8.** Section 7-13-2527, MCA, is amended to read:

11 "7-13-2527. List of property owners. (1) A copy of the
 12 order creating the district shall be delivered to the county
 13 assessor of each county within the district.

14 (2) The assessor shall, on or before August 1 of any
 15 given year, prepare and certify a list of all persons owning
 16 class four, class twelve, or class fourteen three-B property
 17 within such district and deliver a copy of such list to the
 18 board of trustees of said district."

19 **Section 9.** Section 15-1-111, MCA, is amended to read:

20 "15-1-111. Reimbursement to local governments and
 21 schools -- duties of department and county treasurer --
 22 statutory appropriation. (1) (a) On or before May 1, 1990,
 23 the department of revenue shall remit to the county
 24 treasurer of each county 30% of the reimbursement amount
 25 specified in subsection (1)(b), as computed by the

1 department. The department shall base the reimbursement on
 2 the reduction in personal property tax revenues due to the
 3 reduction in personal property tax rates for former class
 4 eight property, as provided for in 15-6-138, as that section
 5 read before January 1, 1992, and any reduction in taxes
 6 based upon recalculation of the effective tax rate for
 7 property in ~~15-6-145~~ and ~~15-6-147~~ class two-B-7. The
 8 reimbursement basis must also include loss of personal
 9 property tax revenue due to the reclassification of new
 10 industrial property from class five two-B-4 to class eight
 11 two-B-3 with the reduced tax rate. The determination of the
 12 reimbursement basis must be made in the year in which the
 13 reclassification is made.

14 (b) The reimbursement revenue must be based on the
 15 county's taxable value and mill levies for tax year 1989.

16 (2) Prior to September 1, 1990, the department's agent
 17 in the county shall supply the following information to the
 18 department for each taxing jurisdiction within the county:

19 (a) the number of mills levied in the jurisdiction for
 20 taxable year 1989;

21 (b) the number of mills levied in the jurisdiction for
 22 taxable year 1990;

23 (c) the total taxable valuation for taxable years 1989
 24 and 1990, reported separately for each year, of all personal
 25 property not secured by real property; and

1 (d) the total taxable valuation for taxable years 1989
 2 and 1990, reported separately for each year, of all personal
 3 property secured by real property.

4 (3) After receipt of the information from its agent,
 5 the department shall calculate the amount of revenue lost to
 6 each taxing jurisdiction, using current year mill levies,
 7 due to the annual reduction in personal property tax rates
 8 set forth in 15-6-138, as that section read before January
 9 1, 1992, and any reduction in taxes based upon recalculation
 10 of the effective tax rate for property in ~~15-6-145~~ and
 11 ~~15-6-147~~ class two-B-7. The department shall total the
 12 amounts for all taxing jurisdictions within the county.

13 (4) For taxable year 1990 and for each year thereafter,
 14 the department shall remit to the county treasurer the base
 15 amount of revenue reimbursable, determined pursuant to
 16 subsection (3), as follows:

17 (a) on or before November 30, 1990, and on or before
 18 each November 30 thereafter, the department shall remit 50%
 19 of the base amount of the revenue reimbursable to the
 20 county; and

21 (b) on or before May 31, 1991, and on or before each
 22 May 31 thereafter, the department shall remit 50% of the
 23 base amount of the revenue reimbursable to the county.

24 (5) Upon receipt of the reimbursement from the
 25 department, the county treasurer shall distribute the

1 reimbursement to each taxing jurisdiction in the relative
2 proportions required by the levies for state, county, school
3 district, and municipal purposes in the same manner as
4 current year mill levies on personal property taxes are
5 distributed.

6 (6) For the purposes of this section, "taxing
7 jurisdiction" ~~means local governments--and~~ includes school
8 districts, each municipality with tax increment financing,
9 and the state of Montana.

10 (7) The amounts necessary for the administration of
11 this section are statutorily appropriated, as provided in
12 17-7-502, from the general fund to reimburse school
13 districts and local governments for reductions in tax rates
14 on personal property."

15 **Section 10.** Section 15-1-101, MCA, is amended to read:

16 **"15-1-101. Definitions.** (1) Except as otherwise
17 specifically provided, when terms mentioned in this section
18 are used in connection with taxation, they are defined in
19 the following manner:

20 (a) The term "agricultural" refers to the raising of
21 livestock, poultry, bees, and other species of domestic
22 animals and wildlife in domestication or a captive
23 environment, and the raising of field crops, fruit, and
24 other animal and vegetable matter for food or fiber.

25 (b) The term "assessed value" means the value of

1 property as defined in 15-8-111.

2 (c) The term "average wholesale value" means the value
3 to a dealer prior to reconditioning and profit margin shown
4 in national appraisal guides and manuals or the valuation
5 schedules of the department of revenue.

6 (d) (i) The term "commercial", when used to describe
7 property, means any property used or owned by a business, a
8 trade, or a nonprofit corporation as defined in 35-2-102 or
9 used for the production of income, except that property
10 described in subsection (ii).

11 (ii) The following types of property are not commercial:

12 (A) agricultural lands;

13 (B) timberlands;

14 (C) single-family residences and ancillary improvements
15 and improvements necessary to the function of a bona fide
16 farm, ranch, or stock operation;

17 (D) mobile homes used exclusively as a residence except
18 when held by a distributor or dealer of trailers or mobile
19 homes as his stock in trade; and

20 (E) all property described in 15-6-135, ~~and~~

21 ~~{F}--all property described in 15-6-136.~~

22 (e) The term "comparable property" means property that
23 has similar use, function, and utility; that is influenced
24 by the same set of economic trends and physical,
25 governmental, and social factors; and that has the potential

1 of a similar highest and best use.

2 (f) The term "credit" means solvent debts, secured or
3 unsecured, owing to a person.

4 (g) The term "improvements" includes all buildings,
5 structures, fences, and improvements situated upon, erected
6 upon, or affixed to land. When the department of revenue or
7 its agent determines that the permanency of location of a
8 mobile home or housetrailer has been established, the mobile
9 home or housetrailer is presumed to be an improvement to
10 real property. A mobile home or housetrailer ~~may---be~~
11 ~~determined--to--be--permanently--located--only--when--it--is~~
12 ~~attached--to--a--foundation--which--cannot--feasibly--be--relocated~~
13 ~~and--only--when--the--wheels--are--removed~~ used as a residence is
14 an improvement whether or not it is affixed to the land.

15 (h) The term "leasehold improvements" means
16 improvements to mobile homes and mobile homes located on
17 land owned by another person. This property is assessed
18 under the appropriate classification and the taxes are due
19 and payable in two payments as provided in 15-24-202.
20 Delinquent taxes on such leasehold improvements are a lien
21 only on such leasehold improvements.

22 (i) The term "livestock" means cattle, sheep, swine,
23 goats, horses, mules, and asses.

24 (j) The term "mobile home" means forms of housing
25 shelter known as "trailers", "housetrailers", or "trailer

1 coaches" exceeding 8 feet in width or 45 feet in length,
2 designed to be moved from one place to another by an
3 independent power connected to them, or any "trailer",
4 "housetrailer", or "trailer coach" up to 8 feet in width or
5 45 feet in length used as a principal residence.

6 (k) The term "nonproductive property" means:

7 (i) property used as a residence, including mobile
8 homes, trailers, and multifamily dwellings;

9 (ii) property that is less than 20 acres in size and
10 that is precluded from being developed for residential or
11 productive purposes due to subdivision or zoning laws,
12 regulations, or ordinances or for other reasons;

13 (iii) property that is no longer productive as provided
14 in 15-6-155.

15 ~~(k)---The-term--"personal--property"---includes--everything~~
16 ~~that--is--the--subject-of-ownership-but-that-is-not-included~~
17 ~~within--the--meaning--of--the--terms---"real--estate"---and~~
18 ~~"improvements".~~

19 (l) The term "poultry" includes all chickens, turkeys,
20 geese, ducks, and other birds raised in domestication to
21 produce food or feathers.

22 (m) The term "productive property" means property that
23 is not defined as nonproductive property and that is used
24 for or capable of being used for the creation of economic
25 value, agricultural or timber production, or other

1 production of goods or services.

2 (m)(n) The term "property" includes moneys, credits,
3 bonds, stocks, franchises, and all other matters and things,
4 real, personal, and mixed, capable of private ownership.
5 This definition must not be construed to authorize the
6 taxation of the stocks of any company or corporation when
7 the property of such company or corporation represented by
8 the stocks is within the state and has been taxed.

9 (n)(o) The term "real estate" includes:

10 (i) the possession of, claim to, ownership of, or right
11 to the possession of land;

12 (ii) all mines, minerals, and quarries in and under the
13 land subject to the provisions of 15-23-501 and Title 15,
14 chapter 23, part 8; all timber belonging to individuals or
15 corporations growing or being on the lands of the United
16 States; and all rights and privileges appertaining thereto.

17 (o)(p) "Research and development firm" means an entity
18 incorporated under the laws of this state or a foreign
19 corporation authorized to do business in this state whose
20 principal purpose is to engage in theoretical analysis,
21 exploration, and experimentation and the extension of
22 investigative findings and theories of a scientific and
23 technical nature into practical application for experimental
24 and demonstration purposes, including the experimental
25 production and testing of models, devices, equipment,

1 materials, and processes.

2 (p)(q) The term "taxable value" means the percentage of
3 market or assessed value as provided for in ~~Title--15,~~
4 chapter-67-part-1 this title.

5 (r) The term "timberland" means contiguous land
6 exceeding 40 acres in one ownership that is capable of
7 producing timber that can be harvested in commercial
8 quantity. Contiguous land in one ownership that is less than
9 40 acres but greater than 15 acres may be classified as
10 timberland if the owner or the owner's agent, employee, or
11 lessee markets not less than \$3,000 in annual gross income
12 from timber or wood products from the land.

13 (q)(s) The term "weighted mean assessment ratio" means
14 the total of the assessed values divided by the total of the
15 selling prices of all area sales in the stratum.

16 (2) The phrase "municipal corporation" or
17 "municipality" or "taxing unit" shall be deemed to include a
18 county, city, incorporated town, township, school district,
19 irrigation district, drainage district, or any person,
20 persons, or organized body authorized by law to establish
21 tax levies for the purpose of raising public revenue.

22 (3) The term "state board" or "board" when used without
23 other qualification shall mean the state tax appeal board."

24 **Section 11.** Section 15-6-131, MCA, is amended to read:
25 "15-6-131. Class one one-A property -- description net

1 proceeds of mines -- taxable percentage. (1) Class one one-A
2 property includes the annual net proceeds of all mines and
3 mining claims except coal and metal mines.

4 (2) Class one one-A property is taxed at 100% of its
5 annual net proceeds after deducting the expenses specified
6 and allowed by 15-23-503 or, for talc, as provided in
7 15-23-515."

8 **Section 12.** Section 15-6-132, MCA, is amended to read:

9 "15-6-132. Class two one-B property -- description
10 gross proceeds of mines -- taxable percentage. (1) Class two
11 one-B property includes the annual gross proceeds of metal
12 mines.

13 (2) Class two one-B property is taxed at 3% of its
14 annual gross proceeds, as defined in 15-23-801."

15 **Section 13.** Section 15-6-133, MCA, is amended to read:

16 "15-6-133. Class three two-A property -- description
17 productive property taxed on productive capacity -- taxable
18 percentage. (1)(a) Class three two-A-1 property includes
19 agricultural land, as defined in 15-7-202, without
20 improvements.

21 (2)(b) Class three two-A-1 property is taxed at the
22 taxable-percentage-rate-[#] 30% of its productive capacity.

23 (3) Until July 17, 1986, the taxable-percentage-rate-[#]
24 for class-three-property-is-30%.

25 (4) Prior to July 17, 1986, the department-of-revenue

1 shall-determine-the-taxable-percentage-rate-[#] applicable
2 to--class-three-property-for-the-revaluation-cycle-beginning
3 January-17-1986-as-follows:

4 (a) The-director-of-the--department--of--revenue--shall
5 certify--to-the-governor-before-July-17-1986--the-percentage
6 by-which-the-appraised-value-of-all-property--in--the--state
7 classified--under--class--three--as--of-January-17-1986--has
8 increased-due-to-the-revaluation-conducted--under--15-7-111.
9 This---figure---is---the---"certified--statewide--percentage
10 increase".

11 (b) The-taxable-value-of-property--in--class--three--is
12 determined---as---a---function--of--the--certified--statewide
13 percentage-increase--in--accordance--with--the--table--shown
14 below:

15 (c) This-table-limits-the-statewide-increase-in-taxable
16 valuation--resulting--from-reappraisal-to-0%--in-calculating
17 the-percentage-increase--the--department--may--not--consider
18 agricultural-use-changes-during-calendar-year-1985.

19 (d) The---taxable--percentage--must--be--calculated--by
20 interpolation-to-coincide--with--the--nearest--whole--number
21 certified--statewide--percentage-increase-from-the-following
22 table:

Certified-Statewide Percentage-Increase	Class-Three-Taxable Percentage- [#]
-0	30-00

1	10	27-27
2	20	25-00
3	30	23-00
4	40	21-43
5	50	20-00

6 ~~{5}--After July 17, 1986, no adjustment may be made by~~
 7 ~~the department to the taxable percentage rate "P" until a~~
 8 ~~revaluation has been made as provided in 15-7-111.~~

9 (2) (a) Class two-A-3 property includes all timberland.

10 (b) A parcel of land may not be classified as class
 11 two-A-3 property and must be classified as class two-A-1
 12 property if the taxable value of the parcel as grazing use
 13 under 15-7-201 is greater than its value as timberland.

14 (c) Class two-A-3 property is taxed at 4% of market
 15 value."

16 **Section 14.** Section 15-6-135, MCA, is amended to read:

17 "15-6-135. Class five two-B property -- description
 18 productive property taxed on market value -- taxable
 19 percentage. (1) (a) Class five two-B-1 property includes all
 20 commercial and industrial real property except that included
 21 in another class.†

22 †(b) Class two-B-1 property is taxed at 5% of market
 23 value.

24 (2) (a) Class two-B-2 property includes all productive
 25 improvements on land that is eligible for valuation,

1 assessment, and taxation as commercial, industrial, and
 2 agricultural land. Class two-B-2 property includes 1 acre of
 3 real property beneath the commercial, industrial, and
 4 agricultural improvements. The 1 acre must be valued at
 5 market value.

6 (b) Class two-B-2 property is taxed at 5% of market
 7 value.

8 (3) (a) Class two-B-3 property includes business
 9 equipment not exempted from taxation, including:

10 (i) air and water pollution control equipment as
 11 defined in this section;

12 (ii) all agricultural implements and equipment;

13 (iii) all mining machinery, fixtures, equipment, tools
 14 that are not exempt under 15-6-201(1)(r), and supplies
 15 except those included in class two-B-3a or two-B-4;

16 (iv) all manufacturing machinery, fixtures, equipment,
 17 tools that are not exempt under 15-6-201(1)(r), and supplies
 18 except those included in class two-B-3a or two-B-4;

19 (v) all trailers, including those prorated under
 20 15-24-102, except those subject to taxation under
 21 61-3-504(2);

22 (vi) all goods and equipment intended for rent or lease,
 23 except goods and equipment specifically included and taxed
 24 in another class;

25 (vii) buses and trucks having a rated capacity of more

1 than 1 ton, including those prorated under 15-24-102;
 2 (viii) truck toppers weighing more than 300 pounds;
 3 (ix) x-ray and medical and dental equipment;
 4 (x) citizens' band radios and mobile telephones;
 5 (xi) radio and television broadcasting and transmitting
 6 equipment;
 7 (xii) cable television systems;
 8 (xiii) coal and ore haulers that are nonhighway vehicles
 9 that exceed 18,000 pounds per axle and that are primarily
 10 designed and used to transport coal, ore, or other earthen
 11 material in a mining or quarrying environment;
 12 (xiv) theater projectors and sound equipment; and
 13 (xv) all other property not included in any other class
 14 in this part, except that property subject to a fee in lieu
 15 of a property tax.
 16 (b) (i) Class two-B-3a property includes:
 17 (A) all property used and owned by cooperative rural
 18 electrical and cooperative rural telephone associations
 19 organized under the laws of Montana, except property owned
 20 by cooperative organizations described in subsection-~~(1)~~(b)
 21 of-15-6-137 class two-B-3b;
 22 (B) machinery and equipment used in a malting barley
 23 facility; and
 24 (C) machinery and equipment used in a canola seed oil
 25 processing facility if:

1 (I) the operator of the facilities employs a minimum of
 2 15 full-time employees; and
 3 (II) the facility locates in the state of Montana after
 4 July 25, 1989.
 5 (ii) Class two-B-3a property is taxed at one-half the
 6 rate of class two-B-3 property.
 7 ~~(b) air and water pollution control equipment as~~
 8 ~~defined in this section;~~
 9 (c) (i) Class two-B-3b property includes:
 10 (A) all property used and owned by persons, firms,
 11 corporations, or other organizations that are engaged in the
 12 business of furnishing telephone communications exclusively
 13 to rural areas or to rural areas and cities and towns of 800
 14 persons or less;
 15 (B) all property owned by cooperative rural electrical
 16 and cooperative rural telephone associations that serve less
 17 than 95% of the electricity consumers or telephone users
 18 within the incorporated limits of a city or town;
 19 (C) electric transformers and meters; electric light
 20 and power substation machinery; natural gas measuring and
 21 regulating station equipment, meters, and compressor station
 22 machinery owned by noncentrally assessed public utilities;
 23 and tools used in the repair and maintenance of this
 24 property.
 25 (ii) Class two-B-3b property is taxed at the same rate

1 as class two-B-3 property.

2 (d) (i) Class two-B-3c property includes items of
 3 personal property intended for rent or lease in the ordinary
 4 course of business, provided each item of personal property
 5 satisfies all of the following:

6 (A) the full and true value of the personal property is
 7 less than \$5,000;

8 (B) the personal property is owned by a business whose
 9 primary business income is from rental or lease of personal
 10 property to individuals wherein no one customer of the
 11 business accounts for more than 10% of the total rentals or
 12 leases during a calendar year; and

13 (C) the lease of the personal property is generally on
 14 an hourly, daily, or weekly basis.

15 (ii) Class two-B-3c property is taxed at one-half the
 16 rate of class two-B-3 property.

17 (e) Except as provided in subsections (3)(a) through
 18 (3)(c), class two-B-3 property is taxed at 8% of market
 19 value.

20 (4) (a) Class two-B-4 property includes:

21 ~~(e)~~(i) new industrial property as defined in this
 22 section;

23 ~~(d)~~(ii) any personal or real property used primarily in
 24 the production of gasohol during construction and for the
 25 first 3 years of its operation;

1 ~~(e)~~(iii) all land and improvements and all personal
 2 property owned by a research and development firm, provided
 3 that the property is actively devoted to research and
 4 development;

5 ~~(f)~~(iv) machinery and equipment used in electrolytic
 6 reduction facilities.

7 (b) Class two-B-4 property is taxed at 3% of market
 8 value.

9 (5) (a) Class two-B-5 property includes livestock and
 10 other species of domestic animals and wildlife raised in
 11 domestication or a captive environment, except for cats,
 12 dogs, and other household pets not raised for profit.

13 (b) Class two-B-5 property is taxed at 4% of market
 14 value.

15 (6) (a) Class two-B-6 property includes:

16 (i) centrally assessed electric power companies'
 17 allocations, including, if congress passes legislation that
 18 allows the state to tax property owned by an agency created
 19 by congress to transmit or distribute electrical energy,
 20 allocations of properties constructed, owned, or operated by
 21 a public agency created by the congress to transmit or
 22 distribute electric energy produced at privately owned
 23 generating facilities (not including rural electric
 24 cooperatives);

25 (ii) allocations for centrally assessed natural gas

1 companies having a major distribution system in this state;
 2 and
 3 (iii) centrally assessed companies' allocations except:
 4 (A) electric power and natural gas companies' property;
 5 (B) property owned by cooperative rural electric and
 6 cooperative rural telephone associations and classified in
 7 class two-B-2;
 8 (iv) property owned by organizations providing telephone
 9 communications to rural areas and classified in class
 10 two-B-2; and
 11 (v) railroad and airline transportation property
 12 included in class two-B-7.
 13 (b) Class two-B-6 property is taxed at 12% of market
 14 value.
 15 (7) (a) Class two-B-7 property includes:
 16 (i) all railroad transportation property as described
 17 in the Railroad Revitalization and Regulatory Reform Act of
 18 1976 as it read on January 1, 1986;
 19 (ii) all airline transportation property as described in
 20 the Tax Equity and Fiscal Responsibility Act of 1982 as it
 21 read on January 1, 1986.
 22 (b) Class two-B-7 property is taxed at the percentage
 23 of market value determined under [section 18].
 24 †2†(8) (a) "Air and water pollution equipment" means
 25 facilities, machinery, or equipment used to reduce or

1 control water or atmospheric pollution or contamination by
 2 removing, reducing, altering, disposing, or storing
 3 pollutants, contaminants, wastes, or heat. The department of
 4 health and environmental sciences shall determine if such
 5 utilization is being made.

6 (b) The department of health and environmental
 7 sciences' determination as to air and water pollution
 8 equipment may be appealed to the board of health and
 9 environmental sciences and may not be appealed to either a
 10 county tax appeal board or the state tax appeal board.
 11 However, the appraised value of the equipment as determined
 12 by the department of revenue may be appealed to the county
 13 tax appeal board and the state tax appeal board.

14 †3†(9) "New industrial property" means any new
 15 industrial plant, including land, buildings, machinery, and
 16 fixtures, used by new industries during the first 3 years of
 17 their operation. The property may not have been assessed
 18 within the state of Montana prior to July 1, 1961.

19 †4†(10) (a) "New industry" means any person,
 20 corporation, firm, partnership, association, or other group
 21 that establishes a new plant in Montana for the operation of
 22 a new industrial endeavor, as distinguished from a mere
 23 expansion, reorganization, or merger of an existing
 24 industry.

25 (b) New industry includes only those industries that:

1 (i) manufacture, mill, mine, produce, process, or
2 fabricate materials;

3 (ii) do similar work, employing capital and labor, in
4 which materials unserviceable in their natural state are
5 extracted, processed, or made fit for use or are
6 substantially altered or treated so as to create commercial
7 products or materials; or

8 (iii) engage in the mechanical or chemical
9 transformation of materials or substances into new products
10 in the manner defined as manufacturing in the 1972 Standard
11 Industrial Classification Manual prepared by the United
12 States office of management and budget.

13 ~~†5†~~(11) New industrial property does not include:

14 (a) property used by retail or wholesale merchants,
15 commercial services of any type, agriculture, trades, or
16 professions;

17 (b) a plant that will create adverse impact on existing
18 state, county, or municipal services; or

19 (c) property used or employed in any industrial plant
20 that has been in operation in this state for 3 years or
21 longer.

22 (12) "Malting barley facility" means a facility the
23 principal purpose of which is to malt malting barley. The
24 term does not apply to a facility the principal purpose of
25 which is to store, mix, blend, transport, transfer, or

1 otherwise do anything with malting barley, except malt
2 malting barley. However, any machinery or equipment the
3 principal purpose of which is to store, mix, blend,
4 transport, transfer, or otherwise handle malting barley or
5 other machinery or equipment that is used in or is otherwise
6 an integral part of a facility that malts malting barley is
7 machinery or equipment of a malting barley facility for the
8 purposes of this section.

9 (13) "Canola seed oil processing facility" means a
10 facility that:

11 (a) extracts oil from canola seeds, refines the crude
12 oil to produce edible oil, formulates and packages the
13 edible oil into food products, or engages in any one or more
14 of those processes; and

15 (b) employs at least 15 employees in a full-time
16 capacity

17 ~~†6†--Class--five--property--is--taxed--at--3%--of--its--market~~
18 ~~value."~~

19 **NEW SECTION. Section 15. Class three property --**
20 **nonproductive property taxed on market value -- taxable**
21 **percentage. (1) (a) Class three-A-1 property includes**
22 **residential city or town lots and all nonproductive real**
23 **property not in another class.**

24 **(b) Class three-A-2 property includes rural tracts or**
25 **lots less than 20 acres that are not class three-A-3**

1 property.

2 (c) Class three-A-1 and class three-A-2 property are
3 taxed at 4% of market value.

4 (2) (a) Class three-A-3 property includes agricultural
5 land over 20 acres but less than 40 acres that is not
6 productive agricultural land, as defined in 15-7-201, and
7 timberland that is over 15 acres but less than 40 acres and
8 that is incapable of producing timber that can be harvested
9 in commercial quantity. Class three-A-3 property does not
10 include improvements on the land and 1 acre of the land upon
11 which any improvements are located. Class three-A-3 property
12 is not considered either agricultural or timberland for the
13 purposes of exempting a transfer from the provisions of the
14 realty transfer certificate in 15-7-307.

15 (b) Class three-A-3 property is taxed at 2% of market
16 value.

17 (3) (a) Class three-B-1 property is nonproductive
18 improvements to class three-A-1 property.

19 (b) Class three-B-2 is nonproductive improvements to
20 class three-A-2 and three-A-3 property and nonproductive
21 improvements to class two-A-1 and 1 acre upon which the
22 improvement is located.

23 (c) Class three-B property is taxed at 4% of market
24 value multiplied by a percentage figure based upon income
25 and determined from the following table:

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

13 (4) (a) Class three-C-1 property is nonproductive
14 recreational property, including golf courses and baseball
15 fields.

16 (b) Class three-C-1 property is taxed at 2% of market
17 value.

18 (5) (a) Class three-C-2 property includes improvements
19 on class three-C-1 property.

20 (b) Class three-C-2 property is taxed at 2% of market
21 value.

22 **Section 16.** Section 15-6-152, MCA, is amended to read:
23 "15-6-152. Application for classification as new
24 industrial property. (1) Any person, firm, or other group
25 seeking to qualify its property for classification as new

1 industrial property under class five two-B-4 shall make
2 application to the department of revenue on a form provided
3 by the department.

4 (2) The department of revenue shall promulgate rules
5 for the determination of what constitutes an adverse impact,
6 taking into consideration the number of people to be
7 employed and the size of the community in which the location
8 of the industrial property is contemplated.

9 (3) If the department makes an initial determination
10 that the industrial property qualifies as new industrial
11 property under class five two-B-4, it shall publish notice
12 of and hold a public hearing to determine whether the
13 property should retain this classification.

14 (4) Local taxing authority officials may waive their
15 objections to the property's classification in class five
16 two-B-4 if the owner of the new industrial property agrees
17 to prepay property taxes on the property during the
18 construction period. The maximum amount of prepayment shall
19 be the amount of tax the owner would have paid on the
20 property if it had not been classified under class five
21 two-B-4.

22 (5) If a new industrial facility qualifies under class
23 five two-B-4, its property tax payment may not be reduced
24 for reimbursement of its prepaid taxes as provided in
25 15-16-201 until the class five two-B-4 qualification

1 expires."

2 **Section 17.** Section 15-6-155, MCA, is amended to read:

3 "**15-6-155. Application for classification as class**
4 **twenty nonproductive commercial property -- local government**
5 **approval required. (1) Nonproductive commercial property is**
6 **real and personal property that:**

7 (a) is integrally related in a single working unit;

8 (b) is devoted exclusively to the processing of
9 agricultural or timber products; and

10 (c) (i) has not been in production for 12 consecutive
11 months or has been acquired in an arm's-length transaction
12 by an unrelated person, including an acquisition in a
13 foreclosure sale or bankruptcy proceeding; or

14 (ii) has been acquired in a foreclosure or bankruptcy
15 proceeding by a person, as defined in 15-1-102, having no
16 relationship to or interest in the property prior to the
17 transaction.

18 (2) In determining the market value of nonproductive
19 commercial property, the department shall reduce the
20 assessed value by 25% a year for each year the plant
21 continues to be out of production until the market value is
22 reduced to salvage value.

23 (3) Upon commencement of production or an acquisition
24 described in subsection (1)(c)(ii), property classified as
25 nonproductive commercial property must remain at the

1 preceding year's valuation for the succeeding 12 months.
 2 Following the end of the 12-month period, the property may
 3 be considered new or expanding industry as provided in Title
 4 15, chapter 24, part 14.

5 ~~{1}~~(4) A person applying for classification of property
 6 as class-twenty nonproductive commercial property shall make
 7 an application to the department of revenue on a form
 8 provided by the department without cost.

9 ~~{2}~~(5) The department may not grant an application for
 10 classification of property as class-twenty nonproductive
 11 commercial property unless the governing body of the
 12 affected county or incorporated city or town approves the
 13 application by resolution, following due notice as defined
 14 in 76-15-103 and a public hearing, for its respective
 15 jurisdiction.

16 ~~{3}~~(6) The resolution provided for in subsection ~~{2}~~(5)
 17 must specify the property that the taxing jurisdiction
 18 approves for classification--as--class--twenty--property
 19 nonproductive commercial property status.

20 ~~{4}~~--The-property-valuation-reduction-granted--to--class
 21 twenty-property-under-15-6-150-applies-only-to-the-number-of
 22 mills-levied-and-assessed-for-local-high-school-district-and
 23 elementary-school--district--purposes--and-to-the-number-of
 24 mills-levied-and-assessed-by--an--approving--governing--body
 25 over--which--it--has--sole--discretion--in--no-case-may-the

1 property-valuation-reduction-for-class-twenty-property-apply
 2 to-levies-or-assessments-required-under--Title--15--chapter
 3 10--20-9-331--20-9-333--or-otherwise-required-under-state
 4 law."

5 NEW SECTION. Section 18. Railroad and airline property
 6 -- determination of taxable rate. (1) For the tax year
 7 beginning January 1, 1992, and for each tax year thereafter,
 8 class two-B-7 property, as described in 15-6-135, is taxed
 9 at the percentage rate "R", to be determined by the
 10 department as provided in subsection (2), or 12%, whichever
 11 is less.

12 (2) R = A/B where:

13 (a) A is the total statewide taxable value of all
 14 commercial property, except class two-B-7 property, as
 15 commercial property is described in 15-1-101(1)(d); and

16 (b) B is the total statewide market value of all
 17 commercial property, except class two-B-7 property, as
 18 commercial property is described in 15-1-101(1)(d).

19 (3) (a) For the taxable year beginning January 1, 1986,
 20 and for every taxable year thereafter, the department shall
 21 conduct a sales assessment ratio study of all commercial and
 22 industrial real property and improvements. The study must be
 23 based on:

24 (i) assessments of the property as of January 1 of the
 25 year for which the study is being conducted; and

1 (ii) a statistically valid sample of sales using data
2 from realty transfer certificates filed during the same
3 taxable year or from the immediately preceding taxable year,
4 but only if a sufficient number of certificates is
5 unavailable from the current taxable year to provide a
6 statistically valid sample.

7 (b) The department shall determine the value-weighted
8 mean sales assessment ratio "M" for all such property and
9 reduce the taxable value of property described in subsection
10 (3) only, by multiplying the total statewide taxable value
11 of property described in subsection (3)(a) by "M" prior to
12 calculating "A" in subsection (2)(a).

13 (c) The adjustment referred to in subsection (3)(b)
14 must be made beginning January 1, 1986, and in each
15 subsequent tax year to equalize the railroad taxable values.

16 (4) For the purpose of complying with the Railroad
17 Revitalization and Regulatory Reform Act of 1976 and the Tax
18 Equity and Fiscal Responsibility Act of 1982, as they read
19 on January 1, 1986, the rate "R" referred to in this section
20 is the equalized average tax rate generally applicable to
21 commercial and industrial property, except class two-B-7
22 property, as commercial property is defined in 15-1-101.

23 **Section 19.** Section 15-6-201, MCA, is amended to read:

24 "15-6-201. **Exempt categories.** (1) The following
25 categories of property are exempt from taxation:

1 (a) the property of:

2 (i) the United States, the state, counties, cities,
3 towns, school districts, except, if congress passes
4 legislation that allows the state to tax property owned by
5 an agency created by congress to transmit or distribute
6 electrical energy, the property constructed, owned, or
7 operated by a public agency created by the congress to
8 transmit or distribute electric energy produced at privately
9 owned generating facilities (not including rural electric
10 cooperatives);

11 (ii) irrigation districts organized under the laws of
12 Montana and not operating for profit;

13 (iii) municipal corporations; and

14 (iv) public libraries;

15 (b) buildings, with land they occupy and furnishings
16 therein, owned by a church and used for actual religious
17 worship or for residences of the clergy, together with
18 adjacent land reasonably necessary for convenient use of the
19 buildings;

20 (c) property used exclusively for agricultural and
21 horticultural societies, for educational purposes, and for
22 nonprofit health care facilities, as defined in 50-5-101,
23 licensed by the department of health and environmental
24 sciences and organized under Title 35, chapter 2 or 3. A
25 health care facility that is not licensed by the department

1 of health and environmental sciences and organized under
2 Title 35, chapter 2 or 3, is not exempt.

3 (d) property that meets the following conditions:

4 (i) is owned and held by any association or corporation
5 organized under Title 35, chapter 2, 3, 20, or 21;

6 (ii) is devoted exclusively to use in connection with a
7 cemetery or cemeteries for which a permanent care and
8 improvement fund has been established as provided for in
9 Title 35, chapter 20, part 3; and

10 (iii) is not maintained and operated for private or
11 corporate profit;

12 (e) institutions of purely public charity;

13 (f) evidence of debt secured by mortgages of record
14 upon real or personal property in the state of Montana;

15 (g) public art galleries and public observatories not
16 used or held for private or corporate profit;

17 (h) all household goods and furniture, including but
18 not limited to clocks, musical instruments, sewing machines,
19 and wearing apparel of members of the family, used by the
20 owner for personal and domestic purposes or for furnishing
21 or equipping the family residence;

22 (i) a truck canopy cover or topper weighing less than
23 300 pounds and having no accommodations attached. This
24 property is also exempt from taxation under 61-3-504(2) and
25 61-3-537.

1 (j) a bicycle, as defined in 61-1-123, used by the
2 owner for personal transportation purposes;

3 (k) motor homes, travel trailers, and campers;

4 (l) all watercraft;

5 (m) land, fixtures, buildings, and improvements owned
6 by a cooperative association or nonprofit corporation
7 organized to furnish potable water to its members or
8 customers for uses other than the irrigation of agricultural
9 land;

10 (n) the right of entry that is a property right
11 reserved in land or received by mesne conveyance (exclusive
12 of leasehold interests), devise, or succession to enter land
13 whose surface title is held by another to explore, prospect,
14 or dig for oil, gas, coal, or minerals;

15 (o) property owned and used by a corporation or
16 association organized and operated exclusively for the care
17 of the developmentally disabled, mentally ill, or
18 vocationally handicapped as defined in 18-5-101, which is
19 not operated for gain or profit;

20 (p) all farm buildings with a market value of less than
21 \$500 and all agricultural implements and machinery with a
22 market value of less than \$100;

23 (q) property owned by a nonprofit corporation organized
24 to provide facilities primarily for training and practice
25 for or competition in international sports and athletic

1 events and not held or used for private or corporate gain or
 2 profit. For purposes of this subsection (q), "nonprofit
 3 corporation" means an organization exempt from taxation
 4 under section 501(c) of the Internal Revenue Code and
 5 incorporated and admitted under the Montana Nonprofit
 6 Corporation Act.

7 (r) provided the tools are owned by the taxpayer, the
 8 first \$15,000 or less of market value of tools that are
 9 customarily hand-held and that are used to:

10 (i) construct, repair, and maintain improvements to
 11 real property; or

12 (ii) repair and maintain machinery, equipment,
 13 appliances, or other personal property;

14 (s) harness, saddlery, and other tack equipment; and

15 (t) a title plant owned by a title insurer or a title
 16 insurance producer, as those terms are defined in
 17 33-25-105; and

18 (u) all furniture, fixtures, and equipment not
 19 specifically included in a class of property under part 1.

20 (2) (a) The term "institutions of purely public
 21 charity" includes organizations owning and operating
 22 facilities for the care of the retired or aged or
 23 chronically ill, which are not operated for gain or profit.

24 (b) The terms "public art galleries" and "public
 25 observatories" include only those art galleries and

1 observatories, whether of public or private ownership, that
 2 are open to the public without charge at all reasonable
 3 hours and are used for the purpose of education only.

4 (3) The following portions of the appraised value of a
 5 capital investment made after January 1, 1979, in a
 6 recognized nonfossil form of energy generation, as defined
 7 in 15-32-102, are exempt from taxation for a period of 10
 8 years following installation of the property:

9 (a) \$20,000 in the case of a single-family residential
 10 dwelling;

11 (b) \$100,000 in the case of a multifamily residential
 12 dwelling or a nonresidential structure."

13 **Section 20.** Section 15-7-103, MCA, is amended to read:

14 **"15-7-103. Classification and appraisal -- general and**
 15 **uniform methods.** (1) It is the duty of the department of
 16 revenue to implement the provisions of 15-7-101 through
 17 15-7-103 by providing:

18 (a) for a general and uniform method of classifying
 19 lands in the state for the purpose of securing an equitable
 20 and uniform basis of assessment of said lands for taxation
 21 purposes;

22 (b) for a general and uniform method of appraising city
 23 and town lots;

24 (c) for a general and uniform method of appraising
 25 rural and urban improvements;

1 (d) for a general and uniform method of appraising
2 timberlands.

3 (2) All lands shall be classified according to their
4 use or uses and graded within each class according to soil
5 and productive capacity. In such classification work, use
6 shall be made of soil surveys and maps and all other
7 pertinent available information.

8 (3) All lands must be classified by parcels or
9 subdivisions not exceeding 1 section each, by the sections,
10 fractional sections, or lots of all tracts of land that have
11 been sectionized by the United States government, or by
12 metes and bounds, whichever yields a true description of the
13 land.

14 (4) All agricultural lands must be classified and
15 appraised as agricultural lands without regard to the best
16 and highest value use of adjacent or neighboring lands.

17 (5) In any periodic revaluation of taxable property
18 completed under the provisions of 15-7-111 after January 1,
19 1986, all property classified ~~in 15-6-194~~ as class three
20 must be appraised on its market value in the same year. The
21 department shall publish a rule specifying the year used in
22 the appraisal.

23 (6) All sewage disposal systems and domestic use water
24 supply systems of all dwellings may not be appraised,
25 assessed, and taxed separately from the land, house, or

1 other improvements in which they are located. In no event
2 may the sewage disposal or domestic water supply systems be
3 included twice by including them in the valuation and
4 assessing them separately."

5 **Section 21.** Section 15-7-202, MCA, is amended to read:

6 **"15-7-202. Eligibility of land for valuation as**
7 **agricultural.** (1) Contiguous parcels of land totaling ~~20~~ 40
8 acres or more under one ownership shall be eligible for
9 valuation, assessment, and taxation as agricultural land
10 each year that none of the parcels is devoted to a
11 commercial or industrial use.

12 (2) Contiguous or noncontiguous parcels of land
13 totaling less than ~~20~~ 40 acres under one ownership that are
14 actively devoted to agricultural use shall be eligible for
15 valuation, assessment, and taxation as herein provided each
16 year the parcels meet any of the following qualifications:

17 (a) the parcels produce and the owner or the owner's
18 agent, employee, or lessee markets not less than \$1,500 for
19 parcels less than 20 acres or not less than \$3,000 for
20 parcels more than 20 acres but less than 40 acres, in annual
21 gross income from the raising of livestock, poultry, field
22 crops, fruit, and other animal and vegetable matter for food
23 or fiber; or

24 (b) the parcels would have met the qualification set
25 out in subsection (2)(a) were it not for independent

1 intervening causes of production failure beyond the control
2 of the producer or marketing delay for economic advantage,
3 in which case proof of qualification in a prior year will
4 suffice.

5 (3) Parcels that do not meet the qualifications set out
6 in subsections (1) and (2) shall not be classified or valued
7 as agricultural if they are part of a platted subdivision
8 that is filed with the county clerk and recorder in
9 compliance with the Montana Subdivision and Platting Act.

10 (4) Land shall not be classified or valued as
11 agricultural if it is subdivided with stated restrictions
12 prohibiting its use for agricultural purposes.

13 (5) The grazing on land by a horse or other animals
14 kept as a hobby and not as a part of a bona fide
15 agricultural enterprise shall not be considered a bona fide
16 agricultural operation.

17 (6) If land has been valued, assessed, and taxed as
18 agricultural land in any year, it shall continue to be so
19 valued, assessed, and taxed until the department
20 reclassifies the property. A reclassification does not mean
21 revaluation pursuant to 15-7-111.

22 (7) For the purposes of this part, growing timber is
23 not an agricultural use. (Subsection (7) terminates January
24 1, 1991--sec. 10, Ch. 681, L. 1985.)"

25 **Section 22.** Section 15-8-111, MCA, is amended to read:

1 "15-8-111. **Assessment -- market value standard --**
2 **exceptions.** (1) All taxable property must be assessed at
3 100% of its market value except as otherwise provided.

4 (2) (a) Market value is the value at which property
5 would change hands between a willing buyer and a willing
6 seller, neither being under any compulsion to buy or to sell
7 and both having reasonable knowledge of relevant facts.

8 (b) If the department uses construction cost as one
9 approximation of market value, the department shall fully
10 consider reduction in value caused by depreciation, whether
11 through physical depreciation, functional obsolescence, or
12 economic obsolescence.

13 (c) Except as provided in subsection (3), the market
14 value of all motor trucks; agricultural tools, implements,
15 and machinery; and vehicles of all kinds, including but not
16 limited to boats and all watercraft, is the average
17 wholesale value shown in national appraisal guides and
18 manuals or the value of the vehicle before reconditioning
19 and profit margin. The department of revenue shall prepare
20 valuation schedules showing the average wholesale value when
21 no national appraisal guide exists.

22 (3) The department of revenue or its agents may not
23 adopt a lower or different standard of value from market
24 value in making the official assessment and appraisal of the
25 value of property, except:

1 (a) the wholesale value for agricultural implements and
2 machinery is the loan value as shown in the Official Guide,
3 Tractor and Farm Equipment, published by the national farm
4 and power equipment dealers association, St. Louis,
5 Missouri;

6 (b) for agricultural implements and machinery not
7 listed in the official guide, the department shall prepare a
8 supplemental manual where the values reflect the same
9 depreciation as those found in the official guide; and

10 (c) as otherwise authorized in Title 15 and Title 61.

11 (4) For purposes of taxation, assessed value is the
12 same as appraised value.

13 (5) The taxable value for all property is the
14 percentage of market or assessed value established for each
15 class of property.

16 (6) The assessed value of properties in 15-6-131
17 through 15-6-133 is as follows:

18 (a) Properties in 15-6-131, under class one one-A, are
19 assessed at 100% of the annual net proceeds after deducting
20 the expenses specified and allowed by 15-23-503 or, if
21 applicable, as provided in 15-23-515.

22 (b) Properties in 15-6-132, under class two one-B, are
23 assessed at 100% of the annual gross proceeds.

24 (c) Properties in 15-6-133, under class three two-A-1,
25 are assessed at 100% of the productive capacity of the lands

1 when valued for agricultural purposes. All lands that meet
2 the qualifications of 15-7-202 are valued as agricultural
3 lands for tax purposes.

4 (d) Properties in ~~15-6-143~~ 15-6-133, under class
5 thirteen two-A-3, are assessed at 100% of the combined
6 appraised value of the standing timber and grazing
7 productivity of the land when valued as timberland.

8 (7) Land and the improvements thereon are separately
9 assessed when any of the following conditions occur:

10 (a) ownership of the improvements is different from
11 ownership of the land;

12 (b) the taxpayer makes a written request; or

13 (c) the land is outside an incorporated city or town.
14 (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch.
15 681, L. 1985.)"

16 **Section 23.** Section 15-8-205, MCA, is amended to read:

17 "15-8-205. Initial assessment of class-twelve-property
18 trailer or mobile home -- when. The county assessor shall
19 assess all class-twelve-property trailers and mobile homes
20 that are to be used as a residence immediately upon arrival
21 in the county if the taxes have not been previously paid for
22 that year in another county in Montana."

23 **Section 24.** Section 15-16-611, MCA, is amended to read:

24 "15-16-611. Reduction of property tax for property
25 destroyed by natural disaster. (1) The department of revenue

1 shall, upon showing by a taxpayer that some or all of the
 2 improvements on his real property, ~~or-a~~ including a trailer
 3 ~~or mobile home as-described-in-15-6-142~~ used as a residence,
 4 have been destroyed to such an extent that such improvements
 5 have been rendered unsuitable for their previous use by
 6 natural disaster, adjust the taxable value on the property,
 7 accounting for the destruction.

8 (2) The county treasurer shall adjust the tax due and
 9 payable for the current year on the property under 15-16-102
 10 as provided in subsection (3) of this section.

11 (3) To determine the amount of tax due for destroyed
 12 property, the county treasurer shall:

13 (a) multiply the amount of tax levied and assessed on
 14 the original taxable value of the property for the year by
 15 the ratio that the number of days in the year that the
 16 property existed before destruction bears to 365; and

17 (b) multiply the amount of tax levied and assessed on
 18 the adjusted taxable value of the property for the remainder
 19 of the year by the ratio that the number of days remaining
 20 in the year after the destruction of the property bears to
 21 365.

22 (4) This section does not apply to delinquent taxes
 23 owed on the destroyed property for a year prior to the year
 24 in which the property was destroyed.

25 (5) For the purposes of this section, "natural

1 disaster" includes but is not limited to fire, flood,
 2 earthquake, or wind."

3 **Section 25.** Section 15-16-613, MCA, is amended to read:

4 "15-16-613. Refund of certain taxes paid in other
 5 states. Subject to the provisions of 15-16-601 and upon
 6 proof that tax was paid in another state, a taxpayer is
 7 entitled to a refund equal to the amount of tax paid in
 8 another state on a helicopter or property that was assessed
 9 in Montana under ~~15-6-138(1)(g)~~ 15-6-135(3)(a)(xv) on
 10 January 1 of the year for which the refund is due. The
 11 refund under this section may not exceed the tax that was
 12 paid in Montana on the same property for the same period of
 13 time."

14 **Section 26.** Section 15-23-202, MCA, is amended to read:

15 "15-23-202. Assessment -- how made. (1) The department
 16 must assess the franchise, roadway, roadbed, rails, rolling
 17 stock, and all other operating properties of all railroads
 18 operated in more than one county or more than one state. All
 19 rolling stock must be assessed in the name of the person
 20 owning, leasing, or using the same. Assessment must be made
 21 to the person owning or leasing or using the same and must
 22 be made upon the entire railroad within the state. The
 23 depots, stations, shops, and buildings erected upon the
 24 space covered by the right-of-way and all other property
 25 owned or leased by such person, except as above provided,

1 shall be assessed by the department.

2 (2) In determining the taxable value of railroad
3 property, the department shall determine the percentage rate
4 "R" provided for in ~~15-6-145~~ [section 18] in order to
5 achieve compliance with the requirements of the federal
6 Railroad Revitalization and Regulatory Reform Act of 1976,
7 as amended."

8 **Section 27.** Section 15-24-301, MCA, is amended to read:

9 "15-24-301. Personal property brought into the state --
10 assessment -- exceptions -- custom combine equipment. (1)
11 Except as provided in subsections (2) through (5), property
12 in the following cases is subject to taxation and assessment
13 for all taxes levied that year in the county in which it is
14 located:

15 (a) any personal property (including livestock)
16 brought, driven, or coming into this state at any time
17 during the year that is used in the state for hire,
18 compensation, or profit;

19 (b) property whose owner or user is engaged in gainful
20 occupation or business enterprise in the state; or

21 (c) property which comes to rest and becomes a part of
22 the general property of the state.

23 (2) The taxes on this property are levied in the same
24 manner and to the same extent, except as otherwise provided,
25 as though the property had been in the county on the regular

1 assessment date, provided that the property has not been
2 regularly assessed for the year in some other county of the
3 state.

4 (3) Nothing in this section shall be construed to levy
5 a tax against a merchant or dealer within this state on
6 goods, wares, or merchandise brought into the county to
7 replenish the stock of the merchant or dealer.

8 (4) Any motor vehicle not subject to a fee in lieu of
9 tax brought, driven, or coming into this state by any
10 nonresident person temporarily employed in Montana and used
11 exclusively for transportation of such person is subject to
12 taxation and assessment for taxes as follows:

13 (a) The motor vehicle is taxed by the county in which
14 it is located.

15 (b) One-fourth of the annual tax liability of the motor
16 vehicle must be paid for each quarter or portion of a
17 quarter of the year that the motor vehicle is located in
18 Montana.

19 (c) The quarterly taxes are due the first day of the
20 quarter.

21 (5) Agricultural harvesting machinery classified under
22 class eight two-B-3, licensed in other states, and operated
23 on the lands of persons other than the owner of the
24 machinery under contracts for hire shall be subject to a fee
25 in lieu of taxation of \$35 per machine for the calendar year

1 in which the fee is collected. The machines shall be subject
2 to taxation under class eight only if they are sold in
3 Montana."

4 **Section 28.** Section 20-9-407, MCA, is amended to read:

5 "20-9-407. Industrial facility agreement for bond issue
6 in excess of maximum. (1) In a school district within which
7 a new major industrial facility which seeks to qualify for
8 taxation as class ~~five~~ two-B-4a property under 15-6-135 is
9 being constructed or is about to be constructed, the school
10 district may require, as a precondition of the new major
11 industrial facility qualifying as class five property, that
12 the owners of the proposed industrial facility enter into an
13 agreement with the school district concerning the issuing of
14 bonds in excess of the 45% limitation prescribed in
15 20-9-406. Under such an agreement, the school district may,
16 with the approval of the voters, issue bonds which exceed
17 the limitation prescribed in this section by a maximum of
18 45% of the estimated taxable value of the property of the
19 new major industrial facility subject to taxation when
20 completed. The estimated taxable value of the property of
21 the new major industrial facility subject to taxation shall
22 be computed by the department of revenue when requested to
23 do so by a resolution of the board of trustees of the school
24 district. A copy of the department's statement of estimated
25 taxable value shall be printed on each ballot used to vote

1 on a bond issue proposed under this section.

2 (2) Pursuant to the agreement between the new major
3 industrial facility and the school district and as a
4 precondition to qualifying as class five property, the new
5 major industrial facility and its owners shall pay, in
6 addition to the taxes imposed by the school district on
7 property owners generally, so much of the principal and
8 interest on the bonds provided for under this section as
9 represents payment on an indebtedness in excess of the
10 limitation prescribed in 20-9-406. After the completion of
11 the new major industrial facility and when the indebtedness
12 of the school district no longer exceeds the limitation
13 prescribed in this section, the new major industrial
14 facility shall be entitled, after all the current
15 indebtedness of the school district has been paid, to a tax
16 credit over a period of no more than 20 years. The credit
17 shall as a total amount be equal to the amount which the
18 facility paid the principal and interest of the school
19 district's bonds in excess of its general liability as a
20 taxpayer within the district.

21 (3) A major industrial facility is a facility subject
22 to the taxing power of the school district, whose
23 construction or operation will increase the population of
24 the district, imposing a significant burden upon the
25 resources of the district and requiring construction of new

1 school facilities. A significant burden is an increase in
2 ANB of at least 20% in a single year."

3 **Section 29.** Section 67-3-204, MCA, is amended to read:

4 *67-3-204. Fee in lieu of tax on registered aircraft --
5 decal. (1) Except as provided in subsection (3), aircraft
6 required to be registered in Montana are subject to a fee.
7 The registration fee is in lieu of property tax.

8 (2) The department shall issue a decal to the owner of
9 the aircraft required to be registered at the time of
10 payment of the registration fee in lieu of tax, as provided
11 in 67-3-201. No aircraft subject to a fee in lieu of tax may
12 be operated in this state unless there is displayed on the
13 aircraft a decal as visual proof that the fee in lieu of tax
14 has been paid for the aircraft and that the aircraft is
15 registered for the current year.

16 (3) Aircraft that meet the description of property
17 described in ~~15-6-147~~ property taxation class two-B-7 are
18 exempt from the fee imposed by subsection (1). Aircraft
19 subject to the fee in lieu of tax are exempt from all other
20 taxation."

21 **NEW SECTION. Section 30.** Codification instruction.
22 [Sections 15 and 18] are intended to be codified as an
23 integral part of Title 15, chapter 6, part 1, and the
24 provisions of Title 15, chapter 6, part 1, apply to
25 [sections 15 and 18].

1 **NEW SECTION. Section 31. Termination.** Section
2 15-6-133(2), providing for the classification of timberland,
3 terminates January 1, 1993.

4 **NEW SECTION. Section 32. Repealer.** Sections 7-12-4324,
5 7-12-4421, 15-6-134, 15-6-136, 15-6-137, 15-6-138, 15-6-141,
6 15-6-142, 15-6-144, 15-6-145, 15-6-147, 15-6-148, 15-6-149,
7 15-6-150, 15-6-151, 15-6-153, 15-6-154, 15-10-401,
8 15-10-402, 15-10-411, 15-10-412, and 15-24-1501, MCA, are
9 repealed.

10 **NEW SECTION. Section 33. Effective date** --
11 **applicability.** [This act] is effective January 1, 1992, and
12 applies to tax years beginning after December 31, 1991.

-End-