

HOUSE BILL 886

Introduced by Lee, et al.

2/15	Introduced
2/15	Referred to Taxation
2/16	First Reading
2/16	Fiscal Note Requested
2/23	Fiscal Note Printed [Sic.]
2/23	Fiscal Note Received
3/15	Hearing
3/26	Tabled in Committee

1 *House* BILL NO. *886* *Wm E Boharcki*
 2 INTRODUCED BY *Rep. Bob Brown* *Messmore* *Whaten* *Dolezal*
 3 *Rife* *Ing* *Robson* *Winn* *Jacobs* *Carlson* *Bel*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT RELATING TO PROPERTY *Rosen*
 5 TAX EXEMPTIONS FOR THE FIRST \$80,000 OF MARKET VALUE OF *Southworth* *Walters* *James* *Benedict* *Carroll*
 6 RESIDENCES AND RESIDENTIAL MOBILE HOMES; PROVIDING THAT THE *Cochran* *Thorn* *Simkins* *Clark* *Heller* *Stevenson*
 7 INCOME REQUIREMENT FOR A LOW-INCOME HEAD OF HOUSEHOLD IS THE *Blair* *Becker* *Wright* *Strom* *Harper*
 8 SAME AS FOR A MARRIED COUPLE; PROVIDING THAT THE \$80,000 *Miller* *Johnson* *Wagner*
 9 EXEMPTION APPLIES TO LOW-INCOME HOME AND MOBILE HOME OWNERS *MERCER* *Foster* *Allen*
 10 62 YEARS OF AGE OR OLDER; AMENDING SECTIONS 15-1-101, *McIntosh* *Steph* *Merriman* *McIntosh*

11 15-6-134, 15-6-142, 15-6-201, AND 15-24-901, MCA; AND
 12 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE
 13 APPLICABILITY DATE."

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

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

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

1 (b) The term "assessed value" means the value of
 2 property as defined in 15-8-111.

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

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

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

- 13 (A) agricultural lands;
- 14 (B) timberlands;
- 15 (C) single-family residences and ancillary improvements
 16 and improvements necessary to the function of a bona fide
 17 farm, ranch, or stock operation;
- 18 (D) mobile homes used exclusively as a residence except
 19 when held by a distributor or dealer of trailers or mobile
 20 homes as his stock in trade;
- 21 (E) all property described in 15-6-135; and
- 22 (F) all property described in 15-6-136.

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



1 governmental, and social factors; and that has the potential
2 of a similar highest and best use.

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

5 (g) "Head of household" means an unmarried individual
6 who is not a surviving spouse and who maintains a household
7 containing a dependent, as the term "head of household" is
8 defined in section 2 of the Internal Revenue Code, as
9 amended.

10 (g)(h) The term "improvements" includes all buildings,
11 structures, fences, and improvements situated upon, erected
12 upon, or affixed to land. When the department of revenue or
13 its agent determines that the permanency of location of a
14 mobile home or housetrailer has been established, the mobile
15 home or housetrailer is presumed to be an improvement to
16 real property. A mobile home or housetrailer may be
17 determined to be permanently located only when it is
18 attached to a foundation which cannot feasibly be relocated
19 and only when the wheels are removed.

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

1 only on such leasehold improvements.

2 (i)(j) The term "livestock" means cattle, sheep, swine,
3 goats, horses, mules, and asses.

4 (j)(k) The term "mobile home" means forms of housing
5 known as "trailers", "housetrainers", or "trailer coaches"
6 exceeding 8 feet in width or 45 feet in length, designed to
7 be moved from one place to another by an independent power
8 connected to them, or any "trailer", "housetrailer", or
9 "trailer coach" up to 8 feet in width or 45 feet in length
10 used as a principal residence.

11 (k)(l) The term "personal property" includes everything
12 that is the subject of ownership but that is not included
13 within the meaning of the terms "real estate" and
14 "improvements".

15 (l)(m) The term "poultry" includes all chickens,
16 turkeys, geese, ducks, and other birds raised in
17 domestication to produce food or feathers.

18 (m)(n) The term "property" includes moneys, credits,
19 bonds, stocks, franchises, and all other matters and things,
20 real, personal, and mixed, capable of private ownership.
21 This definition must not be construed to authorize the
22 taxation of the stocks of any company or corporation when
23 the property of such company or corporation represented by
24 the stocks is within the state and has been taxed.

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

1 (i) the possession of, claim to, ownership of, or right
2 to the possession of land;

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

8 ~~(o)~~(p) "Research and development firm" means an entity
9 incorporated under the laws of this state or a foreign
10 corporation authorized to do business in this state whose
11 principal purpose is to engage in theoretical analysis,
12 exploration, and experimentation and the extension of
13 investigative findings and theories of a scientific and
14 technical nature into practical application for experimental
15 and demonstration purposes, including the experimental
16 production and testing of models, devices, equipment,
17 materials, and processes.

18 ~~(p)~~(q) The term "taxable value" means the percentage of
19 market or assessed value as provided for in Title 15,
20 chapter 6, part 1.

21 ~~(q)~~(r) The term "weighted mean assessment ratio" means
22 the total of the assessed values divided by the total of the
23 selling prices of all area sales in the stratum.

24 (2) The phrase "municipal corporation" or
25 "municipality" or "taxing unit" shall be deemed to include a

1 county, city, incorporated town, township, school district,
2 irrigation district, drainage district, or any person,
3 persons, or organized body authorized by law to establish
4 tax levies for the purpose of raising public revenue.

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

7 **Section 2.** Section 15-6-134, MCA, is amended to read:
8 "15-6-134. Class four property -- description --
9 taxable percentage. (1) Class four property includes:

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

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

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

23 (d) all golf courses, including land and improvements
24 actually and necessarily used for that purpose, that consist
25 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,
3 property described in subsections (1)(a) and (1)(b) is taxed
4 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:

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

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

1 (A) multiplying the appropriate dollar amount from the
2 table in subsection (2)(b)(i) by the ratio of the PCE for
3 the second quarter of the year prior to the year of
4 application to the PCE for the second quarter of 1986; and

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

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

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

14 (3) After July 1, 1986, no adjustment may be made by
15 the department to the taxable percentage rate for class four
16 property until a revaluation has been made as provided in
17 15-7-111.

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

24 **Section 3.** Section 15-6-142, MCA, is amended to read:

25 "15-6-142. Class twelve property -- description --

1 taxable percentage. (1) Class twelve property includes:
 2 (a) a trailer or mobile home used as a residence except
 3 when:
 4 (i) held by a distributor or dealer of trailers or
 5 mobile homes as his stock in trade; or
 6 (ii) specifically included in another class;
 7 (b) the first \$80,000 or less of the market value of a
 8 trailer or mobile home used as a residence and actually
 9 occupied for at least 10 months a year as the primary
 10 residential dwelling of any person whose total income from
 11 all sources including otherwise tax-exempt income of all
 12 types is not more than \$10,000 for a single person or
 13 \$12,000 for a married couple or head of household, as
 14 adjusted according to 15-6-134(2)(b)(ii).
 15 (2) Class twelve property is taxed as follows:
 16 (a) Property described in subsection (1)(a) that is not
 17 of the type described in subsection (1)(b) is taxed at 3.86%
 18 of its market value.
 19 (b) Property described in subsection (1)(b) is taxed at
 20 3.86% of its market value multiplied by a percentage figure
 21 based on income and determined from the table established in
 22 subsection (2)(b)(i) of 15-6-134."
 23 **Section 4.** 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) the first \$80,000 or less of the market value of
 19 one of the following that is actually occupied for at least
 20 10 months in the preceding year as the primary residential
 21 dwelling of any person, including either spouse of a married
 22 couple, 62 years of age or older whose total income from all
 23 sources and net business income and losses, including
 24 otherwise tax-exempt income of all types, are not more than
 25 \$15,000 for a single person or head of household or \$20,000

1 for a married couple:

2 (i) any improvement on real property and appurtenant
 3 land not exceeding 5 acres owned or under contract for deed;
 4 or

5 (ii) a trailer or mobile home used as a residence and
 6 appurtenant land not exceeding 5 acres owned or under
 7 contract for deed.

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

12 (b) The terms "public art galleries" and "public
 13 observatories" include only those art galleries and
 14 observatories, whether of public or private ownership, that
 15 are open to the public without charge at all reasonable
 16 hours and are used for the purpose of education only.

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

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

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

LC 0342/01

1 **Section 5.** Section 15-24-901, MCA, is amended to read:

2 **"15-24-901. Definition.** As used in this part,
3 "livestock" includes those animals specified in
4 15-1-101(i)(j)."

5 NEW SECTION. **Section 6.** Effective date -- retroactive
6 applicability. [This act] is effective on passage and
7 approval and applies retroactively, within the meaning of
8 1-2-109, to taxable years beginning after December 31, 1990.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0886, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act relating to property tax exemptions for the first \$80,000 of market value of residences and residential mobile homes; providing that the income requirement for a low income head of household is the same as for a married couple; providing that the \$80,000 exemption applies to low-income home and mobile home owners 62 years of age or older; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

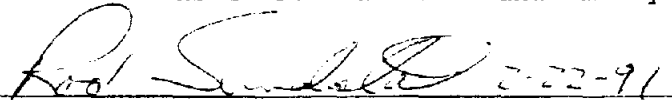
1. The total number of those qualifying for the exemption would be 6,506.
2. The number qualifying for the exemption currently receive a homeowner renter credit when filing state income tax. The average homeowner renter credit is \$225.
3. The average market value of each residence qualifying for the exemption is \$26,801.
4. Total statewide taxable value qualifying for the exemption would be \$4,779,156.
5. Total taxable value qualifying for the exemption within cities and towns would be \$2,749,922.
6. Average mill levies for the property qualifying for the exemption are 6.00 for universities, 95.00 for state and county equalization, 86.10 for counties, 119.73 for schools, and 97.92 for cities and towns.

FISCAL IMPACT:

	FY '92			FY '93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
University Levy	9,504,000	9,475,325	(28,675)	9,686,000	9,657,325	(28,675)
State Equalization Levy	63,361,000	63,169,834	(191,166)	64,575,000	64,383,834	(191,166)
County Equalization Levy	87,121,000	86,858,147	(262,853)	88,790,000	88,527,147	(262,853)
Individual Income Tax (01)	311,176,000	312,639,850	1,463,850	327,201,000	328,664,850	1,463,850
Total	471,162,000	472,143,156	981,156	490,252,000	491,233,156	981,156
Impact to General Fund			1,463,850			1,463,850

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposal would reduce local government property tax revenue by \$411,485 for counties, \$572,209 for schools, and \$269,272 for cities and towns in FY92 and FY93 and subsequent fiscal years.


 ROD SUNDSTED, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

THOMAS N. LEE, PRIMARY SPONSOR DATE

Fiscal Note for HB0886, as introduced

HB 886